

HOUSE BILL REPORT

HB 1678

As Passed Legislature

Title: An act relating to members of the law enforcement officers' and firefighters' retirement system plan 2 who were disabled in the line of duty before January 1, 2001.

Brief Description: Providing a minimum retirement allowance for members of the law enforcement officers' and firefighters' retirement system plan 2 who were disabled in the line of duty before January 1, 2001.

Sponsors: Representatives Van De Wege, Simpson, Ericks, Williams, Kelley, Sells, Ross, Hope and Conway; by request of LEOFF Plan 2 Retirement Board.

Brief History:

Committee Activity:

Ways & Means: 2/9/09, 2/18/09 [DP].

Floor Activity

Passed House: 3/3/09, 97-0.

Passed Senate: 4/7/09, 44-0.

Passed Legislature.

Brief Summary of Bill

- Permits members of the Law Enforcement Officers' and Firefighters' Retirement System Plan 2 who were disabled in the line of duty before January 1, 2001 and receive a disability allowance to convert their disability allowance to include a federal income tax-exempt fixed 10 percent of final average salary benefit, plus an actuarially reduced benefit for each year of service earned beyond five.
- Limits the new benefit to the greater of 10 percent, or the original disability allowance the member was receiving prior to the conversion.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass. Signed by 22 members: Representatives Linville, Chair; Ericks, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick, Seaquist and Sullivan.

Staff: David Pringle (786-7310)

Background:

Members of the Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 2 (LEOFF 2) are eligible for a retirement allowance of 2 percent of average final salary for each year of service credit earned at age 53. Members of LEOFF 2 may apply for early retirement beginning at age 50; however, the member's benefit is reduced by 3 percent per year below age 53 if the member has 20 or more years of service, and fully actuarially reduced if the member has less than 20 years of service.

If a member becomes disabled for a non-duty related reason, a member may receive a retirement allowance based on the 2 percent of average final salary formula that is actuarially reduced from age 53 to the age at disability.

The 2004 Legislature passed House Bill 2418, which increased disability benefits for LEOFF 2 members disabled in the line of duty beyond those provided for non-duty disabilities. As a result of HB 2418, a member of LEOFF 2 who leaves service as a result of a line of duty disability is eligible to receive a retirement allowance of at least 10 percent of final average salary. This fixed 10 percent of pay duty disability benefit is not subject to federal income tax. In addition to the 10 percent of pay, the disabled member receives a 2 percent per year of service disability benefit for each year of service earned beyond five years. This service-related portion of the disability benefit is subject to federal income tax. The 2005 Legislature passed Substitute Senate Bill 5615, which removed the requirement that the 2 percent per year of service earned disability benefit be actuarially reduced for the difference between age 53 and the member's age at retirement, making the disability benefit unreduced for age.

A member of LEOFF 2 who leaves service as a result of a line of duty disability or after earning 10 or more years of service may also request a refund of 150 percent of the member's accumulated contributions. A member with fewer than 10 years of service may request 100 percent of the member's contributions. In either case, a member who requests a refund of contributions is ineligible for a disability or service retirement allowance.

In addition to disability benefits from the retirement system, members of LEOFF 2 (unlike members of LEOFF 1) are eligible for job-related disability, medical, and death benefits from the Workers' Compensation System administered by the Department of Labor and Industries.

Summary of Bill:

Members of the Law Enforcement Officers' and Firefighters' Retirement System Plan 2 that were disabled in the line of duty before January 1, 2001 and are receiving a disability allowance are permitted to convert their disability allowance to include a fixed 10 percent of final average salary benefit, plus an actuarially reduced benefit for each year of service earned beyond five. The resulting disability allowance shall not be greater than the member's

original benefit unless the original benefit was less than 10 percent of final average salary. The 10 percent of pay fixed line of duty disability benefit is not subject to federal income tax.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This benefit only exists in LEOFF 2, so there is no potential for coordination of the request for legislation with the Select Committee on Pension Policy, as the LEOFF 2 Board (Board) did with other proposals this year. It is an eleven-member board with member and employer representation. The Board has the authority to adopt assumptions and contribution rates, recommend legislation and benefits changes. Prior to the 2004 legislation, there were no duty-disability related benefits in LEOFF 2. This allows members to make their case to the Department of Retirement Systems that they were disabled in the line of duty. The primary benefit to members is the tax-preferred status of the 10 percent benefit upon recharacterization.

(Opposed) None.

Persons Testifying: Representative Van De Wege, prime sponsor; Steve Nelsen, LEOFF Plan 2 Retirement Board; and Kelly Fox, Washington State Council of Fire Fighters.

Persons Signed In To Testify But Not Testifying: None.