
Ways & Means Committee

HB 2068

Brief Description: Setting law enforcement officers' and firefighters' plan 2 contribution rates for the 2011-2013 fiscal biennium at the actuarially required rates.

Sponsors: Representative Van De Wege.

Brief Summary of Bill

- Establishes contribution rates for the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 for the period of July 1, 2011, through June 30, 2013, of 7.40 percent for employees, 4.44 percent for employers, and 2.96 percent for the state.

Hearing Date: 4/14/11

Staff: David Pringle (786-7310).

Background:

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) provides retirement benefits to full-time, fully-compensated law enforcement officers and fire fighters employed by the state, cities, counties, and special districts and who were first employed in an eligible position on or after October 1, 1977.

As of the 2009 Actuarial Valuation, LEOFF 2 has about 17,000 active members and 3,000 retired and term-vested members, with active members earning an average salary of about \$85,000. The LEOFF 2 had liabilities of about \$4.3 billion on a Projected Unit Credit basis, an actuarial value of assets of about \$5.6 billion, and is approximately 128 percent fully funded. This funded status is projected to decline to about 100 percent as deferred asset losses from 2008 and 2009 are absorbed over time.

The LEOFF 2 is funded by contributions to the LEOFF 2 Retirement Fund from member, employer, and state contributions, as well as investment earnings on the funds contributed. The

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total level of contributions required in a given period is allocated as follows: 50 percent is paid by the members, 30 percent is paid by employers, and the remaining 20 percent is paid by the state. Investment of moneys in the LEOFF 2 Retirement Fund is handled by the State Investment Board (SIB).

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board (the Board) is responsible for the adoption of the economic assumptions, actuarial methods, and contribution rates for LEOFF 2, subject to revision by the Legislature. Following the adoption of Initiative 790, and prior to the creation of the LEOFF 2 Board, both the LEOFF 2 Board and the Pension Funding Council (PFC) had authority to adopt contribution rates and assumptions for LEOFF 2. The 2003 Legislature enacted Chapter 92, Laws of 2003 (SHB 2197) implementing the Initiative. Among the changes, the authority of the PFC to set contribution rates and assumptions for LEOFF 2 was eliminated, and the rates and assumptions adopted by the LEOFF 2 Board were made subject to revision by the Legislature.

Currently the member contribution rate for LEOFF 2 is 8.46 percent, for employers is 5.08 percent, and for the state is 3.38 percent. At the July 29, 2010, meeting, the LEOFF 2 Board elected to continue those contribution rates until 2017. The actuarial valuation prepared by the State Actuary for rate adoption for the 2011-13 biennium indicated that according to the statutory method, the contribution rates required are 7.40 percent for members, 4.44 percent for employers, and 2.96 percent for the state. The latter rates reflect the minimum level of 90 percent of Entry Age Normal Cost, an actuarial method designed to produce a contribution rate that is a level percentage pay for a pension plan throughout a member's career.

During the 2009-11 fiscal biennium, the state is anticipated to contribute about \$107 million General Fund-State (GF-S) to LEOFF 2. At the rates adopted by the LEOFF 2 Board for the 2011-13 biennium, this amount is projected to grow to about \$121 million GF-S.

Summary of Bill:

Contribution rates are established for the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 for the period of July 1, 2011, through June 30, 2013, of 7.40 percent for employees, 4.44 percent for employers, and 2.96 percent for the state.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2011.