
Ways & Means Committee

HB 2071

Brief Description: Eliminating the September 30, 2011, transfer to the local public safety account and clarifying the method of funding previously adopted benefits.

Sponsors: Representative Van De Wege.

Brief Summary of Bill

- Eliminates the conditional transfer of \$5 million to the Local Public Safety Enhancement Account (LPSEA) required by September 30, 2011.
- Specifies that if funds appropriated and deposited into the Local Law Enforcement Officers' and Firefighters' Retirement Systems Benefits Improvement Account are insufficient to support previously adopted benefits, any unfunded costs shall be funded through a contribution rate assessed in the same manner as other benefits in the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2.

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

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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 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. The Board may adopt increased benefits for LEOFF 2, subject to affirmative legislative rejection, recommend statutory changes to the Legislature as required, and study issues related to plan funding and benefits. The expenses of the Board are paid from the LEOFF 2 Retirement Fund, with the LEOFF 2 Expense Fund serving as an intermediary expense account. The day-to-day administration of LEOFF 2 is handled by the Department of Retirement Systems (DRS).

The 2008 Legislature created a new Local Public Safety Enhancement Account (LPSEA) to fund future pension benefit enhancements in LEOFF 2 and local government public safety functions. Beginning in 2011, and by September 30 of odd-numbered years in each subsequent fiscal biennium in which general state revenue collections increase by more than 5 percent from the prior fiscal biennium, the State Treasurer must transfer, subject to appropriation, funds for transfer to the LPSEA.

The amounts of the transfers to the LPSEA are: \$5 million for 2011; \$10 million in 2013; \$20 million in 2015; \$50 million in 2017; and in subsequent fiscal biennium the lesser of one-third of the general revenue increase amount or \$50 million. General state revenues means total revenues to the General Fund-State less state revenues from property taxes.

Half of the funds moved to the LPSEA are to be transferred, subject to appropriation, to a new Law Enforcement Officers' and Fire Fighters' Retirement System Benefits Improvement Account (Benefits Improvement Account) created within the LEOFF 2 Retirement Fund. The remaining funds in the LPSEA are distributed to local governments for public safety purposes.

Money transferred to the Benefits Improvement Account can only be used to fund benefits enacted by the Legislature. Benefits may be funded from the Benefits Improvement Account if the State Actuary determines that the actuarial present value of the proposed and existing benefit obligations is met or exceeded by the actuarial present value of the projected revenues to the account. The State Investment Board (SIB) is authorized to adopt investment policies and invest the money in the Benefits Improvement Account.

The Board has the sole authority to authorize disbursements from the Benefits Improvement Account, and to establish all other policies relating to the Benefits Improvement Account, which must be administered in an actuarially sound manner. Funds in the Benefits Improvement Account may not be considered assets of the LEOFF 2 plan and are not included in contribution

rate calculations by the State Actuary until so directed by the Board for purposes of financing benefits enacted by the Legislature.

Summary of Bill:

The conditional transfer of \$5 million to the Local Public Safety Enhancement Account (LPSEA) required by September 30, 2011, is eliminated. The statute governing the use of funds transferred from the LPSEA to the Local Law Enforcement Officers' and Firefighters' Retirement Systems Benefits Improvement Account is amended to specify that if funds transferred are insufficient to support previously adopted benefits, any unfunded costs shall be funded through a contribution rate assessed in the same manner as other benefits in the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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