

SENATE BILL REPORT

SB 5983

As of March 19, 2019

Title: An act relating to the law enforcement officers' and firefighters' plan 2 pension system.

Brief Description: Concerning the law enforcement officers' and firefighters' plan 2 pension system.

Sponsors: Senator Van De Wege.

Brief History:

Committee Activity: Ways & Means: 3/18/19.

Brief Summary of Bill

- Transfers \$300 million from the Law Enforcement Officers' and Firefighters' Plan 2 Retirement Fund to the Benefit Enhancement Account.
- Eliminates biennial transfers from the State General Fund Transfer Local Public Safety Enhancement Account.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

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 firefighters employed by the state, cities, counties, and special districts, who were first employed in an eligible position on or after October 1, 1977. LEOFF 2 is funded by contributions to the LEOFF 2 Retirement Fund from members, employers, and state contributions, as well as investment earnings. Contributions are 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. 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. The board also studies issues related to plan funding and benefits, and makes recommendations to the Legislature as required.

In 2008, ESSB 6573 was enacted directing that beginning in 2011, funds would be transferred from the State General Fund to the newly created Local Public Safety

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.

Enhancement Account (LPSEA). For the transfer to be required, the general state revenue collections for the previous biennium must increase by more than 5 percent from the prior fiscal biennium. The amounts of the transfers to the LPSEA were: \$5 million for 2011; \$10 million in 2013; \$20 million in 2015; \$50 million in 2017; and in subsequent fiscal biennia, the lesser of one-third of the general revenue increase amount or \$50 million. Half of the funds transferred to the LPSEA were to be transferred to a new Law Enforcement Officers' and Fire Fighters' Retirement System Benefits Improvement Account (Benefits Improvement Account) in the LEOFF 2 Retirement Fund. The remaining funds in the LPSEA were to be distributed to local governments for public safety purposes. Money in the Benefits Improvement Account is not included in the calculation of contribution rates and may only be used to fund LEOFF 2 benefit improvements adopted by the Legislature.

During the 2011-13 fiscal biennium, no transfer was made as the previous biennium state revenues did not increase by more than 5 percent from the prior fiscal biennium. In the 2013-15 biennium, the revenue growth requirement was met, but the \$10 million transfer from the State General Fund was suspended and instead \$15.8 million was transferred from the LEOFF 2 Retirement Fund to the Benefits Improvement Account. During the 2015-17 and the 2017-19 biennia the State General Fund transfers were again suspended and no other transfers were made for this purpose.

Summary of Bill: The LPSEA and the biennial transfers from the State General Fund to the LPSEA are eliminated. On July 1, 2019, \$300 million is transferred from the LEOFF 2 Retirement Fund to the Benefits Improvement Account.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: LEOFF2 benefit improvements are much needed. The nature of the work does not allow people to get their full benefit because they are unable to do the work for 30 or more years. This is a reasonable approach to relieve the state of the ongoing cost.

CON: This is a troubling use of pension funds. This does not take in to account changes in lifespan or other potential increases in cost. Sometimes the cost estimates are wrong and the state and employers will pick up the cost if that happens.

OTHER: The LEOFF 2 board is the fiduciary of the plan and they have not considered this. The account needs to be stable. This should not be considered until the draft updated actuarial valuation is published in June. The benefit enhancement under this bill are undefined.

Persons Testifying: PRO: Bud Sizemore, Washington State Council of Fire Fighters; Theresa Taylor, Washington Council of Police and Sheriffs; Renee Maher, COMPAS.

CON: Mike Hoover, Washington State Association of Counties; Logan Bahr, Association of Washington Cities.

OTHER: Lynnette Buffington, Washington Chapter, Fraternal Order of Police.

Persons Signed In To Testify But Not Testifying: No one.