

SENATE BILL REPORT

SHB 2688

As Reported By Senate Committee On:
Ways & Means, February 24, 2006

Title: An act relating to the law enforcement officers' and fire fighters' retirement system plan 1.

Brief Description: Addressing the law enforcement officers' and fire fighters' retirement system plan 1.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Fromhold, Conway, Lovick, Kenney, Quall, Simpson, Ormsby, Moeller and Ericks; by request of Select Committee on Pension Policy).

Brief History: Passed House: 2/11/06, 78-19.

Committee Activity: Ways & Means: 2/24/06 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Erik Sund (786-7454)

Background: Plan 1 of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF 1) was created in 1971. In 1974, a benefit cap was created within LEOFF 1, limiting members' retirement allowances to 60 percent of final average salary. This limit applies to members of LEOFF 1 who joined the plan after February 18, 1974. Members who joined the plan earlier are not subject to the cap.

No contributions have been made to LEOFF 1 since 2000. State contributions ceased in 1999, when the plan surpassed the 100 percent funding level.

LEOFF 1 is unique among the state-administered retirement systems in that it provides 100 percent employer funded medical benefits. As the majority of LEOFF 1 members were employed by cities and counties, the cost of LEOFF 1 retirees' medical benefits is borne by local governments.

Summary of Amended Bill: The 60 percent benefit cap is removed from LEOFF 1.

The Governor is directed to establish a joint executive task force to study the funding of post-retirement medical benefits for LEOFF 1 members. The task force consists of the Director of the Department of Retirement Systems, the Administrator of the Health Care Authority, the State Actuary, a representative of the Washington cities, a representative of the Washington counties, an active member of LEOFF 1, and a retired member of LEOFF 1.

After evaluating options, the task force shall select private or public funding vehicles through which voluntary employer contributions and transfers of excess pension funds may be used for funding LEOFF 1 medical benefits. If legislative authorization is required to implement the chosen funding mechanism, the task force shall report to the fiscal committees on its recommendation by September 1, 2006. A final report to the Legislature is due by December 1, 2006, at which time the task force expires. As part of its report, the task force shall provide a recommendation on whether or not employer and employee contributions in LEOFF 1 should be reinstated.

Amended Bill Compared to Original Bill: The original bill reinstated employer and employee contributions at the rate of 6 percent of pay beginning July 1, 2007, rather than directing the task force to evaluate the merit of reinstating contributions.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Testimony For: (From SB 6447) Small police and fire departments are devoting an increasingly large proportion of their budgets towards LEOFF 1 retirees' medical benefits, reducing the resources available to them to fight crime and fires. The work of the task force that would be created by this bill would be very helpful to the local governments that are responsible for paying these costs. Lifting the 60 percent cap on retirement allowances would not be creating a new benefit but rather would mean the restoration of an original benefit that was removed from the plan to save money under different circumstances.

Testimony Against: (From SB 6447) Encouraging fire fighters to work longer isn't fair to them or to the public that they serve. It would not be fair to give a benefit enhancement to members who haven't been making any contributions for the last five years. The removal of the cap would only be agreeable if contributions to the plan were also restored immediately.

Testimony Other: (From SB 6477) The removal of the 60 percent cap on retirement allowances is desirable; however, the reinstatement of employee and employer contributions is not necessary.

Who Testified: (From SB 6447) PRO: Robert Berg, Washington Association of Sheriffs and Police Chiefs; Kelly Fox, Washington State Council of Fire Fighters; Sophia Byrd McSherry, Washington Association of Counties

CON: (From SB 6447) Dick Warbrouck, Retired Fire Fighters of Washington.

OTHER: (From SB 6447) Lee Reaves, Washington Council of Police and Sheriffs.