Inflation Adjustment for $150,000 Death Benefit Preliminary Report

LEOFF Plan 2 Retirement Board

April 30, 2008

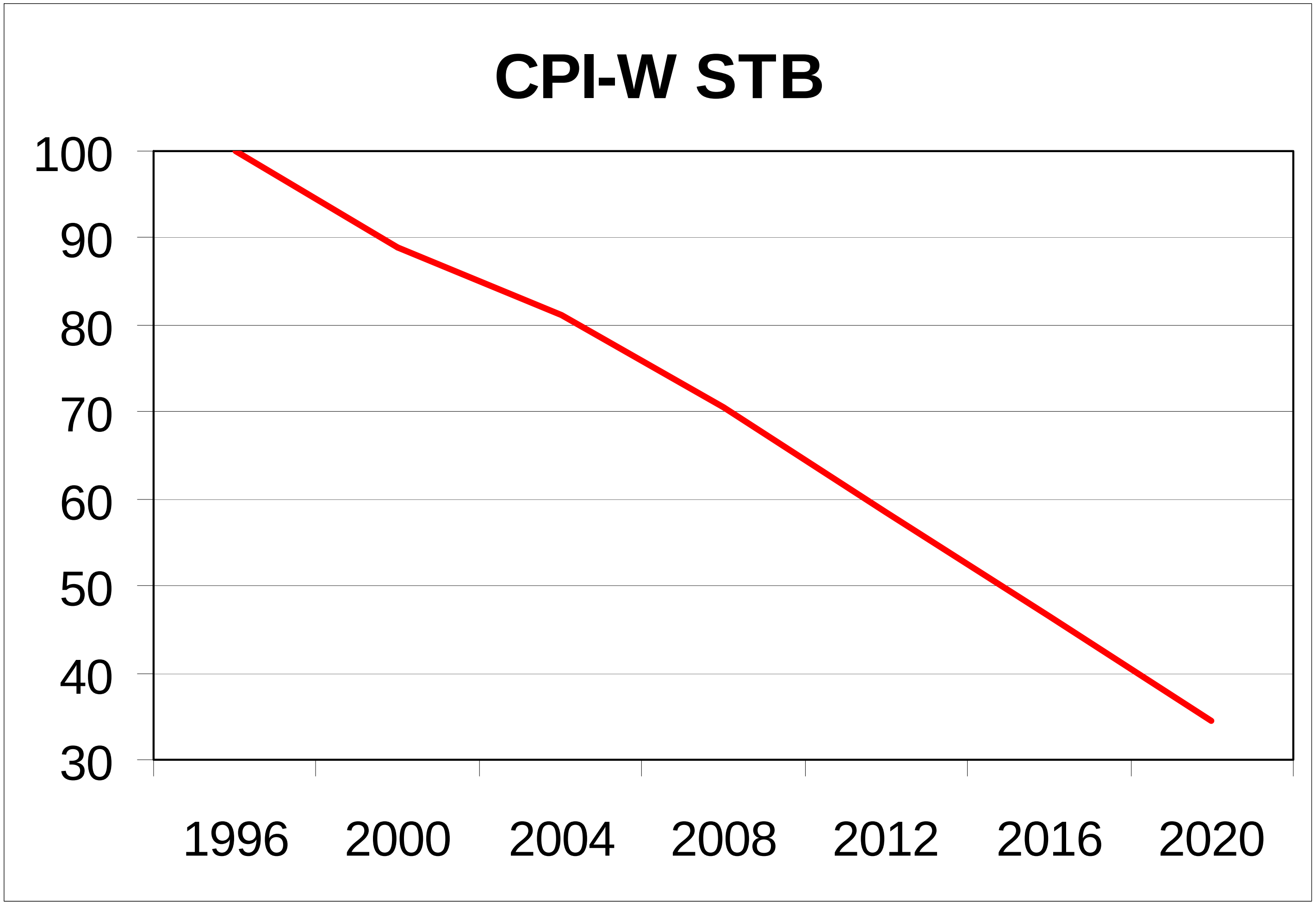
Key Issues

- Loss of Purchasing Power
  - One-time catch-up
  - Ongoing

Loss of Purchasing Power

- Inflation Erodes Purchasing Power
  - Approximately 70% of 1996 purchasing power
  - Need about $215,000 in today's dollars

Loss of Purchasing Power



Costs

- Office of State Actuary Fiscal Note

Options

- Reintroduce Inflation Adjustment Bill
- Introduce Bill to Change Lump-Sum Amount
- Introduce Bill with Combination of Lump-Sum and Inflation Adjustment

Inflation Adjustment for $150,000 Death Benefit

QUESTIONS?

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' PLAN 2 RETIREMENT BOARD

$150,000 Death Benefit Inflation Adjustment

Preliminary Report

April 30, 2008

1. Issue

The $150,000 lump-sum death benefit currently is a fixed amount and is losing purchasing power over time due to inflation.

2. Staff

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3. Members Impacted

Any member who dies in the line of duty would be impacted. According to the Office of the State Actuary, as of September 30, 2006 there were 15,718 active LEOFF Plan 2 members.

4. Current Situation

If a member dies in the line of duty as a result of an injury or occupational illness sustained in the course of employment, a $150,000 death benefit will be paid to the designated beneficiary. The benefit amount is fixed at $150,000 and has been the same since 1996.

5. Background Information

Background Information

During the 2006 Legislative session, the Board sponsored legislation to amend the $150,000 Death Benefit. The original bill included two amendments to existing statutes. The first added death due to an occupational illness, as a qualified reason to receive the $150,000 lump-sum death benefit. The second amendment added an annual inflation adjustment to increase the $150,000 amount over time. The proposed inflation adjustment was to be calculated the same as the cost of living adjustments (COLA) members receive on their pensions. During the original cost analysis done by the Office of the State Actuary (OSA), the addition of the inflation adjustment did not create an increase in contribution rates for LEOFF Plan 2. The Legislature passed the bill but removed the annual inflation adjustment portion of the bill.

The reason for the removal of the inflation adjustment clause was that all of the other plans also have the same $150,000 lump-sum death benefit and the Legislature wanted to understand how the other plans might be affected by an annual inflation adjustment before setting a precedent by adopting one for LEOFF Plan 2. The Select Committee on Pension Policy (SCPP) agreed to study this matter during the 2006 Interim and work cooperatively with the Board on joint legislation. The OSA reported the addition of the inflation adjustment would not create an increase in contribution rates for any of the systems or plans, except the Law Enforcement Officers' and Firefighters' (LEOFF) Plan 2. The increase in LEOFF Plan 2 contribution rates for the inflation adjustment for member and employer would be one basis point each.

A bill developed jointly with the SCPP and introduced in the 2007 Legislative session expanded the eligibility for the $150,000 death benefit to include death from duty-related illness in all plans where it is not already provided, and added an annual inflation adjustment for all plans. The legislature passed the bill but amended out the annual inflation adjustment.

The SCPP introduced a bill in both the House and Senate for the 2008 Legislative session that added an annual inflation adjustment for the $150,000 death benefit for all plans. The Board formally endorsed the legislation. Neither bill was passed. The House bill did not receive a hearing and the Senate bill received a hearing in Senate Ways and Means but was not passed out of committee.

The proposed inflation adjustment in all three previous proposals was the same adjustment as that used for the cost of living adjustment (COLA) on the LEOFF Plan 2 benefit. That option would be to index changes to the Consumer Price Index for urban wage earners and clerical workers for the Seattle/Tacoma/Bremerton region (CPI-W STB) with a three percent maximum per year.

Comparison to Other Lump-Sum Death Benefits

Of the eight states that provide a lump-sum death benefit of $100,000 or more, three have an inflation adjustment. In addition to state provided lump-sum death benefits, there is a federal death benefit, the Public Safety Officers' Benefits (PSOB) Act. This legislation was enacted in 1976 to assist in the recruitment and retention of law enforcement officers and fire fighters by providing a lump-sum death benefit. Beginning October 15, 1988, an annual inflation adjustment was added and the benefit has been adjusted each year on October 1 to reflect the percentage of change in the Consumer Price Index. As of October 1, 2007, the amount is $303,064.

Policy Issue:

Over the last three years the Board or the Board and the SCPP together, have introduced legislation adding an annual inflation adjustment to the $150,000 lump-sum death benefit. The original policy issue was to determine what kind of index should be used. The Board reviewed the following three options and chose option 2 back in 2006. This option was subsequently chosen on the next two Legislative sessions (a copy of the most current version of the bill and fiscal note is attached).

1. **Fully indexed to the Consumer Price Index for urban wage earners and clerical workers for the Seattle/Tacoma/Bremerton (CPI-W STB)**. Under this option, the value of the benefit would be preserved. However, in times of high inflation funding can become an issue.
2. **Index to changes in the CPI-W STB with a 3 percent per year maximum (similar to the COLA on pensions).** Under this option, the value of the benefit is preserved as long as the long-term rate of inflation is at 3 percent or less. Having a ceiling on the index helps to control costs and promote stable funding.
3. **Increase the benefit by 3 percent per year.** This option is the most simple to administer and in years where inflation is less than 3 percent, would actually increase the value of the benefit.

The policy issue is whether or not an annual inflation adjustment is the best design for regaining the purchasing power lost over the past twelve years the benefit has been $150,000. Based on the CPI-W for Seattle/Tacoma/Bremerton, the amount the $150,000 lump-sum death benefit would have to be today to have equivalent purchasing power would be approximately $215,000. Instead of adding an annual inflation adjustment perhaps it would make sense to change the amount from $150,000 to $215,000 and periodically look at changing the lump-sum amount, or a combination of both a lump-sum increase and an inflation adjustment.

6. Policy Options

Option 1: Reintroduce the same bill as last year

Under this option the Board would update the current proposed bill and submit it to the 2009 Legislative session. The Board would need updated cost estimates from OSA.

Option 2: Introduce a bill with a change in the lump-sum amount

Under this option the Board would introduce a bill that changed the lump-sum amount. The Board would need to get cost estimates from OSA.

Option 3: Introduce a bill with a combination of a change in the lump-sum amount and an inflation adjustment

Under this option the Board would need to determine the amount of the lump-sum and what kind of inflation adjustment to propose. Once the proposal was formalized, the Board would need a cost estimate for OSA

7. Supporting Information

Appendix A: 2008 Bill Draft

Appendix B: Office of the State Actuary Fiscal Note – 2008 Session

Z-0708.1

HOUSE BILL 3026

State of Washington 60th Legislature 2008 Regular Session

By Representatives Fromhold, Conway, Crouse, Liias, VanDeWege, Hurst, Sullivan, Kenney, Simpson, and Linville; by request of Select Committee on Pension Policy and LEOFF Plan 2 Retirement Board

Read first time 01/21/08. Referred to Committee on Appropriations.

AN ACT Relating to indexing the one hundred fifty thousand dollar death benefit for public employees; amending RCW 41.04.017, 41.24.160, 41.26.048, 41.32.053, 41.35.115, 41.37.110, 41.40.0931, and 41.40.0932; reenacting and amending RCW 43.43.285; and providing an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 41.04.017 and 2007 c 487 s 1 are each amended to read as follows:

<u>(1)</u> A one hundred fifty thousand dollar death benefit shall be paid as a sundry claim to the estate of an employee of any state agency, the common school system of the state, or institution of higher education who dies as a result of ((~~(1)~~)) <u>(a)</u> injuries sustained in the course of employment; or ((~~(2)~~)) <u>(b)</u> an occupational disease or infection that arises naturally and proximately out of employment covered under this chapter, and is not otherwise provided a death benefit through coverage under their enrolled retirement system under chapter 402, Laws of 2003. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the director of the department of general administration by order under RCW 51.52.050.

(2)(a) Beginning July 1, 2008, and every year thereafter, the department of retirement systems shall determine the following information:

(i) The index for the 2006 calendar year, to be known as "index A";

(ii) The index for the calendar year prior to the date of determination, to be known as "index B"; and

(iii) The ratio obtained when index B is divided by index A.

(b) The value of the ratio obtained shall be the annual adjustment to the original death benefit and shall be applied beginning every July 1st. In no event, however, shall the annual adjustment:

(i) Produce a benefit which is lower than one hundred fifty thousand dollars;

(ii) Exceed three percent in the initial annual adjustment; or

(iii) Differ from the previous year's annual adjustment by more than three percent.

(c) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index -- Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

Sec. 2. RCW 41.24.160 and 2001 c 134 s 2 are each amended to read as follows:

(1)(a) Whenever a participant dies as the result of injuries received, or sickness contracted in consequence or as the result of the performance of his or her duties, the board of trustees shall order and direct the payment from the principal fund of (i) the sum of one hundred fifty-two thousand dollars to his widow or her widower, or if there is no widow or widower, then to his or her dependent child or children, or if there is no dependent child or children, then to his or her dependent parents or either of them, or if there are no dependent parents or parent, then the death benefit shall be paid to the member's estate, and (ii)(A) the sum of one thousand two hundred seventy-five dollars per month to his widow or her widower during his or her life together with the additional monthly sum of one hundred ten dollars for each child of the member, unemancipated or under eighteen years of age, dependent upon the member for support at the time of his or her death,

(B) to a maximum total of two thousand five hundred fifty dollars per month.

(b) Beginning on July 1, 2001, and each July 1st thereafter, the compensation amount specified in (a)(ii)(B) of this subsection shall be readjusted to reflect the percentage change in the consumer price index, calculated as follows: The index for the calendar year preceding the year in which the July calculation is made, to be known as "calendar year A," is divided by the index for the calendar year preceding calendar year A, and the resulting ratio is multiplied by the compensation amount in effect on June 30th immediately preceding the July 1st on which the respective calculation is made. For the purposes of the calculation under this subsection (1)(b), "index" means the same as the definition in RCW 2.12.037(1).

(c)(i) Beginning July 1, 2008, and every year thereafter, the state board shall determine the following information:

(A) The index for the 2006 calendar year, to be known as "index A";

(B) The index for the calendar year prior to the date of determination, to be known as "index B"; and

(C) The ratio obtained when index B is divided by index A.

(ii) The value of the ratio obtained shall be the annual adjustment to the original death benefit specified in (a)(i) of this subsection and shall be applied beginning every July 1st. In no event, however, shall the annual adjustment:

(A) Produce a benefit which is lower than one hundred fifty-two thousand dollars;

(B) Exceed three percent in the initial annual adjustment; or

(C) Differ from the previous year's annual adjustment by more than three percent.

(iii) For the purposes of the calculation specified in this subsection (1)(c), "index" means, for any calendar year, that year's average consumer price index -- Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(2) If the widow or widower does not have legal custody of one or more dependent children of the deceased participant or if, after the death of the participant, legal custody of such child or children passes from the widow or widower to another person, any payment on account of such child or children not in the legal custody of the widow

or widower shall be made to the person or persons having legal custody of such child or children. Such payments on account of such child or children shall be subtracted from the amount to which such widow or widower would have been entitled had such widow or widower had legal custody of all the children and the widow or widower shall receive the remainder after such payments on account of such child or children have been subtracted. If there is no widow or widower, or the widow or widower dies while there are children, unemancipated or under eighteen years of age, then the amount of one thousand two hundred seventy-five dollars per month shall be paid for the youngest or only child together with an additional one hundred ten dollars per month for each additional of such children to a maximum of two thousand five hundred fifty dollars per month until they become emancipated or reach the age of eighteen years; and if there are no widow or widower, child, or children entitled thereto, then to his or her parents or either of them the sum of one thousand two hundred seventy-five dollars per month for life, if it is proved to the satisfaction of the board that the parents, or either of them, were dependent on the deceased for their support at the time of his or her death. In any instance in subsections (1) and (2) of this section, if the widow or widower, child or children, or the parents, or either of them, marries while receiving such pension the person so marrying shall thereafter receive no further pension from the fund.

(3) In the case provided for in this section, the monthly payment provided may be converted in whole or in part into a lump sum payment, not in any case to exceed twelve thousand dollars, equal or proportionate, as the case may be, to the actuarial equivalent of the monthly payment in which event the monthly payments shall cease in whole or in part accordingly or proportionately. Such conversion may be made either upon written application to the state board and shall rest in the discretion of the state board; or the state board is authorized to make, and authority is given it to make, on its own motion, lump sum payments, equal or proportionate, as the case may be, to the value of the annuity then remaining in full satisfaction of claims due to dependents. Within the rule under this subsection the amount and value of the lump sum payment may be agreed upon between the applicant and the state board.

Sec. 3. RCW 41.26.048 and 2007 c 487 s 2 are each amended to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or such person or persons, trust or organization as the member shall have nominated by written designation duly executed and filed with the department. If there be no such designated person or persons still living at the time of the member's death, such member's death benefit shall be paid to the member's surviving spouse as if in fact such spouse had been nominated by written designation, or if there be no such surviving spouse, then to such member's legal representatives.

(2) The benefit under this section shall be paid only when death occurs: (a) As a result of injuries sustained in the course of employment; or (b) as a result of an occupational disease or infection that arises naturally and proximately out of employment covered under this chapter. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

<u>(3)(a) Beginning July 1, 2008, and every year thereafter, the department shall determine the following information:</u>

<u>(i) The index for the 2006 calendar year, to be known as "index A";</u>

<u>(ii) The index for the calendar year prior to the date of determination, to be known as "index B"; and</u>

<u>(iii) The ratio obtained when index B is divided by index A.</u>

<u>(b) The value of the ratio obtained shall be the annual adjustment to the original death benefit and shall be applied beginning every July 1st. In no event, however, shall the annual adjustment:</u>

<u>(i) Produce a benefit which is lower than one hundred fifty thousand dollars;</u>

<u>(ii) Exceed three percent in the initial annual adjustment; or</u>

<u>(iii) Differ from the previous year's annual adjustment by more than three percent.</u>

<u>(c) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index -- Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.</u>

Sec. 4. RCW 41.32.053 and 2007 c 487 s 3 are each amended to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation duly executed and filed with the department. If no such designated person or persons are still living at the time of the member's death, the member's death benefit shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

(2) The benefit under this section shall be paid only where death occurs as a result of (a) injuries sustained in the course of employment; or (b) an occupational disease or infection that arises naturally and proximately out of employment covered under this chapter. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

<u>(3)(a) Beginning July 1, 2008, and every year thereafter, the department shall determine the following information:</u>

<u>(i) The index for the 2006 calendar year, to be known as "index A";</u>

<u>(ii) The index for the calendar year prior to the date of determination, to be known as "index B"; and</u>

<u>(iii) The ratio obtained when index B is divided by index A.</u>

<u>(b) The value of the ratio obtained shall be the annual adjustment to the original death benefit and shall be applied beginning every July 1st. In no event, however, shall the annual adjustment:</u>

<u>(i) Produce a benefit which is lower than one hundred fifty thousand dollars;</u>

<u>(ii) Exceed three percent in the initial annual adjustment; or</u>

<u>(iii) Differ from the previous year's annual adjustment by more than three percent.</u>

<u>(c) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index -- Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.</u>

Sec. 5. RCW 41.35.115 and 2007 c 487 s 4 are each amended to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation duly executed and filed with the department. If no such designated person or persons are still living at the time of the member's death, the member's death benefit shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

(2) The benefit under this section shall be paid only where death occurs as a result of (a) injuries sustained in the course of employment; or (b) an occupational disease or infection that arises naturally and proximately out of employment covered under this chapter. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

(3)(a) Beginning July 1, 2008, and every year thereafter, the department shall determine the following information:

(i) The index for the 2006 calendar year, to be known as "index A";

(ii) The index for the calendar year prior to the date of determination, to be known as "index B"; and

(iii) The ratio obtained when index B is divided by index A.

(b) The value of the ratio obtained shall be the annual adjustment to the original death benefit and shall be applied beginning every July 1st. In no event, however, shall the annual adjustment:

(i) Produce a benefit which is lower than one hundred fifty thousand dollars;

(ii) Exceed three percent in the initial annual adjustment; or

(iii) Differ from the previous year's annual adjustment by more than three percent.

(c) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index -- Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

Sec. 6. RCW 41.37.110 and 2007 c 487 s 5 are each amended to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or the person or persons, trust, or organization the member has nominated by written designation duly executed and filed with the department. If the designated person or persons are not still living at the time of the member's death, the member's death benefit shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

(2) The benefit under this section shall be paid only where death occurs as a result of (a) injuries sustained in the course of employment; or (b) an occupational disease or infection that arises naturally and proximately out of employment covered under this chapter. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

(3)(a) Beginning July 1, 2008, and every year thereafter, the department shall determine the following information:

(i) The index for the 2006 calendar year, to be known as "index A";

(ii) The index for the calendar year prior to the date of determination, to be known as "index B"; and

(iii) The ratio obtained when index B is divided by index A.

(b) The value of the ratio obtained shall be the annual adjustment to the original death benefit and shall be applied beginning every July 1st. In no event, however, shall the annual adjustment:

(i) Produce a benefit which is lower than one hundred fifty thousand dollars;

(ii) Exceed three percent in the initial annual adjustment; or

(iii) Differ from the previous year's annual adjustment by more than three percent.

(c) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index -- Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

Sec. 7. RCW 41.40.0931 and 2007 c 487 s 6 are each amended to read as follows:

(1) A one hundred fifty thousand dollar death benefit for members who had the opportunity to transfer to the law enforcement officers' and firefighters' retirement system pursuant to chapter 502, Laws of 1993, but elected to remain in the public employees' retirement system, shall be paid to the member's estate, or such person or persons, trust, or organization as the member has nominated by written designation duly executed and filed with the department. If there is no designated person or persons still living at the time of the member's death, the member's death benefit shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

(2) Subject to subsection (3) of this section, the benefit under this section shall be paid only where death occurs as a result of (a) injuries sustained in the course of employment as a general authority police officer; or (b) an occupational disease or infection that arises naturally and proximately out of employment covered under this chapter. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

(3) The benefit under this section shall not be paid in the event the member was in the act of committing a felony when the fatal injuries were suffered.

<u>(4)(a) Beginning July 1, 2008, and every year thereafter, the department shall determine the following information:</u>

<u>(i) The index for the 2006 calendar year, to be known as "index A";</u>

<u>(ii) The index for the calendar year prior to the date of determination, to be known as "index B"; and</u>

<u>(iii) The ratio obtained when index B is divided by index A.</u>

<u>(b) The value of the ratio obtained shall be the annual adjustment to the original death benefit and shall be applied beginning every July 1st. In no event, however, shall the annual adjustment:</u>

<u>(i) Produce a benefit which is lower than one hundred fifty thousand dollars;</u>

<u>(ii) Exceed three percent in the initial annual adjustment; or</u>

(iii) Differ from the previous year's annual adjustment by more than three percent.

(c) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index -- Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

Sec. 8. RCW 41.40.0932 and 2007 c 487 s 7 are each amended to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation duly executed and filed with the department. If no such designated person or persons are still living at the time of the member's death, the member's death benefit shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

(2) The benefit under this section shall be paid only where death occurs as a result of (a) injuries sustained in the course of employment; or (b) an occupational disease or infection that arises naturally and proximately out of employment covered under this chapter. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

(3)(a) Beginning July 1, 2008, and every year thereafter, the department shall determine the following information:

(i) The index for the 2006 calendar year, to be known as "index A";

(ii) The index for the calendar year prior to the date of determination, to be known as "index B"; and

(iii) The ratio obtained when index B is divided by index A.

(b) The value of the ratio obtained shall be the annual adjustment to the original death benefit and shall be applied beginning every July 1st. In no event, however, shall the annual adjustment:

(i) Produce a benefit which is lower than one hundred fifty thousand dollars;

(ii) Exceed three percent in the initial annual adjustment; or

(iii) Differ from the previous year's annual adjustment by more than three percent.

(c) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index -- Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

Sec. 9. RCW 43.43.285 and 2007 c 488 s 1 and 2007 c 487 s 9 are each reenacted and amended to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or such person or persons, trust or organization as the member shall have nominated by written designation duly executed and filed with the department. If there be no such designated person or persons still living at the time of the member's death, such member's death benefit shall be paid to the member's surviving spouse as if in fact such spouse had been nominated by written designation, or if there be no such surviving spouse, then to such member's legal representatives.

(2)(a) The benefit under this section shall be paid only where death occurs as a result of (i) injuries sustained in the course of employment; or (ii) an occupational disease or infection that arises naturally and proximately out of employment covered under this chapter. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

(b) The retirement allowance paid to the spouse and dependent children of a member who is killed in the course of employment, as set forth in RCW 41.05.011(14), shall include reimbursement for any payments of premium rates to the Washington state health care authority under RCW 41.05.080.

(3)(a) Beginning July 1, 2008, and every year thereafter, the department shall determine the following information:

(i) The index for the 2006 calendar year, to be known as "index A";

(ii) The index for the calendar year prior to the date of determination, to be known as "index B"; and

(iii) The ratio obtained when index B is divided by index A.

(b) The value of the ratio obtained shall be the annual adjustment to the original death benefit and shall be applied beginning every July 1st. In no event, however, shall the annual adjustment:

(i) Produce a benefit which is lower than one hundred fifty thousand dollars;

(ii) Exceed three percent in the initial annual adjustment; or

(iii) Differ from the previous year's annual adjustment by more than three percent.

(c) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index -- Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

NEW SECTION. **Sec. 10.** This act takes effect July 1, 2008.

--- END ---

Multiple Agency Fiscal Note Summary

Bill Number: 3026 HB	**Title:** Death benefits

Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Total $						

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	0	0	.0	200,000	200,000	.0	200,000	200,000
Department of Retirement Systems	.0	0	12,043	.0	0	0	.0	0	0
Board for Volunteer Firefighters and Reserve Officers	.0	0	400	.0	0	100	.0	0	100
Higher Education Coordinating Board	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total	**0.0**	**$0**	**$12,443**	**0.0**	**$200,000**	**$200,100**	**0.0**	**$200,000**	**$200,100**

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

Prepared by: Jane Sakson, OFM	**Phone:** 360-902-0549	**Date Published:** Final 2/22/2008

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 20267

Individual State Agency Fiscal Note

Bill Number: 3026 HB	Title: Death benefits	Agency: 035-Office of State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund					
General Fund-State 001-1	0	0	0	200,000	200,000
Total $	0	0	0	200,000	200,000

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 01/25/2008
Agency Preparation:	Darren Painter	Phone: 360-786-6155	Date: 01/25/2008
Agency Approval:	Matthew M. Smith	Phone: 360-786-6140	Date: 01/25/2008
OFM Review:	Jane Sakson	Phone: 360-902-0549	Date: 01/25/2008

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$0	$0	$0	$0	$0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBERS:
Office of the State Actuary	**035**	**1/25/08**	**HB 3026 / SB 6664**

INTENDED USE

The Office of the State Actuary ("we") prepared this fiscal note based on our understanding of the bill as of the date shown above. We intend this fiscal note to be used by the Legislature during the 2008 Legislative Session only.

We advise other readers of this fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this fiscal note as a whole. Distribution of or reliance on only parts of this fiscal note could result in its misuse, and may mislead others.

EXECUTIVE SUMMARY

This bill indexes the amount of the $150,000 death benefit to changes in the CPI. Current law provides the un-indexed-death benefit to all state-retirement-system members and other public employees who die from duty-related illnesses or injuries.

Increase in Actuarial Liabilities			
(Dollars in Millions)	**Current**	**Increase**	**Total**
Actuarial Present Value of Projected Benefits	$64,275	$4	$64,279
Unfunded Actuarial Accrued Liability	4,470	0	4,470
Unfunded Liability (PVCPB)	$961	$4	$965

Total Increase in Contribution Rates						
Current Biennium	**PERS**	**TRS**	**SERS**	**PSERS**	**LEOFF**	**WSPRS**
Employee (Plan 2)	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%
Employer	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%
State					0.00%	

Fiscal Costs			
(Dollars in Millions)	**2008-2009**	**2009-2011**	**25-Year**
General Fund-State	$0.0	$0.1	$2.3
Total Employer	$0.1	$0.4	$7.1

See the Actuarial Results section of this fiscal note for more detail.

BENEFIT IMPROVEMENT

Summary of Benefit Improvement

This bill impacts the following retirement systems and public employees:

- Public Employees' Retirement System (PERS).
- Teachers' Retirement System (TRS).
- School Employees' Retirement System (SERS).
- Public Safety Employees' Retirement System (PSERS).
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).
- Washington State Patrol Retirement System (WSPRS).
- Volunteer Firefighters' Relief and Pension Fund (VFF).
- Members of the Judicial Retirement System (JRS).
- Members of the Higher Education Retirement Plans (HIED).
- State, school district, and higher education employees who aren't members of a state retirement system.

This bill indexes the $150,000 lump-sum-duty-related-death benefit ($150,000 death benefit) to changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bremerton (CPI-W). The index is calculated based on cumulative changes in the CPI-W with a maximum annual change of no more than three percent. The bill doesn't allow the amount of the death benefit to decrease below the original $150,000 in periods of deflation.

Effective Date: July 1, 2008

Current Situation

Survivors of public employees who die as a result of injuries sustained or illnesses contracted in the course of employment are eligible to receive the $150,000 death benefit. The benefit amount doesn't adjust for inflation. This benefit is provided for all members of PERS, TRS, SERS, PSERS, LEOFF, WSPRS, VFF, JRS, HIED, and to state, school district and higher education employees who aren't members of a state retirement system. The amount of the lump-sum-death benefit is $152,000 in VFF.

Members Impacted

We estimate this bill could affect all active and some inactive members of the listed systems. Counts of affected members by system are listed below:

- 155,027 active members in PERS Plans 1, 2, and 3.
- 67,736 active members of TRS Plans 1, 2, and 3.
- 50,818 active members of SERS Plans 2 and 3.
- 2,073 active members of PSERS Plan 2.
- 16,314 active members of LEOFF Plans 1 and 2.
    - 9553 inactive members of LEOFF Plans 1 and 2 are eligible for the benefit up to five years after separation of service.
- 1,022 active members of WSPRS Plans 1 and 2.
- 15,591 active members of VFF.
- 11 active members of JRS.

However, when we added the expected number of duty-related deaths and compared them to the total active population, we only expect this benefit to be paid to about 1 member per 22,500 members per year.

We estimate this bill will increase the benefits for a typical member by the accumulated inflation amount above the original $150,000 death benefit. For example, if the CPI in the next year increased by 3 percent, the beneficiary of a public employee who dies from duty-related causes would receive a lump sum in the amount of $154,500. Without the indexing, the survivor would receive a lump sum of $150,000.

Additionally, this bill impacts all Plan 2 members of these systems through increased contribution rates. Only LEOFF 2 members will pay a supplemental contribution rate in the current biennium. Plan 2 members of the other systems will experience contribution rate increases in future biennia. See the Actuarial Results section of this fiscal note for more detail.

WHY THIS BENEFIT HAS A COST AND WHO PAYS FOR IT

Why this Bill Has a Cost

This benefit increases the present value of future benefits of the affected systems. Under this bill future payments of the $150,000 death benefit will be higher than current statute allows. This bill will not result in more lump-sum-death benefits being paid, but when the benefits are paid, they will be larger.

Who will Pay for these Costs

This bill doesn't allow for an alternate funding method. LEOFF 2 will subsidize the increase in liability that results from this bill in the usual way:

- 50 percent member.
- 30 percent employer.
- 20 percent State.

The other individual plans will subsidize the liability increase that results from this bill using their normal funding methods:

- 50 percent Plan 2 member and 50 percent employer for Plan 2/3 liability.
- 100 percent employer for Plan 1 liability.

HOW WE VALUED THESE COSTS

Change in Methods

We updated the 2006 AVR to include liabilities for SHB 1266 and ESHB 1833 which passed in 2007, and HB 2933 which passed in 2006 (for LEOFF 1 members only). We used this as the starting point for our pricing, and refer to it as our base run. Using our pension-valuation software, we projected the future increases in the $150,000 death benefit amount due to indexing, and discounted those liabilities with interest to the valuation date. We refer to this as our pricing run. The increases in liability shown in the Liability Changes section are the difference between the pricing and base runs.

Our valuation software does not allow an inactive-lump-sum benefit to receive an index. The survivors of LEOFF members who die as a result of illnesses contracted in the course of employment are eligible to receive the $150,000 death benefit after the member separates from employment. The exact number of months of eligibility after separation varies for each member based on the number of years of service credit they earned while active. The formula is three months per year of service up to sixty total months. To price this bill for LEOFF inactive members we had to approximate the average benefit paid over the term of eligibility.

To apply this formula to the individual inactive members we used their separation dates and years of service to find the latest date they could receive the $150,000 death benefit. We assumed the average benefit paid to a given member would be half of the maximum possible index. A member with twenty years of service who retired on the valuation date would be covered for exactly five years. On average, the death benefit would receive 2.5 increases over that five-year period. So the average lump-sum-death benefit for this member would be:

$\$150{,}000 \times 1.03 ^ {2.5} = \$161{,}504.39$.

We calculated a total liability attributable to LEOFF inactive members of less than $6,000. Because of the small magnitude of the liability increase for inactive members, we decided further revision of the methodology was unnecessary.

Otherwise, we developed these costs using the same methods as disclosed in the September 30, 2006 actuarial valuation report (AVR).

We used the Entry Age Normal actuarial funding method to determine the fiscal budget changes for future new entrants. We used the Aggregate actuarial funding method to determine the fiscal budget changes for current plan members.

Assumptions Made

We applied an index based upon the CPI-W with a three percent yearly maximum to the $150,000 death benefit for active members. This index is equal to the Plan 2/3 COLA.

Because we use 3.5 percent as the assumed-average-long-term rate of inflation in the AVR, we assumed the maximum three percent interest for this pricing. As a result, this fiscal note outlines the highest possible increases in contribution rates, all else being equal. Therefore, if future experience shows actual inflation lower than assumed, costs would be lower than those outlined in this fiscal note.

Otherwise, we developed these costs using the same assumptions as disclosed in the AVR.

Data Used

We developed these costs using the same assets and data as disclosed in the AVR.

ACTUARIAL RESULTS

Liability Changes

We excluded JRS from our pricing because we don't expect any JRS members to receive this benefit. This bill increases the present value of future benefits of VFF by about $93,000. This bill also applies to $150,000 death benefits paid to HIEB members and other public employees who aren't members of the Washington State Retirement Systems. We don't have data for these additional employees, and didn't attempt to value the impact of this bill for these employees.

The bill will impact the actuarial funding of systems listed in the Summary of Benefit Improvement section by increasing the present value of future benefits payable under the systems, as shown below.

(Dollars in Millions)	**Current**	**Increase**	**Total**
Actuarial Present Value of Projected Benefits			
(The Value of the Total Commitment to all Current Members)			
PERS 1	$13,723	$0.0	$13,723
PERS 2/3	18,966	0.8	18,967
PERS Total	**32,689**	**0.8**	**32,690**
TRS 1	10,834	0.0	10,834
TRS 2/3	6,804	0.1	6,804
TRS Total	**17,638**	**0.1**	**17,638**
SERS 2/3	**2,610**	**0.2**	**2,610**
PSERS 2	**169**	**0.0**	**169**
LEOFF 1	4,316	0.0	4,316
LEOFF 2	6,004	2.2	6,006
LEOFF Total	**10,320**	**2.2**	**10,322**
WSPRS 1/2	**$848**	**$0.1**	**$848**
Unfunded Actuarial Accrued Liability			
(The Portion of the Plan 1 Liability that is Amortized at 2024)			
PERS 1	**$3,196**	**$0.0**	**$3,196**
TRS 1	**1,976**	**0.0**	**1,976**
LEOFF 1	**($702)**	**$0.0**	**($702)**
Unfunded Liability (PVCPB)			
(The Value of the Total Commitment to all Current Members Attributable to Past Service)			
PERS 1	$3,750	$0.0	$3,750
PERS 2/3	(2,338)	0.8	(2,337)
PERS Total	**1,412**	**0.8**	**1,413**
TRS 1	2,348	0.0	2,348
TRS 2/3	(1,116)	0.1	(1,116)
TRS Total	**1,232**	**0.1**	**1,232**
SERS 2/3	**(336)**	**0.2**	**(336)**
PSERS 2	**0.0**	**0.0**	**0.0**
LEOFF 1	(738)	0.0	(738)
LEOFF 2	(521)	2.2	(519)
LEOFF Total	**(1,259)**	**2.2**	**(1,257)**
WSPRS 1/2	**($89)**	**$0.1**	**($89)**

Contribution Rate Changes

The rounded increase in the required actuarial contribution rate results in the supplemental contribution rate increase applied in the current biennium for LEOFF 2. However, we will use the un-rounded rate increase to measure the fiscal budget changes in future biennia.

Besides LEOFF 2, the increase in the required actuarial contribution rate doesn't round-up to the minimum supplemental contribution rate of 0.01% for any other system. Therefore, the bill won't affect contribution rates in the current biennium. However, we will use the un-rounded rate increase to measure the fiscal budget changes in future biennia.

Increase in Contribution Rates: (Effective 9/1/2008)						
System/Plan	**PERS**	**TRS**	**SERS**	**PSERS**	**LEOFF**	**WSPRS**
Current Members						
Employee (Plan 2)	0.001%	0.000%	0.002%	0.001%	0.008%	0.003%
Employer	0.001%	0.000%	0.002%	0.001%	0.005%	0.003%
State					0.003%	
New Entrants						
Employee (Plan 2)	0.000%	0.000%	0.001%	0.000%	0.004%	0.002%
Employer	0.000%	0.000%	0.001%	0.000%	0.002%	0.002%
State					0.002%	

**Rate change applied to future new entrant payroll, and used for fiscal budget changes only. A single supplemental rate increase equal to the increase for current members would apply in the current biennium for all members or employers.*

Fiscal Budget Changes

Fiscal Costs							
(Dollars in Millions)	**PERS**	**TRS**	**SERS**	**PSERS**	**LEOFF**	**WSPRS**	**Total**
2008-2009							
General Fund	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local Government	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Total Employer	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0	$0.1
2009-2011							
General Fund	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0	$0.1
Non-General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	0.0	0.0	0.1	0.0	0.2
Local Government	0.1	0.0	0.0	0.0	0.1	0.0	0.2
Total Employer	0.1	0.0	0.0	0.0	0.2	0.0	0.4
Total Employee	$0.1	$0.0	$0.0	$0.0	$0.2	$0.0	$0.4
2008-2033							
General Fund	$0.3	$0.2	$0.2	$0.0	$1.6	$0.0	$2.3
Non-General Fund	0.5	0.0	0.0	0.0	0.0	0.1	0.6
Total State	0.8	0.2	0.2	0.0	1.6	0.1	2.9
Local Government	1.3	0.1	0.2	0.0	2.5	0.0	4.2
Total Employer	2.1	0.3	0.4	0.0	4.2	0.1	7.1
Total Employee	$1.5	$0.0	$0.2	$0.0	$4.2	$0.1	$6.0

Note: Totals may not agree due to rounding.

The analysis of this bill doesn't consider any other proposed changes to the systems. The combined effect of several changes to the systems could exceed the sum of each proposed change considered individually.

As with the costs developed in the actuarial valuation, the emerging costs of the systems will vary from those presented in the AVR or this fiscal note to the extent that actual experience differs from the actuarial assumptions.

SENSITIVITY ANALYSIS

Besides LEOFF 2, the number of members in the systems expected to die from duty-related injuries or illnesses would have to increase for this bill to result in supplemental contribution rate impacts. The table below shows how many times more members than expected would need to receive this benefit increase before the contribution rate increase reaches 0.005 percent for each system. For example, in WSPRS, the employee rate impact would reach 0.005 percent if two times more members than expected die from duty-related injuries or illnesses.

System	Multiple
PERS	7
TRS	15
SERS	3
PSERS	7
LEOFF	1
WSPRS	2

CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost valuation methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods, and assumptions may also be reasonable, and might produce different results.
5. This fiscal note has been prepared for the Legislature during the 2008 Legislative Session.
6. This fiscal note has been prepared, and opinions given, in accordance with Washington State law and accepted actuarial standards of practice as of the date shown on page 1 of this fiscal note.

While this fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.

Matthew M. Smith, FCA, EA, MAAA
State Actuary

GLOSSARY OF ACTUARIAL TERMS

Actuarial Accrued Liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.).

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components – the:

- Normal cost.
- Amortization of the unfunded liability.

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Present Value of Credited Projected Benefits (PVCPB): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PVCPB): The excess, if any, of the Present Value of Credited Projected Benefits over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

Individual State Agency Fiscal Note

Bill Number: 3026 HB	**Title:** Death benefits	**Agency:** 124-Department of Retirement Systems

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.0	0.0	0.0	0.0	0.0
Fund					
Department of Retirement Systems Expense Account-State 600-1	0	12,043	12,043	0	0
Total $	0	12,043	12,043	0	0

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 01/25/2008
Agency Preparation:	Chris Lamb	Phone: (360)664-7282	Date: 01/25/2008
Agency Approval:	Sandra J. Matheson	Phone: (360) 664-7312	Date: 01/25/2008
OFM Review:	Ryan Black	Phone: 360-902-0417	Date: 01/25/2008

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill amends the death benefit payments for the state's retirement systems, the Volunteer Fire Fighters' Relief and Pension Fund (VFF), the Higher Education Retirement Plans (HIED), and state, school district and higher education employees who are not members of a state retirement system.

The bill indexes the amount of the $150,000 duty-death lump sum benefit to changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bremerton (CPI-W). The $150,000 death benefit index is calculated based on cumulative changes in the CPI-W with a maximum annual change of no more than three percent. The amount of the death benefit is not allowed to decrease below the original amount in periods of deflation.

The bill's effective date is July 1, 2008.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No impact.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years		0.0	0.0		
A-Salaries and Wages		2,605	2,605		
B-Employee Benefits		813	813		
C-Personal Service Contracts					
E-Goods and Services		8,625	8,625		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$0	$12,043	$12,043	$0	$0

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2008	FY 2009	2007-09	2009-11	2011-13
Info Tech Specialist 4	71,494		0.0	0.0		
Retirement Services Analyst 3	49,364		0.0	0.0		
Total FTE's			0.0	0.0		0.0

Part IV: Capital Budget Impact

No impact.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

New or modified rules will be required.

II. C - Expenditures

Administrative Assumptions

- Sundry claims for public employees who are not members of the state's pension systems will have no impact on DRS.
- The annual inflation amount will be provided by the Office of State Actuary.

The assumptions above were used in developing the following workload impacts and cost estimates.

Benefits/Customer Service

The Benefits Unit will need to support the modification of the agency's automated systems by defining business requirements for those systems and participating in user acceptance testing

Retirement Services Analyst 3- 45 hours (salaries/benefits)	$1,431
Total Estimated Benefits/Customer Service Costs	**$1,431**

Automated Systems

The agency's automated systems will require minor modifications to the benefits process to create a table for adjusting the $150,000 benefit for an annual inflation amount and a new edit process to not allow the benefit to go below the initial base.

Information Technology Specialist 4 – 45 hours (salaries/benefits)	$1,987
Programming, testing and verification – 75 hours @ $95 per hour	$7,125
DIS* cost of $500 per week for 3 weeks	$1,500
Total Estimated Automated Systems Costs	**$10,612**

**cost for mainframe computer processing time and resources at the Department of Information Services*

ESTIMATED TOTAL COST TO IMPLEMENT THIS BILL:

	2007-09	2009-11	2011-13
BENEFITS/CUSTOMER SERVICE	**$1,431**	**$0**	**$0**
AUTOMATED SYSTEMS	**$10,612**	**$0**	**$0**
ESTIMATED TOTAL COSTS	**$12,043**	**$0**	**$0**

Individual State Agency Fiscal Note

Bill Number: 3026 HB	Title: Death benefits	Agency: 220-Board for Volunteer Firefighters

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund					
Volunteer Firefighters' and Reserve Officers' Administrative Account-State 204-1	350	50	400	100	100
Total $	350	50	400	100	100

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/25/2008
Agency Preparation: Brigette Smith	Phone: 360-753-7318	Date: 01/28/2008
Agency Approval: Brigette Smith	Phone: 360-753-7318	Date: 01/31/2008
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 02/02/2008

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This legislation would add a Cost of Living Allowance to the BVFF & RO Line of Duty Death benefit.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No revenue would be generated as a result of this legislation.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

This legislation will have a minimal impact on the administrative costs. The Actuary's Office will prepare a separate fiscal note detailing the impact of the legislation to the benefit fund.

Our costs to implement the legislation would be some printing costs to update our handouts and provide notification of the change to departments. Ongoing costs could reasonable be absorbed by the agency and would entail the staff time to calculate the new LODD amount annually and to provide notification of that amount to all staff.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages	35	35	70	70	70
B-Employee Benefits	15	15	30	30	30
C-Personal Service Contracts					
E-Goods and Services	250		250		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$300	$50	$350	$100	$100

Part IV: Capital Budget Impact

This legislation would have no Capital Budget Impact.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No new rules would be required as a result of this legislation.

Individual State Agency Fiscal Note

Revised

Bill Number: 3026 HB	**Title:** Death benefits	**Agency:** 343-Higher Education Coordinating Board

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 01/25/2008
Agency Preparation:	Pam Mead	Phone: 360-753-7862	Date: 02/22/2008
Agency Approval:	Don Bennett	Phone: 360-753-7831	Date: 02/22/2008
OFM Review:	Marc Webster	Phone: 360-902-0650	Date: 02/22/2008

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 3026 would index death benefits paid to the estate of public employees to the consumer price index, effectively inflating the $150,000 death benefit to keep pace with consumer inflation. This change includes state and higher education employees.

This fiscal note reflects impact on the Higher Education Coordinating Board and four year public institutions.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Fiscal Impact on HECB and four year public institutions

According to the Fiscal Note prepared by the State Actuary, this bill will not increase rates for either the employer or employee in the current biennium for any system but LEOFF 2. Looking foward to future biennia the State Actuary predicts small rate increases for employer and employees, leading to a indeterminate, but under $50,000 expenditure, for the HECB and four year public institutions in future biennia.

Responding institutions also anticipate an indeterminate expenditure under $50,000.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.