



2011 LEGISLATIVE REVIEW

LEOFF Plan 2 Retirement Board

June 15, 2011

LEGISLATIVE REVIEW

- Funding Related Legislation
 - Contribution Rates
 - Alternate Revenue/Benefit Improvement Account
- Board Recommended Legislation
 - Heart and Stroke Presumption
 - Remarriage Prohibition
- Other Legislation of Interest
 - Furloughs
 - LEOFF Fund Merger



CONTRIBUTION RATES

- The goal of the 2011 Legislative Session was to maintain financial integrity of the plan by adopting adequate and stable contribution rates.
- Board adopted rates through June 30, 2017
- Legislative challenges:
 - Projections indicate it will take six more years to recover from the historic investment losses
 - State's budget challenges put pressure on the legislature to underfund LEOFF Plan 2 and other pension plans as a way of reducing expenditures





CONTRIBUTION RATES

- Budget Proposals:
 - Contribution Rate Reduction 2011-13:
 - 7.40 percent for members;
 - 4.44 percent for employers; and
 - 2.96 for the state

- Budget passed without proposed rate reductions
 - Rates adopted by the Board remain in effect:
 - 8.46 percent for members;
 - 5.08 percent for employers; and
 - 3.38 for the state



BENEFIT IMPROVEMENT ACCOUNT

- 2008 legislation established payment stream into Local Public Safety Enhancement Account (LPSEA) if general revenue increase trigger met
- Payment stream to the LPSEA: \$5 million for 2011; \$10 million in 2013; \$20 million in 2015; \$50 million in 2017; and thereafter.
- Half of the funds moved to the LPSEA are to be transferred to a new Benefits Improvement Account created within the LEOFF 2 Retirement Fund.



BENEFIT IMPROVEMENT ACCOUNT

- Proposals to eliminate the first payment of \$5 million scheduled for September 30, 2011.
- Proposal to establish an inflationary adjustment on payment stream starting with 2019 payment. Allows the amount transferred to exceed \$50 million.
- Budget passed without modification to alternate revenue provisions and the benefit improvement account.





REMARRIAGE PROHIBITION

- Surviving spouse of a LEOFF Plan 2 or WSPRS member killed in the course of employment may remarry and continue receiving workers' compensation survivor benefits.
- Surviving spouses who have already had their benefits suspended due to remarriage would have their benefits resume.
- Did not pass during the 2011 Legislative session.





DUTY-RELATED HEART AND STROKE PRESUMPTION

- Adds strokes to the diseases that are presumptive occupational diseases for firefighters.
- Creates a presumption that death from certain heart problems or strokes is an occupational injury for law enforcement officers.
- Did not pass during the 2011 Legislative session.





OCCUPATIONAL DISEASE STUDY

- L&I Study required (EHB 2123)
 - Claim frequency and severity
 - Impact of claims
 - Statutory definition and interpretation
 - Statute of limitations for filing
 - Due December 1, 2012






FURLOUGHS

- Compensation may be included in final average salary (FAS):
 - Forgone due to reduced work hours, leave without pay, temporary layoffs, or reduction in current pay during the 2011-13 fiscal biennium
 - Employer certified as integral part of expenditure reduction efforts
- Applies to state and local members
- Passed during the 2011 Legislative session.





LEOFF PLAN 1/PLAN 2 FUND MERGER

- Financially combines the LEOFF Plan 1 and LEOFF Plan 2 retirement funds. Benefits do not change for either plan. Combined fund would be responsible for the liabilities of both plans.
 - Reduces LEOFF Plan 2 state contribution rate for the 2011-13 biennium to 2.96%, but does not change the LEOFF Plan 2 member or employer rates. LEOFF Plan 1 member, employer and state rates remain set at 0.00%.
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LEOFF PLAN 1/PLAN 2 FUND MERGER

- Moves LEOFF Plan 1 governance under the LEOFF Board including adopting all actuarial assumptions and setting rates in the future.
- Specifies that contribution rates and actuarial assumptions adopted by the Board are not subject to legislative revision.





LEOFF PLAN 1/PLAN 2 FUND MERGER

- Provides that all expenses of the LEOFF Board will be paid out of the LEOFF retirement fund. The Board is also authorized to use the retirement fund for any legal expenses related to protecting the fund.
 - Did not pass during the 2011 Legislative session.
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LEOFF PLAN 1/PLAN 2 FUND MERGER STUDY

- Merger study funded in Budget
 - Office of the State Actuary to perform study with assistance by DRS
 - Solicit input from LEOFF Plan 2 Board and LEOFF 1 stakeholders
 - Due to Legislature: December 15, 2011



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Questions?

