



# Overview of Death Benefits Initial Consideration

LEOFF Plan 2 Retirement Board

June 19, 2007

# Brief Summary

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- Duty Death
- Non-Duty Death
- Comparison

# Duty Death

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- LEOFF Plan 2 Pension Benefit
- \$150,000 Death Benefit
- Public Safety Officers Benefit Act (PSOB)
- Workers Compensation Survivor Benefits
- PEBB Insurance
- Tuition Waiver

# LEOFF Plan 2 Pension

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- 10 or More Years of Service or Eligible to Retire
  - Refund of accumulated contributions
    - 150% if beneficiary is spouse or eligible children
    - 100% if non-spouse or no eligible children
    - Not subject to federal taxation
  - Monthly benefit (spouse or eligible children)
    - Joint 100% survivor option
    - No early retirement actuarial reduction
    - Not subject to federal taxation

# LEOFF Plan 2 Pension

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- Less Than 10 Years of Service Credit
  - Refund of accumulated contributions
    - 100% spouse, eligible children or non-spouse
    - Not subject to federal taxation

# \$150,000 Death Benefit

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- Eligibility
  - Result of injury or occupational illness
- Not Subject to Federal Taxation

# Public Safety Officers Benefit Act

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- Eligibility
  - Result of a traumatic injury suffered in the line of duty
  - Expanded December 2003 to cover heart attacks and strokes suffered in the line of duty
- Amount as of October 1, 2006 \$295,194.00
- Added Educational Assistance to Spouses and Children in September 1999

# Workers Compensation Survivor Benefits

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- Eligibility is Determined by Labor & Industries
- Benefit is 60% of the Member's Wage at the Time of Death up to the Maximum Level
- Not Subject to Federal Taxation



# PEBB Insurance

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- Paid by LEOFF Plan 2 Benefit Fund
- Covers Spouse and Dependent Children

# Tuition Waiver

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- Permissive
- Must Receive Exemption Within 10 Years of High School Graduation
- Covers Children Only

# Non-Duty Death

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- LEOFF Plan 2 Pension Benefit
- No \$150,000 Death Benefit
- No PSOB Death Benefit
- No Workers Compensation Survivor Benefit
- No PEBB Insurance

# LEOFF Plan 2 Pension

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- 10 or More Years of Service or Eligible to Retire
  - Refund of accumulated contributions
    - 150% if beneficiary is spouse or eligible children
    - 100% if non-spouse or no eligible children
  - Monthly benefit (spouse or eligible children)
    - Joint 100% survivor option reduction
    - Early retirement actuarial reduction

# Comparison - Example

In this example the member is married with two children. The member and spouse are 45 years of age, the annual salary at the death was \$66,000 and the member had 22 years of service. The member is covered under the state's workers compensation plan.

<b>Benefit</b>	<b>Duty</b>	<b>Non-Duty</b>
Retirement – L2	\$2,105.40/mo	\$1,073.75/mo.
Workers Comp Survivor Benefit	\$3,520.00/mo	NA
PSOB Death Benefit	\$295,194.00	NA
\$150,000 Death Benefit	\$150,000.00	NA

# Overview of Death Benefits

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**QUESTIONS?**

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

## Overview of Death Benefits Initial Consideration

June 19, 2007

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### 1. Issue

Provide an overview of the current death benefits available to LEOFF Plan 2 members at both a state and federal level.

### 2. Staff

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### 3. Members Impacted

This issue impacts all active members as well as future members. As of the September 2005 valuation there were 15,178 active members.

### 4. Current Situation

Under the current provisions, death payments vary greatly depending on whether the death is non-duty or duty related.

#### Non-Duty

The retirement benefit payment of a LEOFF Plan 2 member's survivor is entitled to, if the member dies prior to retirement, ranges from a refund of the member's contributions and interest up to a joint and 100 percent survivor benefit. The level of the benefit is dependent upon two criteria; years of service and whether the beneficiary is a spouse or eligible minor child.

If the survivor benefit is chosen, the benefit is actuarially reduced for a joint and 100 percent survivor option. If the member was not eligible for normal or early retirement at the time of death, then the benefit would be further reduced actuarially to reflect the difference between the member's age at death and age 53.

### **Duty**

A similar retirement benefit is available to the survivor of a duty related death, except that the survivor benefit is not subject to any actuarial reductions. In addition to no actuarial reductions, survivors are entitled to a separate \$150,000 lump-sum death benefit, a federal lump-sum death benefit payment (currently \$295,194), a worker's compensation benefit for the surviving spouse equal to 60% of the deceased member's monthly wage up to a maximum of 70% for surviving spouses with children, a burial benefit of 200% of the average monthly wage in the state of Washington for the preceding calendar year, and health care insurance paid for by the LEOFF Plan 2 benefit fund.

### **Example:**

Duty versus non-duty death: Two members married with a spouse and two children, both are 45 years old, with 22 years of service making \$66,000 a year, and work for an employer covered under the state's worker's compensation. One qualifies as a line of duty death the other does not. The following table compares their benefits:

<b>Benefit</b>	<b>Duty Amount</b>	<b>Non-Duty Amount</b>
Retirement - LEOFF 2*	\$2,105.40	\$1,073.75
L& I Death Benefit	\$3,520.00	NA
PSOB Death Benefit	\$295,194.00	NA
\$150,000 Death Benefit	\$150,000.00	NA

\* Benefits are calculated assuming both members' spouses are the same age as the member.

## **5. Background Information and Policy Issues**

### **Background**

#### **Standard LEOFF Plan 2 Death Benefit**

Prior to 2004, both duty and non-duty survivor death benefits were subject to an actuarial reduction if the member was younger than age 53 at the time of death. With the passage of legislation in 2004, members who are killed in the course of employment, as determined by the director of the department of labor and industries, are not subject to an actuarial reduction.

Beneficiaries of members who die with less than 10 years of service credit and were not eligible to retire, receive all of the member's accumulated contributions. If the member has no living beneficiary, the accumulated contributions are paid to the surviving spouse, or if none, to the legal representative of the estate.



If the member dies and has 10 or more years of service credit or was eligible to retire, the surviving spouse, or if none, the guardian of any minor children, may choose between the following two benefits:

1. A payment of 150 percent of the member's accumulated contributions, or
2. A monthly benefit calculated as if the member had elected a joint and 100% survivor option. If the death is a non-duty death and the member is younger than age 53 and does not qualify for early retirement, the benefit is actuarially reduced from age 53. If the member's death was duty related, there is no actuarial reduction.

### **Duty Related \$150,000 Death Benefit**

In 1996 the Legislature passed a bill creating a \$150,000 special death benefit for the LEOFF and Washington State Patrol Retirement System (WSPRS). This legislation was effective March 28, 1996.

The benefit was extended to members in the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS) and School Employees' Retirement System (SERS) by the Legislature during the 2003 legislative session and was effective July 27, 2003 for those systems.

If an active member or disability retiree dies as a result of injuries sustained in the course of employment or occupational illness as determined by the Department of Labor and Industries, the Department of Retirement Systems (DRS) will pay a \$150,000 death benefit 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."<sup>1</sup> If there is no designated beneficiary at the time of the member's death, the benefit is paid to the member's surviving spouse as if they had been designated as the beneficiary. If there is no surviving spouse, the benefit is paid to the member's legal representatives.

This is a separate benefit that has no effect on any other benefits payable from LEOFF Plan 2. If an active member or disability retiree dies as a result of injuries sustained in the line of duty as a public safety officer, the benefits received by the member's survivors qualify for non-taxable status under federal and state law.

### **State Workers' Compensation Death Benefits**

The workers' compensation benefit for a surviving spouse in Washington is 60 percent of the deceased worker's monthly wage and up to a maximum of 70 percent for a surviving spouse with children<sup>2</sup>. These benefits are currently capped at 120 percent of the state's average wage from the preceding calendar year (the maximum benefit is adjusted each July 1).<sup>3</sup> This is a monthly benefit paid to the surviving spouse and children, if any. Widower and dependent benefits are not taxable. Benefits are not affected by the receipt of Social Security, other workers' compensation benefits, or state pension benefits. The surviving spouse's benefit stops upon remarriage, although the benefit can remain available should the subsequent marriage end, and the spouse chose to not take a lump sum remarriage settlement.

A form of cost-of-living adjustment is made each July to the survivor benefit. The adjustment amount depends upon the percentage change in the state's average wage for the preceding calendar year, as mentioned above.

A burial benefit is paid when death is directly related to a workplace injury or occupational disease. The maximum burial benefit is 200 percent of the average monthly wage in the state of Washington for the preceding calendar year.

To receive workers' compensation benefits, the surviving spouse must file a claim. The Department of Labor and Industries determines whether the claim will be paid.

### **Federal Death Benefits – Public Safety Officers' Benefits Program (PSOB)**

The Public Safety Officers' Benefits (PSOB) Act was enacted in 1976 to assist in the recruitment and retention of law enforcement officers and fire fighters. State and local law enforcement officers and fire fighters are covered for line-of-duty deaths occurring on or after September 29, 1976.<sup>4</sup>

Under federal definition, a public safety officer includes individuals serving a public agency in an official capacity, with or without compensation, as a law enforcement officer or fire fighter.

The PSOB Program provides death benefits in the form of a one-time financial payment to the eligible survivors of public safety officers whose deaths are the direct and proximate result of a traumatic injury sustained in the line of duty. Because determining the eligibility of claimants under the PSOB Program is often time consuming, these benefits are not intended to meet emergency financial needs.

As of October 1, 2006, the benefit amount is \$295,194.<sup>5</sup> Since October 15, 1988, the PSOB benefit has been adjusted each year on October 1, to reflect the percentage of change in the Consumer Price Index. For each death and disability claim, the award amount is solely determined by the actual date of the officer's death. The act ensures that the benefit will not be subject to execution or attachment by creditors. The Internal Revenue Service has ruled that the benefit is not subject to federal income tax or to federal estate tax.

Beneficiaries of the PSOB Death Benefits Program must comply with the PSOB Office's administrative review process by producing sufficient evidence to show that the public safety officer died as the direct and proximate result of a personal injury sustained in the line of duty. The PSOB Act only covers deaths resulting from traumatic injuries sustained in the line of duty. The PSOB Act does not have extensive coverage for occupational diseases, however, heart attack deaths are covered in some instances.

## **PEBB Insurance**

In 2005 the Legislature passed a bill allowing the surviving spouse and dependent children of a member who is killed in the course of employment to be reimbursed by the LEOFF Plan 2 retirement fund for any payments of premiums to the Washington state health care authority.

## **Tuition Waiver**

Subject to certain limitations, the governing boards of the state universities, the regional universities, and The Evergreen State College may exempt all or a portion of tuition fees and services and activities fees for children of any law enforcement officer or fire fighter who loses his or her life or became totally disabled in the line of duty while employed by any public law enforcement agency or full time or volunteer fire department. They may only receive the exemption if they begin their course of study at a state-supported college or university within ten years of their graduation from high school.

## **6. Supporting Information**

### *Endnotes and Appendices*

<sup>1</sup> The Department of Retirement Systems (DRS) has created a beneficiary form that pertains only to the \$150,000 benefit. When a covered employee or retiree dies, the beneficiary is to notify DRS. DRS provides the beneficiary with an Application for Death Benefit. Upon receipt of the application and death certificate, DRS submits the documents and necessary information to the Department of Labor and Industries (L&I) for determination whether the covered employee's or retiree's death is a result of injuries sustained in the course of LEOFF covered employment.

<sup>2</sup> If the person had minor children, an additional 2% per child is paid. The total benefits paid cannot exceed the maximum allowable benefits.

<sup>3</sup> The maximum monthly benefit as of July 1, 2005 is \$3903.80 or \$46,845.60 per year.

<sup>4</sup> Federal, state, and local public rescue squads and ambulance crews are covered for line-of-duty deaths occurring on or after October 15, 1986.

<sup>5</sup> In 2005, the PSOB benefit amount was \$283,385.