



STATE OF WASHINGTON

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

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Benefit Improvement Account Distribution Policy Considerations

1. What is the purpose of the LEOFF Plan 2 pension plan?

Employers typically offer pension plans to recruit and retain qualified employees.

So, one possible goal for the Benefit Improvement Account expenditure is to “Adopt a benefit that will improve the ability of LEOFF Plan 2 to recruit and retain qualified employees.” An example of this type of benefit would be prospectively increasing the multiplier from 2%/year of service to 2.5%/year of service for years 15 to 25.

PROS: This type of benefit can help employers with recruiting challenges.

CONS: This type of benefit would not include retirees since recruitment and retention do not apply.

Members who are nearing the end of their career may benefit very little or not at all from a prospective change to the benefit calculation formula.

2. What is the purpose of the Benefit Improvement Account?

The Benefit Improvement Account legislation included a finding that the current benefit formula for LEOFF Plan 2 fails to recognize the shorter working careers for law enforcement officers and firefighters. The formula is designed for careers of 30-35 years making retirement at age 53 unrealistic.

So, a possible goal for the Benefit Improvement Account expenditure might be, “Increase the benefit formula to make retirement at age 53 more realistic.” An example of this type of benefit improvement might be prospectively increasing the multiplier from 2%/year of service to 2.1%/year of service.

PROS: An increase in the multiplier is probably the type of change to LEOFF 2 that affects members most equally.

CONS: This type of benefit improvement is the most expensive so only a modest improvement would be possible with the current funds in the Benefit Improvement Account. The cost is significantly higher if past service for current members and/or retirees are included.

3. The source of funding for the Benefit Improvement Account is contributions made to the fund (member, employer, State) and earnings on those contributions.

So, a possible goal for the Benefit improvement Account distribution might be, “Distribute the assets in the Benefit Improvement Account in a way that fairly recognizes the contributions of all members.” An example of this type of benefit might be \$15,000 distribution into a 457 account for all active members and retirees.

PROS: This type of benefit would include retirees.

CONS: This type of benefit would probably not be an improvement to the LEOFF 2 benefit formula because the cost of a retroactive benefit formula increase is heavily weighted toward retired members and members close to retirement.



Benefit Improvement Account

Educational Briefing – September 25, 2019

Issue

- The legislature transferred \$300 million from LEOFF 2 to the LEOFF 2 Benefit Improvement Account
- As of May 31, 2019 BIA balance was \$21,184,332
- The LEOFF 2 Board must determine what benefit improvement to fund out of the account

Background

- **What is the LEOFF Plan 2 Benefit Improvement Account?**
 - The Benefit Improvement Account is a sub-account of the LEOFF Plan 2 Retirement Fund that was created by legislation in 2008
 - Its purpose is to provide an additional means of funding benefit improvements in LEOFF Plan 2
 - Neither the legislation creating the Benefit Improvement Account nor the legislation transferring funds to the Benefit Improvement Account specified a benefit to be funded

Limitations on Spending Funds from BIA

- Money transferred to the BIA can only be used to fund benefits adopted by the Legislature
- State Actuary must determine that the transfer from the BIA is sufficient to offset the full expected cost of the benefit improvement

Possible benefit improvements

- The Board has been working with OSA to get current pricing for many frequently requested benefit improvements
 1. Increasing the 2% multiplier
 2. Reducing or eliminating the survivor benefit reduction
 3. Decreasing the Final Average Salary period
 4. Early Retirement
- The Board is working with the Health Care Authority to get a current estimated cost for providing LEOFF 2 retirees with access to PEBB

Benefit Improvement Policy

It might be helpful to consider the policy goal to be achieved by a benefit improvement in order to focus research on those benefit improvements which would further the desired policy goal

Possible policy goals include:

1. Recruit or retain desired employees
2. Recognition of the generally shorter working careers for members
3. Fairness – retroactivity

Next steps

- Possible discussion of policy goals at October meeting
- Completion of health care access pricing
- Possible presentations on specific options at November and December meetings



Thank You

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