



**\$150,000 Death Benefit
Inflation Adjustment
Preliminary Follow-Up Report**

LEOFF Plan 2 Retirement Board

October 22, 2008

Key Issue

- Preserve the Value of the Benefit
 - One-time catch-up
 - Ongoing

Preservation of Benefit Value

- Inflation Erodes Purchasing Power
 - Approximately 69% of 1996 purchasing power
 - Need approximately \$205,000 today

Options

- Inflation Adjustment Only
- Lump-Sum Adjustment Only
- Combination of Lump-Sum and Inflation Adjustment

Costs

Costs from the Office of the State Actuary

Option	Member Rate	Employer Rate	State Rate
Inflation Only	0.01%	0.01%	0.00%
Lump-sum Only	0.01%	0.01%	0.00%
Combination of Lump-sum and Inflation	0.02%	0.01%	0.01%



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 Follow-up Report

October 22, 2008

1. Issue

The \$150,000 lump-sum death benefit paid to survivors of public employees who die in the line of duty is not adjusted for 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 June 30, 2007 there were 16,099 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 is 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 at the same rate 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 LEOFF 2 Board on joint legislation. This time, 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 again 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 bill did not receive a hearing in the House, but did in the Senate Ways and Means; however, was not passed out of committee.

The proposed inflation adjustment in all three previous proposals was the same adjustment that is 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 to move forward with Option 2 in 2006. This option was subsequently chosen for 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, using the same calculation method as us used for the cost of living adjustment for retirement benefits, would be approximately \$205,000. Instead of adding an annual inflation adjustment the amount could be changed from \$150,000 to \$205,000 and then periodically request adjustments. A third possibility would be a combination of both a lump-sum increase and an inflation adjustment.

6. Options

Option 1: Add an annual inflation adjustment

Under this option the Board would add an annual inflation adjustment to the \$150,000 Death Benefit beginning July 1, 2009 similar to the cost of living adjustment (COLA) paid on retirement benefits. An update of the 2008 proposed bill would be submitted to the 2009 Legislature. The Office of the State Actuary is providing updated costs to the Board.

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

Under this option the Board would introduce a bill that would change the lump-sum amount to \$205,000. This would be the equivalent value today of the \$150,000. The Office of the State Actuary is providing costs to the Board.

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 introduce a bill that would change the lump-sum amount to \$205,000 that would also contain an annual COLA similar to the COLA paid on retirement benefits that would be used July 1, 2010. The Office of the State Actuary is providing costs to the Board.

7. Supporting Information

Appendix A: Copy of 2008 Bill Draft

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

HOUSE BILL 3026

State of Washington

60th Legislature

2008 Regular Session

By Representatives Fromhold, Conway, Crouse, Lias, 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.

1 AN ACT Relating to indexing the one hundred fifty thousand dollar
2 death benefit for public employees; amending RCW 41.04.017, 41.24.160,
3 41.26.048, 41.32.053, 41.35.115, 41.37.110, 41.40.0931, and 41.40.0932;
4 reenacting and amending RCW 43.43.285; and providing an effective date.

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

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

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

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

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

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

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

8 (b) The value of the ratio obtained shall be the annual adjustment
9 to the original death benefit and shall be applied beginning every July
10 1st. In no event, however, shall the annual adjustment:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (b) The value of the ratio obtained shall be the annual adjustment
27 to the original death benefit and shall be applied beginning every July
28 1st. In no event, however, shall the annual adjustment:

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

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

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

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

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

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

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

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

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

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

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

26 (b) The value of the ratio obtained shall be the annual adjustment
27 to the original death benefit and shall be applied beginning every July
28 1st. In no event, however, shall the annual adjustment:

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

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

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

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

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

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

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

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

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

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

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

26 (b) The value of the ratio obtained shall be the annual adjustment
27 to the original death benefit and shall be applied beginning every July
28 1st. In no event, however, shall the annual adjustment:

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

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

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

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

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

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

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

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

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

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

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

26 (b) The value of the ratio obtained shall be the annual adjustment
27 to the original death benefit and shall be applied beginning every July
28 1st. In no event, however, shall the annual adjustment:

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

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

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

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

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

3 (1) A one hundred fifty thousand dollar death benefit for members
4 who had the opportunity to transfer to the law enforcement officers'
5 and firefighters' retirement system pursuant to chapter 502, Laws of
6 1993, but elected to remain in the public employees' retirement system,
7 shall be paid to the member's estate, or such person or persons, trust,
8 or organization as the member has nominated by written designation duly
9 executed and filed with the department. If there is no designated
10 person or persons still living at the time of the member's death, the
11 member's death benefit shall be paid to the member's surviving spouse
12 as if in fact the spouse had been nominated by written designation, or
13 if there is no surviving spouse, then to the member's legal
14 representatives.

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

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

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

29 (i) The index for the 2006 calendar year, to be known as "index A";
30 (ii) The index for the calendar year prior to the date of
31 determination, to be known as "index B"; and
32 (iii) The ratio obtained when index B is divided by index A.

33 (b) The value of the ratio obtained shall be the annual adjustment
34 to the original death benefit and shall be applied beginning every July
35 1st. In no event, however, shall the annual adjustment:

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

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

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

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

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

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

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

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

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

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

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

33 (b) The value of the ratio obtained shall be the annual adjustment
34 to the original death benefit and shall be applied beginning every July
35 1st. In no event, however, shall the annual adjustment:

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

1 (ii) Exceed three percent in the initial annual adjustment; or
2 (iii) Differ from the previous year's annual adjustment by more
3 than three percent.

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

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

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

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

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

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

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

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

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

2 (b) The value of the ratio obtained shall be the annual adjustment
3 to the original death benefit and shall be applied beginning every July
4 1st. In no event, however, shall the annual adjustment:

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

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

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

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

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

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