



PROPOSED RULE MAKING

CR-102 (June 2004)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

Agency: Department of Retirement Systems

<input checked="" type="checkbox"/> Preproposal Statement of Inquiry was filed as WSR 04-09-040 ; or	<input checked="" type="checkbox"/> Original Notice
<input type="checkbox"/> Expedited Rule Making--Proposed notice was filed as WSR _____ ; or	<input type="checkbox"/> Supplemental Notice to WSR _____
<input type="checkbox"/> Proposal is exempt under RCW 34.05.310(4).	<input type="checkbox"/> Continuance of WSR _____

Title of rule and other identifying information: (Describe Subject)
A new rule: WAC 415-104-480, LEOFF Plan 2 duty disability benefits.

Hearing location(s):
Department of Retirement Systems
6835 Capitol Blvd.; Conference Room 115
Tumwater, Washington

Date: October 26, 2004 Time: 9:30 AM

Submit written comments to:
Leslie L. Saeger, Rules Coordinator
Department of Retirement Systems
P.O. Box 48380; Olympia, WA. 98504-8380
Email: leslies@drs.wa.gov
Fax: (360) 753-3166 by 5:00 p.m. on October 26, 2004

Assistance for persons with disabilities: Contact
Leslie L. Saeger, Rules Coordinator by October 18, 2004
TDD (360) 664-7291 TTY (360) 586-5450
Phone (360) 664-7291

Date of intended adoption: No sooner than October 27, 2004
(Note: This is NOT the effective date)

Purpose of the proposal and its anticipated effects, including any changes in existing rules:

This rule implements Chapter 4, Laws of 2004 (HB 2418), which provides additional benefits for certain Law Enforcement Officers' and Fire Fighters' Retirement System members who incur a disability in the line of duty.

Reasons supporting proposal:

Statutory authority for adoption: RCW 41.50.050(5)

Statute being implemented: RCW 41.26.470

Is rule necessary because of a:

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
State Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

If yes, CITATION:

CODE REVISER USE ONLY

Filed with the Code Reviser on
September 21, 2004

WSR 04-19-104

DATE

NAME (type or print)
Leslie L. Saeger

SIGNATURE

TITLE
Rules and Contacts Coordinator

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization)
Department of Retirement Systems

- Private
 Public
 Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting.....	Leslie Saeger	PO Box 48380, Olympia, WA 98504-8380	(360) 664-7291
Implementation....	Dorothy Bailey	PO Box 48380, Olympia, WA 98504-8380	(360) 664-7291
Enforcement.....	Dorothy Bailey	PO Box 48380, Olympia, WA 98504-8380	(360) 664-7291

Has a small business economic impact statement been prepared under chapter 19.85 RCW?

Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

No. Explain why no statement was prepared.

These rules have no effect on businesses.

Is a cost-benefit analysis required under RCW 34.05.328?

Yes A preliminary cost-benefit analysis may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

No: Please explain:

The Department of Retirement Systems is not one of the named departments in this section (RCW 34.05.328)

NEW SECTION

WAC 415-104-480 LEOFF Plan 2 duty disability benefits. Members of the law enforcement officers' and fire fighters' retirement system (LEOFF) Plan 2 who incur a disability in the line of duty are entitled to duty disability benefits subject to the requirements in RCW 41.26.470 and this section.

(1) **Who is entitled to duty disability benefits?** Any member of LEOFF Plan 2 who is deemed by the department to have:

- (a) Incurred a disability in the line of duty;
- (b) Been totally incapacitated for continued employment in a LEOFF eligible position;
- (c) Separated from a LEOFF eligible position due to the disability, and who:
 - (i) Has a retirement date on or after January 1, 2001; or
 - (ii) Is eligible under this section to have a retirement date on or after January 1, 2001.

The disability may be physical or mental, and may be caused by injury or occupational disease.

(2) **How is "line of duty" defined?** Line of duty means any action or activity done in conjunction with your employment or your status as a law enforcement officer or fire fighter that is required, obligated, or authorized by law, rule, regulations, or condition of employment or service.

(3) **When are the duty disability provisions effective?** The effective date of the duty disability provisions under RCW 41.26.470 (6) and (7) is June 10, 2004, and applies retroactively to January 1, 2001. In order to qualify for the provisions, you must have separated from your LEOFF-eligible position due to a duty disability with a retirement date on or after January 1, 2001.

(4) **How do I apply for duty disability benefits?** You must submit:

(a) A completed three-part disability retirement application provided by the department.

(i) ~~Part 1: Disability retirement application.~~ You must complete and sign the application. If you are married, your spouse must sign consent of the retirement payment option you choose. You must have your signature(s) notarized.

(ii) Part 2: Employer's statement and report. Your employer must complete, sign and return directly to the department.

(iii) Part 3: Medical report. You must complete Section 1. The remainder must be completed and signed by a person

licensed according to Washington state law to practice medicine and surgery, osteopathic medicine and surgery, chiropractic, naturopathy, podiatry, dentistry, or optometry.

(b) Proof of applying to the Washington state department of labor and industries (L&I) or a self-insurer for workers' compensation benefits under Title 51 RCW and, if L&I or the self-insurer determined eligibility, a copy of the determination;

(c) Additional information that may be requested by the department; and

(d) Any other material you want the department to consider.

(5) What types of evidence will the department use to determine whether I am entitled to benefits under this section?

The department will consider:

(a) Information and determinations obtained from L&I or a self-insurer;

(b) The documentation you submit;

(c) Facts surrounding your injury or occupational disease;

(d) Your job description;

(e) Your membership records, maintained by the department;

(f) Materials obtained or provided by your employer; and

(g) Any other relevant evidence.

(6) What would disqualify me for duty disability benefits?

You are not eligible for duty disability benefits if any of the following apply:

(a) Your application does not provide adequate proof that you are totally incapacitated for continued employment in a LEOFF-eligible position;

(b) Your application is incomplete or lacks sufficient documentation to prove your disability was incurred in the line of duty;

(c) Your claim for workers' compensation benefits under Title 51 RCW was denied either because your disability was not incurred in the course of employment or because your condition was not recognized as a disability;

(d) The disability occurred as a result of intentional misconduct;

(e) An action was taken by you intentionally to bring about your own disability;

(f) Your mental or physical faculties were impaired due to voluntary intoxication as defined in subsection (17) of this section; or

(g) You were performing your duties in a grossly negligent manner at the time the disability occurred.

(7) Who decides if I meet the requirements for benefits under this section? The LEOFF plan administrator.

(8) May I petition a decision made by the LEOFF plan administrator? Yes. If the LEOFF plan administrator denies your request for a disability benefit or determines your

disability was not incurred in the line of duty, you may petition for review under chapter 415-04 WAC.

(9) **What are the duty disability retirement benefits?** As a duty disability retiree, you may choose between:

(a) A nontaxable, one-time lump sum payment equal to one hundred fifty percent of your retirement contributions; except that, any payments made to restore service credit after the five-year deadline will be paid at one hundred percent; or

(b) A monthly benefit equal to (b)(i) or (ii) of this subsection, whichever provides the greater benefit:

(i) A minimum monthly benefit equal to ten percent of your final average salary (FAS), which is nontaxable; or

(ii) A monthly benefit of two percent of your FAS for each year of service, adjusted for early retirement if you are under age fifty-three and any survivor option chosen. A portion of your benefit, equal to ten percent of your FAS, is nontaxable.

Example: Tom incurs a duty disability at age 42 after twenty years of service. His final average salary is \$5000 per month. Tom's wife is also age 42, and he chooses survivor Option Two per WAC 415-104-215 (2)(b).

Tom's duty disability benefit, calculated at 10 percent of his final average salary (FAS), would be:

Allowance	$\$5000 \times 10\% =$	\$500
Benefit with survivor Option Two	$\$500 \times 0.87 =$	\$435 (nontaxable)

Tom's duty disability benefit using standard computation would be:

Allowance	$2\% \times \text{AFS}$ $(\$5000) \times 20$ years =	\$2000
Benefit after reduction for early retirement	$\$2000 \times 0.39$ (early retirement factor) =	\$780
Benefit with survivor Option Two	$\$780 \times 0.87 =$	\$678.60 (\$435 of this amount is nontaxable)

Tom will receive a monthly benefit of \$678.60 because that is the greater benefit.

(10) **Are my duty disability benefits taxable?** The department reports disability benefits to the Internal Revenue Service as required by federal law. Based on current federal law, part of your benefit may be taxable. You should consult with your own tax advisor regarding all questions of federal or state income, payroll, personal property or other tax consequences regarding any payments you receive from the department.

It is important that you realize that the department does

not:

(a) Guarantee that payments should or should not be designated as exempt from federal income tax;

(b) Guarantee that it was correct in withholding or not withholding taxes from benefit payments to you;

(c) Represent or guarantee that any particular federal or state income, payroll, personal property or other tax consequence will occur because of its nontaxable determination; or

(d) Assume any liability for your compliance with the Internal Revenue Code.

(11) **If I retired on or after January 1, 2001, may I apply for duty disability benefits?** If you separated employment due to disability and retired with a service or nonduty disability retirement date on or after January 1, 2001, you may apply to the department for duty disability benefits according to the provisions of subsection (4) of this section.

(12) **If I separated from employment, may I apply for duty disability benefits?** If you separated from employment due to a disability and qualify for a retirement date on or after January 1, 2001, you may apply for duty disability benefits according to the provisions of subsection (4) of this section. If the LEOFF administrator determines you are entitled to duty disability benefits, you will receive a monthly benefit calculated as provided in subsection (9)(b) of this section. However, if you withdrew your contributions, you must repay the entire amount you withdrew. You may repay the withdrawn amount:

(a) By returning the entire amount you withdrew to the department; or

(b) By an actuarial reduction in your monthly benefit.

Example: John was injured on the job and separated from his LEOFF position in March 2002. At the time he separated, he was 43 years old, had 10 years of service, and his final average salary was \$5,000.00 per month. At that time, John chose to withdraw \$75,000, which equaled 150 percent of his retirement contributions.

John subsequently applied under the provisions of RCW 41.26.470 (6) and (7) and was deemed eligible for duty disability benefits.

The department calculated John's benefit according to the methods in subsection (9) of this section and determined it was to John's advantage to take the minimum monthly benefit.

If John chooses to repay the entire amount he withdrew, his monthly duty disability benefit will be:

Minimum monthly benefit	10% X AFS (\$5000) =	\$500
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If John chooses to repay the withdrawn amount by having his monthly benefit actuarially reduced, his benefit will be:

Minimum monthly benefit	10% X AFS (\$5000) =	\$500
Reduction to repay the withdrawn amount (\$75,000)	\$75,000 X .0049904 (annuity factor, which is based on the retiree's age) =	-\$374.28
Monthly benefit		\$125.72

(13) When does a duty disability retirement benefit end?

Your duty disability benefit will cease if:

(a) You return to work in a LEOFF-eligible position; or

(b) Medical examination reveals that you have recovered from the incapacitating disability and you are no longer entitled to workers' compensation benefits under Title 51 RCW.

(14) If I retire for a duty disability and die, will my survivor receive a monthly benefit? If you elect a survivor option under WAC 415-104-215(2) at the time of retirement, your survivor will receive a monthly benefit after your death.

(15) What happens if I return to a LEOFF-eligible position?

If you recover from your disability and return to a LEOFF-eligible position, your monthly retirement benefit will stop.

(16) If I return to a LEOFF-eligible position, how will my future retirement benefit be affected? When you reretire, your monthly benefit will be calculated pursuant to RCW 41.26.500 using any additional service credit and your highest sixty consecutive months of salary, but will be reduced if:

(a) You were receiving a monthly benefit equal to ten percent of your FAS; or

(b) You were receiving a monthly benefit calculated under the normal two percent rule but had an early retirement factor applied; or

(c) You received the one-time lump sum payment equal to one hundred fifty percent of your contributions, unless you repay the amount you received.

(17) As used in this section, intoxication means a disturbance of mental or physical faculties resulting from the introduction of alcohol into the body as evidenced by:

(a) A blood alcohol level of .20 per centum or greater;

(b) A blood alcohol level of at least .10 per centum but less than .20 per centum unless the department receives convincing evidence that the public safety officer was not acting in an intoxicated manner immediately prior to his/her injury; or

Resulting from drugs or other substances in the body.

Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board
2004 Meeting Calendar

Meeting Date and Time	Proposed Agenda Items
March 24, 2004 9:00 a.m. – 3:00 p.m.	Summary of 2004 Legislative Session 2005-07 Budget Planning Department of Retirement Systems Presentation Trustee Education
April 28, 2004 9:00 a.m. – 3:00 p.m.	Purchase of Additional Benefits – Preliminary Proposal 2005-07 Budget Planning Member Outreach Executive Director Recruitment
May 26, 2004 9:00 a.m. – 3:00 p.m.	Duty Disability Actuarial Reductions – Preliminary Proposal Supplemental Contribution Rates – State Actuary Web Site Presentation Member Outreach
June 22, 2004 5:00 p.m. SPECIAL MEETING	Facilitated Strategic Planning – Jim This, Facilitator
June 23, 2004 9:30 a.m. – 3:00 p.m.	Strategic Planning LEOFF Plan 2 Post-Retirement Employment – Initial Proposal Contribution Rate Setting Process – Matt Smith
July 28, 2004 9:30 a.m. – 3:00 p.m.	LEOFF 2 Military Service - Initial Presentation Supplemental Contribution Rate Adoption Contribution Rate Stability Presentation – Matt Smith 2005-07 Biennial Budget Strategic Planning Follow-Up Annual Summary of Benefits
August 25, 2004 9:30 a.m. – 3:00 p.m.	2003 Valuation Report – Matt Smith Independent Audit of Actuarial Valuation – Milliman USA Duty Related Disability – Preliminary Report LEOFF Plan 2 Post-Employment – Preliminary Report Operating Policy #9 – Process for New Benefit Proposals Strategic Plan Review
September 22, 2004 9:30 a.m. – 3:00 p.m.	Contribution Rate Adoption for 2005-07 Contribution Rate Stability Preliminary Report Military Service Preliminary Report Duty Related Disability - Preliminary Report (Follow-Up) Medic One – Initial Consideration

<p>October 27, 2004 9:30 a.m. – 3:00 p.m.</p>	<p>Adequacy of Benefits Initial Consideration Post-LEOFF Employment – Preliminary Follow-Up 2005 Board Meeting Schedule Annual Summary of Member Benefits Follow-Up Operating Policies Executive Director Performance Review</p>
<p>November 10, 2004 9:30 a.m. – 3:00 p.m.</p>	<p>Contribution Rate Stability – Final Proposal Purchase of Service Credit/Annuity – Final Proposal Interruptive Military Service – Final Proposal Member Access - DRS</p>
<p>December 9, 2004 9:30 a.m. – 3:00 p.m.</p>	<p>Post-LEOFF Employment – Final Proposal Duty Disability – Final Proposal Annual Audit of Expenses</p>

LEOFF Plan 2 Retirement Board 2004 Interim Summary

Title	Options	Actuarial Cost
Purchase of Additional Benefits	1. Purchase of Additional Service Credit	0.00%
	2. Purchase of Annuity	0.00%
Duty Disability Benefits	1. Eliminate the actuarial reduction for duty disability calculation	0.40%
	2. Establish a special benefit for extreme disabilities (70% of pay)	0.16%
Post LEOFF Employment	1. Provide members a choice: <ul style="list-style-type: none"> - Opt into membership in new system and not receive LEOFF Plan 2 pension - Option out of membership in new system and receive LEOFF Plan 2 pension 	0.00%
	2. Remove restrictions on receiving pension when employed in eligible position and accruing additional public pension	0.08%
Military Service Credit	1. Allow compensation that is paid by an employer to an employee to make up the difference between military salary and normal salary to be reportable as compensation for retirement purposes	0.00%
	2. Allow the purchase of service credit for a member who is killed during military service or disabled to the point that they cannot return to employment	0.00%
Contribution Rate Stability	1. Provide annual contribution rates for 2005-09 rather than biennial rates.	0.00%
	2. Provide a contribution rate floor beginning in 2009.	