

BOARD MEETING AGENDA

SEPTEMBER 27, 2023 • 9:30AM



LOCATION - Hybrid Meeting

In-Person:
Washington State Investment Board
2100 Evergreen Park Drive SW, Suite 100
Olympia, WA 98502

Or Virtual Meeting Information at
www.leoff.wa.gov

TRUSTEES

DENNIS LAWSON, CHAIR
Central Pierce Fire and Rescue

JASON GRANNEMAN, VICE CHAIR
Clark County Sheriff's Office

MARK JOHNSTON
Vancouver Fire Department

AJ JOHNSON
Snohomish County Fire

SENATOR JEFF HOLY
Spokane Police Department (Ret)

TARINA ROSE-WATSON
Spokane Int'l Airport Police Dept

PAT MCELLIGOTT
East Pierce County Fire

JAY BURNEY
City of Olympia

WOLF OPITZ
Pierce County

REPRESENTATIVE STEVE BERGQUIST
WA State Representative

DARELL STIDHAM
Spokane County Sheriff's Office

STAFF

Steve Nelsen, Executive Director
Tim Valencia, Deputy Director
Jessie Jackson, Executive Assistant
Jessica Burkhart, Administrative Services Manager
Jacob White, Senior Research and Policy Manager
Karen Durant, Senior Research and Policy Manager
Tammy Sadler, Benefits Ombudsman
Sarah White, Benefits Ombudsman
Tor Jernudd, Assistant Attorney General

**THEY KEEP US SAFE,
WE KEEP THEM SECURE.**

- | | |
|---|-----------------|
| 1. Approval of Minutes | 9:30 AM |
| 2. OSA Financial Condition Report
Frank Serra, Senior Actuarial Analyst, Office of the State Actuary (OSA) | 9:35 AM |
| 3. OSA Economic Assumptions Recommendation
Matt Smith, State Actuary, OSA
Frank Serra, Senior Actuarial Analyst, OSA | 10:05 AM |
| 4. DRS Month of Death
Shawn Merchant, Legislative and Stakeholder Relations Director, Dept of Retirement Systems (DRS) | 10:50 AM |
| 5. DRS Administrative Benchmarking
Mark Feldhausen, Budget and Performance Management Director, DRS | 11:15 AM |
| 6. Part-time LEOFF Members - Initial
Jacob White, Sr. Research & Policy Manager | 12:00 PM |
| 7. Disability Conversions - Initial
Jacob White, Sr. Research & Policy Manager | 12:15 PM |
| 8. Overpayment Responsibility – Comprehensive
Jacob White, Sr. Research & Policy Manager | 12:30 PM |
| 9. Holiday Payments - Initial
Jacob White, Sr. Research & Policy Manager | 1:00 PM |
| 10. Non-duty Disability Leave Use - Initial
Jacob White, Sr. Research & Policy Manager | 1:15 PM |
| 11. Board Officer Elections | 1:30 PM |
| 12. Administrative Update <ul style="list-style-type: none">2021-23 Final Biennium Budget Report | 1:45 PM |
| 13. Public Comment | |

*Public comment can be provided to the Board in writing 24 hours prior to the meeting via our reception mailbox: recep@leoff.wa.gov.

*Lunch is served as an integral part of the meeting.

In accordance with RCW 42.30.110, the Board may call an Executive Session for the purpose of deliberating such matters as provided by law. Final actions contemplated by the Board in Executive Session will be taken in open session. The Board may elect to take action on any item appearing on this agenda.

2023 Report on Financial Condition

Presentation to: LEOFF Plan 2 Retirement Board

Frank Serra, Senior Actuarial Analyst



Today's Presentation

- Background on the *Report on Financial Condition* (RFC)
- Current health of the retirement plans
- Projected health
- Financial risks to the plans



Approach to the 2023 RFC

- No longer a joint report with the *Economic Experience Study* (EES)
 - This presentation serves as the 2023 RFC
- 2023 RFC focuses on changes since the [2021 RFC](#)
 - Updated key exhibits
 - Reviewed takeaways and trends
 - See 2021 RFC for additional background and context
- In addition to our annual actuarial valuations, many resources available to evaluate the financial condition of the Washington State retirement systems
 - RFC
 - [Commentary on Risk](#)
 - [Risk Assessment](#)

Measures We Used for Assessing Plan Health in the RFC

- **Affordability:** Ability to provide adequate funding
 - Can members, employers, local government, and the state pay the amount required to fully fund the plans?
 - Examples: Contribution rate levels, pension contributions relative to state budget
- **Solvency:** Ability to pay for member benefits when due
 - Can the plans pay the benefits that have been earned by members?
 - Are the plans on target to meet future benefit requirements?
 - Example: Funded ratio



Current Plan Health

Affordability: Contribution Rates Are Trending Downward for Most Plans

- As of 2022 AVR, \$11.5 billion in deferred asset gains (all plans combined) under asset smoothing method
- Recent funding policy changes decreased Plan 1 UAAL rates
- See Appendix for Plan 2 member rates

Total Employer Contribution Rates ¹			
	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium
System	Collected	Collected	Adopted ³
PERS	12.68%	10.07%	9.33%
TRS	15.33%	14.24%	9.50%
SERS	13.01%	11.47%	10.73%
PSERS	11.96%	10.21%	9.70%
LEOFF ²	8.59%	8.53%	8.53%
WSPRS	17.50%	17.66%	17.79%

¹Excludes DRS administrative expense fee.

²No contributions are required for LEOFF 1 when the plan is fully funded.

³Rates effective 9/1/2023, and reflect adoptions by PFC and LEOFF 2 Board with adjustments for 2023 Legislative Session changes. Plan 1 UAAL rates may change 9/1/2024. See next slide for additional details.

Affordability: Law Changes Have Impacted Plan 1 UAAL Rates

- Two Plan 1 law changes impacted affordability
 - [SB 5350](#) (ad hoc COLA) increased plan costs
 - [ESSB 5294](#) updated funding policy and reduced short-term rates
- Overall, these law changes decreased short-term contribution rates for PERS, TRS, SERS, and PSERS employers

PERS 1 and TRS 1 UAAL Rates for 2023-25 Biennium				
	Before 2023 Legislative Session		After 2023 Legislative Session*	
	FY 2024	FY 2025	FY 2024	FY 2025
PERS 1 UAAL	3.85%	3.85%	2.97%	2.47%
TRS 1 UAAL	6.46%	6.46%	1.44%	1.44%

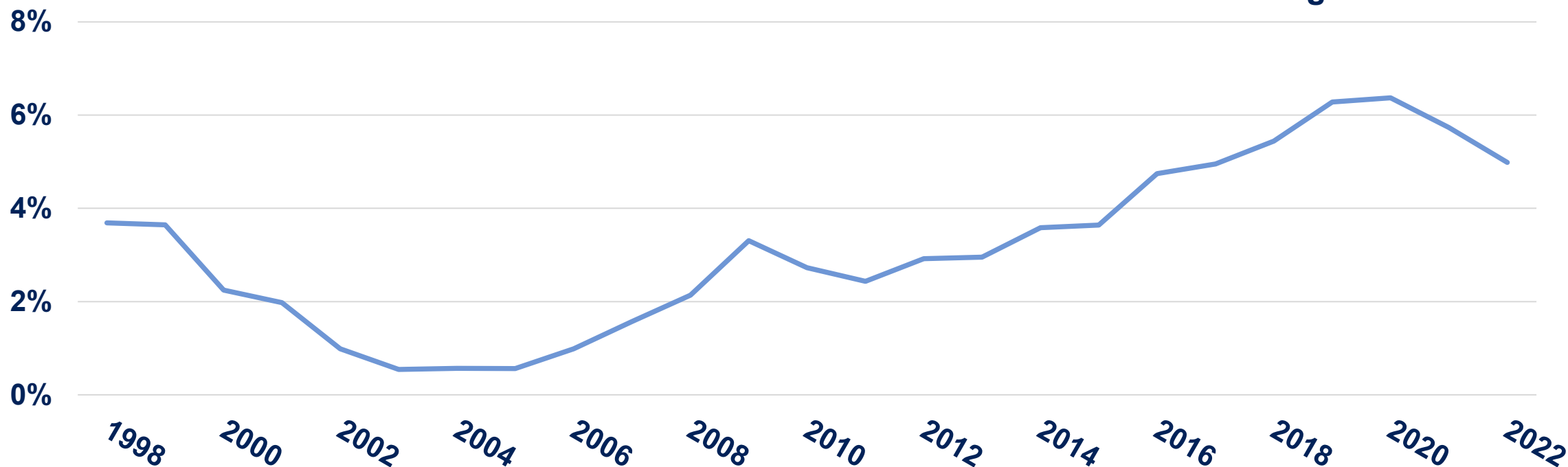
**Reflecting SB 5350 and ESSB 5294.*

Affordability: Contributions as Percent of GF-S Budget Starting to Trend Downward

■ Began trending downward in the 2019-21 Biennium

■ See 2021 RFC for background on historical trends

Historical Estimated Pension Contributions as a Percent of GF-S Budget

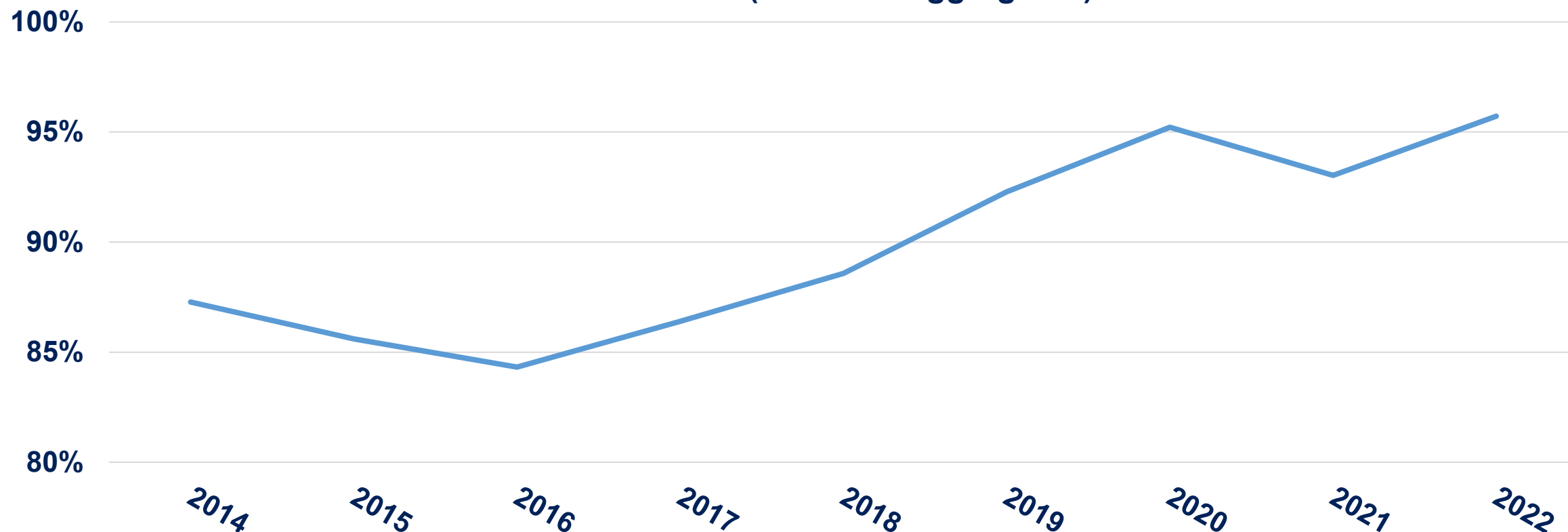


Note: We rely on actual GF-S budgets found in the Washington State Economic and Revenue Forecast reports. We also rely on pension contributions found in Annual Comprehensive Financial Reports and our AVRs. To estimate GF-S contributions, we apply our historical assumed fund splits to the applicable year. See Plan Maturity Measures on our Commentary on Risk webpage for details.

Solvency: Funded Ratio Has Trended Upward since 2016

■ Impacted by changes in assumptions and plan/asset experience

Funded Status (All Plans Aggregated)



Affordability and Solvency

Continue to Improve since our Last RFC

- Affordability continues to improve
 - 2023-25 Biennium collected rates generally lower than prior two biennia
 - Contributions as a percent of GF-S budget have started to decline
 - Other affordability measures (e.g., maturity) not updated for 2023 RFC
 - See our [Commentary on Risk](#) webpage for additional measures
- Solvency continues to improve
 - Funded ratios (all plans combined) have increased since the 2021 RFC

Projected Plan Health

Affordability: Contribution Rates Expected to Continue Downward Trend

- In large part due to the recognition of past, deferred investment gains
- PERS 1 and TRS 1 UAAL both expected to be paid off by FY 2027
- See Appendix for Plan 2 member rates

Total Employer Contribution Rates ¹				
	2023-25 Biennium	2025-27 Biennium	2027-29 Biennium	2029-31 Biennium
System	Adopted ⁴	Projected	Projected	Projected
PERS²	9.08%	7.25%	5.75%	5.15%
TRS²	9.50%	9.12%	8.77%	7.35%
SERS²	10.48%	8.40%	6.71%	5.52%
PSERS²	9.45%	8.65%	7.93%	7.08%
LEOFF³	8.53%	8.22%	8.02%	8.05%
WSPRS	17.79%	16.97%	11.83%	8.03%

¹Excludes DRS administrative expense fee.

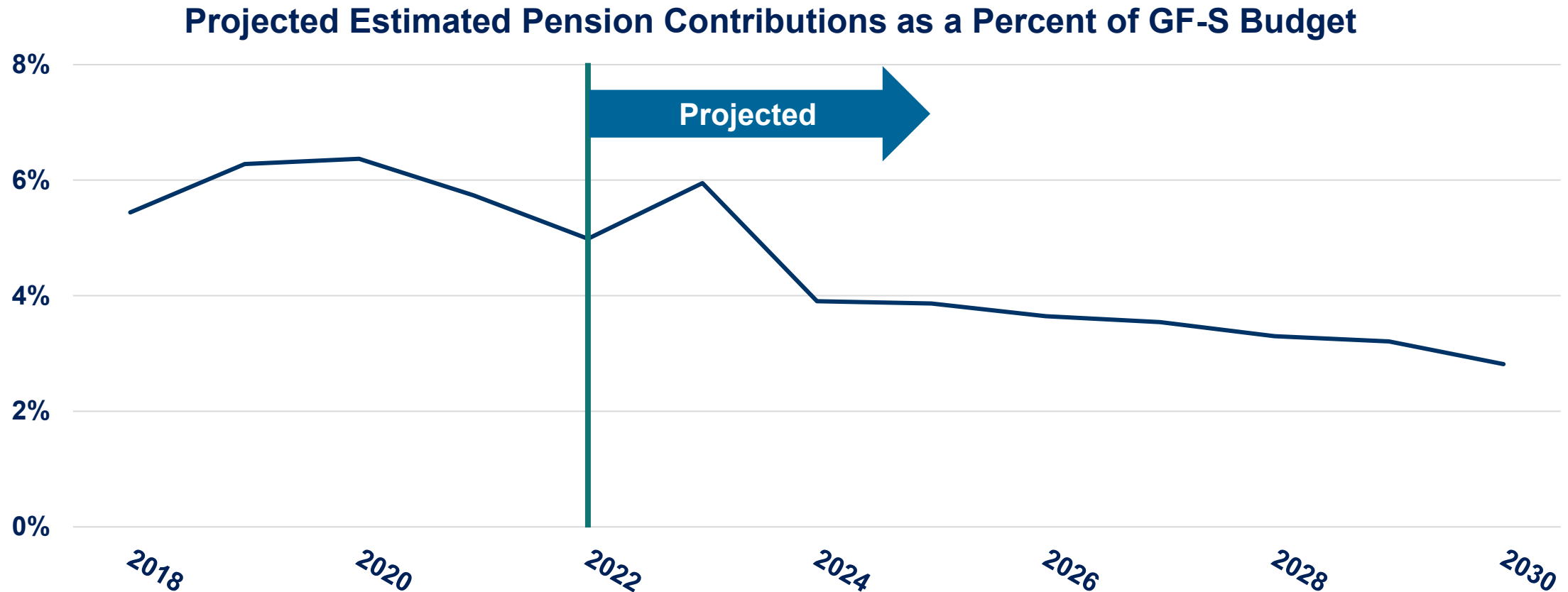
²For plans contributing to PERS 1 UAAL, we averaged PERS 1 UAAL rates for FYs 2024 and 2025.

³No contributions are required for LEOFF 1 when the plan is fully funded.

⁴Rates effective 9/1/2023 and reflect adoptions by PFC and LEOFF 2 Board with adjustments for 2023 Legislative Session changes.

Affordability: Contribution as a Percent of GF-S Budget Also Expected to Continue Downward Trend

- Budget projected to increase; pension contribution rates decreasing

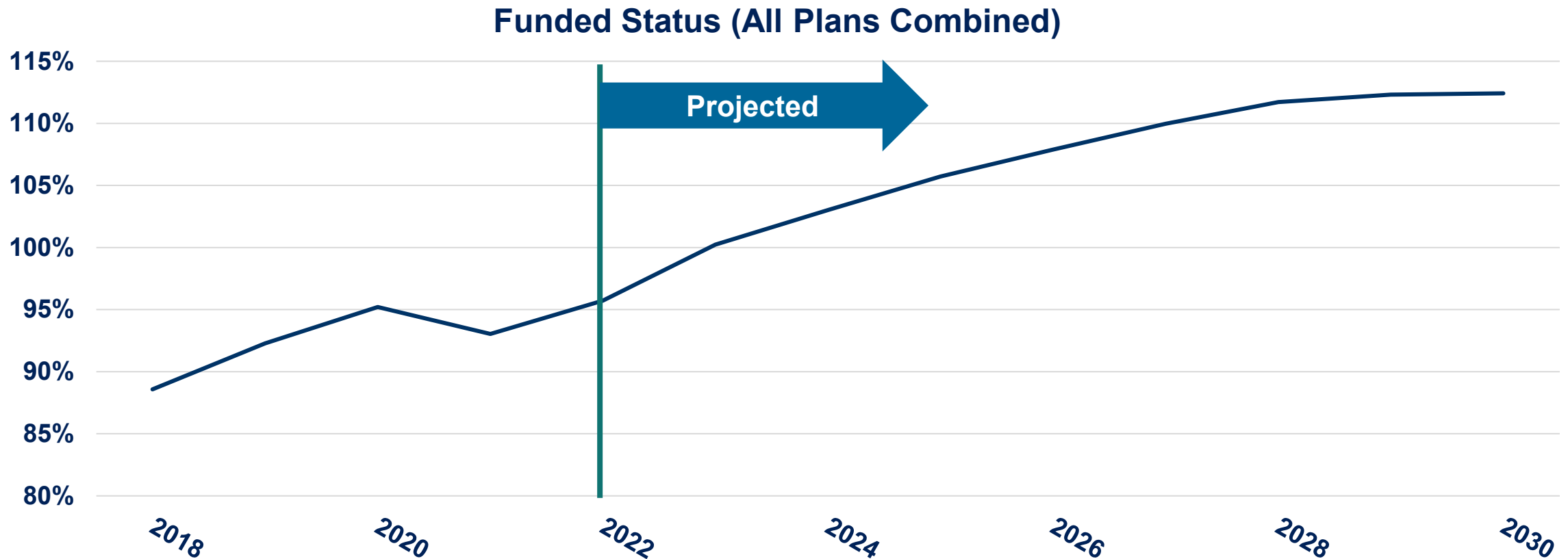


Note: We relied on the June 2022 Washington State Economic and Revenue Forecast for the short-term GF-S forecast. All other projected assumptions, including long-term GF-S growth, rely on data, assumptions, and methods consistent with a modified version of our most recent Projections Model (2021 Valuation Projections Model). Use of another report can lead to different results but the long-term trend is not expected to change.

Solvency: Funded Ratios

Expected to Continue Trending Upward

- All plans expected to reach/exceed 100% in the next five years
- Ongoing contributions still required for most plans



Affordability and Solvency

Both Expected to Continue to Improve

- Similar trends and takeaways as the 2021 RFC
- Affordability and solvency are both expected to continue improving
 - Downward trend in contribution rates and contributions as a percent of budget
 - Upward trend in funded status
 - PERS 1 and TRS 1 UAAL both expected to be paid off by FY 2027
- **Important Note:** Projections are based on assumptions as well as benefit provisions, funding policy, and methods defined in current law (where applicable). Actual experience may vary.
 - Assumes full actuarially required contributions are collected

Financial Risks to Plans

How Can the Future Look Different than Expected?

- As discussed in the 2021 RFC, three main factors materially influence our projections
 - Investment experience
 - Choices made by policy makers
 - Demographic experience
- See 2021 RFC for additional information

Emerging Financial Risks to the Plans since the 2021 RFC

- Updated Plan 1 funding policy (ESSB 5294)
 - Improves short-term affordability but solvency could worsen
 - Less assets available than previously expected to offset future, adverse economic scenarios
 - UAAL more likely to re-emerge as a result (see [fiscal note](#) for additional detail)
 - For more info on Plan 1 Funding Policy, see our [Plan 1 Funding Policy Review](#)
- Two Additional Ad Hoc COLAs since our Last RFC
 - Four Ad Hoc COLAs added during last six legislative sessions
 - Decreases affordability and solvency of these plans
 - Improves purchasing power of PERS 1 and TRS 1 retirees

How Can Risk Factors Be Managed?

- Health of retirement plans cannot be completely controlled
 - Membership demographics, actual return on investments, pandemics, etc.
- Legislature and policy makers can manage some risks
 - Adopting adequate contribution rates based on reasonable assumptions
 - If benefit enhancements are enacted, ensure they are affordable and sustainable
- OSA plays a role too
 - Regularly revisit assumptions
 - Economic studies conducted every two years; demographic every six years
 - Continual review of affordability and solvency measures
 - Currently studying Risk Assessment model and updating measures
 - Actuarial fiscal notes and risk analysis on proposed plan changes

Summary of *Report on Financial Condition*

- Current and projected plan health
 - Affordability and solvency metrics are improving
 - Contribution rates are trending downward for most plans
 - Contributions as a Percent of GF-S Budget are trending downward
 - Funded ratios are trending upward
- Managing financial risks to retirement plans
 - Regular monitoring
 - Making necessary adjustments in a timely manner
 - Applying discipline and a long-term view when considering benefit enhancements and contribution requirements

Questions?



Questions? Please Contact: The Office of the State Actuary

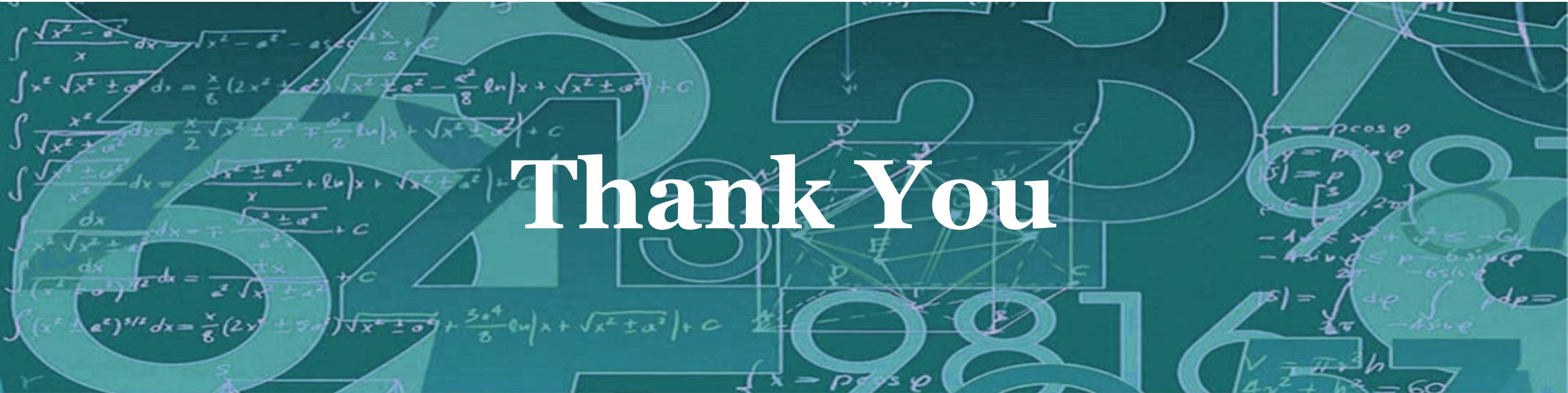
leg.wa.gov/OSA; state.actuary@leg.wa.gov

360-786-6140, PO Box 40914, Olympia, WA 98504

Frank Serra, Senior Actuarial Analyst

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Thank You



Appendix

- 2023-25 Contribution Rates
- Historical Funded Ratios by Plan
- Plan 2 Member Contribution Rates
- Disclosure on Projections Model
- Actuary's Certification of the 2023 RFC



2023-25 Contribution Rates

2023-25 Biennium Contribution Rates <i>Displayed Rates Effective 9/1/2023</i>				
	Employee	Employer ¹		
System	Normal Cost	Normal Cost	UAAL ³	Total
PERS ²	6.36%	6.36%	2.97%	9.33%
TRS ²	8.06%	8.06%	1.44%	9.50%
SERS ²	7.76%	7.76%	2.97%	10.73%
PSERS	6.73%	6.73%	2.97%	9.70%
LEOFF ⁴	8.53%	8.53%	0.00%	8.53%
WSPRS	8.74%	17.79%	N/A	17.79%

¹Excludes DRS administrative expense fee.

²Plan 1 members' contribution rate is statutorily set at 6.0%. Members in Plan 3 do not make contributions to their defined benefit.

³ESSB 5294 (2023 Legislative Session) prescribed lower PERS 1 UAAL rates for FY 2025. The UAAL rate is 2.47% for FY 2025.

⁴LEOFF 2 contribution rates. No member or employer contributions are required for LEOFF Plan 1 when the plan is fully funded.

Historical Funded Ratios by Plan

Funded Status on an Actuarial Value Basis

(Dollars in Millions)	PERS		TRS		SERS	PSERS	LEOFF		WSPRS	Total	Interest Rate
	Plan 1	Plan 2/3	Plan 1	Plan 2/3	Plan 2/3	Plan 2	Plan 1	Plan 2	Plan 1/2		
Accrued Liability	\$11,047	\$55,247	\$8,041	\$23,195	\$8,712	\$1,173	\$4,204	\$17,336	\$1,669	\$130,623	
Valuation Assets	8,294	53,863	6,472	21,254	8,026	1,180	6,376	17,985	1,576	125,026	
Unfunded Liability	\$2,753	\$1,384	\$1,569	\$1,941	\$686	(\$7)	(\$2,172)	(\$648)	\$93	\$5,597	
Funded Ratio											
2022	75%	97%	80%	92%	92%	101%	152%	104%	94%	96%	7.0%
2021	71%	95%	73%	90%	91%	98%	146%	104%	92%	93%	7.0%
2020	69%	98%	71%	93%	93%	101%	148%	113%	97%	95%	7.5%
2019	65%	96%	66%	91%	91%	101%	141%	111%	95%	92%	7.5%
2018	60%	91%	63%	90%	89%	96%	135%	108%	93%	89%	7.5%
2017	57%	89%	60%	91%	88%	95%	131%	109%	92%	86%	7.5%
2016	56%	87%	61%	89%	87%	94%	126%	105%	91%	84%	7.7%
2015	58%	88%	64%	92%	89%	95%	125%	105%	98%	86%	7.7%
2014	61%	90%	69%	94%	91%	96%	127%	107%	100%	87%	7.8%

Note: Totals may not agree due to rounding. Liabilities valued using the EAN cost method. Assets valued using the actuarial smoothing method.

Plan 2 Member Contribution Rates

	Employee Contribution Rates ¹					
	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium	2027-29 Biennium	2029-31 Biennium
System	Collected	Collected	Adopted ³	Projected	Projected	Projected
PERS 2¹	7.90%	6.36%	6.36%	5.78%	4.83%	4.83%
TRS 2¹	7.77%	8.05%	8.06%	8.18%	7.43%	6.73%
SERS 2¹	8.25%	7.76%	7.76%	6.93%	5.79%	5.20%
PSERS 2	7.20%	6.50%	6.73%	7.18%	7.01%	6.76%
LEOFF 2	8.59%	8.53%	8.53%	8.22%	8.02%	8.05%
WSPRS 1/2²	8.45%	8.61%	8.74%	8.74%	8.74%	8.03%

¹ Plan 1 members' contribution rate is statutorily set at 6.0%. Members in Plan 3 do not make contributions to their defined benefit.

² Current WSPRS member contribution rates are at the plan maximum.

³ Rates effective 9/1/2023 and reflect adoptions by PFC and LEOFF 2 Board with adjustments for 2023 Legislative Session changes.

Disclosure on Projections Model

- Unless noted otherwise, we relied on data, assumptions, methods from our [2021 Valuation Projections Model](#) to project plan health
 - We included the liabilities and funding policy changes from the Ad Hoc COLA ([SB 5350](#)) and Plan 1 Funding Change ([ESSB 5294](#)) bills which became law following the 2023 Legislative Session
 - Our projections reflect known asset returns through June 30, 2022
- In our projections, we made no assumption regarding the phase-in of the costs associated with the current 7% investment return assumption beyond the 2023-25 Biennium
 - PFC adopted a cost phase-in over three biennia, with the costs fully phased in with the 2027-29 Biennium
 - Our projections reflect the full impact of the current 7% return assumption starting in the 2025-27 Biennium

Actuary's Certification of the 2023 RFC

This presentation summarizes the results of OSA's analysis on the financial condition of the Washington State retirement systems, pursuant to [RCW 41.45.030](#). The primary purpose of this presentation is to assist the PFC in evaluating whether to adopt changes to the long-term economic assumptions identified in [RCW 41.45.035](#). This RFC may not be appropriate for other purposes. Please replace this presentation with our next RFC when available.

We relied on information gathered from our 2021 RFC, 2021 and 2022 AVRs, 2021 Valuation Projections Model, and fiscal note analysis on [SB 5350](#) and [ESSB 5294](#) to prepare this presentation. We believe that this information, along with the assumptions and methods used to conduct our analysis, is reasonable and appropriate for the primary purpose stated above. The use of another set of data, assumptions, and methods, however, could also be reasonable and could produce materially different results. In our opinion, all methods, assumptions, and calculations are in conformity with generally accepted actuarial principles and applicable standards of practice as of the date of this presentation.

Matthew M. Smith (FCA, EA, MAAA) and Kyle Stineman (ASA, MAAA) served as the reviewing and responsible actuaries for this RFC. They meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein and are available to offer extra advice and explanation as needed.

State Actuary's Recommendation on Long-Term Economic Assumptions

Presentation to: LEOFF Plan 2 Retirement Board

Matthew M. Smith, State Actuary, FCA, EA, MAAA

Frank Serra, Senior Actuarial Analyst



Today's Presentation

- Background
 - What is the *Economic Experience Study*?
 - What does OSA consider when conducting this study?
- *2023 Economic Experience Study* Highlights
 - Key takeaways & state actuary's recommendations
 - No recommended change to the assumptions
 - Full report available on OSA's [website](#)
 - Appendix contains additional reference material

Economic Experience Study

Inflation



**Inform Future Regional COLA Expectations
Component for Other Assumptions**

General Salary Growth



**Project Wages to Determine Future Benefits
and Calculate Contribution Rates**

Investment Return



**Assumed Annual Return on Assets
Determine Present Value of Benefits and
Salaries**

Key Considerations

Purpose of Assumptions



Actuarial Funding Contribution Rates

Measurement Period



**About 20 years for Open Plans
About 8 years for Closed Plans**

Relevant Data



Forecasts for Future Vs. Historical Data

Actuarial Standards of Practice



**Provides Guidance when Selecting or
Recommending Assumptions**

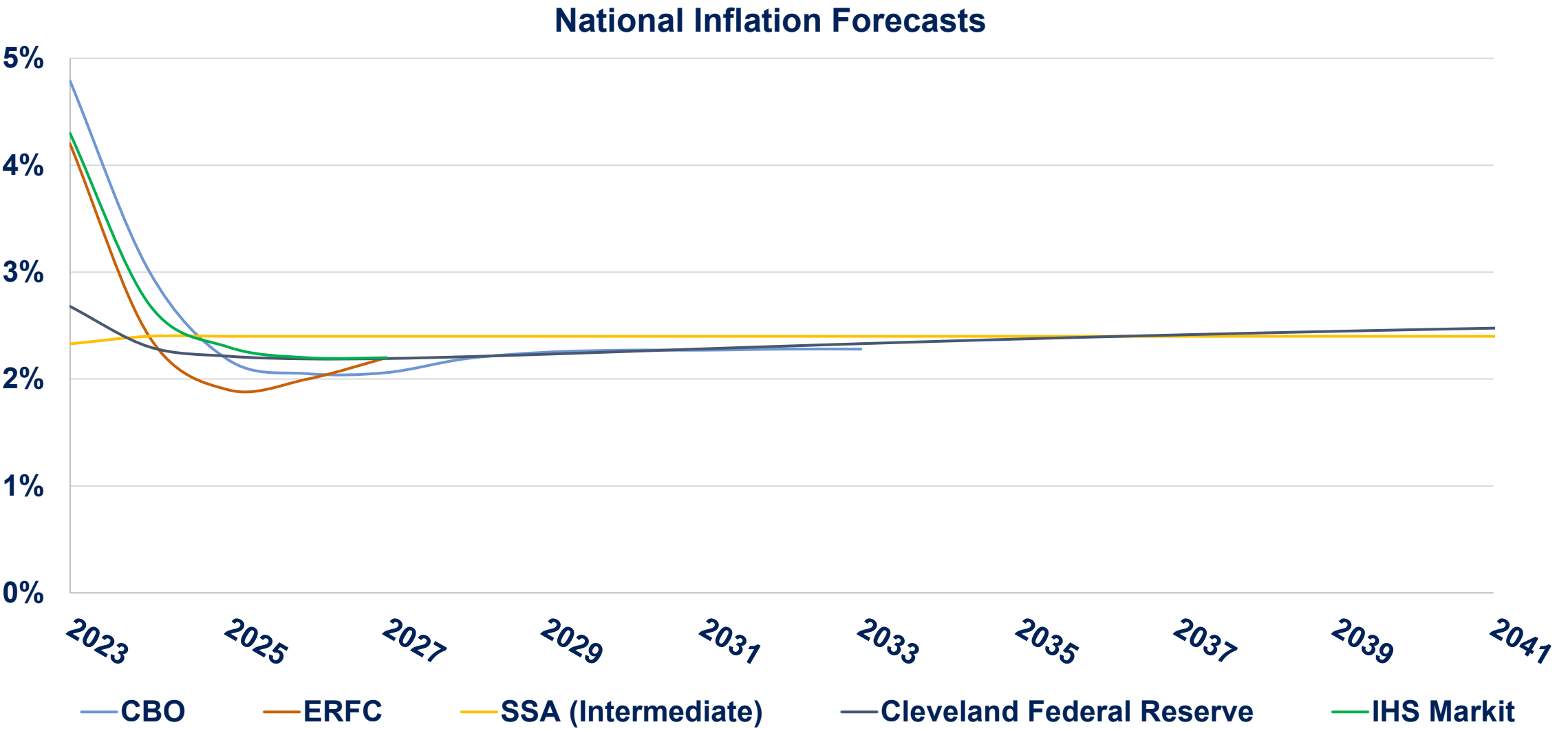
Professional Judgment



Based on Education and Experience

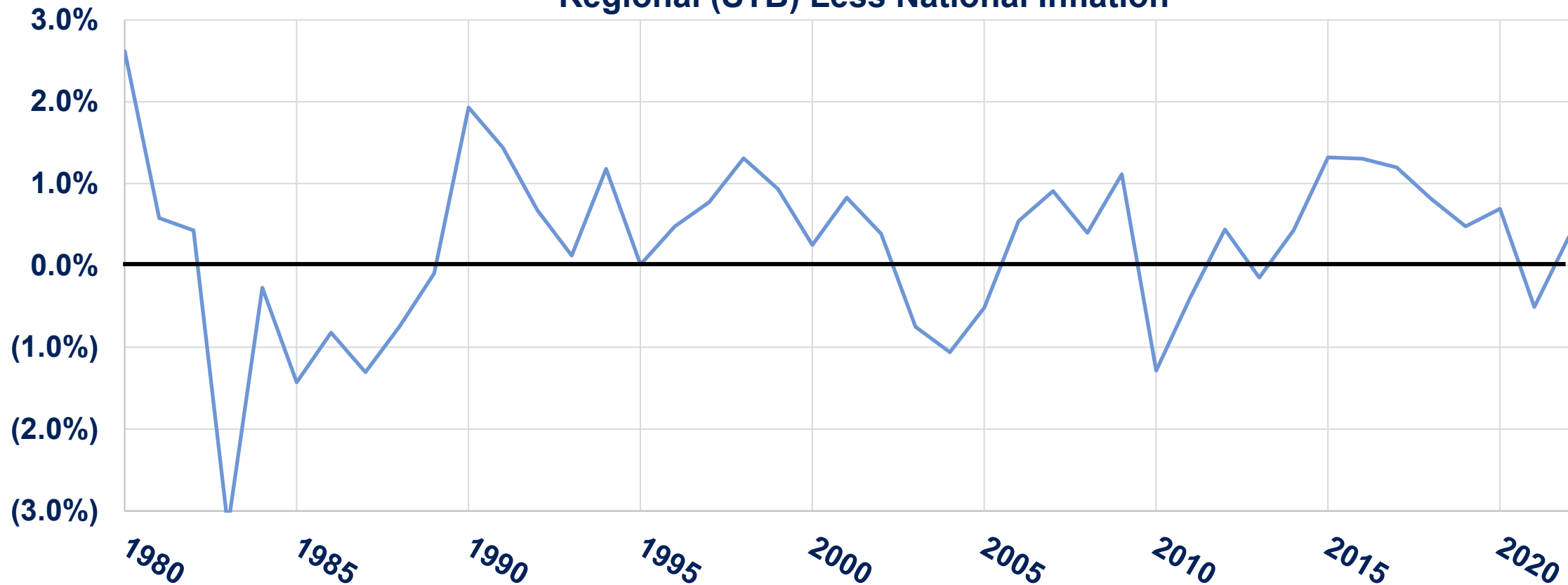
Inflation

National Inflation Forecasts Are Elevated in the Short-Term but Closer to 2.3-2.5% in the Long-Term



We Continue to Expect Regional Inflation to Outpace National Inflation

Regional (STB) Less National Inflation



- Over the past 10, 15, 20, and 25 years, we observed annual average inflation differentials of 0.60%, 0.41%, 0.26%, and 0.36%, respectively

Inflation Considerations and Recommendation

- We expect national inflation to be 2.3-2.5% in the long-term
- We expect regional inflation to outpace national by 0.2-0.5%
- Federal Reserve remains committed to bringing down inflation
- Recently, we've experienced a decline in inflation
 - June 2023 national inflation was roughly 3%
- **Recommendation = 2.75% for all plans**
 - Matches current assumption
 - We did not observe significant differences in the inflation forecasts over open vs. closed plan durations

General Salary Growth

OSA Models Total Salary Growth with Economic and Demographic Assumptions

- Economic assumption = “General Salary Growth”
 - General Salary Growth equals Inflation plus Real Wage Growth
 - Constant assumption across all DRS plans
- Demographic assumption = “Service-Based Salary Growth”
 - Merit, longevity, and “step” salary increases
 - Varies by retirement system and service level
- Together, these assumptions model total expected salary growth
 - Economic assumption will be the focus of today’s presentation

We've Observed a Longer-Term Downward Trend in General Salary Growth with High Levels of Annual Volatility

Estimated General Salary Growth for Employees of DRS Open Plans

Last 10 years (2012-2021)	3.23%
Last 20 years (2002-2021)	3.41%
Last 30 years (1992-2021)	3.43%

- Can be influenced by economic or business cycles and more localized forces such as employee recruitment and retention, budgetary priorities, and collective bargaining agreements

National Forecasts Suggest Minimal Changes in Real Wage Growth Component

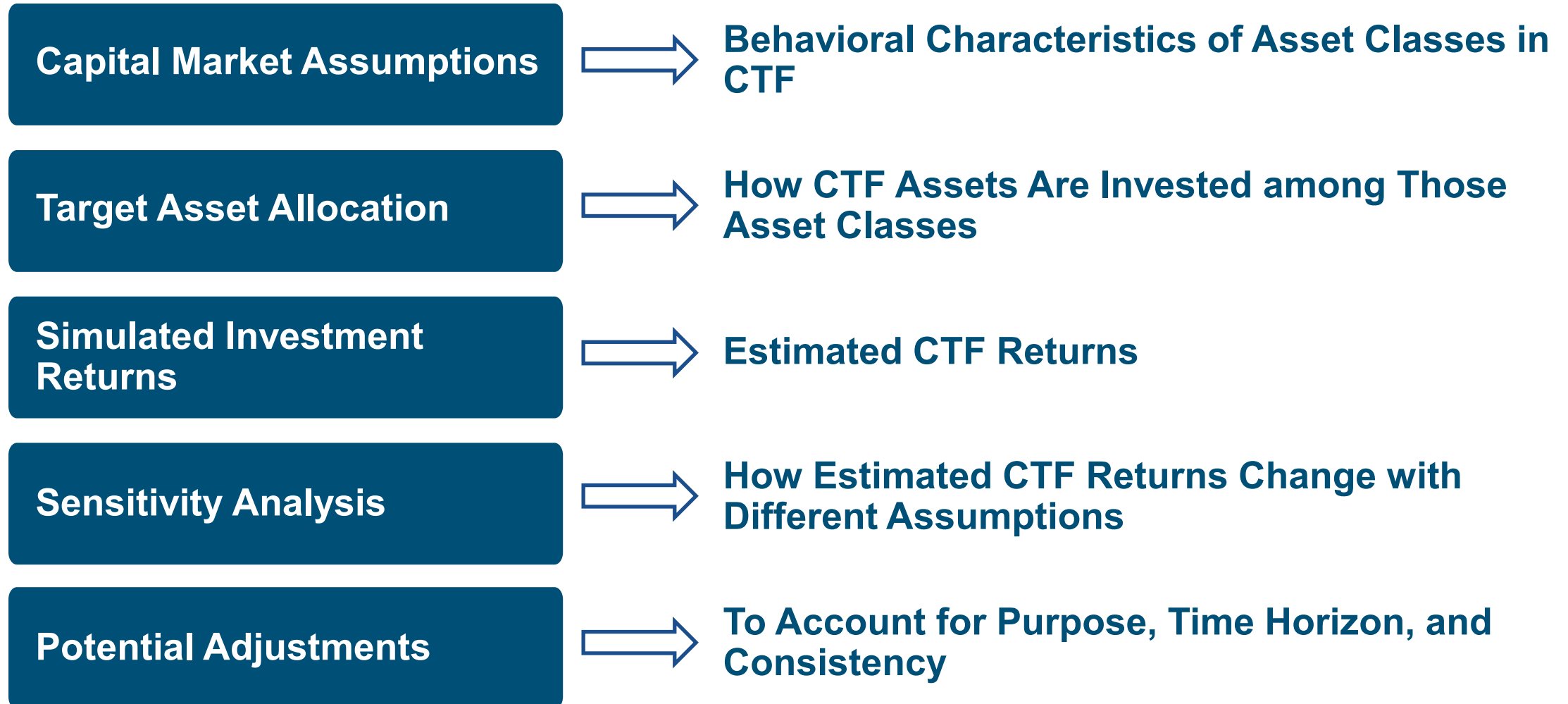
- General Salary Growth equals Inflation plus Real Wage Growth
 - Inflation was already covered
- We look at Real Wage Growth forecasts on a national level
 - Regional forecasts are not readily available
- We look at the change in forecasts rather than the values themselves
 - Forecasts rely on a broader definition of wages and can include benefits
 - Forecasts may include both economic and demographic sources
- Real Wage Growth forecasts have remained steady over the past 2-4 years

General Salary Growth Considerations and Recommendation

- We've observed a longer-term downward trend in General Salary Growth but forecasts for Real Wage Growth remain similar to two years ago
- Represents average annual salary growth over the measurement period
 - As we have done in the past, if we become aware of actual salary growth well above/below our long-term expectations, we can update our assumptions in a future actuarial valuation (e.g., known salary increases in a given year)
- **Recommendation = 3.25% for all plans**
 - Matches current assumption

Investment Return

Key Considerations When Selecting a Return Assumption



Capital Market Assumptions (CMAs)

- According to WSIB, CMAs are the cornerstone in the development of a strategic asset allocation strategy
- Represent the projected behavioral characteristics of asset classes
 - Risk (volatility)
 - Reward (return)
 - Relationship (correlation)
- WSIB CMAs developed for a 15-year time horizon

WSIB's CMAs Changed since Our Last Study

WSIB Capital Market Assumptions						
Asset Class	Expected 1-Year Return*			Standard Deviation		
	2023	2021	Difference	2023	2021	Difference
Global Equity	8.1%	8.1%	0.0%	19.0%	19.0%	0.0%
Tangible Assets	7.0%	6.9%	0.1%	12.0%	12.0%	0.0%
Fixed Income	4.6%	3.7%	0.9%	6.0%	6.0%	0.0%
Private Equity	11.1%	11.1%	0.0%	25.0%	25.0%	0.0%
Real Estate	7.3%	7.6%	(0.3%)	13.0%	13.0%	0.0%
Cash	2.5%	1.7%	0.8%	2.0%	1.5%	0.5%

**Reflects arithmetic returns. Geometric returns are lower but have the same difference between 2023 and 2021.*

- One-year expected returns for Fixed Income and Cash are nearly 1% higher, but all other asset classes display modest to no change since our last study
- Except for Cash, no changes to expected standard deviation (or volatility)

WSIB's CTF Target Asset Allocation Changed Since Our Last Study

WSIB CTF Target Asset Allocation			
	2023 EES	2021 EES*	Difference
Global Equity	30%	32%	(2%)
Tangible Assets	8%	7%	1%
Fixed Income	19%	20%	(1%)
Private Equity	25%	23%	2%
Real Estate	18%	18%	0%
Cash	0%	0%	0%
Total	100%	100%	

**Report published prior to WSIB's October 2021 target asset allocation update.*

- Private Equity and Tangible Assets saw a small allocation increase; Global Equity and Fixed Income saw a small corresponding decrease since our last study
- A future change in the CTF asset allocation could lead to a different recommended return assumption in the future

WSIB's Simulated Returns for the CTF Increased Since Our Last Study

15-Year Simulated Annual Investment Returns*			
	2023	2021	Difference
70th Percentile	8.94%	8.81%	0.13%
60th Percentile	7.92%	7.83%	0.09%
Median Return	7.02%	6.89%	0.13%
40th Percentile	6.11%	5.94%	0.17%
30th Percentile	5.15%	4.98%	0.17%

**Displayed simulations rely on a downside log-stable distribution, which uses actual historical returns to inform the future distribution (and volatility) of more pessimistic return scenarios.*

- Simulations rely on CMAs and Target Asset Allocation
- Simulated returns are modestly higher than reported in our last study
 - 15-year median return increased by 13 basis points and is now close to 7.00%
 - Simulated median returns were 7.03% and 7.01% over a 10- and 25-year horizon, respectively

Simulated Returns Vary with Use of Different CMAs

OSA Estimated Median Return Sensitivity				
	Change in Private Equity Expected Return		Change in Global Equity Expected Return	
Base	-1%	+1%	-1%	+1%
7.0%	6.8%	7.3%	6.7%	7.3%

- OSA modeled how median CTF returns would change with a 1% decrease or increase in the expected 1-year return of Private Equities and Global Equities
 - These two asset classes comprise 55% of the asset allocation of the CTF and have the greatest return volatility

We Considered Adjustments to WSIB's Simulations

- Potential adjustments take into account investment factors such as
 - Inflation
 - Reversion of returns to their long-term mean values
 - Assumed premium of private equity over global equity returns
- Potential adjustments also take into account differences in how OSA and WSIB apply these assumptions
 - **Purpose** — Plan funding (OSA) vs. strategic asset allocation (WSIB)
 - **Time Horizon** — 8 to 20 years (OSA) vs. 15 years (WSIB)

Investment Return Considerations and Recommendation

- We view WSIB's simulated returns as reasonable and found our inflation assumptions to be consistent
 - We focused on the simulated median return for purposes of recommending a return assumption
- We considered adjustments to these simulations based on how OSA applies the Investment Return assumption
 - The adjustments we considered generally offset each other or were unnecessary
- **Recommendation = 7.00% for all plans**
 - Matches current assumption
 - We did not observe significant differences in simulated investment returns over open vs. closed plan durations

Summary of Long-Term Economic Assumptions

Assumption	Current	Recommended
Inflation	2.75%	2.75%
General Salary Growth	3.25%	3.25%
Investment Return	7.00%	7.00%

- 2023 recommendations reflect no change from 2021 recommendations or from currently prescribed assumptions
- We developed these assumptions as a consistent set of economic assumptions and recommend reviewing them as a set of assumptions

Questions?



*Questions? Please Contact: The Office of the State
Actuary*

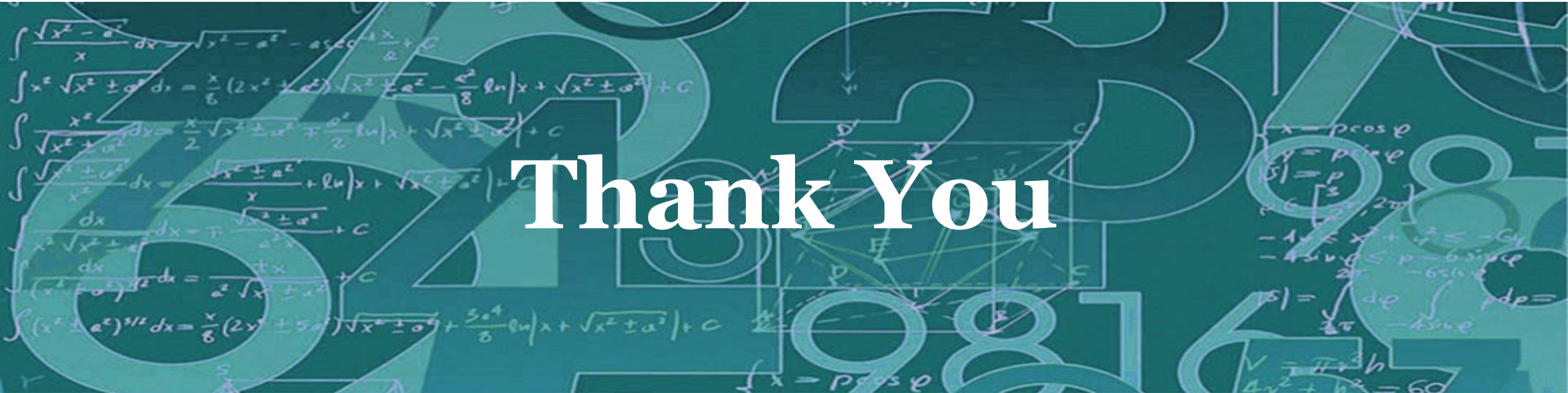
leg.wa.gov/OSA; state.actuary@leg.wa.gov

360-786-6140, PO Box 40914, Olympia, WA 98504

Matthew M. Smith and Frank Serra

O:\LEOFF 2\2023\09-Sep.27\State.Actuary.Recommendation.pptx

Thank You



Appendix

- Other states' Economic Assumptions
- Historical Economic Assumptions for Washington State Pension Systems



Other States' Economic Assumptions

Economic Assumptions for Select Public Plans Outside Washington				
Plan Name	Inflation*	General Salary Growth	Investment Return	Date of Valuation
Washington 2023 EES Recommendations	2.75%	3.25%	7.00%	
Washington Currently Prescribed Assumptions	2.75%	3.25%	7.00%	
Alaska PERS & Teachers	2.50%	2.75%	7.25%	6/30/2022
California PERS	2.30%	2.80%	6.80%	6/30/2021
California Teachers	2.75%	3.50%	7.00%	6/30/2021
Colorado PERA	2.30%	3.00%	7.25%	12/31/2021
Florida Retirement System	2.40%	3.25%	6.70%	7/1/2022
Idaho PERS	2.30%	3.05%	6.30%	6/30/2022
Iowa PERS	2.60%	3.25%	7.00%	6/30/2022
Missouri State Employees	2.25%	2.75%	6.95%	6/30/2021
Ohio PERS	2.35%	2.75%	6.90%	12/31/2021
Oregon PERS	2.40%	3.40%	6.90%	12/31/2021
Wisconsin Retirement System	2.40%	3.00%	5.40%	12/31/2021
Selected Public Plans Outside WA – Average	2.41%	3.05%	6.77%	
Selected Public Plans Outside WA – Minimum	2.25%	2.75%	5.40%	
Selected Public Plans Outside WA – Maximum	2.75%	3.50%	7.25%	

Note: Data gathered from the National Association of State Retirement Administrators (NASRA) as of April 2023. This data reflects the assumptions prescribed by each plan, which may not match the actuary's recommended assumption. There may also be a timing lag between the date of valuation and when the assumptions were actually last studied.

**Selected public plans outside Washington primarily use a national inflation assumption rather than a regional assumption. We expect inflation in the Seattle-Tacoma-Bellevue region to be higher than the national average.*

Historical Economic Assumptions for Washington State Pension Systems

Historical Economic Assumptions for Washington State Pension Systems				
Valuation Years	Inflation	General Salary Growth	Investment Return	Membership Growth for Plan 1 Funding
1989 - 1994	5.00%	5.50%	7.50%	0.75% TRS 1.25% PERS
1995 - 1997	4.25%	5.00%	7.50%	0.90% TRS 1.25% PERS
1998 - 1999	3.50%	4.00%	7.50%	0.90% TRS 1.25% PERS
2000 - 2008	3.50%	4.50%	8.00%	0.90% TRS 1.25% PERS
2009 - 2010	3.50%	4.50% LEOFF 2 4.00% Other Plans	8.00%	0.90% TRS 1.25% PERS
2011 - 2012	3.00%	3.75%	7.5% LEOFF 2 7.9% Other Plans	0.80% TRS 0.95% PERS
2013 - 2014	3.00%	3.75%	7.5% LEOFF 2 7.8% Other Plans	0.80% TRS 0.95% PERS
2015	3.00%	3.75%	7.5% LEOFF 2 7.7% Other Plans	0.80% TRS 0.95% PERS
2016	3.00%	3.75%	7.5% LEOFF 2 7.7% Other Plans	1.25% TRS 0.95% PERS
2017 - 2020	2.75%	3.50%	7.4% LEOFF 2 7.5% Other Plans	1.25% TRS 0.95% PERS
2021 – 2022	2.75%	3.25%	7.00%	1.00% TRS/PERS

Note: Values represent prescribed assumptions, which may not necessarily match OSA's recommended assumptions.



September 27, 2023
Part-Time LEOFF Members

INITIAL CONSIDERATION

By Jacob White
Senior Research & Policy Manager
360-586-2327
jacob.white@leoff.wa.gov

ISSUE STATEMENT

Law enforcement agencies adopting flexible work policies may help address hiring and retention issues in law enforcement, however, part-time law enforcement officers are not eligible for membership in LEOFF Plan 2.

OVERVIEW

LEOFF Plan 2 requires law enforcement officers to be full-time and commissioned to be eligible for membership in the plan. During the 2023 legislative session HB 1413/SB 5424 - *Concerning flexible work for general and limited authority Washington peace officers*, was proposed. These bills would have impacted LEOFF Plan 2 by allowing part-time law enforcement officers to be eligible for membership in LEOFF Plan 2. In addition to these changes, the bills made other changes outside the scope of the LEOFF Plan 2 Board. These bills were not endorsed by the LEOFF 2 Board and failed to pass through their respective fiscal committees.

BACKGROUND AND POLICY ISSUES

Current law requires LEOFF Plan 2 covered law enforcement officers to be full-time and commissioned.¹ Full-Time is defined in WAC by the Department of Retirement Systems (DRS) as “an employee who is normally expected to earn basic salary from an employer for a minimum of one hundred sixty hours in a calendar month.”² Commissioned is defined by DRS in WAC as “an employee is employed as an officer of a general authority Washington law enforcement agency and is empowered by that employer to enforce the criminal laws of the state of Washington.”³

Under current law “full-time” and “commissioned” are intertwined because for an officer to have general authority as required by the definition of commissioned they must be full-time.

¹ RCW 41.26.030 (19)

² WAC 415-104-011(4)

³ WAC 415-104-011(1)

However, it is possible for a commissioned officer to not be full-time for a limited amount of time before losing their commission.⁴ Therefore, it is currently possible for an officer to be a LEOFF 2 member and work part-time for a limited number of months, so long as they retain their commission, and they are “normally expected” to work full-time. “Normally expected” is not currently defined in law or WAC.

During the 2023 legislative session HB 1413, *Concerning flexible work for general and limited authority Washington peace officers*, and a companion bill, SB 5424, were proposed. These bills both passed out of their respective policy committees with amendments but failed to pass out of their fiscal committees.

These bills made multiple changes with no direct impact to LEOFF Plan 2, including making it so that flexible work policies may be adopted by an employer to:

- allow a peace officer to work less than full-time or an alternative schedule;
- allow a peace officer to work less than full-time when feasible;
- include alternative shift and work schedules;
- supplement work during peak hours with part-time officers;
- require its officers to have a certain number of years of experience or additional training to be eligible for flexible work.

These bills also restricted the flexible work policies from:

- altering any laws or workplace policies relating to restrictions on secondary employment;
- causing a reduction in full-time officers;
- altering any existing collective bargaining agreement or the duty of a law enforcement agency to bargain; and,
- a law enforcement agency that employs both full-time and part-time officers must include those officers in the same bargaining unit for any collective bargaining agreement.

In addition to the changes above, these bills would have made the following direct impacts to LEOFF Plan 2:

- The definition of a general or limited authority peace officer under the Washington Mutual Aid Peace Officer Powers Act is amended to remove the requirement that an officer be employed full-time; and,

⁴ RCW 10.93.020

- Beginning July 1, 2023, a person who is employed part-time, and who meets the existing criteria, is included in the definition of a law enforcement officer eligible for LEOFF 2.

After receiving initial hearings in the policies committees, both the House and Senate passed substitute versions of the bills, which were referred to the fiscal committees; SHB 1413 had the following amendments:

- prohibits the policy from causing the layoff or displacement of any full-time officer
- clarifies that the bill does not alter the duty of a law enforcement agency to bargain
- clarifies that full-time and part-time officers working in the same law enforcement agency are part of the same bargaining unit.
- makes the requirement that city police officers participating in LEOFF 2 be "full time" inapplicable to the extent allowed by the bill

Meanwhile, SSB 5424 was amended to clarify the category of city police officers in the definition of law enforcement officers in the LEOFF 2 retirement system to allow part-time city police officers to participate in the retirement system.

The Office of the State Actuary (OSA) completed actuarial fiscal notes on SHB 1413 and SSB 5424 (see Appendix A and B). OSA found the costs impacts to the pension systems to be indeterminate due to a lack of data. They found that these bills could increase the number of law enforcement officers in the retirement systems. However, they did not know the current number (or their demographics) of officers who would be eligible to join the retirement systems because of this bill. Furthermore, OSA did not know the number of future positions, if any, that would be added due to staffing needs from current members choosing to work a reduced schedule.

While OSA was not able to identify the costs of the bills, they did state that the following factors could impact the cost/savings from this bill:

Behavioral Assumptions: We use behavioral assumptions primarily to model the rate at which members leave their retirement systems (most commonly via retirement or termination). Removing the "full time" requirement may result in members remaining active in the retirement system longer. As an example, they may work fewer hours as they approach retirement.

Change in Plan Demographics: The average plan demographics may change depending on the number of members that become eligible to participate in the retirement

systems under this bill. In addition, this bill could result in current full-time members choosing to work fewer hours while remaining eligible to participate in their retirement plan. Should this occur then there may be a need for additional law enforcement positions to fill the reduction in hours.

SUPPORTING INFORMATION

Appendix A: Fiscal Note – SHB 1413

Appendix B: Fiscal Note – SSB 5424

Multiple Agency Fiscal Note Summary

APPENDIX A

Bill Number: 1413 S HB	Title: Flexible work/peace officers
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Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
State Lottery	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State Gambling Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Insurance Commissioner	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
Utilities and Transportation Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State Patrol	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Department of Social and Health Services	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Corrections	.0	0	0	0	.0	0	0	0	.0	0	0	0
University of Washington	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State University	.0	0	0	0	.0	0	0	0	.0	0	0	0
Eastern Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
Central Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
The Evergreen State College	.0	0	0	0	.0	0	0	0	.0	0	0	0
Western Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
State Parks and Recreation Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Fish and Wildlife	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Natural Resources	.0	0	0	0	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Total \$	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
State Lottery	.0	0	0	.0	0	0	.0	0	0
Washington State Gambling Commission	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Washington State Patrol	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	.0	0	0	.0	0	0	.0	0	0
Department of Corrections	.0	0	0	.0	0	0	.0	0	0
University of Washington	.0	0	0	.0	0	0	.0	0	0
Washington State University	.0	0	0	.0	0	0	.0	0	0
Eastern Washington University	.0	0	0	.0	0	0	.0	0	0
Central Washington University	.0	0	0	.0	0	0	.0	0	0
The Evergreen State College	.0	0	0	.0	0	0	.0	0	0
Western Washington University	.0	0	0	.0	0	0	.0	0	0
State Parks and Recreation Commission	.0	0	0	.0	0	0	.0	0	0
Department of Fish and Wildlife	.0	0	0	.0	0	0	.0	0	0
Department of Natural Resources	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Tiffany West, OFM	Phone: (360) 890-2653	Date Published: Final 2/28/2023
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Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 116-State Lottery
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: John Iyall	Phone: 360-810-2870	Date: 02/22/2023
Agency Approval: Josh Johnston	Phone: 360-810-2878	Date: 02/22/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/23/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Washington’s Lottery is a limited authority Washington law enforcement agency pursuant to RCW 67.70.330. S HB 1413 specifically authorizes law enforcement agencies to adopt a flexible work policy. All Lottery personnel are currently eligible for flexible work schedules subject to agency needs.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 117-Washington State Gambling Commission
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Kriscinda Hansen	Phone: 360-486-3489	Date: 02/21/2023
Agency Approval: Kriscinda Hansen	Phone: 360-486-3489	Date: 02/21/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/23/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

There is no change to this fiscal note from the previous version.
The Gambling Commission does not anticipate hiring part-time officers.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Michael Walker	Phone: 360-725-7036	Date: 02/21/2023
Agency Approval: Michael Wood	Phone: 360-725-7007	Date: 02/21/2023
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 02/27/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1 allows general authority and limited authority law enforcement agencies to adopt a flexible work policy to allow officers to work at less than full time when feasible. The Office of Insurance Commissioner (OIC) does not plan on utilizing part-time limited authority officers. Therefore, this bill has no fiscal impact on the OIC.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Colin O'Neill	Phone: (360) 664-4552	Date: 02/21/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/21/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/21/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1(1): Every general authority and limited authority Washington law enforcement agency may adopt a flexible work policy. The policy may allow for general authority and limited authority Washington peace officers to work at less than full time when feasible, such as supplementing work during peak hours with part-time officers. The flexible work policy may include alternative shift and work schedules that fit the needs of the law enforcement agency.

CHANGES MADE BY THE SUBSTITUTE:

- Prohibits the flexible work policy from causing the layoff or displacement of any full-time officer.
- Clarifies that the bill does not alter the duty of a law enforcement agency to meet their duty to collectively bargain.
- Clarifies that full-time and part-time officers working for the same law enforcement agency who are covered by a collective bargaining agreement must be in the same bargaining unit.
- Clarifies that the requirement that a city police officer participating in LEOFF be “full time” does not apply to the extent allowed by the bill.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

No fiscal impact. The agency's enforcement officers currently have flexible schedules, and no additional FTEs or overtime will be needed to continue to offer flexible schedules. The agency also does not have any part time officers nor does it plan to offer that option in the future.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 215-Utilities and Transportation Commission
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Amy Andrews	Phone: 360-481-1335	Date: 02/21/2023
Agency Approval: Amy Andrews	Phone: 360-481-1335	Date: 02/21/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/21/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1 is a new section that states that general and limited authority law enforcement agencies may adopt flexible work polies.
Section 2 says the flexible policies may be conditioned by a certain number of years of experience an officer has.
Section 3 amends RCW 41.26.030 in section 19 (c) regarding the requirement that a commissioned law enforcement officer be full time and that it does not apply in subsection (f) which is another amendment that creates an effective date.

UTC already allows its investigators to work flexible schedules and therefore assumes no fiscal impact.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 225-Washington State Patrol
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Kendra Sanford	Phone: 360-596-4080	Date: 02/21/2023
Agency Approval: Shawn Eckhart	Phone: 360-596-4083	Date: 02/21/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/21/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The substitute version of the proposed legislation clarifies that flexible work schedules may not cause layoff or displacement of full-time officers, specifies that an agency authorizing flexible work policies does not affect their duty to bargain under chapter 41.56 or 41.8 RCW, and all officers working for the same law enforcement agency regardless of work schedule, must be covered in the same bargaining unit.

These changes do not change our described fiscal impact in the initial proposed legislation.

The proposed legislation creates an indeterminate fiscal impact to the Washington State Patrol (WSP).

Section 1 allows for general authority and limited authority Washington peace officers to work at less than full-time when feasible, such as supplementing work during peak hours with part-time officers.

Section 2 amends the definition of "general authority" and "limited authority" Washington peace officers from full-time to include any fully compensated officer.

Section 3 amends the definition of "law enforcement officer" to include any fully compensated officer on a less than full-time basis beginning July 1, 2023.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

NONE

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

There is an indeterminate fiscal impact as we are unable to identify how many officers will want to become part-time if we adopt a flexible work policy. If officers become part-time, we may need to hire additional officers or incur additional overtime costs to meet workload demands.

If there is an increase in officers, regardless of hours worked, this may require additional staff in support divisions, to include but not limited to Training Division, Supply, Fleet, Human Resources, and Payroll.

Also, compared to one full-time officer, part-time officers working an equivalent number of hours may have an increase or decrease in cost depending on if they are eligible for benefits.

All officers, regardless of hours worked, will need to be completely outfitted (uniform, vehicle, mobile phone, radio, etc...). We estimate this at \$136,000 for initial outfitting and up to \$56,000 in subsequent years per officer.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.
NONE

III. D - Expenditures By Program (optional)
NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures
NONE

IV. B - Expenditures by Object Or Purpose
NONE

IV. C - Capital Budget Breakout
Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.
NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.
NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 300-Department of Social and Health Services
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Bill Jordan	Phone: 360-902-8183	Date: 02/20/2023
Agency Approval: Dan Winkley	Phone: 360-902-8236	Date: 02/20/2023
OFM Review: Robyn Williams	Phone: (360) 704-0525	Date: 02/21/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The Department of Social and Health Services (DSHS), Office of Fraud and Accountability (OFA) is designated as a Limited Authority Washington Law Enforcement Agency. OFA is not fully commissioned. This bill allows for agencies to adopt a flexible work policy that allows for peace officers to work less than full time. There is no fiscal impact to DSHS for this bill.

The difference from the original HB 1413 is the substitute bill prohibits the policy from causing the layoff or displacement of any full-time officer; clarifies that the bill does not alter the duty of a law enforcement agency to bargain; clarifies that full-time and part-time officers working in the same law enforcement agency are part of the same bargaining unit; and makes the requirement that city police officers participating in the LEOFF 2 be "full time" inapplicable to the extent allowed by the bill.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 310-Department of Corrections
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: James Killough	Phone: (360) 725-8428	Date: 02/22/2023
Agency Approval: Ronell Witt	Phone: (360) 725-8428	Date: 02/22/2023
OFM Review: Cynthia Hollimon	Phone: (360) 810-1979	Date: 02/22/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

1413 SHB is the newest version of 1413 HB and allows law enforcement agencies to adopt a flexible work policy. The policy may allow for general authority and limited authority Washington peace officers to work, and be hired, at less than full time when feasible. This could be used to supplement work during peak hours with part-time officers. The flexible work policy may include alternative shift and work schedules that fit the needs of the law enforcement agency. However, this bill states that it does not modify existing collective bargaining agreements.

Effective date is assumed 90 days after adjournment of session in which this bill is passed

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

We assume this bill will have no fiscal impact to Department of Corrections (DOC).

The changes in this new version of the bill do not alter the impacts to DOC. The DOC does not have any part-time job classifications that meet those defined in the bill, at this time, so it is assumed this bill will have no fiscal impact. However, should DOC choose to pursue part-time staff or positions, for the applicable job classes, there would be potential future fiscal impacts and DOC will submit a corresponding decision package.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

None.

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 360-University of Washington
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Michael Lantz	Phone: 2065437466	Date: 02/22/2023
Agency Approval: Charlotte Shannon	Phone: 2066858868	Date: 02/22/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/27/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Substitute House Bill 1413 concerns flexible work policies for law enforcement officers. Compared with the original bill, the substitute makes the following changes:

- Provides that an adopted flexible work policy may not cause the layoff or otherwise displace any full-time officer.
- Specifies that the section authorizing flexible work policies does not affect the duty of a LEA to bargain under PECBA or the Personnel System Reform Act.
- Requires full-time and part-time officers working for the same LEA who are covered by a collective bargaining agreement to be in the same bargaining unit.
- Makes the requirement that city police officers participating in the LEOFF 2 be "full time" inapplicable to the extent allowed by the bill.

These changes would not result in an additional fiscal impact to the University of Washington and therefore we are submitting the same fiscal note.

Section 1 allows, but does not require, each general authority and limited authority law enforcement agency to adopt a flexible work policy. Options that can be outlined in the policy include allowing officers to work less than full-time when feasible as well as alternative shift and work schedules to meet the needs of the law enforcement agency. The University of Washington Police Department (UWPD) currently offers flexible work schedules for officers and may consider allowing certain officers to work less than full-time should the bill pass. While a new policy would require staff time to develop and review, any associated costs can be absorbed using existing resources. Therefore, there is no fiscal impact to UWPD from this section.

Section 2 removes references to “full-time” in the definitions of “General authority Washington peace officer” and “Limited authority Washington peace officer” to allow these officers to work less than full time. There is not fiscal impact to the UWPD from this section.

Section 3 adds to the definition of “law enforcement officer” to includes officers working less than full-time in the Law Enforcement Officers’ and Firefighter’ Retirement System statutes. There is no fiscal impact to UWPD from this section.

Overall, there is no fiscal impact to UWPD, or the University as a whole, from SHB 1413.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*
NONE

III. D - Expenditures By Program (optional)
NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures
NONE

IV. B - Expenditures by Object Or Purpose
NONE

IV. C - Capital Budget Breakout
Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.
NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*
NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 365-Washington State University
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Anne-Lise Brooks	Phone: 509-335-8815	Date: 02/23/2023
Agency Approval: Chris Jones	Phone: 509-335-9682	Date: 02/23/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/27/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Senate House Bill 1413 - Flexible work/ peace officers states that an agency may adopt a flexible work policy and further describes the policy. It also indicates that "agency with primary territorial jurisdiction" includes university police.

Washington State University does not anticipate any fiscal impact from this bill.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.
NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.
NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 370-Eastern Washington University
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Keith Tyler	Phone: 509 359-2480	Date: 02/21/2023
Agency Approval: Alexandra Rosebrook	Phone: (509) 359-7364	Date: 02/21/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/27/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Proposed SHB 1413 adds a new section to RCW 49.28; Section 1 allows law enforcement agencies to adopt flexible work policies allowing officers to work at less than full time when feasible. (2) The flexible work policy adopted in subsection (1) may require an officer have a certain number of years of experience as a full-time officer or additional training to work part time or be eligible for any other types of flexible work. (3) indicates this statute does not supersede existing collective bargaining units or the provisions of any existing agreement. (4) indicates this section does not alter any laws or workplace policies to restrictions on secondary employment for general authority and limited authority Washington peace officers.

Section 2 amends RCW 10.93.020 and removes the reference to "full-time".

Section 3 amends RCW 41.26.030 and adds 19(f) Beginning July 1, 2023, the term "law enforcement officer" also includes any person who is commissioned and employed by an employer on a fully compensated basis to enforce the criminal laws of the state of Washington generally, on a less than full-time basis, with the qualifications in (a) through (e) of this subsection.

Eastern has not decided whether this policy would be implemented or not but either way we don't anticipate a fiscal impact.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 375-Central Washington University
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Erin Sargent	Phone: 509-963-2395	Date: 02/23/2023
Agency Approval: Lisa Plesha	Phone: (509) 963-1233	Date: 02/23/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/27/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The substitute bill makes the following changes, which do not create a fiscal impact.

- Section 1(3) states that the flexible work policy may not cause layoff or displace any full-time officer.
- Section 1(4) expands the application of the bill regarding collective bargaining.
- Section 3(19)(c) adds clarification regarding full time requirement as it applies to this section.

Previous Versions:

Section 1: New Section – allows every general authority and limited authority WA Law Enforcement Agency to adopt a flexible work policy, that may allow peace officers to work less than full time when feasible. Policies may have requirements related to length of service or training. No existing CBAs or laws are to be altered because of this bill.

Section 2 amends the definition of general and limited “authority Washington peace officer” to remove the full-time classification.

Section 3 adds (f) that states beginning July 1, 2023 the term “law enforcement officer” also includes less than full time employees.

Any costs associate with this legislation would be allocated among existing resources.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 376-The Evergreen State College
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Daniel Ralph	Phone: 360-867-6500	Date: 02/21/2023
Agency Approval: Dane Apalategui	Phone: 360-867-6517	Date: 02/21/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/27/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

SHB 1413 relates to flexible work for general and limited authority peace officers.

Section 1 (3) adds that the flexible work policy adopted in subsection 1 of this section may not cause the layoff or otherwise displace any full-time officer.

Section 1 (4) states that full time and part time officers working for the same agency who are covered by a collective bargaining agreement must be in the same collective bargaining unit.

The changes to 1413 do not change our assessment of no fiscal impact since neither version of the bill should negatively affect staffing.

HB 1413 concerns flexible work for general and limited authority peace officers.

Section 1 (1) states that any law enforcement agency in Washington State may adopt a flexible work policy.

Section 1 (2) allows for the creation of a years of experience requirement or training requirement for allowing officers to participate in flexible work schedules.

Section 1 (3) states that this act does not affect any existing collective bargaining agreement.

Section 1 (4) states that this section does not alter any laws or workplaces policies regarding secondary employment.

Section 2 (4) removes the full-time designation from the definition of “general authority peace officer.”

Section 2 (6) removes the full-time designation from the definition of “limited authority peace officer.”

HB 1413 has no fiscal impact for The Evergreen State College since creating more opportunities for flexible work should not negatively impact staffing.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*
NONE

III. D - Expenditures By Program (optional)
NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures
NONE

IV. B - Expenditures by Object Or Purpose
NONE

IV. C - Capital Budget Breakout
Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.
NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*
NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 380-Western Washington University
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Timothy Davenport	Phone: 3606503257	Date: 02/21/2023
Agency Approval: Faye Gallant	Phone: 3606504762	Date: 02/21/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/27/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Here is what’s different in this substitute bill compared to the original bill:

Section?1(3): A new condition was added stating that the flexible work policy may not cause the layoff or otherwise displace any full-time officer.

Section?1(4): Added clarification about the impact to collective bargaining agreements.

Section?(3)(19)(c): Added clarification to the requirement that the commissioned law enforcement personnel be full time does not apply to the extent allowed under (f) of this subsection.

Response to original bill: No Fiscal Impact because it does not change our current staffing or require additional resources.

Response to substitute bill: Same as above (no fiscal impact).

Original bill summary:

Sec. 1. A new section is added to chapter 49.28 RCW to read as follows:

(1) Every general authority and limited authority Washington law enforcement agency may adopt a flexible work policy. The policy may allow for general authority and limited authority Washington peace officers to work at less than full time when feasible, such as supplementing work during peak hours with part-time officers. The flexible work policy may include alternative shifts and work schedules that fit the needs of the law enforcement agency.

(2) The flexible work policy adopted in subsection (1) of this section may require an officer have a certain number of years of experience as a full-time officer or have additional training for the officer to work part time or be eligible for any other types of flexible work.

(3) This section does not alter any existing collective bargaining unit or the provisions of any existing agreement.

Sec. 3 (19)(f) is amended to add: Beginning July 1, 2023, the term "law enforcement officer" also includes any person who is commissioned and employed by an employer on a fully compensated basis to enforce the criminal laws of the state of Washington generally, on a less than full-time basis, with the qualifications in (a) through (e) of this subsection.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 465-State Parks and Recreation Commission
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Frank Gillis	Phone: (360) 902-8538	Date: 02/22/2023
Agency Approval: Frank Gillis	Phone: (360) 902-8538	Date: 02/22/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 02/22/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This substitute bill allows for general and limited authority Washington peace officers to work at less than full time.

This legislation would have no fiscal impact on State Parks. Although the bill would allow for less than full-time officers to be employed by Parks, the agency would not move to this type of staffing strategy.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

This legislation would have no fiscal impact on State Parks. Although the bill would allow for less than full-time officers to be employed by Parks, the agency would not move to this type of staffing strategy.

Employing commissioned officers working at less than full-time would require backfilling to provide necessary enforcement, inflating costs for training, uniforms, equipment, benefits, etc.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

None.

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 477-Department of Fish and Wildlife
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: David Hoeveler	Phone: (360) 970-1638	Date: 02/22/2023
Agency Approval: David Hoeveler	Phone: (360) 970-1638	Date: 02/22/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 02/22/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

No change from previous fiscal note.

No fiscal impact. The proposed legislation changes the term “law enforcement officer” to include any person who is commissioned and employed by an employer on a fully compensated basis, or on a less than full time basis. The nature of WDFW law enforcement work already accommodates flexible schedules, however the Department does not have part time officers.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: 490-Department of Natural Resources
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Collin Ashley	Phone: 360-688-3128	Date: 02/21/2023
Agency Approval: Collin Ashley	Phone: 360-688-3128	Date: 02/21/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/22/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

No change from previous fiscal note.

No fiscal impact, the Department of Natural Resources anticipates updates to flexible work policy would be included in our current union negotiations process.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1413 S HB	Title: Flexible work/peace officers	Agency: AFN-Actuarial Fiscal Note - State Actuary
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/20/2023
Agency Preparation: Melinda Aslakson	Phone: 360-786-6161	Date: 02/21/2023
Agency Approval: Kyle Stineman	Phone: 3607866153	Date: 02/21/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/22/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.
NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.
NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

SUMMARY OF RESULTS

BRIEF SUMMARY OF BILL: This bill allows law enforcement agencies to adopt flexible schedule policies and may allow for law enforcement officers to work less than full time while still earning benefit service in the state retirement systems.

COST/SAVINGS SUMMARY

The amount of cost/savings that may arise from this bill is **indeterminate** due to a lack of data. Please see **Highlights of Actuarial Analysis** for additional details.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- ❖ This bill removes the full-time employment requirement for law enforcement officers to participate in the Washington State retirement systems which could lead to an increase in the number of plan members. Based on our understanding of the bill, increases in plan membership could occur in the following scenarios:
 - Officers electing to reduce their hours which may in turn require additional positions to meet staffing needs.
 - Officers previously ineligible to participate in a plan, e.g., LEOFF 2, as a result of working less than full time, may now become eligible to participate.
 - ◇ We do not expect retired LEOFF 2 officers who changed careers would be impacted under this bill. For more information, please see the **Who Is Impacted and How** section.
- ❖ We expect the majority of increases in plan membership, as a result of this bill, would be seen in LEOFF 2 due to its larger number of law enforcement officers, relative to other Washington State retirement systems.
- ❖ Costs/savings that may arise from this bill are indeterminate due to a lack of data. It is uncertain how current members would change their work schedules or the number of new officers that would become eligible for the retirement plans under this bill.
- ❖ For illustration purposes, we estimate the impact to LEOFF 2 for a hypothetical group being added to the retirement plan.
- ❖ Policy changes made to the substitute version of this bill do not impact our actuarial analysis from the original bill.

See the remainder of this fiscal note for additional details on the summary and highlights presented here.

WHAT IS THE PROPOSED CHANGE?

Summary of Bill

Based on our understanding of the bill, flexible schedules may impact the following systems:

- ❖ Public Safety Employees' Retirement System (PSERS).
- ❖ Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).
- ❖ Washington State Patrol Retirement System (WSPRS).

This bill allows law enforcement agencies to adopt flexible schedule policies and may allow for law enforcement officers to work less than full time. In doing so, the bill strikes the term "full time" from the definitions of general authority Washington peace officers, limited authority Washington peace officers, and law enforcement officers covered by the LEOFF retirement statute.

Under this bill, removing "full time" criteria from the definition of law enforcement officer could expand retirement plan membership to include members that satisfy job requirements but previously did not work enough hours.

Effective Date: 90 days after session.

In this summary, we only include changes pertinent to our Actuarial Fiscal Note (AFN). See the legislative bill report for a complete summary of the bill.

How SHB 1413 Differs from the Original HB 1413

The substitute bill makes three changes:

- ❖ Adds language that a flexible work policy adopted by a Washington law enforcement agency may not cause the layoff or displacement of any full-time law enforcement officer.
- ❖ Ensures an employer's duty to bargain under current law remains and requires full-time and part-time law enforcement officers working for the same agency to be in the same bargaining unit.
- ❖ Clarifies the less than full-time employment criteria applies to law enforcement personnel expressly appointed to offices, positions, or ranks in city police departments based upon a city charter provision or enacted city ordinance.

Policy changes made to the substitute version of this bill do not impact our actuarial analysis from the original bill.

For a complete list of changes to the current version of the bill, please refer to the bill reports prepared by legislative staff.

What Is the Current Situation?

Currently, most law enforcement officers are required to work full time to be eligible for membership in state retirement systems. LEOFF and PSERS retirement systems require members to work a minimum of 160 hours in a calendar month, according to the [Revised Code of Washington \(RCW\) 41.26.030 \(19\)](#), [Washington Administrative Code \(WAC\) 415-104-011](#) and [RCW 41.37.010 \(19\)](#), [WAC 415-106-010](#), respectively. Washington State Patrol does not limit retirement system membership in WSPRS to full time, fully compensated law enforcement officers, according to [RCW 43.43.120](#) and [WAC 415-103-010](#).

[Chapter 10.93](#) covers general authority Washington peace officers and limited authority peace officers which includes members eligible for LEOFF, PSERS and WSPRS. According to [RCW 10.93.020](#), general and limited authority peace officers are required to be full time, fully compensated.

The number of hours to earn pension service credit, in each month, is less than the defined full-time work requirement. As an example, if a LEOFF 2 member works at least [90 hours](#) in a month, then they will earn the full amount of service credit for that month.

Who Is Impacted and How?

This bill removes the full-time employment requirement for current (and future) law enforcement officers which could allow officers the option to work fewer hours, relative to current law, and remain eligible to participate in their current retirement plan with the full amount of service credit earned each month. We do not expect this bill would change the total number of hours required by employers for staffing so employers may require additional positions to meet staffing needs.

This bill could also expand the number of retirement plan members to include officers who satisfy job requirements but are not currently eligible to participate in the plan as a result of working less than full time.

LEOFF 2 members who retired, started collecting their retirement benefit, and then became an employee in another retirement system could be impacted under this bill. However, we expect these approximately [500 members](#) changed their careers and have job responsibilities that differ from law enforcement officers. LEOFF 2 Board staff confirmed this bill is not expected to impact these retirees who had a career change.

We assume Washington State retirement systems, other than those mentioned in the **Summary of Bill** section, do not employ law enforcement officers that work less than full time under current law. If there are impacted officers that work less than full time in another retirement plan, e.g., PERS 2, then these members could become eligible to transfer membership to another retirement plan.

WHY THIS BILL IS INDETERMINATE

As discussed in the **Who Is Impacted and How** section, this bill could increase the number of law enforcement officers in the Washington State retirement systems. However, expanding the eligibility of the retirement systems results in an indeterminate cost/savings due to a lack of data. At the time of publishing this fiscal note, we are not aware of the current number (or their demographics) of officers who would be eligible to join the retirement systems as a result of this bill. In addition, we do not know the number of future positions, if any, that would be added due to staffing needs from current members choosing to work a reduced schedule.

The bill could impact officers in the retirement systems noted in the **Summary of Bill** section, but we expect the majority of the impact may be seen in LEOFF 2 due to its larger number of law enforcement officers, relative to other systems. Please see the next section for a hypothetical impact to LEOFF 2.

HYPOTHETICAL EXAMPLE OF COST/SAVINGS UNDER BILL

For illustrative purposes, we considered a hypothetical example where 100 law enforcement officers become eligible to participate in LEOFF 2 and earn the maximum amount of service credit monthly. We assumed the demographics of these members would be consistent with that of an average LEOFF 2 member, except that their annual salaries would be 25 percent less since they are expected to work fewer hours than an average LEOFF 2 member. We used 14 years of experience in our example to reflect these hypothetical members being mid-career employees.

The table below shows the key demographics we used for this hypothetical example. Please see the **Appendix** for additional details on how this hypothetical example was priced.

Hypothetical Members Joining LEOFF 2	
	LEOFF
New Members	100
Average Age	42
Average Compensation	\$92,000
Years of Experience*	14

**We used Years of Experience to approximate career advancement. It is not used to determine retirement eligibility or benefits.*

This hypothetical example would increase plan obligations and future payroll in LEOFF 2 and would be expected to increase member (and total employer) contribution rates by one basis point, or 0.01 percent. However, this is only an example of potential impacts to LEOFF 2, and actual impacts to the plan could result in higher or lower, and potentially negative, rate impacts dependent upon factors such as the number of members who join LEOFF 2 as well as their age, salary, and years of experience.

The contribution rate impact to the various impacted systems could vary. The following factors could impact the cost/savings from this bill:

- ❖ **Behavioral Assumptions:** We use behavioral assumptions primarily to model the rate at which members leave their retirement systems (most commonly via retirement or termination). Removing the “full time” requirement may result in members remaining active in the retirement system longer. As an example, they may work fewer hours as they approach retirement.
- ❖ **Change in Plan Demographics:** The average plan demographics may change depending on the number of members that become eligible to participate in the retirement systems under this bill.

In addition, this bill could result in current full-time members choosing to work fewer hours while remaining eligible to participate in their retirement plan. Should this occur then there may be a need for additional law enforcement positions to fill the reduction in hours.

ACTUARY'S CERTIFICATION

The undersigned certifies that:

1. The actuarial assumptions, methods, and data used are reasonable for the purposes of this pricing exercise. The use of another set of assumptions, methods, and data may also be reasonable and might produce different results.
2. We prepared this AFN based on our current understanding of the bill as of the date shown in the footer. If the bill or our understanding of the bill changes, the results of a future AFN based on those changes may vary from this AFN. Additionally, the results of this AFN may change after our next annual update of the underlying actuarial measurements.
3. We prepared this AFN and provided opinions in accordance with Washington State law and accepted actuarial standards of practice as of the date shown in the footer of this AFN.

We prepared this AFN to support legislative deliberations during the 2023 Legislative Session. This AFN may not be appropriate for other purposes.

We advise readers of this AFN to seek professional guidance as to its content and interpretation, and not to rely on this communication without such guidance. Please read the analysis shown in this AFN as a whole. Distribution of, or reliance on, only parts of this AFN could result in its misuse and may mislead others.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

While this AFN is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.



Kyle Stineman, ASA, MAAA
Actuary

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APPENDIX

How We Estimated Example Contribution Rate Impacts

To estimate the contribution rate impact of the hypothetical example, we added 100 records (see the **Hypothetical Example of Cost/Savings under Bill** section) to our LEOFF 2 valuation data. We used our valuation software to estimate the added pension plan obligations and payroll from these additional records. We then estimated the change in contribution rates from current law.

Unless noted otherwise, we used data, assets, assumptions, and methods consistent with our most recent actuarial valuation report ([*June 30, 2021, Actuarial Valuation Report*](#)).

Who Will Pay For/Receive Costs/Savings That Arise from This Bill?

LEOFF 2

Any costs/savings that arise from this bill will be divided according to the standard funding method for LEOFF Plan 2: 50 percent member, 30 percent employer, and 20 percent state.

PSERS

Any costs/savings that arise from this bill will be divided according to the standard funding method for PSERS: 50 percent member and 50 percent employer.

WSPRS

Any costs/savings that arise from this bill will be divided according to the standard funding method of 50 percent member and 50 percent employer, subject to the member maximum contribution rate. The current member maximum contribution rate is 8.61 percent. This maximum member contribution rate will not increase as a result of this bill since the cost/savings of this bill are indeterminate. Any costs/savings above the member maximum contribution rate are fully assumed by the employer.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1413 S HB	Title: Flexible work/peace officers
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Indeterminate expenditure impact resulting from additional administrative time, employer LEOFF 2 contributions necessary if local law enforcement agencies adopt flexible work policies
- ☒ Counties: Same as above, but for counties
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☒ Legislation provides local option: Local law enforcement agencies could adopt flexible work policies, per section 1 of the proposed legislation
- ☒ Key variables cannot be estimated with certainty at this time: Number of local law enforcement agencies that may adopt flexible work policies; details of such policies

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: James Vogl	Phone: 360-480-9429	Date: 02/21/2023
Leg. Committee Contact:	Phone:	Date: 02/20/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 02/21/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/21/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

CHANGES BETWEEN THIS VERSION AND ORIGINAL BILL VERSION:

The proposed substitute bill would specify that flexible work policies cannot cause the displacement of any full-time law enforcement officers, and would specify that the bill “does not alter any existing collective bargaining unit, the provisions of any existing collective bargaining agreement, or the duty of a law enforcement agency to meet their duty to bargain under chapter 41.56 or 41.80 RCW.”

Full-time and part-time officers working for the same law enforcement agency who are covered by a collective bargaining agreement would be required to be in the same bargaining unit.

The substitute bill would also specify that “the requirement that the commissioned law enforcement personnel be full time does not apply to the extent allowed” under the requirements of section 3, for the purposes of being considered a city police officer.”

SUMMARY OF CURRENT BILL:

The proposed legislation would allow law enforcement officers in Washington to have flexible work arrangements.

Section 1 would create a new section in chapter 49.28 RCW, allowing law enforcement agencies in Washington to adopt flexible work policies that would allow general and limited authority peace officers “to work at less than full time when feasible.” These policies could also include “alternative shift and work schedules that fit the needs of the law enforcement agency.”

This section would also specify that flexible work policies cannot cause the displacement of any full-time law enforcement officers, and would specify that the bill “does not alter any existing collective bargaining unit, the provisions of any existing collective bargaining agreement, or the duty of a law enforcement agency to meet their duty to bargain under chapter 41.56 or 41.80 RCW.”

Full-time and part-time officers working for the same law enforcement agency who are covered by a collective bargaining agreement would be required to be in the same bargaining unit.

Section 2 would reenact and amend RCW 10.93.020, removing the specification that an officer work full time from the definitions of general and limited authority Washington peace officers.

Section 3 would amend RCW 41.26.030 (19), specifying that for the purposes of chapter 41.26 RCW, “beginning July 1, 2023, the term ‘law enforcement officer’ also includes any person who is commissioned and employed by an employer on a fully compensated basis to enforce the criminal laws of the state of Washington generally, on a less than full-time basis” and meets the other requirements of this subsection.

The amendments in this section would also specify that “the requirement that the commissioned law enforcement personnel be full time does not apply to the extent allowed” under the above requirements in this section, for the purposes of being considered a city police officer.”

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

CHANGES IN EXPENDITURE IMPACT BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

According to the Association of Washington Cities (AWC), the Washington State Association of Counties (WSAC) and the Washington Association of Sheriffs and Police Chiefs (WASPC), the additions in the proposed substitute bill would not

change the local government expenditure impact of the original bill.

EXPENDITURE IMPACT OF CURRENT BILL:

The proposed legislation could result in an indeterminate increase in local government expenditures.

WASPC indicates that some local law enforcement agencies have already adopted flexible work policies like those that section 1 of this bill references, and does not anticipate that law enforcement agencies taking advantage of this local option would incur any additional costs. WASPC does anticipate, however, that cities and counties could incur administrative costs if their local law enforcement agency does adopt a flexible work policy.

Both AWC and WSAC indicate that local government expenditures could increase as a result of additional staff time needed for human resources, accounting and other administrative needs if a local law enforcement agency chooses to implement a flexible work policy. AWC also indicates that because of the definitional changes that section 3 of the proposed legislation would make, additional employer contributions to LEOFF 2 pensions for part-time officers covered by flexible work arrangements could be another source of local government expenditure impact.

Since it is unknown, however, how many local law enforcement agencies may choose to take advantage of the local option to adopt flexible work policies, as well as what the details of those arrangements may be, the expenditure impact on local governments resulting from additional administrative time is indeterminate. WSAC anticipates that apart from the largest counties, this indeterminate impact is likely to be small.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

The proposed legislation would have no impact on local government revenues.

SOURCES:

Association of Washington Cities

Washington Association of Sheriffs and Police Chiefs

Washington State Association of Counties

Multiple Agency Fiscal Note Summary

Bill Number: 5424 S SB	Title: Flexible work/peace officers
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Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
State Lottery	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State Gambling Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Insurance Commissioner	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
Utilities and Transportation Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State Patrol	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Department of Social and Health Services	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Corrections	.0	0	0	0	.0	0	0	0	.0	0	0	0
University of Washington	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State University	.0	0	0	0	.0	0	0	0	.0	0	0	0
Eastern Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
Central Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
The Evergreen State College	.0	0	0	0	.0	0	0	0	.0	0	0	0
Western Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
State Parks and Recreation Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Fish and Wildlife	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Natural Resources	.0	0	0	0	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Total \$	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
State Lottery	.0	0	0	.0	0	0	.0	0	0
Washington State Gambling Commission	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Washington State Patrol	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	.0	0	0	.0	0	0	.0	0	0
Department of Corrections	.0	0	0	.0	0	0	.0	0	0
University of Washington	.0	0	0	.0	0	0	.0	0	0
Washington State University	.0	0	0	.0	0	0	.0	0	0
Eastern Washington University	.0	0	0	.0	0	0	.0	0	0
Central Washington University	.0	0	0	.0	0	0	.0	0	0
The Evergreen State College	.0	0	0	.0	0	0	.0	0	0
Western Washington University	.0	0	0	.0	0	0	.0	0	0
State Parks and Recreation Commission	.0	0	0	.0	0	0	.0	0	0
Department of Fish and Wildlife	.0	0	0	.0	0	0	.0	0	0
Department of Natural Resources	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Tiffany West, OFM	Phone: (360) 890-2653	Date Published: Revised 2/22/2023
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Individual State Agency Fiscal Note

APPENDIX B

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 116-State Lottery
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: John Iyall	Phone: 360-810-2870	Date: 02/02/2023
Agency Approval: Josh Johnston	Phone: 360-810-2878	Date: 02/02/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/03/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

SB 5424 specifically authorizes general and limited authority law enforcement agencies to adopt a flexible work policy. SSB 5424 adds a provision in Section 1(3) stating that any flexible work policy may not cause the layoff or displacement of a full-time employee. Washington’s Lottery is a limited authority Washington law enforcement agency pursuant to RCW 67.70.330. All Lottery personnel, including those designated as law enforcement, are currently eligible for flexible work schedules subject to agency needs.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 117-Washington State Gambling Commission
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Kriscinda Hansen	Phone: 360-486-3489	Date: 02/06/2023
Agency Approval: Kriscinda Hansen	Phone: 360-486-3489	Date: 02/06/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/07/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The Gambling Commission does not anticipate hiring part-time officers.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Michael Walker	Phone: 360-725-7036	Date: 02/02/2023
Agency Approval: Michael Wood	Phone: 360-725-7007	Date: 02/02/2023
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 02/06/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1 allows general authority and limited authority law enforcement agencies to adopt a flexible work policy to allow officers to work at less than full time when feasible. The Office of Insurance Commissioner (OIC) does not plan on utilizing part-time limited authority officers. Therefore, this bill has no fiscal impact on the OIC.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 02/01/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/01/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/01/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1(1): Every general authority and limited authority Washington law enforcement agency may adopt a flexible work policy. The policy may allow for general authority and limited authority Washington peace officers to work at less than full time when feasible, such as supplementing work during peak hours with part-time officers. The flexible work policy may include alternative shift and work schedules that fit the needs of the law enforcement agency.

CHANGES MADE BY THE SUBSITUTE VERSION:

Section 1(3) Provides that an adopted flexible work policy may not cause the layoff or otherwise displace any full-time officer.

Section 1(4) Specifies that the section authorizing flexible work policies does not affect the duty of a law enforcement agency (LEA) to meet their duty to bargain under the Public Employees' Collective Bargaining Act or the Personnel System Reform Act. Requires full-time and part-time officers working for the same LEA to be in the same bargaining unit.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

No fiscal impact. The agency's enforcement officers currently have flexible schedules, and no additional FTEs or overtime will be needed to continue to offer flexible schedules. The agency also does not have any part time officers nor does it plan to offer that option in the future.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 215-Utilities and Transportation Commission
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Amy Andrews	Phone: 360-481-1335	Date: 02/01/2023
Agency Approval: Amy Andrews	Phone: 360-481-1335	Date: 02/01/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/01/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

UTC assumes this bill has no significant provisions that will result in a fiscal impact to the UTC. The bill allows law enforcement agencies including limited law enforcement agencies to adopt flexible work policies. Allows for less than full time officers to be considered a law enforcement officer and eligible for retirement. UTC already allows its investigators to work flexible schedules.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 225-Washington State Patrol
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Kendra Sanford	Phone: 360-596-4080	Date: 02/02/2023
Agency Approval: Mario Buono	Phone: (360) 596-4046	Date: 02/02/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/09/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The substitute version of the proposed legislation clarifies that flexible work schedules may not cause layoff or displacement of full-time officers, specifies that an agency authorizing flexible work policies does not affect their duty to bargain under chapter 41.56 or 41.8 RCW, and all officers working for the same law enforcement agency regardless of work schedule, must be covered in the same bargaining unit.

These changes do not change our described fiscal impact in the initial proposed legislation.

The proposed legislation creates an indeterminate fiscal impact to the Washington State Patrol (WSP).

Section 1 allows for general authority and limited authority Washington peace officers to work at less than full-time when feasible, such as supplementing work during peak hours with part-time officers.

Section 2 amends the definition of "general authority" and "limited authority" Washington peace officers from full-time to include any fully compensated officer.

Section 3 amends the definition of "law enforcement officer" to include any fully compensated officer on a less than full-time basis beginning July 1, 2023.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

NONE

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

There is an indeterminate fiscal impact as we are unable to identify how many officers will want to become part-time if we adopt a flexible work policy. If officers become part-time, we may need to hire additional officers or incur additional overtime costs to meet workload demands.

If there is an increase in officers, regardless of hours worked, this may require additional staff in support divisions, to include but not limited to Training Division, Supply, Fleet, Human Resources, and Payroll.

Also, compared to one full-time officer, part-time officers working an equivalent number of hours may have an increase or decrease in cost depending on if they are eligible for benefits.

All officers, regardless of hours worked, will need to be completely outfitted (uniform, vehicle, mobile phone, radio, etc...). We estimate this at \$136,000 for initial outfitting and up to \$56,000 in subsequent years per officer.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 300-Department of Social and Health Services
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Bill Jordan	Phone: 360-902-8183	Date: 02/01/2023
Agency Approval: Dan Winkley	Phone: 360-902-8236	Date: 02/01/2023
OFM Review: Robyn Williams	Phone: (360) 704-0525	Date: 02/02/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

There is no fiscal impact to the Department of Social and Health Services (DSHS). This bill allows for agencies to adopt a flexible work policy that allows for peace officers to work less than full time. DSHS does not have peace officers.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 310-Department of Corrections
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Jaysanna Wang	Phone: (360) 725-8428	Date: 02/03/2023
Agency Approval: Ronell Witt	Phone: (360) 725-8428	Date: 02/03/2023
OFM Review: Cynthia Hollimon	Phone: (360) 810-1979	Date: 02/03/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

5424 SSB allows law enforcement agencies to adopt a flexible work policy. The policy may allow for general authority and limited authority Washington peace officers to work, and be hired, at less than full time when feasible. This could be used to supplement work during peak hours with part-time officers. The flexible work policy may include alternative shift and work schedules that fit the needs of the law enforcement agency. However, this bill states that it does not modify existing collective bargaining agreements.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

We assume this bill will have no fiscal impact to Department of Corrections (DOC).

DOC does not have any part-time job classifications that meet those defined in the bill, at this time, so it is assumed this bill will have no fiscal impact. However, should DOC choose to pursue part-time staff or positions, for the applicable job classes, there would be potential future fiscal impacts and DOC will submit a corresponding decision package.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

None.

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 360-University of Washington
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Michael Lantz	Phone: 2065437466	Date: 02/06/2023
Agency Approval: Jed Bradley	Phone: 2066164684	Date: 02/06/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/08/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Substitute Senate Bill 5424 concerns flexible work policies for law enforcement officers. Compared with the original bill, the substitute makes the following changes:

- Provides that an adopted flexible work policy may not cause the layoff or otherwise displace any full-time officer. (Section 1(3))
- Specifies that the section authorizing flexible work policies does not affect the duty of a LEA to meet their duty to bargain under PECBA or the Personnel System Reform Act. (Section 1(4))
- Requires full-time and part-time officers working for the same LEA who are covered by a collective bargaining agreement to be in the same bargaining unit. (Section 1(4))

These changes would not change the fiscal impact to the University of Washington and therefore we are submitting the same fiscal note.

Section 1 allows, but does not require, each general authority and limited authority law enforcement agency to adopt a flexible work policy. Options that can be outlined in the policy include allowing officers to work less than full time when feasible as well as alternative shift and work schedules to meet the needs of the law enforcement agency. The University of Washington Police Department (UWPD) currently offers flexible work schedules for officers and may consider allowing certain officers to work less than full time should the bill pass. While a new policy would require staff time to develop and review, any associated costs can be absorbed using existing resources. Therefore, there is no fiscal impact to UWPD from this section.

Section 2 removes references to “full time” in the definitions of “General authority Washington peace officer” and “Limited authority Washington peace officer” to allow these officers to work less than full time. There is no fiscal impact to the UWPD from this section.

Section 3 adds to the definition of “law enforcement officer” to includes officers working less than full-time in the Law Enforcement Officers’ and Firefighter’ Retirement System statutes. There is no fiscal impact to UWPD from this section.

Overall, there is no fiscal impact to UWPD, or the University as a whole, from SSB 5424.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*
NONE

III. D - Expenditures By Program (optional)
NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures
NONE

IV. B - Expenditures by Object Or Purpose
NONE

IV. C - Capital Budget Breakout
Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.
NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*
NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 365-Washington State University
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Anne-Lise Brooks	Phone: 509-335-8815	Date: 02/06/2023
Agency Approval: Chris Jones	Phone: 509-335-9682	Date: 02/06/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/08/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

S SB 5424 – Flexible work / peace officers states that an agency may adopt a flexible work policy and further describes the policy. It also indicates that “agency with primary territorial jurisdiction” includes university police.

Washington State University does not anticipate any fiscal impact from this bill.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 370-Eastern Washington University
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Keith Tyler	Phone: 509 359-2480	Date: 02/06/2023
Agency Approval: Alexandra Rosebrook	Phone: (509) 359-7364	Date: 02/06/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/08/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

SSB 5424 – Provides for flexible work arrangements for general and limited authority Washington peace officers. General authority and limited authority Washington law enforcement agencies may adopt a flexible work policy. This bill differs from SB 5424 requested earlier in the following ways:

- New section 1(3) of chapter 49.28 RCW specifies that the flexible work policy may not cause the layoff or displacement of any full-time officer
- New section 1(4) is amended to specify that this section does not alter existing collective bargaining agreements, collective bargaining units, or duty of a law enforcement agency to meet duty to bargain. Officers working in the same law enforcement agency covered by a collective bargaining agreement must be in the same bargaining unit.

Eastern has not decided whether this policy would be implemented or not but either way we don't anticipate a fiscal impact.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 375-Central Washington University
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Erin Sargent	Phone: 509-963-2395	Date: 02/06/2023
Agency Approval: Lisa Plesha	Phone: (509) 963-1233	Date: 02/06/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/08/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1: New Section – allows every general authority and limited authority WA Law Enforcement Agency to adopt a flexible work policy, that may allow peace officers to work less than full time when feasible. Policies may have requirements related to length of service or training. No existing CBAs or laws are to be altered because of this bill.

Section 2 amends the definition of general and limited “authority Washington peace officer” to remove the full-time classification.

Section 3 adds (f) that states beginning July 1, 2023 the term “law enforcement officer” also includes less than full time employees.

Any costs associated with this legislation would be allocated among existing resources.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 376-The Evergreen State College
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Daniel Ralph	Phone: 360-867-6500	Date: 02/02/2023
Agency Approval: Dane Apalategui	Phone: 360-867-6517	Date: 02/02/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/08/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

SB 5424-S concerns flexible work for general and limited authority peace officers.

Section 1 (1) states that any law enforcement agency in Washington State may adopt a flexible work policy.

Section 1 (2) allows for the creation of a years of experience requirement or training requirement for allowing officers to participate in flexible work schedules.

Section 1 (3) states that this act does not affect any existing collective bargaining agreement.

Section 1 (4) states that this section does not alter any laws or workplaces policies regarding secondary employment.

Section 2 (4) removes the full-time designation from the definition of “general authority peace officer.”

Section 2 (6) removes the full-time designation from the definition of “limited authority peace officer.”

SB 5424-S has no fiscal impact for The Evergreen State College.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 380-Western Washington University
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Gena Mikkelsen	Phone: 3606507412	Date: 02/02/2023
Agency Approval: Faye Gallant	Phone: 3606504762	Date: 02/02/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/08/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The updated bill will have no fiscal impact on WWU.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 465-State Parks and Recreation Commission
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Robert Ingram	Phone: (360) 902-8615	Date: 02/01/2023
Agency Approval: Frank Gillis	Phone: (360) 902-8538	Date: 02/01/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 02/01/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This legislation would have no fiscal impact on State Parks. Although the substitute bill would allow for less than full-time officers to be employed by Parks, the agency would not move to this type of staffing strategy.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

This legislation would have no fiscal impact on State Parks. Although the bill would allow for less than full-time officers to be employed by Parks, the agency would not move to this type of staffing strategy.

Employing commissioned officers working at less than full-time would require backfilling to provide necessary enforcement, inflating costs for training, uniforms, equipment, benefits, etc.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

None.

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 477-Department of Fish and Wildlife
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: David Hoeveler	Phone: 3609701638	Date: 02/03/2023
Agency Approval: David Hoeveler	Phone: 3609701638	Date: 02/03/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 02/03/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

NO CHANGE FROM PREVIOUS FISCAL NOTE: Differences in this bill version do not change the fiscal impact for WDFW.

Section 1 clarifies that full time officers may not be displaced as a consequence of this legislation, and that this bill does not impact any existing collective bargaining agreements. The nature of WDFW law enforcement work already accommodates flexible schedules, however the Department does not have part time officers. No fiscal impact.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: 490-Department of Natural Resources
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Collin Ashley	Phone: 360-688-3128	Date: 02/02/2023
Agency Approval: Collin Ashley	Phone: 360-688-3128	Date: 02/02/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/03/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

No change from previous fiscal note.

No fiscal impact, the Department of Natural Resources anticipates updates to flexible work policy would be included in our current union negotiations process.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5424 S SB	Title: Flexible work/peace officers	Agency: AFN-Actuarial Fiscal Note - State Actuary
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Preparation: Melinda Aslakson	Phone: 360-786-6161	Date: 02/21/2023
Agency Approval: Kyle Stineman	Phone: 3607866153	Date: 02/21/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/22/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.
NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.
NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

SUMMARY OF RESULTS

BRIEF SUMMARY OF BILL: This bill allows law enforcement agencies to adopt flexible schedule policies and may allow for law enforcement officers to work less than full time while still earning benefit service in the state retirement systems.

COST/SAVINGS SUMMARY

The amount of cost/savings that may arise from this bill is **indeterminate** due to a lack of data. Please see **Highlights of Actuarial Analysis** for additional details.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- ❖ This bill removes the full-time employment requirement for law enforcement officers to participate in the Washington State retirement systems which could lead to an increase in the number of plan members. Based on our understanding of the bill, increases in plan membership could occur in the following scenarios:
 - Officers electing to reduce their hours which may in turn require additional positions to meet staffing needs.
 - Officers previously ineligible to participate in a plan, e.g., LEOFF 2, as a result of working less than full time, may now become eligible to participate.
 - ◇ We do not expect retired LEOFF 2 officers who changed careers would be impacted under this bill. For more information, please see the **Who Is Impacted and How** section.
- ❖ We expect the majority of increases in plan membership, as a result of this bill, would be seen in LEOFF 2 due to its larger number of law enforcement officers, relative to other Washington State retirement systems.
- ❖ Costs/savings that may arise from this bill are indeterminate due to a lack of data. It is uncertain how current members would change their work schedules or the number of new officers that would become eligible for the retirement plans under this bill.
- ❖ For illustration purposes, we estimate the impact to LEOFF 2 for a hypothetical group being added to the retirement plan.
- ❖ Policy changes made to the substitute version of this bill do not impact our actuarial analysis from the original bill.

See the remainder of this fiscal note for additional details on the summary and highlights presented here.

WHAT IS THE PROPOSED CHANGE?

Summary of Bill

Based on our understanding of the bill, flexible schedules may impact the following systems:

- ❖ Public Safety Employees' Retirement System (PSERS).
- ❖ Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).
- ❖ Washington State Patrol Retirement System (WSPRS).

This bill allows law enforcement agencies to adopt flexible schedule policies and may allow for law enforcement officers to work less than full time. In doing so, the bill strikes the term "full time" from the definitions of general authority Washington peace officers, limited authority Washington peace officers, and law enforcement officers covered by the LEOFF retirement statute.

Under this bill, removing "full time" criteria from the definition of law enforcement officer could expand retirement plan membership to include members that satisfy job requirements but previously did not work enough hours.

Effective Date: 90 days after session.

In this summary, we only include changes pertinent to our Actuarial Fiscal Note (AFN). See the legislative bill report for a complete summary of the bill.

How SSB 5424 Differs from the Original SB 5424

The substitute bill makes two changes:

- ❖ Adds language that a flexible work policy adopted by a Washington law enforcement agency may not cause the layoff or displacement of any full-time law enforcement officer.
- ❖ Ensures an employer's duty to bargain under current law remains and requires full-time and part-time law enforcement officers working for the same agency to be in the same bargaining unit.

Policy changes made to the substitute version of this bill do not impact our actuarial analysis from the original bill.

For a complete list of changes to the current version of the bill, please refer to the bill reports prepared by legislative staff.

What Is the Current Situation?

Currently, most law enforcement officers are required to work full time to be eligible for membership in state retirement systems. LEOFF and PSERS retirement systems require members to work a minimum of 160 hours in a calendar month, according to the [Revised Code of Washington \(RCW\)](#)

[41.26.030 \(19\)](#), [Washington Administrative Code \(WAC\) 415-104-011](#) and [RCW 41.37.010 \(19\)](#), [WAC 415-106-010](#), respectively. Washington State Patrol does not limit retirement system membership in WSPRS to full time, fully compensated law enforcement officers, according to [RCW 43.43.120](#) and [WAC 415-103-010](#).

[Chapter 10.93](#) covers general authority Washington peace officers and limited authority peace officers which includes members eligible for LEOFF, PSERS and WSPRS. According to [RCW 10.93.020](#), general and limited authority peace officers are required to be full time, fully compensated.

The number of hours to earn pension service credit, in each month, is less than the defined full-time work requirement. As an example, if a LEOFF 2 member works at least [90 hours](#) in a month, then they will earn the full amount of service credit for that month.

Who Is Impacted and How?

This bill removes the full-time employment requirement for current (and future) law enforcement officers which could allow officers the option to work fewer hours, relative to current law, and remain eligible to participate in their current retirement plan with the full amount of service credit earned each month. We do not expect this bill would change the total number of hours required by employers for staffing so employers may require additional positions to meet staffing needs.

This bill could also expand the number of retirement plan members to include officers who satisfy job requirements but are not currently eligible to participate in the plan as a result of working less than full time.

LEOFF 2 members who retired, started collecting their retirement benefit, and then became an employee in another retirement system could be impacted under this bill. However, we expect these approximately [500 members](#) changed their careers and have job responsibilities that differ from law enforcement officers. LEOFF 2 Board staff confirmed this bill is not expected to impact these retirees who had a career change.

We assume Washington State retirement systems, other than those mentioned in the **Summary of Bill** section, do not employ law enforcement officers that work less than full time under current law. If there are impacted officers that work less than full time in another retirement plan, e.g., PERS 2, then these members could become eligible to transfer membership to another retirement plan.

WHY THIS BILL IS INDETERMINATE

As discussed in the **Who Is Impacted and How** section, this bill could increase the number of law enforcement officers in the Washington State retirement systems. However, expanding the eligibility of the retirement systems results in an indeterminate cost/savings due to a lack of data. At the time of publishing this fiscal note, we are not aware of the current number (or their

demographics) of officers who would be eligible to join the retirement systems as a result of this bill. In addition, we do not know the number of future positions, if any, that would be added due to staffing needs from current members choosing to work a reduced schedule.

The bill could impact officers in the retirement systems noted in the **Summary of Bill** section, but we expect the majority of the impact may be seen in LEOFF 2 due to its larger number of law enforcement officers, relative to other systems. Please see the next section for a hypothetical impact to LEOFF 2.

HYPOTHETICAL EXAMPLE OF COST/SAVINGS UNDER BILL

For illustrative purposes, we considered a hypothetical example where 100 law enforcement officers become eligible to participate in LEOFF 2 and earn the maximum amount of service credit monthly. We assumed the demographics of these members would be consistent with that of an average LEOFF 2 member, except that their annual salaries would be 25 percent less since they are expected to work fewer hours than an average LEOFF 2 member. We used 14 years of experience in our example to reflect these hypothetical members being mid-career employees.

The table below shows the key demographics we used for this hypothetical example. Please see the **Appendix** for additional details on how this hypothetical example was priced.

Hypothetical Members Joining LEOFF 2	
	LEOFF
New Members	100
Average Age	42
Average Compensation	\$92,000
Years of Experience*	14
*We used Years of Experience to approximate career advancement. It is not used to determine retirement eligibility or benefits.	

This hypothetical example would increase plan obligations and future payroll in LEOFF 2 and would be expected to increase member (and total employer) contribution rates by one basis point, or 0.01 percent. However, this is only an example of potential impacts to LEOFF 2, and actual impacts to the plan could result in higher or lower, and potentially negative, rate impacts dependent upon factors such as the number of members who join LEOFF 2 as well as their age, salary, and years of experience.

The contribution rate impact to the various impacted systems could vary. The following factors could impact the cost/savings from this bill:

- ❖ **Behavioral Assumptions:** We use behavioral assumptions primarily to model the rate at which members leave their retirement systems (most commonly via retirement or termination). Removing the “full time” requirement may result in

members remaining active in the retirement system longer. As an example, they may work fewer hours as they approach retirement.

- ❖ **Change in Plan Demographics:** The average plan demographics may change depending on the number of members that become eligible to participate in the retirement systems under this bill.

In addition, this bill could result in current full-time members choosing to work fewer hours while remaining eligible to participate in their retirement plan. Should this occur then there may be a need for additional law enforcement positions to fill the reduction in hours.

ACTUARY'S CERTIFICATION

The undersigned certifies that:

1. The actuarial assumptions, methods, and data used are reasonable for the purposes of this pricing exercise. The use of another set of assumptions, methods, and data may also be reasonable and might produce different results.
2. We prepared this AFN based on our current understanding of the bill as of the date shown in the footer. If the bill or our understanding of the bill changes, the results of a future AFN based on those changes may vary from this AFN. Additionally, the results of this AFN may change after our next annual update of the underlying actuarial measurements.
3. We prepared this AFN and provided opinions in accordance with Washington State law and accepted actuarial standards of practice as of the date shown in the footer of this AFN.

We prepared this AFN to support legislative deliberations during the 2023 Legislative Session. This AFN may not be appropriate for other purposes.

We advise readers of this AFN to seek professional guidance as to its content and interpretation, and not to rely on this communication without such guidance. Please read the analysis shown in this AFN as a whole. Distribution of, or reliance on, only parts of this AFN could result in its misuse and may mislead others.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

While this AFN is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.



Kyle Stineman, ASA, MAAA
Actuary

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APPENDIX

How We Estimated Example Contribution Rate Impacts

To estimate the contribution rate impact of the hypothetical example, we added 100 records (see the **Hypothetical Example of Cost/Savings under Bill** section) to our LEOFF 2 valuation data. We used our valuation software to estimate the added pension plan obligations and payroll from these additional records. We then estimated the change in contribution rates from current law.

Unless noted otherwise, we used data, assets, assumptions, and methods consistent with our most recent actuarial valuation report ([*June 30, 2021, Actuarial Valuation Report*](#)).

Who Will Pay For/Receive Costs/Savings That Arise from This Bill?

LEOFF 2

Any costs/savings that arise from this bill will be divided according to the standard funding method for LEOFF Plan 2: 50 percent member, 30 percent employer, and 20 percent state.

PSERS

Any costs/savings that arise from this bill will be divided according to the standard funding method for PSERS: 50 percent member and 50 percent employer.

WSPRS

Any costs/savings that arise from this bill will be divided according to the standard funding method of 50 percent member and 50 percent employer, subject to the member maximum contribution rate. The current member maximum contribution rate is 8.61 percent. This maximum member contribution rate will not increase as a result of this bill since the cost/savings of this bill are indeterminate. Any costs/savings above the member maximum contribution rate are fully assumed by the employer.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5424 S SB	Title: Flexible work/peace officers
-------------------------------	--

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Indeterminate expenditure impact resulting from additional administrative time, employer LEOFF 2 contributions necessary if local law enforcement agencies adopt flexible work policies
- ☒ Counties: Same as above, but for counties
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☒ Legislation provides local option: Local law enforcement agencies could adopt flexible work policies, per section 1 of the proposed legislation
- ☒ Key variables cannot be estimated with certainty at this time: Number of local law enforcement agencies that may adopt flexible work policies; details of such policies

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: James Vogl	Phone: 360-480-9429	Date: 02/08/2023
Leg. Committee Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/31/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 02/08/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/08/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

CHANGES BETWEEN THIS VERSION AND ORIGINAL BILL VERSION:

The proposed substitute bill would specify that flexible work policies cannot cause the displacement of any full-time law enforcement officers, and would specify that the bill “does not alter any existing collective bargaining unit, the provisions of any existing collective bargaining agreement, or the duty of a law enforcement agency to meet their duty to bargain under chapter 41.56 or 41.80 RCW.”

Full-time and part-time officers working for the same law enforcement agency who are covered by a collective bargaining agreement would be required to be in the same bargaining unit.

SUMMARY OF CURRENT BILL:

The proposed legislation would allow law enforcement officers in Washington to have flexible work arrangements.

Section 1 would create a new section in chapter 49.28 RCW, allowing law enforcement agencies in Washington to adopt flexible work policies that would allow general and limited authority peace officers “to work at less than full time when feasible.” These policies could also include “alternative shift and work schedules that fit the needs of the law enforcement agency.”

This section would also specify that flexible work policies cannot cause the displacement of any full-time law enforcement officers, and would specify that the bill “does not alter any existing collective bargaining unit, the provisions of any existing collective bargaining agreement, or the duty of a law enforcement agency to meet their duty to bargain under chapter 41.56 or 41.80 RCW.”

Full-time and part-time officers working for the same law enforcement agency who are covered by a collective bargaining agreement would be required to be in the same bargaining unit.

Section 2 would reenact and amend RCW 10.93.020, removing the specification that an officer work full time from the definitions of general and limited authority Washington peace officers.

Section 3 would amend RCW 41.26.030 (19), specifying that for the purposes of chapter 41.26 RCW, “beginning July 1, 2023, the term ‘law enforcement officer’ also includes any person who is commissioned and employed by an employer on a fully compensated basis to enforce the criminal laws of the state of Washington generally, on a less than full-time basis” and meets the other requirements of this subsection.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

CHANGES IN EXPENDITURE IMPACT BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

According to the Association of Washington Cities (AWC), the Washington State Association of Counties (WSAC) and the Washington Association of Sheriffs and Police Chiefs (WASPC), the additions in the proposed substitute bill would not change the local government expenditure impact of the original bill.

EXPENDITURE IMPACT OF CURRENT BILL:

The proposed legislation could result in an indeterminate increase in local government expenditures.

WASPC indicates that some local law enforcement agencies have already adopted flexible work policies like those that section 1 of this bill references, and does not anticipate that law enforcement agencies taking advantage of this local option would incur any additional costs. WASPC does anticipate, however, that cities and counties could incur

administrative costs if their local law enforcement agency does adopt a flexible work policy.

Both AWC and WSAC indicate that local government expenditures could increase as a result of additional staff time needed for human resources, accounting and other administrative needs if a local law enforcement agency chooses to implement a flexible work policy. AWC also indicates that because of the definitional changes that section 3 of the proposed legislation would make, additional employer contributions to LEOFF 2 pensions for part-time officers covered by flexible work arrangements could be another source of local government expenditure impact.

Since it is unknown, however, how many local law enforcement agencies may choose to take advantage of the local option to adopt flexible work policies, as well as what the details of those arrangements may be, the expenditure impact on local governments resulting from additional administrative time is indeterminate. WSAC anticipates that apart from the largest counties, this indeterminate impact is likely to be small.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

The proposed legislation would have no impact on local government revenues.

SOURCES:

Association of Washington Cities

Washington Association of Sheriffs and Police Chiefs

Washington State Association of Counties



Part-Time LEOFF Members

Initial Consideration
September 27, 2023

Issue

- Law enforcement agencies adopting flexible work policies may help address hiring and retention issues in law enforcement, however, part-time law enforcement officers are not eligible for membership in LEOFF 2

Current Law

- LEOFF 2 requires law enforcement officers to be full-time and commissioned
- Full-Time defined as “an employee who is normally expected to earn basic salary from an employer for a minimum of one hundred sixty hours in a calendar month.”
- Commissioned is defined as “an employee is employed as an officer of a general authority Washington law enforcement agency and is empowered by that employer to enforce the criminal laws of the state of Washington.”

HB 1413/SB 5424 – Flexible Work Policies may

- Allow a peace officer to work less than full-time or an alternative schedule
- Allow a peace officer to work less than full-time when feasible
- Include alternative shift and work schedules
- Supplement work during peak hours with part-time officers
- Require its officers to have a certain number of years of experience or additional training to be eligible for flexible work

HB 1413/SB 5424 – Flexible Work Policy May Not

- Alter any laws or workplace policies relating to restrictions on secondary employment
- Cause a reduction in full-time officers
- Alter any existing collective bargaining agreement or the duty of a law enforcement agency to bargain
- A law enforcement agency that employs both full-time and part-time officers must include those officers in the same bargaining unit for any collective bargaining agreement

HB 1413/SB 5424 – Impacts to L2

- The definition of a general or limited authority peace officer is amended to remove the requirement that an officer be employed full-time
- Beginning July 1, 2023, a person who is employed part-time, and who meets the existing criteria, is included in the definition of a law enforcement officer eligible for LEOFF 2

HB 1413/SB 5424 – Legislative History

- Both bills were amended in policy committee, but did not receive hearing in fiscal committee
 - The House substitute bill:
 - Prohibits the policy from causing the layoff or displacement of any full-time officer
 - Clarifies that the bill does not alter the duty of a law enforcement agency to bargain
 - Clarifies that full-time and part-time officers working in the same law enforcement agency are part of the same bargaining unit
 - Makes the requirement that city police officers participating in LEOFF 2 be "full time" inapplicable to the extent allowed by the bill
 - The Senate substitute bill:
 - Clarifies the category of city police officers in the definition of law enforcement officers in the LEOFF 2 retirement system to allow part-time city police officers to participate in the retirement system

HB 1413/SB 5424- Actuarial Fiscal Note

- Indeterminate costs due to lack of data
- Behavioral assumptions
 - May result in members remaining active in the retirement system longer
- Changes to plan demographics
 - May result in hiring more LEOs to fill the reduction in hours

Next Steps

1. Motion for Comprehensive Report
2. No further action at this time



Thank You

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September 27, 2023

Non-duty to Duty Disability Conversions

INITIAL CONSIDERATION

By Jacob White

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ISSUE STATEMENT

The criteria for duty disabilities changed over time, as a result there may be LEOFF 2 members who were approved for non-duty disability with conditions that would qualify as duty related if the injury occurred today.

OVERVIEW

Since the creation of the LEOFF 2 duty disability benefit what is considered a workplace injury or occupational disease has broadened. Because these changes were not retroactive, this has created a situation where it is possible that two members suffering from the same disabling condition caused by the workplace events, qualify for different LEOFF 2 benefits.

BACKGROUND AND POLICY ISSUES

In 2018 SB 6214, *Allowing industrial insurance coverage for PTSD of law enforcement and firefighters*, was enacted into law. In addition to making PTSD a presumptive disease for LEOFF members, this law also allowed for claims resulting from repeated exposure to qualify for PTSD. Prior to the passage of this law PTSD claims were required to be caused by a single workplace event. The PTSD would not be considered occupational if directly attributed to disciplinary action, work evaluation, job transfer, layoff, demotion, termination, or similar action taken in good faith by an employer. The bill also states that to be considered presumptive, the PTSD has to have developed or manifested after the employee has served at least 10 years.

This change in LNI law also resulted in a change to pension benefits. LEOFF 2 members who suffered from PTSD because of multiple workplace exposures were now eligible for duty disability benefits, instead of only non-duty disability benefits. Non-duty disability benefits allow for a member to retire early but require the member to take an actuarially reduced benefit based on the number of years they are retiring early. A duty disability benefit allows the member to retire early with out taking a reduction in their benefit.

During the 2023 legislative session SB 5625, *Concerning public employee retirees*, was proposed but failed to pass. This bill sought to address multiple concerns related to the administration of pension benefits, including requiring DRS to review past duty disability denials and determine if the disability was incurred “in the line of duty”. This section of this bill sought to address this concern regarding PTSD claims that had been denied for duty based on the previous definition of “in the line of duty”.

The Department of Retirement System identified that there have been 64 LEOFF 2 members approved for non-duty disability benefits. 56 of those members were approved prior to June 7, 2018, the effective date of SB 6214. The Department’s data systems do not track detailed information about the disabling condition of these non-duty disability members. Therefore, a review of the records would be required to identify how many of these 56 members would need to be reviewed to determine the potential financial impacts of a change in the law allowing these members to be eligible to have their benefit converted to duty disability.



Non-duty to Duty Disability Conversions

Initial Consideration
September 27, 2023

Issue

- The criteria for duty disabilities has changed over time, as a result there may be LEOFF 2 members who were approved for non-duty disability with conditions that would qualify as duty related if the injury occurred today

Example - Hypothetical

- Prior to 2018 a LEOFF 2 member makes a claim of PTSD from multiple exposures as the cause of their injury
- DRS agrees the member has a disabling condition preventing them continuing to work as a firefighter. However, the injury was not caused by a single event and therefore the injury is not duty related and the member is approved for non-duty instead of duty disability
- Should the law be changed to allow for members who retired prior to 2018 and who were approved for non-duty disability to be eligible for duty disability in scenarios like the one above?

Legislative History

- **SB 5615 (2005) – Created Duty Disability Benefit for LEOFF 2**
- **HB 2932 (2006) – Created Catastrophic Disability Benefit for LEOFF 2**
- **SB 6214 (2018) – Allowed industrial insurance coverage for PTSD of law enforcement and firefighters**
 - Allowed for claims resulting from repeated exposure
 - Established PTSD as a presumptive disease for LEOFF members
- **SB 5625 (2023) - DRS Ombuds Bill (Did not pass legislature)**
 - DRS must review past duty disability denials and determine if the disability was incurred “in the line of duty”

Presumptive Occupational Diseases

- A condition being identified under LNI law as a presumptive diseases makes it easier for a LEOFF member to qualify for a duty disability benefit
- The list of conditions that qualify as presumptive diseases continues to change
 - Includes various types of cancers, heart and respiratory diseases, certain infectious diseases, and PTSD
 - Not the exact same list for FF and LEO
 - Process for conditions to be added to presumptive disease list
- Different issue than a condition not qualifying as duty related

DRS Data

- 56 LEOFF 2 non-duty disability retirees prior to effective date of PTSD law
- Working with DRS to determine how many of those were approved for PTSD, or similar condition, prior to the 2018 law being effective

Next Steps

1. Motion to receive comprehensive briefing
2. No action



Thank You

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September 27, 2023

Overpayment Responsibility

COMPREHENSIVE REPORT

By Jacob White

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ISSUE STATEMENT

When employers make an error that causes a retiree to receive an overpayment the member is responsible for paying back the overpayment they incorrectly received.

OVERVIEW

In most cases members are responsible for paying back any overpayments they receive. However, there are situations where the employer is responsible for paying back overpayments, as well circumstances where portions of the overpayment, or other financial impacts caused by the employer misreporting information to DRS, is subsidized by the pension plan.

BACKGROUND AND POLICY

When DRS receives additional information about an employee's final average salary or service credit, they are required under RCW 41.50.130 to recalculate the retiree's retirement benefit. This is referred to as a "recalc". A recalc may result in either an increase or a decrease to a retiree's benefit. The recalc is both retrospective and prospective. As a result, two things occur: first, the retiree's monthly benefit changes moving forward. Second, DRS must either pay the retiree an additional payment of the difference in pension payments the retiree received and should have received; or collect from the retiree the difference in the pension payments they have received, and the recalculated benefit amount they should have received.

DRS prioritizes recalcs that are a result of an audit finding, as those are most likely to have the largest impacts on members. However, DRS does not audit employers on a regular basis. In fact, there are some employers who have never been audited by DRS. Instead, DRS relies on its Employer Support Division to answer employer questions and provide employer education and outreach to ensure that reporting is as accurate as possible.

When a recalc occurs and a retiree's benefit is lowered, the retiree may also owe DRS an overpayment for the pension benefits they were incorrectly paid. The determination of whether the member or employer must pay the overpayment is governed by RCW 41.50.130 – 139. Typically, employers are only required to pay an overpayment in the following situations:

- Failure to properly report retiree return to work hours¹; and,
- Erroneously reporting that an employee has separated from service.²

There is a statute of limitations of three years, under RCW 41.50.130. Under this statute of limitations, DRS can only bill the member for three years of overpayments from the discovery of the overpayment. For example, on January 1, 2022, DRS discovered that a retiree received 10 years of overpayments. These overpayments total \$10,000, \$1,000 a year. DRS cannot collect the full \$10,000. Instead, they may only collect \$3,000, for the last three years of overpayments. The remaining portion of the overpayment, as well as any lost investment earnings, is subsidized by the plan.

Waiver of Overpayments

In most instances, the member is responsible for repaying the overpayment. This includes overpayments for an employer misreporting earnable compensation to DRS. The Director of DRS, in certain instances, may waive the collection of an overpayment under RCW 41.50.138. However, this is limited to instances of “manifest injustice”.

DRS has not defined the term “manifest injustice” in WAC or in administrative policy. Generally, “manifest injustice” is used in criminal proceedings and “means something which is 'obviously unfair' or 'shocking to the conscience.' It refers to an unfairness that is direct, obvious, and observable.”³ DRS has only utilized their ability to waive collection in limited circumstances. Below is a chart of the number of times they have granted waiver of overpayment in recent years:

Year	Approvals
1998	1
2006	2
2008	12
2010	1
2011	1
2012	4
2014	15
2015	2
2016	2
2017	11
2018	4
2021	2

¹ RCW 41. 50.139

² RCW 41.50.139

³ <https://definitions.uslegal.com/m/manifest-injustice>

While the term is common in criminal law, it is also used in administrative law. For example, the Washington State Department of Social and Health Services (DSHS) uses the “manifest injustice” standard as an element of multi-factor test for waiving collection of certain client overpayments. DSHS has defined the term as:

The overpayment is clearly unfair to the client based on the way that it occurred, and repayment would compromise the client's ability to meet basic needs.

Factors which can be used as evidence [...]:

The client cannot repay the overpayment without drawing on funds needed for basic requirements. Document income and expenditures. Verify only questionable amounts.

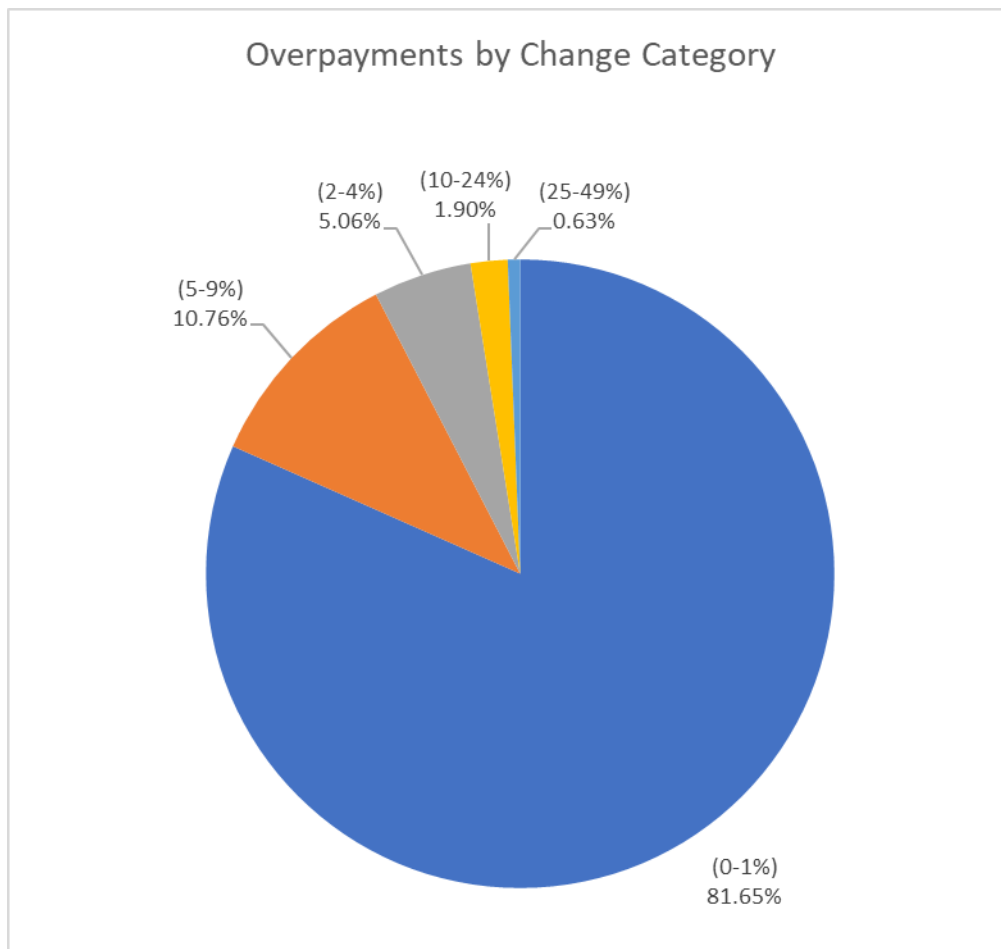
It is clear the client acted in good faith by following the rules required to maintain eligibility for public assistance.

- a) The client reported income timely and accurately
- b) The overpayment was solely due to department error; and
- c) The client has "clean hands". That is, without fault. The client fulfilled all their responsibility to inform the department of changes in their circumstances.⁴

Overpayment Data

DRS provided the Board with five years of LEOFF 2 Member overpayment data. The data showed that there were 3,485 recalcs that resulted in a benefit change. Of those 150 resulted in overpayments. Below is a chart of the 150 overpayments percentage impact on member's benefits:

⁴ <https://www.dshs.wa.gov/book/export/html/21>



Of these 150 overpayments 27 had an impact to the members ongoing monthly benefit greater than 1%.

POLICY OPTIONS

Option 1: Employer Responsibility

Employer must pay back overpayments when the overpayment is due to an employer error.

Option 2: Shorten Statute of Limitations

Shorten the statute of limitations for collecting overpayments from 3 years to 1 year.

Option 3: Employer responsible and shorten statute of limitations

Employer must pay back overpayments when the overpayment is due to an employer error and the statute of limitations for collecting overpayments is shortened from 3 years to 1 year.



Overpayment Responsibility

Comprehensive Report
September 27, 2023

Issue

- When employers make an error that causes a retiree to receive an overpayment the member is responsible for paying back the overpayment they incorrectly received

Who should pay for an error?

- **Pension Overpayment**

- In most cases the member is responsible for paying back any overpayments they receive
- Employer responsible in limited circumstances

- **Contributions**

- Employer responsible for employer and member contributions not paid
- Employer can collect member contributions from members (“Employer pick-up”)

- **Lost Investment Earnings**

- DRS can charge employer or have the plan subsidize the cost

What causes these overpayments?

- Typically misreported earnable compensation causes the largest overpayments
- What is and is not considered earnable compensation can be complex
- Typically, different types of pay (such as holiday, annual leave, overtime, etc.) are bargained between employer and employees
- No requirements to have DRS review the language of CBAs to determine how pay should be reported

Employer Resources

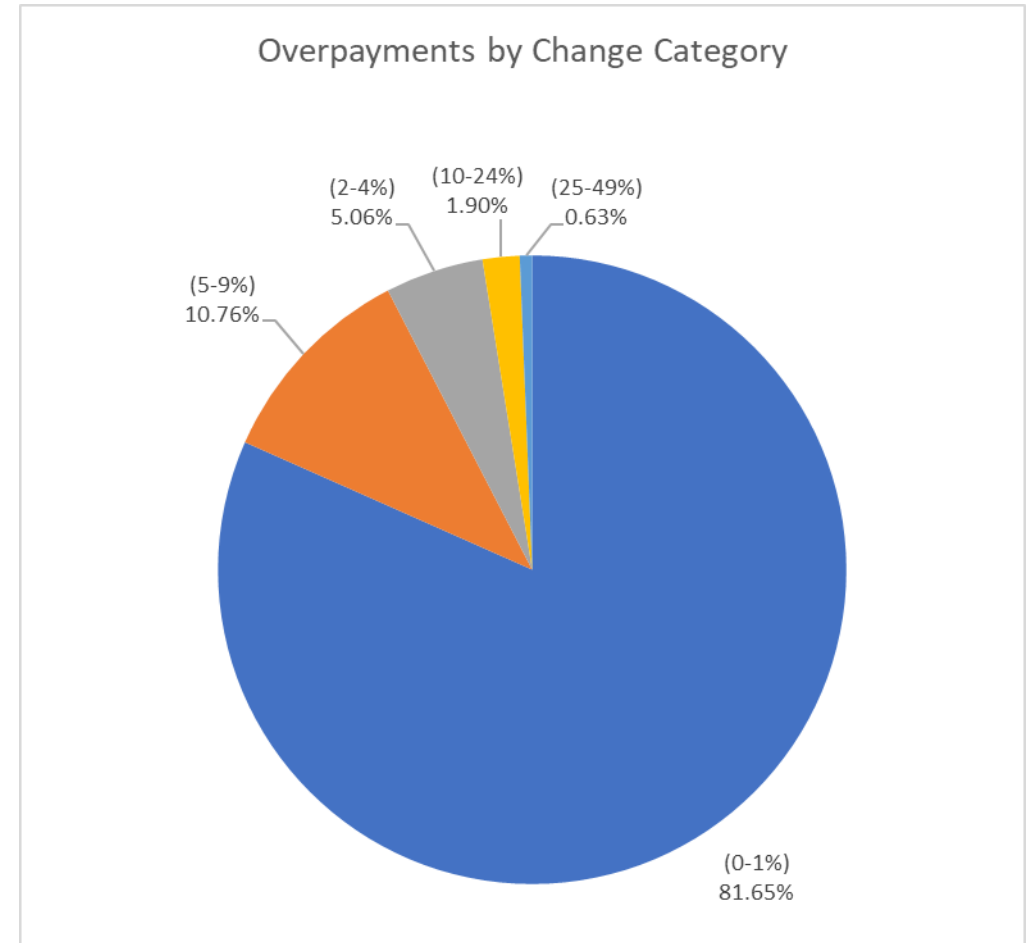
- **RCWs, WACs**
- **DRS Employer Support Division provides:**
 - Employer Notices
 - Employer Handbook
 - Employer Trainings
 - Staff available to answer questions and review language

Statute of Limitations

- DRS can only bill the member for 3 years of overpayments from the discovery of the overpayment
 - Example - On January 1, 2022, DRS discovered that a retiree received 10 years of overpayments. These overpayments total \$10,000, \$1,000 a year. DRS cannot collect the full \$10,000. Instead, they may only collect \$3,000, for the last 3 years of overpayments
- The rest of the overpayment, as well as any lost investment earnings, is subsidized by the plan

DRS L2 Data – Last 5 years

- 3,485 recalcs resulting in benefit change
- 150 overpayments
- 27 overpayments greater than 1% change in benefit



DRS L2 Data – Last 5 years (con't)

- 20 months – Average time between retirement and recalc for the 150 overpayments
- 76 of the 150 recalcs were completed within 1 year
- 130 of the 150 recalcs were completed within 3 years

Policy Options

1. **Employer Responsibility:** Employer pays the overpayment when the overpayment is due to an employer error
2. **Shorten the Statute of Limitations:** from 3 years to 1 year when collecting overpayments
3. **Combine Options 1 and 2:** Employer must pay back overpayments when the overpayment is due to an employer error and the statute of limitations for collecting overpayments is shortened from 3 years to 1 year
4. **No action**

Next Steps

1. No action at this time
2. Final briefing



Thank You

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September 27, 2023
Holiday Payments

INITIAL CONSIDERATION

By Jacob White
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ISSUE STATEMENT

The current administrative interpretation of when holiday pay is considered earnable compensation has created a situation where members may be treated differently based on their employer's payroll system, not on the days they work.

OVERVIEW

For LEOFF 2 members holiday pay that is tied to a specific holiday date can be cashed out and considered basic salary. However, holiday pay that is personal or floating (not tied to a specific holiday) is not considered basic salary if cashed out. Some employer's payroll systems track these two types of holiday pay, while others do not.

While DRS has advised employers to keep track of the two types of holiday pay for reporting purposes, they recognize that isn't possible for all employers, so they have allowed those employers to use the "first in, first out" accounting method to accommodate these employers' reporting limitations.

BACKGROUND AND POLICY ISSUES

For an employee's wages to be subject to retirement system contributions and included in the calculation of their retirement benefit, they must meet the definition of 'basic salary' in LEOFF 2.¹ DRS determines basic salary based upon the nature of the payment made to an employee, not the name given to it. To determine if a payment is basic salary, DRS considers: what the payment is for; and, whether the reason for the payment brings it within the statutory definition of basic salary.

¹ Basic Salary is often referred to as "pensionable income", "earnable compensation", or "reportable compensation".

LEOFF 2 basic salary is a payment that is a salary or wage earned during a calendar month for personal services rendered by a member to an employer. Certain payments that aren't for personal services rendered by a member also qualify if there are specific provisions in the laws identifying them as basic salary. Other payments not specifically identified in the rules qualify as basic salary only if the payments are for services rendered.

Below is the LEOFF Basic Salary Chart from WAC 415-104-299:

Type of Payment	LEOFF 1 Basic Salary?	LEOFF 2 Basic Salary?
Additional Duty Pay	Yes - WAC 415-104-3205	Yes - WAC 415-104-360
Allowances (i.e. uniform)	No - WAC 415-104-3404	No - WAC 415-104-390
Basic Monthly Rate	Yes - WAC 415-104-3200	Yes - WAC 415-104-360
Cafeteria Plans	No - WAC 415-104-3303	Yes - WAC 415-104-367
Deferred Wages Attached to Position	Yes - WAC 415-104-3201(1)	Yes - WAC 415-104-363(1)
Deferred Wages not attached to a Position	No - WAC 415-104-3306	No - WAC 415-104-363(2)
Disability Payments	No - WAC 415-104-340	No - WAC 415-104-380
Education Attainment Pay	No - WAC 415-104-3301	Yes - WAC 415-104-375
Employer taxes/contributions	No - WAC 415-104-3401	No - WAC 415-104-383
Fringe Benefits, including insurance	No - WAC 415-104-3402	No - WAC 415-104-385
Illegal Payments	No - WAC 415-104-3403	No - WAC 415-104-387
Leave Cash Outs/Severance	No - WAC 415-104-3304	No - WAC 415-104-401
Longevity	Yes - WAC 415-104-311	Yes - WAC 415-104-375
Overtime	No - WAC 415-104-3305	Yes - WAC 415-104-370
Paid Leave	Yes - WAC 415-104-3203	Yes - WAC 415-104-373
Payments in Lieu of Excluded Items	No - WAC 415-104-350	No - WAC 415-104-405
Performance Bonuses	No - WAC 415-104-3302	Yes - WAC 415-104-377
Retroactive Salary Increase	Yes - WAC 415-104-3202	Yes - WAC 415-104-365
Reimbursements	No - WAC 415-104-3404	No - WAC 415-104-390
Retirement or Termination Bonuses	No - WAC 415-104-3406	No - WAC 415-104-395
Shift Differential	Yes - WAC 415-104-3204	Yes - WAC 415-104-379
Special Salary or Wages	No - WAC 415-104-330	Yes - WAC 415-104-375
Standby Pay	No - WAC 415-104-3405	No - WAC 415-104-393
Tuition/Fee Reimbursement	No - WAC 415-104-3404	No - WAC 415-104-390
Workers' Compensation	Not Applicable	No - WAC 415-104-380

Due to the nature of their positions, LEOFF members are often required to work on recognized holidays. If a LEOFF member works on a holiday or takes a day off using a personal/floating holiday that is considered basic salary. Many LEOFF employers create holiday leave banks for these employees and if an employee works the holiday, it is considered a regular workday. Holiday leave banks typically allow for all employees to get the same amount of holiday pay days whether they work those holidays or not. Later, the employee may use hours from the holiday leave bank to take a day off and/or cash out all or some of the hours in the future. Cash

outs for recognized holidays are considered overtime (not leave cash outs) and overtime is basic salary for LEOFF 2. Meanwhile, cash outs for personal holidays are considered leave cash outs and not basic salary for LEOFF 2.

DRS Employer Notice, 22-012, explains to employers how to treat holiday leave bank pay for purposes of reporting basic salary to DRS. DRS tells employers that leave in the holiday leave bank must be tied to a specific holiday date and that personal or floating holidays are not tied to a specific date and are not considered recognized holidays for the purposes of holiday leave bank cash outs.

However, not all employers have payroll systems that identify whether the holiday leave in the bank is tied to a specific holiday date or not. DRS has made the policy decision to handle this by allowing employers whose payroll systems do not identify the different types of holiday leave in the bank to use what they call the “First in, First Out” method. An example of how this works would be a member has 88 hours of holiday pay in their holiday bank tied to specific holidays and 8 hours of holiday day pay in their bank not tied to a specific holiday. The employer would allocate the first 88 hours of holiday pay as basic salary and the last 8 hours cashed out as not basic salary.

SUPPORTING INFORMATION

Appendix A: DRS Employer Notice 22-012

DRS Notice 22-012, Holiday Leave Banks

Posted on October 6, 2022

DRS Email 22-012

Date: October 6, 2022

Applies to: Cities, Counties, and Political Subdivisions

Subject: DRS Notice 22-012, Holiday Leave Banks

This notice is provided to clarify the rules for reporting data to DRS regarding holiday leave banks.

Certain employees whose duties entail providing essential or emergency services (such as firefighters, police officers, correctional officers, 911 dispatchers, etc.) are

often required to work on recognized holidays. Some employers create holiday leave banks for these employees and if an employee works the holiday, it is considered a regular workday. Later, the employee may use hours from the holiday leave bank to take a day off and/or cash out all or some of the hours in the future.

First, we will answer some FAQs (frequently asked questions) on this topic; then, we will present scenarios based on an example of a holiday leave for 10 standard state holidays, plus a federal holiday (Christmas Eve).

FAQs

What are recognized holidays for purposes of this email notice?

- Holidays recognized by either the State of Washington, the federal government, or formalized by an organization; **and** tied to a specific date.
- If an employer utilizes a holiday leave bank; the employer must identify the recognized holidays associated with the hours that are added to the holiday leave bank.

Are personal or floating holidays considered recognized holidays for purposes of holiday leave bank cash outs?

No. Personal or floating holidays are not tied to a specific date and are not considered recognized holidays for the purposes of holiday leave bank cash outs.

Is a cash out of a personal or floating holiday treated the same way as a cash out of holiday leave?

- A cash out of a personal or floating holiday is considered a cash out of leave and is not reportable for most DRS plans (leave cash outs are reportable only for certain TRS 1 and PERS 1 members).

- A cash out of a recognized holiday from a holiday leave bank is considered overtime.

If employees are allowed to cash out hours from a holiday leave bank; do not include non-recognized holidays *in the holiday leave bank*. Don't combine these different types of leave into the same bank because each type of leave must be treated differently if cashed out.

How are holiday leave bank hours used as leave different than holiday leave bank hours cashed out?

- **Used as leave:** If hours from the bank are used as leave, report the hours used and compensation earned to DRS just as you would for any other leave used, such as vacation or sick leave.
- **Cashed out:** When an employee receives an additional payment because he or she works on a recognized holiday, the payment is considered overtime. Therefore, if an employee cashes out hours from the holiday leave bank, treat it as a *deferred* payment of overtime and report it as regular earnings using status code A. Report no service (hours) because you should have already reported the hours when the employee worked the holiday(s).

Are cash outs of a holiday leave bank considered reportable compensation?

Cash outs for recognized holidays are considered overtime; therefore, it depends upon whether overtime is considered reportable compensation for the employee's retirement system/plan. Overtime is considered reportable compensation for members of:

- LEOFF Plan 2 [**WAC 415-104-370**](#)
 - All PERS Plans [**RCW 41.40.10\(8\)**](#)
 - PSERS Plan 2 [**WAC 415-106-220**](#)

How should employers report cash outs from a holiday leave bank (for hours related to recognized holidays)?

Report compensation only with an “A” code in the month of the associated holiday. Examples to follow.

Sample Holiday Leave Bank and Scenarios This sample holiday leave bank is for 10-hour shift workers who work Monday – Thursday. At the beginning of the year, the workers are credited with 10 hours per holiday for the following 11 holidays for a total of 110 hours in the holiday leave bank. The employer offers the option of cashing out unused holiday leave bank hours in December of each year.

State Legal Holiday Names	State Statutory Designation of Holiday (RCW 1.16.050)	Observed Holiday Dates
New Year's Day	First day of January	December 31, 2021 (Friday)
Martin Luther King Jr.'s Birthday	Third Monday in January	January 17, 2022 (Monday)
Presidents' Day	Third Monday in February	February 21, 2022 (Monday)
Memorial Day	Last Monday of May	May 30, 2022 (Monday)
Juneteenth	June 19	June 20, 2022 (Monday)
Independence Day	July 4	July 4, 2022 (Monday)
Labor Day	First Monday in September	September 5, 2022 (Monday)
Veterans' Day	November 11	November 11, 2022 (Friday)
Thanksgiving Day	Fourth Thursday in November	November 24, 2022 (Thursday)
Day Immediately Following Thanksgiving	Day Immediately Following Thanksgiving	November 25, 2022 (Friday)
Christmas Day	December 25	December 26, 2022 (Monday)

Scenario 1:

The employee either took each holiday off or otherwise used all her holiday leave bank hours throughout the year and has no holiday leave balance to cash out. The employee's hourly rate of pay is \$35, and she works Monday – Thursday, 10-hour shifts. She worked no other overtime during the year. The hours and compensation would look very normal as shown below:

Earn Period	Hours	Compensation	Comment
01/2022	190	6650	If every month, the worker took the holiday off or otherwise used all of her holiday leave bank leave during the year.
02/2022	160	5600	
03/2022	160	5600	
04/2022	180	6300	
05/2022	180	6300	
06/2022	160	5600	
07/2022	190	6650	
08/2022	170	5950	
09/2022	170	5950	
10/2022	190	6650	
11/2022	160	5600	
12/2022	180	6300	

Scenario 2:

Same 10-hour shifts, same workdays (Monday-Thursday), and same pay as in Scenario 1. This employee used 70 hours of his holiday leave bank hours as leave to take time off and it was reported in the same way as vacation or sick leave used would be reported – the hours and compensation were reported “as earned” in the month it was used.

It is now December. The employer will pay the employee for the holiday leave bank balance of 40 hours in a lump sum payment on his December 31 paycheck.

How should the employer report this information to DRS? DRS does not require employers to track exactly which holidays an employee chooses to work, and which holidays an employee chooses to take off. If an employer does not track the leave used for a holiday (if any), the employer must use the FIFO (first in, first out) method to report compensation for a holiday leave bank cash out. Using FIFO would assume that the first 70 hours had been used for the first 7 holidays. This is how the employer would report the remaining 40 hours’ worth of compensation to DRS from that December payroll.

Earn Period	Hours	Compensation	Comment
01/2022	190	6650	Holiday leave, vacation leave, and sick leave were used during the year through 10/2022. The hours and compensation look normal to DRS.
02/2022	160	5600	
03/2022	160	5600	
04/2022	180	6300	
05/2022	180	6300	
06/2022	160	5600	
07/2022	190	6650	

Earn Period	Hours	Compensation	Comment
08/2022	170	5950	
09/2022	170	5950	
10/2022	190	6650	
11/2022	160	6650	<p>Regular compensation \$5600 + \$1050 of holiday leave cash out which will be associated with 11/2022 for the 3 holidays (30 hours of pay) in this month. Note that no additional hours are reported. The \$1050 is considered a deferred payment of overtime; the hours are considered to have been worked as a normal day on the holiday and reported already.</p> <p>It is as if the person worked the holidays and received double-time for doing so. The employee did not actually work extra hours, but in essence was paid overtime for working on a holiday.</p>
12/2022	180	6650	<p>Regular compensation of \$6300 + \$350 of holiday leave cash out which will be associated with the 1 holiday (10 hours of pay) in this month. Note that no additional hours are reported. The \$350 is considered a deferred payment of overtime; the hours are considered to have been worked as a normal day on the holidays and reported already.</p>

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Holiday Payments

Initial Presentation
July 28, 2023

Issue

- The current administrative interpretation of when holiday pay is considered earnable compensation has created a situation where members may be treated differently based on their employer's payroll system, not on the days they work

Legislative History

- **SB 5625 (2023) – DRS Ombuds Bill**
 - This was one of the items included in this bill
 - Section 18 amended LEOFF 2 Basic Salary definition to include “and holiday payments [...]”

Holiday Leave Banks

- LEOFF members are often required to work on recognized holidays
- If a LEOFF member works on a holiday or takes a day off using a personal/floating holiday that is considered basic salary
- Many LEOFF employers create holiday leave banks and if an employee works the holiday, it is considered a regular workday
- Later, the employee may cash out hours from the holiday leave bank

Basic Salary Table

Type of Payment	LEOFF 1 Basic Salary?	LEOFF 2 Basic Salary?
Additional Duty Pay	Yes - WAC 415-104-3205	Yes - WAC 415-104-360
Allowances (i.e. uniform)	No - WAC 415-104-3404	No - WAC 415-104-390
Basic Monthly Rate	Yes - WAC 415-104-3200	Yes - WAC 415-104-360
Cafeteria Plans	No - WAC 415-104-3303	Yes - WAC 415-104-367
Deferred Wages Attached to Position	Yes - WAC 415-104-3201(1)	Yes - WAC 415-104-363(1)
Deferred Wages not attached to a Position	No - WAC 415-104-3306	No - WAC 415-104-363(2)
Disability Payments	No - WAC 415-104-340	No - WAC 415-104-380
Education Attainment Pay	No - WAC 415-104-3301	Yes - WAC 415-104-375
Employer taxes/contributions	No - WAC 415-104-3401	No - WAC 415-104-383
Fringe Benefits, including insurance	No - WAC 415-104-3402	No - WAC 415-104-385
Illegal Payments	No - WAC 415-104-3403	No - WAC 415-104-387
Leave Cash Outs/Severance	No - WAC 415-104-3304	No - WAC 415-104-401
Longevity	Yes - WAC 415-104-311	Yes - WAC 415-104-375
Overtime	No - WAC 415-104-3305	Yes - WAC 415-104-370
Paid Leave	Yes - WAC 415-104-3203	Yes - WAC 415-104-373
Payments in Lieu of Excluded Items	No - WAC 415-104-350	No - WAC 415-104-405
Performance Bonuses	No - WAC 415-104-3302	Yes - WAC 415-104-377
Retroactive Salary Increase	Yes - WAC 415-104-3202	Yes - WAC 415-104-365
Reimbursements	No - WAC 415-104-3404	No - WAC 415-104-390
Retirement or Termination Bonuses	No - WAC 415-104-3406	No - WAC 415-104-395
Shift Differential	Yes - WAC 415-104-3204	Yes - WAC 415-104-379
Special Salary or Wages	No - WAC 415-104-330	Yes - WAC 415-104-375
Standby Pay	No - WAC 415-104-3405	No - WAC 415-104-393
Tuition/Fee Reimbursement	No - WAC 415-104-3404	No - WAC 415-104-390
Workers' Compensation	Not Applicable	No - WAC 415-104-380

Holiday Pay

- Recognized holiday vs. personal/floating holiday
- Cash outs for recognized holidays are considered overtime and overtime is basic salary for LEOFF 2
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DRS Employer Notice, 22-012

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 - If an employer does not track the leave used for a holiday the employer must use the first in, first out method to report compensation for a holiday leave bank cash out
- Employer notice because DRS views this as procedural not policy

DRS Policy – First in, First Out

- Payroll systems do identify different types of holiday leave = treat only holiday leave tied to a specific holiday date as earnable compensation
- Payroll systems do not identify different types of holiday leave = First in, First Out
 - This means that if a member has 88 hours of holiday pay tied to specific holidays and 8 hours of holiday day pay not tied to a specific holiday, DRS advises employer to allocate the first 88 hours of holiday pay as earnable compensation and the last 8 hours used as not earnable compensation

Next Steps

1. No action at this time
2. Motion for comprehensive briefing



Thank You

Jacob White

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Holiday Payments

Initial Consideration
July 28, 2023

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- The current administrative interpretation of when holiday pay is considered earnable compensation has created a situation where members may be treated differently based on their employer's payroll system, not on the days they work

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Education Attainment Pay	No - WAC 415-104-3301	Yes - WAC 415-104-375
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Leave Cash Outs/Severance	No - WAC 415-104-3304	No - WAC 415-104-401
Longevity	Yes - WAC 415-104-311	Yes - WAC 415-104-375
Overtime	No - WAC 415-104-3305	Yes - WAC 415-104-370
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Retirement or Termination Bonuses	No - WAC 415-104-3406	No - WAC 415-104-395
Shift Differential	Yes - WAC 415-104-3204	Yes - WAC 415-104-379
Special Salary or Wages	No - WAC 415-104-330	Yes - WAC 415-104-375
Standby Pay	No - WAC 415-104-3405	No - WAC 415-104-393
Tuition/Fee Reimbursement	No - WAC 415-104-3404	No - WAC 415-104-390
Workers' Compensation	Not Applicable	No - WAC 415-104-380

Holiday Pay

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Thank You

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September 27, 2023
Non-Duty Disability Leave

INITIAL CONSIDERATION

By Jacob White

Senior Research & Policy Manager

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ISSUE STATEMENT

There were concerns raised that the Department of Retirement Systems (DRS) was not always treating temporary non-duty and temporary duty disability leave consistently for purposes of basic salary in situations where members utilized leave “buy-back”.

OVERVIEW

There was concern brought to the Board that DRS may be treating basic salary differently based on whether the member was out on temporary duty versus temporary non-duty leave.

Specifically, in instances where the member was injured, took paid leave, and then utilized the employer’s “buy-back” program by providing their disability or worker’s compensation check to the employer in exchange for having their annual leave backed out of the system and put back into their leave bank.

After researching the concern further, DRS is treating members’ basic salary the same in both situations. The service credit and basic salary for the leave that has been “bought back” is not reportable compensation in either situation. The confusion stems from how DRS is applying the Temporary Duty Disability (TDD) purchase service credit versus the Authorized Leave of Absence (ALOA) purchase service credit. One of the options that DRS provides to employers for TDD purchase service credit gives the impression that the member’s service credit and basic salary for the personal leave they bought back is being reported. Instead, what has occurred is the member has purchased service credit with their workers-compensation or disability insurance money, not bought-back their annual leave.

Nonetheless, there remains a scenario where LEOFF 2 members are unable to receive service credit when they are out on temporary non-duty disability because of the interplay between their Collective Bargaining Agreement, the definition of basic salary, and the requirements of purchasing service credit.

BACKGROUND AND POLICY ISSUES

In 2023, SB 5625, Concerning public employee retirees, was proposed but did not pass out of the legislature. Section 18 of that bill sought to address a concern that DRS was treating what is considered basic salary different based on whether the member was out on temporary duty versus temporary non-duty leave. The law does not differentiate between duty and non-duty in this respect, so the bill sought to clarify that basic salary should be treated the same for purposes of sick leave or vacation leave used by the member. However, DRS is treating basic salary the same for temporary duty and non-duty disability. Instead, the procedure for temporary duty and non-duty disability to purchase service for a break in service due to their disability is different. This procedural difference is due to differences between the type of purchase service credit that members on duty disability are eligible for purchasing versus the type that members on non-duty disability are eligible for purchasing.

In 1989, SB 5353 was enacted into law. This allowed for members of LEOFF 2 to purchase up to 6 consecutive months of service credit for periods of temporary duty-related disability without paying interest. The member was responsible for paying the member contributions and the employer paying the employer contributions.

In 2017, SHB 1271 was enacted into law. This allowed for members of LEOFF 2 (and other DRS administered retirement plans) to purchase up to 24 consecutive months of service credit for periods of temporary duty-related disability with interest. The member was responsible for paying the member contributions plus any interest incurred and the employer paying the employer contributions. During the implementation of SHB 1271 DRS issued an Employer Notice (see Appendix A) providing two methods for employers to report to DRS member's purchasing TDD service credit.

Method 1 allowed the employer to report to DRS the regular compensation the member would have earned if not on TDD. Under method 2 the employer reports the leave used, then makes adjustments to back-out and restore the member's leave, and allow the member to contact DRS directly to purchase TDD service credit. After the member contacted DRS, DRS would create an invoice of contributions and interest for the employer, compounded monthly until the employee purchases their share of the service credit.

In developing "Method 1" it appears DRS sought to simplify the process for members, employers, and DRS, while also limiting the amount of interest members would potentially incur. This method does not increase costs for the retirement systems because the

contributions would be the same under either method and “Method 1” helps prevent lost investment earnings from occurring due to delayed contribution payments.

Members who have a break in service due to temporary non-duty disability are not eligible for TDD Purchase Service Credit. Instead, they are eligible for Authorized Leave of Absence (ALOA) Purchase Service Credit. ALOA purchase service credit is paid for completely by the member to DRS, both member and employer contributions. If the member does not purchase the service credit within 5 years, they must pay the full actuarial value of the service credit. ALOA may apply to many different situations that could result in a member having a break in service, not just temporary non-duty disability. For example, it is commonly used for maternity or paternity leave.

A member who is injured and unable to work may choose to use paid leave instead of purchasing service credit. Since paid leave is considered basic salary the member would earn service credit for that time. Workers’ compensation or disability payments are not considered basic salary. Below is a chart from DRS identifying what types of payments are or are not basic salary and the corresponding WAC for each type of payment.

Type of Payment	LEOFF 1 Basic Salary?	LEOFF 2 Basic Salary?
Additional Duty Pay	Yes - WAC 415-104-3205	Yes - WAC 415-104-360
Allowances (i.e. uniform)	No - WAC 415-104-3404	No - WAC 415-104-390
Basic Monthly Rate	Yes - WAC 415-104-3200	Yes - WAC 415-104-360
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Disability Payments	No - WAC 415-104-340	No - WAC 415-104-380
Education Attainment Pay	No - WAC 415-104-3301	Yes - WAC 415-104-375
Employer taxes/contributions	No - WAC 415-104-3401	No - WAC 415-104-383
Fringe Benefits, including insurance	No - WAC 415-104-3402	No - WAC 415-104-385
Illegal Payments	No - WAC 415-104-3403	No - WAC 415-104-387
Leave Cash Outs/Severance	No - WAC 415-104-3304	No - WAC 415-104-401
Longevity	Yes - WAC 415-104-311	Yes - WAC 415-104-375
Overtime	No - WAC 415-104-3305	Yes - WAC 415-104-370
Paid Leave	Yes - WAC 415-104-3203	Yes - WAC 415-104-373
Payments in Lieu of Excluded Items	No - WAC 415-104-350	No - WAC 415-104-405
Performance Bonuses	No - WAC 415-104-3302	Yes - WAC 415-104-377
Retroactive Salary Increase	Yes - WAC 415-104-3202	Yes - WAC 415-104-365
Reimbursements	No - WAC 415-104-3404	No - WAC 415-104-390
Retirement or Termination Bonuses	No - WAC 415-104-3406	No - WAC 415-104-395
Shift Differential	Yes - WAC 415-104-3204	Yes - WAC 415-104-379
Special Salary or Wages	No - WAC 415-104-330	Yes - WAC 415-104-375
Standby Pay	No - WAC 415-104-3405	No - WAC 415-104-393
Tuition/Fee Reimbursement	No - WAC 415-104-3404	No - WAC 415-104-390
Workers' Compensation	Not Applicable	No - WAC 415-104-380

The potential issue initially raised was regarding the treatment of the salary and service credit for a member out on temporary duty or non-duty disability who used paid leave, but through their employer “buy-back” program had that paid leave backed out of the system in exchange for providing their employer with their worker’s compensation or disability insurance payment. In this situation DRS does not consider whether the member was out on duty or non-duty disability, in either instance the time would not be reportable as basic salary because the member no longer used paid leave for that period.

The scenario that results in a member being unable to receive service credit for the time they were out on temporary duty disability occurs when the member has a CBA that requires them to utilize the buy-back program, and the member retires instead of returning to work. If the member’s CBA made the buy-back optional they could choose to not utilize that and instead use paid leave. However, since they are required to use the buy-back program and because they are ineligible for ALOA purchase service credit because they never returned to work, they can not receive service credit for this time.

SUPPORTING INFORMATION

Appendix A: DRS Employer Notice 17-007, Employer Reporting Related to Workers’ Compensation/Temporary Duty Disability.

DRS Email 17-007, Employer Reporting Related to Workers' Compensation/Temporary Duty Disability

Posted on March 28, 2017

Notice No.: 17-007

Date: March 28, 2017

Applies to: All Employers Except WSPRS

Subject: Employer Reporting Related to Workers' Compensation/Temporary Duty Disability

Workers' compensation, also known as temporary duty disability (TDD), can be a complex payroll issue. This notice provides information on reporting data to DRS for members in TDD status.

Some employers may allow employees to:

- use accrued leave while waiting for workers' compensation/TDD determinations
- use accrued leave to supplement their workers' compensation/TDD payments
- use their worker's compensation/TDD payments to restore leave balances through a buy-back program
- use shared leave while on TDD
- be made whole without using accrued leave

There are two methods for reporting data to DRS for members in TDD status.

Method 1 – Employer reports the regular compensation the employee would have earned if not on TDD.

Steps to complete:

1. Employers should enter into a written agreement with the employee regarding the obligation to repay the member contributions to the employer.
2. Employers must report the regular compensation the employee would have earned. This must be reported on the current transmittal and cannot be reported retroactively.

Note: Buy back/restoration of accrued leave remains an internal accounting function and does not affect retirement reporting.

Method 2 – Employer reports the leave used, and makes adjustments to reverse leave restored and allows employee to contact DRS directly to purchase service, creating an invoice of contributions and interest for the employer and compounded monthly until the employee purchases their share of the service credit.

Steps to complete:

1. Employer reports leave used to DRS, if reportable compensation (shared leave is not reportable for some plans).
2. Employee turns in worker's compensation check to employer to restore (buy back) some or all leave used.
3. Employer credits the employee's leave balance based on the amount of hours of leave the workers' compensation check will restore.
4. Employer uses the retirement transmittal to back out the restored leave previously reported to DRS in Step 1.
5. Employee applies directly to DRS to purchase service credit for each period of absence due to TDD status.
6. Employee will receive an Optional Bill for the member contributions from DRS.
7. Employers will receive an invoice for employer contributions only if and when the employee pays the optional bill amount. Payments are subject to interest (currently 7.8%) compounded monthly from the time of the disability.

Relevant statutes:

- PERS: **RCW 41.40.038**
- SERS: **RCW 41.35.070**
- PSERS: **RCW 41.37.060**
- TRS: **RCW 41.32.0641**
- LEOFF: **RCW 41.26.470 (3)**

Prior notices:

- E07-020** (All Employers)
- 94-006** (PERS)
- 89-004** (LEOFF)
- 86-011** (PERS)

If you have any questions regarding this DRS Notice, please contact Employer Support Services at 360-664-7200, option 2, or 800-547-6657, option 6, option 2; or **email us**.



Non-Duty Disability Leave

Initial Consideration
September 27, 2023

Issue

- There were concerns raised that DRS was not always treating temporary non-duty and temporary duty disability leave consistently for purposes of basic salary in situations where members utilized leave “buy-back”

Legislative History

- **SB 5625 (2023) – DRS Ombuds Bill**
 - Section 18 add to LEOFF 2 Basic Salary definition “and shall include sick leave or vacation leave used by the member [...]”
- **Actuarial Fiscal Note**
 - No expected fiscal impact based on the understanding this section just codifies current administrative practice

Temporary Duty Disability Purchase Service Credit

- **SB 5353 (1989)** - Members of LEOFF 2 may purchase up to 6 consecutive months of service credit for periods of temporary duty disability (TDD)
- **SHB 1271 (2017)** - Members of LEOFF 2 (and other plans) may purchase up to 24 consecutive months of service credit for periods of TDD

Authorized Leave of Absence

- A break in service for a non-duty injury is not covered by the TDD Purchase Service Credit laws
- Instead, it would fall under the general Authorized Leave of Absence Purchase Service Credit Law
 - Up to 24 months of service credit

Purchase Service Credit

- **TDD**

- TDD Purchase Service Credit - 6 months no interest + 24 months with interest
- Employer collects member contributions (employer pick-up)
- Employer pays employer contributions
- State pays state contributions

- **Temporary Non-Duty Disability**

- Authorized Leave of Absence - 24 months
- Member pays all contributions if within 5 years of returning to work
- After 5 years member pays actuarial value of the service credit

Basic Salary

- Paid Leave is basic salary
- Disability payments/Workers Compensation/Private insurance are not basic salary
- Some LEOFF employers **require** their employees to “buy back” the paid leave they have taken while out on temporary disability using their insurance payments

Example – Injured at Work

- Dave falls off a ladder and breaks his leg at work
- Dave is out on leave for 12 weeks recovering
 - He uses his paid leave while out
 - He also receives disability insurance or workers comp payments
 - His employer allows him to buy back the paid leave he took using his disability insurance payments
 - Since the paid leave was backed out of the system it is no longer considered basic salary
 - Instead, he must purchase that service credit
- Qualifies for TDD purchase service credit
 - DRS Employer Notice lays out procedural options for the employer

Employer Notice 17-007

- **Method 1 - Employer reports the regular compensation the employee would have earned if not on TDD**
- **Method 2 – Employer reports the leave used, then makes adjustments to back-out and restore the member's leave, and allow the member to contact DRS directly to purchase TDD service credit. After the member contacted DRS, DRS would create an invoice of contributions and interest for the employer, compounded monthly until the employee purchases their share of the service credit**
- **In both methods the member has their personal leave balance restored, and they purchase service credit for their break in service created by the personal leave being backed out**

Employer Notice vs WAC

- DRS has put this decision into an Employer Notice not WAC
 - Procedural option for employers to simplify and help limit accrual of interest
- WAC requires APA rule-making process
 - Public notification
 - Public comment
 - Can't be changed by an agency without going through the APA process again

Example - Injured at Home

- Dave falls off a ladder and breaks his leg at home
- Dave is out on leave for 12 weeks recovering
 - He uses his personal leave while out
 - He also receives disability insurance payments
 - His employer allows him to buy back the personal leave he took using his disability insurance payments
 - Since the personal leave was backed out of the system, he is not actually earning service credit for that time, not reported as basic salary
 - Instead, he must purchase that service credit
- Must use Authorized Leave of Absence purchase service credit
 - No alternative method since the member must pay DRS all contributions not employer

Examples - Continued

- What happens if Dave doesn't return to work and instead retires?
- Duty – He may still purchase TDD service credit
- Non-Duty – He may not purchase ALOA service credit
 - In this instance, Dave has been forced to use the buy back program through his CBA, and therefore can not use paid leave to receive service credit and can not purchase ALOA service credit since he did not return to work

Next Steps

1. No action at this time
2. Motion for comprehensive briefing



Thank You

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Board of Trustees - Operating Policies

- RULE 1. **MEETINGS.** The LEOFF Plan 2 Retirement Board will typically meet once each month during the year. Additional meetings may be scheduled by the Board or called by the Chair or Administrative Committee as deemed necessary.
- RULE 2. **RULES OF ORDER.** All meetings of the Board, or any subcommittee created by the Board, shall be governed by Robert's Parliamentary Rules, except as specified by applicable law or Board operating policies.
- RULE 3. **QUORUM.** A majority of the 11 Board members shall constitute a quorum of the Board (6 members). A majority of the members appointed to a subcommittee shall constitute a quorum of the subcommittee.
- a. The Chairman may convene or adjourn a meeting of the Board without a quorum being present.
 - b. The Board may hear reports or other information, hold debate and take public testimony on matters before the Board without a quorum being present but may not vote on any measure or issue until a quorum is present.
- Section 3.01 **TELECONFERENCE ATTENDANCE.**
- Teleconferencing to the LEOFF Plan 2 Retirement Board, Administrative Committee or other committee meetings is permitted upon advance notification of the Chair and administrative staff to the board. In the absence of the Chair, the Vice Chair may grant approval and in the absence of the Vice Chair the remaining Administrative Committee member may grant approval. Criteria to be used by the Chair to determine if teleconferencing is appropriate are:
- a. If there is hazardous weather
 - b. When an agenda item cannot be postponed to a later meeting date and a member's attendance is needed for quorum purposes.
 - c. If in the Chair's opinion it is clearly to the LEOFF 2 Board's or Administrative Committee's advantage to arrange a teleconference.

- d. As an alternative to board member travel as recommended by Chapter 7, 2010 Laws 1st Special Session.
- e. If teleconferencing is approved, a speaker phone audible to all attendees shall be arranged at the location of the public meeting.

A member appearing via telephone shall identify themselves at the beginning of the meeting. Periodically the Chair should verify whether the member is still participating by telephone at the meeting. Members appearing by telephone shall use a land line if at all possible instead of a mobile telephone to ensure clarity and consistent connection.

RULE 4. VOTING. A majority of the 11 Board members (6 members) must vote in the affirmative for an official action of the Board to be valid. A majority of those Board members present must vote in the affirmative on procedural matters (at least 4 members), unless provided otherwise in statute or Board operating policies. A majority of the members appointed to a subcommittee must vote in the affirmative for an official action of a subcommittee to be valid; a majority of those subcommittee members present must vote in the affirmative on procedural matters, unless provided otherwise in statute or Board operating policies.

RULE 5. MINUTES. Minutes summarizing the proceedings of each Board meeting and subcommittee meetings shall be kept. These minutes will include member attendance, official actions taken at each meeting, and persons testifying.

RULE 6. ELECTION AND DUTIES OF OFFICERS.

- a. The Board shall elect a Chairman and Vice-Chairman from its membership. Nominations for Chairman and Vice-Chairman shall be open during the regularly scheduled board meeting held in August. Any member may verbally nominate another member or themselves when the presiding officer declares the nominating period open. Elections for Chairman and Vice-Chairman shall be held during the regularly scheduled September board meeting. Terms for Chairman and Vice-Chairman shall be for a period of two years commencing immediately following the officers' election.
- b. Both Chairman and Vice-Chairman shall be members of the Administrative Committee. One additional member shall be chosen by board members representing employer groups. Administrative Committee members shall serve two year terms that begin and end with the Chairman and Vice-Chairman's terms.
- c. The Chair shall preside at all meetings of the Board and Administrative Committee, except that the Vice Chair shall preside when the Chair is not present. In their absence, an Administrative Committee member may preside.
- d. Board staff shall prepare and maintain a record of the proceedings of all meetings of the Board and subcommittees of the Board.

- e. The Administrative Committee shall perform all duties delegated by the Board. The Administrative Committee shall coordinate the annual evaluation of the Executive Director of the agency. (Policy 1 – Executive Director Performance Evaluation)
- f. Board members shall consult with the Executive Director before referring issues to the Assistant Attorney General so that any budget constraints may be taken into consideration. Advice from the Attorney General’s Office to the Board may be subject to the attorney client privilege. When subject to the privilege, Board members are advised to maintain the advice as confidential. The privilege may be waived only by vote of the Board.
- g. The Executive Director may refer requests for information or services by Board members that are directly related to current Board projects or proposals and/or require a significant use of staff resources to either the Chair or the Administrative Committee.
- h. Such requests will be approved by either the Chair or by a majority vote of the Administrative Committee prior to action by staff. The Chair or Administrative Committee will consider priorities of all current projects and budget constraints in making this decision.
- i. Any Board member may attend Administrative Committee meetings at any time, though participation may be restricted for time or procedural purposes.

RULE 7. EXPENSES. Legislators’ travel expenses shall be paid by the member’s legislative body; state employees’ expenses shall be paid by their employing agency; other Board members’ travel expenses shall be reimbursed by the Board in accordance with RCW 43.03.050 and 43.03.060.

RULE 8. AGENDA ITEMS. Any Board member may request that the Board place an item on the agenda for a future meeting. The Chair or the Administrative Committee may also place an item on the agenda for a future meeting, or make other agenda changes, as deemed necessary. Items will not be placed on the agenda without the approval of the Board, the Chair, or the Administrative Committee.

RULE 9. PROCESS FOR CONSIDERING NEW BENEFIT PROPOSALS. The Board will maintain a register of all proposals for benefit changes, sorting them into the following categories:

- a. Proposals by Board members; or
- b. Proposals by plan members, employers and the public; or
- c. Technical corrections identified by staff, the Department of Retirement Systems or other agencies/organizations.

Proposals will remain on the register for two years unless withdrawn by the sponsor or acted on by the Board.

In order to provide stakeholders and the public with ample opportunity to comment on proposals and to understand the potential impacts on plan members, beneficiaries and/or contribution rates, the Board will consider proposed benefit changes from the register in the following stages:

Initial Consideration - Staff will prepare background information regarding the topic. A majority of Board members must agree to request that staff prepare a Preliminary Report.

Preliminary Report – Staff will develop key issues and policy alternatives for Board consideration. The Board may invite public and stakeholder comment. A majority of Board members must agree to request that staff prepare a Final Proposal.

Final Proposal – Staff will develop statutory or regulatory language describing the benefit and seek legal review by counsel, an analysis by the State Actuary on the impact of the change, an independent review of fiscal notes by an outside actuarial firm, if available, and supporting analysis and descriptive information.

The Board will review the Final Proposal in a public meeting and hear public testimony before voting to move the proposal forward to the Legislature. A majority of Board members must agree to move the proposal forward to the Legislature.

NOTE: **Rules adopted November 19, 2003**
 Rule 9 revised August 25, 2004
 Rule 6 revised September 28, 2005
 Rule 3 revised April 30, 2008
 Rule 3 revised June 16, 2010
 Rule 6 revised December 12, 2012
 Rule 2 revised May 28, 2014
 Rule 3e revised December 20, 2017

**Law Enforcement Officers' & Fire
Fighters' Plan 2 Retirement Board
Final Budgeted vs Actuals for 2021-23 Biennium**

Expense Category	Budgeted for Biennium 2021-23	Actual Expenditures for Biennium 2021- 23	Final Variance at Biennium Close
Salary & Wages	\$1,872,030	\$1,796,477	\$75,553
Employee Benefits & Taxes	\$547,029	\$537,555	\$9,474
State Actuary Services	\$239,720	\$239,720	\$0
Rent & Utilities	\$119,976	\$123,482	(\$3,506)
State Central Services ¹	\$404,624	\$406,880	(\$2,256)
Staff & Trustee Development ²	\$190,251	\$104,812	\$85,439
Communications & IT	\$94,320	\$77,663	\$16,657
Contracts	\$93,800	\$37,380	\$56,420
Other Operating Expenses	\$56,250	\$26,672	\$29,578
Biennium 21-23 TOTALS	\$3,618,000	\$3,350,641	\$267,359

¹State Central Services includes:

- DES - Financial Services, HR Services, Risk Management Services, & Facility Services
- WaTech - Network and Data Services, Security Services, & IT Support Services
- OFM - Enterprise Systems, State Personnel (HR) Services, & OneWa Development
- SOS - Archival Services, SAO - Audit Services, and ATG - Legal Services

²Includes Travel Expenses