Multiple Agency Fiscal Note Summary

Bill Number: 6197 S SB	Title: LEOFF plan 2

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
Department of Retirement Systems	.7	0	0	265,000	.0	0	0	0	.0	0	0	0
Department of Labor and Industries	.0	0	0	0	.0	0	0	0	.0	0	0	0
Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	0	.0	100,000	100,000	100,000	.0	200,000	200,000	200,000
Total $	**0.7**	**0**	**0**	**265,000**	**0.0**	**100,000**	**100,000**	**100,000**	**0.0**	**200,000**	**200,000**	**200,000**

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Department of Labor and Industries	.0	0	0	.0	0	0	.0	0	0
Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board	.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**

Estimated Capital Budget Breakout

NONE

Prepared by: Marcus Ehrlander, OFM	Phone:	Date Published:
	(360) 489-4327	Final 2/16/2024

Individual State Agency Fiscal Note

Bill Number: 6197 S SB	**Title:** LEOFF plan 2	**Agency:** 124-Department of Retirement Systems

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	1.4	0.7	0.0	0.0
Account					
Department of Retirement Systems Expense Account-State 600-1	0	265,000	265,000	0	0
Total $	0	265,000	265,000	0	0

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:	David Pringle	Phone: 360-786-7310	Date: 02/12/2024
Agency Preparation:	Mike Ricchio	Phone: 360-664-7227	Date: 02/13/2024
Agency Approval:	Mark Feldhausen	Phone: 360-664-7194	Date: 02/13/2024
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/13/2024

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 amendment made in the Senate Ways and Means Committee was technical in nature, so it did not change the implementation cost for the Department of Retirement Systems.

Section 101 of the substitute bill amends RCW 41.26.048 to identify that there is no statute of limitations for the death benefit contained in the section. It also inserts a new subsection (3) that states:

"The department of labor and industries shall determine eligibility under subsection (2) of this section for the special death benefit for any beneficiaries who were denied the special death benefit for failing to meet the statute of limitations under Title 51 RCW. If the department of labor and industries determines the beneficiary is eligible for the special death benefit the department must provide the beneficiary an option to reelect their pension benefit under RCW 41.26.510(2) and if the member elects an ongoing pension benefit the department must pay the beneficiary retroactive to the date of the member's death."

Sections 201 and 202 amend RCW 41.26.030 by inserting a new subsection (17)(i) that adds: "Personnel serving on a full-time, fully compensated basis as an employee of a fire department in positions that necessitate experience as a firefighter to perform the essential functions of those positions" to the definition of "firefighter."

Section 302 adds a new section to 41.26 RCW that states the following (and Section 303 identifies that it goes into effect January 1, 2025):

"(1) If an overpayment for a law enforcement officers' and firefighters' retirement system plan 2 retiree was due to an employer erroneously reporting law enforcement officers' and firefighters' retirement system plan 2 member information to the department, and the erroneous reporting was not the result of the member's nondisclosure, fraud, misrepresentation, or other fault, the employer is liable for the resulting overpayment.

(2) Upon receipt of a billing from the department, the employer shall pay into the Washington law enforcement officers' and firefighters' system plan 2 retirement fund the amount of the overpayment plus interest as determined by the director. The employer's liability under this section shall not exceed the amount of overpayments plus interest received by the retiree within one year of the date of discovery, except in the case of fraud committed by the employer. In the case of fraud committed by the employer, the employer is liable for the entire overpayment plus interest."

Section 401 amends RCW 41.26.470 by adding new subsection (12) that states:

"A member who is in receipt of a nonduty disability benefit under subsection (1) of this section, for a disabling condition that was not considered an occupational disease by the department of labor and industries at the time the member retired but is now considered an occupational disease in accordance with the definition of posttraumatic stress disorder in RCW 51.08.165, may file a new application with the department for a determination of their eligibility for an in the line of duty disability retirement benefit under subsections (7) and (9) of this section with the current occupational disease eligibility applied to their application. If the department finds that the member is eligible for an in the line of duty disability retirement the benefit must be paid retroactive to the disabling condition being made eligible as an occupational disease under RCW 51.08.165."

Sec. 101 would cost an estimated $21,000 for review, notification, and updating of possible eligibility of benefits to approximately 100 customers.

Sec. 201 (and 202) would not have a fiscal impact as DRS relies on public employers to make determinations on whether or not a position is eligible for membership in a retirement system/plan, and this represents a small subset of potential LEOFF members.

Sec. 302 is estimated at $240,000 to adjust the overpayment process in the agency's systems.

Sec. 401 is estimated at $4,000 as a review of the 62 LEOFF 2 members currently receiving a non-duty disability benefit identified that between two and four of them would require additional review.

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.

No impact.

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.

ADMINISTRATIVE ASSUMPTIONS:

Section 101:
- L&I would identify who would be eligible to re-apply for this benefit and notify DRS of that population.
- DRS is estimating the number of accounts previously denied for missing the statute of limitations to be less than 100.

Section 201 and 202:
- If a previous LEOFF retiree selected Career Choice to enter a PERS position and their current position becomes eligible for LEOFF membership under this new definition, they will be mandated back into LEOFF membership and their benefit would stop.

Section 302:
- If it is found that the overpayment is the result of erroneous employer reporting, the employer will be invoiced for the overpayment.
- If the overpayment is determined to be the employers' responsibility, the employer is only liable for up to one year's worth of overpayments, beginning from the date of discovery. Any time beyond one year is exempt from recovery.
- Interest will be applied to an employer's past due invoice at the current rate of 12%, per RCW 43.17.240.
- DRS will leverage current recalculation reason codes, when able, to streamline decision making for an invoice recipient

Section 401:
- This would not apply to survivors of members who were receiving a non-duty disability benefit for PTSD.
- As of September 30, 2023, there are 62 LEOFF 2 members receiving a non-duty disability benefit.
- Eligible members must reapply for the duty disability benefit, DRS will not re-review prior applications.
- The earliest date that can be used for retroactive line of duty disability payments using PTSD as occupational disease is June 7, 2018 (the effective date of Substitute Senate Bill 6214).
- If approved for the change from non-duty to duty disability benefits, the effective date of the change would be made retroactive to the start date of their non-duty disability benefit or June 7, 2018 (whichever is later).

To implement this legislation, DRS will need to:

Section 101:
- Identify/notify beneficiaries that they have an option to reelect their pension benefit and
- Calculate/pay a beneficiary, retroactive to the date of the member's death.

Section 201 and 202:
- Develop and send an employer notice to public employers on changes to make determinations on whether or not a position is eligible for membership in a retirement system/plan, and
- Update employer handbook and training materials.

Section 302:
- Confirm project scope, timeline, and conduct project implementation tasks,
- Conduct legal analysis, business analysis and business process design,
- Complete systems changes, which includes defining system requirements, coding system changes in our web and Linux applications, testing, and deploying those changes,
- Identify impacted members,
- Update plan guides, all relevant letters and forms, communicate to members by mail, and
- Update the DRS administrative manual and train team members.

Section 401:
- Complete systems changes, which includes defining system requirements, coding system changes in Linux, testing, and deployment,
- Communicate the changes to all DRS members via our website,
- Communicate the changes to current LEOFF 2 non-duty disability recipients via a direct mailing,
- Update internal training materials and reference manuals, and
- Train team members.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
600-1	Department of Retirement Systems Expense Account	State	0	265,000	265,000	0	0
		Total $	0	265,000	265,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.4	0.7		
A-Salaries and Wages		147,000	147,000		
B-Employee Benefits		46,000	46,000		
C-Professional Service Contracts		72,000	72,000		
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	265,000	265,000	0	0

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Communications Consultant 4	72,756		0.1	0.1		
Fiscal Analyst 5	78,408		0.1	0.1		
IT Applic Develop - Journey	96,888		0.0	0.0		
IT Applic Develop - Snr/Spec	112,176		0.2	0.1		
IT Business Analyst - Journey	96,888		0.5	0.3		
IT Project Mgmt - Mgr	123,636		0.2	0.1		
Management Analyst 3	69,264		0.0	0.0		
Retirement Specialist 3	61,224		0.3	0.2		
Total FTEs			1.4	0.7		0.0

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.

Section 201 and 202: update WAC 415-104-225.

Section 302: rule changes may be needed for consistency in determining who is responsible for the overpayment invoicing.

Section 401: rule changes may be needed.

Individual State Agency Fiscal Note

Bill Number: 6197 S SB	Title: LEOFF plan 2	Agency: 235-Department of Labor and Industries

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:	David Pringle	Phone: 360-786-7310	Date: 02/12/2024
Agency Preparation:	Crystal Van Boven	Phone: 360-902-6982	Date: 02/14/2024
Agency Approval:	Trent Howard	Phone: 360-902-6698	Date: 02/14/2024
OFM Review:	Anna Minor	Phone: (360) 790-2951	Date: 02/14/2024

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 bill does the following:

- Eliminates the statute of limitation for filing a claim found in Title 51.
- Requires L&I to review any prior denial for failing to meet the statute of limitations under Title 51 and the Department of Retirement Systems (DRS) will provide the beneficiary an option to reelect their pension benefit. This applies only to LEOFF 2 members, it does not affect other retirement benefit determinations made by L&I such as for PERS, TERS, SERS, LEOFF 1, WSPRS and PSERS.
- Expand the definition of a firefighter to those personnel who are in positions that necessitate experience as a firefighter to perform the essential function of those positions.
- Addresses overpayments and their repayment.
- A section is added to RCW 41.26.470 that would allow any member of the LEOFF retirement system who is in receipt of a nonduty disability benefit resulting from posttraumatic stress disorder defined by RCW 51.08.165 to file a new application with DRS for an in the line of duty disability retirement benefit.

SSB 6197 is different from SB 6197 in that it:

- Changes to Section 201 (17)(h) and (i) no longer have an impact to L&I.

Section 101(2) adds language stating there is no statute of limitations for this benefit.

Section 101(3) directs The Department of Labor and Industries (L&I) to determine eligibility under subsection (2) of this section for the special death benefit for any beneficiaries who were denied the special death benefit for failing to meet the statute of limitations under Title 51 RCW. In addition, if the L&I determines the beneficiary is eligible for the special death benefit the department must provide the beneficiary an option to reelect their pension benefit under RCW 41.26.510(2) and if the member elects an ongoing pension benefit the department must pay the beneficiary retroactive to the date of the member's death.

Section 201 and 202 both expand on the definition of firefighter.

Section 203 establishes an expiration date of July 1, 2025 for section 201.

Section 204 establishes and effective date of July 1, 2025 for section 202.

Section 401 (12) adds new language in regards to a member who is in receipt of a nonduty disability benefit under subsection (1) of this section, for a disabling condition that was not considered an occupational disease by the department of labor and industries at the time the member retired but is now considered an occupational disease in accordance with the definition of posttraumatic stress disorder in RCW 51.08.165, may file a new application with the department for a determination of their eligibility for an in the line of duty disability retirement benefit under subsections (7) and (9) of this section with the current occupational disease eligibility applied to their application. If the department finds that the member is eligible for an in the line of duty disability retirement the benefit must be paid retroactive to the disabling condition being made eligible as an occupational disease under RCW51.08.165.

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.

There is no cash receipt impact to L&I with change in section 201 (17) as it no longer changes what workers are entitled to presumptive coverage.

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 no expenditure impact to L&I with change in section 201 (17) as it no longer changes what workers are entitled to presumptive coverage.

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: 6197 S SB	Title: LEOFF plan 2	Agency: 341-Law Enforcement Officer and Fire Fighters' Plan 2 Retirement Board

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:	David Pringle	Phone: 360-786-7310	Date: 02/12/2024
Agency Preparation:	Seth Flory	Phone: (360) 407-8165	Date: 02/15/2024
Agency Approval:	Seth Flory	Phone: (360) 407-8165	Date: 02/15/2024
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/16/2024

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 6197 would amend and expand several RCWs related to the Law Enforcement Officers' and Firefighters' retirement system Plan 2.

The Law Enforcement Officers' and Firefighters' Plan 2 Retirement Board (LEOFF) is prepared to integrate and communicate the proposed amends and additions using existing resources. There will be no fiscal impact as a result of this legislation.

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: 6197 S SB	Title: LEOFF plan 2	Agency: AFN-Actuarial Fiscal Note - State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
Account					
General Fund-State 001-1	0	0	0	100,000	200,000
Total $	0	0	0	100,000	200,000

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:	David Pringle	Phone: 360-786-7310	Date: 02/12/2024
Agency Preparation:	Aaron Gutierrez	Phone: 360-786-6152	Date: 02/12/2024
Agency Approval:	Kyle Stineman	Phone: 3607866153	Date: 02/12/2024
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/13/2024

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

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	0	0	0	100,000	200,000
		Total $	0	0	0	100,000	200,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits				100,000	200,000
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	0	0	100,000	200,000

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 enacts four changes to the LEOFF 2 retirement system related to death benefits, the definition of "firefighter," managing overpayments, and disability benefits.

COST SUMMARY: We estimate this bill will result in a supplemental contribution rate and the budget impacts shown below. The LEOFF 2 Board is responsible for adopting a supplemental rate for LEOFF 2 under current law, but we understand that the supplemental rate from this bill may not apply in FY 2025 as a result of the LEOFF 2 contribution rate limit introduced as part of SHB 1701 (C 125, L 2022).

Impact on Contribution Rates *(Effective 9/1/2024)*	
FY 2025 State Budget	**LEOFF 2**
Employee	0.01%
Employer	0.01%
State	0.00%

Budget Impacts			
(Dollars in Millions)	**2024-25**	**2025-27**	**25-Year**
General Fund-State	$0.0	$0.1	$1.4
Local Government	$0.2	$0.2	$2.3
Total Employer	**$0.2**	**$0.4**	**$3.7**

Note: We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- This bill has a cost to LEOFF 2 because it expands benefits for eligible members (or their survivors) in the following four ways:
  - Removes the one-year deadline for survivors applying for duty-related death benefits.
  - Expands the definition of firefighter to include positions that require firefighting experience but otherwise do not qualify under the current definition.
  - Changes responsibility for reimbursing the LEOFF 2 trust for overpayments of retirement benefits from members to employers. Also, the amount of overpayments collected is shortened from three years to one year.
  - Allows certain retirees receiving a non-duty disability retirement benefit, due to PTSD, the option to re-apply for a duty disability retirement benefit.
- We relied on data from DRS to identify members potentially impacted under each provision of the bill. We used this data, and our professional judgement, to help inform the best estimate cost of our analysis.
- This bill is not expected to materially increase plan affordability or solvency risks.
- Costs could be higher or lower than displayed in this fiscal note if the data we relied on varies from those who actually receive the improved benefits. Please see the body of the fiscal note for cost sensitivity and data considerations.
- The amendments to this version (SSB 6197) are not expected to change our actuarial analysis for the original bill (SB 6197).

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

WHAT IS THE PROPOSED CHANGE?

Summary of Bill

This bill impacts the following systems:

- ❖ Public Employees' Retirement System (PERS).
- ❖ Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2.

This bill enacts four changes to the LEOFF 2 retirement system; one of which has a direct impact on PERS.

Effective Date: The bill is effective 90 days after session, but the overpayment provision is effective January 1, 2025.

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.

Provision 1 – Duty-Related Death Statute of Limitations

This provision provides eligible survivors of LEOFF 2 members with enhanced duty-related death benefits if denied by LNI for failing to meet the statute of limitations.

More specifically, the bill removes the one-year deadline for survivors applying for duty-related death benefits. In addition, current survivors will have a second opportunity to apply for these benefits.

Where applicable, the enhanced benefits will include:

- ❖ A lump sum payment ($279,398.54 as of June 30, 2022).
- ❖ Unreduced pension benefit moving forward.
- ❖ Increase in pension payments retroactive to the member's date of death.
- ❖ Access to the Public Employees Benefit Board (PEBB) health insurance with premium reimbursement.
- ❖ Benefits available under Substitute House Bill (SHB) 1701.
- ❖ LNI remarriage benefit in the event the survivor remarries.

Provision 2 – Definition of Firefighter

We expect this provision will impact both LEOFF 2 and PERS because anyone working for a fire district who does not meet the definition of "firefighter" will likely be in PERS.

This provision modifies the definition of "firefighter" in the Revised Code of Washington (RCW) 41.26.030 to allow an employee to be in LEOFF 2 if they serve on a full-time, fully compensated basis with a fire department in a position that requires the employee to be an experienced firefighter but is not carrying out all the duties of a firefighter. For example, serving as a manager or instructor of firefighters.

Provision 3 – Pension Overpayment Responsibility

This change is comprised of two components, both of which are applied in the event of an overpayment due to a reporting error by the employer.

- The employer will now be responsible for the reimbursement of the overpayments, rather than the annuitant.
- Current law requires reimbursement of up to three years of overpayments, plus interest where applicable. This proposed change will reduce the reimbursement requirement from three years to one year.

Provision 4 – Disability Pension Benefits

This provision would allow certain LEOFF 2 retirees receiving disability benefits the opportunity to re-apply for a duty-related benefit. The retirees eligible for this benefit must currently be in receipt of non-duty disability benefits and retired with PTSD prior to the effective date of Substitute Senate Bill (SSB) 6214 (Chapter 264, Laws of 2018).

If a member is found to qualify for a line of duty disability benefit, the member's ongoing retirement benefit would be increased to reflect provisions consistent with their qualifying disablement. Further, the increase in pension benefit would be paid retroactive to the disabling condition being made eligible as an occupational disease under RCW 51.08.142.

Where applicable, the enhanced benefits will include:

- If a member is reclassified as duty-disability (i.e., not meeting the definition of total, or "catastrophic" disability), their disability benefit is unreduced based on a 2 percent accrual of service and Average Final Compensation (AFC).
- If a member is reclassified as totally disabled, their disability benefit is 70 percent of AFC and they also receive premium reimbursement for health insurance.
- Retroactive pension payments back to the date SSB 6214 became effective (June 7, 2018).

HOW THE SUBSTITUTE DIFFERS FROM THE ORIGINAL VERSION

The bill amends the definition of firefighter but it does not change the analysis contained in this fiscal note.

What Is the Current Situation?

Provision 1 – Duty-Related Death Statute of Limitations

There is currently a one-year deadline for survivors to apply for duty-related death benefits.

Provision 2 – Definition of Firefighter

The Department of Retirement Systems' (DRS) Washington Administrative Code (WAC) 415-104-011 designates that a firefighter only qualifies as a uniformed firefighter position if the employer has identified it as such for all purposes.

RCW 41.26.030 currently defines firefighter as any person serving on a full-time, fully compensated basis, both non-supervisory and supervisory, as a member of a fire department of an employer who is employed as such.

Employers have the discretion to write position descriptions, classify such positions, and generally manage their workforce according to WAC and statute.

DRS, as the retirement system plan administrator, conducts compliance and audit reviews of positions periodically to ensure proper retirement plan designation.

Certain positions may exist within a fire department that require firefighting experience but may not include the expectation to carry out all duties of a firefighter as defined in WAC or statute. In this case, under current law, these positions would likely be PERS eligible instead of LEOFF 2 eligible.

Provision 3 – Pension Overpayment Responsibility

When DRS discovers that an annuitant has been overpaid, DRS may collect the overpaid amount from the annuitant. Alternatively, DRS may bill the employer if, for example, the employer failed to properly report retiree return to work hours, or erroneously reported that an employee has separated from service.

The limit for collecting overpayments is three years; meaning that if an annuitant were overpaid four years in a row, DRS would only collect three years' worth of such overpayments.

Provision 4 – Disability Pension Benefits

Pension benefits are administered by DRS, and workers compensation benefits are administered by LNI.

DRS may rely on an LNI determination that a death or disability is duty related in establishing eligibility for certain death or disability benefits from the pension systems.

LEOFF 2 has four types of disability benefits. Each has its own requirements:

- Temporary duty disability.
- Nonduty disability.
- Duty disability.
- Catastrophic duty disability.

Who Is Impacted and How?

This bill will impact certain active members and annuitants of LEOFF 2 through improved benefits. Please see the **Special Data Needed** section for additional information on the impacted members for these provisions.

Any cost from this bill will impact LEOFF 2 members (and their employers) as well as the state through increased contribution rates.

Provision 1 – Duty-Related Death Statute of Limitations

Based on the data provided by DRS, we expect two current survivors, who were previously denied due to missing the one-year application deadline, will receive larger duty-related death benefits.

A duty-related death designation provides survivors larger ongoing annuities. For example, assume a hypothetical 40-year-old survivor of a duty-related incident is receiving an annual survivor pension benefit of $30,000. If that same person were the survivor of a non-duty incident, they would have their benefit reduced by an Early Retirement Factor (ERF) and Joint and Survivor Factor (J&S). Please see the example below for the difference in pension benefit for the hypothetical member.

Duty Death Survivor Benefit = $30,000

Non-Duty Death Survivor Benefit = $30,000 x 0.36 (ERF) x 0.86 (J&S) = $9,288

This provision is also retroactive, meaning that the survivor would receive back payments for the difference between the non-duty and duty-related annuity back to the date they first started receiving survivor benefits. Survivors receiving duty-death benefits are also eligible for the benefits outlined in the **Summary of Bill** section.

Provision 2 – Definition of Firefighter

Expands membership in LEOFF 2 to include positions that require firefighting experience and that would otherwise remain in PERS. LEOFF 2 offers more valuable retirement eligibility rules than PERS as well as a more generous benefit multiplier. However, a member moving to LEOFF 2 would pay LEOFF 2 contribution rates, which are expected to be higher than the PERS contribution rates.

Provision 3 – Pension Overpayment Responsibility

LEOFF 2 annuitants and their employers could be impacted by this provision since employers now assume responsibility for reimbursement of pension overpayments, rather than the annuitant. In addition, any overpayments will be collected over a shorter period which will now not exceed 12 months (previously 36 months). In other words, pension overpayments may be collected over a shorter time frame which can lead to a reduction in the amount of these collected payments. The cost of any overpayments not collected will be subsidized by the plan.

Provision 4 – Disability Pension Benefits

This provision could affect 56 annuitants in LEOFF 2 who are currently receiving non-duty disability retirement benefits by providing them an option to reapply for a duty-related or total disability benefit. However, DRS conducted a preliminary review of the 56 annuitant records and believes that four members who qualified for their disability retirement benefits for reasons related to mental health, could potentially meet the requirements for reclassification from non-duty to a duty-related disability retirement benefit under this bill.

Any impacted retiree with a reclassified duty-disability retirement benefit will receive a larger benefit. This provision also provides the disabled retiree retroactive pension payments for the difference in the non-duty and duty-related annuity back to June 7, 2018 (the date PTSD became a presumptive condition).

For example, assume a hypothetical member retiring with a non-duty disability had an AFC of 100,000, service of ten years, and retired five years before Normal Retirement Age. Since it was a non-duty disability, this individual would have their pension benefit reduced by an ERF of 0.664.

Non-Duty Disability Retirement Benefit: \$100,000 x 2% x 10 x 0.664 = \$13,280

Upon reclassification from non-duty to duty (non-catastrophic) under this bill, the ERF would be removed, and the pension benefit would increase.

Duty Disability Retirement Benefit: \$100,000 x 2% x 10 = \$20,000

If the retiree is re-classified as being eligible for total disability benefits, then they are eligible for additional benefits as summarized in the **Summary of Bill** section.

WHY THIS BILL HAS A COST AND WHO PAYS FOR IT

Why This Bill Has a Cost

This bill will impact certain active members and annuitants of LEOFF 2 through improved benefits as outlined in the **Who Is Impacted and How** section.

Who Will Pay for These Costs?

In general, any costs 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. However, employers will pay the reimbursement costs when a pension overpayment occurs (Provision 3). The shift in pension reimbursement cost from employee to employer is not contained in this analysis.

HOW WE VALUED THESE COSTS

We modeled the current law cost of the retirement systems using our most recent Actuarial Valuation Report (AVR) – the June 30, 2022, AVR – as well as the assumptions and methods found on our Projections webpage. To analyze the impact of this bill, we then adjusted the following assumptions, methods, and data. In addition, we created a model to estimate the cost of LEOFF 2 Overpayments. Please see the **Special Data Needed** section for information on the data we relied on for each provision.

Assumptions We Made

Provision 1 – Duty-Related Death Statute of Limitations

DRS identified and provided data on two survivors impacted by this provision. Based on discussions with DRS and LEOFF 2 Board staff, we assume these are the only current survivors that may become eligible for duty-related survivor death benefits under this bill.

We assumed the two identified survivors would elect the unreduced survivor pension by repaying any withdrawn contributions, retroactive to the member's date of death. We also assumed these survivors would receive ongoing PEBB health insurance with premium reimbursement and the lump sum duty death benefit.

Based on information provided by LNI, the identified survivors are receiving LNI survivor benefits. This is notable because the LEOFF 2 trust pays the survivor benefit, instead of LNI, if the survivor remarries. Using our Survivor Remarriage Benefit assumptions which were developed during the *2013-18 Demographic Experience Study*, our analysis assumed one member may remarry based on the age of the survivor and the date the member deceased.

We assumed removing the statute of limitations from the duty-related death benefit determination would not change the number of future deaths considered duty-related. We discuss the potential impacts if future duty-related death experience is higher in the **How the Results Change When Assumptions Change** section.

Provision 2 – Definition of Firefighter

The impact of this provision on both LEOFF 2 and PERS is indeterminate due to lack of data on members who may be impacted.

Provision 3 – Pension Overpayment Responsibility

We relied on the DRS-provided data to estimate the frequency and size of historical overpayments. We assumed this experience will continue to occur in the same manner in the future. We also assumed annual future overpayment totals would grow annually, similar to average pension payments, so we used our Salary and System Growth assumptions of 3.25 percent and 0.80 percent, respectively. These assumptions are consistent with our *2023 Economic Experience Study* and *System Growth Assumption Study*.

Provision 4 – Disability Pension Benefits

For this analysis, we assumed four members identified by DRS would qualify for reclassification from non-duty to duty disablement and receive enhanced benefits, and that these members constitute the full scope of reclassifications. Please see **How the Results Change When Assumptions Change** for costs if more members are eligible or if they qualify for total disability benefits.

How We Applied These Assumptions

The fiscal impact represents the change in projected contributions. To estimate the fiscal impact of this bill, we compared projected pension contributions under current law to the projected contributions we expect under this bill using a Microsoft Excel model we developed.

This model uses projected salary data from ProVal to calculate contribution rate and budget impacts based on the change in liabilities and assets between current law and the provisions of this bill. The projected pension contributions reflect contributions from the current members as well as assumed future hires. We assessed this model as part of our annual update of it, and we compare the results of this model to simplified by-hand estimates as part of individual pricings. For more detail, please see **Appendix A**.

We calculated the projected contributions for Provisions 1, 3, and 4 by reflecting the changes noted as follows.

Provision 1 – Duty-Related Death Statute of Limitations

We recalculated the survivor's benefit by assuming they are now recipients of the duty-related death benefits outlined in the **Assumptions We Made** section and ran them through our valuation software. The valuation software also estimated the reimbursement of PEBB premiums and the LNI remarriage benefit based on our current assumptions. The impact to pension obligations for other benefits (lump sum death benefit, withdrawal of contributions, and amount of retroactive payments) were valued outside of our valuation software and directly added to our Excel Model.

DRS provided the amount of the lump sum death benefit, total retroactive payments, amount of new pension benefits under this bill, and any applicable return of contributions. We added the retroactive payment total (less the return of contributions amount) and lump sum payments to the total liability impact for this provision.

Provision 3 – Overpayment Responsibility

We used Excel to estimate the cost of this provision by calculating the annual expected difference between the overpayment reimbursements that the LEOFF 2 trust fund would have received under a one-year cap versus a three-year cap, based on the data provided by DRS. This difference amounts to roughly a $16,000 annual loss to the plan. We projected this cost annually for the next 25 years assuming salary and system growth. We took the present value of the annual impacts over the 25-year period to calculate a liability and projected contribution rate change.

Our analysis focuses on the impact to current members and does not capture the budget impact of overpayments for future members of the retirement systems. We expect this impact is immaterial to the cost of this analysis.

Provision 4 – Disability Pension Benefits

In our valuation software, we increased the ongoing benefit of the four identified members by removing the reduction from the ERF applied to members' non-duty disabled retirement benefit.

We used Excel to estimate the lump sum of retroactive payments. We estimated this lump sum by adding the change in pension payments from the effective date of SSB 6214 to June 30, 2022, which is approximately four years of higher benefit payments, including increases for cost-of-living adjustments.

Special Data Needed

The sections below display summaries and explanations of the data we received to value the provisions of this bill. We checked the data for reasonableness. An audit of this data was not performed. We relied on all data provided by DRS as complete and accurate. In our opinion, the data is reasonable, adequate, and substantially complete for the purposes of this pricing.

Provision 1 – Duty-Related Death Statute of Limitations

DRS provided data on the two identified survivors that could be impacted under this provision. LNI also provided confirmation these members are currently in receipt of an LNI survivor benefit.

Provision 1. Data Table	
Duty Death Benefit Recipients	
Count	2
Average Survivor Age	59
Average Annual Annuity Increase	$44,385
Total Net Retro Pension Payments*	$295,491
Total Lump Sum Death Benefit	$517,545

**Includes repayment of contribution withdrawal.*

Provision 3 – Pension Overpayment Responsibility

DRS provided us data in November 2023 containing all corrected LEOFF 2 overpayments that occurred from January 2018 to June 2023. Most of these overpayments were the result of an employer initially misreporting a retiree's salary or service. For example, an employer may have mistakenly reported a portion of a member's salary as pensionable, when in fact it was not.

The data showed that approximately 29 overpayments were corrected within 20 months of the original benefit calculation date annually. The average monthly benefit reduction was $62 per month with the corrected benefit amount. The data also provided information so we could determine the total annual average lump-sum overpayments with a three-year cap ($31.5K) and one-year cap ($16.8K).

DRS recently updated the data file which we reviewed and determined would not materially impact the results presented in this AFN.

Provision 4 – Disability Pension Benefits

DRS identified 56 members in receipt of non-duty disability benefits that would be eligible to apply for a review to determine if they qualify for enhanced benefits under this bill. Of these members, DRS identified four members who qualified for their disability retirement benefits for reasons related to mental health. We relied on DRS's assessment, and we valued increased benefits for these four members to determine the costs associated with this provision.

Provision 4. Data Table	
Retiree with Non-Duty Disability Benefit	
Eligible Under Bill	56
Identified Members*	4
Average Member Age	55
Average Annuity Increase	$12,446
Total Retro Pension Payments	$191,584

**Members identified by DRS as potentially eligible qualifying for reclassification.*

Our office calculated the new benefits, and retroactive payments, for the four members we valued in this analysis. If we re-price this analysis in the future, we may rely on DRS for the actual values.

ACTUARIAL RESULTS

How the Liabilities Changed

This bill will impact the actuarial funding of LEOFF 2 by increasing the present value of future benefits payable to the members. The impact of the increasing present value of future benefits payable is shown in the following table. For context on the estimated impact for each provision of the bill, we added the impact of each component.

Impact on Pension Liability *(As of 6/30/2022)*						
(Dollars in Millions)	Current	1. Duty-Death Statute of Limitations	2. Definition of Firefighter	3. Pension Overpayment Responsibility	4. Disability Pension Benefits	Total Change from Bill
Actuarial Present Value of Projected Benefits *(The Value of the Total Commitment to All Current Members)*						
LEOFF 2	$23,018	$2.6	Indeterminate	$0.3	$1.1	$4.0
Unfunded Entry Age Accrued Liability *(The Value of the Total Commitment to All Current Members Attributable to Past Service that is Not Covered by Current Assets)*						
LEOFF 2	($648)	$2.6	Indeterminate	$0.3	$1.1	$4.0

How the Assets Changed

This bill does not change asset values, so there is no impact on the actuarial funding of the affected plans due to asset changes.

How the Present Value of Future Salaries (PVFS) Changed

This bill does not change the PVFS, so there is no impact on the actuarial funding of LEOFF 2 due to PVFS changes.

How Contribution Rates Changed

For Fiscal Year (FY) 2025, the rounded increase in the required actuarial contribution rate results in the supplemental contribution rate shown on page one that applies in the current biennium. However, we will use the unrounded rate increase shown below to measure the budget changes in future biennia.

For context, the following table shows the estimated calculated rate impact per bill provision.

Impact on Contribution Rates					
LEOFF 2	1. Duty-Death Statute of Limitations	2. Definition of Firefighter	3. Pension Overpayment Responsibility	4. Disability Pension Benefits	
Current Members					
Employee	0.005%	Indeterminate	0.001%	0.002%	**0.007%**
Employer	0.003%	Indeterminate	0.001%	0.001%	**0.004%**
State	0.002%	Indeterminate	0.000%	0.001%	**0.003%**
New Entrants*					
Employee	0.000%	Indeterminate	0.000%	0.000%	**0.000%**
Employer	0.000%	Indeterminate	0.000%	0.000%	**0.000%**
State	0.000%	Indeterminate	0.000%	0.000%	**0.000%**

Note: Total may not agree due to rounding.
**Rate change applied to future new entrant payroll and used to determine budget impacts only. Current members and new entrants pay the same contribution rate.*

The supplemental rate calculated to fund the costs of this bill may not be applicable for LEOFF 2 in FY 2025 due to the contribution rate limit set under SHB 1701 from the 2022 Legislative Session.

The only provision of this bill that we expect may impact new entrants (future hires) to the plan is Provision 3: Pension Overpayment Responsibility. Based on this provision occurring in retirement, we expect the impacts to new entrants is not material to this pricing.

How This Impacts Budgets and Employees

Budget Impacts	
(Dollars in Millions)	LEOFF
2024-2025	
General Fund	$0.0
Non-General Fund	0.0
Total State	**$0.0**
Local Government	0.2
Total Employer	**$0.2**
Total Employee	**$0.2**
2025-2027	
General Fund	$0.1
Non-General Fund	0.0
Total State	**$0.1**
Local Government	0.2
Total Employer	**$0.4**
Total Employee	**$0.4**
2024-2049	
General Fund	$1.4
Non-General Fund	0.0
Total State	**$1.4**
Local Government	2.3
Total Employer	**$3.7**
Total Employee	**$3.7**

Note: Totals may not agree due to rounding. We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.

The budget impacts displayed above combine the impacts of Provisions 1, 3, and 4.

We show a FY 2025 budget impact resulting from the one basis point supplemental rate for members and employers calculated under this bill. However, a supplemental rate may not be applicable under SHB 1701.

The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system, other than those in this bill, could exceed the sum of each proposed change considered individually.

Comments on Risk

Our office performs risk assessments to help us demonstrate and assess the effect of unexpected experience on pension plans. The risk assessment allows us to measure how affordability and funded status can change if investment experience, expected state revenue growth, and inflation do not match our long-term assumptions. Our risk assessment also considers past practices, for funding and benefit enhancements, and their impact on pension plan risk if those practices continue.

The following table displays our risk measurements as of June 30, 2021. The figures in this table were not reproduced for the 2022 valuation or for this bill, as we are in the process of revisiting how we convey these risk metrics. For more information, please see our Risk Assessment, Commentary on Risk, and Glossary webpages.

Select Measures of Pension Risk *(As of 6/30/2021)**

	FY 2022-41	FY 2042-71
Affordability Measures		
Chance of Pensions Double their Current Share of GF-S**	1%	2%
Chance of Pensions Half their Current Share of GF-S**	44%	42%
Solvency Measures		
Chance of PERS 1, TRS 1, in Pay-Go***	<1%	2%
Chance of Open Plan in Pay-Go***	<1%	1%
Chance of PERS 1, TRS 1, Total Funded Status Below 60%	5%	1%
Chance of Open Plans Total Funded Status Below 60%	20%	31%

**Prior to law changes from the 2023 Legislative Session.*
***Pensions approximately 4.9% of current GF-S budget; does not include higher education.*
****When today's value of annual pay-go cost exceeds $50 million.*

In terms of risk, we expect this bill would worsen the affordability and solvency risk measures relative to LEOFF 2. However, we expect the changes in financial risks to be minor to LEOFF 2 and in the context of all the state pensions systems.

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

The best estimate results can vary under a different set of assumptions. To determine the sensitivity of the actuarial results to the best estimate assumptions or methods selected for this pricing we discuss the key assumptions, methods, and data for Provisions 1, 3, and 4.

Provision 1 – Duty-Related Death Statute of Limitations

Our cost estimate for this provision is sensitive to the number of current survivors expected to receive duty-related death benefits. The costs of this provision will exceed the estimate in this fiscal note if more survivors are ultimately eligible for duty-related benefits than indicated by DRS. For instance, if four additional survivors with similar demographics to the two already identified by DRS (a total of six survivors) were provided duty-related benefits, then this bill would result in a two basis point (0.02 percent) supplemental rate impact to members.

The actual demographics of survivors impacted by this provision could also impact the cost estimate. Providing unreduced survivor benefits to younger members has a larger cost to the system than if the survivors were older since the benefits are provided for the survivor's lifetime.

We assumed the number of future deaths determined to be duty-related will not change from removing the statute of limitations. However, plan costs would increase beyond what is shown in this fiscal note if more duty-related survivor benefits are provided because of this bill. We currently assume approximately 8 out of an estimated 16 total deaths annually are duty related. If we assumed, because of this bill, that one additional death annually was determined duty-related, then the supplemental rate impact would increase to three basis points (0.03 percent) for members.

Provision 3 – Overpayment Responsibility

Future costs from this provision are dependent on the number and amount of overpayment reimbursements. If we assumed the average number of overpayments doubled from 29 to 58, the size of the overpayments doubled from $62 to $124 in monthly benefit corrections, and overpayments continue to be identified at 20 months, then the costs of this provision would approximately quadruple. However, these increased assumptions would not be large enough to increase the supplemental rate calculated under our best estimate.

In addition, the time period between when the retiree benefit commences and when the overpayment is identified can impact the overall cost of this bill. The longer the overpayment has been made to the member, the more cost that arises and must be subsidized by the plan since only 12 months of overpayments will be recovered as a result of this bill.

Provision 4 – Disability Pension Benefits

Under this provision, to qualify for reclassification from a non-duty to duty related disability retirement benefit, eligible members must apply and be approved for reclassification by DRS. If more/fewer members qualify for reclassification than assumed, then the costs of this provision would be higher/lower than our best estimate.

As of the submission of this fiscal note, no members have been pre-approved for reclassification. It is possible that no members will qualify for reclassification after review by DRS. If there are no reclassifications and thus no costs for this provision, we still expect the member rate impact for this bill would round to a supplemental rate.

Additional costs could arise depending on the severity of the disablement determined by DRS. For example, if DRS determines a member has suffered a total disability, that member would qualify for total disablement benefits under RCW 41.26.470 (9). If one of the four identified members were to qualify for total disablement benefits, estimated costs due to this provision would approximately double.

ACTUARY'S CERTIFICATION

The undersigned certify 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. The risk analysis summarized in this AFN involves the interpretation of many factors and the application of professional judgment. We believe that the assumptions, methods, and data used in our risk assessment model are reasonable for the purposes of this pricing exercise. However, the use of another set of assumptions, methods, and data could also be reasonable and could produce different results.
3. The models used are appropriate for the purpose of this pricing. We are not aware of any known weaknesses or limitations of the models that have a material impact on the results.
4. 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. Additionally, the results presented here may change after our next annual update of the underlying actuarial measurements.
5. 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.

We prepared this AFN to support legislative deliberations during the 2024 Legislative Session, and it 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, meet 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 are available to provide extra advice and explanations as needed.

Lisa Won, ASA, FCA, MAAA
Deputy State Actuary

Kyle Stineman, ASA, MAAA
Actuary

O:\Fiscal Notes\2024\6197.SSB.docx

APPENDIX A
How We Applied These Assumptions

We estimated the fiscal impact of this bill by comparing projected pension contributions under this bill to contributions under current law. The projected pension contributions reflect contributions from the current members as well as assumed future hires.

- To determine the projected contributions under current law, we relied on our base model described in the **How We Valued These Costs** section. For current members, contribution rates from the base model are multiplied by future payroll. For future hires, contribution rates under the Entry Age Normal Cost method are multiplied by future new entrant payroll.
- To determine the projected contributions under this bill, we modified the base model to reflect the provisions of the bill, and the assumptions and data noted above. We then multiplied the respective new contribution rates reflecting these changes by future payroll.