

LEOFF 2 Benefit Improvement Account (BIA) History

Created by passage of ESSB 6573 (2008)

- Recognized LEOFF 2 pension shortfalls due to combat nature of the professions and shorter working careers.
- Established 5% State revenue growth as a trigger for **state general fund contributions** to the account in September of odd-numbered years.
- State contribution amounts started small and have ramped up to \$25 million per biennium.
- The only payment to the BIA was made by transferring assets from LEOFF Plan 2 reserves.
- An equal biennial contribution was to be distributed to LEOFF employers for public safety purposes but has never been funded.

History of Benefit Improvement Account (BIA) payments			
<u>Biennium</u>	<u>Revenue trigger hit</u>	<u>BIA amount Due</u>	<u>Payment</u>
2009 – 11	No	\$0	\$0
2011 – 13	Yes	\$5,000,000	Delayed
2013 – 15	Yes	\$10,000,000	\$15,779,000**
2015 – 17	Yes	\$25,000,000	\$0
2017 – 19	*Yes	\$25,000,000	\$0
2019 – 21	*Yes	\$25,000,000	\$0

*Forecasted

**Delayed payment for amount due in 2015 and the prior biennium from LEOFF 2 fund

Summary of HB 2144

- Transfer of \$300 million from the LEOFF 2 Retirement Fund to the **Benefit Improvement Account**, which is to only be used for benefit improvements as recommended by the LEOFF 2 Board and **requires bill passage by the Legislature.**
- Includes intent language that restates the need to improve LEOFF Plan 2 benefits.
- Hastens the affordability of benefit improvements
- Eliminates the Public Safety Enhancement Account and the biennial \$50 million budget cost.
- Has a modest impact on the pension funding status of LEOFF Plan 2, reducing the funded status from 109% to 106%. Is not projected to have any impact on contribution rates.

HB 2144 relieves the legislature of its statutory \$50,000,000 general fund transfer each biennium that the 5% trigger is met and eliminates the local public safety enhancement account. In return, \$300 million in LEOFF Plan 2 reserves will be transferred into the benefits improvement account. HB 2144 has a **four-year state budget savings of \$100 million.**