

LEOFF 1 and WSPRS Annuity Purchase

Issue

Should the recent annuity purchase option for the Law Enforcement Officers’ and Fire Fighters’ (LEOFF) Plan 2 and the Washington State Patrol Retirement System (WSPRS) active members be provided to any of the following groups?

- ❖ LEOFF 1 actives.
- ❖ LEOFF 1 retirees.
- ❖ WSPRS retirees.

The SCPP received requests from several stakeholders (including the LEOFF 2 Board and a member of the SCPP Executive Committee) to consider this possibility.

Background

In the 2014 Session, active members of LEOFF 2 received the option of purchasing an actuarial equivalent annuity from the LEOFF 2 trust fund at the time of retirement, subject to the following requirements:

- ❖ Can only be purchased with rollover funds from another tax-qualified government plan.
- ❖ Minimum purchase of \$25,000.

In the 2014 Interim, the SCPP recommended applying an identical option to WSPRS (but purchased from the WSPRS trust fund). The Legislature then enacted this option in the 2015 Session.

	Current Situation		
	LEOFF 1	LEOFF 2	WSPRS 1/2
Active members can purchase at the time of retirement	*	✓	✓
Retired members can make a one-time purchase	*	**	*

**Requested by stakeholders.*

***On LEOFF 2 Board agenda for 12/16/15.*

Highlights of Analysis

- ❖ There are existing annuity options in the state retirement plans, as well as the private sector.
- ❖ Annuity options increase value for members, but can impact liabilities and intergenerational equity.

- ❖ There is no expected cost from an actuarial equivalent annuity, but costs can arise if members live longer than expected, or investment returns are lower than expected.
- ❖ LEOFF 1 has a fully-indexed Cost-of-Living Adjustment (other plans are capped at 3 percent), and costs could arise if inflation exceeds the inflation assumption.
- ❖ If future costs arise, LEOFF 1 has few active members (120, as of June 30, 2014) to help defer those costs. Under the current funding method, if costs exceed the projected future surplus then LEOFF 2 employers will pay those costs.

Committee Activity

The SCPP studied this issue at the December meeting and made a recommendation.

Recommendation to the 2016 Legislature

Provide an ongoing actuarial equivalent annuity purchase option (substantially similar to RCW 41.26.463) for active members of LEOFF 1, and a one-time purchase window for retired members of LEOFF 1 and WSPRS.

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