

LEOFF 1 Study

Issue Summary

The 2025-27 Operating Budget requires the Select Committee on Pension Policy (SCPP) to study and report on the tax, legal, actuarial, pension policy, and administrative implications of:

- ❖ Terminating the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 as contemplated in Substitute House Bill (SHB) [2034](#).
- ❖ Merging the legacy pension systems as contemplated in Substitute Senate Bill (SSB) [5085](#).

Study Mandate

Here is the relevant portion of Section 107 of the 2025-27 Operating Budget¹ reproduced verbatim:

The select committee on pension policy shall study and report on the tax, legal, actuarial, pension policy, and administrative implications of merging the legacy pension systems as contemplated in Substitute Senate Bill No. 5085 (closed retirement plans) and terminating plan 1 of the law enforcement officers' and firefighters' retirement system as contemplated in Substitute House Bill No. 2034 (LEOFF 1 restatement). The department of retirement systems, the attorney general's office, the office of the state treasurer, the Washington state investment board, and the office of the state actuary shall provide the select committee on pension policy with assistance as requested. The select committee on pension policy shall submit a report to include key findings to the fiscal committees of the legislature by January 9, 2026.

Background

Prior Related Studies

- ❖ [2011 Merger Study](#) (Office of the State Actuary [OSA]).
- ❖ [2016 Merger Study](#) (SCPP).

See also, a sample of prior bills related to LEOFF 1 funding in **Appendix A**.

Key Terms

Pay As You Go (or Pay-Go): Retiree benefits are paid as they come due, and no contributions are made during the member's career. In the short term, this approach is cheaper because no contributions are made for 5 to 50 years, depending on the length of the person's career.

¹[Engrossed Substitute Senate Bill \(ESSB\) 5167](#).

However, in the long term this is the most expensive approach since it does not allow for investment returns to partially offset the total cost of benefits.

Full Prefunding: This is essentially the opposite of pay-go, where the present value of all of a member's expected lifetime benefits are set aside when that person is hired. It is the most costly in the short term, but would provide ample savings by allowing the maximum time to invest contributions and earn interest. This approach also has limitations because the amount paid up-front may be more or less than ultimately needed (i.e., actual experience may not match assumptions at the plan-level).

Systematic Actuarial Funding: Regular pension contributions are made throughout the working lifetime of the member, and those contributions are invested. This approach is a balance between pay-go and full prefunding.

Merger: Combining the assets and liabilities of two (or more) plans. This may or may not impact plan benefits, depending on how the merger is designed.

Consolidation: Joint administration of two or more retirement plans. Most of Washington's public plans are administered by the Department of Retirement Systems (DRS) and thus are already consolidated.

Termination:

- ❖ For members, termination refers to when a member leaves state employment (whether they retire immediately or defer). This could mean quitting or retiring.
- ❖ For a retirement plan, termination refers to the process of shutting the plan down. This means no contributions are made, and no benefits are owed or paid from the plan. There are important requirements for termination (especially in terms of protecting member benefits) that will be discussed in later sections of this paper.

Closing a Plan: This typically means no longer admitting new hires into the plan. However, a closed plan still exists, and all members (and qualified survivors) continue to have a right to their benefits.

Restatement: A restatement is just as it sounds – restating all the plan provisions and rules. This can be done because it is required periodically by the IRS as part of normal reporting, or it can be done because plan amendments have become complex.

Reversion: When assets are removed from a pension trust fund and no longer belong to that trust fund. Typically, it refers to when assets go back to the plan sponsor.

Determination Letters: Determination letters are written statements from the IRS that a plan is qualified. Determination letters are not generally required, though some exceptions may apply. In other words, a plan can be fully qualified without obtaining a determination letter. The benefit of a determination letter is the assurance that the plan is conforming to all qualifications rather than, for example, finding out years later that a mistake had been made, and the plan had not been qualified.

Private Letter Rulings: Private letter rulings interpret IRS law for specific individuals and circumstances. Under [Section 6110\(k\)\(3\)](#) of the Internal Revenue Code, private letter rulings may not be used or cited as precedent. However, they may suggest how the IRS might rule in similar circumstances.

Fully-Indexed COLA: This is a Cost-Of-Living Adjustment (COLA) that is uncapped, meaning that retirees receive the full amount of inflation, as determined by a change in applicable Consumer Price Index (CPI). In other words, if the increase in the applicable CPI is 6%, retirees receive a COLA of 6%. The LEOFF Plan 1 is the only Washington State plan that has a fully-indexed COLA.

COLA Banking: In Washington’s Plans 2/3-style COLAs, eligible annuitants receive yearly COLAs tied to a CPI increase up to 3%. If the CPI is higher than 3%, the excess above 3% is “banked” for a future year. The following table is a simple hypothetical to illustrate COLA banking. Imagine in Year 1, the CPI increase is 4%. Eligible retirees would receive 3% since that is the maximum allowed in a year. The remaining 1% would be banked for a future year. Then, if the CPI increase in Year 2 was 2%, the banked 1% would be added to the COLA for a total of 3%.

	CPI Increase	COLA Received	Amount Banked for Future Year
Year 1	4%	3%	1%
Year 2	2%	3%	0%

This example calculation is simplified for illustration purposes; see the [COLA page](#) of the OSA website for more information and examples.

Benefits on a Termination Basis: This term refers to the benefits that would be provided exclusively by the plan assets pursuant to relevant law and regulations as if the plan had terminated. See **Attachment 5** for more information.

Exclusive Benefit Rule: Under 26 USC 401(a)(2), for a plan to be qualified it must be "impossible, at any time prior to the satisfaction of all liabilities with respect to employees and their beneficiaries under the trust, for any part of the corpus or income to be... used for, or diverted to, purposes other than for the exclusive benefit of the employees or their beneficiaries..." See **Attachment 5** for more information.

Background: Plans Overview

Benefits Summary

The following is a brief overview. Please see the [DRS website](#) for more details.

	LEOFF 1	PERS 1	TRS 1
Normal Retirement Eligibility (Age/Service)	50/5	60/5, 55/25, Any Age/30	60/5, 55/25, Any Age/30
Salary Average Used to Calculate Benefits	Rank Salary or Highest 24 Months	24 Months	24 Months
Benefit Multiplier	2% (at 20 YOS)	2%	2%
Member Contribution Rate	6%	6%	6%
COLA	Fully Indexed (i.e., Uncapped)	Ad-Hoc, Min Bens	Ad-Hoc, Min Bens
Medical Benefits Paid by Employers	Y	N	N
Enhanced Death Benefits	Y	N	N

Benefits for the Public Employee's Retirement System (PERS) Plan 1 and the Teacher's Retirement System (TRS) Plan 1 are determined by the following calculation:

$$2\% \times \text{Average Final Compensation}^2 (\text{AFC}) \times \text{Years of Service (YOS)}$$

Benefits for LEOFF 1 are determined by the following calculation:

$$(2\% \times \text{AFC} \times \text{YOS}) + \text{Benefit Enhancement}$$

The LEOFF 1 benefit enhancement³ was a one-time payment equal to \$100 per service credit. Retirees who retired due to disability received a minimum of \$20,000. The remaining active members will receive this payment at retirement.

For retirees of LEOFF 1, all necessary medical benefits are paid by local government employers and outside the LEOFF 1 pension trust fund. In addition to a list of minimum services (including long-term care), disability boards determine what services are necessary.⁴

These boards are made up of five members:

- ❖ Two city or county council members.
- ❖ One member from the public at large.
- ❖ One active or retired law enforcement officer.
- ❖ One active or retired firefighter.

Originally, the individuals serving in the law enforcement and firefighter positions had to be LEOFF 1 members. Given the age of that population, a number of exceptions have been created. For example, a surviving spouse can serve in one of those positions.⁵

²The LEOFF and the Washington State Patrol Retirement System use Final Average Salary (FAS) instead of AFC. The terms FAS and AFC have some slight differences, but are similar enough for this comparison.

³To answer a question we received in a committee hearing, the source for this benefit enhancement is the LEOFF 1 trust fund. The bill establishing this enhancement ([SSB 5791](#) in 2022) makes no reference to LEOFF 2. However, an identical benefit enhancement was granted to LEOFF 2 (and paid for by the LEOFF 2 trust fund) by a different bill ([SHB 1701](#)) that same year.

⁴For more information, see the LEOFF 1 Other Postemployment Benefits Actuarial Valuation Report on the [OSA website](#).

⁵See Revised Code of Washington (RCW) [41.26.110](#) for more details.

For more information about benefits for these three plans, please see the [DRS website](#).

Plans 1 Average Contributions Compared to Benefits

At the September meeting, a committee member asked for a comparison of what the average LEOFF 1 member has contributed towards their retirement benefits versus how long it would take for them to receive at least that amount in total pension payments. On average, LEOFF 1 members need to be retired for approximately three years to receive back what they contributed.⁶

The following table provides some key statistics to support our answer to this question, but there are a number of critical caveats:

- ❖ First off, each member of the plan can have quite different results depending on several factors. The main one to highlight is the specific years a LEOFF 1 retiree worked. The amount a LEOFF 1 member contributed towards their retirement benefits could differ depending on their retirement date relative to the year 2000 when contributions to the plan ceased.
- ❖ Another determining factor is the type of retirement. A member who retired under the “service retiree” designation will have higher service (and contributions), on average, than a member who retired under the “disabled retiree” designation. Members with Disability status are eligible for subsidized (or enhanced) benefits which are typically higher than calculated under the normal defined benefit formula of $2\% \times \text{Service} \times \text{AFC}$. These retirees represent approximately half the retired member population (excluding beneficiaries).
- ❖ Another perspective to keep in mind is that investment earnings are expected to pay for a majority of pension benefits. [This page of the OSA website](#) shows that market returns have comprised approximately 70% of trust fund income for the combined DRS pension systems over the last 20 years. However, the actual figure for LEOFF 1 on its own may vary over its full plan history, along with the portion attributable to employee contributions.

With that complexity in mind, OSA actuaries selected the average data for primary annuitants only, and based on the [June 30, 2024, Actuarial Valuation Report](#) (AVR) for this comparison; other approaches may also be reasonable. (For completeness, we also provide this same analysis PERS 1 and TRS 1 in the following table.)

In summary, the table depicts an average LEOFF 1 retiree who:

- ❖ Contributed roughly \$83,100 (member contributions plus interest) up until retirement;
- ❖ Has been retired for nearly 28 years, or rather since about 1996, on average;
- ❖ Is currently receiving an annual benefit of \$72,000;

⁶Michael T. Harbour, Actuary, ASA, MAAA, assisted with this section of the report and the accompanying table.

- ❖ And, based on past fully-indexed COLAs, their annual benefit has roughly doubled since retiring.

Average Individual Contributions vs. Average Payout			
Based on Data from OSA's 6/30/2024 Actuarial Valuation Report			
Average Primary Annuitant*	LEOFF 1	PERS 1	TRS 1
Count	4,168	32,525	24,528
Age	78.7	79.2	80.1
Service	25.3	25.3	27.4
Average Final Compensation	\$60,200	\$53,600	\$59,600
Accumulated Contributions** (a)	\$83,100	\$97,300	\$114,700
Years Retired	27.8	19.1	21.4
Current Annual Benefit	\$72,000	\$31,600	\$31,800
Estimated Initial Retirement Benefit (b)	\$32,000	\$27,300	\$27,400
Ratio of Contributions to Benefits (a/b)	2.6	3.6	4.2

*Includes Retirees plus Annuitants w/ Disabilities, but excludes Actives, Terminated Vesteds, LOPs, and Beneficiaries.

**Represents member contributions at 6% of pay, accumulated with interest (historically 5.5% annually) to retirement.

Selected Demographics

As of:	LEOFF 1		PERS 1		TRS 1	
	June 30, 2024 ⁷	June 30, 2023 ⁸	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Actives	6	7	395	506	62	81
Average Age	71.3	70.6	71.7	70.7	74.2	72.3
Average Service	45.2	44.9	25.9	25.9	36.6	36.0
Annuitants	5,945	6,154	37,618	39,306	27,516	28,556
Average Benefits (All Ages/Service)	\$5,413	\$5,413	\$2,518	\$2,421	\$2,560	\$2,472
Average Benefits (New Retirees)	\$0	\$12,258	\$3,056	\$2,678	\$4,515	\$3,337

Note: Average Benefits shown are monthly amounts.

Background: History

History of LEOFF 1

According to a 1973 report by the Public Pension Commission,⁹ from 1909 to 1969, police and fire retirement benefits were administered by separate, regional retirement boards. Each system maintained its own retirement board and administered its own benefits.

In 1961, the Legislature embarked on the first statewide study of those plans. It determined that the combined systems were underfunded by \$105,000,000.¹⁰ In other words, the

⁷2024 Actuarial Valuation Report (AVR).

⁸2023 AVR.

⁹Reproduced here as **Attachment 1**.

¹⁰Ibid. The report delineates between police funds in First Class Cities which were underfunded by around \$47 million, and 42 firefighter pension funds collectively underfunded by around \$58 million. The total is approximately \$105 million.

systems owed over \$100 million in benefit payments with little to no funds set aside to make those payments.

By 1969, the underfunded amount had grown to around \$400,000,000.¹¹ In response to this shortfall, the Legislature introduced a bill to merge all the individual police and fire systems into one statewide system to be known as LEOFF.¹²

According to that same report, "the major part" of the \$400 million liability was transferred to the LEOFF system. In other words, the new LEOFF system was on the hook for paying off most of that unfunded liability. However, only a total of \$11.4 million in assets were transferred into LEOFF from the state systems (none of which came from fire systems or first-class city systems) to help pay those costs.¹³ This is because most of the local boards were operating on a pay-go basis.

Current retirees stayed with their local systems, while the actives and new members were merged into the new system. The exclusion of retirees, as well as the \$11.4 million transferred, reduced the unfunded liability being passed to the state to \$239,580,000.¹⁴ In other words, the LEOFF system began its life underfunded by nearly \$240 million.

For the first few years, members and employers contributed their fixed 6% of pay and the state paid nothing. As the following table shows, this was insufficient to pay the required normal cost, let alone pay down the Unfunded Actuarial Accrued Liability (UAAL).

Early Contributions to LEOFF 1						
	Actuarially Required Contributions			Actual Contributions Made		
	UAAL	Member	Employer	UAAL	Member	Employer
1970	14.89%	18.27%	18.27%	0.00%	6%	6%
1971-73	18.49%	18.28%	18.28%	0.00%	6%	6%

	Required Appropriation	Actual Appropriations
1971-73	\$45,773,000	\$6,500,000
1973-75	\$62,600,000	\$10,600,000

Source: **Attachment 1**.

In order to stop the growth of the unfunded liability, in 1977 the original LEOFF system was closed to new members, and the LEOFF 2 retirement plan was created.

¹¹*Ibid.*

¹²Senate Bill (SB) 741, or [Chapter 209, Laws of 1969](#). The system became known as "LEOFF 1" retroactively with the creation of LEOFF 2.

¹³Please see **Attachment 1**.

¹⁴*Ibid.*

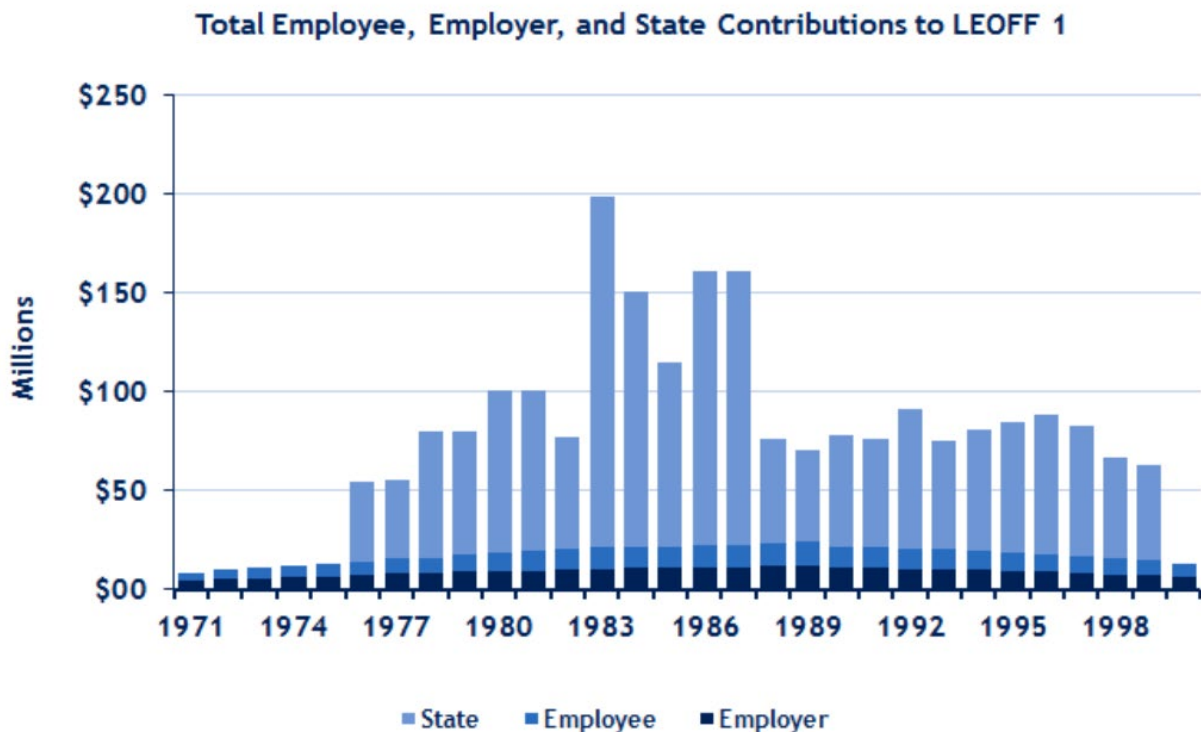
Historic LEOFF 1 Funding

As noted above, LEOFF 1 was created with a funding policy that required contributions of:

- ❖ 6% of active member pay from members.
- ❖ 6% of active member pay from employers.

When that proved unsustainable, the state began contributing directly. The following table shows the amounts contributed by source. At its highest level (in 1983), the state paid more than eight times the non-state employer and member contributions combined in one year alone.

Please note that the amounts contributed by the state were appropriations of specific dollar amounts, as opposed to being the result of contribution rates.

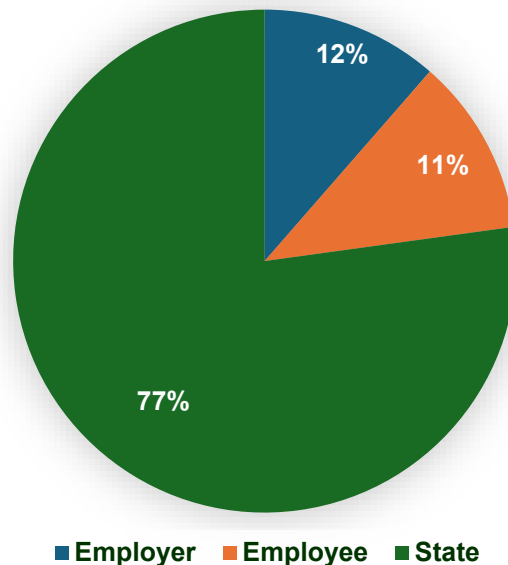


Source: [2011 LEOFF Merger Study](#).

Historic LEOFF 1 Contributions by Source (Dollars in Millions)							
Year	Employer	Employee	State	Year	Employer	Employee	State
1971	\$4.3	\$4.3	\$0.0	1986	\$10.9	\$11.0	\$139.1
1972	4.9	4.9	0.0	1987	11.4	11.4	138.4
1973	5.4	5.4	0.0	1988	11.7	11.7	52.5
1974	5.9	5.9	0.0	1989	12.0	12.0	46.2
1975	6.5	6.5	0.0	1990	10.6	10.7	56.8
1976	7.1	7.1	39.8	1991	10.8	10.9	54.4
1977	7.8	7.8	39.7	1992	10.4	10.4	70.3
1978	8.6	7.4	63.7	1993	10.4	10.5	54.7
1979	8.8	8.7	62.5	1994	9.8	9.8	61.3
1980	9.3	9.2	81.7	1995	9.5	9.5	65.5
1981	9.6	9.6	81.2	1996	8.9	8.9	70.9
1982	10.4	10.4	56.7	1997	8.2	8.2	66.7
1983	10.5	10.6	178.1	1998	7.6	8.3	50.4
1984	10.7	10.8	128.7	1999	7.2	7.2	48.8
1985	\$10.9	\$10.9	\$93.1	2000	\$6.3	\$6.3	\$0.0
				Total	\$266.4	\$266.3	\$1,801.2

Source: 2011 LEOFF Merger Study.

Total LEOFF 1 Contributions by Source

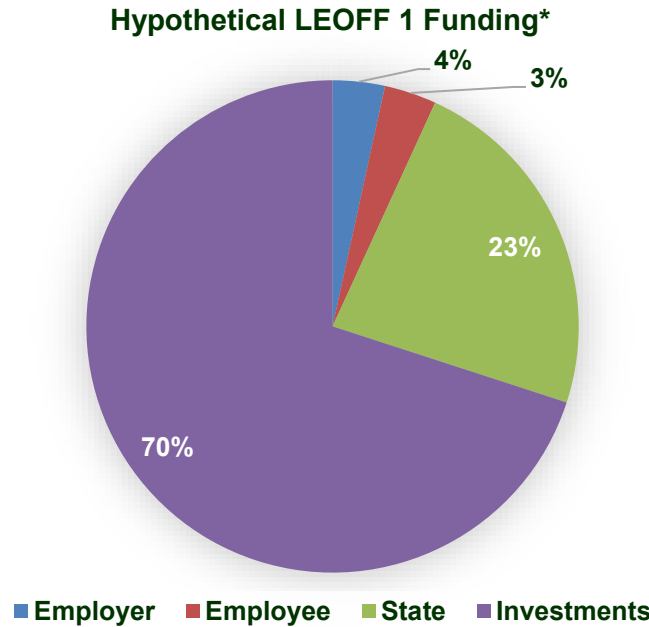


*Source: 2011 LEOFF Merger Study.

As a reminder, most of the cost of Washington's pension plans are paid by investment returns on contributions. For all of the DRS plans put together, investment returns have paid for approximately 70% of the cost of benefits over the last 20 years (see [OSA website](#) for details).

The following pie chart reflects a hypothetical comparison of contributions to investment returns for LEOFF 1.

In other words, all of the contributions shown in the prior pie chart would fit inside the three smaller slices shown in the following pie chart. Please note that the actual investment figure for LEOFF 1 on its own will differ, and may vary over its full plan history.



**Assumes 70% of funding came from Investments; based on history of the Commingled Trust Fund.*

While several factors contributed to the high funded status in LEOFF 1, one key factor was that during the 1980s, the plan experienced lower-than-expected inflation.¹⁵ Another perspective would be to say that the Legislature overestimated inflation.

The result was that more state contributions were going into the plan than ultimately required. Those excess contributions also grew with investment returns, thus improving the funded status more quickly than initially anticipated.

By 2000, the plan had enough assets that the Legislature passed a law allowing members and employers to stop contributing.¹⁶ While the state's contribution is not expressly mentioned in that RCW, the state ceased contributing in 2000 as well.

Under current law¹⁷, if the LEOFF Plan 1 falls out of full funding for any reason, contribution rates will resume. However, as of June 30, 2024, there are only six active members remaining in LEOFF 1. This means that the current funding policy of 6% active member/6% employer is not a practical funding source, and the state would likely be on the hook for making up any potential shortfall.

¹⁵[2016 Merger Study](#).

¹⁶*Ibid.*

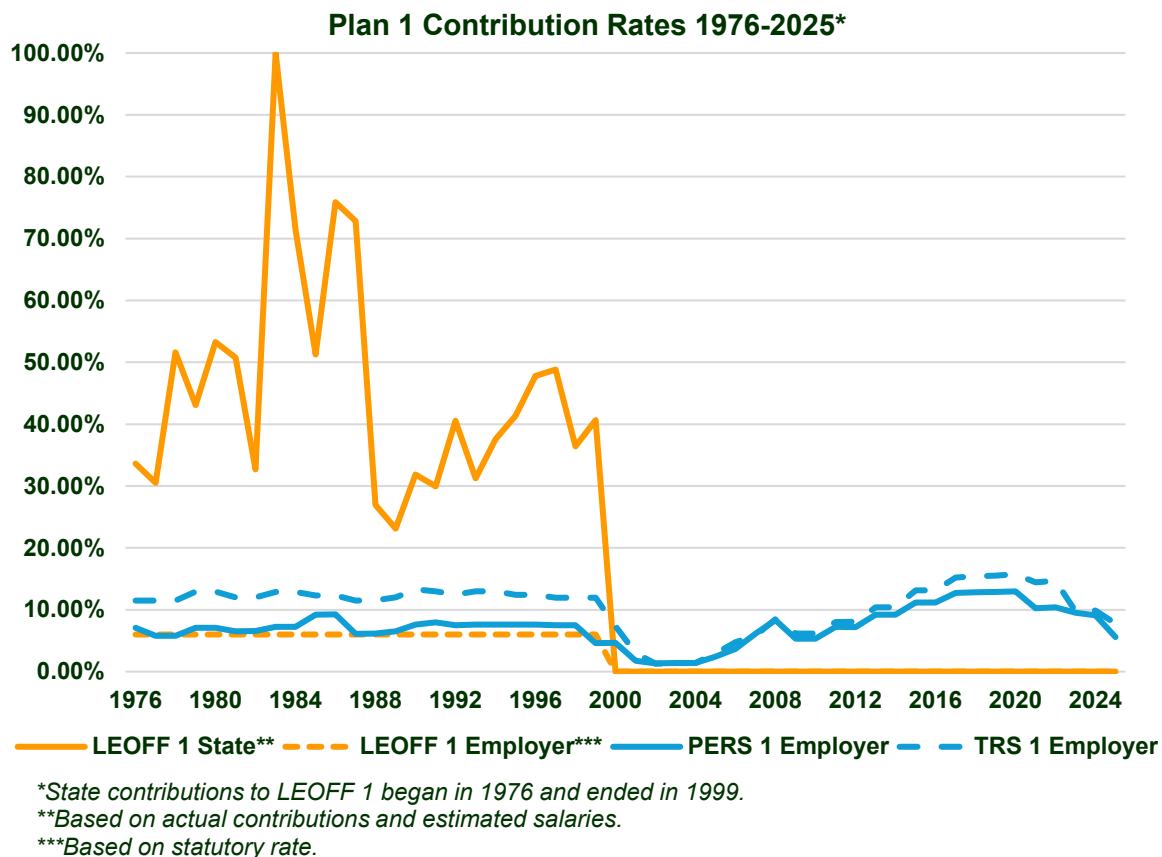
¹⁷*Ibid.*

Comparative History of PERS 1 and TRS 1 to LEOFF 1

Like LEOFF, TRS began as a series of separate teacher retirement funds across the state.¹⁸ The system was redesigned more than once before it was closed to new members in 1977. Similarly, PERS 1 was created in 1947, and closed to new members in 1977.

Like LEOFF 1, both PERS 1 and TRS 1 required contributions of 6% from members and 6% from employers, and this proved insufficient to adequately fund expected plan benefits.

The following table was prepared using PERS 1 and TRS 1 data available on the [DRS website](#) as well as the LEOFF 1 data shown above.



Funded Status

LEOFF 1		PERS 1		TRS 1	
June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
160%	149%	87%	80%	91%	86%

¹⁸[Chapter 168, Laws of 1917.](#)

Background: Plan Funding

When is a Plan Overfunded?

There is no industry-standard definition of overfunding. In other words, there is no objective funded status threshold for when overfunding occurs prior to all future benefits being paid.

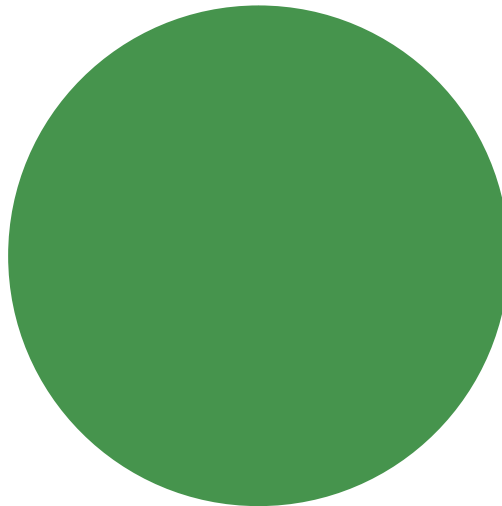
As a general rule, public pensions are designed to aim for a funded status of 100%. However, a funded status below 100% does not necessarily mean a plan is underfunded, and a funded status above 100% does not necessarily mean a plan is overfunded.

Let's illustrate with a hypothetical. To simplify the hypothetical, it will not adhere to standard actuarial terminology or take investment returns into account.

Imagine that the pie in Figure 1 represents every single dollar to be paid out over the entire life of a retirement system.¹⁹ In other words, every dollar of benefits paid until the death of every single annuitant.

Figure 1

Total Dollars to Be Paid from Retirement System

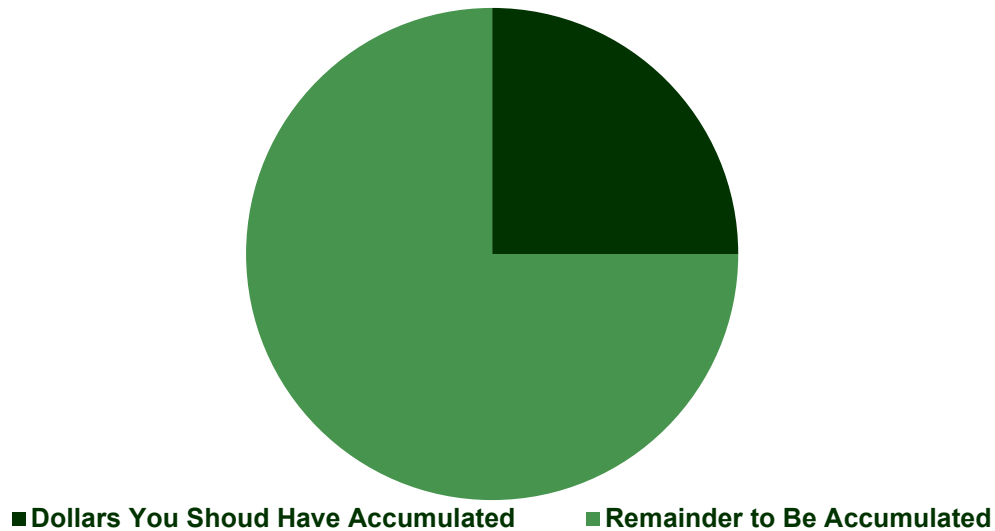


Now assume the dark green slice in Figure 2 represents the amount of dollars your funding plan requires you to have set aside by today.

¹⁹As a reminder, actuarial assumptions are required to estimate the total amount of benefits to be paid. Ultimately, actual experience (e.g., inflation-based COLAs, how long people live) will determine the actual size of the pie.

Figure 2

Funding Plan: Dollars That Should Be Set Aside by Today



If you've set aside the exact amount represented in dark green, that would mean your plan has a funded status of 100%.²⁰ If you've set aside less than that, then your funded status will be less than 100%, and vice versa.

Now assume that you've set aside double the amount required by your funding plan thus far, as shown by the dark green slice in Figure 3. In this case, the dark green slice is twice the size of the one in Figure 2, which would mean your plan is 200% funded.

Figure 3

Dollars Set Aside Today



²⁰Again, this hypothetical is highly simplified. There are several ways to calculate funded status, and this statement may not be consistent with all of them.

A funded status of 200% could reasonably be viewed by some as “overfunded.” Notice, however, that the plan still only has half the total dollars needed to pay all future benefits. Despite arguably being “overfunded”, it will still need future contributions and/or investment earnings in order to pay all future benefits.

With this in mind, it might be better to think of funded status like this:

- ❖ Over 100% means you're ahead of schedule with the funding plan.
- ❖ Under 100% means additional contributions are required to get back on schedule.

In other words, systematic actuarial funding requires regular payments over time. A plan with greater than 100% funded status has met today's funding target early, and vice versa for a plan under 100%. But that is today's funding target as determined under the current funding plan and assumptions, i.e., the money that should have been set aside by today. Future events have not yet happened, and no matter how early you hit today's goal, future contributions may still be required.

It's also worth noting that the funding needs of a plan can change throughout the plan's life cycle. For example, a closed plan with no remaining active members may have very different needs from an open and ongoing plan. A funding plan can also change based on changes to system demographics and updated actuarial assumptions.

What is a Surplus?

In a pension plan, a surplus means that there are assets left over once all benefits are paid. In other words, the existence of a surplus cannot be determined with certainty until at or very near the end of the plan's life.

In determining whether a plan has an expected surplus at a given point in time, the actuarial analysis will be based on assumptions about future events. Actuaries set assumptions and use industry-approved methods to estimate the amount of future benefits to be paid, as well as when and how long those benefits will be paid. But ultimately, those events have not yet happened and cannot be predicted with certainty. While unlikely, even a plan that has a 200% funded status could experience sufficient losses (e.g., poor investment returns) such that additional contributions may be required.

Is There a Surplus in LEOFF 1?

Based on [OSA's most recent actuarial valuation](#), as of June 30, 2024, OSA estimates LEOFF 1 has a funded status of 160%, and an expected surplus of \$2.5 billion.

Background: Law

Contractual Rights

Given the funding history of the pre-LEOFF systems noted above, it may be reasonable for readers to ask why not simply cut back on member benefits to improve a plan or system's sustainability. This is because benefit reductions are generally prohibited by contractual rights

at both the state and federal levels.²¹ At the highest level, "contractual rights" refers to rights derived from the contracts clauses of both the state and federal constitutions.²²

This concept will be explored more in **Attachment 6**, but in brief it means that members are entitled to the benefits they were promised when they were hired. However, case law and court dicta have indicated that contractual rights are not a complete bar to benefit reductions.

As a general rule, the Legislature can change benefits for *future* hires, but should exercise caution and consult counsel when considering any reductions to benefits for existing members or retirees.

Tax Law and Plan Qualification

Qualified retirement plans benefit from reduced and deferred taxes, so if a plan were to lose its qualification it could suffer tax penalties. This is relevant to any recipient of benefits. Plus, according to OSA, in most of Washington's retirement plans, untaxed investment returns have historically paid for roughly 70% of the total cost of benefits.

Qualified Retirement Plans

Under [26 USC § 61](#), every dollar earned is subject to federal income tax unless it qualifies for an exception. Qualified retirement plans are exceptions to this rule.

There are two basic approaches to qualified retirement plans:

- ❖ **Traditional** – Where retirement contributions made pre-tax, and the funds in the account are only taxed when withdrawn.
- ❖ **Roth** – Where retirement contributions are made after tax, but are not subject to tax when withdrawn.

However, in either approach the plan must meet certain requirements or normal taxation will apply. **Attachment 5** will address these requirements in more detail.

Unwinding/Remediation

If the Legislature changes its mind, it can repeal a law. However, depending on the type and extent of the changes a law made, the practical effects may be challenging or impossible to unwind. Typically, a delayed effective date for new legislation can help mitigate this risk in several ways.

First, a delay allows for stakeholders to file legal challenges and obtain an injunction (if the court feels the case has merit). This is conceptually similar to the provision in the state

²¹State-level benefit protections differ across the nation. Washington is one of the states that protects benefits on a contractual rights basis.

²²See [Article 1, Section 23](#) of the Washington State Constitution, and Article 1, Section 10 of the [U.S. Constitution](#).

constitution²³ which provides that newly enacted laws do not go into effect until 90 days after adjournment of the Legislature (unless an emergency is declared).

Second, it allows more time for administrators to discover unanticipated issues prior to enacting the new law. For example, as an agency is starting to incorporate the changes, they may discover implementation challenges that weren't apparent in the planning stages.

At the federal level, the IRS has historically allowed plans to avoid disqualification through remediation. In other words, if a plan sponsor does something that could risk plan qualification, the IRS will let the plan sponsor undo that action (or make other adjustments) to protect qualification.

One example in Washington is with Plan 3 rate choice.²⁴ In brief, the IRS objected to a provision allowing Plans 3 members to change their contribution rate each year. Rather than disqualify the plan, the IRS allowed the Legislature to repeal this provision.

Background: Three Bills for Analysis

As noted above, the study proviso requires analysis of two bills: SHB 2034 and SSB 5085. However, understanding the impacts of those bills also requires understanding of a third bill: ESSB 5357. The basic provisions of all three are presented in brief here.

SHB 2034: Overview

For the purposes of this report there are five key provisions:

1. Restates and terminates the plan:
 - a. The bill essentially creates a new Restated LEOFF Plan 1, then terminates the old LEOFF Plan 1.
2. Expressly guarantees benefits, meaning member benefits will not be reduced by any provision of this act.
 - a. The mechanism for this guarantee is the new restated plan.
3. Provides an incentive for remaining actives to retire by 2026.
 - a. Eligible members would receive an additional five years of service credit, and a one-time lump sum payment of \$25,000.
4. Provides for a potential reversion of assets in 2027-29.
 - a. Specifically, the bill only requires transferring certain funds to the Pension Fund Stabilization Account. However, from there the funds could revert to the state if the Legislature decides to do so.
5. Requires DRS to pursue formal guidance from the IRS before most changes are effective.

²³ [Article 2, Section 41](#).

²⁴ See this [July 16, 2024, SCPP presentation](#) for more information.

See the [bill reports and fiscal notes](#) for more details.

SSB 5085: Overview

For the purposes of this report there are five key provisions:

1. Merges PERS 1, TRS 1, and LEOFF 1.
 - a. The merged plans become the Legacy Retirement Plan (LRP), with three benefit tiers.
 - b. Each benefit tier represents one of the merged plans. In other words, members of the TRS 1 benefit tier of the LRP receive the same benefits members of the TRS 1 system would receive under current law.
2. Expressly guarantees benefits, meaning member benefits will not be reduced by any provision of this act.
3. Grants an ongoing COLA for PERS 1 and TRS 1 essentially identical to the Plans 2 COLAs.
4. Requires DRS to pursue both a determination letter and a private letter ruling before most changes are effective.
5. Eliminates the remaining UAAL and benefit improvement rates.

Please note that item 5 was partially rendered moot by ESSB 5357, thus negating some of the savings originally identified for this bill.

See the [bill reports and fiscal notes](#) for more details.

ESSB 5357: Overview

For the purposes of this report there are three main provisions of ESSB 5357:

1. Temporarily eliminates payments to base UAAL and benefit improvement rates for PERS 1 and TRS 1 through Fiscal Year (FY) 2029. Beginning in FY 2030, any rates paid will be considered reset, and are to be re-amortized over a 15-year period that began July 1, 2025.
2. Increases the long-term rate of return assumption from 7.0% to 7.25%.
3. Modifies the Plans 2/3 normal cost for employers, and Plans 2 member costs to account for the increased assumed rate of investment return.

See the [bill reports and fiscal notes](#) for more details including enacted rates.

Background: External Response Summaries

The following sections summarize the reports that staff requested from the following entities as per the study mandate: DRS, the Office of the State Treasurer (OST), the Washington State Investment Board (WSIB), Ice Miller, the Attorney General's Office (AGO), and OSA.

These summaries are for the reader's convenience. In the case of any discrepancies between the summaries and the original agency responses, the agency responses should be

considered the more accurate. The responses from these agencies are reproduced in full as attachments to this report.

Administrative Impacts

Department of Retirement Systems

For background, DRS administers most of Washington's retirement systems.²⁵ According to DRS, both SHB 2034 and SSB 5085 can be administered successfully.

The largest challenge would be programing the COLA banking provision in SSB 5085 due to the complexity of that provision. DRS expects their new system to be online in September of 2027. In light of this, DRS asks that if SSB 5085 were to be enacted, they be allowed to administer the COLA as a one-time COLA until the new system is running. In other words, they would simplify the programming in the old system but implement the longer-term version in the new system.

Both bills require coordination with the IRS and OST, and DRS believes it is well prepared to do that.

Please see **Attachment 2** for the full analysis from DRS, as well as copies of the fiscal notes for the original versions of each bill in **Attachments 8** and **9**.

Office of the State Treasurer

For background, OST has three main interests in pensions:

1. Administering the pension bank accounts.
2. Pension disclosures in bond sales.
3. Managing the state's relationship with bond rating agencies.

The first item is straightforward. While other agencies like DRS and WSIB may work with the funds in these accounts, the actual bank accounts are under the purview of OST.²⁶

For the second item, OST issues bonds on behalf of the state. Disclosures are intended to provide potential bond investors with relevant information. Pensions constitute a multi-billion-dollar debt for the state, and are thus relevant to those disclosures.

The third item is most relevant to this report, based on the response from OST. In their role of managing the state's relationship with the credit rating agencies that rate the state's debt, any potential change to the state's pension plans could be relevant.

According to OST, bond rating agencies pay close attention to how the state's pensions are managed, and carefully monitor any changes or adjustments made to operations or governing

²⁵Exceptions include the First-Class City retirement systems, and the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund.

²⁶See e.g., RCW [41.45.230](#).

assumptions. Changes that decrease the funded status or increase risk could be seen as negative by those agencies.

With that in mind, OST has raised four main points for consideration:

1. The potential reversion of assets in SHB 2034 is the biggest area of concern since it would permanently remove assets from the pension system.
2. OST is concerned of any use of one-time funds to manage long-term issues.
3. While they cite SSB 5085 as the preferable approach between the two bills, OST encouraged caution with both bills.
4. OST further encourages caution when considering these two bills in light of ESSB 5357. As noted above, ESSB 5357 revises the expected rate of return assumption which, in OST's estimation, could result in overstating the actual size of any LEOFF 1 surplus.

Please see **Attachment 3** for the full analysis from OST, as well as copies of the fiscal notes for the original versions of each bill in **Attachments 8** and **9**.

Washington State Investment Board

For background, WSIB invests most of Washington's public retirement plan funds, as well as some other types of public funds.²⁷ While the Washington State Constitution generally prohibits the loaning of state funds for credit or the use of those funds for the purchase of stock, [Article XXIX](#) allows the investment of moneys of any public pension or retirement fund, industrial insurance trust fund, or fund held in trust for the benefit of persons with developmental disabilities as authorized by law.

Retirement plan funds that are to be invested are removed from their individual trust accounts and commingled in the aptly named Commingled Trust Fund (CTF). From there, those funds are invested in a number of different types of assets. Some asset classes will require longer term investments than others.

Members of the Plans 3 and the Deferred Compensation Plan can invest directly in the CTF using what's called the Total Allocation Portfolio (TAP). The TAP is essentially a unitized version of the CTF, which allows participants to purchase shares of the CTF.

According to WSIB, the bills in question will impact the pension funds as follows:

- ❖ SHB 2034: The impacts will depend on market performance.
 - This bill removes an unknown amount of LEOFF 1 funds from the CTF. In OSA's fiscal note from the 2025 Legislative Session,²⁸ this amount was estimated at \$3.3 billion.

²⁷See WSIB's most recent [annual report](#) for more information.

²⁸Reproduced here as **Attachment 8**.

- Removing this amount from the CTF will require advance planning, as the assets will need to be liquified (i.e., exchanged for short-term liquid assets, such as cash). Liquidating assets incurs transaction costs.
- The actual impact to the CTF of removing these assets will depend on market performance, i.e., if you sell an asset right before that asset goes up or down in value. However, WSIB anticipates the overall impact, whether positive or negative, to be proportionately small considering the relative size of the CTF (an estimated \$3.3 billion removal versus approximately \$172 billion in the CTF as of March 31, 2025).
- ❖ SSB 5085: There are no expected impacts since the funds remain in the CTF.
- The cash flow concerns WSIB had for this bill²⁹ were due to provisions mirrored in ESSB 5357, and ESSB 5357 was already enacted.

Please see **Attachment 4** for the full analysis from WSIB, as well as copies of the fiscal notes for the original versions of each bill in **Attachments 8 and 9**.

Tax and Legal Impacts

Procedural Note – Attorney-Client Privilege

Under Rule 8D of the [SCPP Rules of Procedure](#), privileged legal advice can only be publicly released upon a vote of the committee. In this case, the committee expressly requested advice that was intended to be released as part of this report. However, any future legal advice requested by the SCPP on this or any other topic may be subject to privilege.

Ice Miller, LLP

For background, the firm of Ice Miller, LLP, serves as Special Assistant Attorney General for federal tax issues.

While the attached version is updated, clarified, and directed at the bills in question (SHB 2034 and SSB 5085), staff has found no substantive departures from the analysis printed in the [2016 Merger Study](#).

According to Ice Miller:

1. Both bills meet the relevant IRS requirements for plan qualification.
 - a. Of the two, SSB 5085 presents less risk to plan qualification because no reversion takes place.
 - b. The relevant IRS requirements require that any merger or restatement/termination must do the following:
 - i. Guarantee benefits on a termination basis (or better);³⁰

²⁹As described in their fiscal note in **Attachment 9**.

³⁰See the **Key Terms** section, above.

- ii. Adhere to the Exclusive Benefit Rule (EBR);³¹ and
 - iii. Ensure remaining actives are fully vested.
 - c. A merger that complies with Code §§ 401(a)(12) and 414(h) does not violate the Exclusive Benefit Rule.
 - i. The full text of 26 USC 401(a)(12) is available [here](#).
 - ii. The full text of 26 USC 414(h) is available [here](#).
 - d. The Private Letter Ruling (PLR 200216034) highlighted in SCPP correspondence³² is not analogous to SHB 2034 or SSB 5085 because the situation described in that PLR does not include a merger or termination.
 - i. As noted in the **Background** section above, PLRs are not binding on anyone except the entity that requested it. However, PLRs can suggest how the IRS may respond to a similar set of facts. In this case, the facts are not similar enough because a merger of assets and liabilities, and a restatement/termination are fundamentally different actions than the actions taken in the PLR.
2. Under either bill, Ice Miller strongly recommends the state pursue both a determination letter and a private letter ruling.
- a. Both bills meet the threshold requirements (in different ways) for requesting both a determination letter and a private letter ruling.
 - b. Following enactment of either bill:
 - i. A determination letter should be aimed at getting the IRS' approval for the resulting plan structure.
 - ii. A private letter ruling should be aimed at assuring there are no adverse tax consequences for members.
 - c. These requests could each take a year or more, but both can be requested simultaneously.
 - d. Determination letters and private letter rulings cannot be requested until after a bill passes, so the bill should include a sufficient delay time.
3. The IRS does not require changes for governmental plans with a high funded status.
- a. While benefit improvements are an option that policymakers can consider in order to pay down the expected surplus, benefit improvements are not required to ensure continued plan qualification.
4. Stopping contributions to a plan as part of a merger does not constitute a reversion.

³¹*Ibid.*

³²June 2, 2025, email from Michael Duchemin, available [here](#).

- a. In other words, if two contributory plans are merged, and the resulting merged plan no longer requires contributions, that does not constitute a reversion for tax purposes.
5. Governmental plans are not generally controlled by ERISA, but following ERISA rules can help ensure plan qualification.
6. Ice Miller has deferred to NASRA for information on other states, but noted that successful mergers are common.

Please see **Attachment 5** for the full analysis from Ice Miller.

Attorney General's Office

For background, the Attorney General is the chief legal officer for the state of Washington, and Assistant Attorneys General provide legal advice to legislative committees, including the SCPP.

According to the SCPP's assigned Assistant Attorney General:

1. LEOFF 1, PERS 1, and TRS 1 members have certain contractual rights in their pension benefits.
 - a. Two key contractual rights are:
 - i. A right to the monthly benefits that were guaranteed to them at the beginning of their service.
 - ii. A right to systematic funding of their retirement plan.
 - b. These benefits cannot be modified except under certain circumstances and to the advantage of the member.
2. Absent evidence of injury, neither SHB 2034 nor SSB 5085 will reduce benefits.
 - a. Therefore, the bills do not deny members of those plans their vested contractual rights.
3. Distribution of any surplus assets is generally governed by federal law, however, state case law indicates that plan members are not entitled to a pension fund surplus.
4. If all plan members must be retired prior to termination and restatement of a plan, SHB 2034 may not accomplish that goal.
 - a. According to Ice Miller's analysis in **Attachment 5**, full retirement is not a requirement.

Please see **Attachment 6** for the full analysis from the Office of the Attorney General.

Actuarial Impacts

Office of the State Actuary

For background, the [Office of the State Actuary](#) (OSA) provides actuarial services to a number of state programs including the state's retirement systems. OSA submits Actuarial Fiscal Notes (AFNs) to the Legislature on bills impacting the pension systems.

According to OSA:

1. Important recent and ongoing events will impact the pricing of the two bills named in this study.
 - a. New analysis can't be completed until a few months from now (without risking being misleading). Instead, OSA provided consulting on how the AFNs might change.
2. The key recent and ongoing events are as follows:
 - a. Passage of ESSB 5357.³³
 - b. Updating the valuation model to reflect actual experience, including:
 - i. Higher-than-expected:
 1. 2025 investment returns, and
 2. 2025 COLA for LEOFF 1.
 - ii. Changes in plan membership from June 30, 2023, to June 30, 2024.
 - c. The Pension Funding Council's adoption of long-term economic assumptions in October.
3. However, OSA offers the following guidance on how the pricing of both bills may be impacted when repriced for the 2026 Legislative Session. Assuming plan membership continues to change as expected, and the PFC adopts the State Actuary's recommendations³⁴:
 - a. SHB 2034, OSA expects
 - i. Impacts of the bill will likely be similar to what was previously priced.
 - b. SSB 5085, OSA expects
 - i. Funded ratio for the Legacy Retirement System (LRS) to be above 100%, and
 - ii. Savings previously identified will be significantly reduced due to overlap with ESSB 5357.

Please see **Attachment 7** for the full analysis from the Office of the State Actuary.

³³See the **Background** section of this report for more information about this bill.

³⁴OSA's analysis was completed prior to the action of the PFC. However, the PFC took action before completion of this report. Please see [SCPP Correspondence](#) for information about the PFC's action.

Other States

Staff reached out to the National Association of State Retirement Administrators (NASRA) to assist with this research. They provided us with the report reproduced as **Attachment 10**.

Here are some key takeaways from that report:

1. It's hard to make apples-to-apples comparisons due to the complexity of plan provisions across the country.
2. LEOFF 1 is in a unique situation, but not solely due to its funded status.
 - a. It is not uncommon to have a high (above 110%) funded status at one or more points during a plan's life cycle. Plans have ups and downs due to things like market conditions and changes to plan assumptions.
 - b. What appears to be unique about LEOFF 1 is that it has all of the following factors at once:
 - i. High funded status.
 - ii. The plan's funded status has remained high for decades, and is expected to continue climbing.
 - iii. The plan is closed to new members.
 - iv. No contributions are being made to the plan.
3. States typically manage a surplus by reducing contributions
 - a. For example, a state may calculate contribution rates to include a credit aimed at reducing the expected surplus over time. Based on the data provided, it seems common for this type of credit to be designed to amortize an expected surplus over 10 to 30 years.
 - b. One outlier is the New York State and Local Retirement System (NYSLRS). NYSLRS uses the Aggregate Cost Method, which does not amortize an unfunded liability outside the plan's normal cost.³⁵ However, this method can produce sizeable volatility in contribution rates (i.e. rates can swing from very high to very low over time).
4. There are fewer options to manage a surplus in a closed, non-contributory plan like LEOFF 1.
5. NASRA did not identify any recent mergers, but did find several consolidations. Please see the definitions above for more information about the distinction.

Please see **Attachment 10** for the full analysis from NASRA.

³⁵Washington's open plans (e.g. Plans 2/3), also use the Aggregate Cost Method for determining plan funding requirements, but manage contribution rate volatility with minimum contribution rates and longer periods for asset smoothing. See the [2023 Actuarial Valuation Report](#) for more information on funding policies for Washington's retirement plans.

Cities and Counties

At the request of a committee member, staff reached out to the Association of Washington Cities (AWC) and the Washington State Association of Counties (WSAC) for their analysis. The response from AWC is reproduced as **Attachment 11**. WSAC has not responded as of the printing deadline for this report.

Policy Analysis

Caveat

This portion of the report was prepared independently of the analysis performed by the external entities listed above, but relies on that analysis for its conclusions.

Readers are strongly advised to read this report as a whole and consult with their own counsel before making any decisions, or relying on the statements in this section.

Default: Take No Action

To help understand the potential impacts of these bills, it may help to start by considering what happens if no action is taken and current law continues.

Since LEOFF 1 is a closed system, over time there will be fewer and fewer beneficiaries until eventually there are none. If things continue as expected, the expected surplus in LEOFF 1 will become a real surplus in a few decades. As noted above, based on the most recent actuarial valuation, OSA estimates LEOFF 1 has an expected surplus of \$2.5 billion.

However, if future events vary from OSA's expectations, the size of the resulting surplus could be larger or smaller than currently estimated. A full range of possible future events includes scenarios with significant growth in the expected surplus,³⁶ as well as scenarios where the plan could fall out of full funding before all benefits are paid (meaning the state would likely be required to pay the remaining benefits on a pay-go basis).

Thus, one option would be to take no action, and leave LEOFF 1 as it is. In the case of significant growth in the expected surplus, the state could revert a larger amount to the General Fund later. In the case the plan falls out of full funding, the fact that these funds stayed with the plan could help minimize the need to make future benefit payments from the General Fund. Taking no action also guarantees no adverse reaction on a tax or legal basis from either of the bills being considered.

Can Either Bill Be Enacted Successfully?

If policymakers decide some sort of action should be taken, the first consideration is whether that action can be implemented successfully.

³⁶[2016 Merger Study](#), pages 117-121.

As detailed in the attachments, and recapped in the summaries above, both bills can be implemented successfully. In other words:

- ❖ According to the committee's legal counsel, neither bill runs afoul of state or federal protections.
- ❖ While one bill (SSB 5085) presents fewer challenges and has less impact (whether positive or negative) on the CTF, both bills can be administered by WSIB.
- ❖ While OST preferred one bill (SSB 5085) to the other, and expressed important concerns with both, OST did not indicate opposition to either bill.
- ❖ Both bills can be administered by DRS.

While the bills carry some risk, much of the potential risks are already mitigated by one or both bills. For example, the risk the plan could be disqualified for tax purposes can be mitigated by:

- ❖ A delayed effective date;
- ❖ A bill provision requiring DRS to request both a determination letter and private letter ruling from the IRS; and
- ❖ The historic IRS practice of allowing remediation rather than plan disqualification.

The next questions for policymakers are what goal(s) they are trying to achieve, and then which mechanism best supports that goal.

Sample Policy Goals

Policymakers can have any number of reasonable goals; some of which may be mutually exclusive. Here are a few samples:

1. If the goal is to minimize risk (funding, tax, or legal) to the LEOFF 1 system, then taking no action directly supports that goal.
 - a. Similarly, the Legislature could also research other options not explored in this report, such as de-risking the investment portfolio for LEOFF 1 assets.
2. If the goal is to maximize the excess state assets in LEOFF 1 for reversion to the state several decades from now, then taking no action directly supports that goal.
3. If the goal is to use expected excess state assets in LEOFF 1 to pay for an ongoing COLA in PERS 1 and TRS 1, then SSB 5085 directly supports that goal.
4. If the goal is to use expected excess state assets in LEOFF 1 for other short-term needs of the state, then SHB 2034 directly supports that goal.
5. Washington has an express policy goal of ensuring the retirement systems provide similar benefits wherever possible.³⁷ However, there is no clear

³⁷RCW [41.50.005\(1\)](#).

guidance in statute for when or how this goal should be applied. Historically, public safety plans have been exceptions to that rule, and those plans provide their members with better benefits than the other systems. However, if the goal is to make the PERS 1 and TRS 1 benefits more similar to LEOFF 1 (or the Plans 2/3) than they are currently, enacting ongoing COLAs via SSB 5085 would be one way to do so.

In choosing a goal, it may also help to explore different policy perspectives.

Sample Policy Perspectives

Policymakers can take any number of reasonable views; some of which may be mutually exclusive. Here are a few sample viewpoints:

- A. All assets in the LEOFF 1 fund were earmarked for paying LEOFF 1 benefits and should remain until those obligations are satisfied.
- B. The expected surplus exists because the Legislature appropriated more money than is needed to pay for LEOFF 1 benefits.
 - Further, without the state's intervention, the pre-LEOFF systems would have been forced to choose between cutting back benefits, drastically increasing contributions to the system, defaulting on benefit payments, or some combination thereof.
 - Thus, if the Legislature wants to repurpose those expected excess state contributions (and any resulting investment returns) to address other state needs, they should be able to do so.
- C. It's not a good use of public funds to allow a multi-billion dollar expected surplus to exist in a pension fund when there are other pressing public needs.
 - By comparison, if the Legislature appropriates funds to a state agency program in excess of the agency's requirements, the state would anticipate recovering any surplus funds.
- D. Historically, the Legislature unnecessarily favored funding LEOFF 1 over PERS 1 and TRS 1. While it can be appropriate for one plan to have better benefits than another, or to have a better funded status than another, the gap between these three systems has become too big, and any expected excess funds should be used to reduce that gap.

The decision to support one bill over another depends on the specific policy objectives prioritized by policymakers. For instance, SHB 2034 would make available substantial funding for immediate state obligations but sacrifices potential future investment returns. On the other hand, SSB 5085 enacts a "Plans 2 Style" COLA for PERS 1 and TRS 1 members, funded by depleting the projected LEOFF 1 surplus. Policymakers must evaluate which bill best aligns with their goals, balancing short-term fiscal needs against long-term financial stability.

Conclusion

The Legislature has several viable options to address the projected surplus in LEOFF 1, including taking no action at all.

Select Committee on Pension Policy

According to the analysis received by the SCPP, the two bills identified in the study mandate can be implemented successfully. While the bills carry some risk, much of the potential risks are already mitigated by one or both bills.

The decision to support one bill over another depends on the specific policy objectives prioritized by policymakers.

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APPENDIX

List of Bills Addressing LEOFF 1 Funding or the LEOFF 1 Trust Account

This list is provided here to assist with any related research. This list was the result of a search of topical indices, and may not be exhaustive.

2021

- ❖ [SB 5453](#).
 - ☐ Did not pass.
 - ☐ Would have:
 - ◇ Merged LEOFF 1 and TRS 1.
 - ◇ Enacted benefit improvements for LEOFF 1 and LEOFF 2.
 - ◇ Frozen LEOFF 2 contribution rates for two biennia.

2015-16

- ❖ [SB 6668](#).
 - ☐ Did not pass.
 - ☐ Would have merged LEOFF 1 and TRS 1.

2011-12

- ❖ [House Bill \(HB\) 2097](#).
 - ☐ Did not pass.
 - ☐ Would have merged LEOFF 1 and LEOFF 2.
- ❖ [HB 2350](#).
 - ☐ Did not pass.
 - ☐ Would have merged LEOFF 1 and LEOFF 2.
- ❖ [SB 6563](#).
 - ☐ Did not pass.
 - ☐ Would have merged LEOFF 1 and LEOFF 2.

2001-02

- ❖ [SB 6166](#).
 - ☐ Did not pass.
 - ☐ Would have restated the LEOFF 1 plan. Assets not needed to fund the plan would have been divided into the following categories:

- ◇ 12% of the surplus would be dedicated to a lump-sum defined benefit that is distributed to LEOFF 1 members based on each member's years of service.
- ◇ 12% of the surplus would be dedicated to a LEOFF Medical Benefits Risk Pool.
- ◇ The remainder of the surplus would be dedicated to a State Surplus Assets Reserve Fund to be used to guarantee the actuarial soundness of the Restated LEOFF defined benefit plan 1999-2000.

1999-2000

- ❖ [SB 6792](#).
 - Did not pass.
 - Would have used \$50 million from the LEOFF 1 trust fund to pay for extraordinary LEOFF 1 retiree medical expenses.

ATTACHMENTS

- ❖ Attachment 1: 1973 Report from Washington Public Pension Commission
- ❖ Attachment 2: Department of Retirement Systems
- ❖ Attachment 3: Office of the State Treasurer
- ❖ Attachment 4: Washington State Investment Board
- ❖ Attachment 5: Ice Miller, LLP
- ❖ Attachment 6: Attorney General's Office
- ❖ Attachment 7: Office of the State Actuary
- ❖ Attachment 8: Fiscal Note for HB 2034
- ❖ Attachment 9: Fiscal Note for SB 5085
- ❖ Attachment 10: National Association of State Retirement Administrators (NASRA)
- ❖ Attachment 11: Association of Washington Cities (AWC)
- ❖ Attachment 12: Office of the State Actuary – Supplemental