# HB 1205 Supplemental Rate Adoption

**Background:**
House Bill 1205 (Chapter 388, Laws of 2003) provides prospective LEOFF 2 membership for eligible Fish & Wildlife Enforcement Officers. The approximately 72 current officers covered by this bill will have their future service reported in LEOFF 2 but their past service will remain in PERS. Future officers will have all their service reported in LEOFF 2.

The fiscal note for HB 1205 prepared by the Office of the State Actuary (OSA) estimates that this plan change results in an approximate $8 million increase in plan liability. This increase in liability equates to a 0.04% increase in the LEOFF 2 contribution rate. The rate increase is split 50/30/20 between members, employers and the State. The resulting proposed supplemental rate increases are:

.02% for active members
.01% for employers
.01% for the State

**Options:**

1. **Approve the supplemental rate recommended by OSA**

2. **Contract for independent actuarial review of the supplemental rate recommended by OSA**

   The estimated cost for an independent actuary to review the assumptions and data used by OSA to determine the actuarial liabilities associated with HB 1205 would be $2000-3000. The review and a written report of findings could be completed prior to the December 17, 2003 Board meeting.

3. **Fund transfer**

   The current officers with past service in PERS bring no accrued liability to the LEOFF 2 system. But the aggregate funding method used in both PERS 2/3 and LEOFF 2 funds not only accrued liability but future projected liability related to expected salary growth and future service.

   Future salary growth for current officers will remain a cost to the PERS 2/3 fund to the extent that their LEOFF average final salary is eventually used to calculate their PERS benefit pursuant to dual membership statutes. However, the prior PERS funding for these officers associated with expected future PERS service could be transferred to the LEOFF 2 fund to off-set the $8 million increase in LEOFF Plan 2 liability. The appropriate amount for the fund transfer would need to be actuarially determined and the fund transfer itself would require authorizing legislation.