

Multiple Agency Fiscal Note Summary

Bill Number: 1481 HB	Title: Tribal peace officers/LEOFF
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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
Office of the Governor	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Retirement Systems	1.9	0	0	536,000	1.1	0	0	276,000	.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	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Total \$	1.9	0	0	536,000	1.1	0	0	276,000	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the Governor	.0	0	0	.0	0	0	.0	0	0
Department of Retirement Systems	.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: (360) 489-4327	Date Published: Final 2/27/2023
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Individual State Agency Fiscal Note

Bill Number: 1481 HB	Title: Tribal peace officers/LEOFF	Agency: 075-Office of the Governor
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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: 01/25/2023
Agency Preparation: Tracy Sayre	Phone: 360-890-5279	Date: 01/31/2023
Agency Approval: Jamie Langford	Phone: (360) 870-7766	Date: 01/31/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/31/2023

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.

Sec. 2. of HB 1481 authorizes the Governor to enter into state-tribal compacts for the participation of tribal general authority peace officers, that meet the terms and conditions of this section, in the Law Enforcement Officers' and Firefighters' Retirement (LEOFF) System Plan 2. The Governor shall establish an application and approval process, procedures, and timelines for the negotiation, approval or disapproval, and execution of State-Tribal Law Enforcement Officers' and Firefighters' Retirement System Plan 2 Compacts.

The process may be initiated by submission, to the Governor, of a resolution by the governing body of a federally recognized Tribe in Washington State. The resolution must be accompanied by:

- An application that indicates the police department whose employees will be offered participation in the Law Enforcement Officers' and Firefighters' Retirement System Plan 2
- Attestation that the police department will be operated solely as a governmental entity and compliant with all applicable state and federal laws, the rules adopted thereunder, and the terms and conditions set forth in the application.

Within 90 days of receipt of a resolution and application under this section, the Governor must convene a Government-to-Government meeting for the purpose of considering the resolution and application and initiating negotiator

The Office of the Governor estimates this work can be accomplished within current resources and therefore doesn't have a fiscal impact.

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: 1481 HB	Title: Tribal peace officers/LEOFF	Agency: 124-Department of Retirement Systems
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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	1.0	2.8	1.9	1.1	0.0
Account					
Department of Retirement Systems	126,000	410,000	536,000	276,000	0
Expense Account-State 600-1					
Total \$	126,000	410,000	536,000	276,000	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: 01/25/2023
Agency Preparation: Amy McMahan	Phone: 360-664-7307	Date: 02/01/2023
Agency Approval: Mark Feldhausen	Phone: 360-664-7194	Date: 02/01/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/01/2023

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.

This bill permits full-time tribal police law enforcement officers to participate in Plan 2 of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System if their tribe is federally recognized and enters a compact with the governor of Washington State.

Sections 1(18) and 1(19)(f) expands the definition of "general authority law enforcement agency" and "law enforcement officer" to include full-time employment with a federally recognized Washington State tribe's government, within a police department maintained by the tribe.

Section 2 adds language to 41.26 RCW to authorize the governor to enter a state-tribal compact to allow tribal police officers to participate in LEOFF Plan 2 and the conditions in which the compact can be achieved. This also includes (specifically in section 2(6)(c)(i-iii)) agreements to participate in LEOFF Plan 2: that the tribe meets the definition of employer as defined in this chapter, and will adhere and make available all reporting, contribution, and auditing requirements and records.

Section 2(7) also states that if a tribe's police department were to opt out of LEOFF Plan 2 membership, their law enforcement officers shall have no right to earn service credit in the plan.

Section 4(1) allows law enforcement officers within the tribe's police department to establish LEOFF Plan 2 service credit for previous, eligible services rendered prior to July 1, 2025, unless they were already credited or a member in receipt of retirement benefits from another DRS retirement system. In addition, establishing this service credit for prior service can be elected before July 1, 2026, and must be filed in writing with DRS by June 30, 2026.

Section 5 declares an effective date of July 1, 2025.

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.

Administrative Assumptions:

- Prior to the establishment of LEOFF Plan 2 membership for a tribal employer, the government-to-government tribal compact must be approved by the governor.
- DRS will provide pension-specific language for use in the state-tribal compacts and be available should any general or specific questions arise during negotiations with the tribes.
- Should a tribal compact dissolve, DRS is still responsible for the administration of retirement accounts, whether the LEOFF Plan 2 member is vested or not.
- Any service credit that would have been earned prior to the existence of LEOFF Plan 2 (i.e., October 1, 1977) is not available for purchase.
- Tribal police law enforcement officers in LEOFF Plan 2 are eligible for the "Career Choice" provision (RCW 41.26.500 and WAC 415-105-111) should they retire out of LEOFF Plan 2.
- A new LEOFF Plan 2 member associated with a tribal employer at the time of the tribal compact's creation will have

their membership begin date match the employer's start date in LEOFF Plan 2.

- Tribal police are not eligible to participate in the Washington State Deferred Compensation Program.

To implement this legislation, DRS will:

- Confirm project scope, timeline, and conduct project implementation tasks,
- Conduct 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 deployment),
- Identify impacted members,
- Update agency WACs,
- Update member handbooks and all relevant letters, communicate to employers by mail, and
- Train team members.

To support this implementation, DRS will form a project team that will include a project manager, business analyst, web programmer, communication consultant, program specialist, rules coordinator, and retirement specialist. DRS will also hire a contractor to implement changes to Linux applications.

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	126,000	410,000	536,000	276,000	0
Total \$			126,000	410,000	536,000	276,000	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	2.8	1.9	1.1	
A-Salaries and Wages	90,000	288,000	378,000	197,000	
B-Employee Benefits	30,000	92,000	122,000	64,000	
C-Professional Service Contracts		30,000	30,000	15,000	
E-Goods and Other Services	6,000		6,000		
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 \$	126,000	410,000	536,000	276,000	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 5	84,396		0.1	0.1		
Contracts/Rules Mgr	86,940	1.0	1.0	1.0	0.5	
IT Application Dev - Journey	96,888		0.1	0.1	0.1	
IT Business Analyst-Journey	96,888		0.9	0.5	0.3	
IT Project Management - Mgr	123,636		0.6	0.3	0.2	
Program Specialist 5	80,292				0.1	
Retirement Specialist 3	61,224		0.1	0.1	0.1	
Total FTEs		1.0	2.8	1.9	1.1	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.

Relevant WACs must be updated and or created according to the provisions of this bill.

Individual State Agency Fiscal Note

Bill Number: 1481 HB	Title: Tribal peace officers/LEOFF	Agency: 341-Law Enforcement Officer and Fire Fighters' Plan 2 Retirement Board
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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: 01/25/2023
Agency Preparation: Seth Flory	Phone: (360) 407-8165	Date: 01/30/2023
Agency Approval: Seth Flory	Phone: (360) 407-8165	Date: 01/30/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/31/2023

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.

House Bill 1481 Amends RCW 41.26 to allow qualifying tribal peace officers to participate in the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2.

Including tribal peace officers in the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 will not have a fiscal impact on the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF).

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: 1481 HB	Title: Tribal peace officers/LEOFF	Agency: AFN-Actuarial Fiscal Note - State Actuary
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

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: 01/25/2023
Agency Preparation: Melinda Aslakson	Phone: 360-786-6161	Date: 02/24/2023
Agency Approval: Lisa Won	Phone: 360-786-6150	Date: 02/24/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/27/2023

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

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

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: Permits general authority peace officers certificated by the Criminal Justice Training Commission employed on a full-time basis by the government of a federally recognized tribe to participate in the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2.

COST SUMMARY

This bill has an **Indeterminate Cost or Savings** because data is unavailable for the tribal police officers that may join LEOFF 2. New officers joining LEOFF 2 will impact the system if they are more or less expensive than current members. Any costs or savings impact contribution rates according to the LEOFF 2 funding policy.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- ❖ A cost or savings could emerge if tribal police officers joining LEOFF 2 have significantly different demographics or behavior from current plan members. The amount of cost or savings will also depend on the number of officers joining the plan.
- ❖ We did not receive data on the tribal police officers that would join LEOFF 2. Instead, we provide example impacts using the demographic data from the [2019 Tribal Law Enforcement Study](#) (page 26) adjusted to the most recent valuation date.
 - For this illustration, we estimate employee contribution rates could increase by 1 basis point if 100 tribal police officers joined LEOFF 2. Please see the body of this fiscal note for more information on this example.
- ❖ This bill allows tribal police officers joining LEOFF 2 to purchase past service credit by paying the full actuarial cost. We therefore assume no expected cost for this provision of the bill. However, costs or savings could arise if actual experience differs from the assumptions used to develop the cost paid by members.
- ❖ Tribal police departments must pay a *withdrawal liability cost* if they stop participating in LEOFF 2 in the future. The assumptions and methods to calculate the withdrawal liability are undefined in the bill. Additional costs or savings could materialize based on the specifics of the calculation.

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

WHAT IS THE PROPOSED CHANGE?

Summary of Bill

This bill impacts the following systems:

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

This bill adds full-time general authority peace officers employed by a federally recognized tribe to the definition of law enforcement officer. The bill also provides the ability for a federally recognized tribe to opt in to LEOFF 2 if a state-tribal compact is in place that meets all requirements as outlined in the bill.

Tribes must agree to a limited waiver of sovereign immunity and consent to jurisdiction of Washington state courts for purposes of enforcing the reporting, retirement contribution, and auditing requirements.

The agreement must include expectations and duties if the compact terminates or the tribe later chooses to opt out, specifically including withdrawal liability and examples of the scale of withdrawal liability for an employer with a tribal law enforcement agency similar in size to the tribe agreeing to the compact.

Retirement plan participation is null and void if there are any issues related to meeting Internal Revenue Service code and plan qualification, that cannot be remediated through administrative action, statutory, or rule amendment.

Tribal governments participating in LEOFF 2 will pay the employer and state shares of the cost of the LEOFF 2 benefit for any law enforcement officers.

This bill provides a method and timeframe for tribal law enforcement officers to establish past service credit:

- ❖ From July 1, 2025, through June 30, 2026, a law enforcement officer may establish service credit (by making their election in writing to the Department of Retirement System [DRS]) for service prior to July 1, 2025, unless the service is already credited for that timeframe or they are in receipt of any benefits from the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the School Employees' Retirement System, the Public Safety Employees' Retirement System, LEOFF, the Washington State Patrol Retirement System, Higher Education Retirement Plan, or the Judges' retirement plans.
- ❖ Members will pay the actuarial value of the resulting increase in their benefit in a manner defined by DRS within five years from effective date of the election and prior to retirement. DRS will credit the service after receiving full payment of employee contributions for the period of service.

Effective Date July 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.

What Is the Current Situation?

The [Pension Protection Act of 2006](#) modified the definition of governmental plans to include Indian tribal plans covering workers doing governmental work and excluding commercial work. This Act made it possible for tribes to create their own governmental plans and state or local government plans to allow tribes to join their pension systems.

Based on a [Tribal Law Enforcement Study](#) conducted by LEOFF 2 in 2019, some federal restrictions and state laws prevent some tribal employees from joining state governmental plans, including LEOFF 2. The LEOFF 2 report noted retirement plan offerings vary for law enforcement officers employed by federally recognized tribes in the state of Washington. Most tribes who responded to the study survey indicated they offer a 401(k) plan to their tribal law enforcement officers. One tribe indicated their police department employees are currently in LEOFF 2 because they contract with King County, while another tribe noted many of its employees are retired LEOFF 2 members.

Who Is Impacted and How?

This bill could impact all law enforcement officers employed by federally recognized tribes by providing membership in LEOFF 2. The benefit earned by officers joining LEOFF 2 will depend on their age, salary, and years of service at retirement. Contribution rates will be charged according to the plan's funding policy. Officers will pay the member contribution rate while the tribes pay the combined employer and state rates.

It is our current understanding that retired LEOFF 2 members employed by tribes will cease receiving their pension and continue as an active member. This would only occur if the tribe elected to join LEOFF 2 under this bill.

Tribal law enforcement officers joining LEOFF 2 may purchase service credit prior to July 1, 2025, unless the service is already credited in another state retirement system. Based on input from DRS, members would pay the full actuarial cost to purchase past service. Additional service will provide members with larger retirement benefits from the plan.

A withdrawal liability cost is charged to the tribe if they choose to opt out of LEOFF 2 in the future, however the specifics for calculating the withdrawal liability are not defined in the bill.

All current LEOFF 2 members, employers, and the state could pay higher or lower contribution rates depending on the impact of tribal law enforcement officers joining the plan. Any contribution rate changes arising from this bill follow the plan's funding policy of 50 percent member, 30 percent employer, 20 percent state.

HOW THIS BILL MAY IMPACT RETIREMENT SYSTEM COSTS

Why This Bill Has an Indeterminate Cost or Savings

Costs or savings could emerge if new law enforcement officers under this bill are significantly different from current plan members regarding age, service, salary, or behavior. Costs could arise if new members earn larger benefits and collected those benefits for longer than current plan members. Conversely, a savings could materialize if new members work shorter careers and collect smaller benefits.

We are unable to determine a best estimate cost for this bill because limited data is available to set assumptions for the number and demographic profiles of tribal officers expected to join the plan. We determined the data from the *2019 Tribal Law Enforcement Study* is insufficient to set a best estimate cost. Instead, we provide example impacts based on the 2019 study data with adjustments where appropriate. Please see the example section for details.

Tribal officers joining LEOFF 2 may purchase past service credit by paying the full actuarial cost of increased benefits. This means there is no expected cost to the plan if future experience matches the assumptions used to develop the past service credit cost. Costs or savings to the plan could arise to the extent that experience deviates from those assumptions.

Who Will Pay For or Receive These Indeterminate Costs or Savings?

Any costs or savings that arise from this bill will be divided according to the standard funding method for LEOFF 2: 50 percent member, 30 percent employer, and 20 percent state.

Since the cost or savings of this bill are indeterminate, no supplemental contribution rate will be charged. The actual impacts will be incorporated into future LEOFF 2 actuarial valuations and contribution rates will adjust accordingly.

HYPOTHETICAL EXAMPLE IMPACTS UNDER THIS BILL

For illustrative purposes only, we provide an example contribution rate impact of 100 tribal officers joining LEOFF 2. We relied on the tribal officer demographics collected for the *2019 Tribal Law Enforcement Study* and adjusted for three years of assumed salary growth to our most recent actuarial valuation date.

Actual tribal officer demographics may differ significantly from our example statistics. For instance, actual salary growth from the time of the study to our valuation date may be materially different than assumed. Additionally, tribes not responding in the study, and whose officer demographics were not included in the example data, may ultimately decide to join LEOFF 2.

Example Tribal Officer Demographics	
New Members	100
Age	40
Salary*	\$79,828
Years of Experience**	10

*Applied 3 years of 3.50% assumed salary growth to project salaries from June 30, 2018, to June 30, 2021.

**Years of Experience is used to approximate career advancement within our valuation model. It is not used to determine retirement eligibility or benefits.

We developed the example contribution rate impacts using the assumptions, methods, and data in our [June 30, 2021, Actuarial Valuation Report](#) (AVR) and adding the example members with demographics as noted above. We assumed future tribal officer behavior (termination, retirement, etc.) and salary experience would be the same as current LEOFF 2 members.

Based on the example data and assumptions, we estimate the member contribution rate in LEOFF 2 increases by one basis point (0.01 percent) under the Aggregate cost method. Minimum contribution rate changes did not round to a basis point. An increase in contribution rates indicates the example members are generally more expensive than current LEOFF 2 members.

This hypothetical example is sensitive to two key assumptions: (1) the number of officers joining LEOFF 2 and (2) the assumed starting salary. If 200 officers with identical demographics joined the plan, then the contribution rate impacts double. Or, if the assumed starting salary matched the 2021 AVR LEOFF 2 average salary of approximately \$122,500, then the contribution rate changes also double.

Comments on Risk

Our office performs annual 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 annual 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 latest risk measurements as of June 30, 2021. The figures in this table were not reproduced for this bill. For more information, please see our [Risk Assessment](#), [Commentary on Risk](#), and [Glossary](#) webpages. Additional information on the assumptions used to produce the risk measures can be found in the [Risk Assessment Assumptions Study](#).

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%

*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 would expect this bill could improve or worsen the affordability and solvency risk measures depending on the magnitude of tribal participation and demographics of officers joining the plan. However, we expect the risk measures of LEOFF 2 and all retirement systems in aggregate to be limited.

ACTUARY'S CERTIFICATION

The undersigned certifies 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.
3. 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 from this AFN. Additionally, the results of this AFN may change after our next annual update of the underlying actuarial measurements.
4. 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 of this AFN.

We prepared this AFN to support legislative deliberations during the 2023 Legislative Session. This AFN 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, meets 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 is available to provide extra advice and explanations as needed.



Lisa Won, ASA, FCA, MAAA
Deputy State Actuary

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