

## LEOFF 1 Dependent Children

### Overall Summary

#### *What is the LEOFF 1 Dependent Children Assumption and how is it Used?*

Based on our analysis, we decided to remove this assumption. In prior years, the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 Dependent Children assumption was used to estimate the expected cost of additional benefits paid to certain disabled retirees and surviving spouses of members who die in service who have qualifying dependent children.

Specifically, disabled retirees and surviving spouses of members who die in service are eligible to receive an additional 5 percent of the member's Final Average Salary (FAS) per dependent child, up to a maximum of 10 percent. Members do not make contributions toward this benefit and, therefore, it is a cost to the system.

Only children under age 18 may receive these benefits. Benefits may be extended to age 20 years and 11 months when the child is a full-time student.

These rates are generally age based.

### High-Level Takeaways

Our decision to remove this assumption was based on the following factors.

- ◆ LEOFF 1 is a closed plan and there are fewer than 150 Active members, the youngest of which is 54 years old.

- ◆ There are currently only 34 children in Pay Status, a decrease of 147 since the last experience study.
- ◆ The probabilities of disabled retirees or survivors having dependent children have significantly decreased at nearly all ages.
- ◆ The estimated cost of applying the assumption from the prior demographic experience study is immaterial (in this case less than \$5,000 per year).
- ◆ The LEOFF 1 Present Value of Future Benefits is \$4,420 billion as of June 30, 2013; removal of this benefit from our model is estimated to have an approximately 0.0001 percent impact.

### General Methodology

There are two main calculations for this assumption.

- ◆ Probability of an eligible member having a dependent child.
- ◆ Duration of payments for those dependent children.

We assume all members who have qualifying children have two of them, resulting in the maximum increase of 10 percent of FAS.

We assume all qualifying children remain full-time students until age 21.

### Data

We used annuitant records from the 2013 valuation data to study this LEOFF Plan 1 benefit.

## Law changes

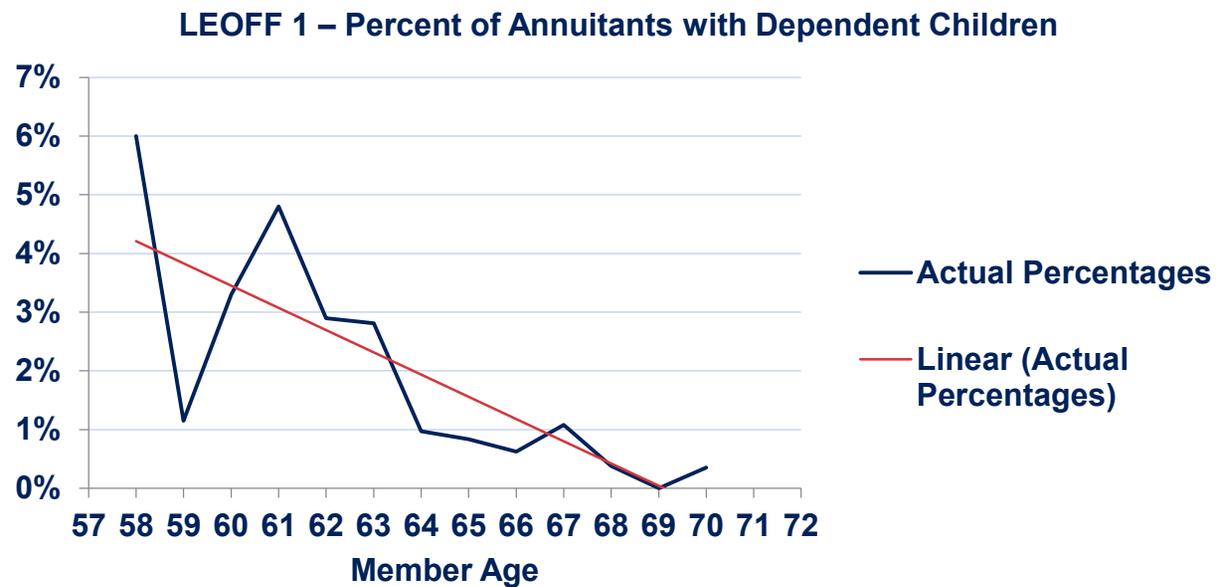
No law changes impacted our study of LEOFF 1 Dependent Children.

## Results

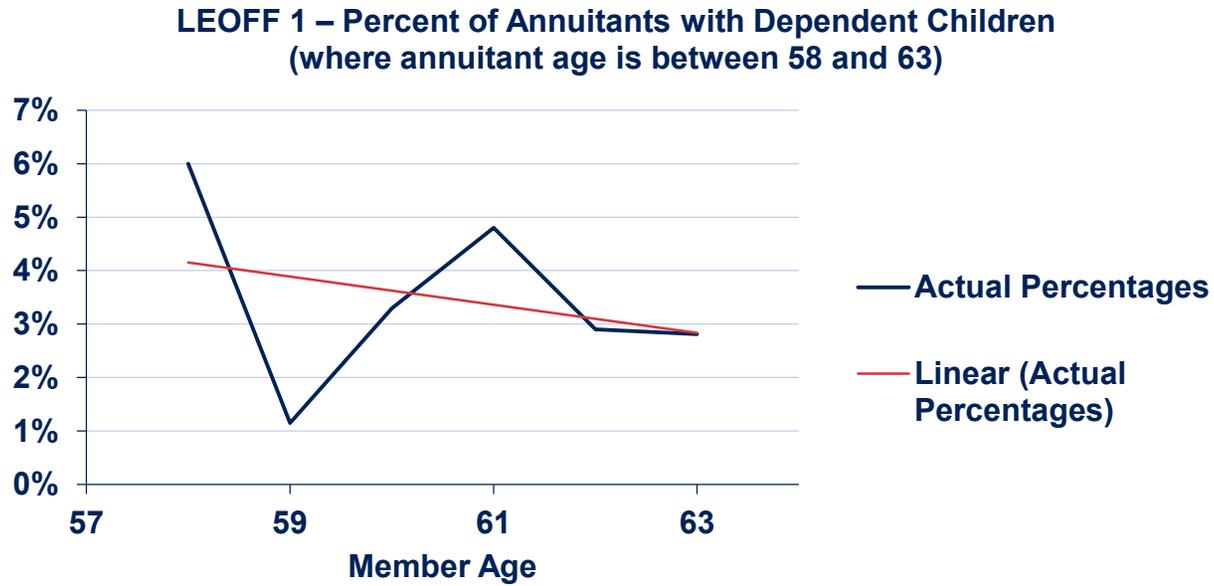
### All-Plan Summary

We chose to remove this assumption for the reasons outlined in High-Level Takeaways. We present the following analysis of current annuitant experience for illustration purposes only.

The chart displayed to the right shows the percent of LEOFF 1 retirees over age 58 with dependent children.



The following chart shows the percent of LEOFF 1 retirees between age 58 and 63 with dependent children.



The following chart shows the percent of LEOFF 1 retirees over age 63 with dependent children.

