

## Percent Fire Fighter and Catastrophic Disability Benefit in LEOFF 2

### Overall Summary

#### *What are the Percent Fire Fighter and Catastrophic Disability Assumptions and how are they Used?*

The catastrophic, or total disability, assumption reflects the potential impact of benefits for the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 members whose injuries received in the line of duty result in the member being totally disabled. For more information about disabilities and disability classifications, please see the **Disability** section.

If a member is totally disabled, the LEOFF 2 Plan pays 70 percent of Final Average Salary (FAS). However, the maximum amount of combined disability benefits cannot exceed 100 percent of pay. Members may also be eligible for disability benefits from sources like Social Security (SS) and Labor and Industries (L&I) wage-replacement benefits under Title 51.

The percent fire fighter assumption helps us reflect the difference in SS eligibility between the two job categories in LEOFF 2: fire fighters and police officers.

### High Level Takeaways

After reviewing our methodology and reflecting current data, we expect the average plan benefit (as a proportion of total disability benefits) to increase from 34 percent to 44 percent of FAS. The main reason for this change is the addition of a new assumption for members not eligible for L&I benefits.

### General Methodology

Since a member's combined disability benefit from all sources cannot exceed 100 percent of FAS, we estimate what members would receive from SS and L&I and reduce the LEOFF 2 benefit (from the default of 70 percent of FAS) if necessary.

For instance, for LEOFF 2 members eligible for L&I, federal statutes limit the allowable SS disability benefit (plus state time-loss compensation) to 80 percent of average current earnings. Therefore, assuming a member receives both the full SS and L&I benefits, the retirement plan benefit is limited to paying 20 percent of final average earnings so that the total does not exceed 100 percent of a member's final average earnings.

### Data

For the percent fire fighter assumption, we reviewed member data from 1995-2012. We also gathered data on the following.

- ◆ LEOFF members eligible for Social Security, as provided by the LEOFF 2 Retirement Board.
- ◆ Washington State Average Wage (SAW) – \$51,595 in 2012, as provided by the state Employment Security Department. L&I benefits are subject to a maximum of 120 percent of the SAW.
- ◆ Current catastrophic disability retirements not receiving, and not expected to receive, L&I benefits, as provided by the Department of Retirement Systems.

### Law changes

Since the last study, no law changes have affected these assumptions.

## Results

### All Plan Summary

	Prior Assumption	New Assumption
<b>A. Percent Not Eligible for L&amp;I Benefits</b>	0%	25%
<b>B. Percent Fire Fighter</b>	42%	45%
<b>C. Percent Eligible for SS</b>		
i. Fire Fighters	5%	5%
ii. Law Enforcement	55%	55%
<b>D. Expected Percent of FAS Plan Benefit</b>		
i. SS Eligible	20%	20%
ii. Not SS Eligible	41%	43%
<b>Valuation Factor</b>	0.34	0.44

For the catastrophic disability benefit, the average percent of FAS that is expected to be paid from the plan is calculated as follows.

$$0.44 = (A) * 0.70 + (1-A) * (0.20 * [B * C(i) + (1-B) * C(ii)] + 0.43 * [B * (1-C(i)) + (1-B) * (1-C(ii))])$$

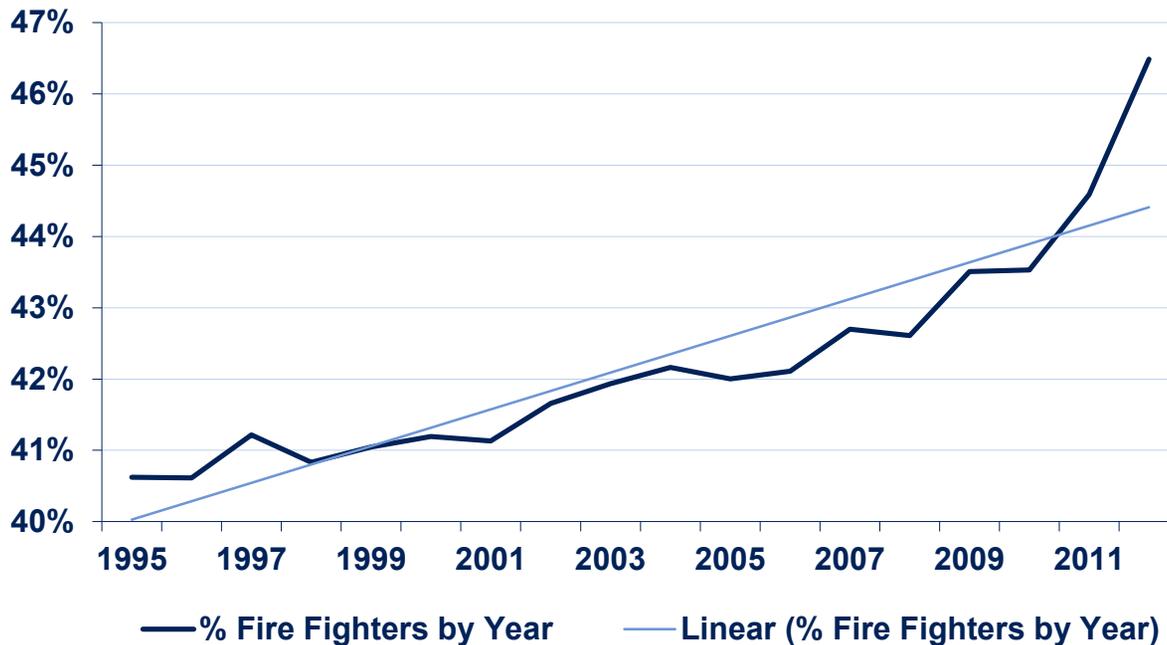
L&I will pay 60 percent to 75 percent of total pay depending on marital status and number of minor dependents. This is also subject to a maximum of 120 percent of SAW. For members not eligible for SS, we estimated the average amount expected to be paid from L&I to be 57 percent. This is equal to taking the average of the minimum of 60 percent of pay and 120 percent of the SAW for each active member and dividing it by the average salary for the active members. We therefore assume the plan will pay  $1 - 0.57$ , or 43 percent of FAS.

## Percent Fire Fighter

The chart on this page shows the projected percentage of fire fighters compared to all active members of LEOFF 2 by year. We fit a linear trend line to the data, which can be used to predict the expected percentage of fire fighters in LEOFF. Generally, we see that the percentage of fire fighters is increasing.

disabilities would not receive any benefits from L&I. We assumed that members who are ineligible for L&I will receive the full 70 percent of FAS plan benefit. We will continue to monitor this assumption and adjust as necessary.

**Percent Fire Fighters to All LEOFF Plan 2 Actives by Year**



Based on the trend line, we project the percent fire fighter to be 45 percent in 2015, the middle of the next experience study. This is an increase from 42 percent in the prior study.

While reviewing calculations for current members on catastrophic disability, we learned that not all members are receiving income from L&I. Seven of the 29 members were not receiving L&I; therefore, we assumed 25 percent of all future catastrophic