HOUSE BILL REPORT
HB 1295

As Passed House:
March 8, 1995

Title: An act relating to payment of retirement system benefits upon death of a member or retiree.

Brief Description: Providing retirement system benefits upon death of member or retiree.

Sponsors: Representatives Carlson, Sommers, Sehlin and Basich; by request of Department of Retirement Systems.

Brief History:
Committee Activity:
Appropriations: 2/23/95, 2/28/95 [DP].
Floor Activity:
Passed House: 3/8/95, 96-0.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 30 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dellwo; Foreman; Grant; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

Staff: Dan Chang (786-7191).

Background: The State Department of Retirement Systems (DRS) administers various public retirement plans. Most retirement systems permit members to designate beneficiaries to receive the member's accumulated contributions if the member dies before retirement. In some systems, members who retire for disability can designate a beneficiary to receive any excess contributions remaining after the member's death.

In these cases, current law requires the beneficiary to be a person. Members cannot designate trusts, organizations, or their estates as beneficiaries. Additionally, the designated person must have an "insurable interest" in the member's life. An "insurable interest" requires a close blood or legal relationship or a lawful and substantial economic interest.

In some systems, retired members may choose to receive an actuarially reduced retirement benefit that continues to be paid to a designated beneficiary upon the member's death. To receive this benefit, the survivor must have an "insurable interest" in the member's life.

Summary of Bill: A member may designate a person or persons, a trust, an organization, or the member's estate to receive a refund of the member's contributions. Beneficiaries designated to receive contribution refunds or survivor's enefits need not have an "insurable interest" in the member's life.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill provides members with more choices from whom they can designate as a beneficiary.

Testimony Against: None.

Testified: Sheryl Wilson, Department of Retirement Services.