

SENATE BILL REPORT

SHB 2604

As Reported By Senate Committee On:
Ways & Means, February 23, 2000

Title: An act relating to options for payment of retirement allowances.

Brief Description: Creating additional options for payment of retirement allowances.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Doumit, Alexander, Wolfe, Delvin, Conway, Carlson, H. Sommers, McDonald, Schoesler, Pflug, Talcott, Clements, Bush, Keiser, Haigh, Rockefeller, Kagi and Hurst; by request of Joint Committee on Pension Policy).

Brief History:

Committee Activity: Ways & Means: 2/23/2000 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Loveland, Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kohl-Welles, Long, McDonald, Rasmussen, Roach, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley, Wojahn and Zarelli.

Staff: Pete Cutler (786-7454)

Background: Members of the Public Employees' Retirement System (PERS), Teachers' Retirement Systems (TRS), School Employees' Retirement Systems (SERS), and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 have the option of including joint and survivor coverage as part of their pension benefit. The monthly pension of a retiree who chooses a survivor benefit is reduced to pay for the survivor benefit. The designation of the retiree's beneficiary must be made at the time of retirement and cannot be modified even if the retiree's personal circumstances are changed by the death of a spouse, divorce, or marriage. The designated beneficiary may be someone other than a spouse.

The available survivor options include the following: (1) a joint and 100 percent option where the surviving beneficiary continues to receive the same retirement allowance that the retiree received; (2) a joint and two-thirds option where the survivor receives two-thirds of the allowance the retiree was receiving at death; and (3) a joint and 50 percent option where the survivor receives 50 percent of the allowance the retiree was receiving at death.

A joint and survivor benefit for qualified spouses is automatically included in the retirement allowance received by retirees of the LEOFF Plan 1 and the Washington State Patrol Retirement System (WSPRS).

Summary of Amended Bill: The Department of Retirement Systems (DRS) must adopt rules by July 1, 2001, that provide two additional actuarially equivalent survivor benefit options. One option must allow a member who retired without designating a survivor beneficiary the option of designating the spouse from a post-retirement marriage as a survivor during a one-year period that begins after the retiree has been married for one year, provided that the retiree's monthly benefit is not subject to a property settlement agreement from a court decree of dissolution or legal separation. The second option must allow a retiree who chose a reduced retirement allowance and designated a non-spouse as a survivor beneficiary the option of removing the survivor designation and having the future benefit adjusted. The second option must be provided no later than July 1, 2000, to TRS Plan 1 retirees who are over age 90. The benefit received under the new survivor options must be actuarially equivalent to the benefit received with no survivor option. DRS must develop the survivor options for members of the Public Employees' Retirement System Plans 1 and 2, the Teachers' Retirement System Plans 1, 2 and 3, the School Employees' Retirement System Plans 2 and 3 and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2. The intent of a survivor option provision added to the WSPRS in 1999 is clarified.

Amended Bill Compared to Substitute Bill: Technical changes are made and the deadline for providing a new beneficiary option is moved forward to July 1, 2000, for certain TRS 1 retirees.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect ninety days after adjournment of session in which bill is passed, except Section 5, which takes effect September 1, 2000.

Testimony For: The Joint Committee on Pension Policy looked at the issue of survivor options and determined that this was the least complicated solution to problems that had arisen. This bill would provide an opportunity to some retirees to share benefits with a spouse from a marriage that takes place after retirement. It also allows retirees who designate a child or some other individual as a beneficiary to change their survivor designation when circumstances change.

Testimony Against: None.

Testified: Patrick Hoban, WA State Retired Teachers Assn. (pro).