

SENATE BILL REPORT

SB 6533

As Reported By Senate Committee On:
Ways & Means, February 1, 2000

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

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

Sponsors: Senators Franklin, Winsley, Bauer, Honeyford, Jacobsen, Long, Haugen, Fairley, Goings, Rasmussen, Patterson, Eide, Kohl-Welles, Stevens, B. Sheldon, Gardner, Spanel and Zarelli; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/31/2000, 2/1/2000 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6533 be substituted therefor, and the substitute bill do pass.

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

Staff: Pete Cutler (786-7454)

Background: Members of the Public Employees Retirement System Plans 1 and 2 (PERS), the Teachers Retirement System Plans 1, 2 and 3 (TRS), the School Employees Retirement System Plans 2 and 3 (SERS), and the Law Enforcement Officers and Fire Fighters Retirement System Plan 2 (LEOFF Plan 2) all 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 LEOFF Plan 1 and the Washington State Patrol Retirement System. Those retirees do not have to receive a reduced benefit to pay for the survivor benefit.

Summary of Substitute Bill: The Department of Retirement Systems must adopt rules by July 1, 2001, that provide additional actuarially equivalent survivor benefit options for PERS, TRS, SERS, and LEOFF Plan 2 retirees. The following options must be added: (1) members who retired without a survivor beneficiary must be given the option to select their spouse from a post-retirement marriage as a survivor beneficiary, provided that the retiree makes the change during a one-year period, beginning one year after the date of the post-retirement marriage; and (2) retirees who selected somebody other than their spouse as a survivor beneficiary must be given the option of removing the beneficiary and having the future benefit adjusted. The department may make an additional charge, if necessary, to ensure the benefits received under the new survivor options are actuarially equivalent to the benefits received prior to selection of one of the new options.

Substitute Bill Compared to Original Bill: It clarifies that a retiree whose retirement allowance has been split by a court between the retiree and the retiree's former spouse may not select a new spouse as a survivor beneficiary. Also, an obsolete reference to persons having an insurable interest in a member's life is deleted.

Appropriation: None.

Fiscal Note: Requested on January 24, 2000.

Effective Date: The bill contains two effective dates. Please refer to the bill.

Testimony For: People are living longer in retirement. It is helpful for retirees to have more flexibility regarding their survivor benefits, to adjust for life changes.

Testimony Against: None.

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