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HOUSE BILL 2536

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State of Washington

58th Legislature

2004 Regular Session

By Representatives Alexander, Fromhold, Conway, Rockefeller, Simpson, G., Moeller, Chase, Bush and Armstrong; by request of Select Committee on Pension Policy

Read first time 01/15/2004. Referred to Committee on Appropriations.

1 AN ACT Relating to permitting members of the public employees'  
2 retirement system plan 2 and plan 3 and the school employees'  
3 retirement system plan 2 and plan 3 to buy down the early retirement  
4 reduction amounts; amending RCW 41.40.630, 41.40.820, 41.35.420, and  
5 41.35.680; adding new sections to chapter 41.40 RCW; adding new  
6 sections to chapter 41.35 RCW; and providing an effective date.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW  
9 under the subchapter heading "plan 2" to read as follows:

10 (1) A member eligible to retire under RCW 41.40.630 (2) or (3) may,  
11 at the time of filing a written application for retirement with the  
12 department, apply to the department to buy down the early retirement  
13 reduction amounts with the department.

14 (2) A member may buy down all or part of the amount required to  
15 fully offset the reduction in benefits that the member is subject to in  
16 computing the member's retirement allowance under RCW 41.40.630 (2) or  
17 (3), as applicable.

18 (3) Subject to rules adopted by the department, a member buying  
19 down the early retirement reduction amounts under this section may pay

1 all or part of the cost with a lump sum payment, eligible rollover,  
2 direct rollover, or trustee-to-trustee transfer from an eligible  
3 retirement plan. The department shall adopt rules to ensure that the  
4 lump sum payments, rollovers, and transfers comply with the  
5 requirements of the federal internal revenue code and the regulations  
6 adopted by the internal revenue service. The rules adopted by the  
7 department may condition the acceptance of a rollover or transfer from  
8 another plan on the receipt of information necessary to enable the  
9 department to determine the eligibility of any transferred funds for  
10 the tax-free rollover treatment or other treatment under federal tax  
11 law.

12 **Sec. 2.** RCW 41.40.630 and 2000 c 247 s 901 are each amended to  
13 read as follows:

14 (1) NORMAL RETIREMENT. Any member with at least five service  
15 credit years who has attained at least age sixty-five shall be eligible  
16 to retire and to receive a retirement allowance computed according to  
17 the provisions of RCW 41.40.620.

18 (2) EARLY RETIREMENT. Any member who has completed at least twenty  
19 service credit years and has attained age fifty-five shall be eligible  
20 to retire and to receive a retirement allowance computed according to  
21 the provisions of RCW 41.40.620, except that a member retiring pursuant  
22 to this subsection shall have the retirement allowance actuarially  
23 reduced to reflect the difference in the number of years between age at  
24 retirement and the attainment of age sixty-five.

25 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
26 least thirty service credit years and has attained age fifty-five shall  
27 be eligible to retire and to receive a retirement allowance computed  
28 according to the provisions of RCW 41.40.620, except that a member  
29 retiring pursuant to this subsection shall have the retirement  
30 allowance reduced by three percent per year to reflect the difference  
31 in the number of years between age at retirement and the attainment of  
32 age sixty-five.

33 (4) The actuarial reduction provided for in subsection (2) of this  
34 section and the three percent per year reduction provided for in  
35 subsection (3) of this section shall be adjusted for any buydown of  
36 those amounts under section 1 of this act.

1        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 41.40 RCW  
2 under the subchapter heading "plan 3" to read as follows:

3        (1) A member eligible to retire under RCW 41.40.820 (2) or (3) may,  
4 at the time of filing a written application for retirement with the  
5 department, apply to the department to buy down the early retirement  
6 reduction amounts with the department.

7        (2) A member may buy down all or part of the amount required to  
8 fully offset the reduction in benefits that the member is subject to in  
9 computing the member's retirement allowance under RCW 41.40.820 (2) or  
10 (3), as applicable

11        (3) Subject to rules adopted by the department, a member buying-  
12 down the early retirement reduction amounts under this section may pay  
13 all or part of the cost with a lump sum payment, eligible rollover,  
14 direct rollover, or trustee-to-trustee transfer from an eligible  
15 retirement plan. The department shall adopt rules to ensure that the  
16 lump sum payments, rollovers, and transfers comply with the  
17 requirements of the federal internal revenue code and the regulations  
18 adopted by the internal revenue service. The rules adopted by the  
19 department may condition the acceptance of a rollover or transfer from  
20 another plan on the receipt of information necessary to enable the  
21 department to determine the eligibility of any transferred funds for  
22 the tax-free rollover treatment or other treatment under federal tax  
23 law.

24        **Sec. 4.**    RCW 41.40.820 and 2000 c 247 s 309 are each amended to  
25 read as follows:

26        (1) NORMAL RETIREMENT.    Any member who is at least age sixty-five  
27 and who has:

28        (a) Completed ten service credit years; or

29        (b) Completed five service credit years, including twelve service  
30 credit months after attaining age fifty-four; or

31        (c) Completed five service credit years by the transfer payment  
32 date specified in RCW 41.40.795, under the public employees' retirement  
33 system plan 2 and who transferred to plan 3 under RCW 41.40.795;  
34 shall be eligible to retire and to receive a retirement allowance  
35 computed according to the provisions of RCW 41.40.790.

36        (2) EARLY RETIREMENT.    Any member who has attained at least age  
37 fifty-five and has completed at least ten years of service shall be

1 eligible to retire and to receive a retirement allowance computed  
2 according to the provisions of RCW 41.40.790, except that a member  
3 retiring pursuant to this subsection shall have the retirement  
4 allowance actuarially reduced to reflect the difference in the number  
5 of years between age at retirement and the attainment of age sixty-  
6 five.

7 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
8 least thirty service credit years and has attained age fifty-five shall  
9 be eligible to retire and to receive a retirement allowance computed  
10 according to the provisions of RCW 41.40.790, except that a member  
11 retiring pursuant to this subsection shall have the retirement  
12 allowance reduced by three percent per year to reflect the difference  
13 in the number of years between age at retirement and the attainment of  
14 age sixty-five.

15 (4) The actuarial reduction provided for in subsection (2) of this  
16 section and the three percent per year reduction provided for in  
17 subsection (3) of this section shall be adjusted for any buydown of  
18 those amounts under section 3 of this act.

19 NEW SECTION. Sec. 5. A new section is added to chapter 41.35 RCW  
20 under the subchapter heading "plan 2" to read as follows:

21 (1) A member eligible to retire under RCW 41.35.420 (2) or (3) may,  
22 at the time of filing a written application for retirement with the  
23 department, apply to the department to buy down the early retirement  
24 reduction amounts with the department.

25 (2) A member may buy down all or part of the amount required to  
26 fully offset the reduction in benefits that the member is subject to in  
27 computing the member's retirement allowance under RCW 41.35.420 (2) or  
28 (3), as applicable.

29 (3) Subject to rules adopted by the department, a member buying  
30 down the early retirement reduction amounts under this section may pay  
31 all or part of the cost with a lump sum payment, eligible rollover,  
32 direct rollover, or trustee-to-trustee transfer from an eligible  
33 retirement plan. The department shall adopt rules to ensure that the  
34 lump sum payments, rollovers, and transfers comply with the  
35 requirements of the federal internal revenue code and the regulations  
36 adopted by the internal revenue service. The rules adopted by the  
37 department may condition the acceptance of a rollover or transfer from

1 another plan on the receipt of information necessary to enable the  
2 department to determine the eligibility of any transferred funds for  
3 the tax-free rollover treatment or other treatment under federal tax  
4 law.

5 **Sec. 6.** RCW 41.35.420 and 2000 c 247 s 905 are each amended to  
6 read as follows:

7 (1) NORMAL RETIREMENT. Any member with at least five service  
8 credit years who has attained at least age sixty-five shall be eligible  
9 to retire and to receive a retirement allowance computed according to  
10 the provisions of RCW 41.35.400.

11 (2) EARLY RETIREMENT. Any member who has completed at least twenty  
12 service credit years and has attained age fifty-five shall be eligible  
13 to retire and to receive a retirement allowance computed according to  
14 the provisions of RCW 41.35.400, except that a member retiring pursuant  
15 to this subsection shall have the retirement allowance actuarially  
16 reduced to reflect the difference in the number of years between age at  
17 retirement and the attainment of age sixty-five.

18 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
19 least thirty service credit years and has attained age fifty-five shall  
20 be eligible to retire and to receive a retirement allowance computed  
21 according to the provisions of RCW 41.35.400, except that a member  
22 retiring pursuant to this subsection shall have the retirement  
23 allowance reduced by three percent per year to reflect the difference  
24 in the number of years between age at retirement and the attainment of  
25 age sixty-five.

26 (4) The actuarial reduction provided for in subsection (2) of this  
27 section and the three percent per year reduction provided for in  
28 subsection (3) of this section shall be adjusted for any buydown of  
29 those amounts under section 5 of this act.

30 NEW SECTION. **Sec. 7.** A new section is added to chapter 41.35 RCW  
31 under the subchapter heading "plan 3" to read as follows:

32 (1) A member eligible to retire under RCW 41.35.680 (2) or (3) may,  
33 at the time of filing a written application for retirement with the  
34 department, apply to the department to buy down the early retirement  
35 reduction amounts with the department.

1 (2) A member may buy down all or part of the amount required to  
2 fully offset the reduction in benefits that the member is subject to in  
3 computing the member's retirement allowance under RCW 41.35.680 (2) or  
4 (3), as applicable.

5 (3) Subject to rules adopted by the department, a member buying  
6 down the early retirement reduction amounts under this section may pay  
7 all or part of the cost with a lump sum payment, eligible rollover,  
8 direct rollover, or trustee-to-trustee transfer from an eligible  
9 retirement plan. The department shall adopt rules to ensure that the  
10 lump sum payments, rollovers, and transfers comply with the  
11 requirements of the federal internal revenue code and the regulations  
12 adopted by the internal revenue service. The rules adopted by the  
13 department may condition the acceptance of a rollover or transfer from  
14 another plan on the receipt of information necessary to enable the  
15 department to determine the eligibility of any transferred funds for  
16 the tax-free rollover treatment or other treatment under federal tax  
17 law.

18 **Sec. 8.** RCW 41.35.680 and 2000 c 247 s 906 are each amended to  
19 read as follows:

20 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five  
21 and who has:

22 (a) Completed ten service credit years; or

23 (b) Completed five service credit years, including twelve service  
24 credit months after attaining age fifty-four; or

25 (c) Completed five service credit years by September 1, 2000, under  
26 the public employees' retirement system plan 2 and who transferred to  
27 plan 3 under RCW 41.35.510;

28 shall be eligible to retire and to receive a retirement allowance  
29 computed according to the provisions of RCW 41.35.620.

30 (2) EARLY RETIREMENT. Any member who has attained at least age  
31 fifty-five and has completed at least ten years of service shall be  
32 eligible to retire and to receive a retirement allowance computed  
33 according to the provisions of RCW 41.35.620, except that a member  
34 retiring pursuant to this subsection shall have the retirement  
35 allowance actuarially reduced to reflect the difference in the number  
36 of years between age at retirement and the attainment of age sixty-  
37 five.

1           (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
2 least thirty service credit years and has attained age fifty-five shall  
3 be eligible to retire and to receive a retirement allowance computed  
4 according to the provisions of RCW 41.35.620, except that a member  
5 retiring pursuant to this subsection shall have the retirement  
6 allowance reduced by three percent per year to reflect the difference  
7 in the number of years between age at retirement and the attainment of  
8 age sixty-five.

9           (4) The actuarial reduction provided for in subsection (2) of this  
10 section and the three percent per year reduction provided for in  
11 subsection (3) of this section shall be adjusted for any buydown of  
12 those amounts under section 7 of this act.

13           NEW SECTION.   **Sec. 9.** This act takes effect July 1, 2006.

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