

SENATE BILL REPORT

SB 5163

As Reported by Senate Committee On:
Ways & Means, February 25, 2011

Title: An act relating to providing a partial lump sum benefit payment option for certain survivors of active members of the teachers' retirement system plan 1.

Brief Description: Providing a partial lump sum benefit payment option for certain survivors of active members of the teachers' retirement system plan 1.

Sponsors: Senators Hobbs, Schoesler, Conway, Rockefeller, Murray, Kohl-Welles, Roach and Kilmer; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 2/03/11, 2/25/11 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Baumgartner, Baxter, Brown, Conway, Fraser, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Pflug, Pridemore, Regala, Rockefeller, Schoesler and Tom.

Staff: Erik Sund (786-7454)

Background: Plan 1 of the Teachers' Retirement System (TRS 1) provides benefits for certificated employees who first entered eligible employment with school districts, educational service districts, and other public educational employers prior to October 1, 1977. Members of TRS 1 are eligible to retire from age 60 with five years of service, from age 55 with 25 years of service, or at any age with 30 years of service. A member's basic retirement allowance is equal to 2 percent of the member's average final compensation for each year of service credit. At the time of retirement, TRS 1 members may choose to withdraw a portion of their accumulated retirement system contributions as a lump sum. Members choosing to make a partial withdrawal of their accumulated contributions receive a monthly retirement allowance that is reduced to reflect the share of the allowance that would otherwise have been funded by the withdrawn contributions.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The survivor of a member of TRS 1 who dies without having retired is eligible to receive either a monthly allowance based on the retirement benefit that the member had earned or a refund of all the member's accumulated contributions. A survivor may not choose to withdraw part of the member's contributions and receive a reduced retirement allowance.

Summary of Bill: The survivor of a member of TRS 1 who dies prior to retirement may choose to receive both a refund of part of the member's accumulated contributions and a reduced monthly retirement allowance. In order to qualify for this option, the member must have been eligible to retire at the time of death, and the survivor must be eligible to receive a survivor pension from the plan.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Some members in Plan 1 wish to continue working even after they've qualified for retirement, however they are concerned about what will happen to their survivors if they die while still active. A member's surviving spouse would be forced to choose between receiving a monthly survivor's allowance or withdrawing all of the member's contributions access funds that the member had planned to withdraw at retirement to address financial commitments. Many members are taking out huge life insurance policies in order to guard against this risk. This bill has some costs, but that is basically because under current law the state saves money when survivors have to forfeit part of their benefit.

Persons Testifying: PRO: John Kvamme, Association of Washington School Principals, Washington Association of School Administrators.