

HOUSE BILL REPORT

SB 5210

As Reported by House Committee On: Appropriations

Title: An act relating to an optional life annuity benefit for members of the Washington state patrol retirement system.

Brief Description: Authorizing an optional life annuity benefit for members of the Washington state patrol retirement system.

Sponsors: Senators Bailey, Conway, Hobbs, Schoesler, Angel, Keiser and Benton; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 3/16/15, 3/25/15 [DP].

Brief Summary of Bill

- Permits members of the Washington State Patrol Retirement System (WSPRS) to purchase actuarially equivalent life annuity benefits from the WSPRS retirement fund.
- Requires annuity purchases to be for a minimum of \$25,000, and funds used for the purchase must be from a tax-qualified plan offered by a governmental employer.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 32 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Cody, Condotta, Dent, Dunshee, Fagan, Haler, Hansen, Hudgins, G. Hunt, Jinkins, Kagi, Lytton, MacEwen, Magendanz, Pettigrew, Sawyer, Schmick, Senn, Springer, Stokesbary, Sullivan, Taylor, Tharinger, Van Werven and Walkinshaw.

Staff: David Pringle (786-7310).

Background:

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 Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). Members of the WSPRS may retire at age 55 or after 25 years of service at any age. There are two tiers of benefits in WSPRS: Plan 1, which was closed on December 31, 2002, and Plan 2, which has covered all new fully commissioned officers of the WSP that received their commissions after that date.

Members of the WSPRS have the opportunity to participate in the Department of Retirement Systems (DRS)-administered deferred compensation program consistent with the federal tax requirements of 26 United States Code section 457, commonly called a "457 Plan." The DRS 457 Plan enables employees of the state to place a portion of salary into a special account prior to being subject to payroll tax deductions. Counties, municipalities, and other political subdivisions may participate in the DRS-administered deferred compensation program, or they may offer other deferred compensation plans.

Members and survivors of the Public Employees' Retirement System, the Teachers' Retirement System, and the School Employees' Retirement Systems Plans 3 may convert some or all of the funds from their Plan 3 member account to a life annuity, but only those funds that are in the Washington State Investment Board (WSIB) pension funds may be used to purchase annuities from the Total Allocation Portfolio (TAP), essentially part of the commingled pension fund. Funds from Plan 3 member accounts in the Self-Directed Investment Program used to purchase annuities are made through an insurance company on the member's behalf. Members of the WSPRS do not have Plan 3 member accounts, and so do not have access to this TAP annuity benefit.

The 2006 Legislature enacted House Bill 2690, which provided the opportunity for members of the WSPRS, as well as other DRS-administered retirement systems, to purchase up to five years of additional service credit at the time of retirement. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit. The member may pay all or part of the cost of the additional service credit with an eligible transfer from a qualified retirement plan.

In 2014 the Legislature enacted a change to the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) that provided members with an actuarially equivalent life annuity purchase option at retirement. Annuity purchases from LEOFF 2 require a minimum purchase of \$25,000 from a tax-qualified plan offered by a governmental employer.

Summary of Bill:

Washington State Patrol Retirement System (WSPRS) members are permitted to purchase actuarially equivalent life annuity benefits from the WSPRS retirement fund. Annuity purchases must be made with a minimum of \$25,000, and funds used for the purchase must be from a tax-qualified plan offered by a governmental employer.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill came from the Select Committee on Pension Policy (SCPP). The State Patrol came to the SCPP wanting this option that has already been provided to members of the Law Enforcement Officers' and Fire Fighters' Plan 2. Members need at least \$25,000 in a qualified plan, such as deferred compensation, to make an annuity purchase. Members of the Washington State Patrol Retirement System are among the heaviest users of the state's deferred compensation program, and do not receive Social Security, so this bill can work as a very effective tool for retirement planning.

(Opposed) None.

Persons Testifying: Senator Bailey, prime sponsor; and Davor Gjurasic, Washington State Patrol Troopers Association.

Persons Signed In To Testify But Not Testifying: None.