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## Appropriations Committee

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### HB 1413

**Brief Description:** Concerning the purchase of an optional life annuity benefit for certain public retirement system members.

**Sponsors:** Representatives Ormsby, Volz and Griffey; by request of Select Committee on Pension Policy.

#### Brief Summary of Bill

- Provides members of the Public Employees', Public Safety Employees', and the School Employees' Retirement Systems Plans 2 or 3 the opportunity to purchase an annuity from their respective retirement plan at the time of retirement.
- Permits purchases on an actuarial basis, and requires them to be made with funds from a tax-qualified governmental employer retirement plan.
- Requires a minimum purchase cost of \$5,000.

**Hearing Date:** 2/7/19

**Staff:** David Pringle (786-7310).

#### Background:

Retirees of the Teachers' Retirement System (TRS), the Washington State Patrol Retirement System (WSPRS), and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) have the option to purchase an annuity with funds from a government plan such as deferred compensation. This has been available to members of TRS for more than 50 years and was expanded to members of WSPRS and LEOFF in 2014.

In this case the annuity is a contract between a retiree and the retirement system exchanging a lump-sum payment for lifetime benefit payments. Typically, annuities are discussed in the context of the private retirement marketplace as a way to achieve predictable income in retirement. If a retiree with a defined contribution retirement plan purchases an annuity, they are eliminating market risk and receiving consistent income in retirement. However, retirees are also

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giving up potential for account growth and spending flexibility when they annuitize their savings.

**Summary of Bill:**

An annuity purchase option is added to the Public Employees' Retirement System, the Public Safety Employees' Retirement System, and the School Employees' Retirement System similar to that available to members of TRS, WSPRS, and LEOFF. At time of retirement, members may purchase an actuarially equivalent life annuity benefit. A minimum purchase of \$5,000 is required. A member purchasing an annuity must pay all costs related to rollover or transfer funds.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on January 1, 2020.