

# SENATE BILL REPORT

## SB 5367

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As of February 5, 2021

**Title:** An act relating to directing the department of retirement systems to create rules regarding automatic refunds of retirement contributions in the retirement systems listed in RCW 41.50.030.

**Brief Description:** Directing the department of retirement systems to create rules regarding automatic refunds of retirement contributions in the retirement systems listed in RCW 41.50.030.

**Sponsors:** Senator Conway; by request of Select Committee on Pension Policy.

**Brief History:**

**Committee Activity:** Ways & Means: 2/08/21.

**Brief Summary of Bill**

- Directs the Department of Retirement Systems to establish rules for eliminating inactive member accounts with a balance of less than \$1,000.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Amanda Cecil (786-7460)

**Background:** Public employees that meet the requirements for membership in one of the public pension systems are generally required to join and make contribution payments until they leave service. Both employee members and employers make contribution payments based on the cost of the retirement benefits. Each pension system and plan has different requirements to be eligible for a retirement benefit, but no system has vesting requirements of less than five years. Members that leave service prior to vesting have the option of leaving contributions in the plan or withdrawing the employee portion of the contribution for cash or as a rollover in to an eligible retirement account.

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

In 2020, the Select Committee on Pension Policy considered directing the Department of Retirement Systems (DRS) to establish rules for eliminating inactive member accounts with a balance less than \$1,000, and recommended this proposal to the 2021 Legislature.

**Summary of Bill:** By January 1, 2022, DRS must establish rules related to:

- identifying inactive accounts of nonvested members whose account balance is less than \$1,000; and
- providing for the orderly closing and refunding of member accounts in accordance with the federal internal revenue code.

The refund of a member's account balance terminates all rights to future benefits, unless otherwise restored under the rules for each of the respective retirement systems.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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