

SENATE BILL REPORT

2SHB 1229

As Reported By Senate Committee On:
Ways & Means, February 23, 1996

Title: An act relating to public employment.

Brief Description: Modifying options for payment of retirement allowances.

Sponsors: House Committee on Law & Justice (originally sponsored by Representatives Sheahan and Appelwick).

Brief History:

Committee Activity: Ways & Means: 2/22/96, 2/23/96 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Fraser, Hochstatter, Johnson, Pelz, Quigley, Sheldon, Snyder, Spanel, Sutherland, Winsley and Wojahn.

Staff: Denise Graham (786-7454)

Background: General Background on Payment of Retirement Benefits. Upon retirement, a member of one of the state retirement systems must choose among various options for payment of the member's retirement allowance.

A member may select a "standard allowance," which is payable throughout the member's life, or a member may elect a survivor option which pays the member a reduced benefit during the member's life but continues the benefit after the member's death to the survivor beneficiary. The member must nominate the survivor beneficiary in writing. The nomination must be filed with the Department of Retirement Systems when the member retires.

If a member is married, the spouse must provide written consent to the member's selected option. If the member's spouse does not consent, the department must pay the member a reduced benefit and name the spouse as the survivor beneficiary.

Impact of Divorce on Payment of Retirement Benefits. If retirement benefits have accumulated during a member's marriage, those benefits are considered community property under Washington's community property laws, and are subject to the court's power to divide the couple's property equitably upon divorce. Under current law, a court may order the department to pay an ex-spouse part of the member's retirement benefits to satisfy a property division obligation, and statutes direct the department to comply with the court's decision regarding the division of a member's retirement benefits. The statutes do not, however, give the department the authority to honor a court order concerning the type of allowance the

member must choose or the beneficiary the member must name. The department's position is that, absent legislation directing the department to comply with such a court order, a court order does not override current statutory language that allows a member to select a payment option and name a beneficiary.

Complications of Subsequent Marriages and Divorces on Payment of Retirement Benefits.

If a member remarries following divorce, further complications arise concerning the new spouse's right of consent to designation of a survivor beneficiary.

If a member is divorced a second or subsequent time, the department may receive conflicting dissolution orders regarding distribution of the member's retirement benefits.

Summary of Bill: Designation of a Survivor Beneficiary Upon Divorce. If the department is served with a dissolution order that requires the department to designate an ex-spouse as a survivor beneficiary entitled to a particular survivor option, the department must comply with the court order.

The order must be served on the department by registered or certified mail at least 30 days before the member's retirement. The order must clearly name the survivor and the designated survivor benefit. The department is not liable for failure to comply with the court order if it is not served on the department at least 30 days before the member's retirement.

An ex-spouse's right to a survivor benefit ceases upon death of the ex-spouse.

If a member remarries, spousal consent is not required for the department to comply with the court order.

Impact of Subsequent Dissolution Orders. If a subsequent dissolution order is filed that directs the department to divide a survivor benefit between the first ex-spouse and a second or subsequent spouse or ex-spouse (alternate payee), the department must honor the subsequent dissolution order under certain circumstances. First, the survivor beneficiary must receive notice before the order is entered. Second, the dissolution order must specify the proportional division of the benefit to the survivor beneficiary and alternate payee. Third, the order must specifically amend or supersede the dissolution order already on file with the department. Fourth, the order must be filed with the department at least 30 days prior to the member's retirement.

The department calculates the actuarial adjustment for the survivor benefit based on the life of the survivor beneficiary. If the survivor beneficiary dies, the benefit terminates. If the alternate payee predeceases the survivor beneficiary, the alternate payee's benefit reverts to the survivor beneficiary.

State retirement programs affected by the change include the following: Judges, law enforcement and firefighters, teachers, and public employees.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: None.

Testimony Against: None.

Testified: None.