

HOUSE BILL REPORT

HB 2604

As Reported By House Committee On:

Appropriations

Title: An act relating to options for payment of retirement allowances.

Brief Description: Creating additional options for payment of retirement allowances.

Sponsors: Representatives Doumit, Alexander, Wolfe, Delvin, Conway, Carlson, H. Sommers, McDonald, Schoesler, Pflug, Talcott, Clements, Bush, Keiser, Haigh, Rockefeller, Kagi and Hurst; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/25/00, 2/2/00 [DPS].

Brief Summary of Substitute Bill

- Directs the Department of Retirement Systems to develop actuarially equivalent survivor options, including an option for retirees who do not designate a survivor beneficiary at retirement and then later marry, and an option for retirees who chose someone other than a spouse as the survivor beneficiary and later want to remove the designation.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 30 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Barlean, Republican Vice Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Alexander; Benson; Boldt; Clements; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Sump; Tokuda and Wensman.

Staff: Denise Graham (786-7137).

Background:

Members of the Public Employees' Retirement System (PERS), Teachers' Retirement Systems (TERS), School Employees' Retirement Systems (SERS), and Law Enforcement Officers' and Fire Fighters' retirement system (LEOFF) Plan 2 have the option of including joint and survivor coverage as part of their pension benefit. The monthly pension of a retiree who chooses a survivor benefit is reduced to pay for the survivor benefit. The designation of the retiree's beneficiary must be made at the time of retirement and cannot be modified even if the retiree's personal circumstances are changed by the death of a spouse, divorce, or marriage. The designated beneficiary may be someone other than a spouse.

The available survivor options include the following: (1) a joint and 100 percent option where the surviving beneficiary continues to receive the same retirement allowance that the retiree received; (2) a joint and two-thirds option where the survivor receives two-thirds of the allowance the retiree was receiving at death; and (3) a joint and 50 percent option where the survivor receives 50 percent of the allowance the retiree was receiving at death.

A joint and survivor benefit for qualified spouses is automatically included in the retirement allowance received by retirees of the LEOFF Plan 1 and the Washington State Patrol retirement system.

Summary of Substitute Bill:

The Department of Retirement Systems (DRS) must adopt rules by July 1, 2001, that provide additional actuarially equivalent survivor benefit options. The options must include the following: (1) allowing a member who retired without designating a survivor beneficiary the option of designating the spouse from a post-retirement marriage as a survivor during a one-year period following the marriage, provided that the retiree's monthly benefit is not subject to a property settlement agreement from a court decree of dissolution or legal separation; and (2) allowing a retiree who chose a reduced retirement allowance and designated a non-spouse as a survivor beneficiary the option of removing the survivor designation and having the future benefit adjusted. The benefit received under the survivor options must be actuarially equivalent to the benefit received with no survivor option. The DRS must develop the survivor options for members of the Public Employees' Retirement System Plans 1 and 2, the Teachers' Retirement System Plans 1, 2 and 3, the School Employees' Retirement System Plans 2 and 3 and the Law Enforcement Officers' and Fire Fighters' retirement system Plan 2.

Substitute Bill Compared to Original Bill: The substitute bill allows a retiree to designate a spouse from a post-retirement marriage as a survivor beneficiary only if the retiree's monthly benefit is not subject to a property settlement under a court decree of separation. The original bill would have allowed anyone who retired

without a naming a survivor beneficiary to so designate a spouse from a post-retirement marriage.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on September 1, 2000.

Testimony For: The Joint Committee on Pension Policy looked at the issue of survivor options and determined that this was the least complicated solution to problems that had arisen. This bill would provide an opportunity to some retirees to share benefits with a spouse from a marriage that takes place after retirement. It also allows retirees who designate a child or some other individual as a beneficiary to change their survivor designation when circumstances change.

Testimony Against: None.

Testified: Representative Doumit, prime sponsor; and Representative Alexander.