

HOUSE BILL ANALYSIS

ESSB 6533

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

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Franklin, Winsley, Bauer, Honeyford, Jacobsen, Long, Haugen, Fairley, Goings, Rasmussen, Patterson, Eide, Kohl-Welles, Stevens, B. Sheldon, Gardner, Spanel and Zarelli; by request of Joint Committee on Pension Policy).

Background: Members of the Public Employees Retirement System Plans 1 and 2 (PERS), the Teachers Retirement System Plans 1, 2 and 3 (TRS), the School Employees Retirement System Plans 2 and 3 (SERS), and the Law Enforcement Officers and Fire Fighters Retirement System Plan 2 (LEOFF Plan 2) all 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 LEOFF Plan 1 and the Washington State Patrol Retirement System. Those retirees do not have to receive a reduced benefit to pay for the survivor benefit.

Summary: 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.

Appropriation: None.

Effective Date: Ninety days after adjournment of session in which bill is passed, except for section 5, which takes effect on September 1, 2000.

Fiscal Note: Available.