
SENATE BILL 6252

State of Washington

58th Legislature

2004 Regular Session

By Senators Winsley, Regala, Fraser, Keiser and Rasmussen; by request of Select Committee on Pension Policy

Read first time 01/15/2004. Referred to Committee on Ways & Means.

1 AN ACT Relating to permitting members of the public employees'
2 retirement system plan 2 and plan 3 and the school employees'
3 retirement system plan 2 and plan 3 to buy down the early retirement
4 reduction amounts; amending RCW 41.40.630, 41.40.820, 41.35.420, and
5 41.35.680; adding new sections to chapter 41.40 RCW; adding new
6 sections to chapter 41.35 RCW; and providing an effective date.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW
9 under the subchapter heading "plan 2" to read as follows:

10 (1) A member eligible to retire under RCW 41.40.630 (2) or (3) may,
11 at the time of filing a written application for retirement with the
12 department, apply to the department to buy down the early retirement
13 reduction amounts with the department.

14 (2) A member may buy down all or part of the amount required to
15 fully offset the reduction in benefits that the member is subject to in
16 computing the member's retirement allowance under RCW 41.40.630 (2) or
17 (3), as applicable.

18 (3) Subject to rules adopted by the department, a member buying
19 down the early retirement reduction amounts under this section may pay

1 all or part of the cost with a lump sum payment, eligible rollover,
2 direct rollover, or trustee-to-trustee transfer from an eligible
3 retirement plan. The department shall adopt rules to ensure that the
4 lump sum payments, rollovers, and transfers comply with the
5 requirements of the federal internal revenue code and the regulations
6 adopted by the internal revenue service. The rules adopted by the
7 department may condition the acceptance of a rollover or transfer from
8 another plan on the receipt of information necessary to enable the
9 department to determine the eligibility of any transferred funds for
10 the tax-free rollover treatment or other treatment under federal tax
11 law.

12 **Sec. 2.** RCW 41.40.630 and 2000 c 247 s 901 are each amended to
13 read as follows:

14 (1) NORMAL RETIREMENT. Any member with at least five service
15 credit years who has attained at least age sixty-five shall be eligible
16 to retire and to receive a retirement allowance computed according to
17 the provisions of RCW 41.40.620.

18 (2) EARLY RETIREMENT. Any member who has completed at least twenty
19 service credit years and has attained age fifty-five shall be eligible
20 to retire and to receive a retirement allowance computed according to
21 the provisions of RCW 41.40.620, except that a member retiring pursuant
22 to this subsection shall have the retirement allowance actuarially
23 reduced to reflect the difference in the number of years between age at
24 retirement and the attainment of age sixty-five.

25 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
26 least thirty service credit years and has attained age fifty-five shall
27 be eligible to retire and to receive a retirement allowance computed
28 according to the provisions of RCW 41.40.620, except that a member
29 retiring pursuant to this subsection shall have the retirement
30 allowance reduced by three percent per year to reflect the difference
31 in the number of years between age at retirement and the attainment of
32 age sixty-five.

33 (4) The actuarial reduction provided for in subsection (2) of this
34 section and the three percent per year reduction provided for in
35 subsection (3) of this section shall be adjusted for any buydown of
36 those amounts under section 1 of this act.

1 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.40 RCW
2 under the subchapter heading "plan 3" to read as follows:

3 (1) A member eligible to retire under RCW 41.40.820 (2) or (3) may,
4 at the time of filing a written application for retirement with the
5 department, apply to the department to buy down the early retirement
6 reduction amounts with the department.

7 (2) A member may buy down all or part of the amount required to
8 fully offset the reduction in benefits that the member is subject to in
9 computing the member's retirement allowance under RCW 41.40.820 (2) or
10 (3), as applicable

11 (3) Subject to rules adopted by the department, a member buying-
12 down the early retirement reduction amounts under this section may pay
13 all or part of the cost with a lump sum payment, eligible rollover,
14 direct rollover, or trustee-to-trustee transfer from an eligible
15 retirement plan. The department shall adopt rules to ensure that the
16 lump sum payments, rollovers, and transfers comply with the
17 requirements of the federal internal revenue code and the regulations
18 adopted by the internal revenue service. The rules adopted by the
19 department may condition the acceptance of a rollover or transfer from
20 another plan on the receipt of information necessary to enable the
21 department to determine the eligibility of any transferred funds for
22 the tax-free rollover treatment or other treatment under federal tax
23 law.

24 **Sec. 4.** RCW 41.40.820 and 2000 c 247 s 309 are each amended to
25 read as follows:

26 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
27 and who has:

28 (a) Completed ten service credit years; or

29 (b) Completed five service credit years, including twelve service
30 credit months after attaining age fifty-four; or

31 (c) Completed five service credit years by the transfer payment
32 date specified in RCW 41.40.795, under the public employees' retirement
33 system plan 2 and who transferred to plan 3 under RCW 41.40.795;
34 shall be eligible to retire and to receive a retirement allowance
35 computed according to the provisions of RCW 41.40.790.

36 (2) EARLY RETIREMENT. Any member who has attained at least age
37 fifty-five and has completed at least ten years of service shall be

1 eligible to retire and to receive a retirement allowance computed
2 according to the provisions of RCW 41.40.790, except that a member
3 retiring pursuant to this subsection shall have the retirement
4 allowance actuarially reduced to reflect the difference in the number
5 of years between age at retirement and the attainment of age sixty-
6 five.

7 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
8 least thirty service credit years and has attained age fifty-five shall
9 be eligible to retire and to receive a retirement allowance computed
10 according to the provisions of RCW 41.40.790, except that a member
11 retiring pursuant to this subsection shall have the retirement
12 allowance reduced by three percent per year to reflect the difference
13 in the number of years between age at retirement and the attainment of
14 age sixty-five.

15 (4) The actuarial reduction provided for in subsection (2) of this
16 section and the three percent per year reduction provided for in
17 subsection (3) of this section shall be adjusted for any buydown of
18 those amounts under section 3 of this act.

19 NEW SECTION. Sec. 5. A new section is added to chapter 41.35 RCW
20 under the subchapter heading "plan 2" to read as follows:

21 (1) A member eligible to retire under RCW 41.35.420 (2) or (3) may,
22 at the time of filing a written application for retirement with the
23 department, apply to the department to buy down the early retirement
24 reduction amounts with the department.

25 (2) A member may buy down all or part of the amount required to
26 fully offset the reduction in benefits that the member is subject to in
27 computing the member's retirement allowance under RCW 41.35.420 (2) or
28 (3), as applicable.

29 (3) Subject to rules adopted by the department, a member buying
30 down the early retirement reduction amounts under this section may pay
31 all or part of the cost with a lump sum payment, eligible rollover,
32 direct rollover, or trustee-to-trustee transfer from an eligible
33 retirement plan. The department shall adopt rules to ensure that the
34 lump sum payments, rollovers, and transfers comply with the
35 requirements of the federal internal revenue code and the regulations
36 adopted by the internal revenue service. The rules adopted by the
37 department may condition the acceptance of a rollover or transfer from

1 another plan on the receipt of information necessary to enable the
2 department to determine the eligibility of any transferred funds for
3 the tax-free rollover treatment or other treatment under federal tax
4 law.

5 **Sec. 6.** RCW 41.35.420 and 2000 c 247 s 905 are each amended to
6 read as follows:

7 (1) NORMAL RETIREMENT. Any member with at least five service
8 credit years who has attained at least age sixty-five shall be eligible
9 to retire and to receive a retirement allowance computed according to
10 the provisions of RCW 41.35.400.

11 (2) EARLY RETIREMENT. Any member who has completed at least twenty
12 service credit years and has attained age fifty-five shall be eligible
13 to retire and to receive a retirement allowance computed according to
14 the provisions of RCW 41.35.400, except that a member retiring pursuant
15 to this subsection shall have the retirement allowance actuarially
16 reduced to reflect the difference in the number of years between age at
17 retirement and the attainment of age sixty-five.

18 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
19 least thirty service credit years and has attained age fifty-five shall
20 be eligible to retire and to receive a retirement allowance computed
21 according to the provisions of RCW 41.35.400, except that a member
22 retiring pursuant to this subsection shall have the retirement
23 allowance reduced by three percent per year to reflect the difference
24 in the number of years between age at retirement and the attainment of
25 age sixty-five.

26 (4) The actuarial reduction provided for in subsection (2) of this
27 section and the three percent per year reduction provided for in
28 subsection (3) of this section shall be adjusted for any buydown of
29 those amounts under section 5 of this act.

30 NEW SECTION. **Sec. 7.** A new section is added to chapter 41.35 RCW
31 under the subchapter heading "plan 3" to read as follows:

32 (1) A member eligible to retire under RCW 41.35.680 (2) or (3) may,
33 at the time of filing a written application for retirement with the
34 department, apply to the department to buy down the early retirement
35 reduction amounts with the department.

1 (2) A member may buy down all or part of the amount required to
2 fully offset the reduction in benefits that the member is subject to in
3 computing the member's retirement allowance under RCW 41.35.680 (2) or
4 (3), as applicable.

5 (3) Subject to rules adopted by the department, a member buying
6 down the early retirement reduction amounts under this section may pay
7 all or part of the cost with a lump sum payment, eligible rollover,
8 direct rollover, or trustee-to-trustee transfer from an eligible
9 retirement plan. The department shall adopt rules to ensure that the
10 lump sum payments, rollovers, and transfers comply with the
11 requirements of the federal internal revenue code and the regulations
12 adopted by the internal revenue service. The rules adopted by the
13 department may condition the acceptance of a rollover or transfer from
14 another plan on the receipt of information necessary to enable the
15 department to determine the eligibility of any transferred funds for
16 the tax-free rollover treatment or other treatment under federal tax
17 law.

18 **Sec. 8.** RCW 41.35.680 and 2000 c 247 s 906 are each amended to
19 read as follows:

20 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
21 and who has:

22 (a) Completed ten service credit years; or

23 (b) Completed five service credit years, including twelve service
24 credit months after attaining age fifty-four; or

25 (c) Completed five service credit years by September 1, 2000, under
26 the public employees' retirement system plan 2 and who transferred to
27 plan 3 under RCW 41.35.510;

28 shall be eligible to retire and to receive a retirement allowance
29 computed according to the provisions of RCW 41.35.620.

30 (2) EARLY RETIREMENT. Any member who has attained at least age
31 fifty-five and has completed at least ten years of service shall be
32 eligible to retire and to receive a retirement allowance computed
33 according to the provisions of RCW 41.35.620, except that a member
34 retiring pursuant to this subsection shall have the retirement
35 allowance actuarially reduced to reflect the difference in the number
36 of years between age at retirement and the attainment of age sixty-
37 five.

1 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
2 least thirty service credit years and has attained age fifty-five shall
3 be eligible to retire and to receive a retirement allowance computed
4 according to the provisions of RCW 41.35.620, except that a member
5 retiring pursuant to this subsection shall have the retirement
6 allowance reduced by three percent per year to reflect the difference
7 in the number of years between age at retirement and the attainment of
8 age sixty-five.

9 (4) The actuarial reduction provided for in subsection (2) of this
10 section and the three percent per year reduction provided for in
11 subsection (3) of this section shall be adjusted for any buydown of
12 those amounts under section 7 of this act.

13 NEW SECTION. **Sec. 9.** This act takes effect July 1, 2006.

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