

# HOUSE BILL REPORT

## SSB 6264

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### As Passed House - Amended:

March 4, 2016

**Title:** An act relating to allowing certain Washington state patrol retirement system and law enforcement officers' and firefighters' members to purchase annuities.

**Brief Description:** Allowing certain Washington state patrol retirement system and law enforcement officers' and firefighters' members to purchase annuities.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Dammeier, Conway, Bailey, Rivers, Hasegawa, O'Ban, Frockt, Schoesler, Darneille, Liias and Rolfes; by request of LEOFF Plan 2 Retirement Board).

### Brief History:

#### Committee Activity:

Appropriations: 2/27/16, 2/29/16 [DPA].

#### Floor Activity:

Passed House - Amended: 3/4/16, 94-3.

### Brief Summary of Substitute Bill (As Amended by House)

- Permits specified retired members of the Washington State Patrol Retirement System (WSPRS) and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) to purchase actuarially equivalent life annuities from the WSPRS or LEOFF 2 funds between January 1, 2017, and June 1, 2017.
- Limits the annuity purchase to LEOFF 2 and WSPRS members that retired prior to the optional annuities being made available at the time of retirement, June 1, 2014, in LEOFF 2 and July 24, 2015, in WSPRS.
- Permits members of LEOFF Plan 1 (LEOFF 1) that retire to purchase an actuarially equivalent life annuity at retirement, or those that retired prior to the effective date of the act to purchase one between January 1, 2017, and June 1, 2017.

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### HOUSE COMMITTEE ON APPROPRIATIONS

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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 a part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** Do pass as amended. Signed by 29 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Cody, Dent, Fitzgibbon, Haler, Hansen, Harris, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, MacEwen, Magendanz, Pettigrew, Robinson, Sawyer, Senn, Springer, Stokesbary, Sullivan, Tharinger, Van Werven and Walkinshaw.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Condotta, Schmick and Taylor.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Manweller.

**Staff:** David Pringle (786-7310).

**Background:**

Members of Plan 2 of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF 2) are eligible for a retirement allowance at age 53 that is equal to 2 percent times the member's years of service times the member's average final compensation. Members of the LEOFF 2 may add up to five years of service credit for the calculation of their retirement allowance by paying the actuarial equivalent value of the increase in the member's benefit. Subject to rules adopted by the Department of Retirement Systems (DRS), the payment can be made with a lump sum payment, an eligible or direct rollover, or a trustee-to-trustee transfer from an eligible retirement plan.

The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). Members of the WSPRS may retire at age 55 or after 25 years of service at any age. There are two tiers of benefits in the WSPRS: Plan 1, which was closed on December 31, 2002, and Plan 2, which has covered all new fully commissioned officers of the WSP that received their commissions after that date.

Many members of the LEOFF and the WSPRS also participate in employer-sponsored, tax-deferred savings plans established under sections 401(a), 403(b), and 457 of the federal Internal Revenue Code.

Under legislation enacted in 2014 and 2015, at the time of retirement members of the WSPRS and the LEOFF Plan 2 may purchase an optional actuarially equivalent life annuity from their respective retirement funds with a minimum payment of \$25,000. The payment may be made through an eligible or direct rollover, or trustee-to-trustee transfer from a tax-qualified plan offered by a governmental employer.

**Summary of Amended Bill:**

Members of the LEOFF Plan 2 who retired prior to June 1, 2014, may purchase an optional actuarially equivalent life annuity from the LEOFF 2 fund with a minimum payment of \$25,000. The payment may be made through an eligible or direct rollover, or trustee-to-

trustee transfer from a tax-qualified plan offered by a governmental employer. The annuity may be purchased between January 1, 2017, and June 1, 2017.

Members of the LEOFF Plan 1 at time of retirement may purchase an optional actuarially equivalent life annuity from the LEOFF 1 fund with a minimum payment of \$25,000. The payment may be made through an eligible or direct rollover, or trustee-to-trustee transfer from a tax-qualified plan offered by a governmental employer. Plan 1 members who previously retired may purchase the annuity between January 1, 2017, and June 1, 2017.

Members of the WSPRS who retired prior to July 24, 2015, may purchase an optional actuarially equivalent life annuity from the LEOFF 2 fund with a minimum payment of \$25,000. The payment may be made through an eligible or direct rollover, or trustee-to-trustee transfer from a tax-qualified plan offered by a governmental employer. The annuity may be purchased between January 1, 2017, and June 1, 2017.

The DRS must adopt rules regarding eligible rollovers and transfers to ensure they comply with federal requirements and that the rollovers and transfers are conditioned on the receipt of information needed by the DRS to determine their eligibility for tax-free treatment under federal tax law.

The bill is null and void if funding for the bill is not provided in the operating budget.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony:**

(In support) The option of annuity purchases was allowed for members of the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) at the time of retirement a few years ago, but it was not thought to be allowed by the Internal Revenue Service (IRS) for retirees. Now it is understood that this provision is allowed by the IRS, so please provide this valuable option on a one-time basis to retirees. This bill is a request of the LEOFF 2 Board—the Washington State Patrol and LEOFF 1 portions of the bill were added in the Senate without objection by the LEOFF 2 Board. The LEOFF 2 Board intends on implementing this in a fashion that ensures that the annuity purchases will truly remain cost-neutral to the retirement plan over time.

(Opposed) None.

**Persons Testifying:** Richard Warbrouck, Retired Firefighters of Washington; and Steve Nelsen, Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board.

**Persons Signed In To Testify But Not Testifying:** None.