

SENATE BILL REPORT

SB 6264

As Reported by Senate Committee On:
Ways & Means, February 9, 2016

Title: An act relating to allowing certain law enforcement officers' and firefighters' plan 2 retirees to purchase annuities.

Brief Description: Allowing certain law enforcement officers' and firefighters' plan 2 retirees to purchase annuities.

Sponsors: 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: Ways & Means: 2/04/16, 2/09/16 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6264 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Darneille, Hasegawa, Hewitt, Nelson, O'Ban, Padden, Parlette, Pedersen, Rolfes, Schoesler and Warnick.

Staff: Steve Jones (786-7440)

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 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.

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.

Many members of LEOFF 2 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, at the time of retirement, members of LEOFF 2 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.

Summary of Bill (Recommended Substitute): Members of 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 and June 1, 2017.

Members of 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 and June 1, 2017.

Members of Washington State Patrol Retirement System 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 and June 1, 2017.

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 DRS to determine their eligibility for tax-free treatment under federal tax law.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): LEOFF Plan 1 and Washington State Patrol members are added to the bill.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: The bill provides a one-time window for annuity purchases. This legislation has been endorsed by the LEOFF Plan 2 Retirement Board and is authorized by federal law. Supporters of the bill also support

inclusion of LEOFF Plan 1 members and members of the Washington State Patrol Retirement System.

Persons Testifying on Original Bill: PRO: Steve Nelson, LEOFF Plan 2 Retirement Board; Bob Thurston, WSP retiree; Richard Warbouck, Retired Firefighters of WA.

Persons Signed In To Testify But Not Testifying on Original Bill: No one.