

HOUSE BILL REPORT

SB 6417

As Passed House - Amended:

March 5, 2020

Title: An act relating to allowing retirees to change their survivor option election after retirement.

Brief Description: Allowing retirees to change their survivor option election after retirement.

Sponsors: Senators Holy and Van De Wege; by request of LEOFF Plan 2 Retirement Board.

Brief History:

Committee Activity:

Appropriations: 2/29/20 [DP].

Floor Activity:

Passed House - Amended: 3/5/20, 97-0.

Brief Summary of Bill (As Amended by House)

- Allows retirees of Plans 2 and 3 of the Washington State retirement systems up to 90 calendar days after the receipt of their first retirement allowance to change their survivor election.
- Delays the affect of the 90-day window until the state receives approval from the federal Internal Revenue Service.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Ormsby, Chair; Robinson, 1st Vice Chair; Bergquist, 2nd Vice Chair; Stokesbary, Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Chopp, Cody, Corry, Dolan, Dye, Fitzgibbon, Hansen, Hoff, Hudgins, Kilduff, Kraft, Macri, Mosbrucker, Pettigrew, Ryu, Schmick, Senn, Springer, Steele, Sullivan, Sutherland, Tarleton, Tharinger and Ybarra.

Staff: David Pringle (786-7310).

Background:

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.

Members of the majority of the state's retirement systems have the option of choosing a survivorship benefit option at the time of retirement. A survivorship benefit allows for all or a portion of the pension benefit to continue for a survivor following the member's death. Members currently have four survivorship benefit options to choose from:

- single life, where there is no survivorship benefit;
- a full survivorship benefit, or 100 percent;
- a two-thirds survivorship benefit, or 66.67 percent; and
- a half survivorship benefit, or 50 percent.

With a survivorship benefit, the member's lifetime monthly benefit is actuarially reduced. This means that today's value of the member's lifetime benefit remains the same; however, depending on the benefit option selected, the monthly payments received by the member may be larger or smaller because they are stretched out over the course of the member's and survivor's lifetime.

A retiree's survivor option choice is irrevocable unless the following occur:

1. They designated someone other than their spouse to receive their survivor benefit. The non-spouse survivor can be removed.
2. They marry or remarry after retirement. To qualify, they must request the change between their first and second years of marriage.
3. They chose a survivor option, and their survivor dies before they do. Their benefit is adjusted to a single-life option.
4. They return to membership. If they go back to work for any period of time as a contributing retirement plan member, they can retire again and select a new benefit option or survivor.

Summary of Bill:

A retiree of the Public Employees' Retirement System, the Public Safety Employees' Retirement System, the School Employees' Retirement System, the Teachers' Retirement System, the Washington State Patrol Retirement System, or Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 or 3 has up to 90 calendar days after the receipt of their first retirement allowance to prospectively change their survivor election. If a retiree changes their survivor election the change is effective the first of the following month. The 90-day window will become available following the receipt of a determination from the federal Internal Revenue Service that this option conforms with federal law.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Currently, members of Law Enforcement Officers' and Fire Fighters' Retirement Plan 2 make an irrevocable choice of benefit form at retirement, sometimes when the benefit

calculation is only an estimate. With this bill, after the first retirement check has been received, retirees can revisit their benefit option choices.

(Opposed) None.

Persons Testifying: Jacob White, Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board.

Persons Signed In To Testify But Not Testifying: None.