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HOUSE BILL 2124

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State of Washington

69th Legislature

2026 Regular Session

By Representatives Couture, Fitzgibbon, Chase, Zahn, Wylie, Thomas, Gregerson, Ormsby, Griffey, Graham, and Bernbaum; by request of Department of Retirement Systems

Prefiled 12/10/25. Read first time 01/12/26. Referred to Committee on Appropriations.

1 AN ACT Relating to the threshold for payment of a lump sum  
2 retirement allowance in lieu of a monthly benefit; and amending RCW  
3 41.40.625, 41.32.762, 41.35.410, 41.37.200, and 41.26.425.

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

5 **Sec. 1.** RCW 41.40.625 and 1994 c 197 s 27 are each amended to  
6 read as follows:

7 (1) On or after June 10, 1982, the director may pay a member  
8 eligible to receive a retirement allowance or the member's  
9 beneficiary, subject to the provisions of subsection (5) of this  
10 section, a lump sum payment in lieu of a monthly benefit if the  
11 initial monthly benefit computed in accordance with RCW 41.40.620  
12 would be less than (~~fifty dollars~~) \$250. This \$250 threshold shall  
13 be increased annually as determined by the director. The lump sum  
14 payment shall be the greater of the actuarial equivalent of the  
15 monthly benefits or an amount equal to the individual's accumulated  
16 contributions plus accrued interest.

17 (2) A retiree or a beneficiary, subject to the provisions of  
18 subsection (5) of this section, who is receiving a regular monthly  
19 benefit of less than fifty dollars may request, in writing, to  
20 convert from a monthly benefit to a lump sum payment. If the director  
21 approves the conversion, the calculation of the actuarial equivalent

1 of the total estimated regular benefit will be computed based on the  
2 beneficiary's age at the time the benefit initially accrued. The lump  
3 sum payment will be reduced to reflect any payments received on or  
4 after the initial benefit accrual date.

5 (3) Persons covered under the provisions of subsection (1) of  
6 this section may upon returning to member status reinstate all  
7 previous service by depositing the lump sum payment received, with  
8 interest as computed by the director, within two years of returning  
9 to service or prior to re-retiring, whichever comes first. In  
10 computing the amount due, the director shall exclude the accumulated  
11 value of the normal payments the member would have received while in  
12 beneficiary status if the lump sum payment had not occurred.

13 (4) If a member fails to meet the time limitations under  
14 subsection (3) of this section, reinstatement of all previous service  
15 will occur if the member pays the amount required under RCW  
16 41.50.165(2). The amount, however, shall exclude the accumulated  
17 value of the normal payments the member would have received while in  
18 beneficiary status if the lump sum payment had not occurred.

19 (5) Only persons entitled to or receiving a service retirement  
20 allowance under RCW 41.40.620 or an earned disability allowance under  
21 RCW 41.40.670 qualify for participation under this section.

22 (6) It is the intent of the legislature that any member who  
23 receives a settlement under this section shall be deemed to be  
24 retired from this system.

25 **Sec. 2.** RCW 41.32.762 and 1994 c 197 s 19 are each amended to  
26 read as follows:

27 (1) On or after June 10, 1982, the director may pay a  
28 beneficiary, subject to the provisions of subsection (5) of this  
29 section, a lump sum payment in lieu of a monthly benefit if the  
30 initial monthly benefit computed in accordance with RCW 41.32.760  
31 would be less than (~~fifty dollars~~) \$250. This \$250 threshold shall  
32 be increased annually as determined by the director. The lump sum  
33 payment shall be the greater of the actuarial equivalent of such  
34 monthly benefits or an amount equal to the individual's accumulated  
35 contributions plus accrued interest.

36 (2) A beneficiary, subject to the provisions of subsection (5) of  
37 this section, who is receiving a regular monthly benefit of less than  
38 fifty dollars may request, in writing, to convert from a monthly  
39 benefit to a lump sum payment. If the director approves the

1 conversion, the calculation of the actuarial equivalent of the total  
2 estimated regular benefit will be computed based on the beneficiary's  
3 age at the time the benefit initially accrued. The lump sum payment  
4 will be reduced to reflect any payments received on or after the  
5 initial benefit accrual date.

6 (3) Persons covered under the provisions of subsection (1) of  
7 this section may upon returning to member status reinstate all  
8 previous service by depositing the lump sum payment received, with  
9 interest as computed by the director, within two years of returning  
10 to service or prior to re-retiring, whichever comes first. In  
11 computing the amount due, the director shall exclude the accumulated  
12 value of the normal payments the member would have received while in  
13 beneficiary status if the lump sum payment had not occurred.

14 (4) If a member fails to meet the time limitations under  
15 subsection (3) of this section, reinstatement of all previous service  
16 will occur if the member pays the amount required under RCW  
17 41.50.165(2). The amount, however, shall exclude the accumulated  
18 value of the normal payments the member would have received while in  
19 beneficiary status if the lump sum payment had not occurred.

20 (5) Only persons entitled to or receiving a service retirement  
21 allowance under RCW 41.32.760 or an earned disability allowance under  
22 RCW 41.32.790 qualify for participation under this section.

23 (6) It is the intent of the legislature that any member who  
24 receives a settlement under this section shall be deemed to be  
25 retired from this system.

26 **Sec. 3.** RCW 41.35.410 and 1998 c 341 s 102 are each amended to  
27 read as follows:

28 (1) The director may pay a member eligible to receive a  
29 retirement allowance or the member's beneficiary, subject to the  
30 provisions of subsection (5) of this section, a lump sum payment in  
31 lieu of a monthly benefit if the initial monthly benefit computed in  
32 accordance with RCW 41.35.400 would be less than (~~fifty dollars~~)  
33 \$250. This \$250 threshold shall be increased annually as determined  
34 by the director. The lump sum payment shall be the greater of the  
35 actuarial equivalent of the monthly benefits or an amount equal to  
36 the individual's accumulated contributions plus accrued interest.

37 (2) A retiree or a beneficiary, subject to the provisions of  
38 subsection (5) of this section, who is receiving a regular monthly  
39 benefit of less than fifty dollars may request, in writing, to

1 convert from a monthly benefit to a lump sum payment. If the director  
2 approves the conversion, the calculation of the actuarial equivalent  
3 of the total estimated regular benefit will be computed based on the  
4 beneficiary's age at the time the benefit initially accrued. The lump  
5 sum payment will be reduced to reflect any payments received on or  
6 after the initial benefit accrual date.

7 (3) Persons covered under the provisions of RCW 41.40.625 or  
8 subsection (1) of this section may upon returning to member status  
9 reinstate all previous service by depositing the lump sum payment  
10 received, with interest as computed by the director, within two years  
11 of returning to service or prior to rereading, whichever comes  
12 first. In computing the amount due, the director shall exclude the  
13 accumulated value of the normal payments the member would have  
14 received while in beneficiary status if the lump sum payment had not  
15 occurred.

16 (4) If a member fails to meet the time limitations under  
17 subsection (3) of this section, reinstatement of all previous service  
18 will occur if the member pays the amount required under RCW  
19 41.50.165(2). The amount, however, shall exclude the accumulated  
20 value of the normal payments the member would have received while in  
21 beneficiary status if the lump sum payment had not occurred.

22 (5) Only persons entitled to or receiving a service retirement  
23 allowance under RCW 41.35.400 or an earned disability allowance under  
24 RCW 41.35.440 qualify for participation under this section.

25 (6) It is the intent of the legislature that any member who  
26 receives a settlement under this section shall be deemed to be  
27 retired from this system.

28 **Sec. 4.** RCW 41.37.200 and 2004 c 242 s 26 are each amended to  
29 read as follows:

30 (1) The director may pay a member eligible to receive a  
31 retirement allowance or the member's beneficiary, subject to  
32 subsection (5) of this section, a lump sum payment in lieu of a  
33 monthly benefit if the initial monthly benefit computed in accordance  
34 with RCW 41.37.190 would be less than (~~fifty dollars~~) \$250. This  
35 \$250 threshold shall be increased annually as determined by the  
36 director. The lump sum payment shall be the greater of the actuarial  
37 equivalent of the monthly benefits or an amount equal to the  
38 individual's accumulated contributions plus accrued interest.

1 (2) A retiree or a beneficiary, subject to subsection (5) of this  
2 section, who is receiving a regular monthly benefit of less than  
3 fifty dollars may request, in writing, to convert from a monthly  
4 benefit to a lump sum payment. If the director approves the  
5 conversion, the calculation of the actuarial equivalent of the total  
6 estimated regular benefit will be computed based on the beneficiary's  
7 age at the time the benefit initially accrued. The lump sum payment  
8 will be reduced to reflect any payments received on or after the  
9 initial benefit accrual date.

10 (3) Persons covered under subsection (1) of this section may upon  
11 returning to member status reinstate all previous service by  
12 depositing the lump sum payment received, with interest as computed  
13 by the director, within two years of returning to service or prior to  
14 rereading, whichever comes first. In computing the amount due, the  
15 director shall exclude the accumulated value of the normal payments  
16 the member would have received while in beneficiary status if the  
17 lump sum payment had not occurred.

18 (4) If a member fails to meet the time limitations under  
19 subsection (3) of this section, reinstatement of all previous service  
20 will occur if the member pays the amount required under RCW  
21 41.50.165(2). The amount, however, shall exclude the accumulated  
22 value of the normal payments the member would have received while in  
23 beneficiary status if the lump sum payment had not occurred.

24 (5) Only persons entitled to or receiving a service retirement  
25 allowance under RCW 41.37.210 or an earned disability allowance under  
26 RCW 41.37.230 qualify for participation under this section.

27 (6) It is the intent of the legislature that any member who  
28 receives a settlement under this section shall be deemed to be  
29 retired from this system.

30 **Sec. 5.** RCW 41.26.425 and 1994 c 197 s 9 are each amended to  
31 read as follows:

32 (1) On or after June 10, 1982, the director may pay a  
33 beneficiary, subject to the provisions of subsection (5) of this  
34 section, a lump sum payment in lieu of a monthly benefit if the  
35 initial monthly benefit computed in accordance with RCW 41.26.420  
36 would be less than (~~fifty dollars~~) \$250. This \$250 threshold shall  
37 be increased annually as determined by the director. The lump sum  
38 payment shall be the greater of the actuarial equivalent of such

1 monthly benefits or an amount equal to the individual's accumulated  
2 contributions plus accrued interest.

3 (2) A beneficiary, subject to the provisions of subsection (5) of  
4 this section, who is receiving a regular monthly benefit of less than  
5 fifty dollars may request, in writing, to convert from a monthly  
6 benefit to a lump sum payment. If the director approves the  
7 conversion, the calculation of the actuarial equivalent of the total  
8 estimated regular benefit will be computed based on the beneficiary's  
9 age at the time the benefit initially accrued. The lump sum payment  
10 will be reduced to reflect any payments received on or after the  
11 initial benefit accrual date.

12 (3) Persons covered under the provisions of subsection (1) of  
13 this section may upon returning to member status reinstate all  
14 previous service by depositing the lump sum payment received, with  
15 interest as computed by the director, within two years of returning  
16 to service or prior to re-retiring, whichever comes first. In  
17 computing the amount due, the director shall exclude the accumulated  
18 value of the normal payments the member would have received while in  
19 beneficiary status if the lump sum payment had not occurred.

20 (4) If a member fails to meet the time limitations set forth  
21 under subsection (3) of this section, the member may reinstate all  
22 previous service under RCW 41.50.165(2) prior to retirement. The sum  
23 deposited shall exclude the accumulated value of the normal payments  
24 the member would have received while in beneficiary status if the  
25 lump sum payment had not occurred.

26 (5) Only persons entitled to or receiving a service retirement  
27 allowance under RCW 41.26.420 or an earned disability allowance under  
28 RCW 41.26.470 qualify for participation under this section.

29 (6) It is the intent of the legislature that any member who  
30 receives a settlement under this section shall be deemed to be  
31 retired from this system.

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