

WSR 23-03-035
PROPOSED RULES
DEPARTMENT OF
RETIREMENT SYSTEMS

[Filed January 9, 2023, 11:15 a.m.]

Original Notice.

Preproposal statement of inquiry was filed as WSR 22-21-126.

Title of Rule and Other Identifying Information: Disclaiming beneficiary benefits, creating WAC 415-02-261.

Hearing Location(s): On February 22, 2023, at 9:00 a.m., Zoom <https://us02web.zoom.us/j/84525091902>, Meeting ID 845 2509 1902, Dial In 1-253-205-0468. See <https://www.drs.wa.gov/sitemap/rules/#proposed-rule-hearings> for details.

Date of Intended Adoption: February 23, 2023.

Submit Written Comments to: Bianca Stoner, Department of Retirement Systems (DRS), P.O. Box 48380, Olympia, WA 98504-8380, email drs.rules@drs.wa.gov, by February 22, 2023.

Assistance for Persons with Disabilities: Contact Bianca Stoner, phone 360-664-7291, TTY 711, email drs.rules@drs.wa.gov, by February 15, 2023.

Purpose of the Proposal and Its Anticipated Effects, Including Any Changes in Existing Rules: Occasionally, a beneficiary decides that they do not want to receive a benefit when a retirement member passes away. This rule will clarify how any disclaimed benefit will pass to other beneficiaries and/or the estate of the deceased.

Reasons Supporting Proposal: Adds additional clarity to the disclaiming process and ensures a defined process is shared with beneficiaries in advance of any decision to disclaim their benefits.

Statutory Authority for Adoption: RCW 41.50.050.

Statute Being Implemented: RCW 41.40.700, 41.40.835, 41.35.460, 41.35.710, 41.32.522, 41.32.805, 41.32.895, 41.26.510, 41.37.250.

Rule is not necessitated by federal law, federal or state court decision.

Name of Proponent: DRS, governmental.

Name of Agency Personnel Responsible for Implementation: Candice Myrum, DRS, P.O. Box 48380, Olympia, WA 98504-8380, 360-664-7124.

A school district fiscal impact statement is not required under RCW 28A.305.135.

A cost-benefit analysis is not required under RCW 34.05.328. RCW 34.05.328 (5)(a)(i) does not apply to this proposed rule and is not voluntarily made applicable by DRS.

This rule proposal, or portions of the proposal, is exempt from requirements of the Regulatory Fairness Act because the proposal:

Is exempt under RCW 19.85.025(4).

Explanation of exemptions: DRS' rules only impact members and beneficiaries of the state retirement systems and participating public employers, and do not affect small businesses.

Scope of exemption for rule proposal:

Is fully exempt.

January 9, 2023
Bianca Stoner
Rules Coordinator

OTS-4204.2

NEW SECTION

WAC 415-02-261 What happens if a beneficiary disclaims a lump sum benefit? (1) A beneficiary may disclaim a payment in writing with the department as prescribed by the department. If the beneficiary was a primary beneficiary and there are other living primary beneficiaries, the disclaimed benefit will be split among the other primary beneficiaries in the same proportion (rounded) awarded by the member or retiree.

(2) General formula: A member has n beneficiaries, with each beneficiary receiving a percentage and the total percentage equal to 100. When one beneficiary disclaims their benefit, there are then $n-1$ beneficiaries. The sum of these percentages is now less than 100. To determine the new percentages, divide the original percentage for each beneficiary by the new total of the remaining percentages.

Example: Chris has listed three people as primary beneficiaries: Tom at 34 percent, Carl at 33 percent, and Wilma at 33 percent. Chris passed away. Tom disclaims the benefit with the department. Carl and Wilma each receive 50 percent of the contributions.

Example: Chris has listed three people as primary beneficiaries: Tom at 50 percent, Carl at 25 percent, and Wilma at 25 percent. Chris passed away. Carl disclaims the benefit with the department. Tom receives 67 percent and Wilma 33 percent of the contributions.

Example: Chris has listed four people as primary beneficiaries: Tom at 40 percent, Carl at 30 percent, Wilma at 20 percent, and Liam at 10 percent. Chris passed away. Carl disclaims their 30 percent of the benefit with the department. Tom receives 57 percent (40 divided by 70), Wilma receives 29 percent (20 divided by 70) and Liam receives 14 percent (10 divided by 70) of the contributions.

Example: Chris has listed four people as primary beneficiaries with the following percentages: Person A with "a" percent, person B with "b" percent, person C with "c" percent, and person D with "d" percent.

Chris passed away. Person B disclaims the benefit with the department. Person A receives $a/(a+c+d)$, person C receives $c/(a+c+d)$, and person D receives $d/(a+c+d)$.

(3) If the primary beneficiary disclaims the benefit and there are no other primary beneficiaries, the benefit will pass to the contingent beneficiary designation made by the member or retiree. If there are no contingents, it will pass to the estate of the retiree or per the succession in law for the retirement system and plan of the member.

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