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## Appropriations Committee

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### HB 2393

**Brief Description:** Creating new survivor benefit division options for divorced members of the law enforcement officers' and fire fighters' retirement system, the teachers' retirement system, the school employees' retirement system, the public employees' retirement system, and the Washington state patrol retirement system.

**Sponsors:** Representatives Alexander, Doumit, Morell, Rockefeller, Linville, Edwards, Lovick, O'Brien, Woods and Haigh; by request of Joint Committee on Pension Policy.

#### Brief Summary of Bill

- Provides greater flexibility in dividing retirement benefits in the event of a divorce for members of the Public Employees' Retirement System, the School Employees' Retirement System, the Teachers' Retirement System, the Washington State Patrol Retirement System, and the Law Enforcement Officers' and Fire Fighters' Retirement System.

**Hearing Date:** 1/24/02

**Staff:** Andrea Hardy (786-7349).

#### Background:

Joint and survivor benefits provide continuing benefits to a survivor after the death of the member. Before retirement, the pre-selection of a survivor benefit may be the only way the non-member spouse can be protected with a lifetime benefit. After retirement, there is no way to revoke or alter the survivor benefit, even if the member's personal circumstances change because of marriage, divorce, or death of a spouse.

Regarding survivor benefits, there are two types of plans in the state retirement system: 1) plans providing an automatic survivor benefit; and 2) plans offering an optional survivor benefit.

#### Plans Offering an Automatic Survivor Benefit

The Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 1 (LEOFF 1) and the Washington State Patrol Retirement System (WSPRS) are both automatic plans. This means that spousal survivor benefits are provided as part of the basic pension benefit and

require no actuarial reduction of the pension benefit. Assuming a qualifying spouse is present, a joint and survivor benefit for qualified spouses is automatically included in the retirement allowance received by retirees of LEOFF 1 and WSPRS. A qualified spouse for LEOFF 1 is a spouse married to a member one year prior to retirement or at the time of the disability. A qualified spouse for the WSP is a spouse married to the member two years prior to retirement.

### **Plans Offering an Optional Survivor Benefit**

Public Employees' Retirement System, Plans 1 and 2 (PERS 1 and 2), Teachers' Retirement System, Plans 1, 2, and 3 (TRS 1,2 &3), and School Employees' Retirement System, Plans 2 and 3 (SERS 2&3) are all optional survivor benefit plans. This means that members who elect to have a survivor benefit for a spouse or other designated person must take an actuarial reduction in their pension benefit to do so. The amount of the reduction is based on three factors: 1) The difference in the age of the member and designated survivor; 2) the expected survivor's benefit; and 3) the member's retirement system and plan.

Members of PERS 1 and 2, TRS 1, 2 and 3, SERS 2 and 3, and LEOFF 2 all have the option of including joint and survivor coverage as part of their pension benefit. The monthly pension of a retiree who chooses a survivor benefit is reduced to pay for the survivor benefit. The designation of the retiree's beneficiary, who may be someone other than a spouse, must be made at the time of retirement. The beneficiary designation cannot be modified even if the retiree's personal circumstances change.

### **Summary of Bill:**

For members who divorce in the future, new options for dividing survivor benefits consistent with community property and divorce laws are created.

### **Plans Offering an Automatic Survivor Benefit**

A new option for survivor benefits is created that permits the divorcing spouse to claim not only a portion of the member's benefit, but also a portion of any future spouse's survivor benefit. The proposal also incorporates the addition of an optional, actuarially reduced spousal survivor benefit during a window opening one year after a post-retirement marriage, similar to the post-retirement marriage option added to the optional plans by the 2000 Legislature.

### **Plans Offering an Optional Survivor Benefit**

The Department of Retirement Systems must adopt rules by July 1, 2003, to make a new survivor option available at divorce. The new rules must provide for a division of the total benefits of the member and divorcing spouse into two separate, single-life benefits payable for the life of that individual.

If the above division occurs before the member retires and the member later remarries, that member will remain subject to the spousal survivor benefit requirements when he or she retires. Subsequent reductions to create new survivor benefits will be made solely to the member's remaining benefit; the separate, single-life benefit created for the non-member spouse in the earlier divorce will not be affected. The divorced spouse of the member will be eligible to begin receiving their survivor benefit when they reach normal retirement age

under the plan of their divorced spouse - age 60 in PERS 1, TRS 1, and SERS 1, and age 65 in PERS 2 and 3, TRS 2 and 3, SERS 2 and 3, and LEOFF 2.

If the divorce occurs after the member retires, the separate single-life benefit option described above will only be available to spouses who chose a survivor benefit for the non-member spouse at retirement. In this instance, the non-member spouse will be eligible to begin receiving their benefit immediately. If the retired member elects to later remarry and create a new survivor benefit, the member's single-life benefit will be actuarially reduced, without impact on the ex-spouse's single life benefit.

**Appropriation:** None.

**Fiscal Note:** Requested on January 16, 2002.

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