

Annuity Purchase

Issue

Should members of the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Public Safety Employees' Retirement System (PSERS) have the option to purchase an additional annuity from the retirement system that is larger than what is currently available under Purchased Service Credit (PSC)?

Background

The Select Committee on Pension Policy (SCPP) is considering extending the option to purchase an additional annuity to PERS, SERS and PSERS. The Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, and the Teachers' Retirement System have additional annuity purchase options under current law. The purchase of an additional annuity allows plan members to purchase additional retirement benefits with funds from a government retirement plan.

This proposal expands the purchase of an additional annuity to all plans by extending the option to PERS, SERS, and PSERS. The minimum annuity purchase price under the proposal for PERS, SERS, and PSERS is \$5,000. The funds used to purchase an optional annuity must come from an eligible government plan, such as deferred compensation. The proposed bill also contains a reservation of rights clause to repeal or amend the program in the future, and the bill contains an effective date of January 1, 2020.

All retirement system members currently have access to the PSC annuity. The PSC annuity is capped at the equivalent of 60 months of service credit. There is no cap to annuity purchase size under the purchase of an additional annuity.

Highlights

- ❖ Buying an annuity converts a member's defined contribution-style account to a defined benefit income stream.
 - ◇ In return, investment and longevity risk is transferred to the pension system.
- ❖ This proposal allows members to purchase larger annuities than available under current law.
 - ◇ However, the funds must come from a government plan.
- ❖ Expanding the purchase of an additional annuity provides members with additional flexibility at member cost.

This annuity would be based on actuarial equivalence and is not expected to impact the funding of the system. See the [Actuary's Draft Fiscal Note for DRS Proposal: Annuity Purchase](#) for a full discussion of the actuarial impacts of this proposal.

Committee Activity

The SCPP received a briefing from the Department of Retirement Systems and an education presentation from staff on this topic at the June meeting, and held a work session with public testimony at the July meeting. At the September meeting, the SCPP voted to sponsor the bill draft.

Recommendation to the 2019 Legislature

Provide the purchase of an additional annuity option to members of PERS, SERS, and PSERS with a minimum purchase price of \$5,000.

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