Military Death Benefits

Background

Death benefits are provided to survivors of deceased members based upon system and plan-specific eligibility and benefit amounts. Prior to the passage of SHB 1266 in the 2007 Legislative session, no distinction was made in the survivor eligibility or benefit amount in any system or plan between members who died while no longer working for a public employer for any reason and members who died while fulfilling interruptive military service obligations.

SHB 1266 authorized a qualifying survivor of a Public Employees' Retirement System Plan 2 member who died on military duty in Iraq or Afghanistan a choice between 200 percent of the member's account balance or a monthly annuity reduced for each year of the member's age at death prior to age 65. The survivors of members who separate from employment for any other reason get the choice between a 100 percent withdrawal option or a reduced monthly annuity.

This is one of four issues being coordinated with the Law Enforcement Officers' and Firefighters' Plan 2 Retirement Board.

Committee Activity

Presentations:

- July 17, 2007 - Full Committee
- October 16, 2007 - Executive Committee
- December 18, 2007 - Full Committee

Proposal:

- December 18, 2007 - Full Committee

Recommendation to Legislature

Provide an unreduced survivor annuity to qualifying survivors of members of all systems and plans who leave public employment due to service in the National Guard or Military Reserves and die while serving honorably during a period of war.

Staff Contact

Dave Nelsen
Senior Policy Analyst
360.786.6144
nelsen.dave@osa.leg.wa.gov

Military Death Benefits

In Brief

ISSUE

The issue before the SCPP is whether to provide additional benefits to survivors of members who die while serving on active duty with the United States' military.

MEMBER IMPACT

This could impact survivors of members in each system and plan who die while on military duty.

The Federal government also provides survivor benefits for spouses and families of members who die while on military service.

Dave Nelsen
Senior Policy Analyst
360.786.6144
nelsen.dave@leg.wa.gov

Current Situation

Death benefits are provided to survivors of deceased members based upon system and plan-specific eligibility and benefit amounts. Prior to the passage of SHB 1266 in the 2007 Legislative session, no distinction was made in the survivor eligibility or benefit amount in any system or plan between members who died while no longer working for a public employer for any reason and members who died while fulfilling interruptive military service obligations.

SHB 1266 authorized a survivor of a Public Employees' Retirement System (PERS) Plan 2 member who was eligible to retire or had at least ten years of service, and who is killed in the current Iraq or Afghanistan conflict, a choice between 200 percent of the member's account balance or a monthly annuity reduced for each year of the member's age at death prior to age 65. The survivors of members who separate from employment for any other reason do not get the 200 percent option. They receive a choice between 100 percent of the account balance and the reduced survivor annuity.

Spouses and/or qualifying dependants are also eligible for benefits from the federal government if their spouse dies while on military duty. They receive a one time tax–free $100,000 payment and a monthly stipend of $1,067, increased by Consumer Price Index (CPI) based adjustments, with an additional $265 per month provided for each dependant. Additionally, military employees are automatically enrolled in group life insurance in the amount of $250,000. Employees can opt out, reduce or increase this coverage up to $400,000. The cost for the full amount is $29 monthly.

Policy Analysis

The primary policy in question is whether survivors of members who die while serving on military duty should receive additional pension benefits not available to survivors of members who left employment for other reasons.

The chart below outlines some general arguments for or against providing additional or special benefits to military personnel.

No Additional Special Benefits	Additional Special Benefits
Members serve voluntarily; no draft requires them to leave employment	Encourage military service; help avoid need for a draft
Members already receive adequate federal compensation and benefits for military service	Support ability to recruit more military personnel into state service and more state personnel into military service
Other members and employers would not have to absorb extra costs for these members	Support view that all WA citizens benefit, directly or indirectly, from military service rendered by public employees
More favorable service credit treatment is already given to these members via federal law (no interest, 5 years to repay)	Recognize that members who serve in conflicts are at higher risk for injury or death; pension plans typically offer extra support for high risk occupations that serve the public at large
Military service is unrelated to the service rewarded by state pension plans	Supplement federal benefits, which may not be viewed as adequate

Should survivor benefits of members who die while on military service differ from survivor benefits of members who die in other situations, such as in the line of duty?

If it is desirable to provide additional pension survivor benefits, the next question is: What additional survivor benefits? State pension benefits typically distinguish between duty-related death and non-duty related death.

Survivors whose spouses die from duty-related causes receive the most benefit from the state pensions. These spouses or dependants may be eligible for both a lump sum ($150,000 death benefit) and annuity (unreduced survivor annuity based upon salary and service credit). Survivors whose spouses die from non-duty related causes, whether as active employees or as separated members, typically only receive either a refund of contributions or a survivor annuity that is actuarially reduced for each year prior to the normal retirement age.

To provide enhanced survivor benefits, something greater than a refund of member contributions or an actuarially reduced annuity would need to be provided. Examining the benefits provided by the federal government and attempting to provide a benefit from the pension system that supplements the total benefits received may be a logical approach. In looking at the federal death benefits provided, given the likelihood of large lump sum payments ($100,000 guaranteed with up to $400,000 additional in

insurance) but limited monthly annuity amounts for income replacement ($1,067 per month with additional amounts for dependants), perhaps enhanced annuity payments from the state pensions would be most valuable.

Should the eligibility for and calculation of survivor benefits of members be standard across all systems and plans, or standard with other survivor benefits within the systems and plans?

One question that arises if providing an enhanced benefit is whether the eligibility and calculation method should be standard across systems and plans, or standardized with other survivor benefits within the system and plans. For example, Plan 1 of the Law Enforcement Officers' and Fire Fighters' (LEOFF) retirement system has different eligibility for survivor benefits based upon whether the member is active or inactive, while the Plans 2/3 have different eligibility based upon years of service but don't distinguish between active and inactive. As for the benefit calculations, the Plan 1 systems have different methods of providing post-retirement adjustments or cost-of-living-adjustments (COLA) than the Plans 2/3 systems.

If the eligibility and calculation methodology are standardized across plans, it would ensure two survivors would receive similar benefits regardless of plan membership. However, this may cause concerns with non-military death related survivors if their eligibility or calculation methodology is not as generous. Conversely, the other option would be to standardize the benefit according to the current plan methods. This would provide consistent benefits within each plan, but may lead to similarly situated survivors receiving different benefits. Currently, for survivor benefits within the state retirement systems, the eligibility for and the benefit provided is generally based upon plan specific methodology, regardless of the reason for the member's death.

What type of uniformed service should qualify for enhanced survivor benefits?

The final question faced when providing enhanced benefits for military service is what type of military or uniformed service. If the committee chooses to provide enhanced military survivor benefits, should the benefits be provided for deaths during:

- Participation in all military service? Such as in times of conflict, active duty training, and peace-time.
- Service only in current conflicts?
- Service only in current and future conflicts?

- Service only in conflicts specifically identified for this benefit?

The federal government requires the same reemployment rights whether the person served in a conflict, a period of war, or in a time of peace. Within the state pension systems, free interruptive service credit is granted to members of PERS Plan 1, LEOFF Plan 1, and the Washington State Patrol Retirement System (WSPRS) Plan 1, but only if the member served during a period of war.

Other States

What type of uniformed service should qualify for enhanced survivor benefits?

Research into our comparative states indicated that only three states provide enhanced survivor benefits to spouses of members who die while serving in the military; Idaho, California, and Iowa. Idaho provides a choice of a refund equaling twice the member's contributions or a reduced survivor annuity. California and Iowa provide more generous survivor benefits when the member dies while an active employee, and in both those states, members who die while serving in the military are treated as active employees. Both of these states also provide enhanced benefits for "public safety" members who die in the line of duty, but survivors of members who die while serving in the military do not qualify for this benefit in either state.

Prior Executive Committee Action

The Executive Committee asked OSA to price two general options and bring the information back for further consideration:

- Expand the 200 percent option currently in PERS Plan 2 to all systems and plans.
- Provide an option for an unreduced survivor annuity.

After discussing the possible alternatives, the Executive Committee recommended the following proposal be presented to the full committee and draft legislation be prepared:

Survivors of a member who dies while serving honorably in the uniformed services will have the same eligibility and survivor benefit options within each system and plan as the

survivor of a member who dies in the line of duty. In general, this would provide an unreduced survivor annuity to those who qualify.

Possible Options

A first option is to endorse the Executive committee proposal. This proposal provides an enhanced benefit in the form of an unreduced survivor annuity, but does not provide lesser eligibility standards or a greater benefit than what currently exists within the systems and plans, maintaining equity with other survivor benefits, such as line of duty deaths. This proposal is also the most expansive possible regarding the nature of the uniformed services in that it does not distinguish between periods of war or peace.

Other options to the committee include the following:

- Provide a lump sum amount in lieu of or addition to the unreduced survivor annuity.
- Alter the pension-based eligibility standards for the benefit.
- Limit the eligibility for the benefit based upon the type of uniformed service provided, such as only during a time of war.

STAKEHOLDER INPUT

1. *LEOFF Plan 2 Board*
2. *Washington State Patrol Troopers' Association*
3. *Members via Department of Retirement Systems*

Copies of the above requests are attached.

Bill Draft

A copy of Code Reviser bill draft (Z-0779.1) is attached.

Fiscal Note

Attached.

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BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0913.1/08

ATTY/TYPIST: LL:cro

BRIEF DESCRIPTION: Addressing the survivor benefits of employees who die while honorably serving in the national guard or military reserves during a period of war.

AN ACT Relating to the survivor benefits of employees who die while honorably serving in the national guard or military reserves during a period of war; and amending RCW 41.26.160, 41.26.510, 43.43.270, 43.43.295, 41.32.520, 41.32.805, 41.32.895, 41.35.460, 41.35.710, 41.37.250, 41.40.270, 41.40.700, and 41.40.835.

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

Sec. 1. RCW 41.26.160 and 2005 c 62 s 1 are each amended to read as follows:

(1) In the event of the duty connected death of any member who is in active service, or who has vested under the provisions of RCW 41.26.090 with twenty or more service credit years of service, or who is on duty connected disability leave or retired for duty connected disability, <u>or upon the death of a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005,</u> the surviving spouse shall become entitled, subject to RCW 41.26.162, to receive a monthly allowance equal to fifty percent of the final average salary at the date of death if active, or the amount of retirement allowance the vested member would have received at age

fifty, or the amount of the retirement allowance such retired member was receiving at the time of death if retired for duty connected disability. The amount of this allowance will be increased five percent of final average salary for each child as defined in RCW 41.26.030(7), subject to a maximum combined allowance of sixty percent of final average salary: PROVIDED, That if the child or children is or are in the care of a legal guardian, payment of the increase attributable to each child will be made to the child's legal guardian or, in the absence of a legal guardian and if the member has created a trust for the benefit of the child or children, payment of the increase attributable to each child will be made to the trust.

(2) If at the time of the duty connected death of a vested member with twenty or more service credit years of service as provided in subsection (1) of this section or a member retired for duty connected disability, <u>or at the time of the death of a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005,</u> the surviving spouse has not been lawfully married to such member for one year prior to retirement or separation from service if a vested member, the surviving spouse shall not be eligible to receive the benefits under this section: PROVIDED, That if a member dies as a result of a disability incurred in the line of duty <u>or while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005</u>, then if he or she was married at the time he or she was disabled <u>or left the employ of an employer due to service in the national guard or military reserves during a period of war as defined in RCW 41.04.005</u>, the surviving spouse shall be eligible to receive the benefits under this section.

(3) If there be no surviving spouse eligible to receive benefits at the time of such member's duty connected death, then the child or children of such member shall receive a monthly allowance equal to thirty percent of final average salary for one child and an additional ten percent for each additional child subject to a maximum combined payment, under this subsection, of sixty percent of final average salary. When there cease to be any eligible children as defined in RCW 41.26.030(7), there shall be paid to the legal heirs of the member the excess, if any, of accumulated contributions of the member at the time of death over all payments made to survivors on his or her behalf under this chapter: PROVIDED, That payments under this subsection to

children shall be prorated equally among the children, if more than one. If the member has created a trust for the benefit of the child or children, the payment shall be made to the trust.

(4) In the event that there is no surviving spouse eligible to receive benefits under this section, and that there be no child or children eligible to receive benefits under this section, then the accumulated contributions shall be paid to the estate of the member.

(5) If a surviving spouse receiving benefits under this section remarries after June 13, 2002, the surviving spouse shall continue to receive the benefits under this section.

(6) If a surviving spouse receiving benefits under the provisions of this section thereafter dies and there are children as defined in RCW 41.26.030(7), payment to the spouse shall cease and the child or children shall receive the benefits as provided in subsection (3) of this section.

(7) The payment provided by this section shall become due the day following the date of death and payments shall be retroactive to that date.

Sec. 2. RCW 41.26.510 and 2006 c 345 s 1 are each amended to read as follows:

(1) Except as provided in RCW 11.07.010, if a member or a vested member who has not completed at least ten years of service dies, the amount of the accumulated contributions standing to such member's credit in the retirement system at the time of such member's death, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's estate, or such person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department. If there be no such designated person or persons still living at the time of the member's death, such member's accumulated contributions standing to such member's credit in the retirement system, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's surviving spouse as if in fact such spouse had been nominated by written designation, or if there be no such surviving spouse, then to such member's legal representatives.

(2) If a member who is eligible for retirement or a member who has

completed at least ten years of service dies, the surviving spouse or eligible child or children shall elect to receive either:

(a) A retirement allowance computed as provided for in RCW 41.26.430, actuarially reduced by the amount of any lump sum benefit identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670 and actuarially adjusted to reflect a joint and one hundred percent survivor option under RCW 41.26.460 and if the member was not eligible for normal retirement at the date of death a further reduction as described in RCW 41.26.430; if a surviving spouse who is receiving a retirement allowance dies leaving a child or children of the member under the age of majority, then such child or children shall continue to receive an allowance in an amount equal to that which was being received by the surviving spouse, share and share alike, until such child or children reach the age of majority; if there is no surviving spouse eligible to receive an allowance at the time of the member's death, such member's child or children under the age of majority shall receive an allowance share and share alike calculated as herein provided making the assumption that the ages of the spouse and member were equal at the time of the member's death; or

(b)(i) The member's accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670; or

(ii) If the member dies on or after July 25, 1993, one hundred fifty percent of the member's accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670. Any accumulated contributions attributable to restorations made under RCW 41.50.165(2) shall be refunded at one hundred percent.

(3) If a member who is eligible for retirement or a member who has completed at least ten years of service dies after October 1, 1977, and is not survived by a spouse or an eligible child, then the accumulated contributions standing to the member's credit, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid:

(a) To an estate, a person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department; or

(b) If there is no such designated person or persons still living

at the time of the member's death, then to the member's legal representatives.

(4) The retirement allowance of a member who is killed in the course of employment, as determined by the director of the department of labor and industries, or the retirement allowance of a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005, is not subject to an actuarial reduction. The member's retirement allowance is computed under RCW 41.26.420.

(5) The retirement allowance paid to the spouse and dependent children of a member who is killed in the course of employment, as set forth in RCW 41.05.011(14), shall include reimbursement for any payments of premium rates to the Washington state health care authority pursuant to RCW 41.05.080.

Sec. 3. RCW 43.43.270 and 2006 c 94 s 1 are each amended to read as follows:

For members commissioned prior to January 1, 2003:

(1) The normal form of retirement allowance shall be an allowance which shall continue as long as the member lives.

(2) If a member should die while in service, or a member leaves the employ of the employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005, the member's lawful spouse shall be paid an allowance which shall be equal to fifty percent of the average final salary of the member. If the member should die after retirement the member's lawful spouse shall be paid an allowance which shall be equal to the retirement allowance then payable to the member or fifty percent of the final average salary used in computing the member's retirement allowance, whichever is less. The allowance paid to the lawful spouse shall continue as long as the spouse lives: PROVIDED, That if a surviving spouse who is receiving benefits under this subsection marries another member of this retirement system who subsequently predeceases such spouse, the spouse shall then be entitled to receive the higher of the two survivors' allowances for which eligibility requirements were met, but a surviving spouse shall not receive more than one survivor's allowance from this system at the same time under this subsection. To be eligible for an allowance the lawful surviving

spouse of a retired member shall have been married to the member prior to the member's retirement and continuously thereafter until the date of the member's death or shall have been married to the retired member at least two years prior to the member's death. The allowance paid to the lawful spouse may be divided with an ex spouse of the member by a dissolution order as defined in RCW 41.50.500(3) incident to a divorce occurring after July 1, 2002. The dissolution order must specifically divide both the member's benefit and any spousal survivor benefit, and must fully comply with RCW 41.50.670 and 41.50.700.

(3) If a member should die, either while in service or after retirement, the member's surviving unmarried children under the age of eighteen years shall be provided for in the following manner:

(a) If there is a surviving spouse, each child shall be entitled to a benefit equal to five percent of the final average salary of the member or retired member. The combined benefits to the surviving spouse and all children shall not exceed sixty percent of the final average salary of the member or retired member; and

(b) If there is no surviving spouse or the spouse should die, the child or children shall be entitled to a benefit equal to thirty percent of the final average salary of the member or retired member for one child and an additional ten percent for each additional child. The combined benefits to the children under this subsection shall not exceed sixty percent of the final average salary of the member or retired member. Payments under this subsection shall be prorated equally among the children, if more than one.

(4) If a member should die in the line of duty while employed by the Washington state patrol, <u>or a member leaves the employ of the employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005,</u> the member's surviving children under the age of twenty years and eleven months if attending any high school, college, university, or vocational or other educational institution accredited or approved by the state of Washington shall be provided for in the following manner:

(a) If there is a surviving spouse, each child shall be entitled to a benefit equal to five percent of the final average salary of the member. The combined benefits to the surviving spouse and all children shall not exceed sixty percent of the final average salary of the member;

(b) If there is no surviving spouse or the spouse should die, the

unmarried child or children shall be entitled to receive a benefit equal to thirty percent of the final average salary of the member or retired member for one child and an additional ten percent for each additional child. The combined benefits to the children under this subsection shall not exceed sixty percent of the final average salary. Payments under this subsection shall be prorated equally among the children, if more than one; and

(c) If a beneficiary under this subsection reaches the age of twenty-one years during the middle of a term of enrollment the benefit shall continue until the end of that term.

(5)(a) The provisions of this section shall apply to members who have been retired on disability as provided in RCW 43.43.040 if the officer was a member of the Washington state patrol retirement system at the time of such disability retirement.

(b) For the purposes of this subsection, average final salary as used in subsection (2) of this section means:

(i) For members commissioned prior to January 1, 2003, the average monthly salary received by active members of the patrol of the rank at which the member became disabled, during the two years prior to the death of the disabled member; and

(ii) For members commissioned on or after January 1, 2003, the average monthly salary received by active members of the patrol of the rank at which the member became disabled, during the five years prior to the death of the disabled member.

(c) The changes to the definitions of average final salary for the survivors of disabled members in this subsection shall apply retroactively. The department shall correct future payments to eligible survivors of members disabled prior to June 7, 2006, and, as soon as administratively practicable, pay each survivor a lump sum payment reflecting the difference, as determined by the director, between the survivor benefits previously received by the member, and those the member would have received under the definitions of average final salary created in chapter 94, Laws of 2006.

Sec. 4. RCW 43.43.295 and 2004 c 171 s 1 are each amended to read as follows:

(1) For members commissioned on or after January 1, 2003, except as provided in RCW 11.07.010, if a member or a vested member who has not completed at least ten years of service dies, the amount of the accumulated contributions standing to such member's credit in the

retirement system at the time of such member's death, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's estate, or such person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department. If there be no such designated person or persons still living at the time of the member's death, such member's accumulated contributions standing to such member's credit in the retirement system, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's surviving spouse as if in fact such spouse had been nominated by written designation, or if there be no such surviving spouse, then to such member's legal representatives.

(2) If a member who is eligible for retirement or a member who has completed at least ten years of service dies, the surviving spouse or eligible child or children shall elect to receive either:

(a) A retirement allowance computed as provided for in RCW 43.43.260, actuarially reduced, except under subsection (4) of this section, by the amount of any lump sum benefit identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670 and actuarially adjusted to reflect a joint and one hundred percent survivor option under RCW 43.43.278 and if the member was not eligible for normal retirement at the date of death a further reduction from age fifty-five or when the member could have attained twenty-five years of service, whichever is less; if a surviving spouse who is receiving a retirement allowance dies leaving a child or children of the member under the age of majority, then such child or children shall continue to receive an allowance in an amount equal to that which was being received by the surviving spouse, share and share alike, until such child or children reach the age of majority; if there is no surviving spouse eligible to receive an allowance at the time of the member's death, such member's child or children under the age of majority shall receive an allowance share and share alike calculated under this section making the assumption that the ages of the spouse and member were equal at the time of the member's death; or

(b)(i) The member's accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670; or

(ii) If the member dies, one hundred fifty percent of the member's accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670. Any accumulated contributions attributable to restorations made under RCW 41.50.165(2) shall be refunded at one hundred percent.

(3) If a member who is eligible for retirement or a member who has completed at least ten years of service dies, and is not survived by a spouse or an eligible child, then the accumulated contributions standing to the member's credit, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid:

(a) To an estate, a person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department; or

(b) If there is no such designated person or persons still living at the time of the member's death, then to the member's legal representatives.

(4) The retirement allowance of a member who is killed in the course of employment, as determined by the director of the department of labor and industries, or the retirement allowance of a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005, is not subject to an actuarial reduction.

Sec. 5. RCW 41.32.520 and 2003 c 155 s 1 are each amended to read as follows:

(1) Except as specified in subsection (3) of this section, upon receipt of proper proofs of death of any member before retirement or before the first installment of his or her retirement allowance shall become due his or her accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, and/or other benefits payable upon his or her death shall be paid to his or her estate or to such persons, trust, or organization as he or she shall have nominated by written designation duly executed and filed with the department. If a member fails to file a new beneficiary designation subsequent to marriage, divorce, or reestablishment of membership following termination by withdrawal,

lapsation, or retirement, payment of his or her accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, and/or other benefits upon death before retirement shall be made to the surviving spouse, if any; otherwise, to his or her estate. If a member had established ten or more years of Washington membership service credit or was eligible for retirement, the beneficiary or the surviving spouse if otherwise eligible may elect, in lieu of a cash refund of the member's accumulated contributions, the following survivor benefit plan actuarially reduced, except under subsection (4) of this section, by the amount of any lump sum benefit identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670:

(a) A widow or widower, without a child or children under eighteen years of age, may elect a monthly payment of fifty dollars to become effective at age fifty, provided the member had fifteen or more years of Washington membership service credit. A benefit paid under this subsection (1)(a) shall terminate at the marriage of the beneficiary.

(b) The beneficiary, if a surviving spouse or a dependent (as that term is used in computing the dependent exemption for federal internal revenue purposes) may elect to receive a joint and one hundred percent retirement allowance under RCW 41.32.530.

(i) In the case of a dependent child the allowance shall continue until attainment of majority or so long as the department judges that the circumstances which created his or her dependent status continue to exist. In any case, if at the time dependent status ceases, an amount equal to the amount of accumulated contributions of the deceased member has not been paid to the beneficiary, the remainder shall then be paid in a lump sum to the beneficiary.

(ii) If at the time of death, the member was not then qualified for a service retirement allowance, the benefit shall be based upon the actuarial equivalent of the sum necessary to pay the accrued regular retirement allowance commencing when the deceased member would have first qualified for a service retirement allowance.

(2) If no qualified beneficiary survives a member, at his or her death his or her accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to his or her estate, or his or her dependents may qualify for survivor

benefits under benefit plan (1)(b) in lieu of a cash refund of the members accumulated contributions in the following order: Widow or widower, guardian of a dependent child or children under age eighteen, or dependent parent or parents.

(3) If a member dies within sixty days following application for disability retirement under RCW 41.32.550, the beneficiary named in the application may elect to receive the benefit provided by:

(a) This section; or

(b) RCW 41.32.550, according to the option chosen under RCW 41.32.530 in the disability application.

(4) The retirement allowance of a member who is killed in the course of employment, as determined by the director of the department of labor and industries, <u>or the retirement allowance of a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005,</u> is not subject to an actuarial reduction. The member's retirement allowance is computed under RCW 41.32.480.

Sec. 6. RCW 41.32.805 and 2003 c 155 s 2 are each amended to read as follows:

(1) Except as provided in RCW 11.07.010, if a member or a vested member who has not completed at least ten years of service dies, the amount of the accumulated contributions standing to such member's credit in the retirement system, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, at the time of such member's death shall be paid to the member's estate, or such person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department. If there be no such designated person or persons still living at the time of the member's death, such member's accumulated contributions standing to such member's credit in the retirement system, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's surviving spouse as if in fact such spouse had been nominated by written designation, or if there be no such surviving spouse, then to such member's legal representatives.

(2) If a member who is eligible for retirement or a member who has completed at least ten years of service dies, the surviving spouse or

eligible children shall elect to receive either:

(a) A retirement allowance computed as provided for in RCW 41.32.765, actuarially reduced by the amount of any lump sum benefit identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670 and actuarially adjusted to reflect a joint and one hundred percent survivor option under RCW 41.32.785 and, except under subsection (4) of this section, if the member was not eligible for normal retirement at the date of death a further reduction as described in RCW 41.32.765; if a surviving spouse who is receiving a retirement allowance dies leaving a child or children of the member under the age of majority, then such child or children shall continue to receive an allowance in an amount equal to that which was being received by the surviving spouse, share and share alike, until such child or children reach the age of majority; if there is no surviving spouse eligible to receive an allowance at the time of the member's death, such member's child or children under the age of majority shall receive an allowance share and share alike calculated as herein provided making the assumption that the ages of the spouse and member were equal at the time of the member's death; or

(b) The member's accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670.

(3) If a member who is eligible for retirement or a member who has completed at least ten years of service dies after October 1, 1977, and is not survived by a spouse or an eligible child, then the accumulated contributions standing to the member's credit, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid:

(a) To an estate, a person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department; or

(b) If there is no such designated person or persons still living at the time of the member's death, then to the member's legal representatives.

(4) A member who is killed in the course of employment, as determined by the director of the department of labor and industries, <u>or a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably</u>

serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005, is not subject to an actuarial reduction under RCW 41.32.765. The member's retirement allowance is computed under RCW 41.32.760.

Sec. 7. RCW 41.32.895 and 2003 c 155 s 3 are each amended to read as follows:

(1) If a member dies prior to retirement, the surviving spouse or eligible child or children shall receive a retirement allowance computed as provided in RCW 41.32.851 actuarially reduced to reflect a joint and one hundred percent survivor option and, except under subsection (2) of this section, if the member was not eligible for normal retirement at the date of death a further reduction as described in RCW 41.32.875.

If the surviving spouse who is receiving the retirement allowance dies leaving a child or children under the age of majority, then such child or children shall continue to receive an allowance in an amount equal to that which was being received by the surviving spouse, share and share alike, until such child or children reach the age of majority.

If there is no surviving spouse eligible to receive an allowance at the time of the member's death, such member's child or children under the age of majority shall receive an allowance, share and share alike. The allowance shall be calculated with the assumption that the age of the spouse and member were equal at the time of the member's death.

(2) A member who is killed in the course of employment, as determined by the director of the department of labor and industries, or a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005, is not subject to an actuarial reduction under RCW 41.32.875. The member's retirement allowance is computed under RCW 41.32.840.

Sec. 8. RCW 41.35.460 and 2003 c 155 s 4 are each amended to read as follows:

(1) Except as provided in RCW 11.07.010, if a member or a vested member who has not completed at least ten years of service dies, the amount of the accumulated contributions standing to such member's

credit in the retirement system at the time of such member's death, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's estate, or such person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department. If there be no such designated person or persons still living at the time of the member's death, such member's accumulated contributions standing to such member's credit in the retirement system, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's surviving spouse as if in fact such spouse had been nominated by written designation, or if there be no such surviving spouse, then to such member's legal representatives.

(2) If a member who is eligible for retirement or a member who has completed at least ten years of service dies, the surviving spouse or eligible child or children shall elect to receive either:

(a) A retirement allowance computed as provided for in RCW 41.35.420, actuarially reduced by the amount of any lump sum benefit identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670 and actuarially adjusted to reflect a joint and one hundred percent survivor option under RCW 41.35.220 and, except under subsection (4) of this section, if the member was not eligible for normal retirement at the date of death a further reduction as described in RCW 41.35.420; if a surviving spouse who is receiving a retirement allowance dies leaving a child or children of the member under the age of majority, then such child or children shall continue to receive an allowance in an amount equal to that which was being received by the surviving spouse, share and share alike, until such child or children reach the age of majority; if there is no surviving spouse eligible to receive an allowance at the time of the member's death, such member's child or children under the age of majority shall receive an allowance, share and share alike, calculated as herein provided making the assumption that the ages of the spouse and member were equal at the time of the member's death; or

(b) The member's accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670.

(3) If a member who is eligible for retirement or a member who has completed at least ten years of service dies and is not survived by a spouse or an eligible child, then the accumulated contributions standing to the member's credit, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid:

(a) To a person or persons, estate, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department; or

(b) If there is no such designated person or persons still living at the time of the member's death, then to the member's legal representatives.

(4) A member who is killed in the course of employment, as determined by the director of the department of labor and industries, <u>or a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005,</u> is not subject to an actuarial reduction under RCW 41.35.420. The member's retirement allowance is computed under RCW 41.35.400.

Sec. 9. RCW 41.35.710 and 2003 c 155 s 5 are each amended to read as follows:

(1) If a member dies prior to retirement, the surviving spouse or eligible child or children shall receive a retirement allowance computed as provided in RCW 41.35.620 actuarially reduced to reflect a joint and one hundred percent survivor option and, except under subsection (2) of this section, if the member was not eligible for normal retirement at the date of death a further reduction as described in RCW 41.35.680.

If the surviving spouse who is receiving the retirement allowance dies leaving a child or children under the age of majority, then such child or children shall continue to receive an allowance in an amount equal to that which was being received by the surviving spouse, share and share alike, until such child or children reach the age of majority.

If there is no surviving spouse eligible to receive an allowance at the time of the member's death, such member's child or children under the age of majority shall receive an allowance, share and share alike. The allowance shall be calculated with the assumption that the

age of the spouse and member were equal at the time of the member's death.

(2) A member who is killed in the course of employment, as determined by the director of the department of labor and industries, or a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005, is not subject to an actuarial reduction under RCW 41.35.680. The member's retirement allowance is computed under RCW 41.35.620.

Sec. 10. RCW 41.37.250 and 2005 c 327 s 7 are each amended to read as follows:

(1) Except as provided in RCW 11.07.010, if a member or a vested member who has not completed at least ten years of service dies, the amount of the accumulated contributions standing to that member's credit in the retirement system at the time of the member's death, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's estate, or the person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department. If there is no designated person or persons still living at the time of the member's death, the member's accumulated contributions standing to the member's credit in the retirement system, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's surviving spouse as if in fact that spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

(2) If a member who is eligible for retirement or a member who has completed at least ten years of service dies, the surviving spouse or eligible child or children shall elect to receive either:

(a) A retirement allowance computed as provided for in RCW 41.37.210, actuarially reduced by the amount of any lump sum benefit identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670 and actuarially adjusted to reflect a joint and one hundred percent survivor option under RCW 41.37.170 and, except under subsection (4) of this section, if the member was not eligible for normal retirement

at the date of death a further reduction as described in RCW 41.37.210; if a surviving spouse who is receiving a retirement allowance dies leaving a child or children of the member under the age of majority, then the child or children shall continue to receive an allowance in an amount equal to that which was being received by the surviving spouse, share and share alike, until the child or children reach the age of majority; if there is no surviving spouse eligible to receive an allowance at the time of the member's death, the member's child or children under the age of majority shall receive an allowance, share and share alike, calculated under this section making the assumption that the ages of the spouse and member were equal at the time of the member's death; or

(b) The member's accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670.

(3) If a member who is eligible for retirement or a member who has completed at least ten years of service dies and is not survived by a spouse or an eligible child, then the accumulated contributions standing to the member's credit, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid:

(a) To a person or persons, estate, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department; or

(b) If there is no designated person or persons still living at the time of the member's death, then to the member's legal representatives.

(4) A member who is killed in the course of employment, as determined by the director of the department of labor and industries, <u>or a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005,</u> is not subject to reduction under RCW 41.37.210. The member's retirement allowance is computed under RCW 41.37.190.

Sec. 11. RCW 41.40.270 and 2003 c 155 s 6 are each amended to read as follows:

(1) Except as specified in subsection (4) of this section, should a member die before the date of retirement the amount of the

accumulated contributions standing to the member's credit in the employees' savings fund, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, at the time of death:

(a) Shall be paid to the member's estate, or such person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department; or

(b) If there be no such designated person or persons still living at the time of the member's death, or if a member fails to file a new beneficiary designation subsequent to marriage, remarriage, dissolution of marriage, divorce, or reestablishment of membership following termination by withdrawal or retirement, such accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the surviving spouse as if in fact such spouse had been nominated by written designation as aforesaid, or if there be no such surviving spouse, then to the member's legal representatives.

(2) Upon the death in service, or while on authorized leave of absence for a period not to exceed one hundred and twenty days from the date of payroll separation, of any member who is qualified but has not applied for a service retirement allowance or has completed ten years of service at the time of death, the designated beneficiary, or the surviving spouse as provided in subsection (1) of this section, may elect to waive the payment provided by subsection (1) of this section. Upon such an election, a joint and one hundred percent survivor option under RCW 41.40.188, calculated under the retirement allowance described in RCW 41.40.185 or 41.40.190, whichever is greater, actuarially reduced, except under subsection (5) of this section, by the amount of any lump sum benefit identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670 shall automatically be given effect as if selected for the benefit of the designated beneficiary. If the member is not then qualified for a service retirement allowance, such benefit shall be based upon the actuarial equivalent of the sum necessary to pay the accrued regular retirement allowance commencing when the deceased member would have first qualified for a service retirement allowance.

(3) Subsection (1) of this section, unless elected, shall not apply to any member who has applied for service retirement in RCW

41.40.180, as now or hereafter amended, and thereafter dies between the date of separation from service and the member's effective retirement date, where the member has selected a survivorship option under RCW 41.40.188. In those cases the beneficiary named in the member's final application for service retirement may elect to receive either a cash refund, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, or monthly payments according to the option selected by the member.

(4) If a member dies within sixty days following application for disability retirement under RCW 41.40.230, the beneficiary named in the application may elect to receive the benefit provided by:

(a) This section; or

(b) RCW 41.40.235, according to the option chosen under RCW 41.40.188 in the disability application.

(5) The retirement allowance of a member who is killed in the course of employment, as determined by the director of the department of labor and industries, <u>or the retirement allowance of a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005,</u> is not subject to an actuarial reduction. The member's retirement allowance is computed under RCW 41.40.185.

Sec. 12. RCW 41.40.700 and 2007 c 487 s 8 are each amended to read as follows:

(1) Except as provided in RCW 11.07.010, if a member or a vested member who has not completed at least ten years of service dies, the amount of the accumulated contributions standing to such member's credit in the retirement system at the time of such member's death, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's estate, or such person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department. If there be no such designated person or persons still living at the time of the member's death, such member's accumulated contributions standing to such member's credit in the retirement system, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW

41.50.670, shall be paid to the member's surviving spouse as if in fact such spouse had been nominated by written designation, or if there be no such surviving spouse, then to such member's legal representatives.

(2) If a member who is eligible for retirement or a member who has completed at least ten years of service dies, the surviving spouse or eligible child or children shall elect to receive one of the following:

(a) A retirement allowance computed as provided for in RCW 41.40.630, actuarially reduced by the amount of any lump sum benefit identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670 and actuarially adjusted to reflect a joint and one hundred percent survivor option under RCW 41.40.660 and, except under subsection (4) of this section, if the member was not eligible for normal retirement at the date of death a further reduction as described in RCW 41.40.630; if a surviving spouse who is receiving a retirement allowance dies leaving a child or children of the member under the age of majority, then such child or children shall continue to receive an allowance in an amount equal to that which was being received by the surviving spouse, share and share alike, until such child or children reach the age of majority; if there is no surviving spouse eligible to receive an allowance at the time of the member's death, such member's child or children under the age of majority shall receive an allowance share and share alike calculated as herein provided making the assumption that the ages of the spouse and member were equal at the time of the member's death;

(b) The member's accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670; or

(c) For a member who leaves the employ of an employer to enter the uniformed services of the United States and who dies after January 1, 2007, while honorably serving in the uniformed services of the United States in Operation Enduring Freedom or Persian Gulf, Operation Iraqi Freedom, an amount equal to two hundred percent of the member's accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670.

(3) If a member who is eligible for retirement or a member who has completed at least ten years of service dies after October 1, 1977,

and is not survived by a spouse or an eligible child, then the accumulated contributions standing to the member's credit, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid:

(a) To a person or persons, estate, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department; or

(b) If there is no such designated person or persons still living at the time of the member's death, then to the member's legal representatives.

(4) A member who is killed in the course of employment, as determined by the director of the department of labor and industries, <u>or a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005,</u> is not subject to an actuarial reduction under RCW 41.40.630. The member's retirement allowance is computed under RCW 41.40.620.

Sec. 13. RCW 41.40.835 and 2003 c 155 s 8 are each amended to read as follows:

(1) If a member dies prior to retirement, the surviving spouse or eligible child or children shall receive a retirement allowance computed as provided in RCW 41.40.790 actuarially reduced to reflect a joint and one hundred percent survivor option and, except under subsection (2) of this section, if the member was not eligible for normal retirement at the date of death a further reduction as described in RCW 41.40.820.

If the surviving spouse who is receiving the retirement allowance dies leaving a child or children under the age of majority, then such child or children shall continue to receive an allowance in an amount equal to that which was being received by the surviving spouse, share and share alike, until such child or children reach the age of majority.

If there is no surviving spouse eligible to receive an allowance at the time of the member's death, such member's child or children under the age of majority shall receive an allowance, share and share alike. The allowance shall be calculated with the assumption that the age of the spouse and member were equal at the time of the member's

death.

(2) A member who is killed in the course of employment, as determined by the director of the department of labor and industries, or a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005, is not subject to an actuarial reduction under RCW 41.40.820. The member's retirement allowance is computed under RCW 41.40.790.

DRAFT FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	PROPOSAL NAME:
Office of the State Actuary	**035**	**1/3/08**	**Z-0913.1**

INTENDED USE

This draft actuarial fiscal note was prepared by the Office of the State Actuary. The changes in liability, contribution rates, and fiscal costs are based on our understanding of the proposal as of the date of this draft fiscal note. Liabilities, contribution rates, and fiscal costs presented herein are subject to change should actual bill language for this proposal be introduced as legislation in the upcoming Legislative Session. This draft fiscal note is intended to be used by the Select Committee on Pension Policy during the 2007 Interim only.

Any third party recipient of this draft fiscal note is advised to seek professional guidance concerning its content and interpretation and should not rely upon this communication in the absence of such professional guidance. The analysis presented in this draft fiscal note should be read as a whole. Distributing or relying on only portions of this draft fiscal note could result in misuse and may be misleading to others.

EXECUTIVE SUMMARY

This proposal would provide an unreduced joint and survivor annuity to the survivor of a member who dies in war while serving in the National Guard or Military Reserves.

Increase in Actuarial Liabilities

(Dollars in Millions)	Current	Increase	Total
Actuarial Present Value of Projected Benefits	$64,274	1	$64,275
Unfunded Actuarial Accrued Liability	4,470	0	4,470
Unfunded Liability (PVCPB)	$960	0	$960

Total Increase in Contribution Rates

Current Biennium	PERS	PSERS	TRS	SERS	LEOFF	WSPRS
Employee (Plan 2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
State					0.00%	

Fiscal Costs

(Dollars in Millions)	2007-2009	2009-2011	25-Year
General Fund-State	$0.0	$0.0	$0.5
Total Employer	$0.0	$0.1	$1.7

See the Actuarial Determinations section of this Draft Fiscal Note for additional detail.

SUMMARY OF PROPOSAL

This proposal impacts the Public Employees' Retirement System (PERS) Plan(s) 1, 2 and 3, the Teachers' Retirement System (TRS) Plan(s) 1, 2, and 3, the School Employees' Retirement System (SERS) Plan(s) 2 and 3, the Public Safety Employees' Retirement System (PSERS), the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan(s) 1 and 2, and the Washington State Patrol Retirement System (WSPRS) by increasing the benefits offered to survivors of members who leave the employment of their employer due to service in the National Guard or Military Reserves and die while serving honorably during a period of war. Period of war is defined in RCW 41.04.005. Under this proposal, a military survivor who met the existing eligibility standard for a monthly annuity option is now entitled to receive a survivor annuity that is *not* actuarially reduced for each year of retirement prior to the normal retirement age of the specific system and plan.

Assumed Effective Date: 90 days after session.

CURRENT SITUATION

Death benefits are provided to qualifying survivors of deceased members in all systems and plans. The eligibility for and the value of those survivor benefits differs according to the specific statutory language contained in each section of retirement law. Except in PERS Plan 2, the survivor benefits statutes of each system and plan do not provide different death benefits or eligibility standards for survivors of members who separate from employment for any type of military service and die while performing that service. In these systems and plans, military death survivors are treated the same as a survivor of a deceased member who separated for any other reason.

With the passage of 2SHB 1266 in the 2007 legislative session, a qualifying survivor of a PERS Plan 2 member who separates from employment to enter the uniformed services of the United States and dies while serving in the Iraq and Afghanistan conflicts on or after January 1, 2007 is entitled to the following:

- A refund of 200% of the member's retirement account balance; *or*
- A survivor annuity actuarially reduced to reflect the difference in age between the age of the member at the time of death and age 65.

The survivor annuity portion of the benefit provided is typically actuarially reduced for each year of retirement prior to the normal age of that system/plan.

SUMMARY OF MEMBERS IMPACTED

We estimate that all 16,314 active members of LEOFF Plans 1 and 2, all 155,027 active members of PERS Plans 1, 2 and 3, all 2,073 active members of PSERS Plan 2, all

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50,818 active members of SERS Plans 2 and 3, all 67,736 active members of TRS Plans 1, 2 and 3, and all 1,022 active members of WSP Plans 1 and 2 could be affected by this proposal through improved benefits. However, we only expect this to happen to approximately 1 in 240,000 PERS members per year.

We estimate that for a typical survivor impacted by this proposal, the increase in benefits would be an unreduced annuity versus a reduced annuity. For example, the 30 year old beneficiary of a 33 year old male with 6 years of service in PERS 2 and a $44,000 average final salary would annually receive a $400 reduced 100% joint and survivor annuity whereas the annual unreduced benefit would be a $4,000 joint and survivor annuity.

Additionally, Plan 2 members would have increased contribution rates in future biennia.

METHODS

The pricing method utilized in determining the actuarial cost was through the use of a simplified valuation, where members were grouped by age and projected to retirement. For each year, the probability of a military related death was assumed and directly affected the assumption for the probability of the new benefit being paid. The process for developing these probabilities will be described in the assumptions section. The assumptions from the 2006 AVR were used to project the member's salary into the future to determine the annuity that their beneficiary would receive. The ultimate cost of this increased benefit is presented below with all future payments discounted to present day dollars.

Otherwise, costs were developed using the same methods as those disclosed in the 2006 actuarial valuation report (AVR).

The methods chosen are reasonable for the purpose of the actuarial calculations presented in this draft fiscal note. Use of another set of methods may also be reasonable and might produce different results.

ASSUMPTIONS

The primary assumption formulated for this pricing was approximating the probability of a military related death for an individual at each age. According to a Washington Post article based on Department of Defense records and dated August 23, 2006, the annual death rate for military personnel in Iraq is 3.92 deaths per 1,000 people. The article further explains the fact that troops aged 17-19 are 4.6 times more likely to die than those age 50 and older. Therefore, we approximated the probability of death in the military using these two facts. The overall probability of death was maintained while significantly weighting those with higher probabilities to younger ages. Furthermore, the

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addition of accounting for non-combat related deaths will increase the overall assumption rate to approximately 4.4 deaths per 1,000 people.
The final component of this assumption is to approximate the probability that an individual within each retirement system will have a break in state employment and enter the uniformed services. After looking at the percentage of the population that is in the military compared to the percentage of state workers that purchase interruptive military service, we approximated 1 out of every 1,000 employees from PERS will enter the uniformed service and adjusted this general population number by system using our best judgment: 1 out of every 2,000 employees from SERS and TRS will enter the uniformed service, 1 out of every 750 employees from the PSERS will enter the uniformed service, and 1 out of every 500 employees from LEOFF and WSP will enter the uniformed service. Two other assumptions that have been utilized include an assumed 100 percent male population and the assumption that the rate of those breaking service from state employment for the uniformed services will decrease by 20 percent after age 42 due to military age restrictions. We assumed that all members leaving State service to serve in the military will be in the National Guard or Military Reserves during wartime.

The product of the probability of a military related death for an individual at each age and the probability that an individual will have a break in service from state employment for uniformed service will produce the primary assumption for pricing this benefit. The table below shows those assumptions for select ages.

Age	Probability of Interruptive Military Service	Probability of a Military Death	Probability of Receiving Survivor Benefit
20	0.00100	0.009667	0.0000097
25	0.00100	0.008406	0.0000084
30	0.00100	0.007145	0.0000071
35	0.00100	0.005884	0.0000059
40	0.00100	0.004623	0.0000046
45	0.00080	0.003362	0.0000027
50	0.00080	0.002102	0.0000017
55	0.00080	0.002102	0.0000017
60	0.00080	0.002102	0.0000017
65	0.00080	0.002102	0.0000017
70	0.00080	0.002102	0.0000017

The assumptions chosen are reasonable for the purpose of the actuarial calculations presented in this draft fiscal note. Use of another set of assumptions may also be reasonable and might produce different results.

All other assumptions are consistent with those disclosed in the AVR.

DATA

Costs were developed using the same data and assets as those disclosed in the AVR.

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FISCAL IMPACT

Description

This proposal has a cost because it provides an unreduced joint and survivor annuity instead of a reduced joint and survivor annuity.

Actuarial Determinations

The proposal will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and increasing the required actuarial contribution rate as shown below:

(Dollars in Millions)	Current	Increase	Total
Actuarial Present Value of Projected Benefits			
(The Value of the Total Commitment to all Current Members)			
PERS 1	$13,723	$0.0	$13,723
PERS 2/3	18,966	0.3	18,966
PERS Total	**32,689**	**0.3**	**32,689**
TRS 1	10,834	0.0	10,834
TRS 2/3	6,804	0.1	6,804
TRS Total	**17,638**	**0.1**	**17,638**
SERS 2/3	**2,610**	**0.0**	**2,610**
PSERS 2	**169**	**0.0**	**169**
LEOFF 1	4,316	0.0	4,316
LEOFF 2	6,004	0.1	6,004
LEOFF Total	**10,320**	**0.1**	**10,320**
WSPRS 1/2	**$848**	**$0.0**	**$848**
Unfunded Actuarial Accrued Liability			
(The Portion of the Plan 1 Liability that is Amortized at 2024)			
PERS 1	**$3,196**	**$0.0**	**$3,196**
TRS 1	**1,976**	**0.0**	**1,976**
LEOFF 1	**($702)**	**$0.0**	**($702)**
Unfunded Liability (PVCPB)			
(The Value of the Total Commitment to all Current Members Attributable to Past Service)			
PERS 1	$3,750	$0.0	$3,750
PERS 2/3	(2,338)	0.2	(2,338)
PERS Total	**1,412**	**0.2**	**1,412**
TRS 1	2,348	0.0	2,348
TRS 2/3	(1,116)	0.0	(1,116)
TRS Total	**1,232**	**0.0**	**1,232**
SERS 2/3	**(336)**	**0.0**	**(336)**
PSERS 2	**0**	**0.0**	**0**
LEOFF 1	(738)	0.0	(738)
LEOFF 2	(521)	0.1	(521)
LEOFF Total	**(1,259)**	**0.1**	**(1,259)**
WSPRS 1/2	**($89)**	**$0.0**	**($89)**

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The un-rounded increase in the required actuarial contribution rate does not round-up to the minimum supplemental contribution rate of 0.01%; therefore the proposal will not affect contribution rates in the current biennium. However, the un-rounded rate increases shown below are applied to all subsequent biennia.

Increase in Contribution Rates: (Effective 9/1/2008)						
System/Plan	**PERS**	**PSERS**	**TRS**	**SERS**	**LEOFF**	**WSPRS**
Current Members						
Employee (Plan 2)	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
Employer	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
State					0.000%	
New Entrants*						
Employee (Plan 2)	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
Employer	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
State					0.000%	

**Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.*

Fiscal Budget Determinations

	Fiscal Costs						
(Dollars in Millions)	**PERS**	**PSERS**	**TRS**	**SERS**	**LEOFF**	**WSPRS**	**Total**
2007-2009							
General Fund	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Employer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2009-2011							
General Fund	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Employer	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1
2007-2032							
General Fund	$0.2	$0.0	$0.1	$0.0	$0.1	$0.0	$0.5
Non-General Fund	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Total State	0.4	0.0	0.1	0.0	0.1	0.0	0.7
Local Government	0.6	0.0	0.1	0.0	0.2	0.0	1.0
Total Employer	1.1	0.0	0.2	0.0	0.3	0.0	1.7
Total Employee	$0.7	$0.0	$0.1	$0.0	$0.3	$0.0	$1.2

Note: *Totals may not agree due to rounding.*

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The analysis of this proposal does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.

Sensitivity Analysis

The number of members expected to die during military service would have to increase dramatically for this proposal to impact rates. The table below shows the multiple of how many more assumed deaths are required before the rate impact would reach 0.005% for each system. For example, in LEOFF 2, the employee rate impact would reach 0.005% if 11 times as many members as expected die during military service.

System	Multiple
PERS	21
TRS	66
SERS	59
PSERS	12
LEOFF	11
WSP	10

The costs from this proposal are directly proportionate to the military death rate assumption. If twice or half as many members died during military service, then the cost would either double or be cut in half, respectively.

As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the AVR or this draft fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.

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GLOSSARY OF ACTUARIAL TERMS:

Actuarial Accrued Liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Present Value of Credited Projected Benefits (PVCPB): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PVCPB): The excess, if any, of the Present Value of Credited Projected Benefits over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

DRAFT

WASHINGTON STATE PATROL TROOPERS ASSOCIATIO1
200 UNION AVE. SE STE. 200, OLYMPIA, WA 98501 (360) 704-7530 FAX (360) 704-75:

July 13, 2007

Representative Steve Conway, Chairman
Select Committee on Pension Policy
307 John L. O'Brien Building
PO Box 40600
Olympia, WA 98504-0600

RECEIVED
JUL 17 2007
Office of
The State Actuary

Re: Survivorship options for WSPRS

Dear Representative Conway:

Congratulations on being appointed Chairman of the SCPP. I was appreciative of your willingness to conduct a discussion of survivor benefit option issues. I'm writing to let you know about some survivorship issues of interest to the Troopers Association that I hope you will include in the discussion.

1. "Option B" survivor benefits. In 2000 the Legislature enacted RCW 43.43.278 which allowed retiring Troopers to elect a reduced monthly pension to provide their survivor with a COLA. We would like the Committee to consider three actuarially equivalent modifications to that option:
   a. Allow retirees who remarry after retirement to select the option;
   b. Allowing a pop-up option in the event of divorce; and
   c. Allow persons who were retired before the effective date of the option an opportunity to select it.

2. Provide the in-service death benefit for Troopers who while on military leave serving in Iraq or Afghanistan.

Thank you for your consideration of including these issues in the survivor benefit discussion.

Sincerely,

Tom Pillow

cc: Matt Smith
Jeff Wickman
Dave Nelsen

Winner, Charlene

From: Harper, Laura
Sent: Monday, May 21, 2007 4:36 PM
To: Winner, Charlene
Subject: FW: Interim Issues list

For scanning, adding to log and including in the interim issues file. Thanks.

-----Original Message-----
From: Smith, Matt
Sent: Monday, May 21, 2007 4:11 PM
To: Harper, Laura
Subject: FW: Interim Issues list

---- Original Message ----
From: "Nelsen, Dave (DRS)" <DaveN@DRS.WA.GOV>
Date: 5/21/07 3:10 pm
To: "Smith, Matt" <Smith.Matt@leg.wa.gov>
Cc: "Wickman, Jeff (DRS)" <JeffW@DRS.WA.GOV>
Subj: Interim Issues list
Matt,

Per our discussion on Friday and based upon our meeting with Laura, the following is a list of issues that has come to our attention that may be of interest to the Select Committee. We are not pursuing these as initiatives for DRS through the executive request legislation process, but we have learned about them through our administrative role and are providing them to the Select committee for consideration.

* Expanding the Plan 1 Post 30 year contribution program to include an annual window for opting in prospectively, rather than just the one time chance upon reaching 30 years. This has been requested by Plan 1 members. Often, circumstances change after 30 years of service, and what may not have made sense at that time may become an attractive option, even an incentive to retain valuable Plan 1 employees. With the rising cost of healthcare, many Plan 1 members find they cannot afford to retire at an early age, but have missed their deadline to participate in this program.

* Death while retirement eligible. In PERS Plan 1, if an active member with more than 10 years of service dies, their surviving spouse can choose either to receive a monthly benefit at the option 2 level, or a refund of contributions and interest. However, if a Plan 1 member who is inactive, regardless of years of service or even eligibility to retire, passes away, their survivor only can receive the contributions and interest. This doesn't occur often, but when it does, it can be devastating for survivors. Some individuals may separate when retirement eligible, but don't want to begin drawing their monthly benefits right away. Some are inactive for a time and have forgotten to retire when they first became eligible. In these situations, if the member were to die before applying for their benefit, the spouse would not be eligible for an on going monthly payment.

* Veterans Benefits. The amendment to the $150k bill to allow twice the contributions to surviving spouses of members killed while on military duty affects PERS Plan 2 only. This creates a benefit inequity with the other systems.

* Additionally, the Department would like to bring a proposal to the committee for endorsement that deals with inactive, non-vested members. Currently, a member who separates is not required to withdraw, whether they are vested or not. However, the IRS requires the Department to pay the members when they turn age 70 ½, or pay their beneficiaries when they die. Often, funds can sit in an account for many years, even decades, after employment before reaching these milestones. The Department is then required to locate individuals at significant administrative expense, if it is even

possible. There are currently approximately 50,000 inactive, non-vested members. We are consulting with peers in other systems and evaluating proposals to address this situation and would like to bring a recommendation to the committee.

Thank you for your consideration and let me know if you have any questions about these items.

Sincerely,

Dave Nelsen

DRS

STATE OF WASHINGTON
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD
P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329 • www.leoff.wa.gov

June 5, 2007

RECEIVED
JUN 5 - 2007
Office of
The State Actuary

Select Committee on Pension Policy
C/O The Office of the State Actuary
Post Office Box 40914
Olympia, Washington 98504-0914

Dear Honorable Members of the Select Committee on Pension Policy:

On behalf of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board (Board), I would like to thank you for all of your help during 2006.

I want to bring several topics to your attention as you begin preparations for the 2007 interim. It is my hope that the Select Committee on Pension Policy (SCPP) and the Board can work cooperatively on these issues to develop legislation. I have provided a brief summary of each topic for your reference:

Deferred Compensation
The Board studied the need for a clear definition of what is included in "basic salary" in regard to employer contributions to 457 Deferred Compensation Plans.

Under current law, member contributions to 401(a) defined benefit plan such as LEOFF Plan 2 are includable in basic salary and are mandatory. Employer contributions are also mandatory, but are not included in basic salary. Member contributions to a 457 Deferred Compensation Plan are included in basic salary, however, employer contributions to a 457 Deferred Compensation Plan are not always treated the same. The Board will be further studying under what circumstances employer contributions to deferred compensation plans should be considered 'basic salary".

Purchase of Annuity
The Board studied whether to permit LEOFF Plan 2 retirees to purchase an actuarially equivalent life annuity from the LEOFF Plan 2 retirement fund. Currently, Federal law provides that defined contribution assets can be used to purchase increased defined benefits. The following questions will need to be explored further:

- Can defined contribution assets be used to purchase additional defined benefits that would exceed the equivalent value of purchasing five years of service credit?
- Should all other Washington State pension plans be provided a similar enhancement?

Inflationary Adjustment for $150,000 Death Benefit
As you may be aware, the Board endorsed legislation recommended by the SCPP on this topic (SHB 1266 - Addressing death benefits for public employees), which was passed with an amendment removing the annual inflation increase. The Board is interested in working with the SCPP to further study the effect of adding this inflationary adjustment to all the state retirement plans which provide the $150,000 death benefit.

Military Service Death Benefit
The Legislature passed a bill in the 2007 session (SHB 1266 - Addressing death benefits for public employees), which included an amendment providing the survivor of a Public Employees' Retirement System Plan 2 member that left public employment and died while serving in the uniformed services in Operation Enduring Freedom (Afghanistan) or Persian Gulf, Operation Iraqi Freedom after January 1, 2007, a withdrawal benefit of 200 percent of accumulated member's contributions. The Board would like to study extending a military service death benefit to the other pension plans, including LEOFF Plan 2.

Fish and Wildlife Enforcement Officer Service Credit Transfer
The Board has studied permitting Department of Fish and Wildlife Enforcement Officers to transfer service credit earned in the Public Employees' Retirement System (PERS) Plan 2 as enforcement officers prior to July 2003 into the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2. Prior groups that have been allowed membership to LEOFF Plan 2 have had the option of transferring their previous service credit. Other systems have also had the opportunity to make similar transfers when changing systems.

Please feel free to contact me or Steve Nelsen, LEOFF 2 Board Executive Director, should you have any questions or like any additional information. Steve can be reached at (360) 586-2320 or steve.nelsen@leoff.wa.gov, and I can be contacted at (360) 943-3030 or pres@wscff.org.

We would be happy to meet with you to discuss these topics at an upcoming SCPP or LEOFF Plan 2 Retirement Board meeting. Thank you for your consideration and we look forward to working with you.

Sincerely,

Kelly Fox, Chair

cc: Matt Smith, State Actuary