

Military Death Benefits

Description Of Issue

The Public Employees' Retirement System (PERS) Plan 2 provides enhanced survivor benefits for members who are called to active duty military service and die while performing that service. The other Washington State retirement plans do not.

Enhanced PERS Plan 2 benefits were enacted in 2007 and provide a withdrawal of 200 percent of a member's account balance if the member died while serving in the Iraq or Afghanistan conflict after January of 2007.

Policy Highlights

- ❖ There is inconsistent pension treatment of survivors of members who die while actively serving in the armed forces.
- ❖ The federal government provides lump sum payouts to survivors of armed forces members who die while serving.
- ❖ Three comparative systems provide enhanced survivor benefits when the member dies while actively serving in the armed forces.

Committee Activity

The SCPP studied this issue in 2007 and recommended a bill in the 2008 session to provide an unreduced survivor annuity for members who die in certain military service (HB 3007/SB 6646). The bill did not pass the Legislature, but did pass the House.

The Committee held a public hearing and took executive action on this issue in July of 2008. The Committee moved to reintroduce the 2008 SCPP bill for the 2009 session.

Recommendation To 2009 Legislature

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.

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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.

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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

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?

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.

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.

** Research into practices by other states was performed in December of 2007.*

Prior Executive Committee Action

In 2007, 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.

Committee Activity

The SCPP studied this issue in 2007 and recommended a bill in the 2008 Session to provide an unreduced survivor annuity for members who die in certain military service (HB 3007/SB 6646). The bill did not pass the Legislature, but did pass the House.

The Committee held a public hearing and took executive action on this issue in July 2008. The Committee moved to reintroduce the 2008 SCPP bill for the 2009 Session.

Stakeholder Input

Correspondence attached from:

Kelly Fox, Chair, LEOFF Plan 2 Board, 5/12/2008 and 6/30/2008.

Correspondence on file from:

John Kvamme, WASA & AWSP consultant, 5/15/2008.

Executive Committee Recommendation

None.

Recommendation To 2009 Legislature

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. Recommended July 15, 2008.

Bill Draft

A Code Reviser bill draft to implement the SCPP recommendation is attached (Z-0072.1/09).

Draft Fiscal Note

Attached.

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BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0072.1/09

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.

1 AN ACT Relating to the survivor benefits of employees who die while
2 honorably serving in the national guard or military reserves during a
3 period of war; and amending RCW 41.26.160, 41.26.510, 43.43.270,
4 43.43.295, 41.32.520, 41.32.805, 41.32.895, 41.35.460, 41.35.710,
5 41.37.250, 41.40.270, 41.40.700, and 41.40.835.

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

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

9 (1) In the event of the duty connected death of any member who is
10 in active service, or who has vested under the provisions of RCW
11 41.26.090 with twenty or more service credit years of service, or who
12 is on duty connected disability leave or retired for duty connected
13 disability, or upon the death of a member who has left the employ of an
14 employer due to service in the national guard or military reserves and
15 dies while honorably serving in the national guard or military reserves
16 during a period of war as defined in RCW 41.04.005, the surviving
17 spouse shall become entitled, subject to RCW 41.26.162, to receive a
18 monthly allowance equal to fifty percent of the final average salary at
19 the date of death if active, or the amount of retirement allowance the

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

13 (2) If at the time of the duty connected death of a vested member
14 with twenty or more service credit years of service as provided in
15 subsection (1) of this section or a member retired for duty connected
16 disability, or at the time of the death of a member who has left the
17 employ of an employer due to service in the national guard or military
18 reserves and dies while honorably serving in the national guard or
19 military reserves during a period of war as defined in RCW 41.04.005,
20 the surviving spouse has not been lawfully married to such member for
21 one year prior to retirement or separation from service if a vested
22 member, the surviving spouse shall not be eligible to receive the
23 benefits under this section: PROVIDED, That if a member dies as a
24 result of a disability incurred in the line of duty or while honorably
25 serving in the national guard or military reserves during a period of
26 war as defined in RCW 41.04.005, then if he or she was married at the
27 time he or she was disabled or left the employ of an employer due to
28 service in the national guard or military reserves during a period of
29 war as defined in RCW 41.04.005, the surviving spouse shall be eligible
30 to receive the benefits under this section.

31 (3) If there be no surviving spouse eligible to receive benefits at
32 the time of such member's duty connected death, then the child or
33 children of such member shall receive a monthly allowance equal to
34 thirty percent of final average salary for one child and an additional
35 ten percent for each additional child subject to a maximum combined
36 payment, under this subsection, of sixty percent of final average
37 salary. When there cease to be any eligible children as defined in RCW
38 41.26.030(7), there shall be paid to the legal heirs of the member the

1 excess, if any, of accumulated contributions of the member at the time
2 of death over all payments made to survivors on his or her behalf under
3 this chapter: PROVIDED, That payments under this subsection to
4 children shall be prorated equally among the children, if more than
5 one. If the member has created a trust for the benefit of the child or
6 children, the payment shall be made to the trust.

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

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

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

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

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

24 (1) Except as provided in RCW 11.07.010, if a member or a vested
25 member who has not completed at least ten years of service dies, the
26 amount of the accumulated contributions standing to such member's
27 credit in the retirement system at the time of such member's death,
28 less any amount identified as owing to an obligee upon withdrawal of
29 accumulated contributions pursuant to a court order filed under RCW
30 41.50.670, shall be paid to the member's estate, or such person or
31 persons, trust, or organization as the member shall have nominated by
32 written designation duly executed and filed with the department. If
33 there be no such designated person or persons still living at the time
34 of the member's death, such member's accumulated contributions standing
35 to such member's credit in the retirement system, less any amount
36 identified as owing to an obligee upon withdrawal of accumulated
37 contributions pursuant to a court order filed under RCW 41.50.670,

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

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

7 (a) A retirement allowance computed as provided for in RCW
8 41.26.430, actuarially reduced by the amount of any lump sum benefit
9 identified as owing to an obligee upon withdrawal of accumulated
10 contributions pursuant to a court order filed under RCW 41.50.670 and
11 actuarially adjusted to reflect a joint and one hundred percent
12 survivor option under RCW 41.26.460 and if the member was not eligible
13 for normal retirement at the date of death a further reduction as
14 described in RCW 41.26.430; if a surviving spouse who is receiving a
15 retirement allowance dies leaving a child or children of the member
16 under the age of majority, then such child or children shall continue
17 to receive an allowance in an amount equal to that which was being
18 received by the surviving spouse, share and share alike, until such
19 child or children reach the age of majority; if there is no surviving
20 spouse eligible to receive an allowance at the time of the member's
21 death, such member's child or children under the age of majority shall
22 receive an allowance share and share alike calculated as herein
23 provided making the assumption that the ages of the spouse and member
24 were equal at the time of the member's death; or

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

28 (ii) If the member dies on or after July 25, 1993, one hundred
29 fifty percent of the member's accumulated contributions, less any
30 amount identified as owing to an obligee upon withdrawal of accumulated
31 contributions pursuant to a court order filed under RCW 41.50.670. Any
32 accumulated contributions attributable to restorations made under RCW
33 41.50.165(2) shall be refunded at one hundred percent.

34 (3) If a member who is eligible for retirement or a member who has
35 completed at least ten years of service dies after October 1, 1977, and
36 is not survived by a spouse or an eligible child, then the accumulated
37 contributions standing to the member's credit, less any amount

1 identified as owing to an obligee upon withdrawal of accumulated
2 contributions pursuant to a court order filed under RCW 41.50.670,
3 shall be paid:

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

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

10 (4) The retirement allowance of a member who is killed in the
11 course of employment, as determined by the director of the department
12 of labor and industries, or the retirement allowance of a member who
13 has left the employ of an employer due to service in the national guard
14 or military reserves and dies while honorably serving in the national
15 guard or military reserves during a period of war as defined in RCW
16 41.04.005, is not subject to an actuarial reduction. The member's
17 retirement allowance is computed under RCW 41.26.420.

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

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

25 For members commissioned prior to January 1, 2003:

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

28 (2) If a member should die while in service, or a member leaves the
29 employ of the employer due to service in the national guard or military
30 reserves and dies while honorably serving in the national guard or
31 military reserves during a period of war as defined in RCW 41.04.005,
32 the member's lawful spouse shall be paid an allowance which shall be
33 equal to fifty percent of the average final salary of the member. If
34 the member should die after retirement the member's lawful spouse shall
35 be paid an allowance which shall be equal to the retirement allowance
36 then payable to the member or fifty percent of the final average salary
37 used in computing the member's retirement allowance, whichever is less.

1 The allowance paid to the lawful spouse shall continue as long as the
2 spouse lives: PROVIDED, That if a surviving spouse who is receiving
3 benefits under this subsection marries another member of this
4 retirement system who subsequently predeceases such spouse, the spouse
5 shall then be entitled to receive the higher of the two survivors'
6 allowances for which eligibility requirements were met, but a surviving
7 spouse shall not receive more than one survivor's allowance from this
8 system at the same time under this subsection. To be eligible for an
9 allowance the lawful surviving spouse of a retired member shall have
10 been married to the member prior to the member's retirement and
11 continuously thereafter until the date of the member's death or shall
12 have been married to the retired member at least two years prior to the
13 member's death. The allowance paid to the lawful spouse may be divided
14 with an ex spouse of the member by a dissolution order as defined in
15 RCW 41.50.500(3) incident to a divorce occurring after July 1, 2002.
16 The dissolution order must specifically divide both the member's
17 benefit and any spousal survivor benefit, and must fully comply with
18 RCW 41.50.670 and 41.50.700.

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

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

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

35 (4) If a member should die in the line of duty while employed by
36 the Washington state patrol, or a member leaves the employ of the
37 employer due to service in the national guard or military reserves and
38 dies while honorably serving in the national guard or military reserves

1 during a period of war as defined in RCW 41.04.005, the member's
2 surviving children under the age of twenty years and eleven months if
3 attending any high school, college, university, or vocational or other
4 educational institution accredited or approved by the state of
5 Washington shall be provided for in the following manner:

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

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

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

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

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

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

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

36 (c) The changes to the definitions of average final salary for the
37 survivors of disabled members in this subsection shall apply
38 retroactively. The department shall correct future payments to

1 eligible survivors of members disabled prior to June 7, 2006, and, as
2 soon as administratively practicable, pay each survivor a lump sum
3 payment reflecting the difference, as determined by the director,
4 between the survivor benefits previously received by the member, and
5 those the member would have received under the definitions of average
6 final salary created in chapter 94, Laws of 2006.

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

9 (1) For members commissioned on or after January 1, 2003, except as
10 provided in RCW 11.07.010, if a member or a vested member who has not
11 completed at least ten years of service dies, the amount of the
12 accumulated contributions standing to such member's credit in the
13 retirement system at the time of such member's death, less any amount
14 identified as owing to an obligee upon withdrawal of accumulated
15 contributions pursuant to a court order filed under RCW 41.50.670,
16 shall be paid to the member's estate, or such person or persons, trust,
17 or organization as the member shall have nominated by written
18 designation duly executed and filed with the department. If there be
19 no such designated person or persons still living at the time of the
20 member's death, such member's accumulated contributions standing to
21 such member's credit in the retirement system, less any amount
22 identified as owing to an obligee upon withdrawal of accumulated
23 contributions pursuant to a court order filed under RCW 41.50.670,
24 shall be paid to the member's surviving spouse as if in fact such
25 spouse had been nominated by written designation, or if there be no
26 such surviving spouse, then to such member's legal representatives.

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

30 (a) A retirement allowance computed as provided for in RCW
31 43.43.260, actuarially reduced, except under subsection (4) of this
32 section, by the amount of any lump sum benefit identified as owing to
33 an obligee upon withdrawal of accumulated contributions pursuant to a
34 court order filed under RCW 41.50.670 and actuarially adjusted to
35 reflect a joint and one hundred percent survivor option under RCW
36 43.43.278 and if the member was not eligible for normal retirement at
37 the date of death a further reduction from age fifty-five or when the

1 member could have attained twenty-five years of service, whichever is
2 less; if a surviving spouse who is receiving a retirement allowance
3 dies leaving a child or children of the member under the age of
4 majority, then such child or children shall continue to receive an
5 allowance in an amount equal to that which was being received by the
6 surviving spouse, share and share alike, until such child or children
7 reach the age of majority; if there is no surviving spouse eligible to
8 receive an allowance at the time of the member's death, such member's
9 child or children under the age of majority shall receive an allowance
10 share and share alike calculated under this section making the
11 assumption that the ages of the spouse and member were equal at the
12 time of the member's death; or

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

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

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

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

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

34 (4) The retirement allowance of a member who is killed in the
35 course of employment, as determined by the director of the department
36 of labor and industries, or the retirement allowance of a member who
37 has left the employ of an employer due to service in the national guard

1 or military reserves and dies while honorably serving in the national
2 guard or military reserves during a period of war as defined in RCW
3 41.04.005, is not subject to an actuarial reduction.

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

6 (1) Except as specified in subsection (3) of this section, upon
7 receipt of proper proofs of death of any member before retirement or
8 before the first installment of his or her retirement allowance shall
9 become due his or her accumulated contributions, less any amount
10 identified as owing to an obligee upon withdrawal of accumulated
11 contributions pursuant to a court order filed under RCW 41.50.670,
12 and/or other benefits payable upon his or her death shall be paid to
13 his or her estate or to such persons, trust, or organization as he or
14 she shall have nominated by written designation duly executed and filed
15 with the department. If a member fails to file a new beneficiary
16 designation subsequent to marriage, divorce, or reestablishment of
17 membership following termination by withdrawal, lapsation, or
18 retirement, payment of his or her accumulated contributions, less any
19 amount identified as owing to an obligee upon withdrawal of accumulated
20 contributions pursuant to a court order filed under RCW 41.50.670,
21 and/or other benefits upon death before retirement shall be made to the
22 surviving spouse, if any; otherwise, to his or her estate. If a member
23 had established ten or more years of Washington membership service
24 credit or was eligible for retirement, the beneficiary or the surviving
25 spouse if otherwise eligible may elect, in lieu of a cash refund of the
26 member's accumulated contributions, the following survivor benefit plan
27 actuarially reduced, except under subsection (4) of this section, by
28 the amount of any lump sum benefit identified as owing to an obligee
29 upon withdrawal of accumulated contributions pursuant to a court order
30 filed under RCW 41.50.670:

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

36 (b) The beneficiary, if a surviving spouse or a dependent (as that

1 term is used in computing the dependent exemption for federal internal
2 revenue purposes) may elect to receive a joint and one hundred percent
3 retirement allowance under RCW 41.32.530.

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

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

16 (2) If no qualified beneficiary survives a member, at his or her
17 death his or her accumulated contributions, less any amount identified
18 as owing to an obligee upon withdrawal of accumulated contributions
19 pursuant to a court order filed under RCW 41.50.670, shall be paid to
20 his or her estate, or his or her dependents may qualify for survivor
21 benefits under benefit plan (1)(b) in lieu of a cash refund of the
22 members accumulated contributions in the following order: Widow or
23 widower, guardian of a dependent child or children under age eighteen,
24 or dependent parent or parents.

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

28 (a) This section; or

29 (b) RCW 41.32.550, according to the option chosen under RCW
30 41.32.530 in the disability application.

31 (4) The retirement allowance of a member who is killed in the
32 course of employment, as determined by the director of the department
33 of labor and industries, or the retirement allowance of a member who
34 has left the employ of an employer due to service in the national guard
35 or military reserves and dies while honorably serving in the national
36 guard or military reserves during a period of war as defined in RCW
37 41.04.005, is not subject to an actuarial reduction. The member's
38 retirement allowance is computed under RCW 41.32.480.

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

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

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

23 (a) A retirement allowance computed as provided for in RCW
24 41.32.765, actuarially reduced by the amount of any lump sum benefit
25 identified as owing to an obligee upon withdrawal of accumulated
26 contributions pursuant to a court order filed under RCW 41.50.670 and
27 actuarially adjusted to reflect a joint and one hundred percent
28 survivor option under RCW 41.32.785 and, except under subsection (4) of
29 this section, if the member was not eligible for normal retirement at
30 the date of death a further reduction as described in RCW 41.32.765; if
31 a surviving spouse who is receiving a retirement allowance dies leaving
32 a child or children of the member under the age of majority, then such
33 child or children shall continue to receive an allowance in an amount
34 equal to that which was being received by the surviving spouse, share
35 and share alike, until such child or children reach the age of
36 majority; if there is no surviving spouse eligible to receive an
37 allowance at the time of the member's death, such member's child or
38 children under the age of majority shall receive an allowance share and

1 share alike calculated as herein provided making the assumption that
2 the ages of the spouse and member were equal at the time of the
3 member's death; or

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

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

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

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

20 (4) A member who is killed in the course of employment, as
21 determined by the director of the department of labor and industries,
22 or a member who has left the employ of an employer due to service in
23 the national guard or military reserves and dies while honorably
24 serving in the national guard or military reserves during a period of
25 war as defined in RCW 41.04.005, is not subject to an actuarial
26 reduction under RCW 41.32.765. The member's retirement allowance is
27 computed under RCW 41.32.760.

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

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

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

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

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

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

22 (1) Except as provided in RCW 11.07.010, if a member or a vested
23 member who has not completed at least ten years of service dies, the
24 amount of the accumulated contributions standing to such member's
25 credit in the retirement system at the time of such member's death,
26 less any amount identified as owing to an obligee upon withdrawal of
27 accumulated contributions pursuant to a court order filed under RCW
28 41.50.670, shall be paid to the member's estate, or such person or
29 persons, trust, or organization as the member shall have nominated by
30 written designation duly executed and filed with the department. If
31 there be no such designated person or persons still living at the time
32 of the member's death, such member's accumulated contributions standing
33 to such member's credit in the retirement system, less any amount
34 identified as owing to an obligee upon withdrawal of accumulated
35 contributions pursuant to a court order filed under RCW 41.50.670,
36 shall be paid to the member's surviving spouse as if in fact such

1 spouse had been nominated by written designation, or if there be no
2 such surviving spouse, then to such member's legal representatives.

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

6 (a) A retirement allowance computed as provided for in RCW
7 41.35.420, actuarially reduced by the amount of any lump sum benefit
8 identified as owing to an obligee upon withdrawal of accumulated
9 contributions pursuant to a court order filed under RCW 41.50.670 and
10 actuarially adjusted to reflect a joint and one hundred percent
11 survivor option under RCW 41.35.220 and, except under subsection (4) of
12 this section, if the member was not eligible for normal retirement at
13 the date of death a further reduction as described in RCW 41.35.420; if
14 a surviving spouse who is receiving a retirement allowance dies leaving
15 a child or children of the member under the age of majority, then such
16 child or children shall continue to receive an allowance in an amount
17 equal to that which was being received by the surviving spouse, share
18 and share alike, until such child or children reach the age of
19 majority; if there is no surviving spouse eligible to receive an
20 allowance at the time of the member's death, such member's child or
21 children under the age of majority shall receive an allowance, share
22 and share alike, calculated as herein provided making the assumption
23 that the ages of the spouse and member were equal at the time of the
24 member's death; or

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

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

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

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

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

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

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

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

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

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

31 (2) A member who is killed in the course of employment, as
32 determined by the director of the department of labor and industries,
33 or a member who has left the employ of an employer due to service in
34 the national guard or military reserves and dies while honorably
35 serving in the national guard or military reserves during a period of
36 war as defined in RCW 41.04.005, is not subject to an actuarial

1 reduction under RCW 41.35.680. The member's retirement allowance is
2 computed under RCW 41.35.620.

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

5 (1) Except as provided in RCW 11.07.010, if a member or a vested
6 member who has not completed at least ten years of service dies, the
7 amount of the accumulated contributions standing to that member's
8 credit in the retirement system at the time of the member's death, less
9 any amount identified as owing to an obligee upon withdrawal of
10 accumulated contributions pursuant to a court order filed under RCW
11 41.50.670, shall be paid to the member's estate, or the person or
12 persons, trust, or organization as the member shall have nominated by
13 written designation duly executed and filed with the department. If
14 there is no designated person or persons still living at the time of
15 the member's death, the member's accumulated contributions standing to
16 the member's credit in the retirement system, less any amount
17 identified as owing to an obligee upon withdrawal of accumulated
18 contributions pursuant to a court order filed under RCW 41.50.670,
19 shall be paid to the member's surviving spouse as if in fact that
20 spouse had been nominated by written designation, or if there is no
21 surviving spouse, then to the member's legal representatives.

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

25 (a) A retirement allowance computed as provided for in RCW
26 41.37.210, actuarially reduced by the amount of any lump sum benefit
27 identified as owing to an obligee upon withdrawal of accumulated
28 contributions pursuant to a court order filed under RCW 41.50.670 and
29 actuarially adjusted to reflect a joint and one hundred percent
30 survivor option under RCW 41.37.170 and, except under subsection (4) of
31 this section, if the member was not eligible for normal retirement at
32 the date of death a further reduction as described in RCW 41.37.210; if
33 a surviving spouse who is receiving a retirement allowance dies leaving
34 a child or children of the member under the age of majority, then the
35 child or children shall continue to receive an allowance in an amount
36 equal to that which was being received by the surviving spouse, share
37 and share alike, until the child or children reach the age of majority;

1 if there is no surviving spouse eligible to receive an allowance at the
2 time of the member's death, the member's child or children under the
3 age of majority shall receive an allowance, share and share alike,
4 calculated under this section making the assumption that the ages of
5 the spouse and member were equal at the time of the member's death; or

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

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

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

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

20 (4) A member who is killed in the course of employment, as
21 determined by the director of the department of labor and industries,
22 or a member who has left the employ of an employer due to service in
23 the national guard or military reserves and dies while honorably
24 serving in the national guard or military reserves during a period of
25 war as defined in RCW 41.04.005, is not subject to reduction under RCW
26 41.37.210. The member's retirement allowance is computed under RCW
27 41.37.190.

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

30 (1) Except as specified in subsection (4) of this section, should
31 a member die before the date of retirement the amount of the
32 accumulated contributions standing to the member's credit in the
33 employees' savings fund, less any amount identified as owing to an
34 obligee upon withdrawal of accumulated contributions pursuant to a
35 court order filed under RCW 41.50.670, at the time of death:

36 (a) Shall be paid to the member's estate, or such person or

1 persons, trust, or organization as the member shall have nominated by
2 written designation duly executed and filed with the department; or

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

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

34 (3) Subsection (1) of this section, unless elected, shall not apply
35 to any member who has applied for service retirement in RCW 41.40.180,
36 as now or hereafter amended, and thereafter dies between the date of
37 separation from service and the member's effective retirement date,
38 where the member has selected a survivorship option under RCW

1 41.40.188. In those cases the beneficiary named in the member's final
2 application for service retirement may elect to receive either a cash
3 refund, less any amount identified as owing to an obligee upon
4 withdrawal of accumulated contributions pursuant to a court order filed
5 under RCW 41.50.670, or monthly payments according to the option
6 selected by the member.

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

10 (a) This section; or

11 (b) RCW 41.40.235, according to the option chosen under RCW
12 41.40.188 in the disability application.

13 (5) The retirement allowance of a member who is killed in the
14 course of employment, as determined by the director of the department
15 of labor and industries, or the retirement allowance of a member who
16 has left the employ of an employer due to service in the national guard
17 or military reserves and dies while honorably serving in the national
18 guard or military reserves during a period of war as defined in RCW
19 41.04.005, is not subject to an actuarial reduction. The member's
20 retirement allowance is computed under RCW 41.40.185.

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

23 (1) Except as provided in RCW 11.07.010, if a member or a vested
24 member who has not completed at least ten years of service dies, the
25 amount of the accumulated contributions standing to such member's
26 credit in the retirement system at the time of such member's death,
27 less any amount identified as owing to an obligee upon withdrawal of
28 accumulated contributions pursuant to a court order filed under RCW
29 41.50.670, shall be paid to the member's estate, or such person or
30 persons, trust, or organization as the member shall have nominated by
31 written designation duly executed and filed with the department. If
32 there be no such designated person or persons still living at the time
33 of the member's death, such member's accumulated contributions standing
34 to such member's credit in the retirement system, less any amount
35 identified as owing to an obligee upon withdrawal of accumulated
36 contributions pursuant to a court order filed under RCW 41.50.670,

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

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

7 (a) A retirement allowance computed as provided for in RCW
8 41.40.630, actuarially reduced by the amount of any lump sum benefit
9 identified as owing to an obligee upon withdrawal of accumulated
10 contributions pursuant to a court order filed under RCW 41.50.670 and
11 actuarially adjusted to reflect a joint and one hundred percent
12 survivor option under RCW 41.40.660 and, except under subsection (4) of
13 this section, if the member was not eligible for normal retirement at
14 the date of death a further reduction as described in RCW 41.40.630; if
15 a surviving spouse who is receiving a retirement allowance dies leaving
16 a child or children of the member under the age of majority, then such
17 child or children shall continue to receive an allowance in an amount
18 equal to that which was being received by the surviving spouse, share
19 and share alike, until such child or children reach the age of
20 majority; if there is no surviving spouse eligible to receive an
21 allowance at the time of the member's death, such member's child or
22 children under the age of majority shall receive an allowance share and
23 share alike calculated as herein provided making the assumption that
24 the ages of the spouse and member were equal at the time of the
25 member's death;

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

29 (c) For a member who leaves the employ of an employer to enter the
30 uniformed services of the United States and who dies after January 1,
31 2007, while honorably serving in the uniformed services of the United
32 States in Operation Enduring Freedom or Persian Gulf, Operation Iraqi
33 Freedom, an amount equal to two hundred percent of the member's
34 accumulated contributions, less any amount identified as owing to an
35 obligee upon withdrawal of accumulated contributions pursuant to a
36 court order filed under RCW 41.50.670.

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

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

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

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

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

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

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

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

35 If there is no surviving spouse eligible to receive an allowance at
36 the time of the member's death, such member's child or children under

1 the age of majority shall receive an allowance, share and share alike.
2 The allowance shall be calculated with the assumption that the age of
3 the spouse and member were equal at the time of the member's death.
4 (2) A member who is killed in the course of employment, as
5 determined by the director of the department of labor and industries,
6 or a member who has left the employ of an employer due to service in
7 the national guard or military reserves and dies while honorably
8 serving in the national guard or military reserves during a period of
9 war as defined in RCW 41.04.005, is not subject to an actuarial
10 reduction under RCW 41.40.820. The member's retirement allowance is
11 computed under RCW 41.40.790.

--- END ---

DRAFT ACTUARY'S FISCAL NOTE

| | | | |
|------------------------------------|------------|----------------|------------------------------|
| RESPONDING AGENCY: | CODE: | DATE: | PROPOSAL [NAME or Z-NUMBER]: |
| Office of the State Actuary | 035 | 12/3/08 | Z-0072.1 / Z-0393.1 |

WHAT THE READER SHOULD KNOW

The Office of the State Actuary (“we”) prepared this draft fiscal note based on our understanding of the proposal as of the date shown above. We intend this draft fiscal note to be used by the Select Committee on Pension Policy and the Law Enforcement Officers’ and Fire Fighters’ Retirement System Plan 2 Board throughout the 2008 Interim only. If a legislator introduces this proposal as a bill during the next legislative session, we will prepare a final fiscal note based on that bill language. The actuarial results shown in this draft fiscal note may change when we prepare our final version for the Legislature.

We advise readers of this draft fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this draft fiscal note as a whole. Distribution of or reliance on only parts of this draft fiscal note could result in its misuse, and may mislead others.

SUMMARY OF RESULTS

This bill 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.

Impact on Pension Liability

| <i>(Dollars in Millions)</i> | Current | Increase | Total |
|------------------------------------------------------|----------|----------|----------|
| Today's Value of All Future Pensions | \$67,081 | \$0.6 | \$67,081 |
| Earned Pensions Not Covered by Today's Assets | \$4,957 | \$0.0 | \$4,957 |

Impact on Contribution Rates: (Effective 9/1/2009)

| 2009-2011 State Budget | PERS | TRS | SERS | PSERS | LEOFF | WSPRS |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Employee (Plan 2) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Employer: | | | | | | |
| Current Annual Cost | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan 1 Past Cost | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |
| Total | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| State | | | | | 0.00% | |

Budget Impacts

| <i>(Dollars in Millions)</i> | 2009-2011 | 2011-2013 | 25-Year |
|------------------------------|-----------|-----------|---------|
| General Fund-State | \$0.0 | \$0.0 | \$0.6 |
| Total Employer | \$0.0 | \$0.1 | \$1.8 |

See the Actuarial Results section of this draft fiscal note for additional detail.

WHAT IS THE PROPOSED CHANGE?

Summary of Benefit Improvement

This proposal impacts the following systems:

- Public Employees' Retirement System (PERS) Plans 1, 2, and 3
- Teachers' Retirement System (TRS) Plans 1, 2, and 3
- School Employees' Retirement System (SERS) Plans 2 and 3
- Public Safety Employees' Retirement System (PSERS)
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2
- Washington State Patrol Retirement System (WSPRS) Plans 1 and 2

This proposal increases the benefits offered to survivors of members who leave employment to serve 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.

What Is The 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 differ 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 percent 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 retirement age of that system/plan.

Who Is Impacted And How?

We estimate that all 158,022 active members of PERS Plans 1, 2 and 3, all 64,939 active members of TRS Plans 1, 2 and 3, all 50,825 active members of SERS Plans 2 and 3, all 2,755 active members of PSERS Plan 2, all 16,612 active members of LEOFF Plans 1 and 2, and all 1,037 active members of WSPRS 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 bill, 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 Plan 2 and a \$44,000 average final salary, would annually receive a \$400 reduced joint and 100 percent 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.

WHY THIS PROPOSAL HAS A COST AND WHO PAYS FOR IT

Why This Proposal Has A Cost

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

Who Will Pay For These Costs?

This bill does not allow for an alternate funding method. The individual plans will subsidize the increase in liability that results from this bill in the usual way. The result may be an increase in future contribution rates for members and employers of the respective systems.

HOW WE VALUED THESE COSTS

Assumptions We Made

We assumed a certain number of members would enter military service in a given year. We adjusted this number based on which plan the member was in. For example, we assumed that more members in public safety plans would enter military service than members in TRS.

Next, we assumed how many members would die during military service. This assumption does not vary by plan.

For more detail please see Appendix A.

How We Applied These Assumptions

We gathered data for the members of each system and plan. We ran the grouped data through a spreadsheet which models the likelihood of entering military service, the probability of a military death, and the associated cost of an unreduced survivor benefit.

For more detail please see Appendix B.

Special Data Needed

We relied on a Washington Post article, based on Department of Defense records, dated August 23, 2006, that specifies the annual death rate for military personnel in Iraq is 3.92 deaths per 1,000 people. The article also states that troops aged 17-19 are 4.6 times more likely to die than those age 50 and older.

Also, we relied on a Department of Retirement Systems service credit report dated September 30, 2006, to estimate the number of members who enter military service.

Otherwise, we developed these costs using the same assets and data as disclosed in the 2007 Actuarial Valuation Report (AVR).

ACTUARIAL RESULTS

How The Liabilities Changed

This proposal will impact the actuarial funding by increasing the present value of future benefits payable under the systems as shown below.

Impact on Pension Liability

| <i>(Dollars in Millions)</i> | Current | Increase | Total |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|------------------|
| Actuarial Present Value of Projected Benefits | | | |
| <i>(The Value of the Total Commitment to all Current Members)</i> | | | |
| PERS 1 | \$14,061 | \$0.0 | \$14,061 |
| PERS 2/3 | <u>20,634</u> | <u>0.3</u> | <u>20,635</u> |
| PERS Total | \$34,695 | \$0.3 | \$34,696 |
| TRS 1 | 11,021 | 0.0 | 11,021 |
| TRS 2/3 | <u>7,078</u> | <u>0.1</u> | <u>7,078</u> |
| TRS Total | \$18,099 | \$0.1 | \$18,099 |
| SERS 2/3 | \$2,698 | \$0.0 | \$2,698 |
| PSERS 2 | \$225 | \$0.0 | \$225 |
| LEOFF 1 | 4,358 | 0.0 | 4,358 |
| LEOFF 2 | <u>6,149</u> | <u>0.1</u> | <u>6,149</u> |
| LEOFF Total | \$10,507 | \$0.1 | \$10,507 |
| WSPRS 1/2 | \$856 | \$0.0 | \$856 |
| Unfunded Actuarial Accrued Liability | | | |
| <i>(The Portion of the Plan 1 Liability that is Amortized to 2024)</i> | | | |
| PERS 1 | \$3,609 | \$0.0 | \$3,609 |
| TRS 1 | 2,288 | 0.0 | 2,288 |
| LEOFF 1 | (\$939) | \$0.0 | (\$939) |
| Unfunded PUC Liability | | | |
| <i>(The Value of the Total Commitment to all Current Members Attributable to Past Service that is not covered by current assets)</i> | | | |
| PERS 1 | \$3,990 | \$0.0 | \$3,990 |
| PERS 2/3 | <u>(2,470)</u> | <u>0.2</u> | <u>(2,469)</u> |
| PERS Total | \$1,520 | \$0.2 | \$1,520 |
| TRS 1 | 2,552 | 0.0 | 2,552 |
| TRS 2/3 | <u>(1,229)</u> | <u>0.0</u> | <u>(1,229)</u> |
| TRS Total | \$1,323 | \$0.0 | \$1,323 |
| SERS 2/3 | (443) | 0.0 | (443) |
| PSERS 2 | (2) | 0.0 | (2) |
| LEOFF 1 | (975) | 0.0 | (975) |
| LEOFF 2 | <u>(974)</u> | <u>0.1</u> | <u>(974)</u> |
| LEOFF Total | (\$1,949) | \$0.1 | (\$1,949) |
| WSPRS 1/2 | (\$121) | \$0.0 | (\$121) |

Note: Totals may not agree due to rounding.

How Contribution Rates Changed

The increase in the required actuarial contribution rate does not round up to the minimum supplemental contribution rate of 0.01 percent, therefore the proposal will not affect contribution rates in the current biennium. However, we will use the un-rounded rate increase to measure the fiscal budget changes in future biennia.

| Impact on Contribution Rates: (Effective 9/1/2009) | | | | | | |
|-----------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| System/Plan | PERS | TRS | SERS | PSERS | LEOFF | WSPRS |
| Current Members | | | | | | |
| Employee (Plan 2) | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.001% |
| Employer: | | | | | | |
| Normal Cost | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.001% |
| Plan 1 UAAL | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> |
| Total | 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: | | | | | | |
| Normal Cost | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.001% |
| Plan 1 UAAL | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> |
| Total | 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 to determine budget impacts only. Current members and new entrants pay the same contribution rate.*

How This Impacts Budgets And Employees

| <i>(Dollars in Millions)</i> | Budget Impacts | | | | | | Total |
|------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | PERS | TRS | SERS | PSERS | LEOFF | WSPRS | |
| 2009-2011 | | | | | | | |
| General Fund | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Non-General Fund | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total State | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Local Government | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| 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 |
| 2011-2013 | | | | | | | |
| General Fund | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Non-General Fund | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total State | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Local Government | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total Employer | \$0.1 | \$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 |
| 2009-2034 | | | | | | | |
| General Fund | \$0.2 | \$0.2 | \$0.0 | \$0.0 | \$0.1 | \$0.0 | \$0.6 |
| Non-General Fund | <u>0.3</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.3</u> |
| Total State | \$0.5 | \$0.2 | \$0.0 | \$0.0 | \$0.1 | \$0.0 | \$0.9 |
| Local Government | <u>0.5</u> | <u>0.1</u> | <u>0.0</u> | <u>0.0</u> | <u>0.2</u> | <u>0.0</u> | <u>0.9</u> |
| Total Employer | \$1.0 | \$0.4 | \$0.1 | \$0.0 | \$0.4 | \$0.0 | \$1.8 |
| Total Employee | \$0.7 | \$0.2 | \$0.0 | \$0.0 | \$0.4 | \$0.0 | \$1.3 |

Note: Totals may not agree due to rounding.

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

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

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

To determine the sensitivity of the actuarial results to the best-estimate assumptions or methods selected for this pricing we varied the following assumptions and methods:

- The number of members expected to enter military service and die while serving.

The number of members expected to die while serving in the military would have to increase significantly for this proposal to impact contribution rates in the current biennium. The table below shows the multiple of how many more members would need to die while serving in the military before the rate impact would reach 0.005 percent for

each system. For example, in LEOFF Plan 2, the employee rate impact would reach 0.005 percent if 11 times as many members as expected die during military service in the future.

| System | Multiple |
|---------------|-----------------|
| PERS 2/3 | 20 |
| TRS 2/3 | 29 |
| SERS 2/3 | 51 |
| PSERS 2 | 24 |
| LEOFF 2 | 11 |
| WSP 1/2 | 6 |

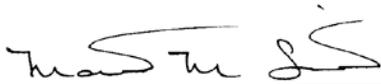
DRAFT

ACTUARY'S CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this draft fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods, assumptions, and data may also be reasonable, and might produce different results.
5. This draft fiscal note has been prepared for the Select Committee on Pension Policy and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board.
6. This draft fiscal note has been prepared, and opinions given, in accordance with Washington State law and accepted actuarial standards of practice as of the date shown on page 1 of this draft fiscal note.

This draft fiscal note is a preliminary actuarial communication and the results shown may change. While this draft fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.



Matthew M. Smith, FCA, EA, MAAA
State Actuary

APPENDIX A – ASSUMPTIONS WE MADE

We made two main assumptions for this pricing – the number of members who enter military service and the number of members who die while serving in the military.

We assumed a certain number of members would enter military service in a given year. Using the DRS service credit report, we estimated 1 out of every 1,000 PERS members will enter the military. We adjusted this number based on which plan the member was in. For example, we assumed that more members in public safety plans would enter military service than members in TRS. More specifically, TRS and SERS members were assumed to enter at 1 out of every 2,000 members, PSERS members were assumed to enter at 1 out of every 750 members, and LEOFF and WSP members were assumed to enter at 1 out of every 500 members.

For simplicity, we assumed the population affected would be 100 percent male. We assumed there would be 20 percent fewer members entering military service after age 42 due to military age restrictions. Also, we assumed that all members leaving state employment to serve in the military will be in the National Guard or Military Reserves during a period of war.

Next, we estimated how many members would die during military service. We used the Washington Post article (cited in the data section) to set this assumption. 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 age-based probability of death in the military using these two facts. The overall probability of death was maintained while significantly weighting higher probabilities to younger ages. Furthermore, the addition of accounting for non-combat related deaths will increase the overall assumption rate to approximately 4.4 deaths per 1,000 people. This assumption does not vary by plan.

The two assumptions for PERS can be seen in the table below. When combined, they create one overall assumption for the probability of a survivor receiving an increased benefit in this proposal.

| 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 |

Otherwise, we developed these costs using the same assumptions as disclosed in the 2007 AVR.

APPENDIX B – HOW WE APPLIED THESE ASSUMPTIONS

We gathered average salary, average years of service, and total count for each age group of each plan. We ran the grouped data through a spreadsheet which models the likelihood of a military death and the associated cost of the unreduced survivor benefit for each year of their future service. The likelihood of a military death is outlined in the assumption section. The cost of the benefit increase (unreduced survivor benefit instead of reduced survivor benefit) was calculated as the present value of the unreduced life annuity times one minus the early retirement factor (ERF). The formula is shown below:

[Multiplier (0.01 or 0.02) * service * final average salary * annuity factor * survivorship * interest discount * (1-ERF)] * Probability of receiving survivor benefit.

The annual discount rate is 8 percent, consistent with the AVR.

Formula example: 30 year old TRS Plan 2 male, with 10 years of service and \$50,000 final average salary. This member has an immediate annuity factor of 18.92 at age 30. The early retirement factor (ERF) for this member is 0.11.

Unreduced annuity (with ERF): $0.02 * 10 * 50,000 * 18.92 * 1 * 1 * 1 = \$189,200$

Reduced annuity (with ERF): $0.02 * 10 * 50,000 * 18.92 * 1 * 1 * 0.11 = \$20,812$

Difference: $\$189,200 - \$20,812 = \$168,388$

Formula (1-ERF): $0.02 * 10 * 50,000 * 18.92 * 1 * 1 * 0.89 = \$168,388$

The formula was applied to each future year of the group's service to determine the present value of future benefits for the group. The sum of the present value of future benefits for each group was added up to determine the liability for each system.

Otherwise, we developed these costs using the same methods as disclosed in the June 30, 2007 AVR.

We used the Aggregate Funding Method to determine the fiscal budget changes for current plan members and future new entrants.

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 on 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.
- 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.

Projected Unit Credit (PUC) Liability: 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 PUC Liability: The excess, if any, of the Present Value of Benefits calculated under the PUC cost method 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.



RECEIVED

MAY 12 2008

Office of
The State Actuary

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

May 12, 2008

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 the cooperative working relationship we have shared in the past and look forward to a similar partnership in the future.

I would like to bring several topics back to your attention as you begin preparation for the 2008 interim. It is our hope that the Select Committee on Pension Policy (SCPP) and the Board can work cooperatively on these issues to once again develop legislation. I have provided a brief summary of each topic for your reference:

Interruptive Military Service Credit

Working cooperatively last interim, the Board and the SCPP jointly endorsed a bill that would have eliminated a member's obligation to pay for interruptive military service credit if the member served during a period of war. The Board is once again interested in working cooperatively with the SCPP on the issue and feels the following additional question will need to be further explored:

- Should the benefit apply to all periods of interruptive military service which have not yet been recovered?

Inflationary Adjustment for \$150,000 Death Benefit

The Board is interested in once again working with the SCPP to further study the effect of adding an inflationary adjustment to all the state retirement plans that provide the \$150,000 death benefit. In addition to last year's study the Board feels following issues will need to be explored further:

- Should an adjustment in the lump sum amount be made to account for inflation since the creation of the benefit?
- Should both the lump sum adjustment and the addition of the inflationary adjustment be included in the bill?

Military Service Death Benefit

The Board and the SCPP jointly recommended legislation to the 2008 Legislature, which would have provided an unreduced annuity to qualifying survivors of members of all plans, who leave employment due to service in the National Guard or Reserves and die while in military service, during a period of war. The Board would like to continue our joint work to eliminate the “early retirement” actuarial reduction applied to the pensions of members who die while honorably serving our country.

Fish and Wildlife Enforcement Officer Service Credit Transfer

The Board and the SCPP also jointly recommended legislation last session that would have permitted Department of Fish and Wildlife Enforcement Officers to transfer service credit earned in the Public Employees' Retirement System (PERS) Plan 2 as enforcement officers into the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2. The Board feels the following issue may need to be further explored as well:

- Should PERS 3 members be included in the transfer group?

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



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 30, 2008

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:

At the recent meeting of the Select Committee on Pension Policy (SCPP) the chairman requested that the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF 2 Board) provide a prioritized list of the suggested joint topics that the LEOFF 2 Board would like to work on cooperatively with the SCPP.

During the course of the most recent LEOFF 2 Board meeting we prioritized the suggested topics for cooperation in the following order:

1. **Fish and Wildlife Enforcement Officer Service Credit Transfer**
Allow FWEO members to transfer their PERS Plan 2 service as enforcement officers to LEOFF Plan 2.
2. **Inflationary Adjustment for \$150,000 Death Benefit**
The \$150,000 lump-sum death benefit paid to survivors of public employees who die in the line of duty is not adjusted for inflation.
3. **Interruptive Military Service Credit**
Members whose public employment is interrupted by military service are required to pay member contributions in order to purchase service credit.
4. **Military Service Death Benefit**
Beneficiaries of members who die while serving on active duty with the United States Military do not qualify for duty related death benefits.
5. **Purchase of Annuity**
Members are limited in the amount of money they can convert to a defined benefit by the amount required to purchase 5 years of service.

Select Committee on Pension Policy
June 30, 2008
Page 2

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.

Thank you for your consideration and we look forward to working with you.

Sincerely,

Handwritten signature of Kelly Fox in black ink.

Kelly Fox, Chair

cc: Matt Smith, State Actuary