



Select Committee on Pension Policy

Annuity Purchase

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What's The Issue?

- Legislation passed in 2014 Session granting LEOFF 2 members option to purchase expanded annuity at retirement
- Washington State Patrol Troopers Association requested consideration for WSPRS members
 - [SCPP correspondence](#)



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Committee Activity

- Briefings in September, October, and November
- Executive Committee placed on December agenda
 - Public hearing
 - Possible executive session
 - Requested a bill draft

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Today's Presentation

- Recap of prior briefings
- Review options
- Policy and fiscal analysis for bill draft
- Possible action today

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Recap Of Prior Briefings

- All plans allow optional annuity purchases at retirement
 - Limited purchase in all plans
 - Expanded purchase in TRS and LEOFF 2
 - Less than 6 percent of members use the benefit
- Optional annuities support many potential policy goals but can impact liabilities and intergenerational equity
- Members pay expected costs, but costs to system can emerge if
 - Members live longer than expected
 - Investment returns lower than expected
- Managing annuity purchase risk requires balancing member value against potential losses to the plan

Expanded Annuity Purchase Options

- Option 1: Do not provide an expanded annuity to additional groups
 - Current options appear sufficient for most members
 - About 95 percent don't use the benefit
 - Amount of potential risk hasn't been determined
- Option 2: Provide TRS expanded annuity to additional groups
 - Maximizes member flexibility
 - May raise more concerns about competing with private sector
- Option 3: Provide LEOFF 2 expanded annuity to additional groups
 - Promotes public service portability while limiting flexibility
 - Option requested by stakeholders
- Option 4: Develop a new expanded annuity option
 - Could have different policy goals or risk mitigation
 - Staff could bring options next interim
 - Likely involve OSA, DRS, and WSIB

Eligibility Options For Expanded Annuity

- All members
 - Extend to PERS, SERS, PSERS, WSPRS, LEOFF 1
 - Consistency among all plans
- WSPRS and LEOFF 1
 - Consistency among police and fire fighters
 - Can help offset lack of Social Security for members not covered
- WSPRS
 - Only troopers have asked for it
 - Consistency among open police and fire fighter plans
 - Can help offset lack of Social Security
- Other groups?
 - PSERS has second-highest rate of annuity purchase among the plans

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Bill Draft From Executive Committee

- Extends LEOFF 2 expanded annuity purchase to WSPRS
 - Coordinated with pension
 - Min purchase of \$25,000
 - No maximum
- Consistent with stakeholder request
- Creates consistency among open police and fire fighter plans
- Expanded annuity can help offset lack of Social Security

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Fiscal Impact

- No expected cost
- Members assumed to pay the actuarial value of benefit
- Cost or savings will occur if assumptions don't match experience

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Possible Next Steps

- Public hearing scheduled today
- Possible Executive Session
 - No further action at this time
 - Recommend the bill as drafted
 - Recommend the bill with amendments
- Sample motions
 - I move the Annuity Purchase bill be recommended to the Legislature
 - I move the Annuity Purchase bill be amended to ...
 - I move the amended Annuity Purchase bill be recommended to the Legislature

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