

Month of Death

Issue

Should the Department of Retirement Systems (DRS) continue prorating benefits or pay a full month of benefits for the month in which a retiree dies?

Background

Retirement benefits are paid monthly, but annuitants (retirees and survivors) generally only receive benefits up to their date of death. If DRS is not notified of the death before the cut-off time for processing the payment, the estate will receive a payment for the full month. In these cases, DRS sends an invoice to the estate for repayment of any benefits paid beyond the date of death. For example, if a retiree or survivor dies on day 25 of a 30-day month, they receive pro-rated benefits for only those 25 days. If they have already received a check for the full month, DRS will seek repayment of the remaining five days. This is a longstanding administrative practice. While statute does not expressly state when benefits should cease after death, DRS has general authority (see e.g., [Revised Code of Washington 41.50.130](#)) to bill retirees and survivors for overpayments of benefits. At retirement, members of the Plans 3 can purchase an annuity from the Total Allocation Portfolio (TAP). The same proration of benefits in the month of death applies to members who purchase a TAP annuity.

Highlights

- ❖ A new draft bill has been prepared at the request of the Select Committee on Pension Policy.
 - It is based on [House Bill \(HB\) 1414](#)/[Senate Bill \(SB\) 5335](#), introduced during the 2019 Legislative Session.
- ❖ HB 1414/SB 5335 would have required DRS to pay a recipient for the full month of benefits in which the person dies.
 - This is prospective starting from the effective date.
 - Any benefits paid beyond the month of death must be refunded; same as under current law.
- ❖ This issue raises two fundamental questions for policymakers:
 - Should benefits be prorated in the month of death?
 - If benefits are not prorated, who should pay for the increased cost of providing benefits?
- ❖ Ending the prorating would help avoid the possible negative impacts to families from having to pay back some benefits following a loved one's death; both emotional and financial. However, some policy makers may feel that benefits should stop upon death.

- ❖ Ending the practice of prorating in the month of death would result in fewer repayments, and DRS staff assigned to those repayments could be reassigned.
- ❖ If benefits are not prorated, the increased cost of providing more benefits may fall to the retirement plan, or the annuitant who is receiving the benefit.
- ❖ The Office of the State Actuary recommends that if benefits are no longer being prorated, the administrative factors should be recalculated.

Committee Activity

The Committee received a briefing in October, and then voted to recommend the bill draft at the November meeting.

Recommendation to the 2024 Legislature

Sponsor a bill draft to end prorating of benefits in the month of death.

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