

Month-of-Death Payment Overview

LEOFF 2 Board
June 20, 2018

Seth Miller
Department of Retirement Systems



Introduction

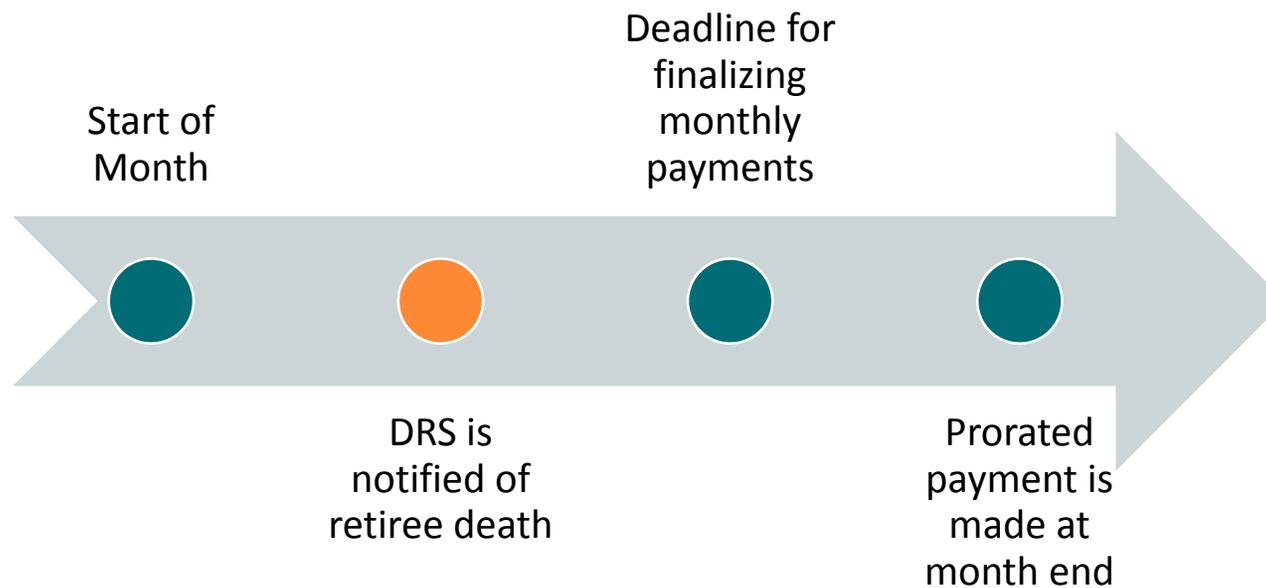
- It has been long standing practice for retirement systems in Washington to prorate the final pension payment.
- The proration process can cause burdens for grieving families and for estates.
- DRS believes proration should be discontinued in favor of paying the full monthly amount in the final benefit payment.

Proration – How it works

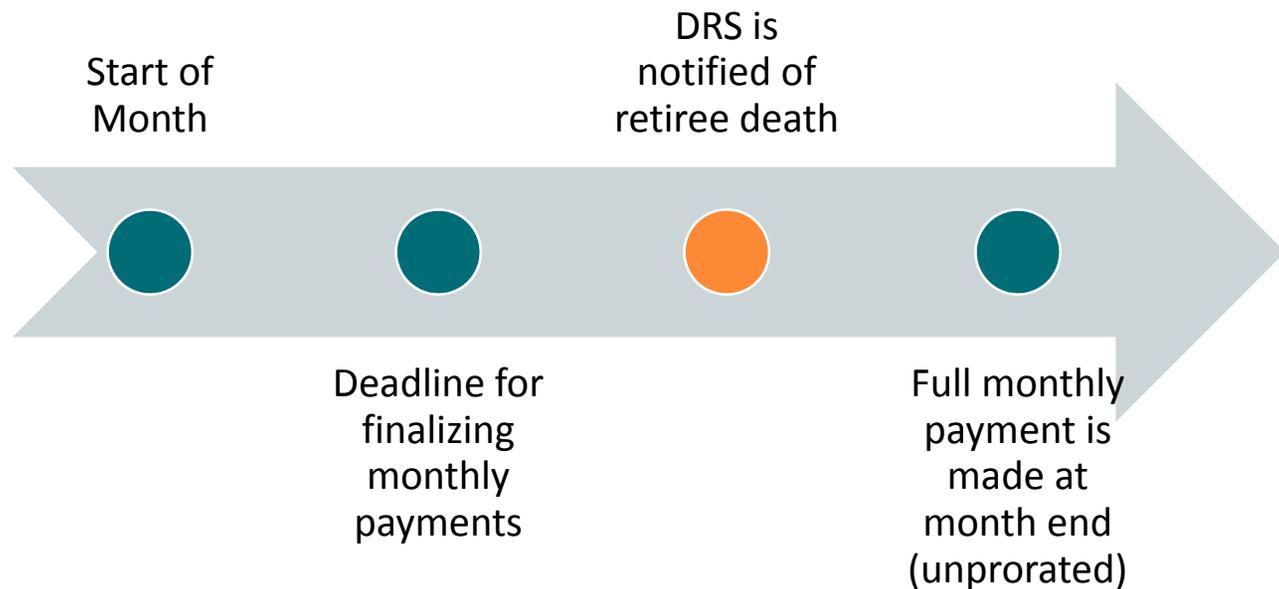
- The pension payment is prorated based on the number days a retiree lives in their final month.

Example: Date of death is June 10
10 days ÷ 30 days in the month =
1/3 of monthly pension is paid

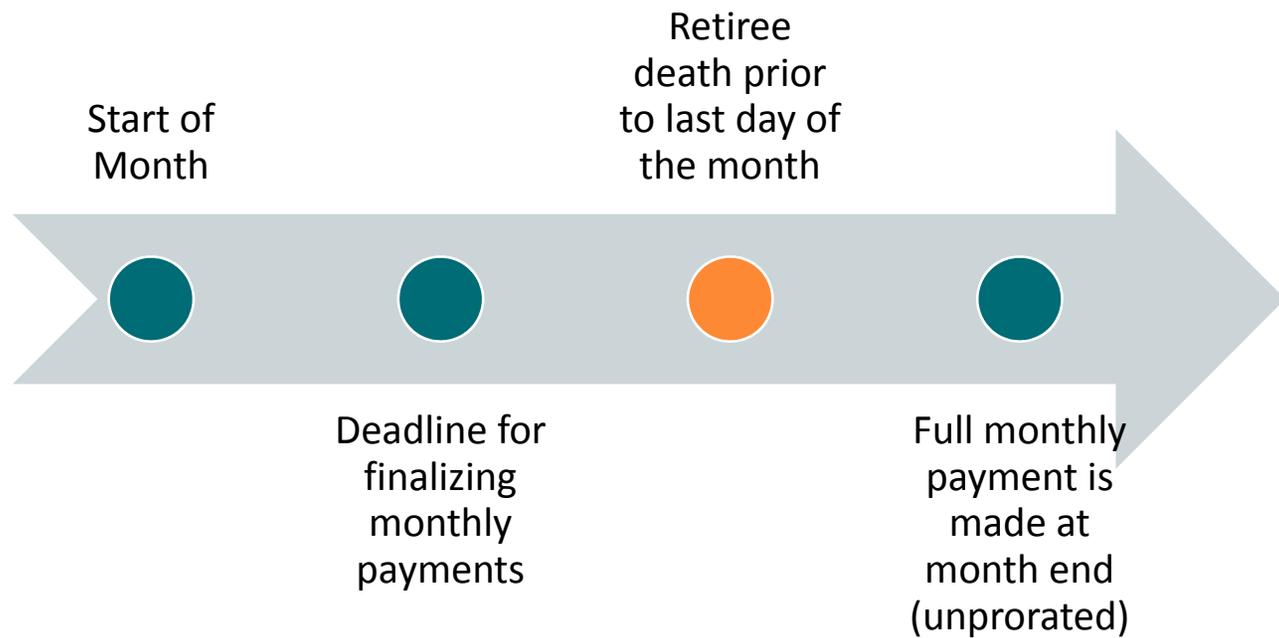
Notification of a death received before cutoff



Notification of a death received after cutoff



Death after monthly deadline



A burden on families and estates

- Survivors are often in the position of getting a collection notice during a time of grief.
- Proration can sometimes interfere with the deduction of insurance premiums and payment of insurance claims made during the retiree's final month.

An increasing challenge

- Each month, on average, DRS:
 - Retires 1,000 members
 - Is notified of 500 retiree deaths
- Volume will increase in years to come.
- Proration process is administratively cumbersome.

Benefits of change

Paying a full month:

- Reduces burden on loved ones.
- Allows for deduction of health insurance and other monthly premiums to occur.
- Applies to all plan members.

Cost of change

- Since proration is a long standing practice, it has been priced into the cost of the plans by the Office of the State Actuary (OSA).
- Draft bill language has been created and OSA is drafting a fiscal note.

Questions?



Written Spousal Consent Overview

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- Under current law, written spousal consent is required for the selection of all but one of the survivorship options available to retirees.
- Written consent complicates the retirement application process, especially online.
- DRS suggests that written spousal consent be required only when the member chooses to have no survivor benefit go to the spouse.

Survivorship Options

- In most DRS plans, members select one of four survivorship options at the time of retirement.
 1. Single Life (no survivorship)
 2. 100% Survivorship
 3. 50% Survivorship
 4. 67% Survivorship
- Selection of a survivorship benefit means the retiree's lifetime monthly benefit will be actuarially reduced.

Survivorship Options

Example: LEOFF 2 retiree, pension benefit of \$5000, spouse of the same age as the retiree

Option	Retiree Benefit	Survivor Benefit	Current Law	Proposed Law
Single Life	\$5000	\$0	Written Consent	Written Consent
100%	\$4355	\$4355	Written Consent	No
50%	\$4655	\$2328	No	No
67%	\$4550	\$3033	Written Consent	No

Current Law

- If a member is married, the spouse must provide written consent to the selected survivorship option unless a 50% option is chosen (or a dissolution order is provided).
- This means a spouse must provide written consent even when he or she would be receiving a two-thirds or full survivor benefit.

Proposed change

Only require spousal consent in cases where a married member is providing a benefit less than 50% to the spouse.

Benefits of change

- The change would simplify the process for many members when applying for retirement.
 - Currently more than 50% of members complete their retirement application online.
 - More than 25% of retirees select a survivorship option greater than the 50% option.
- One-time administrative costs associated with streamlining consent requirements would be minimal.

Questions?

