



Military Service Death Benefit Final Proposal

LEOFF Plan 2 Retirement Board

December 18, 2007

Background Summary

- Survivors entitled to actuarially reduced benefit or accumulated contributions
- 2007 Legislative improvement to PERS 2
 - 200% of accumulated contributions
- SCPP recommending policy expansion

Key Issues

- Members called to military service not given consideration for service if killed
- Adequacy of benefits for survivors of members killed while in military service

Proposal Summary

- Endorse SCPP Proposal
 - L2 Member interrupts employment to enter uniformed services and dies while honorably serving
 - Survivor entitled to enhanced defined benefit
 - 10 or more years of service
 - Early retirement reduction eliminated

Military Service Death Benefit

Questions?

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' PLAN 2 RETIREMENT BOARD

Military Service Death Benefit Final Proposal

December 18, 2007

1. Issue

What State pension benefits are appropriate for members who are called to military service and killed during that service?

2. Proposal Summary

Endorse the Select Committee on Pension Policy (SCPP) proposal which would provide an enhanced monthly benefit by eliminating the early retirement actuarial reduction to the survivor of a LEOFF Plan 2 member who had 10 or more years of service in LEOFF Plan 2 and who left the employ of an employer to enter the uniformed services of the United States and dies while honorably serving in the uniformed services.¹

3. Staff

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4. Members Impacted

As of September 30, 2006 there were 15,718 active members. This issue impacts survivors of LEOFF Plan 2 members who are called to active military service and killed in the line of duty. The number of LEOFF Plan 2 members who have been called to active duty is currently unknown.

5. Current Situation

A LEOFF Plan 2 member that dies before retirement is entitled to a standard death benefit that ranges from a refund of contributions up to an actuarially reduced monthly benefit paid to a surviving spouse or minor child. The benefit received by the survivor is determined by the number of years the member has in the system at the time of death. If a member dies in the course of employment, a \$150,000 special death benefit may also be paid to the designated beneficiary.

¹ Option 1

6. Background Information and Policy Issues

WA Pension Benefits Available to Survivors of Military Service Members

Military Service Death Benefit - PERS Plan 2

The 2007 Legislature expanded the death benefit options available to survivors of a PERS Plan 2 member who had 10 years of PERS service and who dies while serving in the uniformed services of the United States in Operation Iraqi Freedom, Operation Enduring Freedom or Persian Gulf. The legislation provided these survivors with an option to receive a refund of 200 percent of the member's accumulated contributions and interest instead of an actuarially reduced benefit.

Standard Death Benefit

Beneficiaries of a member who dies with less than 10 years of service credit and was not eligible to retire, receive a refund of all the member's accumulated contributions. If the member has no living beneficiary, the accumulated contributions are paid to the surviving spouse, or if none, to the legal representative of the estate.

If a member dies and has 10 or more years of service credit or was eligible to retire, the surviving spouse, or if none, the guardian of any minor children, may choose between the following two benefits:

1. A payment of 150 percent of the member's accumulated contributions, or
2. A monthly benefit calculated as if the member had elected a joint and 100% survivor option. If the death is a non-duty death and the member is younger than age 53 and does not qualify for early retirement, the benefit is actuarially reduced from age 53. If the member's death was duty related, there is no actuarial reduction.

Interruptive Military Service Credit Purchase

LEOFF Plan 2 members have the option to purchase up to five years of service credit for periods of military service which interrupt their LEOFF employment. The qualifications for the purchase of military service credit are governed by federal law, but may be expanded by state law. The key qualifications for LEOFF Plan 2 include:

- The member must return to LEOFF Plan 2 covered employment within ninety days of honorable discharge from the armed forces.
- The member must pay the member contributions that would have been paid had the member not entered military service. The employer must pay the related employer contributions.
- The required member contributions must be paid within five years of returning to employment.

House Bill 1325, passed by the 2005 Legislature, provides a service credit purchase option to Washington public employees (or their survivors), including law enforcement officers and fire fighters, who are unable to return to public employment due to death or disability

incurred during honorable active duty military service. A survivor of a member killed in service may purchase the member's interruptive military service credit, which would be used calculating any survivor benefits that are payable.

State Pension Policy¹

Previous policy discussions about military service by Washington State public employees have focused primarily on granting service credit (interruptive and prior) for periods of service a member spent in the military. There are several policies from these prior discussions supporting and opposing additional benefits for military service. Prevalent within these discussions have been creating or keeping parity or uniformity among the retirement systems or plans, responsibility of the federal government to provide benefits, and the cost of providing military service related benefits.

With respect to parity/uniformity, an opposing viewpoint for providing military service related benefits is that if benefits are provided to one or more select plans, it might create significant pressure from other systems to provide similar benefits. However, RCW 41.50.005(1) sets forth as retirement policy that the retirement systems of the state should provide similar benefits whenever possible. A military service death benefit is currently provided only to PERS Plan 2. The Select Committee on Pension Policy and the LEOFF Plan 2 Retirement Board are reviewing this issue with the possibility of extending the same or similar benefits to the other Washington State pension plans.

Providing benefits related to military service has also been previously viewed as a responsibility of the Federal Government and Federal funding, rather than a responsibility of the state. The survivors of military service personnel killed while serving may currently qualify for Federal benefits from the Department of Defense and Social Security. These benefits are discussed in the next section.

Cost has often been the primary roadblock to granting certain military service related benefits. However, this is largely because previous benefit improvements considered would have granted prior military service for periods prior to membership in a retirement system. Granting this type of service credit is among the most expensive type of service credit that can be provided, because not requiring payment of the full actuarial cost can result in additional liabilities to the plan. However, a military service death benefit may not have a significant cost as it would likely only apply to a relatively limited number of survivors.

Federal Benefits Available to Survivors of Military Service Members

Department of Defense (DoD) benefits for survivors of deceased members of the armed forces vary significantly in purpose and structure. Benefits such as the death gratuity provide immediate cash payments to assist these survivors in meeting their financial needs during the period immediately following a member's death. Similarly, the Servicemembers' Group Life Insurance (SGLI) provides the life insurance policy value in a lump sum payment following the service member's death. Other benefits such as the Veteran's Administration Dependency and Indemnity Compensation (DIC) and the Survivor Benefit Plan (SBP) are

designed to provide long-term monthly income. Additional death benefits provided by the DoD for survivors and dependents include housing assistance, health care, commissary and exchange benefits, educational assistance, and burial, funeral, and related benefits. Survivors may also receive death benefits from Social Security.

Benefits Available to Survivors of Military Service Members in Other States

Only one out of twelve comparison systems of statewide police and fire pension plans contained a specific provision covering the death of a member while on a military leave of absence.

The Colorado Fire and Police Pension Association (FPPA), which has a standalone death and disability plan, provides that a member on military leave continues to be covered by the Statewide Death and Disability Plan if the employer contributions continue to be paid by the employer. The continued coverage entitles the member's survivor to receive a benefit that is 40% of final salary (non-duty, vested death benefit). Without the continuation coverage, the survivor would only be entitled to a refund of accumulated contributions.

The other eleven states were situated similarly to the current Washington State benefits in that there is no specific coverage for a military service death. In general, survivors are entitled to either a refund of accumulated contributions or a reduced survivor annuity if the member had completed a required period of service, such as 10 years, which is the period used in Washington.

Select Committee on Pension Policy (SCPP) Proposal

The SCPP Executive Committee discussed the military service death benefit during their October 2007 meeting. As a result of the discussion, the Executive Committee forwarded a recommendation to be heard by the full committee at the December 2007 meeting. The recommendation from the Executive Committee would apply to all systems and plans and would provide an unreduced benefit to the survivor of member who had 10 years of service, were called to military service and killed. This recommendation provides a higher level of benefit and broader eligibility criteria than the 2007 legislation passed for PERS Plan 2.

7. Policy Options

Option 1: Endorse SCPP Legislation

Under this option the Board would pass a resolution stating its support for the proposed SCPP legislation. This bill affects LEOFF Plan 2 by providing an enhanced monthly benefit by eliminating the early retirement actuarial reduction to the survivor of a LEOFF Plan 2 member who had 10 or more years of service in LEOFF Plan 2, who left the employ of an employer to enter the uniformed services of the United States, and dies while honorably serving in the uniformed services

Option 2: Consider Alternative Proposal Next Interim

Under this option, the Board would consider an alternative proposal next interim.

8. Supporting Information

- **Appendix A - Federal Benefits Available to Survivors of Military Service Members**
- **Endnotes**

Appendix A - Federal Benefits Available to Survivors of Military Service Members

Death Gratuity²

The death gratuity is a one-time non-taxable payment to help surviving family members deal with the financial hardships that accompany the loss of a service member.

A payment of \$100,000 for survivors of those whose deaths under the following conditions:

- A member of an armed force under his jurisdiction who dies while on active duty or while performing authorized travel to or from active duty;
- A Reserve of an armed force who dies while on inactive duty training (with exceptions);
- Any Reserve of an armed force who assumed an obligation to perform active duty for training, or inactive duty training (with exceptions) and who dies while traveling directly to or from that active duty for training or inactive duty training;
- Any member of a reserve officers' training corps who dies while performing annual training duty under orders for a period of more than 13 days, or while performing authorized travel to or from that annual training duty; or any applicant for membership in a reserve officers' training corps who dies while attending field training or a practice cruise or while performing authorized travel to or from the place where the training or cruise is conducted; or
- A person who dies while traveling to or from or while at a place for final acceptance, or for entry upon active duty (other than for training), in an armed force, who has been ordered or directed to go to that place, and who
- Has been provisionally accepted for that duty; or
- Has been selected for service in that armed force.

Service Member Group Life Insurance³

Service members are automatically insured for \$250,000 through the SGLI program, but may reduce or decline coverage as desired. Although participating members must pay premiums, SGLI is a government-sponsored insurance program that enables U. S. Service members to increase substantially the amount available to their beneficiaries in the event of their death.

SGLI is a VA program that provides low cost group life insurance to members of the Uniformed Services. Members are automatically insured under Service members' Group Life Insurance (SGLI) for the maximum amount of \$400,000 unless an election is filed reducing the insurance by \$50,000 increments or canceling it entirely.

In addition the SGLI coverage includes Traumatic Injury Protection, effective December 1, 2005. This coverage provides service members protection against loss due to traumatic injuries and is designed to provide financial assistance to members so their loved ones can be with them during their recovery from their injuries. The coverage ranges from \$25,000 to \$100,000 depending on the nature of the injury.

The cost for SGLI coverage alone is 70 cents per \$10,000 or \$29 per month for the maximum of \$400,000, this includes a mandatory \$1 charge for TSGLI. Coverage, regardless of duty status, is 24 hours per day, 365 days per year under SGLI.

The premium for part-time coverage is \$29 per year for \$400,000 of coverage. Members of the Individual Ready Reserve (IRR) will be charged \$1.00 for \$400,000 of coverage for 1-day call-ups.

Survivor Benefit Plan⁴

The primary survivor benefit applicable to survivors of retirees (and, in some situations, active duty members) is the Uniformed Services Survivor Benefit Plan (SBP). The Reserves have a related plan called the Reserve Component Survivor Benefit Plan (RC-SBP). The purpose of the Survivor Benefit Plan (SBP) is to insure that the surviving dependents of military personnel who die in retirement or after becoming eligible for retirement will continue to have a reasonable level of income. These are voluntary programs to ensure survivors continue to receive income throughout their lifetimes. A service member pays a monthly premium to be covered under SBP. SBP Premiums and benefits depend on the "base amount" that the person elects as the basis of coverage. The base amount can be the full monthly retired pay or just a portion, down to as little as \$300. The SBP is an insurance plan to protect survivors against the risks of early death, a survivor outliving benefits; and inflation through cost of living adjustments.

A spouse under the age of 62 or dependent child receives 55% of the retired pay the service member would have been entitled to on the day he or she died, based on 100% total disability. If the spouse is the designated beneficiary, the annuity is reduced by the amount of the Dependency and Indemnity Compensation payment (DIC) that they may receive. If a child is the designated beneficiary, the monthly survivor Benefit Plan payment is not reduced by the Dependency and Indemnity Compensation Payment.

Dependency and Indemnity Compensation⁵

The Department of Veterans Affairs (VA) pays a benefit called Dependency and Indemnity Compensation (DIC) to a surviving spouse and dependent children if a service member dies of service-connected causes. This includes deaths after retirement if the cause of death is due to an injury or disease contracted while the member was on active duty.

DIC may also be paid if a person had a 100 percent VA disability rating for ten continuous years, or if less than ten years, then at least five continuous years from the date of release from active duty. The VA determines who may receive DIC.⁶

DIC payments to all surviving spouses are at the monthly rate of \$1067, adjusted annually for cost of living. Whenever there is no surviving spouse of a deceased veteran entitled to DIC, it shall be paid in equal shares to the children of the deceased veteran. The basic DIC basic rate may be increase under certain circumstances.

Burial Expenses⁷

The Government will reimburse certain expenses for the member's burial, depending on the type of arrangements and will provide travel for next-of-kin under invitational travel orders.

Government Housing or Allowances and Relocation Assistance⁸

Survivors are provided rent-free Government housing for 180 days or the tax-free Basic Allowance for Housing (BAH) appropriate to the member's grade for any portion of the 180 day period while not in quarters. Survivors are also entitled to transportation, per diem, and shipment of household goods and baggage.

Education Benefits⁹

When an active-duty service member dies, VA's Survivors' and Dependents' Educational Assistance Program generally provides up to 45 months of education benefits to the un-remarried surviving spouse for 10 years, or for children aged 18 to 26. Currently the rate is \$788 a month for full-time attendance, with lesser amounts for part-time education. This benefit may be used to pursue secondary school programs; associate, bachelor or graduate degrees; technical or vocational training; apprenticeships; and other types of training, including work-study programs

Health Care¹⁰

An un-remarried surviving spouse and minor dependents of the member are eligible for space-available medical care at military medical facilities or are covered by TRICARE/CHAMPUS (MEDICARE after age 65). Dental insurance coverage and full TRICARE/CHAMPUS are extended for three years after the member's death.

Unused Leave¹¹

Payment is made to a survivor for all of the service member's unused accrued leave.

Tax Benefits¹²

The next-of-kin of a Service member whose death occurs overseas in a terrorist or military action is exempt from paying the decedent's income tax for at least the year in which the death occurred. Payments made by the VA are tax-exempt.

Commissary and Exchange Privileges¹³

The unmarried surviving spouse and qualified unmarried dependents are eligible to shop at military commissaries and exchanges, normally providing a savings over similar goods sold in private commercial establishments. Families of retired members retain their privileges so long as a spouse is not remarried.

Refund of Service Member's Unused GI Bill Contribution¹⁴

If the deceased service member had contributed to the Montgomery GI Bill education program, the designated life insurance beneficiary or surviving spouse is entitled to a refund of the money that was collected through payroll deduction but was not awarded in education benefits during the service member's lifetime. Most active-duty military members participate in this educational benefit program, which deducts \$1,200 from their pay at \$100 monthly during their first year of service.

Home Loans¹⁵

Surviving spouses of military members may be eligible for a VA-guaranteed home loan from a private lender. The loan may be used to purchase, construct or improve a home, to refinance an existing mortgage or for certain other purposes. As with the program for veterans, VA guarantees part of the total loan, permitting the purchaser to obtain a mortgage with a competitive interest rate. Except for manufactured homes and other select cases, the surviving spouse may obtain a no-down payment loan if the lender agrees.

Social Security Benefits¹⁶

If a service member had enough credits, a special one-time payment of \$255 will be paid after the servicemember's death. This benefit is paid only to the widow or minor children. Certain family members of the deceased service member may be eligible for benefits on the service member's Social Security record if they earned enough credits while they were working. Family members who can collect benefits include:

- A widow or widower who is 60 or older
- A widow or widower who is 50 or older and disabled
- A widow or widower at any age if she or he is caring for a child under age 16 or a disabled child who is receiving Social Security benefits;
- Children if:
 - They are unmarried and under age 18;
 - Under age 19 but in an elementary or secondary school as a full-time student; or
 - Age 18 or older and severely disabled (the disability must have started before age 22)
- The service member's parents, if they were dependent on him for at least half of their support

Endnotes

- 1 Steve Nelsen, "Military Service Credit", Joint Committee on Pension Policy, September 23, 1997.
- 2 <http://www.military.com/Resources/ResourcesContent/0,13964,30873--1,00.html> (August 31, 2004)
- 3 <http://www.dod.mil/militarypay/benefits/deathben.pdf> (August 31, 2004)
- 4 <http://www.military.com/Resources/ResourcesContent/0,13964,31293--0,00.html> (August 31, 2004)
- 5 <http://www.military.com/Resources/ResourcesContent/0,13964,30974--0,00.html> (August 31, 2004)
- 6 http://www.dod.mil/militarypay/survivor/sbp/11_va_benefits.html (August 31, 2004)
- 7 <http://www.dod.mil/militarypay/benefits/deathben.pdf> (August 31, 2004)
- 8 <http://www.dod.mil/militarypay/benefits/deathben.pdf> (August 31, 2004)
- 9 http://www1.va.gov/OPA/fact/docs/survivor_benefits.doc (September 1, 2004)
- 10 <http://www.dod.mil/militarypay/benefits/deathben.pdf> (August 31, 2004)
- 11 <http://www.dod.mil/militarypay/benefits/deathben.pdf> (August 31, 2004)
- 12 <http://www.dod.mil/militarypay/benefits/deathben.pdf> (August 31, 2004)
- 13 <http://www.dod.mil/militarypay/benefits/deathben.pdf> (August 31, 2004)
- 14 http://www1.va.gov/OPA/fact/docs/survivor_benefits.doc (August 31, 2004)
- 15 http://www1.va.gov/OPA/fact/docs/survivor_benefits.doc (August 31, 2004)
- 16 <http://www.military.com/Resources/ResourcesContent/0,13964,31073,00.html> (August 31, 2004)
- 16 <http://www.dod.mil/militarypay/benefits/deathben.pdf> (August 31, 2004)

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0779.1/08

ATTY/TYPIST: LL:rmh

BRIEF DESCRIPTION: Addressing the survivor benefits of employees who die while honorably serving in the uniformed services of the United States.

1 AN ACT Relating to the survivor benefits of employees who die while
2 honorably serving in the uniformed services of the United States; and
3 amending RCW 41.26.160, 41.26.510, 43.43.270, 43.43.295, 41.32.520,
4 41.32.805, 41.32.895, 41.35.460, 41.35.710, 41.37.250, 41.40.270,
5 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 to enter the uniformed services of the United States and dies
15 while honorably serving in the uniformed services, the surviving spouse
16 shall become entitled, subject to RCW 41.26.162, to receive a monthly
17 allowance equal to fifty percent of the final average salary at the
18 date of death if active, or the amount of retirement allowance the
19 vested member would have received at age fifty, or the amount of the

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

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

27 (3) If there be no surviving spouse eligible to receive benefits at
28 the time of such member's duty connected death, then the child or
29 children of such member shall receive a monthly allowance equal to
30 thirty percent of final average salary for one child and an additional
31 ten percent for each additional child subject to a maximum combined
32 payment, under this subsection, of sixty percent of final average
33 salary. When there cease to be any eligible children as defined in RCW
34 41.26.030(7), there shall be paid to the legal heirs of the member the
35 excess, if any, of accumulated contributions of the member at the time
36 of death over all payments made to survivors on his or her behalf under
37 this chapter: PROVIDED, That payments under this subsection to

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

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

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

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

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

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

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

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

4 (a) A retirement allowance computed as provided for in RCW
5 41.26.430, actuarially reduced by the amount of any lump sum benefit
6 identified as owing to an obligee upon withdrawal of accumulated
7 contributions pursuant to a court order filed under RCW 41.50.670 and
8 actuarially adjusted to reflect a joint and one hundred percent
9 survivor option under RCW 41.26.460 and if the member was not eligible
10 for normal retirement at the date of death a further reduction as
11 described in RCW 41.26.430; if a surviving spouse who is receiving a
12 retirement allowance dies leaving a child or children of the member
13 under the age of majority, then such child or children shall continue
14 to receive an allowance in an amount equal to that which was being
15 received by the surviving spouse, share and share alike, until such
16 child or children reach the age of majority; if there is no surviving
17 spouse eligible to receive an allowance at the time of the member's
18 death, such member's child or children under the age of majority shall
19 receive an allowance share and share alike calculated as herein
20 provided making the assumption that the ages of the spouse and member
21 were equal at the time of the member's death; or

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

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

31 (3) If a member who is eligible for retirement or a member who has
32 completed at least ten years of service dies after October 1, 1977, and
33 is not survived by a spouse or an eligible child, then the accumulated
34 contributions standing to the member's credit, 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,
37 shall be paid:

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

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

7 (4) The retirement allowance of a member who is killed in the
8 course of employment, as determined by the director of the department
9 of labor and industries, or the retirement allowance of a member who
10 has left the employ of an employer to enter the uniformed services of
11 the United States and dies while honorably serving in the uniformed
12 services, is not subject to an actuarial reduction. The member's
13 retirement allowance is computed under RCW 41.26.420.

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

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

21 For members commissioned prior to January 1, 2003:

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

24 (2) If a member should die while in service, or a member leaves the
25 employ of the employer to enter the uniformed services of the United
26 States and dies while honorably serving in the uniformed services, the
27 member's lawful spouse shall be paid an allowance which shall be equal
28 to fifty percent of the average final salary of the member. If the
29 member should die after retirement the member's lawful spouse shall be
30 paid an allowance which shall be equal to the retirement allowance then
31 payable to the member or fifty percent of the final average salary used
32 in computing the member's retirement allowance, whichever is less. The
33 allowance paid to the lawful spouse shall continue as long as the
34 spouse lives: PROVIDED, That if a surviving spouse who is receiving
35 benefits under this subsection marries another member of this
36 retirement system who subsequently predeceases such spouse, the spouse
37 shall then be entitled to receive the higher of the two survivors'

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

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

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

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

30 (4) If a member should die in the line of duty while employed by
31 the Washington state patrol, or a member leaves the employ of the
32 employer to enter the uniformed services of the United States and dies
33 while honorably serving in the uniformed services, the member's
34 surviving children under the age of twenty years and eleven months if
35 attending any high school, college, university, or vocational or other
36 educational institution accredited or approved by the state of
37 Washington shall be provided for in the following manner:

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

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

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

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

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

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

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

31 (c) The changes to the definitions of average final salary for the
32 survivors of disabled members in this subsection shall apply
33 retroactively. The department shall correct future payments to
34 eligible survivors of members disabled prior to June 7, 2006, and, as
35 soon as administratively practicable, pay each survivor a lump sum
36 payment reflecting the difference, as determined by the director,
37 between the survivor benefits previously received by the member, and

1 those the member would have received under the definitions of average
2 final salary created in chapter 94, Laws of 2006.

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

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

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

26 (a) A retirement allowance computed as provided for in RCW
27 43.43.260, actuarially reduced, except under subsection (4) of this
28 section, by the amount of any lump sum benefit identified as owing to
29 an obligee upon withdrawal of accumulated contributions pursuant to a
30 court order filed under RCW 41.50.670 and actuarially adjusted to
31 reflect a joint and one hundred percent survivor option under RCW
32 43.43.278 and if the member was not eligible for normal retirement at
33 the date of death a further reduction from age fifty-five or when the
34 member could have attained twenty-five years of service, whichever is
35 less; if a surviving spouse who is receiving a retirement allowance
36 dies leaving a child or children of the member under the age of
37 majority, then such child or children shall continue to receive an

1 allowance in an amount equal to that which was being received by the
2 surviving spouse, share and share alike, until such child or children
3 reach the age of majority; if there is no surviving spouse eligible to
4 receive an allowance at the time of the member's death, such member's
5 child or children under the age of majority shall receive an allowance
6 share and share alike calculated under this section making the
7 assumption that the ages of the spouse and member were equal at the
8 time of the member's death; or

9 (b)(i) The member's 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; or

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

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

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

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

30 (4) The retirement allowance of a member who is killed in the
31 course of employment, as determined by the director of the department
32 of labor and industries, or the retirement allowance of a member who
33 has left the employ of an employer to enter the uniformed services of
34 the United States and dies while honorably serving in the uniformed
35 services, is not subject to an actuarial reduction.

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

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

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

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

35 (i) In the case of a dependent child the allowance shall continue
36 until attainment of majority or so long as the department judges that
37 the circumstances which created his or her dependent status continue to
38 exist. In any case, if at the time dependent status ceases, an amount

1 equal to the amount of accumulated contributions of the deceased member
2 has not been paid to the beneficiary, the remainder shall then be paid
3 in a lump sum to the beneficiary.

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

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

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

21 (a) This section; or

22 (b) RCW 41.32.550, according to the option chosen under RCW
23 41.32.530 in the disability application.

24 (4) The retirement allowance of a member who is killed in the
25 course of employment, as determined by the director of the department
26 of labor and industries, or the retirement allowance of a member who
27 has left the employ of an employer to enter the uniformed services of
28 the United States and dies while honorably serving in the uniformed
29 services, is not subject to an actuarial reduction. The member's
30 retirement allowance is computed under RCW 41.32.480.

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

33 (1) Except as provided in RCW 11.07.010, if a member or a vested
34 member who has not completed at least ten years of service dies, the
35 amount of the accumulated contributions standing to such member's
36 credit in the retirement system, less any amount identified as owing to
37 an obligee upon withdrawal of accumulated contributions pursuant to a

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

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

16 (a) A retirement allowance computed as provided for in RCW
17 41.32.765, actuarially reduced by the amount of any lump sum benefit
18 identified as owing to an obligee upon withdrawal of accumulated
19 contributions pursuant to a court order filed under RCW 41.50.670 and
20 actuarially adjusted to reflect a joint and one hundred percent
21 survivor option under RCW 41.32.785 and, except under subsection (4) of
22 this section, if the member was not eligible for normal retirement at
23 the date of death a further reduction as described in RCW 41.32.765; if
24 a surviving spouse who is receiving a retirement allowance dies leaving
25 a child or children of the member under the age of majority, then such
26 child or children shall continue to receive an allowance in an amount
27 equal to that which was being received by the surviving spouse, share
28 and share alike, until such child or children reach the age of
29 majority; if there is no surviving spouse eligible to receive an
30 allowance at the time of the member's death, such member's child or
31 children under the age of majority shall receive an allowance share and
32 share alike calculated as herein provided making the assumption that
33 the ages of the spouse and member were equal at the time of the
34 member's death; or

35 (b) The member's accumulated contributions, 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 (3) If a member who is eligible for retirement or a member who has
2 completed at least ten years of service dies after October 1, 1977, and
3 is not survived by a spouse or an eligible child, then the accumulated
4 contributions standing to the member's credit, 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 shall be paid:

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

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

14 (4) A member who is killed in the course of employment, as
15 determined by the director of the department of labor and industries,
16 or a member who has left the employ of an employer to enter the
17 uniformed services of the United States and dies while honorably
18 serving in the uniformed services, is not subject to an actuarial
19 reduction under RCW 41.32.765. The member's retirement allowance is
20 computed under RCW 41.32.760.

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

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

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

36 If there is no surviving spouse eligible to receive an allowance at
37 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 to enter the
7 uniformed services of the United States and dies while honorably
8 serving in the uniformed services, is not subject to an actuarial
9 reduction under RCW 41.32.875. The member's retirement allowance is
10 computed under RCW 41.32.840.

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

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

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

33 (a) A retirement allowance computed as provided for in RCW
34 41.35.420, actuarially reduced by the amount of any lump sum benefit
35 identified as owing to an obligee upon withdrawal of accumulated
36 contributions pursuant to a court order filed under RCW 41.50.670 and
37 actuarially adjusted to reflect a joint and one hundred percent

1 survivor option under RCW 41.35.220 and, except under subsection (4) of
2 this section, if the member was not eligible for normal retirement at
3 the date of death a further reduction as described in RCW 41.35.420; if
4 a surviving spouse who is receiving a retirement allowance dies leaving
5 a child or children of the member under the age of majority, then such
6 child or children shall continue to receive an allowance in an amount
7 equal to that which was being received by the surviving spouse, share
8 and share alike, until such child or children reach the age of
9 majority; if there is no surviving spouse eligible to receive an
10 allowance at the time of the member's death, such member's child or
11 children under the age of majority shall receive an allowance, share
12 and share alike, calculated as herein provided making the assumption
13 that the ages of the spouse and member were equal at the time of the
14 member's death; or

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

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

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

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

30 (4) A member who is killed in the course of employment, as
31 determined by the director of the department of labor and industries,
32 or a member who has left the employ of an employer to enter the
33 uniformed services of the United States and dies while honorably
34 serving in the uniformed services, is not subject to an actuarial
35 reduction under RCW 41.35.420. The member's retirement allowance is
36 computed under RCW 41.35.400.

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

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

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

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

21 (2) A member who is killed in the course of employment, as
22 determined by the director of the department of labor and industries,
23 or a member who has left the employ of an employer to enter the
24 uniformed services of the United States and dies while honorably
25 serving in the uniformed services, is not subject to an actuarial
26 reduction under RCW 41.35.680. The member's retirement allowance is
27 computed under RCW 41.35.620.

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

30 (1) Except as provided in RCW 11.07.010, if a member or a vested
31 member who has not completed at least ten years of service dies, the
32 amount of the accumulated contributions standing to that member's
33 credit in the retirement system at the time of the member's death, less
34 any amount identified as owing to an obligee upon withdrawal of
35 accumulated contributions pursuant to a court order filed under RCW
36 41.50.670, shall be paid to the member's estate, or the person or
37 persons, trust, or organization as the member shall have nominated by

1 written designation duly executed and filed with the department. If
2 there is no designated person or persons still living at the time of
3 the member's death, the member's accumulated contributions standing to
4 the member's credit in the retirement system, 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 shall be paid to the member's surviving spouse as if in fact that
8 spouse had been nominated by written designation, or if there is no
9 surviving spouse, then to the member's legal representatives.

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

13 (a) A retirement allowance computed as provided for in RCW
14 41.37.210, actuarially reduced by the amount of any lump sum benefit
15 identified as owing to an obligee upon withdrawal of accumulated
16 contributions pursuant to a court order filed under RCW 41.50.670 and
17 actuarially adjusted to reflect a joint and one hundred percent
18 survivor option under RCW 41.37.170 and, except under subsection (4) of
19 this section, if the member was not eligible for normal retirement at
20 the date of death a further reduction as described in RCW 41.37.210; if
21 a surviving spouse who is receiving a retirement allowance dies leaving
22 a child or children of the member under the age of majority, then the
23 child or children shall continue to receive an allowance in an amount
24 equal to that which was being received by the surviving spouse, share
25 and share alike, until the child or children reach the age of majority;
26 if there is no surviving spouse eligible to receive an allowance at the
27 time of the member's death, the member's child or children under the
28 age of majority shall receive an allowance, share and share alike,
29 calculated under this section making the assumption that the ages of
30 the spouse and member were equal at the time of the member's death; or
31 (b) The member's accumulated contributions, less any amount
32 identified as owing to an obligee upon withdrawal of accumulated
33 contributions pursuant to a court order filed under RCW 41.50.670.

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

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

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

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

8 (4) A member who is killed in the course of employment, as
9 determined by the director of the department of labor and industries,
10 or a member who has left the employ of an employer to enter the
11 uniformed services of the United States and dies while honorably
12 serving in the uniformed services, is not subject to reduction under
13 RCW 41.37.210. The member's retirement allowance is computed under RCW
14 41.37.190.

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

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

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

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

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

21 (3) Subsection (1) of this section, unless elected, shall not apply
22 to any member who has applied for service retirement in RCW 41.40.180,
23 as now or hereafter amended, and thereafter dies between the date of
24 separation from service and the member's effective retirement date,
25 where the member has selected a survivorship option under RCW
26 41.40.188. In those cases the beneficiary named in the member's final
27 application for service retirement may elect to receive either a cash
28 refund, less any amount identified as owing to an obligee upon
29 withdrawal of accumulated contributions pursuant to a court order filed
30 under RCW 41.50.670, or monthly payments according to the option
31 selected by the member.

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

35 (a) This section; or

36 (b) RCW 41.40.235, according to the option chosen under RCW
37 41.40.188 in the disability application.

1 (5) The retirement allowance of a member who is killed in the
2 course of employment, as determined by the director of the department
3 of labor and industries, or the retirement allowance of a member who
4 has left the employ of an employer to enter the uniformed services of
5 the United States and dies while honorably serving in the uniformed
6 services, is not subject to an actuarial reduction. The member's
7 retirement allowance is computed under RCW 41.40.185.

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

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

30 (a) A retirement allowance computed as provided for in RCW
31 41.40.630, actuarially reduced by the amount of any lump sum benefit
32 identified as owing to an obligee upon withdrawal of accumulated
33 contributions pursuant to a court order filed under RCW 41.50.670 and
34 actuarially adjusted to reflect a joint and one hundred percent
35 survivor option under RCW 41.40.660 and, except under subsection (4) of
36 this section, if the member was not eligible for normal retirement at
37 the date of death a further reduction as described in RCW 41.40.630; if

1 a surviving spouse who is receiving a retirement allowance dies leaving
2 a child or children of the member 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; if there is no surviving spouse eligible to receive an
7 allowance at the time of the member's death, such member's child or
8 children under the age of majority shall receive an allowance share and
9 share alike calculated as herein provided making the assumption that
10 the ages of the spouse and member were equal at the time of the
11 member's death;

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

15 (c) For a member who leaves the employ of an employer to enter the
16 uniformed services of the United States and who dies after January 1,
17 2007, while honorably serving in the uniformed services of the United
18 States in Operation Enduring Freedom or Persian Gulf, Operation Iraqi
19 Freedom, an amount equal to two hundred percent of the member's
20 accumulated contributions, less any amount identified as owing to an
21 obligee upon withdrawal of accumulated contributions pursuant to a
22 court order filed under RCW 41.50.670.

23 (3) If a member who is eligible for retirement or a member who has
24 completed at least ten years of service dies after October 1, 1977, and
25 is not survived by a spouse or an eligible child, then the accumulated
26 contributions standing to the member's credit, 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,
29 shall be paid:

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

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

36 (4) A member who is killed in the course of employment, as
37 determined by the director of the department of labor and industries,
38 or a member who has left the employ of an employer to enter the

1 uniformed services of the United States and dies while honorably
2 serving in the uniformed services, is not subject to an actuarial
3 reduction under RCW 41.40.630. The member's retirement allowance is
4 computed under RCW 41.40.620.

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

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

14 If the surviving spouse who is receiving the retirement allowance
15 dies leaving a child or children 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.

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

25 (2) A member who is killed in the course of employment, as
26 determined by the director of the department of labor and industries,
27 or a member who has left the employ of an employer to enter the
28 uniformed services of the United States and dies while honorably
29 serving in the uniformed services, is not subject to an actuarial
30 reduction under RCW 41.40.820. The member's retirement allowance is
31 computed under RCW 41.40.790.

--- END ---

DRAFT FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	PROPOSAL NAME:
Office of the State Actuary	035	10/4/07	Military Death Benefit: Unreduced Survivor Annuity

INTENDED USE

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

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EXECUTIVE SUMMARY

This proposal would provide an unreduced joint and survivor annuity to the survivor of a member who dies in military service.

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

Total Increase in Contribution Rates						
Current Biennium	PERS	PSERS	TRS	SERS	LEOFF	WSPRS
Employee (Plan 2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
State					0.00%	

Fiscal Costs			
<i>(Dollars in Millions)</i>	2007-2009	2009-2011	25-Year
General Fund-State	\$0.0	\$0.0	\$0.5
Total Employer	\$0.0	\$0.1	\$1.7

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

SUMMARY OF PROPOSAL

This proposal impacts the Public Employees' Retirement System (PERS) Plan(s) 1, 2 and 3, the Teachers' Retirement System (TRS) Plan(s) 1, 2, and 3, the School Employees' Retirement System (SERS) Plan(s) 2 and 3, the Public Safety Employees' Retirement System (PSERS), the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan(s) 1 and 2, and the Washington State Patrol Retirement System (WSPRS) by increasing the benefits offered to survivors of members who die while on active military service. Under this proposal, a qualifying survivor of a member who dies while on active military service is entitled to receive either 200% of the member's account balance or a survivor annuity that is not actuarially reduced for each year of retirement prior to the normal retirement age of the specific system and plan.

Assumed Effective Date: 90 days after session

CURRENT SITUATION

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

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

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

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

SUMMARY OF MEMBERS IMPACTED

We estimate that all 16,314 active members of LEOFF Plans 1 and 2, all 155,027 active members of PERS Plans 1, 2 and 3, all 2,073 active members of PSERS Plan 2, all 50,818 active members of SERS Plans 2 and 3, all 67,736 active members of TRS Plans 1, 2 and 3, and all 1,022 active members of WSP Plans 1 and 2 could be affected by this

proposal through improved benefits. However, we only expect this to happen to approximately 1 in 240,000 PERS members per year.

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

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

METHODS

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

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

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

ASSUMPTIONS

The primary assumption formulated for this pricing was approximating the probability of a military related death for an individual at each age. According to a Washington Post article based on Department of Defense records and dated August 23, 2006, the annual death rate for military personnel in Iraq is 3.92 deaths per 1,000 people. The article further explains the fact that troops aged 17-19 are 4.6 times more likely to die than those age 50 and older. Therefore, we approximated the probability of death in the military using these two facts. The overall probability of death was maintained while significantly weighting those with higher probabilities to younger ages. Furthermore, the addition of accounting for non-combat related deaths, or rather military related deaths that occur outside of designated conflicts, will increase the overall assumption rate to approximately 4.4 deaths per 1,000 people.

The final component of this assumption is to approximate the probability that an individual within each retirement system will have a break in state employment and enter the uniformed services. After looking at the percentage of the population that is in the military compared to the percentage of state workers that purchase interruptive military service, we approximated 1 out of every 1,000 employees from PERS will enter the uniformed service and adjusted this general population number by system using our best judgment: 1 out of every 2,000 employees from SERS and TRS will enter the uniformed service, 1 out of every 750 employees from the PSERS will enter the uniformed service, and 1 out of every 500 employees from LEOFF and WSP will enter the uniformed service. Two other assumptions that have been utilized include an assumed 100 percent male population and the assumption that the rate of those breaking service from state employment for the uniformed services will decrease by 20 percent after age 42 due to military age restrictions.

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

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

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

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

DATA

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

FISCAL IMPACT

Description

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

Actuarial Determinations

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

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

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

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

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

Fiscal Budget Determinations

<i>(Dollars in Millions)</i>	Fiscal Costs						Total
	PERS	PSERS	TRS	SERS	LEOFF	WSPRS	
2007-2009							
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
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	0.1
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1
2007-2032							
General Fund	\$0.2	\$0.1	\$0.0	\$0.0	\$0.1	\$0.0	\$0.5
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	0.4	0.1	0.0	0.0	0.1	0.0	0.7
Local Government	<u>0.6</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>	<u>1.0</u>
Total Employer	1.1	0.2	0.0	0.0	0.3	0.0	1.7
Total Employee	\$0.7	\$0.1	\$0.0	\$0.0	\$0.3	\$0.0	\$1.2

Note: Totals may not agree due to rounding.

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

Sensitivity Analysis

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

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

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

GLOSSARY OF ACTUARIAL TERMS:

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

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

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

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

- Normal cost; plus
- Amortization of the unfunded liability

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

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

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

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

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

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

DRAFT FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	PROPOSAL NAME:
Office of the State Actuary	035	10/4/07	Military Death Benefit: Unreduced Survivor Annuity

INTENDED USE

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Total Increase in Contribution Rates						
Current Biennium	PERS	PSERS	TRS	SERS	LEOFF	WSPRS
Employee (Plan 2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
State					0.00%	

Fiscal Costs			
<i>(Dollars in Millions)</i>	2007-2009	2009-2011	25-Year
General Fund-State	\$0.0	\$0.0	\$0.5
Total Employer	\$0.0	\$0.1	\$1.7

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SUMMARY OF PROPOSAL

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CURRENT SITUATION

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

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

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

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

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

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ASSUMPTIONS

The primary assumption formulated for this pricing was approximating the probability of a military related death for an individual at each age. According to a Washington Post article based on Department of Defense records and dated August 23, 2006, the annual death rate for military personnel in Iraq is 3.92 deaths per 1,000 people. The article further explains the fact that troops aged 17-19 are 4.6 times more likely to die than those age 50 and older. Therefore, we approximated the probability of death in the military using these two facts. The overall probability of death was maintained while significantly weighting those with higher probabilities to younger ages. Furthermore, the addition of accounting for non-combat related deaths, or rather military related deaths that occur outside of designated conflicts, will increase the overall assumption rate to approximately 4.4 deaths per 1,000 people.

The final component of this assumption is to approximate the probability that an individual within each retirement system will have a break in state employment and enter the uniformed services. After looking at the percentage of the population that is in the military compared to the percentage of state workers that purchase interruptive military service, we approximated 1 out of every 1,000 employees from PERS will enter the uniformed service and adjusted this general population number by system using our best judgment: 1 out of every 2,000 employees from SERS and TRS will enter the uniformed service, 1 out of every 750 employees from the PSERS will enter the uniformed service, and 1 out of every 500 employees from LEOFF and WSP will enter the uniformed service. Two other assumptions that have been utilized include an assumed 100 percent male population and the assumption that the rate of those breaking service from state employment for the uniformed services will decrease by 20 percent after age 42 due to military age restrictions.

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

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

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

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

DATA

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

FISCAL IMPACT

Description

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

Actuarial Determinations

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

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

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

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

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

Fiscal Budget Determinations

<i>(Dollars in Millions)</i>	Fiscal Costs						Total
	PERS	PSERS	TRS	SERS	LEOFF	WSPRS	
2007-2009							
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
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	0.1
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1
2007-2032							
General Fund	\$0.2	\$0.1	\$0.0	\$0.0	\$0.1	\$0.0	\$0.5
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	0.4	0.1	0.0	0.0	0.1	0.0	0.7
Local Government	<u>0.6</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>	<u>1.0</u>
Total Employer	1.1	0.2	0.0	0.0	0.3	0.0	1.7
Total Employee	\$0.7	\$0.1	\$0.0	\$0.0	\$0.3	\$0.0	\$1.2

Note: Totals may not agree due to rounding.

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

Sensitivity Analysis

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

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

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

GLOSSARY OF ACTUARIAL TERMS:

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

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

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

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

- Normal cost; plus
- Amortization of the unfunded liability

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

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

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

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

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

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