



# Survivor Option Reelection

Follow-up  
June 16, 2021

# Issue

**Allowing members to change their survivor option election after retirement may raise plan qualification issues with the IRS**

# Legislative Background

**The LEOFF 2 Board endorsed legislation to allow LEOFF 2 retirees up to 90 calendar days after the receipt of their first retirement allowance to prospectively change their survivor election**

- **The bill was amended to include all DRS covered retirement plans**

**Tax counsel identified possible plan qualification issues with the bill**

- **The bill was amended to not take effect until the state received determination from the IRS that these changes conform to federal law**
- **The amended bill passed and was signed into law**

# Request for Private Letter Ruling

- DRS, in consultation with LEOFF 2, requested Private Letter Ruling from IRS
- Tax Counsel drafted and submitted the request for a Private Letter Ruling
- Request was for one Private Letter Ruling for all DRS systems/plans
- Request filed in February 2021

# Update from Tax Counsel

Based on Tax Counsel's conversations with the IRS they may approve the Private Letter Ruling as is; however, this probability would increase if the bill was amended

- The law allows retirees up to 90 calendar days after the receipt of their first retirement allowance to prospectively change their survivor election
- Change "prospectively" to "retroactively"

# Options

1. **Wait for the IRS Private Letter Ruling decision**
2. **Seek amendment to the law to make it retroactive instead of prospective**



**Thank You**

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