



Survivor Option Reelection

2nd Follow-up
September 29, 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 the LEOFF 2 Board, 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

- IRS ruled that SB 6417 conforms with federal law
 - “the minimum distribution requirements of § 401(a)(9) are not violated due to [SB 6417], which allows current and future participants in the plans administered by [DRS] to change their survivorship benefit election within 90 days after receipt of their first retirement allowance.”

DRS Next Steps

- DRS is coordinating with LEOFF 2 staff on implementation of the law
- DRS project team is currently defining a permanent process and system updates
- DRS priority is to focus on WAC updates first
- Initial decisions DRS made in terms of processing:
 - Law is effective August 3, 2021
 - 90 day window will begin when DRS issues payment, this is typically the last business day of the month
 - Members who retired prior to the effective date may still be able to change their survivor option if it has been less than 90 days since they received their first pension payment
 - Limit to one change during the 90 day window



Thank You

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