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PENSIONS - WASHINGTON

Lenander v. Washington State Department of Retirement Systems

Supreme Court of Washington, En Banc - August 18, 2016 - P.3d - 2016 WL 4401213

Retired state trooper brought declaratory judgment action against Department of Retirement Systems (DRS), asserting statutory and constitutional challenges to newly adopted actuarial factors by which DRS reduced trooper's monthly pension benefits based on his opting for a pension that would allow surviving spouse to receive monthly pension benefits at the same amount after his death. Trooper also appealed from administrative proceeding in which DRS held the actuarial reduction was properly calculated.

The Superior Court denied trooper's claims for relief. Trooper appealed. The Supreme Court granted direct review.

The Supreme Court of Washington held that:

- DRS had statutory authority to amend its regulations to ensure that benefits paid to Washington State Patrol Retirement System (WSPRS) retirees who opted for a pension that would allow a surviving spouse to continue to receive monthly pension benefits at the same amount after the retiree's death remained actuarially equivalent in value to the pension benefit previously available;
- DRS has broad authority to adopt such actuarial factors as it deems necessary for the purpose of calculating a WSPRS survivor benefit of "equal value" to the only previously available benefit, but, at a minimum, the DRS must consider and adopt a mortality rate and interest rate it deems appropriate; and
- Amendment by DRS of regulations containing actuarial factors for calculating survivor benefit for retired Washington State Patrol employees did not substantially impair the pension contract rights of retired state trooper, for purposes of analysis under State Constitution's Contract Clause.

Department of Retirement Systems (DRS) had statutory authority to amend its regulations to ensure that benefits paid to Washington State Patrol Retirement System retirees who opted for a pension that would allow a surviving spouse to continue to receive monthly pension benefits at the same amount after the retiree's death remained actuarially equivalent in value to the only pension benefit previously available, i.e., a survivor benefit for a spouse who outlived the retiree that was usually equal to 50 percent of the retiree's monthly benefit. Such authority existed without express statutory language reserving authority to DRS to make future amendments to actuarial factors.

Department of Retirement Systems (DRS) has broad authority, under statute requiring it to collect and keep in convenient form such data as shall be necessary for an actuarial valuation of the assets and liabilities of the state retirement systems, to adopt such actuarial factors as it deems necessary for the purpose of calculating a Washington State Patrol Retirement System survivor benefit of "equal value" to the only previously available benefit, i.e., 50 percent of retiree's monthly benefit, but, at a minimum, the DRS must consider and adopt a mortality rate and interest rate it deems appropriate.

Retired state trooper had contractually protected right under Washington State Patrol Retirement System and Department of Retirement Systems (DRS) statutes to a retirement allowance for life, computed based on years of public service and final average salary, as well as the right to select a survivor benefit that was of equal value, subject to DRS's authority to update the actuarial factors involved in that calculation of equivalency, but retired trooper did not have a vested contract right to the three percent actuarial reduction first used by DRS in calculating survivor benefit.

Amendment by Department of Retirement Systems (DRS) of regulations containing actuarial factors for calculating survivor benefit for retired Washington State Patrol employees did not substantially impair the pension contract rights of state trooper, for purposes of analysis under State Constitution's Contract Clause. Trooper was still entitled to receive a retirement benefit based on same calculation of average final salary and years of service.

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