

SENATE BILL REPORT

SB 6074

As Reported By Senate Committee On:
Ways & Means, March 8, 1999

Title: An act relating to informed retirement planning.

Brief Description: Providing state employees with information on retirement.

Sponsors: Senators Fraser, Long, Bauer, Winsley, Franklin, Gardner and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 3/5/99, 3/8/99 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Roach, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley, Wojahn and Zarelli.

Staff: Pete Cutler (786-7454)

Background: The federal Internal Revenue Code (IRC) provides several options for employees to save part of their compensation in a way that permits them to defer current or future federal income taxes. These options include participation in qualified pension plans, deferred compensation plans under Section 457, tax-deferred annuity plans under Section 403(b), various types of individual retirement accounts (IRAs), and voluntary employee benefit accounts. The IRC establishes a complex set of rules regarding which employee groups are eligible for each option, how much compensation can be deferred from taxation, how the different contribution limits interact, and when the tax-deferred savings can be collected without penalties.

The Department of Retirement Systems (DRS) provides annual service credit statements to all active members of the state retirement systems.

Summary of Bill: DRS is required to produce and distribute to all state employees information regarding the various tax-deferred retirement savings options that are available to them. The information must be provided every two years, must be developed in conjunction with the Office of Financial Management, and must include specific information regarding other sources of information that are available to employees.

Appropriation: None.

Fiscal Note: Requested on March 4, 1999.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: State employees will be more likely to save for retirement if they have reliable information about their options for tax-deferred savings.

Testimony Against: None.

Testified: Senator Fraser, prime sponsor (pro).