

SENATE BILL REPORT

SB 5093

As Passed Senate, February 21, 2003

Title: An act relating to allowing members of the teachers' retirement system, the school employees' retirement system, and the public employees' retirement system to begin receiving benefits without leaving service at age seventy and one-half.

Brief Description: Allowing members of the teachers' retirement system, the school employees' retirement system, and the public employees' retirement system to begin receiving benefits without leaving service at age seventy and one-half.

Sponsors: Senators Spanel, Carlson, Fraser, B. Sheldon, Kohl-Welles, Haugen and Rasmussen; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/28/03, 2/3/03 [DP].

Passed Senate: 2/21/03, 45-1.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Brown, Doumit, Fairley, Fraser, Hale, Honeyford, Johnson, Poulsen, Regala, Sheahan, B. Sheldon and Winsley.

Staff: Erik Sund (786-7454)

Background: Section 401(a)(9)(c) of the Internal Revenue Code requires that all pension and retirement benefits begin in April of the year after a plan member reaches age 70 ½ or retires. If payments are not initiated by that time, members are subject to a tax equivalent to 50 percent of the amount that they would receive if they were to retire. In order to begin collecting their benefits, members of the Teachers' Retirement System (TRS), the School Employees' Retirement System (SERS), and the Public Employees' Retirement System (PERS) must leave employment.

Summary of Bill: Members of TRS, SERS, and PERS may begin to collect benefits at age 70½ without separating from service. Employees choosing to begin benefits in this way cease to earn new service credit or make contributions.

Note that the provisions of this act do not apply to current elected or appointed officials unless they leave their offices, or are reappointed or reelected.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill would improve the retirement system; however, it would be more equitable if the judicial retirement plans were included.

Testimony Against: None.

Testified: Senator Harriet Spanel, 40th District; Robert Harris, Superior Court Judges' Association and Board of Judicial Administrators.