

SENATE BILL REPORT

SB 6381

As Passed Senate, February 15, 2002

Title: An act relating to public employees' retirement system plan 1 members who separate from service without withdrawing their contributions from the retirement system.

Brief Description: Separating from public employees' retirement system plan 1.

Sponsors: Senators Fraser, Winsley, Spanel, Regala and Jacobsen; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 2/4/02, 2/5/02 [DP].

Passed Senate: 2/15/02, 42-6.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Honeyford, Kline, Kohl-Welles, Long, Parlette, Poulsen, Rasmussen, Rossi, B. Sheldon, Spanel, Thibaudeau and Zarelli.

Staff: Erin Hannan (786-7708)

Background: Active members of the Public Employees' Retirement System, Plan 1 (PERS 1) may receive an unreduced retirement allowance at any age if they have 30 years of service, at age 55 after 25 years of service, or at age 60 after five years of service. However, if a PERS I member leaves PERS employment prior to retirement, the retirement age for that member increases to age 65 and the member may not receive an unreduced retirement allowance until that time. The only other state retirement plan that provides a higher retirement age for persons who separate employment prior to retirement is the Washington State Patrol Retirement System; in all other plans the retirement age does not differ for active and inactive members.

Inactive PERS 1 members have the option of receiving an actuarially reduced retirement allowance beginning as early as age 60. The actuarial reduction for retirement at age 60 is approximately 40 percent; thus, an inactive PERS 1 member who is eligible for a \$1,000 monthly benefit at age 65 would receive about \$600 if the benefit commenced at age 60.

Summary of Bill: A PERS 1 member who: separates from service after January 1, 2002; is age 50 or older, has at least 20 years of service; and is not retired as of the effective date of the bill, may begin receiving an unreduced retirement allowance at age 60. This new provision does not apply to members who have withdrawn all or part of their contributions.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill gives long-time employees retirement flexibility in the current uncertainty of the state budget. Retirement benefits are not enhanced but members may receive their benefits early without taking a 40 percent reduction.

Testimony Against: None.

Testified: Senator Fraser, (pro); Doug Nelson, PSE (pro).