

2 SHB 3010 - S AMD 890

3 By Senators Spanel, Fraser and Winsley

4 ADOPTED 03/13/02

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate appointed by the president of the
12 senate, two of whom are members of the majority party and two of whom
13 are members of the minority party. At least three of the appointees
14 shall be members of the senate ways and means committee;

15 (b) Four members of the house of representatives appointed by the
16 speaker, two of whom are members of the majority party and two of whom
17 are members of the minority party. At least three of the appointees
18 shall be members of the house of representatives appropriations
19 committee;

20 (c) Four active members or representatives from organizations of
21 active members of the state retirement systems appointed by the
22 governor for staggered three-year terms;

23 (d) Two retired members or representatives of retired members'
24 organizations of the state retirement systems appointed by the governor
25 for staggered three-year terms, with no two members from the same
26 system; and

27 (e) Four employer representatives of members of the state
28 retirement systems appointed by the governor for staggered three-year
29 terms.

30 (2)(a) The term of office of each member of the house of
31 representatives or senate serving on the committee runs from the close
32 of the session in which he or she is appointed until the close of the
33 next regular session held in an odd-numbered year. If a successor is
34 not appointed during a session, the member's term continues until the
35 member is reappointed or a successor is appointed. The term of office
36 for a committee member who is a member of the house of representatives

1 or the senate who does not continue as a member of the senate or house
2 of representatives ceases upon the convening of the next session of the
3 legislature during the odd-numbered year following the member's
4 appointment, or upon the member's resignation, whichever is earlier.
5 All vacancies of positions held by members of the legislature must be
6 filled from the same political party and from the same house as the
7 member whose seat was vacated.

8 (b) Following the terms of members and representatives appointed
9 under subsection (1)(d) of this section, the retiree positions shall be
10 rotated to ensure that each system has an opportunity to have a retiree
11 representative on the committee.

12 (3) The committee shall elect a chairperson and a vice-chairperson.

13 (4) The committee shall establish an executive committee of four
14 members, including the chairperson and the vice-chairperson.

15 (5) Nonlegislative members of the select committee serve without
16 compensation, but shall be reimbursed for travel expenses under RCW
17 43.03.050 and 43.03.060.

18 (6) The office of state actuary under chapter 44.44 RCW shall
19 provide staff and technical support to the committee.

20 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
21 read as follows:

22 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
23 section, all expenses of the administration of the department ~~((and))~~,
24 the expenses of administration of the retirement systems, and the
25 expenses of the administration of the office of the state actuary
26 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
27 ~~((and))~~ 43.43, and 44.44 RCW shall be paid from the department of
28 retirement systems expense fund.

29 (2) In order to reimburse the department of retirement systems
30 expense fund on an equitable basis the department shall ascertain and
31 report to each employer, as defined in RCW 41.26.030, 41.32.010,
32 41.35.010, or 41.40.010, the sum necessary to defray its proportional
33 share of the entire expense of the administration of the retirement
34 system that the employer participates in during the ensuing biennium or
35 fiscal year whichever may be required. Such sum is to be computed in
36 an amount directly proportional to the estimated entire expense of the
37 administration as the ratio of monthly salaries of the employer's
38 members bears to the total salaries of all members in the entire

1 system. It shall then be the duty of all such employers to include in
2 their budgets or otherwise provide the amounts so required.

3 (3) The department shall compute and bill each employer, as defined
4 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
5 each month for the amount due for that month to the department of
6 retirement systems expense fund and the same shall be paid as are its
7 other obligations. Such computation as to each employer shall be made
8 on a percentage rate of salary established by the department. However,
9 the department may at its discretion establish a system of billing
10 based upon calendar year quarters in which event the said billing shall
11 be at the end of each such quarter.

12 (4) The director may adjust the expense fund contribution rate for
13 each system at any time when necessary to reflect unanticipated costs
14 or savings in administering the department.

15 (5) An employer who fails to submit timely and accurate reports to
16 the department may be assessed an additional fee related to the
17 increased costs incurred by the department in processing the deficient
18 reports. Fees paid under this subsection shall be deposited in the
19 retirement system expense fund.

20 (a) Every six months the department shall determine the amount of
21 an employer's fee by reviewing the timeliness and accuracy of the
22 reports submitted by the employer in the preceding six months. If
23 those reports were not both timely and accurate the department may
24 prospectively assess an additional fee under this subsection.

25 (b) An additional fee assessed by the department under this
26 subsection shall not exceed fifty percent of the standard fee.

27 (c) The department shall adopt rules implementing this section.

28 (6) Expenses other than those under RCW 41.34.060(~~(+2)~~) (3) shall
29 be paid pursuant to subsection (1) of this section.

30 **Sec. 3.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read
31 as follows:

32 The office of the state actuary shall have the following powers and
33 duties:

34 (1) Perform all actuarial services for the department of retirement
35 systems, including all studies required by law. (~~Reimbursement for~~
36 ~~such services shall be made to the state actuary pursuant to the~~
37 ~~provisions of RCW 39.34.130 as now or hereafter amended.))~~

1 (2) Advise the legislature and the governor regarding pension
2 benefit provisions, and funding policies and investment policies of the
3 state investment board.

4 (3) Consult with the legislature and the governor concerning
5 determination of actuarial assumptions used by the department of
6 retirement systems.

7 (4) Prepare a report, to be known as the actuarial fiscal note, on
8 each pension bill introduced in the legislature which briefly explains
9 the financial impact of the bill. The actuarial fiscal note shall
10 include: (a) The statutorily required contribution for the biennium
11 and the following twenty-five years; (b) the biennial cost of the
12 increased benefits if these exceed the required contribution; and (c)
13 any change in the present value of the unfunded accrued benefits. An
14 actuarial fiscal note shall also be prepared for all amendments which
15 are offered in committee or on the floor of the house of
16 representatives or the senate to any pension bill. However, a majority
17 of the members present may suspend the requirement for an actuarial
18 fiscal note for amendments offered on the floor of the house of
19 representatives or the senate.

20 (5) Provide such actuarial services to the legislature as may be
21 requested from time to time.

22 (6) Provide staff and assistance to the committee established under
23 RCW ((46.44.050)) 44.44.050.

24 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW
25 to read as follows:

26 The select committee on pension policy has the following powers and
27 duties:

28 (1) Study pension issues, develop pension policies for public
29 employees in state retirement systems, and make recommendations to the
30 legislature; and

31 (2) Study the financial condition of the state pension systems,
32 develop funding policies, and make recommendations to the legislature.

33 **Sec. 5.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317
34 s 1 are each reenacted and amended to read as follows:

35 (1)(a) If a retiree enters employment with an employer sooner than
36 one calendar month after his or her accrual date, the retiree's monthly
37 retirement allowance will be reduced by five and one-half percent for

1 every seven hours worked during that month. This reduction will be
2 applied each month until the retiree remains absent from employment
3 with an employer for one full calendar month.

4 (b) The benefit reduction provided in (a) of this subsection will
5 accrue for a maximum of one hundred forty hours per month. Any monthly
6 benefit reduction over one hundred percent will be applied to the
7 benefit the retiree is eligible to receive in subsequent months.

8 (2) Any retired teacher or retired administrator who enters service
9 in any public educational institution in Washington state and who has
10 satisfied the break in employment requirement of subsection (1) of this
11 section shall cease to receive pension payments while engaged in such
12 service, after the retiree has rendered service for more than one
13 thousand five hundred hours in a school year. When a retired teacher
14 or administrator renders service beyond eight hundred sixty-seven
15 hours, the department shall collect from the employer the applicable
16 employer retirement contributions for the entire duration of the
17 member's employment during that fiscal year.

18 (3) The department shall collect and provide the state actuary with
19 information relevant to the use of this section for the ((joint))
20 select committee on pension policy.

21 (4) The legislature reserves the right to amend or repeal this
22 section in the future and no member or beneficiary has a contractual
23 right to be employed for more than five hundred twenty-five hours per
24 year without a reduction of his or her pension.

25 **Sec. 6.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended
26 to read as follows:

27 (1)(a) If a retiree enters employment with an employer sooner than
28 one calendar month after his or her accrual date, the retiree's monthly
29 retirement allowance will be reduced by five and one-half percent for
30 every eight hours worked during that month. This reduction will be
31 applied each month until the retiree remains absent from employment
32 with an employer for one full calendar month.

33 (b) The benefit reduction provided in (a) of this subsection will
34 accrue for a maximum of one hundred sixty hours per month. Any benefit
35 reduction over one hundred percent will be applied to the benefit the
36 retiree is eligible to receive in subsequent months.

37 (2)(a) A retiree from plan 1 who has satisfied the break in
38 employment requirement of subsection (1) of this section and who enters

1 employment with an employer may continue to receive pension payments
2 while engaged in such service for up to one thousand five hundred hours
3 of service in a calendar year without a reduction of pension. When a
4 plan 1 member renders service beyond eight hundred sixty-seven hours,
5 the department shall collect from the employer the applicable employer
6 retirement contributions for the entire duration of the member's
7 employment during that calendar year.

8 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
9 employment requirement of subsection (1) of this section may work up to
10 eight hundred sixty-seven hours in a calendar year in an eligible
11 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
12 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
13 without suspension of his or her benefit.

14 (3) If the retiree opts to reestablish membership under RCW
15 41.40.023(12), he or she terminates his or her retirement status and
16 becomes a member. Retirement benefits shall not accrue during the
17 period of membership and the individual shall make contributions and
18 receive membership credit. Such a member shall have the right to again
19 retire if eligible in accordance with RCW 41.40.180. However, if the
20 right to retire is exercised to become effective before the member has
21 rendered two uninterrupted years of service, the retirement formula and
22 survivor options the member had at the time of the member's previous
23 retirement shall be reinstated.

24 (4) The department shall collect and provide the state actuary with
25 information relevant to the use of this section for the ((joint))
26 select committee on pension policy.

27 (5) The legislature reserves the right to amend or repeal this
28 section in the future and no member or beneficiary has a contractual
29 right to be employed for more than five months in a calendar year
30 without a reduction of his or her pension.

31 **Sec. 7.** RCW 41.45.100 and 1998 c 283 s 2 are each amended to read
32 as follows:

33 (1) The pension funding council is hereby created. The council
34 consists of the:

35 (a) Director of the department of retirement systems;

36 (b) Director of the office of financial management;

37 (c) Chair and ranking minority member of the house of
38 representatives appropriations committee; and

1 (d) Chair and ranking minority member of the senate ways and means
2 committee.

3 The council may select officers as the members deem necessary.

4 (2) The pension funding council shall adopt changes to economic
5 assumptions and contribution rates by an affirmative vote of at least
6 four members.

7 (3) The council may appoint or remove the state actuary by a two-
8 thirds vote of the council.

9 NEW SECTION. Sec. 8. RCW 41.54.061 is decodified.

10 **Sec. 9.** RCW 44.04.260 and 2001 c 259 s 1 are each amended to read
11 as follows:

12 The joint legislative audit and review committee, the legislative
13 transportation committee, the ~~((joint))~~ select committee on pension
14 policy, the legislative evaluation and accountability program
15 committee, and the joint legislative systems committee are subject to
16 such operational policies, procedures, and oversight as are deemed
17 necessary by the facilities and operations committee of the senate and
18 the executive rules committee of the house of representatives to ensure
19 operational adequacy of the agencies of the legislative branch. As
20 used in this section, "operational policies, procedures, and oversight"
21 includes the development process of biennial budgets, contracting
22 procedures, personnel policies, and compensation plans, selection of a
23 chief administrator, facilities, and expenditures. This section does
24 not grant oversight authority to the facilities and operations
25 committee of the senate over any standing committee of the house of
26 representatives or oversight authority to the executive rules committee
27 of the house of representatives over any standing committee of the
28 senate.

29 **Sec. 10.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to
30 read as follows:

31 (1) Subject to RCW 44.04.260, the state actuary shall have the
32 authority to select and employ such research, technical, clerical
33 personnel, and consultants as the actuary deems necessary, whose
34 salaries shall be fixed by the actuary and approved by the ~~((joint~~
35 ~~committee on pension policy))~~ pension funding council, and who shall be

1 exempt from the provisions of the state civil service law, chapter
2 41.06 RCW.

3 (2) All actuarial valuations and experience studies performed by
4 the office of the state actuary shall be signed by a member of the
5 American academy of actuaries. If the state actuary is not such a
6 member, the state actuary, after approval by the ((committee)) council,
7 shall contract for a period not to exceed two years with a member of
8 the American academy of actuaries to assist in developing actuarial
9 valuations and experience studies.

10 NEW SECTION. **Sec. 11.** The following acts or parts of acts are
11 each repealed:

12 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;

13 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
14 terms, leadership) and 1987 c 25 s 4; and

15 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
16 duties) and 1987 c 25 s 5."

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19 ADOPTED 03/13/02

20 On page 1, line 1 of the title, after "policy;" strike the
21 remainder of the title and insert "amending RCW 41.50.110, 44.44.040,
22 41.40.037, 41.45.100, 44.04.260, and 44.44.030; reenacting and amending
23 RCW 41.32.570; adding new sections to chapter 41.04 RCW; decodifying
24 RCW 41.54.061; and repealing RCW 44.44.015, 44.44.050, and 44.44.060."

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