

SENATE BILL REPORT

ESSB 6286

AS PASSED SENATE, MARCH 12, 1992

Brief Description: Adjusting pension contribution rates.

SPONSORS: Senate Committee on Ways & Means (originally sponsored by Senators McDonald and Niemi; by request of Governor Gardner)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6286 be substituted therefor, and the substitute bill do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Amondson, Bailey, Bluechel, Cantu, Hayner, Newhouse, Niemi, Owen, L. Smith, and West.

Staff: Denise Graham (786-7715)

Hearing Dates: February 4, 1992; February 5, 1992

BACKGROUND:

In 1989, the Legislature passed a pension reform package which requires state and other public employer contribution rates to be set at a level that will allow the unfunded liability in the Plan I pension systems to be paid off by the year 2024. Pension rates are set in statute by the Legislature based on actuarial assumptions recommended by the State Actuary and adopted by the Forecast Council. Every six years, the actuarial assumptions are to be reviewed by the Forecast Council and the contribution rates adjusted in statute as necessary.

Current rates were adopted by the Legislature in June 1990 and became effective September 1991. They are based on 1988 data. Under current law, these rates will be reviewed in 1997.

If contribution rates were based on the latest actuarial valuations, which use 1990 data, the rates for the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS) and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) would be lower than current rates, while the rate for the Washington State Patrol Retirement System (WSP) would be higher than the current rate.

SUMMARY:

From September 1, 1992, through June 30, 1993, the employer contribution rates for PERS, TRS and LEOFF are lowered and the WSP contribution rate is raised.

The employer contribution rate for PERS is lowered from 7.47 percent to 7.27 percent; the rate for TRS is lowered from 12.6

percent to 12.08 percent; the rate for LEOFF is lowered from 16.44 percent to 12.99 percent; and the rate for WSP is raised from 15.53 percent to 17.16 percent.

After June 30, 1993, the statutory rates in effect prior to September 1, 1992, become effective once again.

The appropriations in the 1992 supplemental budget for employer contributions for state employees, school district and educational district employees, and LEOFF employees are adjusted to reflect the amounts necessary to fund the new rates.

Appropriation: yes

Revenue: none

Fiscal Note: available

Effective Date: September 1, 1992

TESTIMONY FOR: None

TESTIMONY AGAINST:

This bill is bad policy because it uses long-term pension funds to stem the flow of short-term red ink.

TESTIFIED: Mike Patrick, Washington State Council of Police Officers (con)