

SENATE BILL REPORT

SB 6286

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 5, 1992

Brief Description: Adjusting pension contribution rates.

SPONSORS: 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:

The employer contribution rates for PERS, TRS and LEOFF are lowered and the WSP contribution rate is raised.

The employer contribution rates for PERS, TRS, LEOFF and WSP are changed for the period from September 1, 1992, to July 1, 1993, such that, when combined with the rates in effect for

the rest of the biennium, the total collected will be about the same as would have been collected had the 1990 valuation rates been applied from the beginning of the biennium.

The contribution rates from fiscal year 1994 until the review takes place in 1997 are set to reflect the results of the 1990 valuations of PERS, TRS, LEOFF and WSP.

EFFECT OF PROPOSED SUBSTITUTE:

A technical correction is made to the contribution rates for the Washington State Patrol Retirement System. The corrected rates are reflective of the latest valuations by the State Actuary.

Appropriation: none

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)