

# HOUSE BILL REPORT

## EHB 1131

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### As Passed House:

March 14, 1995

**Title:** An act relating to economic assumptions for state retirement systems.

**Brief Description:** Changing provisions relating to economic assumptions for actuarial studies and retirement contribution rates.

**Sponsors:** Representatives Silver and G. Fisher; by request of Office of the Forecast Council.

### Brief History:

#### Committee Activity:

Appropriations: 1/25/95, 2/23/95 [DP].

#### Floor Activity:

Passed House: 3/14/95, 98-0.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 29 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dellwo; Foreman; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

**Staff:** Dan Chang (786-7191).

**Background:** In 1989, a pension funding reform statute was adopted requiring the Economic and Revenue Forecasts Council to adopt, every six years, the economic assumptions used by the State Actuary for conducting valuation studies of the Washington State Retirement Systems. The statute also provided that every six years the forecast council would recommend changes to the employer and state contribution rates to be adopted by the Legislature.

In 1993, the biennial budget provided that the forecast council would adopt the employer and state contribution rates every two years, to be used in the following biennial period.

Contribution rates are set as a level percentage of pay required to fully fund the Plan II Public Employees' (PERS 2), Teachers' (TRS 2), Law Enforcement Officers' and Fire Fighters' (LEOFF 2) Retirement Systems, and to amortize fully the total cost and unfunded liability of the PERS I, TRS I, LEOFF I, and Washington State Patrol (WSP) retirement system by June 30, 2024.

The Office of the Forecast Council is an independent six member council consisting of four legislators, the director of the Office of Financial Management, and the director of the Department of Revenue.

The economic assumptions used by the State Actuary for valuation studies are also used by the Department of Retirement Systems to calculate actuarial reductions, such as for retirees who select a survivor option or withdraw their contributions.

**Summary of Bill:** The statute that sets time requirements for reviewing economic assumptions is amended to direct the State Actuary to submit state retirement systems information to the office of the Economic Forecast Council every two years. The statute is further amended to direct the council to review the information and, by affirmative vote of five council members, adopt the following long-term economic assumptions every two years: a) growth in system membership; b) growth in salaries, exclusive of merit or longevity increases; c) growth in inflation; and d) investment rate of return. The council will work with the Department of Retirement Systems, the State Actuary, and the State Investment Board, and will consider long-term historical averages in developing the assumptions.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** None.