FINAL BILL REPORT
SHB 2544

PARTIAL VETO
C 283 L 98
Synopsis as Enacted

Brief Description: Funding the state retirement systems.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives H. Sommers, Sehlin, Ogden, D. Sommers, Carlson, Conway and O'Brien; by request of Joint Committee on Pension Policy).

House Committee on Appropriations
Senate Committee on Ways & Means

Background: Legislation passed in 1989 requires that pension contribution rates be set at the level percentage of pay needed to fully amortize the total costs of the Public Employees' Retirement System (PERS) Plan 1, the Teachers' Retirement System (TRS) Plan 1, the Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 1, and the unfunded liability of the Washington State Patrol Retirement System by June 30, 2024. Pension contribution rates must also be set so as to continue to fully fund PERS Plan II and LEOFF Plan II, and TRS Plans II and III. In addition to these requirements, the statutes state that the rate-setting process is also intended to achieve the goal of establishing predictable long-term employer contribution rates which will remain a relatively constant proportion of future state budgets.

In odd-numbered years, the Economic and Revenue Forecast Council adopts the following long-term economic assumptions to be used by the state actuary in conducting actuarial valuations of the state-administered pension systems: growth in system membership; growth in salaries; growth in inflation; and investment rate of return. In even-numbered years, based on the results of the actuarial valuations, the Economic and Revenue Forecast Council adopts the pension contribution rates to be used in the ensuing biennium.

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

The state actuary is the executive head of the Office of the State Actuary, which is an office within the legislative branch. The state actuary is appointed by the Joint Committee on Pension Policy.

The Joint Committee on Pension Policy (JCPP) is a statutorily-created legislative committee consisting of eight members appointed by the president of the Senate, four from each party, and eight members appointed by the speaker of the House of Representatives, four from each party.

Summary: The Pension Funding Council is created and consists of the director of the Department of Retirement Systems, the director of the Office of Financial Management, and the chair and ranking minority members of the House Appropriations Committee and the Senate Ways and Means Committee. The Pension Funding Council must adopt changes to the following long-term economic assumptions: growth in system membership; growth in salaries; growth in inflation; and investment rate of return. Every two years, beginning September 1998, the Pension Funding Council must adopt pension contribution rates to be used in the ensuing biennial period.

The Pension Funding Council is also responsible for soliciting and administering a biennial actuarial audit of the actuarial valuations used for rate-setting purposes. The audit must be conducted concurrently with the preparation of the actuarial valuation performed by the state actuary.

A pension funding work group is created and consists of one staff person selected by the executive head or chairperson of the following agencies or committees: the Department of Retirement Systems, the Office of Financial Management, the State Investment Board, the Senate Ways and Means Committee, the House Appropriations Committee, and the Economic and Revenue Forecast Council. The work group provides staff support to the Pension Funding Council. The state actuary provides information related to economic assumptions and contribution rates to the work group. The work group must seek out recommendations from affected employee and employer groups and must conduct an open public meeting on their recommendations.

Votes on Final Passage:

House 91 7
Senate 31 18

Effective: June 11, 1998

Partial Veto Summary: The Governor's veto results in requiring the pension funding council to adopt changes to long-term economic assumptions in September of every odd-numbered year. Without the veto, the council could adopt changes to economic assumptions at any time, although the council can adopt changes to the pension contribution rates in September of even-numbered years only. The veto also results in the need for five votes, rather than four, to adopt changes in the assumptions.