

HOUSE BILL ANALYSIS

HB 2607

Title: An act relating to decreasing the employee contribution rate for the Washington state patrol retirement system until June 30, 2001.

Brief Description: Decreasing the employee contribution rate for the Washington state patrol retirement system.

Sponsors: Representatives Delvin, H. Sommers, Lambert, Alexander, Doumit, Carlson, Schoesler, Pflug, Talcott, Clements, Ruderman, Wolfe, Bush, Morris and Rockefeller; by request of Joint Committee on Pension Policy.

Background: The Washington State Patrol retirement system (WSPRS) is a defined benefit system for commissioned officers of the Washington State Patrol. The system provides a guaranteed life annuity to Patrol members and their eligible survivors based on a formula that multiplies the members' years of service by their final average salary and 2 percent. The system is funded through member contributions, employer contributions, and earnings on the investment of those contributions.

The member contribution rate for the WSPRS is set in statute at 7 percent of monthly salary. The state, as the employer, is required to contribute whatever additional percent of pay is necessary to fully fund benefits. The state's contribution rate changes to reflect changes in investment earnings, other economic factors and demographic factors. Between 1977 and 1997, the state's rate fluctuated from a high of 24.12 percent in 1981 to a low of 11.05 percent in 1997. Beginning July 1999, the state's contribution rate fell to zero percent.

The actuarial valuations completed in 1998 and used in setting the current state contribution rate showed a surplus of \$144 million in the WSP retirement system. Since then, the surplus has grown to \$184 million, as determined by the valuation completed in 1999. The surplus was generated primarily by higher than expected investment earnings.

HB 1125, the 1999-2001 transportation budget bill, directs the Joint Committee on Pension Policy (JCPP) to "study the method for setting employer and employee contribution rates for the WSP retirement system. The study shall include options for implementing a method or methods that allow both the employer and members to share the benefits from investment gains that exceed the long-term investment return assumptions adopted by the pension funding council." The JCPP studied the issue during the 1999 interim and recommended that the WSP member contribution rate be reduced to

3 percent from July 1, 2000 to June 30, 2001. The JCPP will study the WSP plan features during the 2000 interim.

Summary: The Washington State Patrol retirement system member contribution rate is changed from 7 percent to 3 percent of monthly salary from July 1, 2000 to June 30, 2001.

Appropriation: None.

Effective Date: Ninety days after adjournment of session in which bill is passed. Section 1 of the bill expires on June 30, 2001.

Fiscal Note: Received on January 25, 2000.