

SHB 1204 - S AMD 430
By Senator Carlson

ADOPTED 04/25/2003

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
4 to read as follows:

5 (1) The select committee on pension policy is created. The select
6 committee consists of:

7 (a) Four members of the senate appointed by the president of the
8 senate, two of whom are members of the majority party and two of whom
9 are members of the minority party. At least three of the appointees
10 shall be members of the senate ways and means committee;

11 (b) Four members of the house of representatives appointed by the
12 speaker, two of whom are members of the majority party and two of whom
13 are members of the minority party. At least three of the appointees
14 shall be members of the house of representatives appropriations
15 committee;

16 (c) Four active members or representatives from organizations of
17 active members of the state retirement systems appointed by the
18 governor for staggered three-year terms, with no more than two
19 appointees representing any one employee retirement system;

20 (d) Two retired members or representatives of retired members'
21 organizations of the state retirement systems appointed by the governor
22 for staggered three-year terms, with no two members from the same
23 system;

24 (e) Four employer representatives of members of the state
25 retirement systems appointed by the governor for staggered three-year
26 terms; and

27 (f) The directors of the department of retirement systems and
28 office of financial management.

29 (2)(a) The term of office of each member of the house of
30 representatives or senate serving on the committee runs from the close

1 of the session in which he or she is appointed until the close of the
2 next regular session held in an odd-numbered year. If a successor is
3 not appointed during a session, the member's term continues until the
4 member is reappointed or a successor is appointed. The term of office
5 for a committee member who is a member of the house of representatives
6 or the senate who does not continue as a member of the senate or house
7 of representatives ceases upon the convening of the next session of the
8 legislature during the odd-numbered year following the member's
9 appointment, or upon the member's resignation, whichever is earlier.
10 All vacancies of positions held by members of the legislature must be
11 filled from the same political party and from the same house as the
12 member whose seat was vacated.

13 (b) Following the terms of members and representatives appointed
14 under subsection (1)(d) of this section, the retiree positions shall be
15 rotated to ensure that each system has an opportunity to have a retiree
16 representative on the committee.

17 (3) The committee shall elect a chairperson and a vice-chairperson.
18 The chairperson shall be a member of the senate in even-numbered years
19 and a member of the house of representatives in odd-numbered years and
20 the vice-chairperson shall be a member of the house of representatives
21 in even-numbered years and a member of the senate in odd-numbered
22 years.

23 (4) The committee shall establish an executive committee of five
24 members, including the chairperson, the vice-chairperson, one member
25 from subsection (1)(c) of this section, one member from subsection
26 (1)(e) of this section, and one member from subsection (1)(f) of this
27 section, with the directors of the department of retirement systems and
28 the office of financial management serving in alternate years.

29 (5) Nonlegislative members of the select committee serve without
30 compensation, but shall be reimbursed for travel expenses under RCW
31 43.03.050 and 43.03.060.

32 (6) The office of state actuary under chapter 44.44 RCW shall
33 provide staff and technical support to the committee.

34 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.04 RCW
35 to read as follows:

36 (1) The select committee on pension policy may form three function-

1 specific subcommittees, as set forth under subsection (2) of this
2 section, from the members under section 1(1) (a) through (e) of this
3 act, as follows:

4 (a) A public safety subcommittee with one member from each group
5 under section 1(1) (a) through (e) of this act;

6 (b) An education subcommittee with one member from each group under
7 section 1(1) (a) through (e) of this act; and

8 (c) A state and local government subcommittee, with one retiree
9 member under section 1(1)(d) of this act and two members from each
10 group under section 1(1) (a) through (c) and (e) of this act.

11 The retiree members may serve on more than one subcommittee to
12 ensure representation on each subcommittee.

13 (2)(a) The public safety subcommittee shall focus on pension issues
14 affecting public safety employees who are members of the law
15 enforcement officers' and fire fighters' and Washington state patrol
16 retirement systems.

17 (b) The education subcommittee shall focus on pension issues
18 affecting educational employees who are members of the public
19 employees', teachers', and school employees' retirement systems.

20 (c) The state and local government subcommittee shall focus on
21 pension issues affecting state and local government employees who are
22 members of the public employees' retirement system.

23 **Sec. 3.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
24 read as follows:

25 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
26 section, all expenses of the administration of the department (~~and~~),
27 the expenses of administration of the retirement systems, and the
28 expenses of the administration of the office of the state actuary
29 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
30 (~~and~~) 43.43, and 44.44 RCW shall be paid from the department of
31 retirement systems expense fund.

32 (2) In order to reimburse the department of retirement systems
33 expense fund on an equitable basis the department shall ascertain and
34 report to each employer, as defined in RCW 41.26.030, 41.32.010,
35 41.35.010, or 41.40.010, the sum necessary to defray its proportional
36 share of the entire expense of the administration of the retirement

1 system that the employer participates in during the ensuing biennium or
2 fiscal year whichever may be required. Such sum is to be computed in
3 an amount directly proportional to the estimated entire expense of the
4 administration as the ratio of monthly salaries of the employer's
5 members bears to the total salaries of all members in the entire
6 system. It shall then be the duty of all such employers to include in
7 their budgets or otherwise provide the amounts so required.

8 (3) The department shall compute and bill each employer, as defined
9 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
10 each month for the amount due for that month to the department of
11 retirement systems expense fund and the same shall be paid as are its
12 other obligations. Such computation as to each employer shall be made
13 on a percentage rate of salary established by the department. However,
14 the department may at its discretion establish a system of billing
15 based upon calendar year quarters in which event the said billing shall
16 be at the end of each such quarter.

17 (4) The director may adjust the expense fund contribution rate for
18 each system at any time when necessary to reflect unanticipated costs
19 or savings in administering the department.

20 (5) An employer who fails to submit timely and accurate reports to
21 the department may be assessed an additional fee related to the
22 increased costs incurred by the department in processing the deficient
23 reports. Fees paid under this subsection shall be deposited in the
24 retirement system expense fund.

25 (a) Every six months the department shall determine the amount of
26 an employer's fee by reviewing the timeliness and accuracy of the
27 reports submitted by the employer in the preceding six months. If
28 those reports were not both timely and accurate the department may
29 prospectively assess an additional fee under this subsection.

30 (b) An additional fee assessed by the department under this
31 subsection shall not exceed fifty percent of the standard fee.

32 (c) The department shall adopt rules implementing this section.

33 (6) Expenses other than those under RCW 41.34.060(~~(+2)~~) (3) shall
34 be paid pursuant to subsection (1) of this section.

35 **Sec. 4.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read
36 as follows:

1 The office of the state actuary shall have the following powers and
2 duties:

3 (1) Perform all actuarial services for the department of retirement
4 systems, including all studies required by law. (~~Reimbursement for~~
5 ~~such services shall be made to the state actuary pursuant to the~~
6 ~~provisions of RCW 39.34.130 as now or hereafter amended.~~)

7 (2) Advise the legislature and the governor regarding pension
8 benefit provisions, and funding policies and investment policies of the
9 state investment board.

10 (3) Consult with the legislature and the governor concerning
11 determination of actuarial assumptions used by the department of
12 retirement systems.

13 (4) Prepare a report, to be known as the actuarial fiscal note, on
14 each pension bill introduced in the legislature which briefly explains
15 the financial impact of the bill. The actuarial fiscal note shall
16 include: (a) The statutorily required contribution for the biennium
17 and the following twenty-five years; (b) the biennial cost of the
18 increased benefits if these exceed the required contribution; and (c)
19 any change in the present value of the unfunded accrued benefits. An
20 actuarial fiscal note shall also be prepared for all amendments which
21 are offered in committee or on the floor of the house of
22 representatives or the senate to any pension bill. However, a majority
23 of the members present may suspend the requirement for an actuarial
24 fiscal note for amendments offered on the floor of the house of
25 representatives or the senate.

26 (5) Provide such actuarial services to the legislature as may be
27 requested from time to time.

28 (6) Provide staff and assistance to the committee established under
29 (~~RCW 46.44.050~~) section 1 of this act.

30 NEW SECTION. Sec. 5. A new section is added to chapter 41.04 RCW
31 to read as follows:

32 The select committee on pension policy has the following powers and
33 duties:

34 (1) Study pension issues, develop pension policies for public
35 employees in state retirement systems, and make recommendations to the
36 legislature;

1 (2) Study the financial condition of the state pension systems,
2 develop funding policies, and make recommendations to the legislature;

3 (3) Consult with the chair and vice-chair on appointing members to
4 the state actuary appointment committee upon the convening of the state
5 actuary appointment committee established under section 13 of this act;
6 and

7 (4) Receive the results of the actuarial audits of the actuarial
8 valuations and experience studies administered by the pension funding
9 council pursuant to RCW 41.45.110. The select committee on pension
10 policy shall study and make recommendations on changes to assumptions
11 or contribution rates to the pension funding council prior to adoption
12 of changes under RCW 41.45.030, 41.45.035, or 41.45.060.

13 **Sec. 6.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317
14 s 1 are each reenacted and amended to read as follows:

15 (1)(a) If a retiree enters employment with an employer sooner than
16 one calendar month after his or her accrual date, the retiree's monthly
17 retirement allowance will be reduced by five and one-half percent for
18 every seven hours worked during that month. This reduction will be
19 applied each month until the retiree remains absent from employment
20 with an employer for one full calendar month.

21 (b) The benefit reduction provided in (a) of this subsection will
22 accrue for a maximum of one hundred forty hours per month. Any monthly
23 benefit reduction over one hundred percent will be applied to the
24 benefit the retiree is eligible to receive in subsequent months.

25 (2) Any retired teacher or retired administrator who enters service
26 in any public educational institution in Washington state and who has
27 satisfied the break in employment requirement of subsection (1) of this
28 section shall cease to receive pension payments while engaged in such
29 service, after the retiree has rendered service for more than one
30 thousand five hundred hours in a school year. When a retired teacher
31 or administrator renders service beyond eight hundred sixty-seven
32 hours, the department shall collect from the employer the applicable
33 employer retirement contributions for the entire duration of the
34 member's employment during that fiscal year.

35 (3) The department shall collect and provide the state actuary with

1 information relevant to the use of this section for the ((joint))
2 select committee on pension policy.

3 (4) The legislature reserves the right to amend or repeal this
4 section in the future and no member or beneficiary has a contractual
5 right to be employed for more than five hundred twenty-five hours per
6 year without a reduction of his or her pension.

7 **Sec. 7.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended
8 to read as follows:

9 (1)(a) If a retiree enters employment with an employer sooner than
10 one calendar month after his or her accrual date, the retiree's monthly
11 retirement allowance will be reduced by five and one-half percent for
12 every eight hours worked during that month. This reduction will be
13 applied each month until the retiree remains absent from employment
14 with an employer for one full calendar month.

15 (b) The benefit reduction provided in (a) of this subsection will
16 accrue for a maximum of one hundred sixty hours per month. Any benefit
17 reduction over one hundred percent will be applied to the benefit the
18 retiree is eligible to receive in subsequent months.

19 (2)(a) A retiree from plan 1 who has satisfied the break in
20 employment requirement of subsection (1) of this section and who enters
21 employment with an employer may continue to receive pension payments
22 while engaged in such service for up to one thousand five hundred hours
23 of service in a calendar year without a reduction of pension. When a
24 plan 1 member renders service beyond eight hundred sixty-seven hours,
25 the department shall collect from the employer the applicable employer
26 retirement contributions for the entire duration of the member's
27 employment during that calendar year.

28 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
29 employment requirement of subsection (1) of this section may work up to
30 eight hundred sixty-seven hours in a calendar year in an eligible
31 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
32 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
33 without suspension of his or her benefit.

34 (3) If the retiree opts to reestablish membership under RCW
35 41.40.023(12), he or she terminates his or her retirement status and
36 becomes a member. Retirement benefits shall not accrue during the

1 period of membership and the individual shall make contributions and
2 receive membership credit. Such a member shall have the right to again
3 retire if eligible in accordance with RCW 41.40.180. However, if the
4 right to retire is exercised to become effective before the member has
5 rendered two uninterrupted years of service, the retirement formula and
6 survivor options the member had at the time of the member's previous
7 retirement shall be reinstated.

8 (4) The department shall collect and provide the state actuary with
9 information relevant to the use of this section for the ((~~joint~~))
10 select committee on pension policy.

11 (5) The legislature reserves the right to amend or repeal this
12 section in the future and no member or beneficiary has a contractual
13 right to be employed for more than five months in a calendar year
14 without a reduction of his or her pension.

15 **Sec. 8.** RCW 41.45.020 and 2002 c 26 s 4 are each amended to read
16 as follows:

17 As used in this chapter, the following terms have the meanings
18 indicated unless the context clearly requires otherwise.

19 (1) "Council" means the pension funding council created in RCW
20 41.45.100.

21 (2) "Department" means the department of retirement systems.

22 (3) "Law enforcement officers' and fire fighters' retirement system
23 plan 1" and "law enforcement officers' and fire fighters' retirement
24 system plan 2" means the benefits and funding provisions under chapter
25 41.26 RCW.

26 (4) "Public employees' retirement system plan 1," "public
27 employees' retirement system plan 2," and "public employees' retirement
28 system plan 3" mean the benefits and funding provisions under chapter
29 41.40 RCW.

30 (5) "Teachers' retirement system plan 1," "teachers' retirement
31 system plan 2," and "teachers' retirement system plan 3" mean the
32 benefits and funding provisions under chapter 41.32 RCW.

33 (6) "School employees' retirement system plan 2" and "school
34 employees' retirement system plan 3" mean the benefits and funding
35 provisions under chapter 41.35 RCW.

1 (7) "Washington state patrol retirement system" means the
2 retirement benefits provided under chapter 43.43 RCW.

3 (8) "Unfunded liability" means the unfunded actuarial accrued
4 liability of a retirement system.

5 (9) "Actuary" or "state actuary" means the state actuary employed
6 under chapter 44.44 RCW.

7 (10) "State retirement systems" means the retirement systems listed
8 in RCW 41.50.030.

9 (11) "Classified employee" means a member of the Washington school
10 employees' retirement system plan 2 or plan 3 as defined in RCW
11 41.35.010.

12 (12) "Teacher" means a member of the teachers' retirement system as
13 defined in RCW 41.32.010(15).

14 (13) "Select committee" means the select committee on pension
15 policy created in section 1 of this act.

16 **Sec. 9.** RCW 41.45.090 and 1998 c 283 s 7 are each amended to read
17 as follows:

18 The department shall collect and keep in convenient form such data
19 as shall be necessary for an actuarial valuation of the assets and
20 liabilities of the state retirement systems, and for making an
21 actuarial investigation into the mortality, service, compensation, and
22 other experience of the members and beneficiaries of those systems.
23 The department and state actuary shall enter into a memorandum of
24 understanding regarding the specific data the department will collect,
25 when it will be collected, and how it will be maintained. The
26 department shall notify the state actuary of any changes it makes, or
27 intends to make, in the collection and maintenance of such data.

28 At least once in each six-year period, the state actuary shall
29 conduct an actuarial experience study of the mortality, service,
30 compensation and other experience of the members and beneficiaries of
31 each state retirement system, and into the financial condition of each
32 system. The results of each investigation shall be filed with the
33 department, the office of financial management, the budget writing
34 committees of the Washington house of representatives and senate, the
35 select committee on pension policy, and the pension funding council.
36 Upon the basis of such actuarial investigation the department shall

1 adopt such tables, schedules, factors, and regulations as are deemed
2 necessary in the light of the findings of the actuary for the proper
3 operation of the state retirement systems.

4 **Sec. 10.** RCW 41.45.110 and 1998 c 283 s 3 are each amended to read
5 as follows:

6 The pension funding council shall solicit and administer a biennial
7 actuarial audit of the actuarial valuations used for rate-setting
8 purposes. This audit will be conducted concurrent with the actuarial
9 valuation performed by the state actuary. At least once in each six-
10 year period, the pension funding council shall solicit and administer
11 an actuarial audit of the results of the experience study required in
12 RCW 41.45.090. Upon receipt of the results of the actuarial audits
13 required by this section, the pension funding council shall submit the
14 results to the select committee on pension policy.

15 NEW SECTION. **Sec. 11.** RCW 41.54.061 is decodified.

16 **Sec. 12.** RCW 44.04.260 and 2001 c 259 s 1 are each amended to read
17 as follows:

18 The joint legislative audit and review committee, the legislative
19 transportation committee, the ~~((joint))~~ select committee on pension
20 policy, the legislative evaluation and accountability program
21 committee, and the joint legislative systems committee are subject to
22 such operational policies, procedures, and oversight as are deemed
23 necessary by the facilities and operations committee of the senate and
24 the executive rules committee of the house of representatives to ensure
25 operational adequacy of the agencies of the legislative branch. As
26 used in this section, "operational policies, procedures, and oversight"
27 includes the development process of biennial budgets, contracting
28 procedures, personnel policies, and compensation plans, selection of a
29 chief administrator, facilities, and expenditures. This section does
30 not grant oversight authority to the facilities and operations
31 committee of the senate over any standing committee of the house of
32 representatives or oversight authority to the executive rules committee
33 of the house of representatives over any standing committee of the
34 senate.

1 NEW SECTION. **Sec. 13.** (1) The state actuary appointment committee
2 is created. The committee shall consist of: (a) The chair and ranking
3 minority member of the house of representatives appropriations
4 committee and the chair and ranking minority member of the senate ways
5 and means committee; and (b) four members of the select committee on
6 pension policy appointed jointly by the chair and vice-chair of the
7 select committee, at least one member representing state retirement
8 systems active or retired members, and one member representing state
9 retirement system employers.

10 (2) The state actuary appointment committee shall be jointly
11 chaired by the chair of the house of representatives appropriations
12 committee and the chair of the senate ways and means committee.

13 (3) The state actuary appointment committee shall appoint or remove
14 the state actuary by a two-thirds vote of the committee. When
15 considering the appointment or removal of the state actuary, the
16 appointment committee shall consult with the director of the department
17 of retirement systems, the director of the office of financial
18 management, and other interested parties.

19 (4) The state actuary appointment committee shall be convened by
20 the chairs of the house of representatives appropriations committee and
21 the senate ways and means committee (a) whenever the position of state
22 actuary becomes vacant, or (b) upon the written request of any four
23 members of the appointment committee.

24 **Sec. 14.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to
25 read as follows:

26 (1) Subject to RCW 44.04.260, the state actuary shall have the
27 authority to select and employ such research, technical, clerical
28 personnel, and consultants as the actuary deems necessary, whose
29 salaries shall be fixed by the actuary and approved by the (~~joint~~
30 ~~committee on pension policy~~) the state actuary appointment committee,
31 and who shall be exempt from the provisions of the state civil service
32 law, chapter 41.06 RCW.

33 (2) All actuarial valuations and experience studies performed by
34 the office of the state actuary shall be signed by a member of the
35 American academy of actuaries. If the state actuary is not such a
36 member, the state actuary, after approval by the select committee,

1 shall contract for a period not to exceed two years with a member of
2 the American academy of actuaries to assist in developing actuarial
3 valuations and experience studies.

4 NEW SECTION. **Sec. 15.** The following acts or parts of acts are
5 each repealed:

- 6 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
- 7 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
8 terms, leadership) and 1987 c 25 s 4; and
- 9 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
10 duties) and 1987 c 25 s 5."

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By Senator Carlson

ADOPTED 04/25/2003

11 On page 1, line 1 of the title, after "policy;" strike the
12 remainder of the title and insert "amending RCW 41.50.110, 44.44.040,
13 41.40.037, 41.45.020, 41.45.090, 41.45.110, 44.04.260, and 44.44.030;
14 reenacting and amending RCW 41.32.570; adding new sections to chapter
15 41.04 RCW; creating a new section; decodifying RCW 41.54.061; and
16 repealing RCW 44.44.015, 44.44.050, and 44.44.060."

EFFECT: Changes the number of members of the executive committee
from four to five, and specifies that in addition to the chair and
vice-chair who are members of the House and Senate, one employer and
one employee representative, as well as either the Director of the
Department of Retirement Systems or the Office of Financial Management
shall be members of the executive committee.

Establishes that the vice-chair of the committee shall be appointed
from the committee members of the opposite house from which the chair
is selected.

Permits rather than requires the Select Committee to establish
three function-specific subcommittees within the select committee on

pension policy to focus on pension issues affecting public safety, educational, and state and local government employees.

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