

SENATE BILL REPORT

HB 2541

As Reported By Senate Committee On:
Ways & Means, February 25, 2004

Title: An act relating to establishing an asset smoothing corridor for actuarial valuations used in the funding of the state retirement systems.

Brief Description: Establishing an asset smoothing corridor for actuarial valuations used in the funding of the state retirement systems.

Sponsors: Representatives Conway, Fromhold and Moeller; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 2/25/04 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Fairley, Fraser, Hale, Pflug, Rasmussen, Regala, Roach, Sheahan and B. Sheldon.

Staff: Erik Sund (786-7454)

Background: Pension fund assets are valued on an actuarial basis, rather than a market value basis, to reduce the instability in contribution rates year-to-year. The actuarial value of assets is based on their expected worth over the long run.

The state's method for determining the actuarial value of assets is to recognize changes to asset values that vary from the long-term investment rate of return assumption over a variable period that is based on the magnitude of the deviation experienced, up to a maximum of eight years.

There are currently no restrictions on the extent to which the actuarial or "smoothed" value may deviate from the market value of plan assets.

Summary of Bill: Beginning with actuarial studies performed after July 1, 2004, the actuarial value of assets may not drop below 70 percent of market value of assets as of the valuation date or to rise above 130 percent of market value of assets as of the valuation date.

The State Actuary is directed to periodically review the appropriateness of the asset smoothing method and advise the Legislature as necessary.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (From companion bill SB 6249) This is a good bill that would improve the state's pension system.

Testimony Against: (From companion bill SB 6249) None.

Testified: (From companion bill SB 6249) Mark Curtis, LEOFF I Coalition; Gene Forrester, Washington Senior Citizens' Lobby (pro); Ed Gonion, Washington State School Retirees' Association (pro); Bev Hermanson, Washington Federation of State Employees (pro); John Kvamme, Washington Association of School Administrators and Association of Washington School Principals (pro); Leslie Main, Washington State School Retirees' Association (pro); Steve Nelsen, LEOFF 2 Retirement Board (pro); Randy Parr, Washington Education Association (pro); Cassandra de la Rosa, Retired Public Employees Council (pro).