FINAL BILL REPORT
SB 6249

C 93 L 04

Synopsis as Enacted

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

Sponsors: Senators Fraser, Winsley, Pflug, Regala and Carlson; by request of Select Committee on Pension Policy.

Senate Committee on Ways & Means
House Committee on Appropriations

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: 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.

Votes on Final Passage:

Senate	48	0
House	94	2

Effective: June 10, 2004