
HOUSE BILL 1204

State of Washington

58th Legislature

2003 Regular Session

By Representatives Fromhold, Delvin, Conway, Alexander, Pflug, Anderson, Cooper and Chase; by request of Joint Committee on Pension Policy

Read first time 01/21/2003. Referred to Committee on Appropriations.

1 AN ACT Relating to creating the select committee on pension policy;
2 amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.020, 41.45.090,
3 44.04.260, and 44.44.030; reenacting and amending RCW 41.32.570; adding
4 new sections to chapter 41.04 RCW; decodifying RCW 41.54.061; and
5 repealing RCW 44.44.015, 44.44.050, and 44.44.060.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate appointed by the president of the
12 senate, 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 senate ways and means committee;

15 (b) Four members of the house of representatives appointed by the
16 speaker, two of whom are members of the majority party and two of whom
17 are members of the minority party. At least three of the appointees
18 shall be members of the house of representatives appropriations
19 committee;

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

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

9 (e) Four employer representatives of members of the state
10 retirement systems appointed by the governor for staggered three-year
11 terms; and

12 (f) The directors of the department of retirement systems and
13 office of financial management.

14 (2)(a) The term of office of each member of the house of
15 representatives or senate serving on the committee runs from the close
16 of the session in which he or she is appointed until the close of the
17 next regular session held in an odd-numbered year. If a successor is
18 not appointed during a session, the member's term continues until the
19 member is reappointed or a successor is appointed. The term of office
20 for a committee member who is a member of the house of representatives
21 or the senate who does not continue as a member of the senate or house
22 of representatives ceases upon the convening of the next session of the
23 legislature during the odd-numbered year following the member's
24 appointment, or upon the member's resignation, whichever is earlier.
25 All vacancies of positions held by members of the legislature must be
26 filled from the same political party and from the same house as the
27 member whose seat was vacated.

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

32 (3) The committee shall elect a chairperson and a vice-chairperson.
33 The chairperson shall be a member of the senate in even-numbered years
34 and a member of the house of representatives in odd-numbered years.

35 (4) The committee shall establish an executive committee of four
36 members, including the chairperson and the vice-chairperson.

37 (5) Nonlegislative members of the select committee serve without

1 compensation, but shall be reimbursed for travel expenses under RCW
2 43.03.050 and 43.03.060.

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

5 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
6 read as follows:

7 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
8 section, all expenses of the administration of the department (~~and~~),
9 the expenses of administration of the retirement systems, and the
10 expenses of the administration of the office of the state actuary
11 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
12 (~~and~~) 43.43, and 44.44 RCW shall be paid from the department of
13 retirement systems expense fund.

14 (2) In order to reimburse the department of retirement systems
15 expense fund on an equitable basis the department shall ascertain and
16 report to each employer, as defined in RCW 41.26.030, 41.32.010,
17 41.35.010, or 41.40.010, the sum necessary to defray its proportional
18 share of the entire expense of the administration of the retirement
19 system that the employer participates in during the ensuing biennium or
20 fiscal year whichever may be required. Such sum is to be computed in
21 an amount directly proportional to the estimated entire expense of the
22 administration as the ratio of monthly salaries of the employer's
23 members bears to the total salaries of all members in the entire
24 system. It shall then be the duty of all such employers to include in
25 their budgets or otherwise provide the amounts so required.

26 (3) The department shall compute and bill each employer, as defined
27 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
28 each month for the amount due for that month to the department of
29 retirement systems expense fund and the same shall be paid as are its
30 other obligations. Such computation as to each employer shall be made
31 on a percentage rate of salary established by the department. However,
32 the department may at its discretion establish a system of billing
33 based upon calendar year quarters in which event the said billing shall
34 be at the end of each such quarter.

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

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

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

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

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

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

16 **Sec. 3.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read
17 as follows:

18 The office of the state actuary shall have the following powers and
19 duties:

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

24 (2) Advise the legislature and the governor regarding pension
25 benefit provisions, and funding policies and investment policies of the
26 state investment board.

27 (3) Consult with the legislature and the governor concerning
28 determination of actuarial assumptions used by the department of
29 retirement systems.

30 (4) Prepare a report, to be known as the actuarial fiscal note, on
31 each pension bill introduced in the legislature which briefly explains
32 the financial impact of the bill. The actuarial fiscal note shall
33 include: (a) The statutorily required contribution for the biennium
34 and the following twenty-five years; (b) the biennial cost of the
35 increased benefits if these exceed the required contribution; and (c)
36 any change in the present value of the unfunded accrued benefits. An
37 actuarial fiscal note shall also be prepared for all amendments which

1 are offered in committee or on the floor of the house of
2 representatives or the senate to any pension bill. However, a majority
3 of the members present may suspend the requirement for an actuarial
4 fiscal note for amendments offered on the floor of the house of
5 representatives or the senate.

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

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

10 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW
11 to read as follows:

12 The select committee on pension policy has the following powers and
13 duties:

14 (1) Study pension issues, develop pension policies for public
15 employees in state retirement systems, and make recommendations to the
16 legislature;

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

20 (3) Appoint or remove the state actuary by a two-thirds vote of the
21 select committee.

22 **Sec. 5.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317
23 s 1 are each reenacted and amended to read as follows:

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

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

34 (2) Any retired teacher or retired administrator who enters service
35 in any public educational institution in Washington state and who has
36 satisfied the break in employment requirement of subsection (1) of this

1 section shall cease to receive pension payments while engaged in such
2 service, after the retiree has rendered service for more than one
3 thousand five hundred hours in a school year. When a retired teacher
4 or administrator renders service beyond eight hundred sixty-seven
5 hours, the department shall collect from the employer the applicable
6 employer retirement contributions for the entire duration of the
7 member's employment during that fiscal year.

8 (3) 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 (4) 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 hundred twenty-five hours per
14 year without a reduction of his or her pension.

15 **Sec. 6.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended
16 to read as follows:

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

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

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

36 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
37 employment requirement of subsection (1) of this section may work up to

1 eight hundred sixty-seven hours in a calendar year in an eligible
2 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
3 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
4 without suspension of his or her benefit.

5 (3) If the retiree opts to reestablish membership under RCW
6 41.40.023(12), he or she terminates his or her retirement status and
7 becomes a member. Retirement benefits shall not accrue during the
8 period of membership and the individual shall make contributions and
9 receive membership credit. Such a member shall have the right to again
10 retire if eligible in accordance with RCW 41.40.180. However, if the
11 right to retire is exercised to become effective before the member has
12 rendered two uninterrupted years of service, the retirement formula and
13 survivor options the member had at the time of the member's previous
14 retirement shall be reinstated.

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

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

22 **Sec. 7.** RCW 41.45.020 and 2002 c 26 s 4 are each amended to read
23 as follows:

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

26 (1) "Council" means the pension funding council created in RCW
27 41.45.100.

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

29 (3) "Law enforcement officers' and fire fighters' retirement system
30 plan 1" and "law enforcement officers' and fire fighters' retirement
31 system plan 2" means the benefits and funding provisions under chapter
32 41.26 RCW.

33 (4) "Public employees' retirement system plan 1," "public
34 employees' retirement system plan 2," and "public employees' retirement
35 system plan 3" mean the benefits and funding provisions under chapter
36 41.40 RCW.

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

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

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

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

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

13 (10) "State retirement systems" means the retirement systems listed
14 in RCW 41.50.030.

15 (11) "Classified employee" means a member of the Washington school
16 employees' retirement system plan 2 or plan 3 as defined in RCW
17 41.35.010.

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

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

22 **Sec. 8.** RCW 41.45.090 and 1998 c 283 s 7 are each amended to read
23 as follows:

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

34 At least once in each six-year period, the state actuary shall
35 conduct an actuarial experience study of the mortality, service,
36 compensation and other experience of the members and beneficiaries of
37 each state retirement system, and into the financial condition of each

1 system. The results of each investigation shall be filed with the
2 department, the office of financial management, the budget writing
3 committees of the Washington house of representatives and senate, the
4 select committee on pension policy, and the pension funding council.
5 Upon the basis of such actuarial investigation the department shall
6 adopt such tables, schedules, factors, and regulations as are deemed
7 necessary in the light of the findings of the actuary for the proper
8 operation of the state retirement systems.

9 NEW SECTION. **Sec. 9.** RCW 41.54.061 is decodified.

10 **Sec. 10.** RCW 44.04.260 and 2001 c 259 s 1 are each amended to read
11 as follows:

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

29 **Sec. 11.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to
30 read as follows:

31 (1) Subject to RCW 44.04.260, the state actuary shall have the
32 authority to select and employ such research, technical, clerical
33 personnel, and consultants as the actuary deems necessary, whose
34 salaries shall be fixed by the actuary and approved by the ((~~joint~~))

1 select committee on pension policy, and who shall be exempt from the
2 provisions of the state civil service law, chapter 41.06 RCW.

3 (2) All actuarial valuations and experience studies performed by
4 the office of the state actuary shall be signed by a member of the
5 American academy of actuaries. If the state actuary is not such a
6 member, the state actuary, after approval by the select committee,
7 shall contract for a period not to exceed two years with a member of
8 the American academy of actuaries to assist in developing actuarial
9 valuations and experience studies.

10 NEW SECTION. **Sec. 12.** The following acts or parts of acts are
11 each repealed:

- 12 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
- 13 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
14 terms, leadership) and 1987 c 25 s 4; and
- 15 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
16 duties) and 1987 c 25 s 5.

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