
HOUSE BILL 2541

State of Washington

58th Legislature

2004 Regular Session

By Representatives Conway, Fromhold and Moeller; by request of Select Committee on Pension Policy

Read first time 01/15/2004. Referred to Committee on Appropriations.

1 AN ACT Relating to establishing an asset smoothing corridor for
2 actuarial valuations used in the funding of the state retirement
3 systems; and amending RCW 41.45.020 and 41.45.035.

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

5 **Sec. 1.** RCW 41.45.020 and 2003 c 295 s 8 are each amended to read
6 as follows:

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

9 (1) "Council" means the pension funding council created in RCW
10 41.45.100.

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

12 (3) "Law enforcement officers' and fire fighters' retirement system
13 plan 1" and "law enforcement officers' and fire fighters' retirement
14 system plan 2" means the benefits and funding provisions under chapter
15 41.26 RCW.

16 (4) "Public employees' retirement system plan 1," "public
17 employees' retirement system plan 2," and "public employees' retirement
18 system plan 3" mean the benefits and funding provisions under chapter
19 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 RCW 41.04.276.

22 (14) "Actuarial value of assets" means the value of pension plan
23 investments and other property used by the actuary for the purpose of
24 an actuarial valuation.

25 **Sec. 2.** RCW 41.45.035 and 2003 1st sp.s. c 11 s 1 are each amended
26 to read as follows:

27 (1) Beginning July 1, 2001, the following long-term economic
28 assumptions shall be used by the state actuary for the purposes of RCW
29 41.45.030:

30 (a) The growth in inflation assumption shall be 3.5 percent;

31 (b) The growth in salaries assumption, exclusive of merit or
32 longevity increases, shall be 4.5 percent;

33 (c) The investment rate of return assumption shall be 8 percent;
34 and

35 (d) The growth in system membership assumption shall be 1.25
36 percent for the public employees' retirement system, the school

1 employees' retirement system, and the law enforcement officers' and
2 fire fighters' retirement system. The assumption shall be .90 percent
3 for the teachers' retirement system.

4 (2)(a) Beginning with actuarial studies done after July 1, 2003,
5 changes to plan asset values that vary from the long-term investment
6 rate of return assumption shall be recognized in the actuarial value of
7 assets over a period that varies up to eight years depending on the
8 magnitude of the deviation of each year's investment rate of return
9 relative to the long-term rate of return assumption. Beginning with
10 actuarial studies performed after July 1, 2004, the actuarial value of
11 assets shall not be greater than one hundred thirty percent of the
12 market value of assets as of the valuation date or less than seventy
13 percent of the market value of assets as of the valuation date.
14 Beginning April 1, 2004, the council, by affirmative vote of four
15 councilmembers, may adopt changes to this asset value smoothing
16 technique. Any changes adopted by the council shall be subject to
17 revision by the legislature.

18 (b) The state actuary shall periodically review the appropriateness
19 of the asset smoothing method in this section and recommend changes to
20 the legislature as necessary.

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