

HOUSE BILL REPORT

HB 1323

As Reported by House Committee On: Appropriations

Title: An act relating to the membership of the executive committee of the select committee on pension policy.

Brief Description: Changing the membership of the executive committee of the select committee on pension policy.

Sponsors: Representatives Conway, Fromhold, Crouse, Simpson, Linville and Chase; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/27/05, 2/14/05 [DP].

Brief Summary of Bill

- Adds one of the two Select Committee on Pension Policy (SCPP) members representing retired members to the executive committee.
- Changes the total membership of the SCPP executive committee from five members to six.
- Removes the requirement that the Director of the Office of Financial Management serve on the SCPP executive committee in alternate years.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 29 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

Staff: David Pringle (786-7310).

Background:

Prior to 1976, the major state retirement systems were under the oversight of boards of trustees that had such functions as the investment of the retirement funds, hiring the executive director, contracting for actuarial services, and proposing legislation to improve benefits for members and retirees.

In 1976, following a period of rapid increases in pension benefits and costs, the Legislature created the Department of Retirement Systems (DRS), with a director appointed by the Governor, to assume most of the oversight duties of the various retirement boards. The Office of the State Actuary (OSA) was also created in 1976 to provide all retirement system actuarial services for both DRS and the Legislature, including all studies used for setting contribution rates and determining the cost of proposed legislation. The OSA was established as an office in the legislative branch.

In 1981, the State Investment Board (SIB) was created to manage the investment of the assets of the state retirement systems. The SIB has nine voting members and four non-voting members who are investment professionals.

In 1987, the Joint Committee on Pension Policy (JCPP) was created to study pension benefit and funding policies and issues, and to appoint or remove the State Actuary by a two-thirds vote. The JCPP consisted of eight members of the Senate and eight members of the House of Representatives, split evenly between the two largest caucuses of each body. The OSA provided staffing to the JCPP.

In 1998, the Pension Funding Council was created to adopt the long-term economic assumptions and employer contribution rate for most of the state's retirement systems. The PFC also administers audits of the actuarial analysis produced for the PFC by the State Actuary.

In 2002, the voters passed Initiative 790, creating a Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) board of trustees. The LEOFF 2 Board replaced the functions of the JCPP and the PFC with respect to LEOFF 2.

The 2003 Legislature changed the JCPP to the Select Committee on Pension Policy (SCPP), and changed its makeup to one-half legislative representatives, and one-half employer, employee, and retiree representatives. The SCPP retained all of the functions of the JCPP, except those relating to the appointing and removing of the State Actuary - those functions were vested in a State Actuary Appointment Committee, which convenes upon the request of the chairs of the House Appropriations Committee and the Senate Ways and Means Committee whenever there is a vacancy or on request of four members of the Appointment Committee.

The SCPP has a statutorily-created executive committee that is composed of five members of the SCPP; the chair and co-chair of the SCPP, who are members of the House and Senate; one member representing active members of the state retirement systems; one member representing state retirement system employers; and either the Director of the Office of Financial Management or the Director of the DRS, who serve in alternate years.

Summary of Bill:

A sixth member is added to the executive committee of the SCPP from among the committee members representing retired members of the state retirement systems. The Director of the Office of Financial Management no longer serves on the executive committee in alternate years, instead the Director of the DRS serves on the SCPP executive committee every year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: I recommend this consensus product of the SCPP, as retiree representatives already attend the executive committee meetings, even though they are not members. The bill has no cost, and is part of the great improvement in the development of pension policy that has occurred with the creation of the SCPP. The retirees should have this representation on the executive committee.

Testimony Against: None.

Persons Testifying: Elaine Banks, Washington State School Retirees Association; and John Kvamme, Washington Association of School Administrators and Association of Washington School Principals.

Persons Signed In To Testify But Not Testifying: None.