
Ways & Means Committee

HB 1998

Brief Description: Addressing actuarial services for the state's public employee retirement systems.

Sponsors: Representatives Bailey and Seaquist.

Brief Summary of Bill

- Requires the Office of the State Actuary (OSA) to conduct an actuarial study of the financial risks to the state retirement systems at least once every six years.
- Changes the requirement that the OSA prepare fiscal notes on all pension bills to pension bills that receive a hearing in the Transportation or Ways and Means Committees.

Hearing Date: 2/24/11

Staff: David Pringle (786-7310).

Background:

Each year, the Office of the State Actuary (OSA) conducts an actuarial valuation of each system and plan in the Washington retirement systems. The primary purpose of the actuarial valuation is to determine the required contribution rates that each plan and system require, but the valuations also provide detailed analysis of member and retiree demographics, and of changes in benefit obligations and fund values.

At least once every six years, the OSA conducts a study of the experience and financial condition of the retirement systems and submits the findings to the Office of Financial Management, the budget-writing committees of the Legislature, and the Pension Funding Council (PFC) for review. The PFC may adopt changes to the long-term economic assumptions used by the State Actuary and by the Department of Retirement Systems. These assumptions include the long-term rate of investment return, the long-term rate wage growth, and inflation.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

During the 2010 legislative interim, the OSA completed a risk assessment system that produces additional types of analysis on the financial risks in the state pension systems. The model projects a range of possible future outcomes for each state-administered retirement plan, and can be used to illustrate the range of consequences that could follow from changes to plan provisions, and the likelihood of different outcomes.

Summary of Bill:

The Office of the State Actuary (OSA) is required to conduct an actuarial study of the financial risks to the state retirement systems at least once every six years. The requirement that the OSA must prepare actuarial fiscal notes on each pension bill introduced in the Legislature is changed to require fiscal notes only on pension bills that receive a hearing in the Transportation or Ways and Means Committees. Language related to the contents of actuarial fiscal notes is clarified.

Appropriation: None.

Fiscal Note: Requested on February 22, 2011.

Effective Date: The bill takes effect on August 1, 2011.