

HOUSE BILL REPORT

HB 1998

As Reported by House Committee On: Ways & Means

Title: An act relating to actuarial services for the state's public employee retirement systems.

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

Sponsors: Representatives Bailey and Seaquist.

Brief History:

Committee Activity:

Ways & Means: 2/24/11, 2/25/11 [DPS].

Brief Summary of Substitute Bill

- Requires the Office of the State Actuary to conduct an actuarial study of the financial risks to the state retirement systems at least once every six years.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

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,

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.

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.

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 Substitute Bill:

The Office of the State Actuary is required to conduct an actuarial study of the financial risks to the state retirement systems at least once every six years. Language related to the contents of actuarial fiscal notes is clarified.

Substitute Bill Compared to Original Bill:

The substitute bill removed language that reduced the Office of the State Actuary's obligation to prepare fiscal notes on all pension bills to an obligation to prepare fiscal notes only on bills that received a hearing in a Transportation or Ways and Means committees of the Legislature.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) None.

(With concerns) We support the risk assessment provision, but we have concerns about limiting the preparation of fiscal notes on only bills that are heard. Very few people have access to the skills needed to evaluate the cost of pension proposals. By introducing pension legislation, and subsequently having fiscal notes prepared, members and their constituents have the chance to explore the cost of complex proposals.

(Opposed) None.

Persons Testifying: Randy Parr, Washington Education Association.

Persons Signed In To Testify But Not Testifying: None.