

# SENATE BILL REPORT

## HB 2738

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As of February 21, 2012

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

**Brief Description:** Modifying the membership of the select committee on pension policy.

**Sponsors:** Representatives Bailey and Ormsby.

**Brief History:** Passed House: 2/13/12, 97-0.

**Committee Activity:** Ways & Means: 2/20/12.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Erik Sund (786-7454)

**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. A Public Pension Commission (Commission), created in 1963, was charged with the duty to study the financial problems of the state retirement plans and make recommendations regarding the operations of the pension funds. In 1973 the Commission was charged with periodically reviewing the Higher Education Retirement Plans (HERPs) offered by state institutions of higher education to faculty and exempt employees; it was also charged with adjusting contribution rates, when necessary. Most of the Commission's duties were subsequently assumed by other entities, and it was formally abolished in 1999.

In 1976, following a period of rapid increases in pension 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 the studies used for setting contribution rates and determining the cost of proposed legislation. OSA was established as an office in the legislative branch.

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

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Representatives, split evenly between the two largest caucuses of each body. OSA provided staffing to JCPP.

In 2003, JCPP was repealed and its duties, except for the duty of appointing and removing the State Actuary, were assumed by the Select Committee on Pension Policy (SCPP). The duty of appointing and removing the State Actuary was assigned to the State Actuary Appointment Committee.

SCPP is composed of four members of the Senate, four members of the House of Representatives, four members representing active employees, two members representing retired employees, four employer representatives, and the directors of DRS and the Office of Financial Management. The eight Select Committee members from the House of Representatives and the Senate are divided evenly between the majority and minority parties of each chamber, and at least three of the four from each chamber must be members of the House Appropriations and Senate Ways and Means committees. The House members are appointed by the Speaker, and the Senate members by the President of the Senate.

The 2011 Legislature made several changes to the funding and benefit provisions of the HERPs. Among those changes was to clarify that SCPP, rather than the defunct Commission, periodically review the funding status of the HERPs.

**Summary of Bill:** One of the employer representatives on SCPP must be a plan administrator representing a HERP sponsor.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This bill doesn't expand SCPP, it just assigns an existing employer position to HERP employers. HERPs are very different from the state-administered retirement systems. It is important for HERP employers to have a voice on SCPP given the Committee's new role in evaluating HERPs.

**Persons Testifying:** PRO: Representative Bailey, prime sponsor; John Boesenerg, State Board for Community and Technical Colleges.