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SENATE BILL 6308

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State of Washington

55th Legislature

1998 Regular Session

By Senators Fraser, Long, Winsley, Jacobsen, Bauer, Franklin, Roach and Rossi; by request of Joint Committee on Pension Policy

Read first time 01/15/98. Referred to Committee on Ways & Means.

1 AN ACT Relating to funding of the state retirement systems;  
2 amending RCW 41.45.020, 41.45.030, 41.45.060, and 41.45.090; and adding  
3 new sections to chapter 41.45 RCW.

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

5 **Sec. 1.** RCW 41.45.020 and 1995 c 239 s 306 are each amended to  
6 read 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 ~~((economic and revenue forecast))~~ pension  
10 funding council created in ~~((RCW 82.33.010))~~ section 2 of this act.

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

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

16 (4) "Public employees' retirement system plan I" and "public  
17 employees' retirement system plan II" mean the benefits and funding  
18 provisions under chapter 41.40 RCW.

1 (5) "Teachers' retirement system plan I," "teachers' retirement  
2 system plan II," and "teachers' retirement system plan III" mean the  
3 benefits and funding provisions under chapter 41.32 RCW.

4 (6) "Washington state patrol retirement system" means the  
5 retirement benefits provided under chapter 43.43 RCW.

6 (7) "Unfunded liability" means the unfunded actuarial accrued  
7 liability of a retirement system.

8 (8) "Actuary" or "state actuary" means the state actuary employed  
9 under chapter 44.44 RCW.

10 (9) "State retirement systems" means the retirement systems listed  
11 in RCW 41.50.030.

12 (10) "Work group" means the pension funding work group created in  
13 section 3 of this act.

14 NEW SECTION. Sec. 2. A new section is added to chapter 41.45 RCW  
15 to read as follows:

16 (1) The pension funding council is hereby created. The council  
17 consists of the:

18 (a) Director of the department of retirement systems;

19 (b) Director of the office of financial management; and

20 (c) Joint committee on pension policy executive members, as defined  
21 in RCW 44.44.050(4).

22 The council may select officers as the members deem necessary.

23 (2) The pension funding council shall adopt changes to economic  
24 assumptions and contribution rates by an affirmative vote of at least  
25 four members.

26 NEW SECTION. Sec. 3. A new section is added to chapter 41.45 RCW  
27 to read as follows:

28 (1) A pension funding work group is hereby created. The work group  
29 shall consist of one staff member selected by the executive head or  
30 chairperson of each of the following agencies or committees:

31 (a) Department of retirement systems;

32 (b) Office of financial management;

33 (c) State investment board;

34 (d) Ways and means committee of the senate;

35 (e) Appropriations committee of the house of representatives; and

36 (f) Economic and revenue forecast council.

1 (2) The state actuary shall make available to the work group all  
2 information related to economic assumptions and contribution rates.

3 (3) The pension funding work group shall provide support and  
4 recommendations to the pension funding council. Meetings of the  
5 pension funding work group may be called by any member of the group for  
6 the purpose of assisting the pension funding council, reviewing  
7 actuarial valuations of the state retirement systems, reviewing  
8 economic assumptions, or for any other purpose which may assist the  
9 pension funding council.

10 (4) The pension funding work group shall solicit and administer a  
11 biennial actuarial audit of the actuarial valuations used for rate-  
12 setting purposes. This audit will be conducted concurrent with the  
13 actuarial valuation performed by the state actuary. At least once in  
14 each six-year period, the work group shall solicit and administer an  
15 actuarial audit of the results of the experience study required in RCW  
16 41.45.090.

17 (5) Upon completion of the audit, the work group will review the  
18 results and develop contribution rate recommendations for the pension  
19 funding council. Recommendations from both affected employee and  
20 employer groups will be actively sought during the work group process.  
21 Prior to their recommendations to the council, the work group shall  
22 conduct an open public meeting on these recommendations.

23 **Sec. 4.** RCW 41.45.030 and 1995 c 233 s 1 are each amended to read  
24 as follows:

25 ~~(1) ((Beginning September 1, 1995, and every two years thereafter,~~  
26 ~~the state actuary shall submit to the council information regarding the~~  
27 ~~experience and financial condition of each state retirement system.~~  
28 ~~The council shall review this and such other information as it may~~  
29 ~~require.~~

30 ~~(2) By December 31, 1995, and every two years thereafter,))~~ The  
31 council, by affirmative vote of ~~((five))~~ four councilmembers, shall  
32 adopt changes to the following long-term economic assumptions:

- 33 (a) Growth in system membership;
- 34 (b) Growth in salaries, exclusive of merit or longevity increases;
- 35 (c) Growth in inflation; and
- 36 (d) Investment rate of return.

37 (2) The council shall work with the ~~((department of retirement~~  
38 ~~systems,))~~ pension funding work group and the state actuary~~((, and the~~

1 ~~executive director of the state investment board,~~) and shall consider  
2 long-term historical averages, in developing the economic assumptions.

3 (3) The assumptions adopted by the council shall be used by the  
4 state actuary in conducting all actuarial studies of the state  
5 retirement systems.

6 **Sec. 5.** RCW 41.45.060 and 1995 c 239 s 309 are each amended to  
7 read as follows:

8 (1) The state actuary shall provide actuarial valuation results  
9 based on the assumptions adopted under RCW 41.45.030.

10 (2) Not later than September 30, (~~(1996)~~) 1998, and every two years  
11 thereafter, consistent with the assumptions adopted under RCW  
12 41.45.030, the council shall adopt (~~(both)~~) changes to: (a) A basic  
13 state contribution rate for the law enforcement officers' and fire  
14 fighters' retirement system; and (b) basic employer contribution rates  
15 for the public employees' retirement system plan I, the teachers'  
16 retirement system plan I, and the Washington state patrol retirement  
17 system to be used in the ensuing biennial period.

18 (3) The employer and state contribution rates adopted by the  
19 council shall be the level percentages of pay that are needed:

20 (a) To fully amortize the total costs of the public employees'  
21 retirement system plan I, the teachers' retirement system plan I, the  
22 law enforcement officers' and fire fighters' retirement system plan I,  
23 and the unfunded liability of the Washington state patrol retirement  
24 system not later than June 30, 2024; and

25 (b) To also continue to fully fund the public employees' retirement  
26 system plan II, the teachers' retirement system plans II and III, and  
27 the law enforcement officers' and fire fighters' retirement system plan  
28 II in accordance with RCW 41.40.650, 41.26.450, and this section.

29 (4) The aggregate actuarial cost method shall be used to calculate  
30 a combined plan II and III employer contribution rate.

31 (5) The council shall immediately notify the directors of the  
32 office of financial management and department of retirement systems of  
33 the state and employer contribution rates adopted.

34 (6) The director of the department of retirement systems shall  
35 collect those rates adopted by the council.

36 **Sec. 6.** RCW 41.45.090 and 1989 c 273 s 9 are each amended to read  
37 as follows:

1       The department shall collect and keep in convenient form such data  
2 as shall be necessary for an actuarial valuation of the assets and  
3 liabilities of the state retirement systems, and for making an  
4 actuarial investigation into the mortality, service, compensation, and  
5 other experience of the members and beneficiaries of those systems.  
6 The department and state actuary shall enter into a memorandum of  
7 understanding regarding the specific data the department will collect,  
8 when it will be collected, and how it will be maintained. The  
9 department shall notify the state actuary of any changes it makes, or  
10 intends to make, in the collection and maintenance of such data.

11       At least once in each six-year period, the state actuary shall  
12 conduct an actuarial (~~(investigation)~~) experience study of the  
13 mortality, service, compensation and other experience of the members  
14 and beneficiaries of each state retirement system, and into the  
15 financial condition of each system. The results of each investigation  
16 shall be filed with the department, the office of financial management,  
17 (~~and~~) the budget writing committees of the Washington house of  
18 representatives and senate, and the pension funding council. Upon the  
19 basis of such actuarial investigation the department shall adopt such  
20 tables, schedules, factors, and regulations as are deemed necessary in  
21 the light of the findings of the actuary for the proper operation of  
22 the state retirement systems.

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