
Appropriations Committee

HB 2917

Brief Description: Creating the state pension board.

Sponsors: Representatives Cooper, Schoesler, Conway, Simpson, Cox, Miloscia, Carrell, Dunn, Lovick, Delvin, Kessler, Linville, Jackley, Edwards and Wood.

Brief Summary of Bill

- Creates a pension board within the Department of Retirement Systems, which will review state pension policies, recommend contribution rates to the Legislature, and report on long-term assumptions used in developing those rates and developing pension policy.

Hearing Date: 2/20/02

Staff: Andrea Hardy (786-7349).

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 the 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 consists 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 provides staffing to the JCPP.

In 1995, the Employee Retirement Benefits Board (ERBB) was created. The ERBB oversees certain aspects of the Teachers' Retirement System Plan 3, Public Employees' Retirement System Plan 3, the School Employees' Retirement System Plan 3 and the state's deferred compensation program.

In 1998, the Pension Funding Council (PFC) was created to adopt the long-term economic assumptions and employer contribution rates for most of the state's retirement systems. The membership of the PFC consists of the chair and ranking minority members of the Senate Ways and Means Committee and the House Appropriations Committee, and the directors of the Office of Financial Management (OFM) and DRS.

Summary of Bill:

A state pension board is created, consisting of 15 members. The Governor appoints four active member representatives, two retiree representatives, one representative of local government, and one representative of school directors. Four legislators are appointed by the Legislature, one representing each caucus. The directors of DRS and OFM, and the executive director of SIB serve as non-voting, ex-officio members of the board.

The board's duties include reviewing state pension policies, recommending contribution rates to the Legislature, reporting on long-term assumptions used in developing those rates, and developing pension policy. The board shall appoint an actuary to serve the board's requirements. The board must discharge its duties in the interest of public participants and beneficiaries. The DRS will provide staff and actuarial services to the board, and the board's budget will be derived from the department's budget.

The PFC is eliminated, as is the funding section requiring actuarial audits of the actuarial valuations used for rate setting purposes. The DRS, in consultation with the board, must produce a summary level and consolidated annual financial report on the retirement system.

Every four years, beginning in 2004, DRS must convene a task force to review all of the major reports related to the retirement systems and to examine best practices in other states. The task force will report on its recommendations to the board. Proposed legislation to implement the act will be prepared and delivered to the Legislature by December 15, 2002.

Appropriation: None.

Fiscal Note: Available.

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