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**SUBSTITUTE HOUSE BILL 3010**

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**State of Washington**

**57th Legislature**

**2002 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Fromhold, McIntire, Conway, Cooper, Hunt and Sullivan)

Read first time 03/04/2002. Referred to Committee on .

1 AN ACT Relating to creating the select committee on pension policy;  
2 amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.100, 44.04.260, and  
3 44.44.030; reenacting and amending RCW 41.32.570; adding new sections  
4 to chapter 41.04 RCW; decodifying RCW 41.54.061; and repealing RCW  
5 44.44.015, 44.44.050, and 44.44.060.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW  
8 to read as follows:

9 (1) The select committee on pension policy is created. The select  
10 committee consists of:

11 (a) Four members of the senate ways and means committee appointed  
12 by the president of the senate, two of whom are members of the majority  
13 party and two of whom are members of the minority party;

14 (b) Four members of the house of representatives appropriations  
15 committee appointed by the speaker, two of whom are members of the  
16 majority party and two of whom are members of the minority party;

17 (c) Four active members or representatives from organizations of  
18 active members of the state retirement systems appointed by the  
19 governor for staggered three-year terms;

1 (d) Two retired members or representatives of retired members'  
2 organizations of the state retirement systems appointed by the governor  
3 for staggered three-year terms, with no two members from the same  
4 system; and

5 (e) Two employer representatives of members of the state retirement  
6 systems appointed by the governor for staggered three-year terms.

7 (2)(a) The term of office of each member of the house of  
8 representatives or senate serving on the committee runs from the close  
9 of the session in which he or she is appointed until the close of the  
10 next regular session held in an odd-numbered year. If a successor is  
11 not appointed during a session, the member's term continues until the  
12 member is reappointed or a successor is appointed. The term of office  
13 for a committee member who is a member of the house of representatives  
14 or the senate who does not continue as a member of the senate or house  
15 of representatives ceases upon the convening of the next session of the  
16 legislature during the odd-numbered year following the member's  
17 appointment, or upon the member's resignation, whichever is earlier.  
18 All vacancies of positions held by members of the legislature must be  
19 filled from the same political party and from the same house as the  
20 member whose seat was vacated.

21 (b) Following the terms of members and representatives appointed  
22 under subsection (1)(d) of this section, the retiree positions shall be  
23 rotated to ensure that each system has an opportunity to have a retiree  
24 representative on the committee.

25 (3) The committee shall elect a chairperson and a vice-chairperson.

26 (4) The committee shall establish an executive committee of four  
27 members, including the chairperson and the vice-chairperson.

28 (5) Nonlegislative members of the select committee serve without  
29 compensation, but shall be reimbursed for travel expenses under RCW  
30 43.03.050 and 43.03.060.

31 (6) The office of state actuary under chapter 44.44 RCW shall  
32 provide staff and technical support to the committee.

33 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to  
34 read as follows:

35 (1) Except as provided by RCW 41.50.255 and subsection (6) of this  
36 section, all expenses of the administration of the department (~~and~~),  
37 the expenses of administration of the retirement systems, and the  
38 expenses of the administration of the office of the state actuary

1 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,  
2 ((and)) 43.43, and 44.44 RCW shall be paid from the department of  
3 retirement systems expense fund.

4 (2) In order to reimburse the department of retirement systems  
5 expense fund on an equitable basis the department shall ascertain and  
6 report to each employer, as defined in RCW 41.26.030, 41.32.010,  
7 41.35.010, or 41.40.010, the sum necessary to defray its proportional  
8 share of the entire expense of the administration of the retirement  
9 system that the employer participates in during the ensuing biennium or  
10 fiscal year whichever may be required. Such sum is to be computed in  
11 an amount directly proportional to the estimated entire expense of the  
12 administration as the ratio of monthly salaries of the employer's  
13 members bears to the total salaries of all members in the entire  
14 system. It shall then be the duty of all such employers to include in  
15 their budgets or otherwise provide the amounts so required.

16 (3) The department shall compute and bill each employer, as defined  
17 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of  
18 each month for the amount due for that month to the department of  
19 retirement systems expense fund and the same shall be paid as are its  
20 other obligations. Such computation as to each employer shall be made  
21 on a percentage rate of salary established by the department. However,  
22 the department may at its discretion establish a system of billing  
23 based upon calendar year quarters in which event the said billing shall  
24 be at the end of each such quarter.

25 (4) The director may adjust the expense fund contribution rate for  
26 each system at any time when necessary to reflect unanticipated costs  
27 or savings in administering the department.

28 (5) An employer who fails to submit timely and accurate reports to  
29 the department may be assessed an additional fee related to the  
30 increased costs incurred by the department in processing the deficient  
31 reports. Fees paid under this subsection shall be deposited in the  
32 retirement system expense fund.

33 (a) Every six months the department shall determine the amount of  
34 an employer's fee by reviewing the timeliness and accuracy of the  
35 reports submitted by the employer in the preceding six months. If  
36 those reports were not both timely and accurate the department may  
37 prospectively assess an additional fee under this subsection.

38 (b) An additional fee assessed by the department under this  
39 subsection shall not exceed fifty percent of the standard fee.

1 (c) The department shall adopt rules implementing this section.

2 (6) Expenses other than those under RCW 41.34.060(~~(+2)~~) (3) shall  
3 be paid pursuant to subsection (1) of this section.

4 **Sec. 3.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read  
5 as follows:

6 The office of the state actuary shall have the following powers and  
7 duties:

8 (1) Perform all actuarial services for the department of retirement  
9 systems, including all studies required by law. (~~Reimbursement for~~  
10 ~~such services shall be made to the state actuary pursuant to the~~  
11 ~~provisions of RCW 39.34.130 as now or hereafter amended.~~)

12 (2) Advise the legislature and the governor regarding pension  
13 benefit provisions, and funding policies and investment policies of the  
14 state investment board.

15 (3) Consult with the legislature and the governor concerning  
16 determination of actuarial assumptions used by the department of  
17 retirement systems.

18 (4) Prepare a report, to be known as the actuarial fiscal note, on  
19 each pension bill introduced in the legislature which briefly explains  
20 the financial impact of the bill. The actuarial fiscal note shall  
21 include: (a) The statutorily required contribution for the biennium  
22 and the following twenty-five years; (b) the biennial cost of the  
23 increased benefits if these exceed the required contribution; and (c)  
24 any change in the present value of the unfunded accrued benefits. An  
25 actuarial fiscal note shall also be prepared for all amendments which  
26 are offered in committee or on the floor of the house of  
27 representatives or the senate to any pension bill. However, a majority  
28 of the members present may suspend the requirement for an actuarial  
29 fiscal note for amendments offered on the floor of the house of  
30 representatives or the senate.

31 (5) Provide such actuarial services to the legislature as may be  
32 requested from time to time.

33 (6) Provide staff and assistance to the committee established under  
34 RCW (~~46.44.050~~) 44.44.050.

35 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW  
36 to read as follows:

1 The select committee on pension policy has the following powers and  
2 duties:

3 (1) Study pension issues, develop pension policies for public  
4 employees in state retirement systems, and make recommendations to the  
5 legislature; and

6 (2) Study the financial condition of the state pension systems,  
7 develop funding policies, and make recommendations to the legislature.

8 **Sec. 5.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317  
9 s 1 are each reenacted and amended to read as follows:

10 (1)(a) If a retiree enters employment with an employer sooner than  
11 one calendar month after his or her accrual date, the retiree's monthly  
12 retirement allowance will be reduced by five and one-half percent for  
13 every seven hours worked during that month. This reduction will be  
14 applied each month until the retiree remains absent from employment  
15 with an employer for one full calendar month.

16 (b) The benefit reduction provided in (a) of this subsection will  
17 accrue for a maximum of one hundred forty hours per month. Any monthly  
18 benefit reduction over one hundred percent will be applied to the  
19 benefit the retiree is eligible to receive in subsequent months.

20 (2) Any retired teacher or retired administrator who enters service  
21 in any public educational institution in Washington state and who has  
22 satisfied the break in employment requirement of subsection (1) of this  
23 section shall cease to receive pension payments while engaged in such  
24 service, after the retiree has rendered service for more than one  
25 thousand five hundred hours in a school year. When a retired teacher  
26 or administrator renders service beyond eight hundred sixty-seven  
27 hours, the department shall collect from the employer the applicable  
28 employer retirement contributions for the entire duration of the  
29 member's employment during that fiscal year.

30 (3) The department shall collect and provide the state actuary with  
31 information relevant to the use of this section for the ((joint))  
32 select committee on pension policy.

33 (4) The legislature reserves the right to amend or repeal this  
34 section in the future and no member or beneficiary has a contractual  
35 right to be employed for more than five hundred twenty-five hours per  
36 year without a reduction of his or her pension.

1       **Sec. 6.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended  
2 to read as follows:

3       (1)(a) If a retiree enters employment with an employer sooner than  
4 one calendar month after his or her accrual date, the retiree's monthly  
5 retirement allowance will be reduced by five and one-half percent for  
6 every eight hours worked during that month. This reduction will be  
7 applied each month until the retiree remains absent from employment  
8 with an employer for one full calendar month.

9       (b) The benefit reduction provided in (a) of this subsection will  
10 accrue for a maximum of one hundred sixty hours per month. Any benefit  
11 reduction over one hundred percent will be applied to the benefit the  
12 retiree is eligible to receive in subsequent months.

13       (2)(a) A retiree from plan 1 who has satisfied the break in  
14 employment requirement of subsection (1) of this section and who enters  
15 employment with an employer may continue to receive pension payments  
16 while engaged in such service for up to one thousand five hundred hours  
17 of service in a calendar year without a reduction of pension. When a  
18 plan 1 member renders service beyond eight hundred sixty-seven hours,  
19 the department shall collect from the employer the applicable employer  
20 retirement contributions for the entire duration of the member's  
21 employment during that calendar year.

22       (b) A retiree from plan 2 or plan 3 who has satisfied the break in  
23 employment requirement of subsection (1) of this section may work up to  
24 eight hundred sixty-seven hours in a calendar year in an eligible  
25 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as  
26 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,  
27 without suspension of his or her benefit.

28       (3) If the retiree opts to reestablish membership under RCW  
29 41.40.023(12), he or she terminates his or her retirement status and  
30 becomes a member. Retirement benefits shall not accrue during the  
31 period of membership and the individual shall make contributions and  
32 receive membership credit. Such a member shall have the right to again  
33 retire if eligible in accordance with RCW 41.40.180. However, if the  
34 right to retire is exercised to become effective before the member has  
35 rendered two uninterrupted years of service, the retirement formula and  
36 survivor options the member had at the time of the member's previous  
37 retirement shall be reinstated.

1 (4) The department shall collect and provide the state actuary with  
2 information relevant to the use of this section for the ((joint))  
3 select committee on pension policy.

4 (5) The legislature reserves the right to amend or repeal this  
5 section in the future and no member or beneficiary has a contractual  
6 right to be employed for more than five months in a calendar year  
7 without a reduction of his or her pension.

8 **Sec. 7.** RCW 41.45.100 and 1998 c 283 s 2 are each amended to read  
9 as follows:

10 (1) The pension funding council is hereby created. The council  
11 consists of the:

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

13 (b) Director of the office of financial management;

14 (c) Chair and ranking minority member of the house of  
15 representatives appropriations committee; and

16 (d) Chair and ranking minority member of the senate ways and means  
17 committee.

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

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

22 (3) The council may appoint or remove the state actuary by a two-  
23 thirds vote of the council.

24 NEW SECTION. **Sec. 8.** RCW 41.54.061 is decodified.

25 **Sec. 9.** RCW 44.04.260 and 2001 c 259 s 1 are each amended to read  
26 as follows:

27 The joint legislative audit and review committee, the legislative  
28 transportation committee, the ((joint)) select committee on pension  
29 policy, the legislative evaluation and accountability program  
30 committee, and the joint legislative systems committee are subject to  
31 such operational policies, procedures, and oversight as are deemed  
32 necessary by the facilities and operations committee of the senate and  
33 the executive rules committee of the house of representatives to ensure  
34 operational adequacy of the agencies of the legislative branch. As  
35 used in this section, "operational policies, procedures, and oversight"  
36 includes the development process of biennial budgets, contracting

1 procedures, personnel policies, and compensation plans, selection of a  
2 chief administrator, facilities, and expenditures. This section does  
3 not grant oversight authority to the facilities and operations  
4 committee of the senate over any standing committee of the house of  
5 representatives or oversight authority to the executive rules committee  
6 of the house of representatives over any standing committee of the  
7 senate.

8       **Sec. 10.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to  
9 read as follows:

10       (1) Subject to RCW 44.04.260, the state actuary shall have the  
11 authority to select and employ such research, technical, clerical  
12 personnel, and consultants as the actuary deems necessary, whose  
13 salaries shall be fixed by the actuary and approved by the ((joint  
14 ~~committee on pension policy~~)) pension funding council, and who shall be  
15 exempt from the provisions of the state civil service law, chapter  
16 41.06 RCW.

17       (2) All actuarial valuations and experience studies performed by  
18 the office of the state actuary shall be signed by a member of the  
19 American academy of actuaries. If the state actuary is not such a  
20 member, the state actuary, after approval by the ((committee)) council,  
21 shall contract for a period not to exceed two years with a member of  
22 the American academy of actuaries to assist in developing actuarial  
23 valuations and experience studies.

24       NEW SECTION.   **Sec. 11.** The following acts or parts of acts are  
25 each repealed:

26       (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;

27       (2) RCW 44.44.050 (Joint committee on pension policy--Membership,  
28 terms, leadership) and 1987 c 25 s 4; and

29       (3) RCW 44.44.060 (Joint committee on pension policy--Powers and  
30 duties) and 1987 c 25 s 5.

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