

HOUSE BILL REPORT

HB 2738

As Reported by House Committee On: Ways & Means

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:

Committee Activity:

Ways & Means: 2/1/12, 2/6/12 [DP].

Brief Summary of Bill

- Requires one of the employer representatives on the Select Committee on Pension Policy to be a plan administrator representing a Higher Education Retirement Plan sponsor.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: 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:

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,

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.

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, and adjust contribution rates, if 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 the 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 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 2003 the 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.

The 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 the 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 the SCPP, rather than the defunct Public Pension Commission, periodically review the HERP plans and adjust contribution rates, if necessary.

Summary of Bill:

One of the employer representatives on the Select Committee on Pension Policy must be a plan administrator representing a Higher Education Retirement Plan sponsor.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) As the Select Committee on Pension Policy (SCPP) now has oversight of the Higher Education Retirement Plans (HERPs), it is appropriate that HERP representation be added to the SCPP. The State Board for Community and Technical Colleges support this change. With the changes made in the HERP system last year, this is a good idea.

(Opposed) None.

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

Persons Signed In To Testify But Not Testifying: None.