

FINAL BILL REPORT

EHB 1131

PARTIAL VETO

C 233 L 95

Synopsis as Enacted

Brief Description: Changing provisions relating to economic assumptions for actuarial studies and retirement contribution rates.

Sponsors: Representatives Silver and G. Fisher; by request of Office of the Forecast Council.

House Committee on Appropriations
Senate Committee on Ways & Means

Background: The Office of the Economic and Revenue Forecast Council is an independent six member council consisting of four legislators, the director of the Office of Financial Management, and the director of the Department of Revenue.

In 1989, a pension funding reform statute was adopted requiring the Economic and Revenue Forecast Council to adopt, every six years, the economic assumptions used by the State Actuary for conducting valuation studies of the Washington State Retirement Systems. The forecast council would recommend changes in the employer and state contribution rates to be adopted by the Legislature.

Contribution rates are set as a level percentage of pay as required to fully fund the Public Employees' (PERS), Teachers' (TRS), Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 retirement systems, and to fully amortize the total cost and unfunded liability of the PERS, TRS, LEOFF Plan 1 retirement systems, and Washington State Patrol (WSP) retirement system by June 30, 2024.

In 1993, the biennial budget changed the requirement for adopting the employer and state contribution rates from every six years to every two years.

The economic assumptions used by the State Actuary for valuation studies are also used by the Department of Retirement Systems to calculate actuarial reductions, such as for retirees who select a survivor option or withdraw their contributions.

Summary: The statutory requirement for reviewing economic assumptions is changed from every six years to every two years. Therefore, the State Actuary will submit information regarding the state retirement systems to the office of the Economic Forecast Council every two years.

The council is directed to review the information and, by affirmative vote of five council members, adopt the following long-term economic assumptions every two years: a) growth in system membership; b) growth in salaries, exclusive of merit or longevity increases; c) growth in inflation; and d) investment rate of return.

The council will work with the Department of Retirement Systems, the State Actuary, and the State Investment Board, and will consider long-term historical averages in developing the assumptions.

Votes on Final Passage:

House	98 0
Senate	41 0

Effective: May 5, 1995

Partial Veto Summary The governor vetoed section 2 of House Bill 1131 because detailed and specific language preferable to that of section 2 exists in section 309 of Engrossed Substitute House Bill No. 1206, relating to retirement systems restructuring. These sections cannot properly be merged.

The vetoed section directs the State Actuary to submit information about the retirement systems to the Economic Forecast Council every two years, and directs the council to adopt retirement contribution rates. The section also directs the council to notify the Office of Financial Management and the Department of Retirement Systems of the newly adopted contribution rates, and directs the department of Retirement Systems to collect the rates.