

6167-S

Sponsor(s): Senate Committee on Ways & Means (originally sponsored by Senators Brown, Snyder, Spanel and B. Sheldon)

Brief Description: Ensuring sound actuarial funding of the state retirement systems.

SB 6167-S.E - DIGEST

(DIGEST AS ENACTED)

Finds that the funding status of the state retirement systems has improved dramatically since 1989. Because of the big reduction in unfunded pension liabilities, it is now prudent to adjust the long-term economic assumptions that are used in the actuarial studies conducted by the state actuary.

Finds that it is reasonable to increase the salary growth assumption in light of Initiative Measure No. 732, to increase the investment return assumption in light of the asset allocation policies and historical returns of the state investment board, and to reestablish June 30, 2024, as the target date to achieve full funding of all liabilities in the public employees' retirement system plan 1 and the teachers' retirement system plan 1.

Declares that the funding process established by chapter 41.45 RCW is intended to include the following goal: To ensure the actuarial funding of the restated law enforcement officers' and fire fighters' retirement system defined benefit plan, and provide for additional state funding if unfunded liabilities accrue in the future.

Declares that, beginning July 1, 2001, the following long-term economic assumptions shall be used by the state actuary for the purposes of RCW 41.45.030: (1) The growth in inflation assumption shall be 3.5 percent;

(2) The growth in salaries assumption, exclusive of merit or longevity increases, shall be 4.5 percent;

(3) The investment rate of return assumption shall be 8 percent; and

(4) The growth in system membership assumption shall be 1.25 percent for the public employees' retirement system, the school employees' retirement system, and the law enforcement officers' and fire fighters' retirement system. The assumption shall be .90 percent for the teachers' retirement system.

Declares that, beginning with actuarial studies done after July 1, 2001, changes to plan asset values that vary from the long-term investment rate of return assumption shall be recognized over a four-year period. Beginning April 1, 2004, the council, by affirmative vote of four councilmembers, may adopt changes to this asset value smoothing technique. Any changes adopted by the council shall be subject to revision by the legislature.

VETO MESSAGE ON ESSB 6167

June 26, 2001

To the Honorable President and Members,

The Senate of the State of Washington
Ladies and Gentlemen:

I am returning herewith, without my approval as to section 18, Engrossed Substitute Senate Bill No. 6167 entitled:

"AN ACT Relating to actuarial funding of state retirement systems;"

This bill establishes long-term economic assumptions and contribution rates for the state pension funds. These are matters of great concern to both working and retired members of the retirement systems and for the state as a whole. Implementing these assumptions requires a high level of expertise and appropriate input from those with the experience and skills to ensure the credibility and accountability of the process.

Section 18 would have abolished the pension funding work group entirely, and transferred staffing responsibility to the state actuary. This approach would have reduced the amount of expertise and input available and would have eroded confidence in the reliability of the pension system.

I agree with members of the Legislature that the current process could be better, and am willing to work with them on another solution.

For these reasons, I have vetoed section 18 of Engrossed Substitute Senate Bill No. 6167.

With the exception of section 18, Engrossed Substitute Senate Bill No. 6167 is approved.

Respectfully submitted,
Gary Locke
Governor