
SUBSTITUTE HOUSE BILL 1204

State of Washington

58th Legislature

2003 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Fromhold, Delvin, Conway, Alexander, Pflug, Anderson, Cooper and Chase; by request of Joint Committee on Pension Policy)

READ FIRST TIME 03/04/03.

1 AN ACT Relating to creating the select committee on pension policy;
2 amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.020, 41.45.090,
3 44.04.260, 41.45.110, and 44.44.030; reenacting and amending RCW
4 41.32.570; adding new sections to chapter 41.04 RCW; creating a new
5 section; decodifying RCW 41.54.061; and repealing RCW 44.44.015,
6 44.44.050, and 44.44.060.

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

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

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

12 (a) Four members of the senate appointed by the president of the
13 senate, two of whom are members of the majority party and two of whom
14 are members of the minority party. At least three of the appointees
15 shall be members of the senate ways and means committee;

16 (b) Four members of the house of representatives appointed by the
17 speaker, two of whom are members of the majority party and two of whom
18 are members of the minority party. At least three of the appointees

1 shall be members of the house of representatives appropriations
2 committee;

3 (c) Four active members or representatives from organizations of
4 active members of the state retirement systems appointed by the
5 governor for staggered three-year terms, with no more than two
6 appointees representing any one employee retirement system;

7 (d) Two retired members or representatives of retired members'
8 organizations of the state retirement systems appointed by the governor
9 for staggered three-year terms, with no two members from the same
10 system;

11 (e) Four employer representatives of members of the state
12 retirement systems appointed by the governor for staggered three-year
13 terms; and

14 (f) The directors of the department of retirement systems and
15 office of financial management.

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

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

34 (3) The committee shall elect a chairperson and a vice-chairperson.
35 The chairperson shall be a member of the senate in even-numbered years
36 and a member of the house of representatives in odd-numbered years.

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

1 (5) Nonlegislative members of the select committee serve without
2 compensation, but shall be reimbursed for travel expenses under RCW
3 43.03.050 and 43.03.060.

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

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

8 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
9 section, all expenses of the administration of the department (~~and~~),
10 the expenses of administration of the retirement systems, and the
11 expenses of the administration of the office of the state actuary
12 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
13 (~~and~~) 43.43, and 44.44 RCW shall be paid from the department of
14 retirement systems expense fund.

15 (2) In order to reimburse the department of retirement systems
16 expense fund on an equitable basis the department shall ascertain and
17 report to each employer, as defined in RCW 41.26.030, 41.32.010,
18 41.35.010, or 41.40.010, the sum necessary to defray its proportional
19 share of the entire expense of the administration of the retirement
20 system that the employer participates in during the ensuing biennium or
21 fiscal year whichever may be required. Such sum is to be computed in
22 an amount directly proportional to the estimated entire expense of the
23 administration as the ratio of monthly salaries of the employer's
24 members bears to the total salaries of all members in the entire
25 system. It shall then be the duty of all such employers to include in
26 their budgets or otherwise provide the amounts so required.

27 (3) The department shall compute and bill each employer, as defined
28 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
29 each month for the amount due for that month to the department of
30 retirement systems expense fund and the same shall be paid as are its
31 other obligations. Such computation as to each employer shall be made
32 on a percentage rate of salary established by the department. However,
33 the department may at its discretion establish a system of billing
34 based upon calendar year quarters in which event the said billing shall
35 be at the end of each such quarter.

36 (4) The director may adjust the expense fund contribution rate for

1 each system at any time when necessary to reflect unanticipated costs
2 or savings in administering the department.

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

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

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

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

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

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

20 The office of the state actuary shall have the following powers and
21 duties:

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

26 (2) Advise the legislature and the governor regarding pension
27 benefit provisions, and funding policies and investment policies of the
28 state investment board.

29 (3) Consult with the legislature and the governor concerning
30 determination of actuarial assumptions used by the department of
31 retirement systems.

32 (4) Prepare a report, to be known as the actuarial fiscal note, on
33 each pension bill introduced in the legislature which briefly explains
34 the financial impact of the bill. The actuarial fiscal note shall
35 include: (a) The statutorily required contribution for the biennium
36 and the following twenty-five years; (b) the biennial cost of the
37 increased benefits if these exceed the required contribution; and (c)

1 any change in the present value of the unfunded accrued benefits. An
2 actuarial fiscal note shall also be prepared for all amendments which
3 are offered in committee or on the floor of the house of
4 representatives or the senate to any pension bill. However, a majority
5 of the members present may suspend the requirement for an actuarial
6 fiscal note for amendments offered on the floor of the house of
7 representatives or the senate.

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

10 (6) Provide staff and assistance to the committee established under
11 (~~RCW 46.44.050~~) section 1 of this act.

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

14 The select committee on pension policy has the following powers and
15 duties:

16 (1) Study pension issues, develop pension policies for public
17 employees in state retirement systems, and make recommendations to the
18 legislature;

19 (2) Study the financial condition of the state pension systems,
20 develop funding policies, and make recommendations to the legislature;

21 (3) Consult with the chair and vice-chair on appointing members to
22 the state actuary appointment committee upon the convening of the state
23 actuary appointment committee established under section 12 of this act;
24 and

25 (4) Receive the results of the actuarial audits of the actuarial
26 valuations and experience studies administered by the pension funding
27 council pursuant to RCW 41.45.110. The select committee on pension
28 policy shall study and make recommendations on changes to assumptions
29 or contribution rates to the pension funding council prior to adoption
30 of changes under RCW 41.45.030, 41.45.035, or 41.45.060.

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

33 (1)(a) If a retiree enters employment with an employer sooner than
34 one calendar month after his or her accrual date, the retiree's monthly
35 retirement allowance will be reduced by five and one-half percent for

1 every seven hours worked during that month. This reduction will be
2 applied each month until the retiree remains absent from employment
3 with an employer for one full calendar month.

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

8 (2) Any retired teacher or retired administrator who enters service
9 in any public educational institution in Washington state and who has
10 satisfied the break in employment requirement of subsection (1) of this
11 section shall cease to receive pension payments while engaged in such
12 service, after the retiree has rendered service for more than one
13 thousand five hundred hours in a school year. When a retired teacher
14 or administrator renders service beyond eight hundred sixty-seven
15 hours, the department shall collect from the employer the applicable
16 employer retirement contributions for the entire duration of the
17 member's employment during that fiscal year.

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

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

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

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

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

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

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

16 (3) If the retiree opts to reestablish membership under RCW
17 41.40.023(12), he or she terminates his or her retirement status and
18 becomes a member. Retirement benefits shall not accrue during the
19 period of membership and the individual shall make contributions and
20 receive membership credit. Such a member shall have the right to again
21 retire if eligible in accordance with RCW 41.40.180. However, if the
22 right to retire is exercised to become effective before the member has
23 rendered two uninterrupted years of service, the retirement formula and
24 survivor options the member had at the time of the member's previous
25 retirement shall be reinstated.

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

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

33 **Sec. 7.** RCW 41.45.020 and 2002 c 26 s 4 are each amended to read
34 as follows:

35 As used in this chapter, the following terms have the meanings
36 indicated unless the context clearly requires otherwise.

- 1 (1) "Council" means the pension funding council created in RCW
2 41.45.100.
- 3 (2) "Department" means the department of retirement systems.
- 4 (3) "Law enforcement officers' and fire fighters' retirement system
5 plan 1" and "law enforcement officers' and fire fighters' retirement
6 system plan 2" means the benefits and funding provisions under chapter
7 41.26 RCW.
- 8 (4) "Public employees' retirement system plan 1," "public
9 employees' retirement system plan 2," and "public employees' retirement
10 system plan 3" mean the benefits and funding provisions under chapter
11 41.40 RCW.
- 12 (5) "Teachers' retirement system plan 1," "teachers' retirement
13 system plan 2," and "teachers' retirement system plan 3" mean the
14 benefits and funding provisions under chapter 41.32 RCW.
- 15 (6) "School employees' retirement system plan 2" and "school
16 employees' retirement system plan 3" mean the benefits and funding
17 provisions under chapter 41.35 RCW.
- 18 (7) "Washington state patrol retirement system" means the
19 retirement benefits provided under chapter 43.43 RCW.
- 20 (8) "Unfunded liability" means the unfunded actuarial accrued
21 liability of a retirement system.
- 22 (9) "Actuary" or "state actuary" means the state actuary employed
23 under chapter 44.44 RCW.
- 24 (10) "State retirement systems" means the retirement systems listed
25 in RCW 41.50.030.
- 26 (11) "Classified employee" means a member of the Washington school
27 employees' retirement system plan 2 or plan 3 as defined in RCW
28 41.35.010.
- 29 (12) "Teacher" means a member of the teachers' retirement system as
30 defined in RCW 41.32.010(15).
- 31 (13) "Select committee" means the select committee on pension
32 policy created in section 1 of this act.

33 **Sec. 8.** RCW 41.45.090 and 1998 c 283 s 7 are each amended to read
34 as follows:

35 The department shall collect and keep in convenient form such data
36 as shall be necessary for an actuarial valuation of the assets and
37 liabilities of the state retirement systems, and for making an

1 actuarial investigation into the mortality, service, compensation, and
2 other experience of the members and beneficiaries of those systems.
3 The department and state actuary shall enter into a memorandum of
4 understanding regarding the specific data the department will collect,
5 when it will be collected, and how it will be maintained. The
6 department shall notify the state actuary of any changes it makes, or
7 intends to make, in the collection and maintenance of such data.

8 At least once in each six-year period, the state actuary shall
9 conduct an actuarial experience study of the mortality, service,
10 compensation and other experience of the members and beneficiaries of
11 each state retirement system, and into the financial condition of each
12 system. The results of each investigation shall be filed with the
13 department, the office of financial management, the budget writing
14 committees of the Washington house of representatives and senate, the
15 select committee on pension policy, and the pension funding council.
16 Upon the basis of such actuarial investigation the department shall
17 adopt such tables, schedules, factors, and regulations as are deemed
18 necessary in the light of the findings of the actuary for the proper
19 operation of the state retirement systems.

20 **Sec. 9.** RCW 41.45.110 and 1998 c 283 s 3 are each amended to read
21 as follows:

22 The pension funding council shall solicit and administer a biennial
23 actuarial audit of the actuarial valuations used for rate-setting
24 purposes. This audit will be conducted concurrent with the actuarial
25 valuation performed by the state actuary. At least once in each six-
26 year period, the pension funding council shall solicit and administer
27 an actuarial audit of the results of the experience study required in
28 RCW 41.45.090. Upon receipt of the results of the actuarial audits
29 required by this section, the pension funding council shall submit the
30 results to the select committee on pension policy.

31 NEW SECTION. **Sec. 10.** RCW 41.54.061 is decodified.

32 **Sec. 11.** RCW 44.04.260 and 2001 c 259 s 1 are each amended to read
33 as follows:

34 The joint legislative audit and review committee, the legislative
35 transportation committee, the ~~((joint))~~ select committee on pension

1 policy, the legislative evaluation and accountability program
2 committee, and the joint legislative systems committee are subject to
3 such operational policies, procedures, and oversight as are deemed
4 necessary by the facilities and operations committee of the senate and
5 the executive rules committee of the house of representatives to ensure
6 operational adequacy of the agencies of the legislative branch. As
7 used in this section, "operational policies, procedures, and oversight"
8 includes the development process of biennial budgets, contracting
9 procedures, personnel policies, and compensation plans, selection of a
10 chief administrator, facilities, and expenditures. This section does
11 not grant oversight authority to the facilities and operations
12 committee of the senate over any standing committee of the house of
13 representatives or oversight authority to the executive rules committee
14 of the house of representatives over any standing committee of the
15 senate.

16 NEW SECTION. **Sec. 12.** (1) The state actuary appointment committee
17 is created. The committee shall consist of: (a) The chair and ranking
18 minority member of the house of representatives appropriations
19 committee and the chair and ranking minority member of the senate ways
20 and means committee; and (b) four members of the select committee on
21 pension policy appointed jointly by the chair and vice-chair of the
22 select committee, at least one member representing state retirement
23 systems active or retired members, and one member representing state
24 retirement system employers.

25 (2) The state actuary appointment committee shall be jointly
26 chaired by the chair of the house of representatives appropriations
27 committee and the chair of the senate ways and means committee.

28 (3) The state actuary appointment committee shall appoint or remove
29 the state actuary by a two-thirds vote of the committee. When
30 considering the appointment or removal of the state actuary, the
31 appointment committee shall consult with the director of the department
32 of retirement systems, the director of the office of financial
33 management, and other interested parties.

34 (4) The state actuary appointment committee shall be convened by
35 the chairs of the house of representatives appropriations committee and
36 the senate ways and means committee (a) whenever the position of state

1 actuary becomes vacant, or (b) upon the written request of any four
2 members of the appointment committee.

3 **Sec. 13.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to
4 read as follows:

5 (1) Subject to RCW 44.04.260, the state actuary shall have the
6 authority to select and employ such research, technical, clerical
7 personnel, and consultants as the actuary deems necessary, whose
8 salaries shall be fixed by the actuary and approved by the (~~joint~~
9 ~~committee on pension policy~~) the state actuary appointment committee,
10 and who shall be exempt from the provisions of the state civil service
11 law, chapter 41.06 RCW.

12 (2) All actuarial valuations and experience studies performed by
13 the office of the state actuary shall be signed by a member of the
14 American academy of actuaries. If the state actuary is not such a
15 member, the state actuary, after approval by the select committee,
16 shall contract for a period not to exceed two years with a member of
17 the American academy of actuaries to assist in developing actuarial
18 valuations and experience studies.

19 NEW SECTION. **Sec. 14.** The following acts or parts of acts are
20 each repealed:

- 21 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
22 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
23 terms, leadership) and 1987 c 25 s 4; and
24 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
25 duties) and 1987 c 25 s 5.

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