

---

SENATE BILL 5099

---

State of Washington

58th Legislature

2003 Regular Session

By Senators Winsley, Carlson, Fraser and B. Sheldon; by request of Joint Committee on Pension Policy

Read first time 01/15/2003. Referred to Committee on Ways & Means.

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, and 44.44.030; reenacting and amending RCW 41.32.570; adding  
4 new sections to chapter 41.04 RCW; decodifying RCW 41.54.061; and  
5 repealing RCW 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 appointed by the president of the  
12 senate, two of whom are members of the majority party and two of whom  
13 are members of the minority party. At least three of the appointees  
14 shall be members of the senate ways and means committee;

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

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

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

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

12 (f) The directors of the department of retirement systems and  
13 office of financial management.

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

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

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

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

37 (5) Nonlegislative members of the select committee serve without

1 compensation, but shall be reimbursed for travel expenses under RCW  
2 43.03.050 and 43.03.060.

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

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

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

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

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

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

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

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

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

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

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

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

18 The office of the state actuary shall have the following powers and  
19 duties:

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

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

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

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

1 are offered in committee or on the floor of the house of  
2 representatives or the senate to any pension bill. However, a majority  
3 of the members present may suspend the requirement for an actuarial  
4 fiscal note for amendments offered on the floor of the house of  
5 representatives or the senate.

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

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

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

12 The select committee on pension policy has the following powers and  
13 duties:

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

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

20 (3) Appoint or remove the state actuary by a two-thirds vote of the  
21 select committee.

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

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

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

34 (2) Any retired teacher or retired administrator who enters service  
35 in any public educational institution in Washington state and who has  
36 satisfied the break in employment requirement of subsection (1) of this

1 section shall cease to receive pension payments while engaged in such  
2 service, after the retiree has rendered service for more than one  
3 thousand five hundred hours in a school year. When a retired teacher  
4 or administrator renders service beyond eight hundred sixty-seven  
5 hours, the department shall collect from the employer the applicable  
6 employer retirement contributions for the entire duration of the  
7 member's employment during that fiscal year.

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

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

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

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

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

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

36 (b) A retiree from plan 2 or plan 3 who has satisfied the break in  
37 employment requirement of subsection (1) of this section may work up to

1 eight hundred sixty-seven hours in a calendar year in an eligible  
2 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as  
3 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,  
4 without suspension of his or her benefit.

5 (3) If the retiree opts to reestablish membership under RCW  
6 41.40.023(12), he or she terminates his or her retirement status and  
7 becomes a member. Retirement benefits shall not accrue during the  
8 period of membership and the individual shall make contributions and  
9 receive membership credit. Such a member shall have the right to again  
10 retire if eligible in accordance with RCW 41.40.180. However, if the  
11 right to retire is exercised to become effective before the member has  
12 rendered two uninterrupted years of service, the retirement formula and  
13 survivor options the member had at the time of the member's previous  
14 retirement shall be reinstated.

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

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

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

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

26 (1) "Council" means the pension funding council created in RCW  
27 41.45.100.

28 (2) "Department" means the department of retirement systems.

29 (3) "Law enforcement officers' and fire fighters' retirement system  
30 plan 1" and "law enforcement officers' and fire fighters' retirement  
31 system plan 2" means the benefits and funding provisions under chapter  
32 41.26 RCW.

33 (4) "Public employees' retirement system plan 1," "public  
34 employees' retirement system plan 2," and "public employees' retirement  
35 system plan 3" mean the benefits and funding provisions under chapter  
36 41.40 RCW.

1 (5) "Teachers' retirement system plan 1," "teachers' retirement  
2 system plan 2," and "teachers' retirement system plan 3" mean the  
3 benefits and funding provisions under chapter 41.32 RCW.

4 (6) "School employees' retirement system plan 2" and "school  
5 employees' retirement system plan 3" mean the benefits and funding  
6 provisions under chapter 41.35 RCW.

7 (7) "Washington state patrol retirement system" means the  
8 retirement benefits provided under chapter 43.43 RCW.

9 (8) "Unfunded liability" means the unfunded actuarial accrued  
10 liability of a retirement system.

11 (9) "Actuary" or "state actuary" means the state actuary employed  
12 under chapter 44.44 RCW.

13 (10) "State retirement systems" means the retirement systems listed  
14 in RCW 41.50.030.

15 (11) "Classified employee" means a member of the Washington school  
16 employees' retirement system plan 2 or plan 3 as defined in RCW  
17 41.35.010.

18 (12) "Teacher" means a member of the teachers' retirement system as  
19 defined in RCW 41.32.010(15).

20 (13) "Select committee" means the select committee on pension  
21 policy created in section 1 of this act.

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

24 The department shall collect and keep in convenient form such data  
25 as shall be necessary for an actuarial valuation of the assets and  
26 liabilities of the state retirement systems, and for making an  
27 actuarial investigation into the mortality, service, compensation, and  
28 other experience of the members and beneficiaries of those systems.  
29 The department and state actuary shall enter into a memorandum of  
30 understanding regarding the specific data the department will collect,  
31 when it will be collected, and how it will be maintained. The  
32 department shall notify the state actuary of any changes it makes, or  
33 intends to make, in the collection and maintenance of such data.

34 At least once in each six-year period, the state actuary shall  
35 conduct an actuarial experience study of the mortality, service,  
36 compensation and other experience of the members and beneficiaries of  
37 each state retirement system, and into the financial condition of each



1 system. The results of each investigation shall be filed with the  
2 department, the office of financial management, the budget writing  
3 committees of the Washington house of representatives and senate, the  
4 select committee on pension policy, and the pension funding council.  
5 Upon the basis of such actuarial investigation the department shall  
6 adopt such tables, schedules, factors, and regulations as are deemed  
7 necessary in the light of the findings of the actuary for the proper  
8 operation of the state retirement systems.

9 NEW SECTION. **Sec. 9.** RCW 41.54.061 is decodified.

10 **Sec. 10.** RCW 44.04.260 and 2001 c 259 s 1 are each amended to read  
11 as follows:

12 The joint legislative audit and review committee, the legislative  
13 transportation committee, the ((~~joint~~)) select committee on pension  
14 policy, the legislative evaluation and accountability program  
15 committee, and the joint legislative systems committee are subject to  
16 such operational policies, procedures, and oversight as are deemed  
17 necessary by the facilities and operations committee of the senate and  
18 the executive rules committee of the house of representatives to ensure  
19 operational adequacy of the agencies of the legislative branch. As  
20 used in this section, "operational policies, procedures, and oversight"  
21 includes the development process of biennial budgets, contracting  
22 procedures, personnel policies, and compensation plans, selection of a  
23 chief administrator, facilities, and expenditures. This section does  
24 not grant oversight authority to the facilities and operations  
25 committee of the senate over any standing committee of the house of  
26 representatives or oversight authority to the executive rules committee  
27 of the house of representatives over any standing committee of the  
28 senate.

29 **Sec. 11.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to  
30 read as follows:

31 (1) Subject to RCW 44.04.260, the state actuary shall have the  
32 authority to select and employ such research, technical, clerical  
33 personnel, and consultants as the actuary deems necessary, whose  
34 salaries shall be fixed by the actuary and approved by the ((~~joint~~))

1 select committee on pension policy, and who shall be exempt from the  
2 provisions of the state civil service law, chapter 41.06 RCW.

3 (2) All actuarial valuations and experience studies performed by  
4 the office of the state actuary shall be signed by a member of the  
5 American academy of actuaries. If the state actuary is not such a  
6 member, the state actuary, after approval by the select committee,  
7 shall contract for a period not to exceed two years with a member of  
8 the American academy of actuaries to assist in developing actuarial  
9 valuations and experience studies.

10 NEW SECTION. Sec. 12. The following acts or parts of acts are  
11 each repealed:

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

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

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

--- END ---