

CERTIFICATION OF ENROLLMENT

**SENATE BILL 6249**

Chapter 93, Laws of 2004

58th Legislature  
2004 Regular Session

RETIREMENT SYSTEMS--ACTUARIAL STUDIES

EFFECTIVE DATE: 6/10/04

Passed by the Senate February 17, 2004  
YEAS 48 NAYS 0

BRAD OWEN

**President of the Senate**

Passed by the House March 3, 2004  
YEAS 94 NAYS 2

FRANK CHOPP

**Speaker of the House of Representatives**

Approved March 22, 2004.

GARY F. LOCKE

**Governor of the State of Washington**

CERTIFICATE

I, Milton H. Doumit, Jr.,  
Secretary of the Senate of the  
State of Washington, do hereby  
certify that the attached is  
**SENATE BILL 6249** as passed by the  
Senate and the House of  
Representatives on the dates  
hereon set forth.

MILTON H. DOUMIT JR.

**Secretary**

FILED

March 22, 2004 - 5:39 p.m.

**Secretary of State  
State of Washington**

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**SENATE BILL 6249**

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Passed Legislature - 2004 Regular Session

**State of Washington                      58th Legislature                      2004 Regular Session**

**By** Senators Fraser, Winsley, Pflug, Regala and Carlson; by request of  
Select Committee on Pension Policy

Read first time 01/15/2004. Referred to Committee on Ways & Means.

1            AN ACT Relating to establishing an asset smoothing corridor for  
2 actuarial valuations used in the funding of the state retirement  
3 systems; and amending RCW 41.45.020 and 41.45.035.

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

5            **Sec. 1.** RCW 41.45.020 and 2003 c 295 s 8 are each amended to read  
6 as follows:

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

9            (1) "Council" means the pension funding council created in RCW  
10 41.45.100.

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

12            (3) "Law enforcement officers' and fire fighters' retirement system  
13 plan 1" and "law enforcement officers' and fire fighters' retirement  
14 system plan 2" means the benefits and funding provisions under chapter  
15 41.26 RCW.

16            (4) "Public employees' retirement system plan 1," "public  
17 employees' retirement system plan 2," and "public employees' retirement  
18 system plan 3" mean the benefits and funding provisions under chapter  
19 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 RCW 41.04.276.

22 (14) "Actuarial value of assets" means the value of pension plan  
23 investments and other property used by the actuary for the purpose of  
24 an actuarial valuation.

25 **Sec. 2.** RCW 41.45.035 and 2003 1st sp.s. c 11 s 1 are each amended  
26 to read as follows:

27 (1) Beginning July 1, 2001, the following long-term economic  
28 assumptions shall be used by the state actuary for the purposes of RCW  
29 41.45.030:

30 (a) The growth in inflation assumption shall be 3.5 percent;

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

33 (c) The investment rate of return assumption shall be 8 percent;  
34 and

35 (d) The growth in system membership assumption shall be 1.25  
36 percent for the public employees' retirement system, the school

1 employees' retirement system, and the law enforcement officers' and  
2 fire fighters' retirement system. The assumption shall be .90 percent  
3 for the teachers' retirement system.

4 (2)(a) Beginning with actuarial studies done after July 1, 2003,  
5 changes to plan asset values that vary from the long-term investment  
6 rate of return assumption shall be recognized in the actuarial value of  
7 assets over a period that varies up to eight years depending on the  
8 magnitude of the deviation of each year's investment rate of return  
9 relative to the long-term rate of return assumption. Beginning with  
10 actuarial studies performed after July 1, 2004, the actuarial value of  
11 assets shall not be greater than one hundred thirty percent of the  
12 market value of assets as of the valuation date or less than seventy  
13 percent of the market value of assets as of the valuation date.  
14 Beginning April 1, 2004, the council, by affirmative vote of four  
15 councilmembers, may adopt changes to this asset value smoothing  
16 technique. Any changes adopted by the council shall be subject to  
17 revision by the legislature.

18 (b) The state actuary shall periodically review the appropriateness  
19 of the asset smoothing method in this section and recommend changes to  
20 the legislature as necessary.

Passed by the Senate February 17, 2004.

Passed by the House March 3, 2004.

Approved by the Governor March 22, 2004.

Filed in Office of Secretary of State March 22, 2004.