
SENATE BILL 6079

State of Washington 59th Legislature 2005 Regular Session

By Senators Schmidt, Zarelli, Hewitt and Mulliken

Read first time 03/04/2005. Referred to Committee on Ways & Means.

1 AN ACT Relating to the role of the pension funding council;
2 amending RCW 41.04.281, 41.45.030, 41.45.035, 41.45.060, 41.45.100, and
3 41.45.120; reenacting and amending RCW 41.45.060; providing an
4 effective date; and providing an expiration date.

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

6 **Sec. 1.** RCW 41.04.281 and 2003 c 295 s 5 are each amended to read
7 as follows:

8 The select committee on pension policy has the following powers and
9 duties:

10 (1) Study pension issues, develop pension policies for public
11 employees in state retirement systems, and make recommendations to the
12 legislature;

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

15 (3) Consult with the chair and vice-chair on appointing members to
16 the state actuary appointment committee upon the convening of the state
17 actuary appointment committee established under RCW 44.44.013; and

18 (4) Receive the results of the actuarial audits of the actuarial
19 valuations and experience studies administered by the pension funding

1 council pursuant to RCW 41.45.110. The select committee on pension
2 policy shall study and make recommendations on changes to (~~assumptions~~
3 ~~or~~) contribution rates to the pension funding council prior to
4 adoption of changes under RCW (~~41.45.030, 41.45.035, or 41.45.060~~)
5 41.45.054.

6 **Sec. 2.** RCW 41.45.030 and 2001 2nd sp.s. c 11 s 5 are each amended
7 to read as follows:

8 (1) Beginning April 1, 2004, and every four years thereafter, the
9 state actuary shall (~~submit to the council~~) publish information
10 regarding the economic experience and financial condition of each state
11 retirement system. (~~The council shall review this and such other~~
12 ~~information as it may require.~~

13 ~~(2) By May 31, 2004, and every four years thereafter, the council,~~
14 ~~by affirmative vote of four councilmembers, may adopt changes to the~~
15 ~~long term economic assumptions established in RCW 41.45.035. Any~~
16 ~~changes adopted by the council shall be subject to revision by the~~
17 ~~legislature.~~

18 ~~The council shall consult with the economic and revenue forecast~~
19 ~~supervisor and the executive director of the state investment board,~~
20 ~~and shall consider long term historical averages, in reviewing possible~~
21 ~~changes to the economic assumptions.~~

22 ~~(3))~~ (2) The assumptions and the asset value smoothing technique
23 established in RCW 41.45.035, as modified in the future by the
24 (~~council or~~) legislature, shall be used by the state actuary in
25 conducting all actuarial studies of the state retirement systems,
26 including actuarial fiscal notes under RCW 44.44.040. The assumptions
27 shall also be used for the administration of benefits under the
28 retirement plans listed in RCW 41.45.020, pursuant to timelines and
29 conditions established by department rules.

30 **Sec. 3.** RCW 41.45.035 and 2004 c 93 s 2 are each amended to read
31 as follows:

32 (1) Beginning July 1, 2001, the following long-term economic
33 assumptions shall be used by the state actuary for the purposes of RCW
34 41.45.030:

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

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

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

5 (d) The growth in system membership assumption shall be 1.25
6 percent for the public employees' retirement system, the school
7 employees' retirement system, and the law enforcement officers' and
8 fire fighters' retirement system. The assumption shall be .90 percent
9 for the teachers' retirement system; and

10 (e) The state actuary shall periodically review the appropriateness
11 of the assumptions in this section and recommend changes to the
12 legislature as necessary.

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

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

30 **Sec. 4.** RCW 41.45.060 and 2003 c 294 s 10 and 2003 c 92 s 3 are
31 each reenacted and amended to read as follows:

32 (1) The state actuary shall provide actuarial valuation results
33 based on the economic assumptions and asset value smoothing technique
34 included in RCW 41.45.035 (~~(or adopted by the council under RCW~~
35 ~~41.45.030 or 41.45.035)).~~

36 (2) Not later than September 30, 2002, and every two years
37 thereafter, consistent with the actuarial valuation report audited

1 pursuant to RCW 41.45.110 and based on the economic assumptions and
2 asset value smoothing technique included in RCW 41.45.035 or adopted
3 under RCW 41.45.030 or 41.45.035, the council shall adopt (~~and may~~
4 ~~make changes to~~):

5 (a) A basic state contribution rate for the law enforcement
6 officers' and fire fighters' retirement system plan 1;

7 (b) Basic employer contribution rates for the public employees'
8 retirement system, the teachers' retirement system, and the Washington
9 state patrol retirement system to be used in the ensuing biennial
10 period; and

11 (c) A basic employer contribution rate for the school employees'
12 retirement system for funding both that system and the public
13 employees' retirement system plan 1.

14 The contribution rates adopted by the council shall be subject to
15 revision by the legislature.

16 (3) The employer and state contribution rates adopted by the
17 council shall be the level percentages of pay that are needed:

18 (a) To fully amortize the total costs of the public employees'
19 retirement system plan 1, the teachers' retirement system plan 1, and
20 the law enforcement officers' and fire fighters' retirement system plan
21 1 not later than June 30, 2024; and

22 (b) To also continue to fully fund the public employees' retirement
23 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
24 and the school employees' retirement system plans 2 and 3 in accordance
25 with RCW 41.45.061, 41.45.067, and this section.

26 (4) The aggregate actuarial cost method shall be used to calculate
27 a combined plan 2 and 3 employer contribution rate and a Washington
28 state patrol retirement system contribution rate.

29 (5) The council shall immediately notify the directors of the
30 office of financial management and department of retirement systems of
31 the state and employer contribution rates adopted. The rates shall be
32 effective for the ensuing biennial period, subject to any legislative
33 modifications.

34 (6) The director of the department of retirement systems shall
35 collect the rates (~~established in RCW 41.45.053 through June 30, 2003.~~
36 ~~Thereafter, the director shall collect those rates~~) adopted by the
37 council. The rates established (~~in RCW 41.45.053, or~~) by the

1 council((~~τ~~)) shall be subject to revision by the ((~~council~~))
2 legislature.

3 **Sec. 5.** RCW 41.45.060 and 2004 c 242 s 39 are each amended to read
4 as follows:

5 (1) The state actuary shall provide actuarial valuation results
6 based on the economic assumptions and asset value smoothing technique
7 included in RCW 41.45.035 ((~~or adopted by the council under RCW~~
8 ~~41.45.030 or 41.45.035~~)).

9 (2) Not later than September 30, 2002, and every two years
10 thereafter, consistent with the actuarial valuation report audited
11 pursuant to RCW 41.45.110 and based on the economic assumptions and
12 asset value smoothing technique included in RCW 41.45.035 or adopted
13 under RCW 41.45.030 or 41.45.035, the council shall adopt ((~~and may~~
14 ~~make changes to~~)):

15 (a) A basic state contribution rate for the law enforcement
16 officers' and fire fighters' retirement system plan 1;

17 (b) Basic employer contribution rates for the public employees'
18 retirement system, the teachers' retirement system, and the Washington
19 state patrol retirement system to be used in the ensuing biennial
20 period; and

21 (c) A basic employer contribution rate for the school employees'
22 retirement system and the public safety employees' retirement system
23 for funding both those systems and the public employees' retirement
24 system plan 1.

25 The contribution rates adopted by the council shall be subject to
26 revision by the legislature.

27 (3) The employer and state contribution rates adopted by the
28 council shall be the level percentages of pay that are needed:

29 (a) To fully amortize the total costs of the public employees'
30 retirement system plan 1, the teachers' retirement system plan 1, and
31 the law enforcement officers' and fire fighters' retirement system plan
32 1 not later than June 30, 2024; and

33 (b) To fully fund the public employees' retirement system plans 2
34 and 3, the teachers' retirement system plans 2 and 3, the public safety
35 employees' retirement system plan 2, and the school employees'
36 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
37 41.45.067, and this section.

1 (4) The aggregate actuarial cost method shall be used to calculate
2 a combined plan 2 and 3 employer contribution rate and a Washington
3 state patrol retirement system contribution rate.

4 (5) The council shall immediately notify the directors of the
5 office of financial management and department of retirement systems of
6 the state and employer contribution rates adopted. The rates shall be
7 effective for the ensuing biennial period, subject to any legislative
8 modifications.

9 (6) The director shall collect those rates adopted by the council.
10 The rates established in RCW 41.45.054, or by the council, shall be
11 subject to revision by the legislature.

12 **Sec. 6.** RCW 41.45.100 and 1998 c 283 s 2 are each amended to read
13 as follows:

14 (1) The pension funding council is hereby created. The council
15 consists of the:

- 16 (a) Director of the department of retirement systems;
- 17 (b) Director of the office of financial management;
- 18 (c) Chair and ranking minority member of the house of
19 representatives appropriations committee; and
- 20 (d) Chair and ranking minority member of the senate ways and means
21 committee.

22 The council may select officers as the members deem necessary.

23 (2) The pension funding council shall (~~adopt changes to economic~~
24 ~~assumptions and contribution rates~~) act by an affirmative vote of at
25 least four members.

26 **Sec. 7.** RCW 41.45.120 and 1998 c 283 s 4 are each amended to read
27 as follows:

28 (1) A pension funding work group is hereby created. The work group
29 shall consist of one staff member selected by the executive head or
30 chairperson of each of the following agencies or committees:

- 31 (a) Department of retirement systems;
- 32 (b) Office of financial management;
- 33 (c) State investment board;
- 34 (d) Ways and means committee of the senate;
- 35 (e) Appropriations committee of the house of representatives; and
- 36 (f) Economic and revenue forecast council.

1 (2) The state actuary shall make available to the work group
2 information related to (~~economic assumptions and~~) contribution rates.

3 (3) The pension funding work group shall provide support to the
4 pension funding council. Meetings of the pension funding work group
5 may be called by any member of the group for the purpose of assisting
6 the pension funding council, reviewing actuarial valuations of the
7 state retirement systems, (~~reviewing economic assumptions,~~) or for
8 any other purpose which may assist the pension funding council.

9 (4) Recommendations from both affected employee and employer groups
10 will be actively sought during the work group process. The work group
11 shall conduct an open public meeting on these recommendations.

12 NEW SECTION. **Sec. 8.** Section 4 of this act expires July 1, 2006.

13 NEW SECTION. **Sec. 9.** Section 5 of this act takes effect July 1,
14 2006.

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