

# HOUSE BILL REPORT

## HB 1544

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to the state actuary's recommendations for assumptions used in the actuarial funding of the state retirement systems.

**Brief Description:** Addressing the state actuary's recommendations for assumptions used in the actuarial funding of the state retirement systems.

**Sponsors:** Representatives Crouse, Conway, Bailey and Seaquist; by request of Select Committee on Pension Policy.

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 2/3/09, 2/10/09 [DP].

#### **Brief Summary of Bill**

- Permits the State Actuary to consider the demographic components of total salary growth when making recommendations on long-term economic assumptions to the Pension Funding Council.
- Includes study of the general salary increase assumption as part of the analysis of total salary growth when the State Actuary conducts an actuarial experience study.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass. Signed by 21 members: Representatives Linville, Chair; Ericks, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick, Seaquist and Sullivan.

**Staff:** David Pringle (786-7310)

#### **Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The Pension Funding Council (PFC) was created by the Legislature in 1998 to adopt the long-term economic assumptions and employer contribution rates for most of the state's retirement systems. The PFC also administers audits of the actuarial analysis produced for the PFC by the State Actuary.

The membership of the PFC consists of the chair and ranking minority members of the Senate Ways and Means Committee and the House Appropriations Committee, and the directors of the Office of Financial Management (OFM) and the Department of Retirement Systems (DRS).

The Office of the State Actuary is responsible for recommending appropriate member and employer contribution rates for the Public Employees', Teachers', School Employees', and Washington State Patrol Retirement Systems and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 to the PFC. The PFC typically holds several meetings during the summer of even-numbered years, and is required to adopt the pension contribution rates for the upcoming fiscal biennium no later than June 30 of those even-numbered years.

Prior to the adoption of contribution rates, the PFC submits the audited contribution rates to the Select Committee on Pension Policy (SCPP). The SCPP is required to study the audited contribution rates received from the PFC and make recommendations on changes to assumptions or rates. The contribution rates adopted by the PFC are subject to revision by the Legislature.

Every two years, most recently in 2007, the PFC studies and may adopt changes to the long-term economic assumptions used by the State Actuary in conducting all actuarial studies of the state retirement systems, and by the DRS for the administration of benefits. The State Actuary makes recommendations to the PFC about the long-term economic assumptions, including assumptions about inflation, the growth in salaries, and the investment rate of return.

At least once in every six year period the State Actuary conducts an actuarial experience study, which compares mortality, compensation, and other demographic historical experience of the retirement plans and compares them to assumptions. The results of the experience study are submitted to the DRS, the OFM, the legislative budget-writing committees, the SCPP, and the PFC.

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### **Summary of Bill:**

The State Actuary is permitted to also consider the demographic components of total salary growth when making recommendations on long-term economic assumptions to the Pension Funding Council. The study of the general salary increase assumption is included as part of the demographic analysis of total salary growth when the State Actuary conducts an actuarial experience study.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

None.

**Persons Testifying:** None.

**Persons Signed In To Testify But Not Testifying:** None.