
Ways & Means Committee

HB 1543

Brief Description: Lowering the general salary increase assumption for the actuarial funding of certain public retirement systems.

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

Brief Summary of Bill

- Lowers from 4.5 percent to 4.25 percent the long-term economic assumption for growth in salaries used by the State Actuary for making recommendations on assumptions and contribution rates to the Pension Funding Council.
- Applies the reduced growth in salaries assumption to the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Public Safety Employees' Retirement System, the Washington State Patrol Retirement System, and the Law Enforcement Officers' and Firefighters' Retirement System Plan 1.

Hearing Date: 2/9/09

Staff: David Pringle (786-7310)

Background:

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

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.

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.

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 Department of Retirement Systems, the Office of Financial Management, the legislative budget-writing committees, the Select Committee on Pension Policy (SCPP), and the PFC. The SCPP makes recommendations to the PFC regarding any changes to the assumptions based on actuarial experience.

From the results of the 2001-2006 experience study completed during 2008, the State Actuary recommended to the PFC that the general salary increase assumption, an economic assumption, be lowered from 4.50 percent to 4.25 percent. Upon review, the SCPP also recommended the change. The recommendations were adopted by the PFC, and incorporated into the contribution rates adopted for the 2009-2011 fiscal biennium.

Summary of Bill:

The long-term economic assumption for growth in salaries used by the State Actuary for making recommendations on assumptions and contribution rates to the Pension Funding Council is lowered from 4.5 percent to 4.25 percent.

The reduced growth in salaries assumption applies to the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Public Safety Employees' Retirement System, the Washington State Patrol Retirement System, and the Law Enforcement Officers' and Firefighters' Retirement System Plan 1.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2009.