

Pension Funding Council

Minutes

DATE: July 28, 2014 **TIME:** 10:00 a.m. **LOCATION:** Senate Hearing Room 3

The meeting was called to order at 10:06 a.m. by Chair Marcie Frost, Director, Department of Retirement Systems. Roll was called for the record.

Members present: Marcie Frost, Director, Department of Retirement Systems; David Schumacher Director, Office of Financial Management; Representative Ross Hunter; and Representative Bruce Chandler.

Member present by conference call: Senator Andy Hill.

Member absent: Senator Jim Hargrove.

WORK SESSION:

David Pringle, Staff: Review of the Pension Funding Council's tasks and work process. The pension funding contribution rates recommendation from the Select Committee on Pension Policy was forwarded to the Pension Funding Council on July 17. In even-numbered years the Council shall adopt or make changes to the contribution rates for the state retirement systems no later than July 31.

Matt Smith, State Actuary: PowerPoint presentation: *Results of Actuarial Valuation and Demographic Experience Study*. Recap of the results from the latest experience study and actuarial valuation by the State Actuary. Review of the budget impact of assumption changes and updated contribution rates. Review the performance of state retirement plans.

Mark Olleman and Daniel Wade, Milliman: Presentation of the final audit report. PowerPoint presentation: *Pension Funding Council Actuarial Audit*.

RATE ADOPTION MOTION AND DISCUSSION:

Representative Hunter asked for a review of the two options presented for consideration, Motion A and Motion B. Chair Frost gave a brief overview of the two motions. David Pringle distributed two charts: 1) *Motion "B" Budget Impacts*; and 2) *Motion "A" Budget Impacts*.

Representative Chandler moved that the Pension Funding Council adopt the changes to the contribution rates listed in Motion B for the state retirement plans under the purview of the Council, subject to revision by the Legislature. David Schumacher seconded the motion.

Senator Hill asked if there is data on what a four-year phase-in would look like. David Pringle reported that data had not been compiled for that option. Representatives Hunter and Chandler discussed concerns over the effects of a four-year phase-in on local governments.

ACTION ON RATE ADOPTION MOTION

There being no further discussion, Chair Frost calls for the vote on Motion "B".

Motion B: 2015-17 Basic Pension Contribution Rates

(Including phasing in the rate impact over three biennia of changing Mortality Improvement Assumptions to “Scale BB” with projected improvements.)

1. The following pension contribution rates take effect on the dates indicated:

Percent of Member Pay

	<u>Employer</u>	<u>Plan 2 Member</u>
<i>Effective July 1, 2015</i>		
Public Employees’ Retirement System	11.00	6.12
Law Enforcement Officers’ and Firefighter Retirement System Plan 1	0.00	n/a
Washington State Patrol Retirement System	8.01	6.69
Public Safety Employees’ Retirement System	11.36	6.59
<i>Effective September 1, 2015</i>		
Teachers’ Retirement System	12.95	5.95
School Employees’ Retirement System	11.40	5.63

(These rates do not include the DRS administrative fee.)

2. Further, these rates include the adoption of the “Scale BB” mortality assumptions, which includes projected improvements in mortality, as well as other demographic assumption changes as recommended by the State Actuary, with the contribution rate impacts of changing those assumptions phased-in over three biennia, the first being the 2015-17 fiscal biennium.
3. Further, the above rates do not include the Department of Retirement Systems administrative fee.

There were four aye votes and one nay vote. Voting to adopt Motion B were Marcie Frost, David Schumacher, Representative Hunter, and Representative Chandler. Participating by telephone, Senator Hill voted to not adopt Motion B. The motion was adopted. The motion form was circulated for signatures by the four members present at the meeting.

There being no further business, the meeting was adjourned at 10:42 a.m.

Minutes submitted by Lisa McCollum, staff to the committee.

AN AUDIO RECORDING OF THE MEETING IS AVAILABLE WITH THE COMMITTEE