



# INITIATIVE MEASURE 790

## PROPOSED TO THE PEOPLE

**Note:** The ballot title and explanatory statement were written by the Attorney General as required by law. The Fiscal Impact Statement for Initiative Measure 790 is on page 22 and the complete text begins on page 27.

### Statement For

I-790 is about fairness for 13,000 Washington Police, Fire Fighters and our families. I-790 finally gives our men and women a voice in our own retirement system.

#### IT'S ONLY FAIR TO GIVE US A VOICE!

Currently Police and Fire Fighters have no say in contribution or benefit decisions, even though we pay half the costs from our paychecks. 46 other states give Police and Fire Fighters representation in governing their retirement systems. Washington does not. Instead, a committee of 16 State Legislators controls the retirement plan.

I-790 establishes a new Board of Trustees. Appointed by the Governor, the Board includes Police, Fire Fighters, employers and legislators. All administrative costs for the new Board are paid out of our pension funds, at no public cost.

#### THE LEGISLATURE STILL HAS THE FINAL SAY!

Under I-790 any recommendations by the new Board increasing contributions or benefits can be denied by the Legislature, giving the Legislature the final say. This protects both taxpayers and pension members.

#### I-790 PROHIBITS RAIDS ON PENSION FUNDS

In 2000 legislators tried to raid our Police and Fire Fighters retirement fund surpluses for other budget items. I-790 prohibits them from trying it again. Our retirement funds should be used for benefits — not budget bailouts.

#### NO ADDITIONAL COST TO TAXPAYERS— \$0 DOLLAR INCREASE

Some claim I-790 will cost taxpayers. Please, read the Initiative. I-790 does not automatically increase benefits, and all new administrative expenses come from the plan's fund. The Legislature has the final say on any increases.

## Official Ballot Title:

Initiative Measure No. 790 concerns law enforcement officers' and fire fighters' retirement system, plan 2. This measure would place management of the law enforcement officers' and fire fighters' retirement system, plan 2, in a board of trustees consisting of six plan participants, three employer representatives, and two legislators.

Should this measure be enacted into law?

Yes [ ] No [ ]

I-790 helps us protect our families while we protect yours. Please give us a voice and your *yes* vote on I-790. Thank you.

### Rebuttal of Statement Against

Opponents are fabricating costs for I-790. These are the same politically motivated attacks we have been struggling against for 25 years with these politicians and bureaucrats.

We're only asking for a voice in our retirement.

I-790 *does not* take money from the state; it only keeps the bureaucrats from robbing us of our retirement fund.

The new board *can't* increase costs to you, the public.

Help police and firefighters protect our retirement. Please vote *yes*.

#### Voters Pamphlet Argument Prepared by:

KELLY FOX, President, Washington State Council of Fire Fighters; BILL HANSON, Executive Director, Washington Council of Police and Sheriffs; MIKE EDWARDS, Vice President, Council of Metropolitan Police and Sheriffs; ROBERT E. BUSH, former President, Medal of Honor Society; LARRY L. VOGNILD, former Washington State Senator; KATHY REIM, President, Washington Pension Reform, Inc.



## The law as it presently exists:

The legislature has created a Law Enforcement Officers' and Firefighters' Retirement System ("LEOFF") to provide retirement and disability benefits to law enforcement officers and firefighters in this state. The system includes two plans. Plan 1 provides benefits to persons who first became members of the system prior to October 1, 1977. Plan 2 provides benefits to persons who first became members of the system on or after October 1, 1977.

LEOFF Plan 2 provides its members with retirement, disability, and family death benefits defined in the law. The benefits are set forth in statute, and may not be increased or changed without amending the law. The system is funded through contributions by the members, the employers, and the state, and by investment earnings on plan assets. In most cases, the member makes 50% of the contribution, the employer makes 30%, and the state makes the remain-

ing 20%. Port districts and higher education institutions contribute both the employer and state shares for their employees who are members of Plan 2.

Basic contribution rates for all the state's retirement systems are established by either the legislature or by the pension funding council. The council consists of the director of the department of retirement systems, the director of the office of financial management, and four members of the legislature (one of each of the two largest political caucuses in each house). This council may adopt changes to economic assumptions or contribution rates by a vote of at least four members.

The legislature has also created a joint committee on pension policy, which consists of eight members of the senate and eight members of the house of representatives. Half of the membership from each house is chosen from the majority caucus, and half from the minority. This committee is authorized to study pension issues, study the financial con-

(continued on page 18)

## Statement Against

### I-790 GOES TOO FAR — I-790 COSTS TOO MUCH!

We greatly respect our law enforcement officers and firefighters and value the work they do. However, this seriously flawed initiative could cost taxpayers \$12 billion over the next 25 years, according to the Office of the State Actuary! For 2003-2007 alone, the cost may reach a staggering \$1.37 billion. Local governments and the state would have to pay nearly *six times* the current pension rate — using your tax dollars.

### LAW ENFORCEMENT OFFICERS AND FIREFIGHTERS ALREADY CAN RETIRE AT AGE 53

And their pensions are guaranteed for life! I-790 mandates increased pension benefits that can never be reduced — at a significant cost to taxpayers. Do you really want your tax dollars spent to enhance the pensions of a small group of public employees that already can retire at age 53?

### I-790 PUTS PUBLIC SAFETY AT RISK AND WILL INCREASE TAXES

Increased pension benefits will eat up dollars that are badly needed for current police and fire services. Every additional dollar spent on pensions doesn't get spent on vital public services. Elected officials will be forced to make significant cuts in essential services — or raise taxes. And you will pay the bill.

### I-790 TAKES CONTROL OF PENSION FUNDS AWAY FROM YOUR ELECTED OFFICIALS

The new board created by I-790 will be dominated by police and fire employees — with the authority to enhance their own benefits. No other employee group has that power. To

quote directly from the Initiative: "Providing additional benefits to members and beneficiaries is the board's priority" — not saving taxpayers' money.

### VOTE NO ON I-790 — IT'S A COSTLY GRAB OF TAXPAYER MONEY

## Rebuttal of Statement For

They're not asking for a voice — they're asking for a blank check! Don't be fooled into thinking I-790 comes at no cost to taxpayers. The stated purpose is to increase pension benefits — and taxpayers will foot the bill.

Police and fire fighters already have good retirement benefits — guaranteed for life — and can retire at age 53. I-790 gives them control over decisions to enrich their own pensions — something no other public employees have. Vote No.

### Voters Pamphlet Argument Prepared by:

HAROLD HOCHSTATTER, State Senator; MARC MARCHAND, age 78, contractor, not yet retired; CHUCK MOSHER, President, Association of Washington Cities - Bellevue Councilmember; JIM LEWIS, Yakima County Commissioner, former State Legislator; SANDRA SWANSON, S.T.O.P! (So tired of paying).



## **INITIATIVE MEASURE 776 (continued from page 9)**

### **The law as it presently exists (continued):**

ing a vehicle's certificate of ownership, replacing over-age license plates, or renewing registration at a private subagent rather than a state office.

A law that was repealed in the 2002 legislative session, RCW 35.58.273, had authorized municipalities to impose a special motor vehicle excise tax. The legislature repealed this authorization and related laws, and these local taxes are no longer in effect.

### **The effect of the proposed measure, if it becomes law:**

This measure would change the phrase "license tab fees shall be thirty dollars" to "license tab fees are required to be thirty dollars." The definition of "motor vehicle" would remain unchanged.

The measure would repeal RCW 81.104.160 (voter-approved excise taxes for high-capacity transportation) and RCW 82.80.020 (local vehicle fees for transportation purposes). The measure would also repeal RCW 35.58.273 (already repealed by the legislature in the 2002 legislative session). The measure would also repeal several laws concerning the implementation or administration of the repealed taxes and fees. However, state and federal constitutional provisions may require repealed taxes or fees to continue to be collected, to the extent bonds have been issued pursuant to law pledging collection of specific taxes or fees, and to the extent that the value of those bonds would be diminished by the new law.

The measure would also reduce the license tab fees to \$30 per year for all trucks and buses weighing less than 10,000 pounds.

The measure would not affect laws authorizing higher fees for personalized or special license plates, or the laws providing for application fees, subagent charges, or charges for additional services.



## **INITIATIVE MEASURE 790 (continued from page 11)**

### **The law as it presently exists (continued):**

dition of the state pension systems, develop funding policies, and make recommendations to the legislature. This committee also appoints the state actuary by a two-thirds vote. The state actuary is an officer qualified by education and experience in the field of actuarial science. The office of the state actuary performs actuarial services for the department of retirement systems, advises the legislature and the governor regarding pension benefit laws and policies, and advises the legislature concerning the actuarial impact of proposed pension bills.

The state department of retirement systems administers all of the existing state pension systems, including LEOFF Plan 2. The department is headed by a director appointed by the governor. Pension fund assets are managed by the state investment board under conditions and limitations set forth in state law.

### **The effect of the proposed measure, if it becomes law:**

This measure would create a new board of trustees to manage LEOFF Plan 2. The board would have eleven members:

- Three members would be active law enforcement officers who are participants in the plan. These would be appointed by the governor from a list provided by a recognized statewide council whose membership consists exclusively of guilds, associations, and unions representing law enforcement officers. After 2007, one of these three would be a retired law enforcement officer who is a member of the plan.
- Three board members would be active firefighters who are participants in the plan, appointed by the governor from a list provided by a recognized statewide council that is affiliated with an international association representing firefighters. After 2007, one of these three would be a retired firefighter who is a member of the plan.
- Three board members would be representatives of employers appointed by the governor.
- One board member would be a member of the house of representatives appointed by the governor based on the recommendation of the speaker of the house.
- One board member would be a member of the senate appointed by the governor based on the recommendation of the senate majority leader.

The law enforcement officer members and firefighter members would serve staggered six-year terms; the remaining board members would serve staggered four-year terms. A quorum of the board would be six members and all board action would require six concurring votes.

The board would have authority to adopt actuarial tables and economic assumptions in consultation with the state actuary or with another qualified actuary retained by the board. If the board retains an actuary different from the state actuary,





## **Initiative Measure 790** (continued from previous page) **The effect of the proposed measure, if it becomes law (continued):**

the measure sets forth a procedure for reconciling differences between the assumptions and calculations of the retained actuary and those of the state actuary. The board would be authorized to establish contribution rates, based on a ratio of 50% member contributions, 30% employer contributions, and 20% state contributions.

The board would have authority to design and implement increased benefits for members and beneficiaries. Increased benefits could be granted by the board, subject to contribution limitations set forth in the measure and subject to legislative veto, through action taken on January 1 of any given year. The increased benefits would become effective 90 days later, unless the legislature repealed them by majority vote of each house in the next legislative session. If granting the increased benefits would increase the member contributions to more than 10% of covered payroll (defined below), the board could ask plan members to vote, with a choice to (1) pay the increased cost through member contributions or (2) reduce the benefits.

As an alternative to adopting increases directly, the board could recommend changes in member benefits to the legislature by January 1 of a given year. In such a case, the legislature would be directed to adopt or reject the board's recommendations, without change or amendment, before the end of its regular session. Benefits adopted by the legislature in this manner would constitute contractual obligations.

The measure would define as "minimum benefits" the benefit levels in place as of July 1, 2003. These minimum benefits would be declared a contractual obligation of the state and of the contributing employers. Employee costs could not exceed 10% of covered payroll without the consent of a majority of the affected employees. Employer contributions could not exceed 30% of the cost of providing benefits or 6% of covered payroll without consent of the employer's governing body. The state contribution could not exceed 20% of the cost of providing benefits or 4% of covered payroll without consent of the legislature. (The term "covered payroll" refers to the salaries paid to all LEOFF Plan 2 members.)

In order to determine future financial needs of the plan, the projected cost of benefits is calculated by an actuary. One of the significant factors considered by the actuary is the expected rate of investment return on plan assets over a period of years. The measure provides that if the earnings of the plan exceed the actuarial rate of investment return, the excess must be used exclusively for additional benefits for members and beneficiaries. The measure does not specify a method for determining when there is an excess.

The board would also have authority to retain professional and technical advisors, consult with the department of retirement systems, recommend legislative changes, provide reports to the governor and the legislature, hire administrative staff, and acquire office space.

The joint committee on pension policy and the pension funding council would have no applicability or authority over matters related to LEOFF Plan 2. Plan assets would be managed by the state investment board as provided by law. The department of retirement systems and the state actuary would be directed to submit proposed implementing legislation by January 15, 2003. The measure itself would become operative on July 1, 2003.



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## **REFERENDUM MEASURE 53** (continued from page 13) **The law as it presently exists (continued):**

tion purposes" for the second preceding calendar year. (The "average annual wage for contributions purposes" is calculated by dividing by three the total remuneration reported by all employers subject to contributions for the preceding three consecutive years and then dividing this amount by the average number of workers reported for all months of those three years by the same employers and then rounding down to the nearest whole multiple of one dollar.)

Existing law sets forth the conditions under which an employer must make contributions to the system, the conditions in which contributions will be adjusted for special circumstances, and the conditions in which a successor employer continues contributions made by a predecessor employer.

### **The effect of the proposed measure, if it becomes law:**

This measure consists of portions of a larger bill (EHB 2901) enacted by the Legislature in early 2002. The Constitution permits the filing of referendum petitions on all or part of a bill. The petitions filed on this measure cover only part of EHB 2901, the "referred part." The rest of EHB 2901 (the "nonreferred part") is not included in this Referendum Measure and has already become law. The term "this measure" refers here to the "referred part" of EHB 2901. **A vote to "approve" this measure is a vote to approve the referred portions of EHB 2901 as passed by the Legislature. A vote to "reject" this**





## COMPLETE TEXT OF Initiative Measure 776 (cont.)

### CONSTRUCTION CLAUSE

**NEW SECTION.** Sec. 9. The provisions of this act are to be liberally construed to effectuate the intent, policies, and purposes of this act.

### SEVERABILITY CLAUSE

**NEW SECTION.** Sec. 10. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected. If the repeal of taxes in section 6 of this act is judicially held to impair any contract in existence as of the effective date of this act, the repeal shall apply to any other contract, including novation, renewal, or refunding (in the case of bond contract).

### LEGISLATIVE INTENT

**NEW SECTION.** Sec. 11. The people have made clear through the passage of numerous initiatives and referenda that taxes need to be reasonable and tax increases should always be a last resort. However, politicians throughout the state of Washington continue to ignore these repeated mandates.

The people expect politicians to keep their promises. The legislative intent of this measure is to ensure that they do.

Politicians are reminded:

(1) Washington voters want license tab fees to be \$30 per year for motor vehicles unless voters authorize higher vehicle-related charges at an election.

(2) All political power is vested in the people, as stated in Article I, section 1 of the Washington state Constitution.

(3) The first power reserved by the people is the initiative, as stated in Article II, section 1 of the Washington state Constitution.

(4) When voters approve initiatives, politicians have a moral, ethical, and constitutional obligation to fully implement them. When politicians ignore this obligation, they corrupt the term "public servant."

(5) Any attempt to violate the clear intent and spirit of this measure undermines the trust of the people in their government and will increase the likelihood of future tax limitation measures.



## COMPLETE TEXT OF Initiative Measure 790

AN ACT Relating to the law enforcement officers' and fire fighters' retirement system, plan 2; adding new sections to chapter 41.26 RCW; creating new sections; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

**NEW SECTION. Sec. 1. OVERVIEW.** The law enforcement officers' and fire fighters' retirement system plan 2 is currently subject to policymaking by the legislature's joint committee on pension policy with ratification by the members of the legislature and is administered by the department of retirement systems.

Members of the plan have no direct input into the management of their retirement program. Forty-six other states currently have member representation in their pension management. This act is intended to give management of the retirement program to the people whose lives are directly affected by it and who provide loyal and valiant service to ensure the health, safety, and welfare of the citizens of the state of Washington.

**NEW SECTION. Sec. 2. INTENT.** It is the intent of this act to:

(1) Establish a board of trustees responsible for the adoption of actuarial standards to be applied to the plan;

(2) Provide for additional benefits for fire fighters and law enforcement officers subject to the cost limitations provided for in this act;

(3) Exercise fiduciary responsibility in the oversight of those pension management functions assigned to the board;

(4) Provide effective monitoring of the plan by providing an annual report to the legislature, to the members and beneficiaries of the plan, and to the public;

(5) Establish contribution rates for employees, employers, and the state of Washington that will guaranty viability of the plan, subject to the limitations provided for in this act;

(6) Provide for an annual budget and to pay costs from the trust, as part of the normal cost of the plan; and

(7) Enable the board of trustees to retain professional and technical advisors as necessary for the fulfillment of their statutory responsibilities.

**NEW SECTION. Sec. 3. DEFINITIONS.** The definitions in this section apply throughout this act unless the context clearly requires otherwise.

(1) "Member" or "beneficiary" means:

(a) Current and future law enforcement officers and fire fighters who are contributing to the plan;

(b) Retired employees or their named beneficiaries who





## COMPLETE TEXT OF Initiative Measure 790 (cont.)

receive benefits from the plan; and

(c) Separated vested members of the plan who are not currently receiving benefits.

(2) "Plan" means the law enforcement officers' and fire fighters' retirement system plan 2.

(3) "Actuary" means the actuary employed by the board of trustees.

(4) "State actuary" means the actuary employed by the department.

(5) "Board" means the board of trustees.

(6) "Board member" means a member of the board of trustees.

(7) "Department" means the department of retirement systems.

(8) "Minimum benefits" means those benefits provided for in chapter 41.26 RCW as of July 1, 2003.

(9) "Employer" means the same as under RCW 41.26.030(2)(b).

(10) "Enrolled actuary" means an actuary who is enrolled under the employee retirement income security act of 1974 (Subtitle C of Title III) and who is a member of the society of actuaries or the American academy of actuaries.

(11) "Increased benefit" means a benefit in addition to the minimum benefits.

(12) "Trust" means the assets of the plan.

(13) "Benefits" means the age or service or combination thereof required for retirement, the level of service and disability retirement benefits, survivorship benefits, payment options including a deferred retirement option plan, average final compensation, postretirement cost of living adjustments, including health care and the elements of compensation. Benefits shall not include the classifications of employment eligible to participate in the plan.

(14) "Actuarially sound" means the plan is sufficiently funded to meet its projected liabilities and to defray the reasonable expenses of its operation based upon commonly accepted, sound actuarial principles.

**NEW SECTION. Sec. 4. BOARD OF TRUSTEES CREATED--SELECTION OF TRUSTEES--TERMS OF OFFICE--VACANCIES.** (1) An eleven member board of trustees is hereby created.

(a) Three of the board members shall be active law enforcement officers who are participants in the plan. Beginning with the first vacancy on or after January 1, 2007, one board member shall be a retired law enforcement officer who is a member of the plan. The law enforcement officer board members shall be appointed by the governor from a list provided by a recognized statewide council whose membership consists exclusively of guilds, associations, and unions representing state and local government police officers, deputies, and sheriffs and excludes federal law enforcement officers.

(b) Three of the board members shall be active fire fighters who are participants in the plan. Beginning with the first vacancy on or after January 1, 2007, one board member shall be a retired fire fighter who is a member of the plan. The fire fighter board member shall be appointed by the governor from a list provided by a recognized statewide council, affiliated with an international association representing the interests of fire fighters.

(c) Three of the board members shall be representatives of employers and shall be appointed by the governor.

(d) One board member shall be a member of the house of representatives who is appointed by the governor based on the recommendation of the speaker of the house of representatives.

(e) One board member shall be a member of the senate who is appointed by the governor based on the recommendation of the majority leader of the senate.

(2) The initial law enforcement officer and fire fighter board members shall serve terms of six, four, and two years, respectively. Thereafter, law enforcement officer and fire fighter board members serve terms of six years. The remaining board members serve terms of four years. Board members may be reappointed to succeeding terms without limitation. Board members shall serve until their successors are appointed and seated.

(3) In the event of a vacancy on the board, the vacancy shall be filled in the same manner as prescribed for an initial appointment.

**NEW SECTION. Sec. 5. POWERS OF THE BOARD OF TRUSTEES--MEETING PROCEDURES--QUORUM--JUDICIAL REVIEW--BUDGET OF THE BOARD OF TRUSTEES.** (1) The board of trustees have the following powers and duties and shall:

(a) Adopt actuarial tables, assumptions, and cost methodologies in consultation with an enrolled actuary retained by the board. The state actuary shall provide assistance when the board requests. The actuary retained by the board shall utilize the aggregate actuarial cost method, or other recognized actuarial cost method based on a level percentage of payroll, as that term is employed by the American academy of actuaries. In determining the reasonableness of actuarial valuations, assumptions, and cost methodologies, the actuary retained by the board shall provide a copy of all such calculations to the state actuary. If the two actuaries concur on the calculations, contributions shall be made as set forth in the report of the board's actuary. If the two actuaries cannot agree, they shall appoint a third, independent, enrolled actuary who shall review the calculations of the actuary retained by the board and the state actuary. Thereafter, contributions shall be based on the methodology most closely following that of the third actuary;

(b)(i) Provide for the design and implementation of increased benefits for members and beneficiaries of the plan, subject to the contribution limitations under section 6 of this act. An increased benefit may not be approved by the board until an actuarial cost of the benefit has been determined by





## COMPLETE TEXT OF Initiative Measure 790 (cont.)

the actuary and contribution rates adjusted as may be required to maintain the plan on a sound actuarial basis. Increased benefits as approved by the board shall be presented to the legislature on January 1st of each year. The increased benefits as approved by the board shall become effective within ninety days unless a bill is enacted in the next ensuing session of the legislature, by majority vote of each house of the legislature, repealing the action of the board;

(ii) As an alternative to the procedure in (b)(i) of this subsection, recommend to the legislature changes in the benefits for members and beneficiaries, without regard to the cost limitations in section 6(3) of this act. Benefits adopted in this manner shall have the same contractual protections as the minimum benefits in the plan. The recommendations of the board shall be presented to the legislature on January 1st of each year. These measures shall take precedence over all other measures in the legislature, except appropriations bills, and shall be either enacted or rejected without change or amendment by the legislature before the end of such regular session;

(c) Retain professional and technical advisors necessary for the accomplishment of its duties. The cost of these services may be withdrawn from the trust;

(d) Consult with the department for the purpose of improving benefit administration and member services;

(e) Provide an annual report to the governor and the legislature setting forth the actuarial funding status of the plan and making recommendations for improvements in those aspects of retirement administration directed by the legislature or administered by the department;

(f) Establish uniform administrative rules and operating policies in the manner prescribed by law;

(g) Engage administrative staff and acquire office space independent of, or in conjunction with, the department. The department shall provide funding from its budget for these purposes;

(h) The board shall publish on an annual basis a schedule of increased benefits together with a summary of the minimum benefits as established by the legislature which shall constitute the official plan document; and

(i) Be the fiduciary of the plan and discharge the board's duties solely in the interest of the members and beneficiaries of the plan.

(2) Meetings of the board of trustees shall be conducted as follows:

(a) All board meetings are open to the public, preceded by timely public notice;

(b) All actions of the board shall be taken in open public session, except for those matters which may be considered in executive session as provided by law;

(c) The board shall retain minutes of each meeting setting forth the names of those board members present and ab-

sent, and their voting record on any voted issue; and

(d) The board may establish, with the assistance of the appropriate office of state government, an internet web site providing for interactive communication with state government, members and beneficiaries of the plan, and the public.

(3) A quorum of the board is six board members. All board actions require six concurring votes.

(4) The decisions of the board shall be made in good faith and are final, binding, and conclusive on all parties. The decisions of the board shall be subject to judicial review as provided by law.

(5) A law enforcement officers' and fire fighters' retirement system plan 2 expense fund is established for the purpose of defraying the expenses of the board. The board shall cause an annual budget to be prepared consistent with the requirements of chapter 43.88 RCW and shall draw the funding for the budget from the investment income of the trust. Board members shall be reimbursed for travel and education expenses as provided in RCW 43.03.050 and 43.03.060. The board shall make an annual report to the governor, legislature, and state auditor setting forth a summary of the costs and expenditures of the plan for the preceding year. The board shall also retain the services of an independent, certified public accountant who shall annually audit the expenses of the fund and whose report shall be included in the board's annual report.

**NEW SECTION. Sec. 6. CONTRIBUTIONS.** (1) The board of trustees shall establish contributions as set forth in this section. The cost of the minimum benefits as defined in this plan shall be funded on the following ratio:

Employee contributions	50%
Employer contributions	30%
State contributions	20%

(2) The minimum benefits shall constitute a contractual obligation of the state and the contributing employers and may not be reduced below the levels in effect on July 1, 2003. The state and the contributing employers shall maintain the minimum benefits on a sound actuarial basis in accordance with the actuarial standards adopted by the board.

(3) Increased benefits created as provided for in section 5 of this act are granted on a basis not to exceed the contributions provided for in this section. In addition to the contributions necessary to maintain the minimum benefits, for any increased benefits provided for by the board, the employee contribution shall not exceed fifty percent of the actuarial cost of the benefit. In no instance shall the employee cost exceed ten percent of covered payroll without the consent of a majority of the affected employees. Employer contributions shall not exceed thirty percent of the cost, but in no instance shall the employer contribution exceed six percent of covered payroll. State contributions shall not exceed twenty percent of the cost, but in no instance shall the state contribution exceed four percent of covered payroll. Employer contributions may not be increased above the maximum under this section without the consent of the governing body of the employer. State contributions may not be increased





## COMPLETE TEXT OF Initiative Measure 790 (cont.)



## COMPLETE TEXT OF Referendum Measure 53

above the maximum provided for in this section without the consent of the legislature. In the event that the cost of maintaining the increased benefits on a sound actuarial basis exceeds the aggregate contributions provided for in this section, the board shall submit to the affected members of the plan the option of paying the increased costs or of having the increased benefits reduced to a level sufficient to be maintained by the aggregate contributions. The reduction of benefits in accordance with this section shall not be deemed a violation of the contractual rights of the members, provided that no reduction may result in benefits being lower than the level of the minimum benefits.

(4) The board shall manage the trust in a manner that maintains reasonable contributions and administrative costs. Providing additional benefits to members and beneficiaries is the board's priority.

(5) All earnings of the trust in excess of the actuarially assumed rate of investment return shall be used exclusively for additional benefits for members and beneficiaries.

**NEW SECTION. Sec. 7. NONAPPLICABILITY OF JOINT COMMITTEE ON PENSION POLICY AND PENSION FUNDING COUNCIL.** The joint committee on pension policy established in RCW 44.44.050, and the pension funding council created in RCW 41.45.100, shall have no applicability or authority over matters relating to this plan.

**NEW SECTION. Sec. 8. ASSET MANAGEMENT.** Assets of the plan shall be managed by the state investment board as provided by law.

**NEW SECTION. Sec. 9. SEVERABILITY.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

**NEW SECTION. Sec. 10. CAPTIONS NOT LAW.** Captions used in this act are not any part of the law.

**NEW SECTION. Sec. 11. IMPLEMENTING LEGISLATION.** The department of retirement systems and the office of the state actuary shall prepare and submit to the fiscal committees of the legislature by January 15, 2003, proposed legislation for implementing this act.

**NEW SECTION. Sec. 12. CODIFICATION.** Sections 1 through 9 of this act are each added to chapter 41.26 RCW.

**NEW SECTION. Sec. 13. EFFECTIVE DATE.** Except for section 11 of this act, the remainder of this act takes effect July 1, 2003.

Sec. 5. RCW 50.24.010 and 2000 c 2 s 2 are each amended to read as follows:

(1) Contributions shall accrue and become payable by each employer (except employers as described in RCW 50.44.010 who have properly elected to make payments in lieu of contributions and those employers who are required to make payments in lieu of contributions) for each calendar year in which the employer is subject to this title at the rate established pursuant to chapter 50.29 RCW.

(2) In each rate year, the amount of wages subject to tax for each individual shall be one hundred fifteen percent of the amount of wages subject to tax for the previous year rounded to the next lower one hundred dollars, except that:

(a) For employers assigned under RCW 50.29.025 to rate class 1 through 18, the amount of wages subject to tax in any rate year shall not exceed eighty percent of the "average annual wage for contributions purposes" for the second preceding calendar year rounded to the next lower one hundred dollars. ((However, the amount subject to tax shall be twenty-four thousand three hundred dollars for rate year 2000.))

(b) For employers assigned under RCW 50.29.025 to rate class 19 through 20E, and contribution paying employers not qualified to be in the array under RCW 50.29.025(6), the amount of wages subject to tax:

(i) For rate year 2003, shall not exceed eighty-five percent of the "average annual wage for contributions purposes" for the second preceding calendar year rounded to the next lower one hundred dollars.

(ii) For rate year 2004 and thereafter, shall not exceed ninety percent of the "average annual wage for contributions purposes" for the second preceding calendar year rounded to the next lower one hundred dollars.

(3) In making computations under this section and RCW 50.29.010, wages paid based on services for employers making payments in lieu of contributions shall not be considered remuneration. Moneys paid from the fund, based on services performed for employers who make payments in lieu of contributions, which have not been reimbursed to the fund as of any June 30 shall be deemed an asset of the unemployment compensation fund, to the extent that such moneys exceed the amount of payments in lieu of contributions which the commissioner has previously determined to be uncollectible: PROVIDED, FURTHER, That the amount attributable to employment with the state shall also include





## INITIATIVE MEASURE 776

### Fiscal Impact Statement

#### Five-Year Fiscal Impact Through 2007

Initiative 776 reduces transportation funding generated by vehicle license fees. Over the next five years, the initiative: reduces state funding for highways, State Patrol and ferry operations by \$93 million; and reduces local-option transportation funding for Douglas, King, Pierce and Snohomish counties, and cities within those counties, by \$165 million. The impact on Sound Transit rail and regional bus service in Snohomish, King and Pierce counties depends on the status of Sound Transit bonds. I-776 repeals \$318 million in voter-approved Sound Transit excise taxes, but the law may require continued collection of repealed taxes if needed to repay outstanding bonds.

#### Fiscal Impact Assumptions

- Reducing the combined license fee for trucks with a declared gross weight of 8,000 pounds or less would result in a loss of state funding for highways, the State Patrol and ferry operations. These trucks currently pay combined license fees between \$37 and \$55, depending upon vehicle weight. Initiative 776 would reduce these fees to \$30.
- Repealing the local-option vehicle license fee would result in the loss of general transportation funding in Douglas, King, Pierce, and Snohomish counties. Current law allows all counties (or qualified cities or towns with voter approval) to impose local vehicle license fees up to \$15 per year. The estimates shown reflect only those local jurisdictions that have implemented the fee to date (Douglas, King, Pierce, and Snohomish counties).
- The loss of funding for Sound Transit light rail, commuter rail, and regional bus service would result from repeal of the authority to levy a voter-approved high capacity transportation Motor Vehicle Excise Tax (MVET). However, the law may require continued collection of repealed taxes if needed to repay outstanding bonds. The estimates shown reflect only the portion of MVET that was approved by Central Puget Sound voters in November 1996 (0.3 percent of vehicle value). The average MVET bill in the Central Puget Sound region is estimated to be \$28 per year per vehicle, but actual savings would vary because the MVET is a tax based on vehicle value.
- The fiscal impacts shown assume a January 1, 2003, implementation date for Initiative 776.
- Combined license fee estimates are based on the June 2002 Motor Vehicle License, Permit and Fee Revenue Forecast.
- Local Option Vehicle Fee estimates are based on the June 2002 Local Option Tax Revenue Forecast.
- Sound Transit estimates are based on the Sound Transit November 2001 Transportation Revenue Forecast.



## INITIATIVE MEASURE 790

### Fiscal Impact Statement

#### Five-Year Fiscal Impact Through 2007

Initiative 790 increases state and local government costs for the law enforcement officers and fire fighters pension system. There is a wide range of possible fiscal impacts. The actual fiscal impacts depend on how provisions for increased benefits are implemented. Five-year costs could range from \$1 million to \$549 million for state government, from \$2 million to \$822 million for local governments, and from \$3 million to \$1.4 billion for eligible law enforcement officers and fire fighters. The higher costs are the result of increases in benefits. The lowest costs are possible only if benefits are not increased.

#### Fiscal Impact Assumptions

High benefit increase: Costs are \$549 million for state government, \$822 million for local governments, and \$1.4 billion for active members of the pension system. These costs are calculated using the following assumptions.

- Income from the pension fund above the estimated earnings rate is removed from the pension fund and earmarked for extra benefits every year. This process effectively reduces the average annual rate of return on investment of the fund from 8 percent to 4 percent.
- The new pension fund governing board increases benefits up to the maximum allowed without prior approval by the Legislature.
- The new governing board relies largely on new staff positions to administer the pension system.

Medium benefit increase: Costs are \$257 million for state government, \$385 million for local governments, and \$643 million for active members of the pension system. These costs are calculated using the following assumptions.

- Income from the pension fund above the estimated earnings rate is removed from the pension fund and earmarked for extra benefits every six years. This process effectively reduces the average annual rate of return on investment of the fund from 8 percent to 5 percent.
- The new pension fund governing board does not exercise its authority to adopt increased benefits over the next five years.
- The new governing board relies largely on the existing Department of Retirement System's staff positions to administer the pension system.

No benefit increase: Costs are \$1 million for state government, \$2 million for local governments, and \$3 million for active members of the pension system. These costs are calculated using the following assumptions.

- State governments, local governments, and active members of the pension fund lose the potential to benefit from periods of unanticipated high investment returns.
- The new pension fund governing board does not adopt increased benefits over the next five years.
- The new governing board relies largely on existing Department of Retirement System's staff positions to administer the pension system.