

## Frequently Asked Questions about Actuarial Fiscal Notes

**Q: *What is an actuarial fiscal note?***

**A:** An actuarial fiscal note describes the impact of a proposed legislative change on pension funding. Pensions use systematic actuarial funding, so an actuarial fiscal note will describe not only the impacts of legislation on biennial budgets, but also the impacts on pension contribution rates and pension liabilities. Actuarial fiscal notes also show long-term (25-year) costs.

**Q: *How does an actuarial fiscal note differ from other agency fiscal notes?***

**A:** The main differences are scope and complexity. Instead of showing the impact on a single agency's budget, actuarial fiscal notes reflect the impact of legislation on long-term pension obligations of the state; both for benefits earned and benefits that will be earned. Long-term impacts can be critical since pension benefits are often contractual, and once enacted may be difficult or impossible to repeal. Actuarial calculations can be very sophisticated and often require special software. Pricing exercises may require the Office of the State Actuary (OSA) to gather data, determine methodology, and set assumptions. Sometimes an actuarial fiscal note may show how results change when assumptions change (sensitivity analysis). The end product is considered an actuarial communication that is governed by professional standards of practice and signed by a credentialed actuary.

**Q: *How long does it take to prepare an actuarial fiscal note?***

**A:** This will vary for each actuarial fiscal note. The time needed for pricing has a lot to do with whether the change can be evaluated by existing software or whether special methods and assumptions must be developed and applied to achieve the pricing. Sometimes changes that affect small groups and have very small fiscal impacts can be much more difficult to price and will take more time than pricing sweeping changes that affect thousands of benefit recipients.

**Q: *How does the Office of the State Actuary decide when to do an actuarial fiscal note?***

**A:** There are many factors that influence how actuarial fiscal notes are prioritized within OSA, including the following: OSA's preliminary assessment of the fiscal note's complexity, whether outside coordination or assistance is required, whether a hearing is expected or pending, whether the fiscal note has been requested, whether sensitivity analysis will be included, and the current workload for the office.

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## RCW 44.44.040

## Powers and duties — Actuarial fiscal notes.

The office of the state actuary shall have the following powers and duties:

- (1) Perform all actuarial services for the department of retirement systems, including all studies required by law.
- (2) Advise the legislature and the governor regarding pension benefit provisions, and funding policies and investment policies of the state investment board.
- (3) Consult with the legislature and the governor concerning determination of actuarial assumptions used by the department of retirement systems.
- (4) Prepare a report, to be known as the actuarial fiscal note, on each pension bill introduced in the legislature which briefly explains the financial impact of the bill. The actuarial fiscal note shall include: (a) The statutorily required contribution for the biennium and the following twenty-five years; (b) the biennial cost of the increased benefits if these exceed the required contribution; and (c) any change in the present value of the unfunded accrued benefits. An actuarial fiscal note shall also be prepared for all amendments which are offered in committee or on the floor of the house of representatives or the senate to any pension bill. However, a majority of the members present may suspend the requirement for an actuarial fiscal note for amendments offered on the floor of the house of representatives or the senate.
- (5) Provide such actuarial services to the legislature as may be requested from time to time.
- (6) Provide staff and assistance to the committee established under RCW 41.04.276.
- (7) Provide actuarial assistance to the law enforcement officers' and firefighters' plan 2 retirement board as provided in chapter 2, Laws of 2003. Reimbursement for services shall be made to the state actuary under RCW 39.34.130 and section 5 (5), chapter 2, Laws of 2003.

[2003 c 295 § 4; 2003 c 92 § 2; 1987 c 25 § 3; 1986 c 317 § 6; 1975-'76 2nd ex.s. c 105 § 22.]

## Notes:

**Reviser's note:** This section was amended by 2003 c 92 § 2 and by 2003 c 295 § 4, each without reference to the other. Both amendments are incorporated in the publication of this section under RCW 1.12.025(2). For rule of construction, see RCW 1.12.025(1).

**Severability -- Effective date -- 2003 c 92:** See RCW 41.26.905 and 41.26.906.

**Legislative findings -- Intent -- Severability -- 1986 c 317:** See notes following RCW 41.40.150.