
ENGROSSED HOUSE BILL 2254

State of Washington 58th Legislature 2003 Regular Session

By Representatives Sommers, Fromhold and Moeller

Read first time 04/16/2003. Referred to Committee on Appropriations.

1 AN ACT Relating to actuarial funding of the state retirement
2 systems; amending RCW 41.45.035 and 41.45.054; reenacting and amending
3 RCW 41.45.070; providing an effective date; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.45.035 and 2001 2nd sp.s. c 11 s 6 are each amended
6 to read as follows:

7 (1) Beginning July 1, 2001, the following long-term economic
8 assumptions shall be used by the state actuary for the purposes of RCW
9 41.45.030:

10 (a) The growth in inflation assumption shall be 3.5 percent;

11 (b) The growth in salaries assumption, exclusive of merit or
12 longevity increases, shall be 4.5 percent;

13 (c) The investment rate of return assumption shall be 8 percent;
14 and

15 (d) The growth in system membership assumption shall be 1.25
16 percent for the public employees' retirement system, the school
17 employees' retirement system, and the law enforcement officers' and
18 fire fighters' retirement system. The assumption shall be .90 percent
19 for the teachers' retirement system.

1 (2) Beginning with actuarial studies done after July 1, (~~2001~~)
2 2003, changes to plan asset values that vary from the long-term
3 investment rate of return assumption shall be recognized over a (~~four-~~
4 ~~year~~) period that varies up to eight years depending on the magnitude
5 of the deviation of each year's investment rate of return relative to
6 the long-term rate of return assumption. Beginning April 1, 2004, the
7 council, by affirmative vote of four councilmembers, may adopt changes
8 to this asset value smoothing technique. Any changes adopted by the
9 council shall be subject to revision by the legislature.

10 **Sec. 2.** RCW 41.45.054 and 2002 c 7 s 1 are each amended to read as
11 follows:

12 The basic employer and state contribution rates and plan 2 member
13 contribution rates are changed to reflect the 2000 actuarial valuation,
14 incorporating the 1995-2000 actuarial experience study conducted by the
15 office of the state actuary. The results of the (~~2000~~) 2001
16 actuarial valuation for the public employees' retirement system, the
17 teachers' retirement system, and the school employees' retirement
18 system shall be (~~adjusted to reflect an April 1, 2002, implementation~~
19 date-)) restated as a result of the new asset smoothing method adopted
20 in RCW 41.45.035, and suspension of payments on the unfunded liability
21 in the public employees' retirement system and teachers' retirement
22 system, to collect the following contribution rates:

23 (1) Beginning (~~April 1, 2002~~) July 1, 2003, the following
24 employer contribution rates shall be charged:

25 (a) (~~1.10~~) 1.18 percent for the public employees' retirement
26 system; and

27 (b) (~~2.64~~) 3.03 percent for the law enforcement officers' and
28 fire fighters' retirement system plan 2.

29 (2) Beginning (~~April 1, 2002~~) July 1, 2003, the basic state
30 contribution rate for the law enforcement officers' and fire fighters'
31 retirement system plan 2 shall be (~~1.75~~) 2.02 percent.

32 (3) Beginning (~~April 1, 2002~~) September 1, 2003, the following
33 employer contribution rates shall be charged:

34 (a) (~~0.96~~) 0.84 percent for the school employees' retirement
35 system; and

36 (b) (~~1.05~~) 1.17 percent for the teachers' retirement system.

1 (4) Beginning (~~April 1, 2002~~) July 1, 2003, the following member
2 contribution rates shall be charged:

3 (a) (~~0.65~~) 1.18 percent for the public employees' retirement
4 system plan 2; and

5 (b) (~~4.39~~) 5.05 percent for the law enforcement officers' and
6 fire fighters' retirement system plan 2.

7 (5) Beginning (~~April 1, 2002~~) September 1, 2003, the following
8 member contribution rates shall be charged:

9 (a) (~~0.35~~) 0.84 percent for the school employees' retirement
10 system plan 2; and

11 (b) (~~0.15~~) 0.87 percent for the teachers' retirement system plan
12 2.

13 (6) The contribution rates in this section shall be collected
14 through (~~June 30, 2003~~) June 30, 2005, for the public employees'
15 retirement system and the law enforcement officers' and fire fighters'
16 retirement system, and August 31st, 2005, for the school employees'
17 retirement system and the teachers' retirement system.

18 (7) The July 1, 2003, contribution rate changes provided in this
19 section shall be implemented notwithstanding the thirty-day advanced
20 notice provisions of RCW 41.45.067.

21 **Sec. 3.** RCW 41.45.070 and 2001 2nd sp.s. c 11 s 16 and 2001 2nd
22 sp.s. c 11 s 15 are each reenacted and amended to read as follows:

23 (1) In addition to the basic employer contribution rate established
24 in RCW 41.45.060 or (~~41.45.053~~) 41.45.054, the department shall also
25 charge employers of public employees' retirement system, teachers'
26 retirement system, school employees' retirement system, or Washington
27 state patrol retirement system members an additional supplemental rate
28 to pay for the cost of additional benefits, if any, granted to members
29 of those systems. Except as provided in subsections (6) and (7) of
30 this section, the supplemental contribution rates required by this
31 section shall be calculated by the state actuary and shall be charged
32 regardless of language to the contrary contained in the statute which
33 authorizes additional benefits.

34 (2) In addition to the basic state contribution rate established in
35 RCW 41.45.060 or (~~41.45.053~~) 41.45.054 for the law enforcement
36 officers' and fire fighters' retirement system plan 2, the department
37 shall also establish a supplemental rate to pay for the cost of

1 additional benefits, if any, granted to members of the law enforcement
2 officers' and fire fighters' retirement system plan 2. Except as
3 provided in subsection (6) of this section, this supplemental rate
4 shall be calculated by the state actuary and the state treasurer shall
5 transfer the additional required contributions regardless of language
6 to the contrary contained in the statute which authorizes the
7 additional benefits.

8 (3) The supplemental rate charged under this section to fund
9 benefit increases provided to active members of the public employees'
10 retirement system plan 1, the teachers' retirement system plan 1, and
11 Washington state patrol retirement system, shall be calculated as the
12 level percentage of all members' pay needed to fund the cost of the
13 benefit not later than June 30, 2024.

14 (4) The supplemental rate charged under this section to fund
15 benefit increases provided to active and retired members of the public
16 employees' retirement system plan 2 and plan 3, the teachers'
17 retirement system plan 2 and plan 3, the school employees' retirement
18 system plan 2 and plan 3, or the law enforcement officers' and fire
19 fighters' retirement system plan 2, shall be calculated as the level
20 percentage of all members' pay needed to fund the cost of the benefit,
21 as calculated under RCW 41.45.060, 41.45.061, or 41.45.067.

22 (5) The supplemental rate charged under this section to fund
23 postretirement adjustments which are provided on a nonautomatic basis
24 to current retirees shall be calculated as the percentage of pay needed
25 to fund the adjustments as they are paid to the retirees. The
26 supplemental rate charged under this section to fund automatic
27 postretirement adjustments for active or retired members of the public
28 employees' retirement system plan 1 and the teachers' retirement system
29 plan 1 shall be calculated as the level percentage of pay needed to
30 fund the cost of the automatic adjustments not later than June 30,
31 2024.

32 (6) A supplemental rate shall not be charged to pay for the cost of
33 additional benefits granted to members pursuant to chapter 340, Laws of
34 1998.

35 (7) A supplemental rate shall not be charged to pay for the cost of
36 additional benefits granted to members pursuant to chapter 41.31A RCW;
37 section 309, chapter 341, Laws of 1998; or section 701, chapter 341,
38 Laws of 1998.

1 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
2 preservation of the public peace, health, or safety, or support of the
3 state government and its existing public institutions, and takes effect
4 July 1, 2003.

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