
SENATE BILL 6029

State of Washington

58th Legislature

2003 Regular Session

By Senators Rossi and Fairley; by request of Office of Financial Management

Read first time 03/11/2003. Referred to Committee on Ways & Means.

1 AN ACT Relating to actuarial funding of the public employees',
2 teachers', and school employees' retirement systems; amending RCW
3 41.45.010, 41.45.054, and 41.45.060; reenacting and amending RCW
4 41.45.070; providing an effective date; and declaring an emergency.

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

6 **Sec. 1.** RCW 41.45.010 and 2002 c 26 s 3 are each amended to read
7 as follows:

8 It is the intent of the legislature to provide a dependable and
9 systematic process for funding the benefits provided to members and
10 retirees of the public employees' retirement system, chapter 41.40 RCW;
11 the teachers' retirement system, chapter 41.32 RCW; the law enforcement
12 officers' and fire fighters' retirement systems, chapter 41.26 RCW; the
13 school employees' retirement system, chapter 41.35 RCW; and the
14 Washington state patrol retirement system, chapter 43.43 RCW.

15 The legislature finds that the funding status of the state
16 retirement systems has improved dramatically since 1989. Because of
17 the big reduction in unfunded pension liabilities, it is now prudent to
18 adjust the long-term economic assumptions that are used in the
19 actuarial studies conducted by the state actuary. The legislature

1 finds that it is reasonable to increase the salary growth assumption in
2 light of Initiative Measure No. 732, to increase the investment return
3 assumption in light of the asset allocation policies and historical
4 returns of the state investment board, and to reestablish June 30,
5 2024, as the target date to achieve full funding of all liabilities in
6 the public employees' retirement system plan 1, the teachers'
7 retirement system plan 1, and the law enforcement officers' and fire
8 fighters' retirement system plan 1.

9 The funding process established by this chapter is intended to
10 achieve the following goals:

11 (1) To continue to fully fund the public employees' retirement
12 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
13 the school employees' retirement system plans 2 and 3, and the law
14 enforcement officers' and fire fighters' retirement system plan 2 as
15 provided by law;

16 (2) To fully amortize the total costs of the public employees'
17 retirement system plan 1, the teachers' retirement system plan 1, and
18 the law enforcement officers' and fire fighters' retirement system plan
19 1, not later than June 30, 2024;

20 (3) To establish predictable long-term employer contribution rates
21 which will remain a relatively constant proportion of the future state
22 budgets, while allowing for adjustments to reflect changing economic,
23 demographic, and financial conditions; and

24 (4) To fund, to the extent feasible, benefit increases for plan 1
25 members and all benefits for plan 2 and 3 members over the working
26 lives of those members so that the cost of those benefits are paid by
27 the taxpayers who receive the benefit of those members' service.

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

30 The basic employer and state contribution rates and plan 2 member
31 contribution rates are changed to reflect the 2000 actuarial valuation,
32 incorporating the 1995-2000 actuarial experience study conducted by the
33 office of the state actuary, and to reflect changes in actuarial
34 methods adopted by the 2003 legislature. The results of the 2000
35 actuarial valuation shall be adjusted to reflect an April 1, 2002,
36 implementation date.

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

3 (a) (~~1.10~~) 1.21 percent for the public employees' retirement
4 system; and

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

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

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

12 (a) (~~0.96~~) 1.16 percent for the school employees' retirement
13 system; and

14 (b) (~~1.05~~) 0.80 percent for the teachers' retirement system.

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

17 (a) (~~0.65~~) 0.54 percent for the public employees' retirement
18 system plan 2; and

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

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

23 (a) (~~0.35~~) 0.49 percent for the school employees' retirement
24 system plan 2; and

25 (b) (~~0.15~~) 0.0 percent for the teachers' retirement system plan
26 2.

27 (~~(6) The contribution rates in this section shall be collected~~
28 ~~through June 30, 2003.~~)

29 **Sec. 3.** RCW 41.45.060 and 2002 c 26 s 2 are each amended to read
30 as follows:

31 (1) The state actuary shall provide actuarial valuation results
32 based on the economic assumptions and asset value smoothing technique
33 included in RCW 41.45.035 or adopted by the council under RCW 41.45.030
34 or 41.45.035.

35 (2) Not later than September 30, 2002, and every two years
36 thereafter, consistent with the economic assumptions and asset value

1 smoothing technique included in RCW 41.45.035 or adopted under RCW
2 41.45.030 or 41.45.035, the council shall adopt and may make changes
3 to:

4 (a) A basic state contribution rate for the law enforcement
5 officers' and fire fighters' retirement system;

6 (b) Basic employer contribution rates for the public employees'
7 retirement system, the teachers' retirement system, and the Washington
8 state patrol retirement system to be used in the ensuing biennial
9 period; and

10 (c) A basic employer contribution rate for the school employees'
11 retirement system for funding both that system and the public
12 employees' retirement system plan 1.

13 The contribution rates adopted by the council shall be subject to
14 revision by the legislature.

15 (3) The employer and state contribution rates adopted by the
16 council shall be the level percentages of pay that are needed:

17 (a) To fully amortize the total costs of the public employees'
18 retirement system plan 1, the teachers' retirement system plan 1, and
19 the law enforcement officers' and fire fighters' retirement system plan
20 1 not later than June 30, 2024, except as provided in subsection (5) of
21 this section. The net contribution rate developed in subsection (4) of
22 this section shall be used as the normal cost;

23 (b) To also continue to fully fund the public employees' retirement
24 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
25 the school employees' retirement system plans 2 and 3, and the law
26 enforcement officers' and fire fighters' retirement system plan 2 in
27 accordance with RCW 41.45.061, 41.45.067, and this section; and

28 (c) For the law enforcement officers' and fire fighters' system
29 plan 2 the rate charged to employers, except as provided in RCW
30 41.26.450, shall be thirty percent of the cost of the retirement system
31 and the rate charged to the state shall be twenty percent of the cost
32 of the retirement system.

33 (4) The ((~~aggregate actuarial cost~~)) projected unit credit method
34 with a fifteen-year amortization of unfunded liabilities shall be used
35 to calculate a combined plan 2 and 3 employer contribution rate ((~~and~~
36 a)). The aggregate actuarial cost method shall be used to calculate
37 the Washington state patrol retirement system contribution rate.

1 (5) The council shall immediately notify the directors of the
2 office of financial management and department of retirement systems of
3 the state and employer contribution rates adopted. The rates shall be
4 effective for the ensuing biennial period, subject to any legislative
5 modifications.

6 (6) The director of the department of retirement systems shall
7 collect the rates established in RCW (~~41.45.053 through June 30,~~
8 ~~2003~~) 41.45.054. (~~Thereafter, the director shall collect those rates~~
9 ~~adopted by the council. The rates established in RCW 41.45.053, or by~~
10 ~~the council, shall be subject to revision by the council.~~)

11 **Sec. 4.** RCW 41.45.070 and 2001 2nd sp.s. c 11 s 16 and 2001 2nd
12 sp.s. c 11 s 15 are each reenacted and amended to read as follows:

13 (1) In addition to the basic employer contribution rate established
14 in RCW 41.45.060 or (~~41.45.053~~) 41.45.054, the department shall also
15 charge employers of public employees' retirement system, teachers'
16 retirement system, school employees' retirement system, or Washington
17 state patrol retirement system members an additional supplemental rate
18 to pay for the cost of additional benefits, if any, granted to members
19 of those systems. Except as provided in subsections (6) and (7) of
20 this section, the supplemental contribution rates required by this
21 section shall be calculated by the state actuary and shall be charged
22 regardless of language to the contrary contained in the statute which
23 authorizes additional benefits.

24 (2) In addition to the basic state contribution rate established in
25 RCW 41.45.060 or (~~41.45.053~~) 41.45.054 for the law enforcement
26 officers' and fire fighters' retirement system plan 2, the department
27 shall also establish a supplemental rate to pay for the cost of
28 additional benefits, if any, granted to members of the law enforcement
29 officers' and fire fighters' retirement system plan 2. Except as
30 provided in subsection (6) of this section, this supplemental rate
31 shall be calculated by the state actuary and the state treasurer shall
32 transfer the additional required contributions regardless of language
33 to the contrary contained in the statute which authorizes the
34 additional benefits.

35 (3) The supplemental rate charged under this section to fund
36 benefit increases provided to active members of the public employees'
37 retirement system plan 1, the teachers' retirement system plan 1, and

1 Washington state patrol retirement system, shall be calculated as the
2 level percentage of all members' pay needed to fund the cost of the
3 benefit not later than June 30, 2024.

4 (4) The supplemental rate charged under this section to fund
5 benefit increases provided to active and retired members of the public
6 employees' retirement system plan 2 and plan 3, the teachers'
7 retirement system plan 2 and plan 3, and the school employees'
8 retirement system plan 2 and plan 3(~~(τ - σ)~~) shall be sufficient to
9 amortize the unfunded liability portion of the cost of the benefit over
10 a fifteen-year period. The supplemental rate charged under this
11 section to fund benefit increases provided to the law enforcement
12 officers' and fire fighters' retirement system plan 2(~~(τ)~~) shall be
13 calculated as the level percentage of all members' pay needed to fund
14 the cost of the benefit, as calculated under RCW 41.45.060, 41.45.061,
15 or 41.45.067.

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

26 (6) A supplemental rate shall not be charged to pay for the cost of
27 additional benefits granted to members pursuant to chapter 340, Laws of
28 1998.

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

33 NEW SECTION. **Sec. 5.** This act is necessary for the immediate
34 preservation of the public peace, health, or safety, or support of the
35 state government and its existing public institutions, and takes effect

1 July 1, 2003.

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