
HOUSE BILL 1043

State of Washington 59th Legislature 2005 Regular Session

By Representative Sommers; by request of Office of Financial Management

Read first time 01/11/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to public pension gain-sharing increase amounts;
2 amending RCW 41.31.010, 41.31.020, 41.31A.020, 41.45.060, and
3 41.45.070; reenacting and amending RCW 41.45.060 and 41.45.070; adding
4 a new section to chapter 41.31 RCW; adding a new section to chapter
5 41.31A RCW; providing effective dates; providing an expiration date;
6 and declaring an emergency.

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

8 **Sec. 1.** RCW 41.31.010 and 1998 c 340 s 1 are each amended to read
9 as follows:

10 Beginning July 1, 1998, and on January 1st of even-numbered years
11 (~~thereafter~~) until January 1, 2005, the annual increase amount as
12 defined in RCW 41.32.010 and 41.40.010 shall be increased by the gain-
13 sharing increase amount, if any. The monthly retirement allowance of
14 a person in receipt of the benefit provided in RCW 41.32.489 or
15 41.40.197 shall immediately be adjusted to reflect any increase.

16 **Sec. 2.** RCW 41.31.020 and 1998 c 340 s 2 are each amended to read
17 as follows:

18 (1) The gain-sharing increase amount, if authorized by the

1 legislature, shall be the amount of increase, rounded to the nearest
2 cent, that can be fully funded in actuarial present value by the amount
3 of extraordinary investment gains, if any. The amount of extraordinary
4 investment gains shall be calculated as follows:

5 (a) One-half of the sum of the value of the net assets held in
6 trust for pension benefits in the teachers' retirement system plan 1
7 fund and the public employees' retirement system plan 1 fund at the
8 close of the previous state fiscal year;

9 (b) Multiplied by the amount which the compound average of
10 investment returns on those assets over the previous four state fiscal
11 years exceeds ten percent.

12 (2) The gain-sharing increase amount for July 1998, as provided for
13 in RCW 41.31.010, is ten cents.

14 NEW SECTION. Sec. 3. A new section is added to chapter 41.31 RCW
15 to read as follows:

16 Beginning July 1, 2005, and on July 1st of even-numbered years
17 thereafter, the legislature may authorize an increase as provided in
18 RCW 41.31.020.

19 NEW SECTION. Sec. 4. A new section is added to chapter 41.31A RCW
20 to read as follows:

21 Beginning July 1, 2005, and on July 1st of even-numbered years
22 thereafter, the legislature may authorize an increase as provided in
23 RCW 41.31A.020.

24 **Sec. 5.** RCW 41.31A.020 and 2003 c 294 s 4 are each amended to read
25 as follows:

26 (1) On January 1, 2004, and on January 1st of even-numbered years
27 (~~thereafter~~) until January 1, 2005, the member account of a person
28 meeting the requirements of this section shall be credited by the
29 extraordinary investment gain amount.

30 (2) The following persons shall be eligible for the benefit
31 provided in subsection (1) of this section or as authorized by section
32 4 of this act:

33 (a) Any member of the teachers' retirement system plan 3, the
34 Washington school employees' retirement system plan 3, or the public
35 employees' retirement system plan 3 who earned service credit during

1 the twelve-month period from September 1st to August 31st immediately
2 preceding the distribution and had a balance of at least one thousand
3 dollars in their member account on August 31st of the year immediately
4 preceding the distribution; or

5 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875,
6 41.35.680, or 41.40.820; or

7 (c) Any person who is a retiree pursuant to RCW 41.34.020(8) and
8 who:

9 (i) Completed ten service credit years; or

10 (ii) Completed five service credit years, including twelve service
11 months after attaining age fifty-four; or

12 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and
13 who has completed five service credit years by July 1, 1996, under plan
14 2 and who transferred to plan 3 under RCW 41.32.817; or

15 (e) Any classified employee who is a retiree pursuant to RCW
16 41.34.020(8) and who has completed five service credit years by
17 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;
18 or

19 (f) Any public employee who is a retiree pursuant to RCW
20 41.34.020(8) and who has completed five service credit years by March
21 1, 2002, and who transferred to plan 3 under RCW 41.40.795; or

22 (g) Any person who had a balance of at least one thousand dollars
23 in their member account on August 31st of the year immediately
24 preceding the distribution and who:

25 (i) Completed ten service credit years; or

26 (ii) Completed five service credit years, including twelve service
27 months after attaining age fifty-four; or

28 (h) Any teacher who had a balance of at least one thousand dollars
29 in their member account on August 31st of the year immediately
30 preceding the distribution and who has completed five service credit
31 years by July 1, 1996, under plan 2 and who transferred to plan 3 under
32 RCW 41.32.817; or

33 (i) Any classified employee who had a balance of at least one
34 thousand dollars in their member account on August 31st of the year
35 immediately preceding the distribution and who has completed five
36 service credit years by September 1, 2000, and who transferred to plan
37 3 under RCW 41.35.510; or

1 (j) Any public employee who had a balance of at least one thousand
2 dollars in their member account on August 31st of the year immediately
3 preceding the distribution and who has completed five service credit
4 years by March 1, 2002, and who transferred to plan 3 under RCW
5 41.40.795.

6 (3) The extraordinary investment gain amount, if authorized by the
7 legislature, shall be calculated as follows:

8 (a) One-half of the sum of the value of the net assets held in
9 trust for pension benefits in the teachers' retirement system combined
10 plan 2 and 3 fund, the Washington school employees' retirement system
11 combined plan 2 and 3 fund, and the public employees' retirement system
12 combined plan 2 and 3 fund at the close of the previous state fiscal
13 year not including the amount attributable to member accounts;

14 (b) Multiplied by the amount which the compound average of
15 investment returns on those assets over the previous four state fiscal
16 years exceeds ten percent;

17 (c) Multiplied by the proportion of:

18 (i) The sum of the service credit on August 31st of the previous
19 year of all persons eligible for the benefit provided in subsection (1)
20 of this section; to

21 (ii) The sum of the service credit on August 31st of the previous
22 year of:

23 (A) All persons eligible for the benefit provided in subsection (1)
24 of this section;

25 (B) Any person who earned service credit in the teachers'
26 retirement system plan 2, the Washington school employees' retirement
27 system plan 2, or the public employees' retirement system plan 2 during
28 the twelve-month period from September 1st to August 31st immediately
29 preceding the distribution;

30 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765,
31 41.35.420, or 41.40.630; and

32 (D) Any person with five or more years of service in the teachers'
33 retirement system plan 2, the Washington school employees' retirement
34 system plan 2, or the public employees' retirement system plan 2;

35 (d) Divided proportionally among persons eligible for the benefit
36 provided in subsection (1) of this section on the basis of their
37 service credit total on August 31st of the previous year.

1 (4) The legislature reserves the right to amend or repeal this
2 section in the future and no member or beneficiary has a contractual
3 right to receive this distribution not granted prior to that time.

4 **Sec. 6.** RCW 41.45.060 and 2003 c 294 s 10 and 2003 c 92 s 3 are
5 each reenacted and amended to read as follows:

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

10 (2) Not later than September 30, 2002, and every two years
11 thereafter, consistent with the economic assumptions and asset value
12 smoothing technique included in RCW 41.45.035 or adopted under RCW
13 41.45.030 or 41.45.035, the council shall adopt and may make changes
14 to:

15 (a) A basic state contribution rate for the law enforcement
16 officers' and fire fighters' retirement system plan 1;

17 (b) Basic employer contribution rates for the public employees'
18 retirement system, the teachers' retirement system, and the Washington
19 state patrol retirement system to be used in the ensuing biennial
20 period; and

21 (c) A basic employer contribution rate for the school employees'
22 retirement system for funding both that system and the public
23 employees' retirement system plan 1.

24 The contribution rates adopted by the council shall be subject to
25 revision by the legislature.

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

28 (a) To fully amortize the total costs of the public employees'
29 retirement system plan 1, the teachers' retirement system plan 1, and
30 the law enforcement officers' and fire fighters' retirement system plan
31 1 not later than June 30, 2024; and

32 (b) To also continue to fully fund the public employees' retirement
33 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
34 and the school employees' retirement system plans 2 and 3 in accordance
35 with RCW 41.45.061, 41.45.067, and this section.

36 (4) The aggregate actuarial cost method shall be used to calculate

1 a combined plan 2 and 3 employer contribution rate and a Washington
2 state patrol retirement system contribution rate.

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

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

13 (7) For benefit increases under chapter 41.31 or 41.31A RCW, the
14 basic contribution rate shall include the cost of the increases
15 beginning with the next valuation after the effective date of the
16 increase.

17 **Sec. 7.** RCW 41.45.060 and 2004 c 242 s 39 are each amended to read
18 as follows:

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

23 (2) Not later than September 30, 2002, and every two years
24 thereafter, consistent with the economic assumptions and asset value
25 smoothing technique included in RCW 41.45.035 or adopted under RCW
26 41.45.030 or 41.45.035, the council shall adopt and may make changes
27 to:

28 (a) A basic state contribution rate for the law enforcement
29 officers' and fire fighters' retirement system plan 1;

30 (b) Basic employer contribution rates for the public employees'
31 retirement system, the teachers' retirement system, and the Washington
32 state patrol retirement system to be used in the ensuing biennial
33 period; and

34 (c) A basic employer contribution rate for the school employees'
35 retirement system and the public safety employees' retirement system
36 for funding both those systems and the public employees' retirement
37 system plan 1.

1 The contribution rates adopted by the council shall be subject to
2 revision by the legislature.

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

5 (a) To fully amortize the total costs of the public employees'
6 retirement system plan 1, the teachers' retirement system plan 1, and
7 the law enforcement officers' and fire fighters' retirement system plan
8 1 not later than June 30, 2024; and

9 (b) To fully fund the public employees' retirement system plans 2
10 and 3, the teachers' retirement system plans 2 and 3, the public safety
11 employees' retirement system plan 2, and the school employees'
12 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
13 41.45.067, and this section.

14 (4) The aggregate actuarial cost method shall be used to calculate
15 a combined plan 2 and 3 employer contribution rate and a Washington
16 state patrol retirement system contribution rate.

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

22 (6) The director shall collect those rates adopted by the council.
23 The rates established in RCW 41.45.054, or by the council, shall be
24 subject to revision by the legislature.

25 (7) For benefit increases under chapter 41.31 or 41.31A RCW, the
26 basic contribution rate shall include the cost of the increases
27 beginning with the next valuation after the effective date of the
28 increase.

29 **Sec. 8.** RCW 41.45.070 and 2003 1st sp.s. c 11 s 3 and 2003 c 92 s
30 5 are each reenacted and amended to read as follows:

31 (1) In addition to the basic employer contribution rate established
32 in RCW 41.45.060 or 41.45.054, the department shall also charge
33 employers of public employees' retirement system, teachers' retirement
34 system, school employees' retirement system, or Washington state patrol
35 retirement system members an additional supplemental rate to pay for
36 the cost of additional benefits, if any, granted to members of those
37 systems. Except as provided in subsections (6) and (7) of this

1 section, the supplemental contribution rates required by this section
2 shall be calculated by the state actuary and shall be charged
3 regardless of language to the contrary contained in the statute which
4 authorizes additional benefits.

5 (2) In addition to the basic member, employer, and state
6 contribution rate established in RCW 41.45.0604 for the law enforcement
7 officers' and fire fighters' retirement system plan 2, the department
8 shall also establish supplemental rates to pay for the cost of
9 additional benefits, if any, granted to members of the law enforcement
10 officers' and fire fighters' retirement system plan 2. Except as
11 provided in subsection (6) of this section, these supplemental rates
12 shall be calculated by the actuary retained by the law enforcement
13 officers' and fire fighters' board and the state actuary through the
14 process provided in RCW 41.26.720(1)(a) and the state treasurer shall
15 transfer the additional required contributions regardless of language
16 to the contrary contained in the statute which authorizes the
17 additional benefits.

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

24 (4) The supplemental rate charged under this section to fund
25 benefit increases provided to active and retired members of the public
26 employees' retirement system plan 2 and plan 3, the teachers'
27 retirement system plan 2 and plan 3, or the school employees'
28 retirement system plan 2 and plan 3 shall be calculated as the level
29 percentage of all members' pay needed to fund the cost of the benefit,
30 as calculated under RCW 41.45.060, 41.45.061, or 41.45.067.

31 (5) The supplemental rate charged under this section to fund
32 postretirement adjustments which are provided on a nonautomatic basis
33 to current retirees shall be calculated as the percentage of pay needed
34 to fund the adjustments as they are paid to the retirees. The
35 supplemental rate charged under this section to fund automatic
36 postretirement adjustments for active or retired members of the public
37 employees' retirement system plan 1 and the teachers' retirement system

1 plan 1 shall be calculated as the level percentage of pay needed to
2 fund the cost of the automatic adjustments not later than June 30,
3 2024.

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

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

11 (8) For benefit increases under chapter 41.31 or 41.31A RCW, the
12 basic contribution rate shall include the cost of the increases
13 beginning with the next valuation after the effective date of the
14 increase.

15 **Sec. 9.** RCW 41.45.070 and 2004 c 242 s 41 are each amended to read
16 as follows:

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

28 (2) In addition to the basic member, employer, and state
29 contribution rate established in RCW 41.45.0604 for the law enforcement
30 officers' and fire fighters' retirement system plan 2, the department
31 shall also establish supplemental rates to pay for the cost of
32 additional benefits, if any, granted to members of the law enforcement
33 officers' and fire fighters' retirement system plan 2. Except as
34 provided in subsection (6) of this section, these supplemental rates
35 shall be calculated by the actuary retained by the law enforcement
36 officers' and fire fighters' board and the state actuary through the
37 process provided in RCW 41.26.720(1)(a) and the state treasurer shall

1 transfer the additional required contributions regardless of language
2 to the contrary contained in the statute which authorizes the
3 additional benefits.

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

10 (4) The supplemental rate charged under this section to fund
11 benefit increases provided to active and retired members of the public
12 employees' retirement system plan 2 and plan 3, the teachers'
13 retirement system plan 2 and plan 3, the public safety employees'
14 retirement system plan 2, or the school employees' retirement system
15 plan 2 and plan 3 shall be calculated as the level percentage of all
16 members' pay needed to fund the cost of the benefit, as calculated
17 under RCW 41.45.060, 41.45.061, or 41.45.067.

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

28 (6) A supplemental rate shall not be charged to pay for the cost of
29 additional benefits granted to members pursuant to chapter 340, Laws of
30 1998.

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

35 (8) For benefit increases under chapter 41.31 or 41.31A RCW, the
36 basic contribution rate shall include the cost of the increases
37 beginning with the next valuation after the effective date of the
38 increase.

1 NEW SECTION. **Sec. 10.** 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, 2005, except for sections 7 and 9 of this act which take effect
5 July 1, 2006.

6 NEW SECTION. **Sec. 11.** Sections 6 and 8 of this act expire July 1,
7 2006.

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