
SENATE BILL 6847

State of Washington

59th Legislature

2006 Regular Session

By Senator Finkbeiner

Read first time 01/26/2006. Referred to Committee on Ways & Means.

1 AN ACT Relating to reducing unfunded liabilities in plan 1 of the
2 public employees' retirement system, plan 1 of the teachers' retirement
3 system, plan 3 of the public employees' retirement system, plan 3 of
4 the teachers' retirement system, and plan 3 of the school employees'
5 retirement system; amending RCW 41.31.010 and 41.31.020; adding new
6 sections to chapter 41.45 RCW; creating a new section; decodifying RCW
7 41.31.030; repealing RCW 41.31A.010, 41.31A.020, 41.31A.030, and
8 41.31A.040; and providing an effective date.

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

10 NEW SECTION. **Sec. 1.** The legislature recognizes that returns on
11 the investment of retirement plan assets are volatile, and market
12 volatility is reflected in variations in the funded status of the state
13 retirement plans over time. The legislature also recognizes that the
14 long-term liability in the plans 1 of the public employees' retirement
15 system and the teachers' retirement system remains independent from
16 short-term investment returns in the market. The legislature seeks to
17 avoid contribution rate volatility that may unfairly benefit or burden
18 particular groups of taxpayers with disproportionate responsibilities
19 for retiring the unfunded liability in the plans 1. Therefore, it is

1 the intent of the legislature to provide for the systematic payment of
2 the plans' 1 unfunded liability in a manner that promotes contribution
3 rate adequacy and stability for the affected systems over time.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.45 RCW
5 to read as follows:

6 (1) There shall be no suspension of those portions of the basic
7 state and employer contribution rates that are necessary to pay for the
8 unfunded actuarial accrued liability for plan 1 of the public
9 employees' retirement system for the following periods: From July 1,
10 2006, through June 30, 2009, for the public employees' retirement
11 system; from July 1, 2006, through June 30, 2009, for the public safety
12 employees' retirement system; and from September 1, 2006, through
13 August 31, 2009, for the school employees' retirement system.

14 (2) There shall be no suspension of those portions of the basic
15 state and employer contribution rates that are necessary to pay for the
16 unfunded actuarial accrued liability for plan 1 of the teachers'
17 retirement system for the period beginning September 1, 2006, and
18 ending August 31, 2009.

19 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.45 RCW
20 to read as follows:

21 (1) It is the intent of the legislature to make up the actuarially
22 required payments for the unfunded actuarial accrued liability in plan
23 1 of the public employees' retirement system and plan 1 of the
24 teachers' retirement system that were suspended in the first year of
25 the 2005-2007 biennium. This change in funding policy requires that
26 contribution rates for the unfunded actuarial accrued liability in the
27 plans 1 be reinstated. The rates required in this section are in
28 addition to the phase-in rates established pursuant to RCW 41.45.062.

29 (2) For the period beginning July 1, 2006, and ending June 30,
30 2007, a 3.44 percent contribution is established as part of the basic
31 state and employer contribution rate for the public employees'
32 retirement system and the public safety employees' retirement system,
33 to be used for the sole purpose of amortizing the unfunded actuarial
34 accrued liability in the public employees' retirement system plan 1.

35 (3) For the period beginning September 1, 2006, and ending August
36 31, 2007, a 3.44 percent contribution is established as part of the

1 basic state and employer contribution rate for the school employees'
2 retirement system, to be used for the sole purpose of amortizing the
3 unfunded actuarial accrued liability in the public employees'
4 retirement system plan 1.

5 (4) For the period beginning September 1, 2006, and ending August
6 31, 2007, a 4.05 percent contribution is established as part of the
7 basic state and employer contribution rate for the teachers' retirement
8 system, to be used for the sole purpose of amortizing the unfunded
9 actuarial accrued liability in the teachers' retirement system plan 1.

10 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.45 RCW
11 to read as follows:

12 (1) Beginning July 1, 2009, a minimum 2.75 percent contribution is
13 established as part of the basic state and employer contribution rate
14 for the public employees' retirement system, to be used for the sole
15 purpose of amortizing the unfunded actuarial accrued liability in the
16 public employees' retirement system plan 1. This minimum contribution
17 rate shall remain effective until the actuarial value of assets equals
18 one hundred twenty-five percent of the actuarial accrued liability or
19 June 30, 2024, whichever comes first.

20 (2) Beginning July 1, 2009, a minimum 2.75 percent contribution is
21 established as part of the basic state and employer contribution rate
22 for the public safety employees' retirement system, to be used for the
23 sole purpose of amortizing the unfunded actuarial accrued liability in
24 the public employees' retirement system plan 1. This minimum
25 contribution rate shall remain effective until the actuarial value of
26 assets equals one hundred twenty-five percent of the actuarial accrued
27 liability for the public employees' retirement system plan 1 or June
28 30, 2024, whichever comes first.

29 (3) Beginning September 1, 2009, a minimum 2.75 percent
30 contribution is established as part of the basic state and employer
31 contribution rate for the school employees' retirement system, to be
32 used for the sole purpose of amortizing the unfunded actuarial accrued
33 liability in the public employees' retirement system plan 1. This
34 minimum contribution rate shall remain effective until the actuarial
35 value of assets equals one hundred twenty-five percent of the actuarial
36 accrued liability for the public employees' retirement system plan 1 or
37 June 30, 2024, whichever comes first.

1 (4) Beginning September 1, 2009, a minimum 5.00 percent
2 contribution is established as part of the basic state and employer
3 contribution rate for the teachers' retirement system, to be used for
4 the sole purpose of amortizing the unfunded actuarial accrued liability
5 in the teachers' retirement system plan 1. This minimum contribution
6 rate shall remain effective until the actuarial value of assets equals
7 one hundred twenty-five percent of the actuarial accrued liability for
8 the teachers' retirement system plan 1 or June 30, 2024, whichever
9 comes first.

10 **Sec. 5.** RCW 41.31.010 and 1998 c 340 s 1 are each amended to read
11 as follows:

12 Beginning (~~(July 1, 1998)~~) January 1, 2008, and on January 1st of
13 even-numbered years thereafter, (~~(the annual increase amount as defined~~
14 ~~in RCW 41.32.010 and 41.40.010 shall be increased by the gain sharing~~
15 ~~increase amount, if any. The monthly retirement allowance of a person~~
16 ~~in receipt of the benefit provided in RCW 41.32.489 or 41.40.197 shall~~
17 ~~immediately be adjusted to reflect any increase)~~) the state actuary
18 shall calculate the amount of extraordinary investment gains for the
19 teachers' retirement system plan 1 and the public employees' retirement
20 system plan 1. Extraordinary investment gains attributed to these
21 plans shall be applied to shorten the amortization period specified in
22 chapter 41.45 RCW for paying the unfunded actuarial accrued liability
23 in plan 1 of the teachers' retirement system and plan 1 of the public
24 employees' retirement system.

25 **Sec. 6.** RCW 41.31.020 and 1998 c 340 s 2 are each amended to read
26 as follows:

27 (~~((1) The gain sharing increase amount shall be the amount of~~
28 ~~increase, rounded to the nearest cent, that can be fully funded in~~
29 ~~actuarial present value by the amount of extraordinary investment~~
30 ~~gains, if any.)) The amount of extraordinary investment gains shall be
31 calculated as follows:~~

32 (~~((a))~~) (1) One-half of the sum of the value of the net assets held
33 in trust for pension benefits in the teachers' retirement system plan
34 1 fund and the public employees' retirement system plan 1 fund at the
35 close of the previous state fiscal year;

1 ~~((b))~~ (2) Multiplied by the amount which the compound average of
2 investment returns on those assets over the previous four state fiscal
3 years exceeds ten percent.

4 ~~((2) The gain sharing increase amount for July 1998, as provided
5 for in RCW 41.31.010, is ten cents.))~~

6 NEW SECTION. **Sec. 7.** RCW 41.31.030 is decodified.

7 NEW SECTION. **Sec. 8.** The following acts or parts of acts are each
8 repealed:

9 (1) RCW 41.31A.010 (Definitions) and 2000 c 247 s 407 & 1998 c 341
10 s 311;

11 (2) RCW 41.31A.020 (Extraordinary investment gain--Credited to
12 member accounts--Persons eligible--Calculation of amount--Contractual
13 right not granted) and 2003 c 294 s 4, 2000 c 247 s 408, & 1998 c 341
14 s 312;

15 (3) RCW 41.31A.030 (Retroactive extraordinary investment gain--
16 Credited to member accounts--Persons eligible--Calculation of amount--
17 Contractual right not granted) and 1998 c 341 s 313; and

18 (4) RCW 41.31A.040 (Retroactive extraordinary investment gain--
19 Credited to member accounts--Persons eligible--Calculation of amount--
20 Contractual right not granted) and 2000 c 247 s 409.

21 NEW SECTION. **Sec. 9.** This act takes effect July 1, 2006.

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