

---

SENATE BILL 6893

---

State of Washington                      59th Legislature                      2006 Regular Session

By Senators Mulliken, Doumit and Finkbeiner

Read first time 02/09/2006. Referred to Committee on Ways & Means.

1            AN ACT Relating to creating unfunded liabilities stabilization  
2 accounts within the public employees' retirement system plan 1 and  
3 teachers' retirement system plan 1 funds and making appropriations into  
4 the accounts; amending RCW 41.50.075 and 41.50.075; adding a new  
5 section to chapter 41.45 RCW; creating new sections; making  
6 appropriations; providing an effective date; and providing an  
7 expiration date.

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

9            **Sec. 1.** RCW 41.50.075 and 2000 c 247 s 601 are each amended to  
10 read as follows:

11            (1) Two funds are hereby created and established in the state  
12 treasury to be known as the Washington law enforcement officers' and  
13 fire fighters' system plan 1 retirement fund, and the Washington law  
14 enforcement officers' and fire fighters' system plan 2 retirement fund  
15 which shall consist of all moneys paid into them in accordance with the  
16 provisions of this chapter and chapter 41.26 RCW, whether such moneys  
17 take the form of cash, securities, or other assets. The plan 1 fund  
18 shall consist of all moneys paid to finance the benefits provided to  
19 members of the law enforcement officers' and fire fighters' retirement

1 system plan 1, and the plan 2 fund shall consist of all moneys paid to  
2 finance the benefits provided to members of the law enforcement  
3 officers' and fire fighters' retirement system plan 2.

4 (2)(a) All of the assets of the Washington state teachers'  
5 retirement system shall be credited according to the purposes for which  
6 they are held, to two funds to be maintained in the state treasury,  
7 namely, the teachers' retirement system plan 1 fund and the teachers'  
8 retirement system combined plan 2 and 3 fund. The plan 1 fund shall  
9 consist of all moneys paid to finance the benefits provided to members  
10 of the Washington state teachers' retirement system plan 1, and the  
11 combined plan 2 and 3 fund shall consist of all moneys paid to finance  
12 the benefits provided to members of the Washington state teachers'  
13 retirement system plan 2 and 3.

14 (b) Within the teachers' retirement system plan 1 fund an unfunded  
15 liability stabilization account is hereby established. Expenditures  
16 from the account may be used only for the payment of unfunded  
17 liabilities of the teachers' retirement system plan 1 and may not be  
18 used to pay for any new benefit or for any benefit increase that takes  
19 effect after July 1, 2005. An increase that is provided in accordance  
20 with a formula that is in existence on July 1, 2005, is not considered  
21 an increase for this purpose.

22 (3)(a) There is hereby established in the state treasury two  
23 separate funds, namely the public employees' retirement system plan 1  
24 fund and the public employees' retirement system combined plan 2 and  
25 plan 3 fund. The plan 1 fund shall consist of all moneys paid to  
26 finance the benefits provided to members of the public employees'  
27 retirement system plan 1, and the combined plan 2 and plan 3 fund shall  
28 consist of all moneys paid to finance the benefits provided to members  
29 of the public employees' retirement system plans 2 and 3.

30 (b) Within the public employees' retirement system plan 1 fund an  
31 unfunded liability stabilization account is hereby established.  
32 Expenditures from the account may be used only for the payment of  
33 unfunded liabilities of the public employees' retirement system plan 1  
34 and may not be used to pay for any new benefit or for any benefit  
35 increase that takes effect after July 1, 2005. An increase that is  
36 provided in accordance with a formula that is in existence on July 1,  
37 2005, is not considered an increase for this purpose.

1 (4) There is hereby established in the state treasury the school  
2 employees' retirement system combined plan 2 and 3 fund. The combined  
3 plan 2 and 3 fund shall consist of all moneys paid to finance the  
4 benefits provided to members of the school employees' retirement system  
5 plan 2 and plan 3.

6 **Sec. 2.** RCW 41.50.075 and 2004 c 242 s 44 are each amended to read  
7 as follows:

8 (1) Two funds are hereby created and established in the state  
9 treasury to be known as the Washington law enforcement officers' and  
10 fire fighters' system plan 1 retirement fund, and the Washington law  
11 enforcement officers' and fire fighters' system plan 2 retirement fund  
12 which shall consist of all moneys paid into them in accordance with the  
13 provisions of this chapter and chapter 41.26 RCW, whether such moneys  
14 take the form of cash, securities, or other assets. The plan 1 fund  
15 shall consist of all moneys paid to finance the benefits provided to  
16 members of the law enforcement officers' and fire fighters' retirement  
17 system plan 1, and the plan 2 fund shall consist of all moneys paid to  
18 finance the benefits provided to members of the law enforcement  
19 officers' and fire fighters' retirement system plan 2.

20 (2)(a) All of the assets of the Washington state teachers'  
21 retirement system shall be credited according to the purposes for which  
22 they are held, to two funds to be maintained in the state treasury,  
23 namely, the teachers' retirement system plan 1 fund and the teachers'  
24 retirement system combined plan 2 and 3 fund. The plan 1 fund shall  
25 consist of all moneys paid to finance the benefits provided to members  
26 of the Washington state teachers' retirement system plan 1, and the  
27 combined plan 2 and 3 fund shall consist of all moneys paid to finance  
28 the benefits provided to members of the Washington state teachers'  
29 retirement system plan 2 and 3.

30 (b) Within the teachers' retirement system plan 1 fund an unfunded  
31 liability stabilization account is hereby established. Expenditures  
32 from the account may be used only for the payment of unfunded  
33 liabilities of the teachers' retirement system plan 1 and may not be  
34 used to pay for any new benefit or for any benefit increase that takes  
35 effect after July 1, 2005. An increase that is provided in accordance  
36 with a formula that is in existence on July 1, 2005, is not considered  
37 an increase for this purpose.

1 (3)(a) There is hereby established in the state treasury two  
2 separate funds, namely the public employees' retirement system plan 1  
3 fund and the public employees' retirement system combined plan 2 and  
4 plan 3 fund. The plan 1 fund shall consist of all moneys paid to  
5 finance the benefits provided to members of the public employees'  
6 retirement system plan 1, and the combined plan 2 and plan 3 fund shall  
7 consist of all moneys paid to finance the benefits provided to members  
8 of the public employees' retirement system plans 2 and 3.

9 (b) Within the public employees' retirement system plan 1 fund an  
10 unfunded liability stabilization account is hereby established.  
11 Expenditures from the account may be used only for the payment of  
12 unfunded liabilities of the public employees' retirement system plan 1  
13 and may not be used to pay for any new benefit or for any benefit  
14 increase that takes effect after July 1, 2005. An increase that is  
15 provided in accordance with a formula that is in existence on July 1,  
16 2005, is not considered an increase for this purpose.

17 (4) There is hereby established in the state treasury the school  
18 employees' retirement system combined plan 2 and 3 fund. The combined  
19 plan 2 and 3 fund shall consist of all moneys paid to finance the  
20 benefits provided to members of the school employees' retirement system  
21 plan 2 and plan 3.

22 (5) There is hereby established in the state treasury the public  
23 safety employees' retirement system plan 2 fund. The plan 2 fund shall  
24 consist of all moneys paid to finance the benefits provided to members  
25 of the public safety employees' retirement system plan 2.

26 NEW SECTION. Sec. 3. (1) The sum of two hundred fifteen million  
27 four hundred thousand dollars is appropriated for the fiscal year  
28 ending June 30, 2007, from the general fund to the unfunded liability  
29 stabilization account within the public employees' retirement system  
30 plan 1 fund, under RCW 41.50.075, for the purposes of this act.

31 (2) Of the amount appropriated in subsection (1) of this section,  
32 seventy-six million seven hundred thousand dollars shall be expended by  
33 the state treasurer as soon as practicable into the commingled trust  
34 fund. It is the intent of the legislature that this amount shall  
35 constitute and satisfy the actuarially required general fund state  
36 payment for the unfunded actuarial accrued liability in plan 1 of the

1 public employees' retirement system for the 2005-2007 biennium,  
2 including the payment that was suspended in the first year of the  
3 biennium.

4 (3) The remainder of the appropriation in this section shall remain  
5 in the public employees' retirement system plan 1 stabilization account  
6 until further transfers are authorized, and shall be solely used for  
7 the purpose of satisfying the general fund state payment for the  
8 unfunded actuarial accrued liability in plan 1 of the public employees'  
9 retirement system during the 2007-2009 biennium. The state investment  
10 board shall invest such funds in accordance with RCW 43.33A.140, while  
11 exercising care to minimize the risk of the loss of principal.

12 NEW SECTION. **Sec. 4.** (1) The sum of two hundred ninety-one  
13 million five hundred thousand dollars is appropriated for the fiscal  
14 year ending June 30, 2007, from the general fund to the unfunded  
15 liability stabilization account within the teachers' retirement system  
16 plan 1 fund, under RCW 41.50.075, for the purposes of this act.

17 (2) Of the amount appropriated in subsection (1) of this section,  
18 one hundred three million eight hundred thousand dollars shall be  
19 expended by the state treasurer as soon as practicable into the  
20 commingled trust fund. It is the intent of the legislature that this  
21 amount shall constitute and satisfy the actuarially required general  
22 fund state payment for the unfunded actuarial accrued liability in plan  
23 1 of the teachers' retirement system for the 2005-2007 biennium,  
24 including the payment that was suspended in the first year of the  
25 biennium.

26 (3) The remainder of the appropriation in this section shall remain  
27 in the teachers' retirement system plan 1 stabilization account until  
28 further transfers are authorized, and shall be solely used for the  
29 purpose of satisfying the general fund state payment for the unfunded  
30 actuarial accrued liability in plan 1 of the teachers' retirement  
31 system during the 2007-2009 biennium. The state investment board shall  
32 invest such funds in accordance with RCW 43.33A.140, while exercising  
33 care to minimize the risk of the loss of principal.

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

36 For the period beginning July 1, 2006, and ending June 30, 2007, a

1 3.44 percent contribution rate is established as part of the local  
2 employer contribution rate for the public employees' retirement system  
3 and the public safety employees' retirement system, to be used for the  
4 sole purpose of amortizing the unfunded actuarial accrued liability in  
5 the public employees' retirement system plan 1.

6 NEW SECTION. **Sec. 6.** Section 2 of this act takes effect July 1,  
7 2006.

8 NEW SECTION. **Sec. 7.** Section 1 of this act expires July 1, 2006.

--- END ---