

SB 5014 - H COMM AMD
By Committee on Appropriations

ADOPTED 04/03/2007

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 41.45.030 and 2001 2nd sp.s. c 11 s 5 are each
4 amended to read as follows:

5 (1) Beginning (~~(April 1, 2004)~~) September 1, 2007, and every
6 (~~four~~) two years thereafter, the state actuary shall submit to the
7 council information regarding the experience and financial condition of
8 each state retirement system, and make recommendations regarding the
9 long-term economic assumptions set forth in RCW 41.45.035. The council
10 shall review this and such other information as it may require.

11 (2) By (~~May 31, 2004~~) October 31, 2007, and every (~~four~~) two
12 years thereafter, the council, by affirmative vote of four
13 councilmembers, may adopt changes to the long-term economic assumptions
14 established in RCW 41.45.035. Any changes adopted by the council shall
15 be subject to revision by the legislature.

16 The council shall consult with the economic and revenue forecast
17 supervisor and the executive director of the state investment board,
18 and shall consider long-term historical averages, in reviewing possible
19 changes to the economic assumptions.

20 (3) The assumptions and the asset value smoothing technique
21 established in RCW 41.45.035, as modified in the future by the council
22 or legislature, shall be used by the state actuary in conducting all
23 actuarial studies of the state retirement systems, including actuarial
24 fiscal notes under RCW 44.44.040. The assumptions shall also be used
25 for the administration of benefits under the retirement plans listed in
26 RCW 41.45.020, pursuant to timelines and conditions established by
27 department rules.

28 **Sec. 2.** RCW 41.45.060 and 2005 c 370 s 2 are each amended to read
29 as follows:

1 (1) The state actuary shall provide preliminary actuarial valuation
2 results based on the economic assumptions and asset value smoothing
3 technique included in RCW 41.45.035 or adopted (~~by the council~~) under
4 RCW 41.45.030 or 41.45.035.

5 (2) Not later than (~~September 30, 2002~~) July 31, 2008, and every
6 two years thereafter, consistent with the economic assumptions and
7 asset value smoothing technique included in RCW 41.45.035 or adopted
8 under RCW 41.45.030 or 41.45.035, the council shall adopt and may make
9 changes to:

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

12 (b) Basic employer contribution rates for the public employees'
13 retirement system, the teachers' retirement system, and the Washington
14 state patrol retirement system (~~to be used in the ensuing biennial~~
15 ~~period~~)); and

16 (c) (~~A~~) Basic employer contribution rates for the school
17 employees' retirement system and the public safety employees'
18 retirement system for funding both those systems and the public
19 employees' retirement system plan 1.

20 The council may adopt annual rate changes for any plan for any
21 rate-setting period. The contribution rates adopted by the council
22 shall be subject to revision by the legislature.

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

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

29 (b) To fully fund the public employees' retirement system plans 2
30 and 3, the teachers' retirement system plans 2 and 3, the public safety
31 employees' retirement system plan 2, and the school employees'
32 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
33 41.45.067, and this section.

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

37 (5) The council shall immediately notify the directors of the
38 office of financial management and department of retirement systems of

1 the state and employer contribution rates adopted. The rates shall be
2 effective for the ensuing biennial period, subject to any legislative
3 modifications.

4 (6) The director shall collect those rates adopted by the council.
5 The rates established in RCW 41.45.062, or by the council, shall be
6 subject to revision by the legislature.

7 (7) The state actuary shall prepare final actuarial valuation
8 results based on the economic assumptions, asset value smoothing
9 technique, and contribution rates included in or adopted under RCW
10 41.45.030, 41.45.035, and this section.

11 **Sec. 3.** RCW 41.45.0604 and 2003 c 92 s 4 are each amended to read
12 as follows:

13 (1) Not later than (~~September 30, 2004~~) July 31, 2008, and every
14 even-numbered year thereafter, the law enforcement officers' and fire
15 fighters' plan 2 retirement board shall adopt contribution rates for
16 the law enforcement officers' and fire fighters' retirement system plan
17 2 as provided in RCW 41.26.720(1)(a).

18 (2) The law enforcement officers' and fire fighters' plan 2
19 retirement board shall immediately notify the directors of the office
20 of financial management and department of retirement systems of the
21 state, employer, and employee rates adopted. Thereafter, the director
22 shall collect those rates adopted by the board. The rates shall be
23 effective for the ensuing biennial period, subject to any legislative
24 modifications.

25 **Sec. 4.** RCW 41.45.061 and 2004 c 242 s 40 are each amended to read
26 as follows:

27 (1) The required contribution rate for members of the plan 2
28 teachers' retirement system shall be fixed at the rates in effect on
29 July 1, 1996, subject to the following:

30 (a) Beginning September 1, 1997, except as provided in (b) of this
31 subsection, the employee contribution rate shall not exceed the
32 employer plan 2 and 3 rates adopted under RCW 41.45.060, 41.45.054, and
33 41.45.070 for the teachers' retirement system;

34 (b) In addition, the employee contribution rate for plan 2 shall be
35 increased by fifty percent of the contribution rate increase caused by
36 any plan 2 benefit increase passed after July 1, 1996;

1 (c) In addition, the employee contribution rate for plan 2 shall
2 not be increased as a result of any distributions pursuant to section
3 309, chapter 341, Laws of 1998 and RCW 41.31A.020.

4 (2) The required contribution rate for members of the school
5 employees' retirement system plan 2 shall equal the school employees'
6 retirement system employer plan 2 and 3 contribution rate adopted under
7 RCW 41.45.060, 41.45.054, and 41.45.070, except as provided in
8 subsection (3) of this section.

9 (3) The member contribution rate for the school employees'
10 retirement system plan 2 shall be increased by fifty percent of the
11 contribution rate increase caused by any plan 2 benefit increase passed
12 after September 1, 2000.

13 (4) The required contribution rate for members of the public
14 employees' retirement system plan 2 shall be set at the same rate as
15 the employer combined plan 2 and plan 3 rate.

16 (5) The required contribution rate for members of the law
17 enforcement officers' and fire fighters' retirement system plan 2 shall
18 be set at fifty percent of the cost of the retirement system.

19 (6) The employee contribution rates for plan 2 under subsections
20 (3) and (4) of this section shall not include any increase as a result
21 of any distributions pursuant to RCW 41.31A.020 and 41.31A.030.

22 (7) The required plan 2 and 3 contribution rates for employers
23 shall be adopted in the manner described in RCW 41.45.060, 41.45.054,
24 and 41.45.070.

25 (8) The required contribution rate for members of the public safety
26 employees' retirement system plan 2 shall be set at fifty percent of
27 the cost of the retirement system.

28 (9) Concurrently with the adoption of employer contribution rates,
29 the state actuary shall calculate the required contribution rates for
30 plan 2 members, which are fixed in accordance with this section. Upon
31 adoption of employer contribution rates, the state actuary shall
32 immediately notify the directors of the office of financial management
33 and department of retirement systems of the required contribution rates
34 for members, which shall be effective for the ensuing rate-setting
35 period.

36 **Sec. 5.** RCW 41.45.0631 and 2006 c 94 s 2 are each amended to read
37 as follows:

1 Beginning July 1, 2001, the required contribution rate for members
2 of the Washington state patrol retirement system shall be two percent
3 or equal to the employer rate adopted under RCW 41.45.060 and 41.45.070
4 for the Washington state patrol retirement system, whichever is
5 greater. The employee contribution rate shall not, however, include
6 any increase as a result of distributions under RCW 43.43.270(2) for
7 survivors of members who became disabled under RCW 43.43.040(2) prior
8 to July 1, 2006. Concurrently with the adoption of the employer
9 contribution rate for the Washington state patrol retirement system,
10 the state actuary shall calculate the required contribution rate for
11 members, which is fixed in accordance with this section. The state
12 actuary shall immediately notify the directors of the office of
13 financial management and department of retirement systems of the
14 required contribution rate for members, which shall be effective for
15 the ensuing rate-setting period.

16 **Sec. 6.** RCW 41.45.110 and 2003 c 295 s 10 are each amended to read
17 as follows:

18 The pension funding council shall solicit and administer a biennial
19 actuarial audit of the preliminary and final actuarial valuations used
20 for employer and member rate-setting purposes. This audit will be
21 conducted concurrent with the actuarial valuation performed by the
22 state actuary. At least once in each six-year period, the pension
23 funding council shall solicit and administer an actuarial audit of the
24 results of the experience study required in RCW 41.45.090. Upon
25 receipt of the results of the preliminary actuarial audits required by
26 this section, and at least thirty days prior to adopting contribution
27 rates, the pension funding council shall submit the results to the
28 select committee on pension policy."

SB 5014 - H COMM AMD
By Committee on Appropriations

ADOPTED 04/03/2007

29 On page 1, line 2 of the title, after "systems;" strike the

1 remainder of the title and insert "and amending RCW 41.45.030,
2 41.45.060, 41.45.0604, 41.45.061, 41.45.0631, and 41.45.110."

--- END ---