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HOUSE BILL 2021

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State of Washington

62nd Legislature

2011 Regular Session

By Representatives Pettigrew, Darneille, Seaquist, Carlyle, Hunter, and Cody; by request of Governor Gregoire

1 AN ACT Relating to annual increase amounts in the public employees'  
2 retirement system plan 1 and the teachers' retirement system plan 1;  
3 amending RCW 41.32.483, 41.32.489, 41.40.183, 41.40.197, and 41.45.150;  
4 creating a new section; declaring an emergency; and providing an  
5 effective date.

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

7 NEW SECTION. **Sec. 1.** Chapter 561, Laws of 2009 made necessary  
8 changes to the funding plan for the fiscal integrity of the teachers'  
9 retirement system, plan 1 and the public employees' retirement system,  
10 plan 1, and provides a basis for improvements in the financial  
11 soundness of the pension plans. The legislature now finds that  
12 changing economic conditions have also made necessary the amendatory  
13 provisions contained in this act. Due to the current extraordinary  
14 economic recession and due to the financial demands of other core  
15 responsibilities of government, it is not feasible for public employers  
16 of this state to fund the annual increase amount and continue to ensure  
17 the fiscal integrity of these pension funds. The legislature further  
18 clarifies and affirms that the intent of the legislature in section 5,  
19 chapter 345, Laws of 1995 and this act is to not create any contractual

1 rights to the annual increase amount on the part of the public  
2 employees' retirement system, plan 1 and the teachers' retirement  
3 system, plan 1 members or retirees. Having reserved the right to amend  
4 or repeal these provisions in RCW 41.32.489(6) and 41.40.197(5), the  
5 legislature is now exercising that right through this act.

6 **Sec. 2.** RCW 41.32.483 and 2007 c 491 s 5 are each amended to read  
7 as follows:

8 (1) Beginning July 1, 2009, the annual increase amount as defined  
9 in RCW 41.32.010(~~((+46))~~) (4) shall be increased by an amount equal to  
10 \$0.40 per month per year of service minus the 2008 gain-sharing  
11 increase amount under RCW 41.31.010 as it exists on July 22, 2007.  
12 This adjustment shall not decrease the annual increase amount, and is  
13 not to exceed \$0.20 per month per year of service. The legislature  
14 reserves the right to amend or repeal this section in the future and no  
15 member or beneficiary has the contractual right to receive this  
16 adjustment to the annual increase amount not granted prior to that  
17 time.

18 (2) The adjustment to the annual increase amount as set forth in  
19 section 5, chapter 491, Laws of 2007 was intended by the legislature as  
20 a replacement benefit for gain-sharing. If the repeal of chapter 41.31  
21 RCW is held to be invalid in a final determination of a court of law,  
22 and the court orders reinstatement of gain-sharing or other alternate  
23 benefits as a remedy, then this adjustment to the annual increase  
24 amount shall not be included in future annual increase amounts paid on  
25 or after the date of such reinstatement.

26 (3) No additional annual increase under this section shall be  
27 provided after June 30, 2011.

28 **Sec. 3.** RCW 41.32.489 and 2007 c 89 s 2 are each amended to read  
29 as follows:

30 (1) Beginning July 1, 1995, and annually thereafter through July 1,  
31 2010, the retirement allowance of a person meeting the requirements of  
32 this section shall be increased by the annual increase amount.

33 (a) After July 1, 2010, those currently receiving benefits under  
34 this section will receive no additional annual increase amounts above  
35 the amount in effect on July 1, 2010, except for those who qualify

1 under subsections (2)(b) and (3)(a) of this section. This subsection  
2 shall not reduce retirement allowances below the amounts in effect on  
3 the effective date of this section.

4 (b) After July 1, 2010, no annual increase amounts may be provided  
5 to any beneficiaries who are not already receiving benefits under this  
6 section, except for those who qualify under subsections (2)(b) and  
7 (3)(a) of this section.

8 (2) The following persons shall be eligible for the benefit  
9 provided in subsection (1) of this section:

10 (a) A beneficiary who has received a retirement allowance for at  
11 least one year by July 1st in the calendar year in which the annual  
12 increase is given and has attained at least age sixty-six by December  
13 31st in the calendar year in which the annual increase is given; or

14 (b) A beneficiary whose retirement allowance is lower than the  
15 minimum benefit provided under RCW 41.32.4851.

16 (3) The following persons shall also be eligible for the benefit  
17 provided in subsection (1) of this section:

18 (a) A beneficiary receiving the minimum benefit on June 30, 1995,  
19 under RCW 41.32.485; or

20 (b) A recipient of a survivor benefit on June 30, 1995, which has  
21 been increased by RCW 41.32.575.

22 (4) If otherwise eligible, those receiving an annual adjustment  
23 under RCW 41.32.530(1)(d) shall be eligible for the annual increase  
24 adjustment in addition to the benefit that would have been received  
25 absent this section.

26 (5) Those receiving a temporary disability benefit under RCW  
27 41.32.540 shall not be eligible for the benefit provided by this  
28 section.

29 (6) The legislature reserves the right to amend or repeal this  
30 section in the future and no member or beneficiary has a contractual  
31 right to receive this postretirement adjustment not granted prior to  
32 that time.

33 **Sec. 4.** RCW 41.40.183 and 2007 c 491 s 11 are each amended to read  
34 as follows:

35 (1) Beginning July 1, 2009, the annual increase amount as defined  
36 in RCW 41.40.010(~~(+41)~~) (4) shall be increased by an amount equal to  
37 \$0.40 per month per year of service minus the 2008 gain-sharing

1 increase amount under RCW 41.31.010 as it exists on July 22, 2007.  
2 This adjustment shall not decrease the annual increase amount, and is  
3 not to exceed \$0.20 per month per year of service. The legislature  
4 reserves the right to amend or repeal this section in the future and no  
5 member or beneficiary has the contractual right to receive this  
6 adjustment to the annual increase amount not granted prior to that  
7 time.

8 (2) The adjustment to the annual increase amount as set forth in  
9 section 11, chapter 491, Laws of 2007 was intended by the legislature  
10 as a replacement benefit for gain-sharing. If the repeal of chapter  
11 41.31 RCW is held to be invalid in a final determination of a court of  
12 law, and the court orders reinstatement of gain-sharing or other  
13 alternate benefits as a remedy, then this adjustment to the annual  
14 increase amount shall not be included in future annual increase amounts  
15 paid on or after the date of such reinstatement.

16 (3) No additional increase under this section shall be provided  
17 after June 30, 2011.

18 **Sec. 5.** RCW 41.40.197 and 2007 c 89 s 1 are each amended to read  
19 as follows:

20 (1) Beginning July 1, 1995, and annually thereafter through July 1,  
21 2010, the retirement allowance of a person meeting the requirements of  
22 this section shall be increased by the annual increase amount.

23 (a) After July 1, 2010, those currently receiving benefits under  
24 this section will receive no additional annual increase amounts above  
25 the amount in effect on July 1, 2010, except for those who qualify  
26 under subsection (2)(b) of this section. This subsection shall not  
27 reduce retirement allowances below the amounts in effect on the  
28 effective date of this section.

29 (b) After July 1, 2010, no annual increase amounts may be provided  
30 to any beneficiaries who are not already receiving benefits under this  
31 section, except for those who qualify under subsection (2)(b) of this  
32 section.

33 (2) The following persons shall be eligible for the benefit  
34 provided in subsection (1) of this section:

35 (a) A beneficiary who has received a retirement allowance for at  
36 least one year by July 1st in the calendar year in which the annual

1 increase is given and has attained at least age sixty-six by December  
2 31st in the calendar year in which the annual increase is given; or

3 (b) A beneficiary whose retirement allowance is lower than the  
4 minimum benefit provided under RCW 41.40.1984.

5 (3) If otherwise eligible, those receiving an annual adjustment  
6 under RCW 41.40.188(1)(c) shall be eligible for the annual increase  
7 adjustment in addition to the benefit that would have been received  
8 absent this section.

9 (4) Those receiving a benefit under RCW 41.40.220(1), or a survivor  
10 of a disabled member under RCW 41.44.170(5) shall be eligible for the  
11 benefit provided by this section.

12 (5) The legislature reserves the right to amend or repeal this  
13 section in the future and no member or beneficiary has a contractual  
14 right to receive this postretirement adjustment not granted prior to  
15 that time.

16 **Sec. 6.** RCW 41.45.150 and 2010 1st sp.s. c 26 s 7 are each amended  
17 to read as follows:

18 (1) Beginning July 1, 2009, and ending June 30, 2015, maximum  
19 annual contribution rates are established for the portion of the  
20 employer contribution rate for the public employees' retirement system  
21 and the public safety employees' retirement system that is used for the  
22 sole purpose of amortizing that portion of the unfunded actuarial  
23 accrued liability in the public employees' retirement system plan 1  
24 that excludes any amounts required to amortize plan 1 benefit  
25 improvements effective after June 30, 2009. The maximum rates are:

26	Fiscal Year ending:					
27	2010	2011	2012	2013	2014	2015
28	1.25%	1.25%	3.75%	4.50%	5.25%	6.00%

29 (2) Beginning September 1, 2009, and ending August 31, 2015,  
30 maximum annual contribution rates are established for the portion of  
31 the employer contribution rate for the school employees' retirement  
32 system that is used for the sole purpose of amortizing that portion of  
33 the unfunded actuarial accrued liability in the public employees'

1 retirement system plan 1 that excludes any amounts required to amortize  
2 plan 1 benefit improvements effective after June 30, 2009. The maximum  
3 rates are:

Fiscal Year ending:						
2010	2011	2012	2013	2014	2015	
1.25%	1.25%	3.75%	4.50%	5.25%	6.00%	

7 (3) Beginning September 1, 2009, and ending August 31, 2015,  
8 maximum annual contribution rates are established for the portion of  
9 the employer contribution rate for the teachers' retirement system that  
10 is used for the sole purpose of amortizing that portion of the unfunded  
11 actuarial accrued liability in the teachers' retirement system plan 1  
12 that excludes any amounts required to amortize plan 1 benefit  
13 improvements effective after June 30, 2009. The maximum rates are:

Fiscal Year ending:						
2010	2011	2012	2013	2014	2015	
2.04%	2.04%	6.50%	7.50%	8.50%	9.50%	

17 (4) Beginning July 1, 2015, a minimum (~~(5.25)~~) 3.50 percent  
18 contribution is established as part of the basic employer contribution  
19 rate for the public employees' retirement system and the public safety  
20 employees' retirement system, to be used for the sole purpose of  
21 amortizing that portion of the unfunded actuarial accrued liability in  
22 the public employees' retirement system plan 1 that excludes any  
23 amounts required to amortize plan 1 benefit improvements effective  
24 after June 30, 2009. This minimum contribution rate shall remain  
25 effective until the actuarial value of assets in plan 1 of the public  
26 employees' retirement system equals one hundred percent of the  
27 actuarial accrued liability.

28 (5) Beginning September 1, 2015, a minimum (~~(5.25)~~) 3.50 percent  
29 contribution is established as part of the basic employer contribution  
30 rate for the school employees' retirement system, to be used for the  
31 sole purpose of amortizing that portion of the unfunded actuarial  
32 accrued liability in the public employees' retirement system plan 1

1 that excludes any amounts required to amortize plan 1 benefit  
2 improvements effective after June 30, 2009. This minimum contribution  
3 rate shall remain effective until the actuarial value of assets in plan  
4 1 of the public employees' retirement system equals one hundred percent  
5 of the actuarial accrued liability.

6 (6) Beginning September 1, 2015, a minimum (~~(8.00)~~) 5.75 percent  
7 contribution is established as part of the basic employer contribution  
8 rate for the teachers' retirement system, to be used for the sole  
9 purpose of amortizing that portion of the unfunded actuarial accrued  
10 liability in the teachers' retirement system plan 1 that excludes any  
11 amounts required to amortize plan 1 benefit improvements effective  
12 after June 30, 2009. This minimum contribution rate shall remain  
13 effective until the actuarial value of assets in plan 1 of the  
14 teachers' retirement system equals one hundred percent of the actuarial  
15 accrued liability.

16 (7) Upon completion of each biennial actuarial valuation, the state  
17 actuary shall review the appropriateness of the minimum contribution  
18 rates and recommend to the council any adjustments as may be needed due  
19 to material changes in benefits or actuarial assumptions, methods, or  
20 experience. Any changes adopted by the council shall be subject to  
21 revision by the legislature.

22 NEW SECTION. **Sec. 7.** If any provision of this act or its  
23 application to any person or circumstance is held invalid, the  
24 remainder of the act or the application of the provision to other  
25 persons or circumstances is not affected.

26 NEW SECTION. **Sec. 8.** This act is necessary for the immediate  
27 preservation of the public peace, health, or safety, or support of the  
28 state government and its existing public institutions, and takes effect  
29 June 30, 2011.

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