

SHB 1661 - S COMM AMD
By Committee on Ways & Means

NOT CONSIDERED 12/23/2019

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

3 "NEW SECTION. **Sec. 1.** It is the intent of the legislature to
4 establish contribution rates for the supplemental benefits of the
5 higher education retirement plan that are specific to individual
6 higher education institutions. The rates established in this act are
7 subject to periodic revision by the pension funding council as
8 experience and new actuarial analysis becomes available to maintain
9 progress towards funding the actuarial liabilities that each
10 institution has for these benefits. At such time that the council
11 determines an institution has sufficient assets, as specified in RCW
12 28B.10.423(4)(g)(i) in the higher education retirement plan
13 supplemental benefit fund, responsibility for administering those
14 benefits will transition to the department of retirement systems and
15 benefit payments will commence from each institution's portion of the
16 higher education retirement plan supplemental benefit fund. Future
17 contribution rates will represent the cost of paying on a combined
18 prefunded and pay-as-you-go basis, as adopted by the council, with
19 the goal of reducing the year-to-year changes in cost that the higher
20 education retirement plan supplemental benefit has under current law.

21 **Sec. 2.** RCW 28B.10.423 and 2012 c 229 s 516 are each amended to
22 read as follows:

23 (1) For employees who are first employed by an institution of
24 higher education in a position eligible for participation in an old
25 age annuities or retirement income plan under this chapter prior to
26 July 1, 2011, it is the intent of RCW 28B.10.400, 28B.10.405,
27 28B.10.410, 28B.10.415, and 28B.10.420(~~(7)~~) and (~~(28B.10.423)~~) this
28 section that the retirement income resulting from the contributions
29 described herein from the state of Washington and the employee shall
30 be projected actuarially so that it shall not exceed sixty percent of
31 the average of the highest two consecutive years salary. Periodic

1 review of the retirement systems established pursuant to RCW
2 28B.10.400, 28B.10.405, 28B.10.410, 28B.10.415, and 28B.10.420(~~(7)~~)
3 and (~~(28B.10.423)~~) this section will be undertaken at such time and
4 in such manner as determined by the committees on ways and means of
5 the senate and of the house of representatives, the select committee
6 on pension policy, and the pension funding council, and joint
7 contribution rates will be adjusted if necessary to accomplish this
8 intent.

9 (2) Beginning July 1, 2011, state funding for annuity or
10 retirement income plans under RCW 28B.10.400 shall not exceed six
11 percent of salary. The state board for community and technical
12 colleges and the student achievement council are exempt from the
13 provisions of this subsection (2).

14 (3) By June 30, 2013, and every two years thereafter, each
15 institution of higher education that is responsible for payment of
16 supplemental amounts under RCW 28B.10.400(1)(c) shall contract with
17 the state actuary under chapter 41.44 RCW for an actuarial valuation
18 of their supplemental benefit plan. By June 30, 2013, and at least
19 once every six years thereafter, each institution shall also contract
20 with the state actuary under chapter 41.44 RCW for an actuarial
21 experience study of the mortality, service, compensation, and other
22 experience of the annuity or retirement income plans created in this
23 chapter, and into the financial condition of each system. At the
24 discretion of the state actuary, the valuation or experience study
25 may be performed by the state actuary or by an outside actuarial firm
26 under contract to the office of the state actuary. Each institution
27 of higher education is required to provide the data and information
28 required for the performance of the valuation or experience study to
29 the office of the state actuary or to the actuary performing the
30 study on behalf of the state actuary. The state actuary may charge
31 each institution for the actual cost of the valuation or experience
32 study through an interagency agreement. Upon completion of the
33 valuation or experience study, the state actuary shall provide copies
34 of the study to the institution of higher education and to the select
35 committee on pension policy and the pension funding council.

36 (4)(a) A higher education retirement plan supplemental benefit
37 fund (~~(is)~~) was created in the custody of the state treasurer in this
38 section for the purpose of funding future benefit obligations of
39 higher education retirement plan supplemental benefits. The creation
40 of the fund is moved to RCW 41.50.075, so that along with the other

1 defined benefit funds of the state retirement systems, the fund may
2 be administered and invested along with the other funds of the state
3 retirement systems. The state investment board has the full power to
4 invest, reinvest, manage, contract, sell, or exchange investment
5 money in the fund.

6 (b) From January 1, 2012, through June 30, 2013, an employer
7 contribution rate of one-quarter of one percent of salary is
8 established to begin prefunding the unfunded future obligations of
9 the supplemental benefit established in RCW 28B.10.400.

10 (c) Beginning July 1, 2013, an employer contribution rate of one-
11 half of one percent of salary is established to prefund the unfunded
12 future obligations of the supplemental benefit established in RCW
13 28B.10.400.

14 (d) (i) Beginning July 1, 2019, the employer contribution rates
15 for each state institution of higher education are as follows:

16 University of Washington: 0.38 percent

17 Washington State University: 0.30 percent

18 Western Washington University: 0.21 percent

19 Eastern Washington University: 0.28 percent

20 Central Washington University: 0.00 percent

21 The Evergreen State College: 0.23 percent

22 State board for community and technical colleges: 0.13 percent

23 (ii) The contribution rates established in this section may be
24 changed by rates adopted by the pension funding council beginning
25 July 1, 2021, consistent with (f) of this subsection.

26 (iii) For purposes of budgeting the cost of the contribution
27 rates in this subsection (4), and as they may be changed by the
28 pension funding council, the higher education retirement plan
29 supplemental benefit contribution rates are subject to the limit
30 established in subsection (2) of this section.

31 (e) Consistent with chapter 41.50 RCW, the department of
32 retirement systems shall collect the employer contribution rates
33 established in this section from each state institution of higher
34 education, and deposit those contributions into the higher education
35 retirement plan supplemental benefit fund. The contributions made by
36 each employer into the higher education retirement plan supplemental
37 benefit fund and the earnings on those contributions shall be
38 accounted for separately within the fund.

39 ~~((e))~~ (f) Following the completion and review of the
40 ~~((initial))~~ most recent actuarial valuations and experience study

1 conducted pursuant to subsection (3) of this section, the pension
2 funding council may, by no later than July 31, 2020, and every two
3 years thereafter:

4 (i) Adopt and make changes to the employer contribution rates
5 established in this subsection consistent with the procedures
6 established in chapter 41.45 RCW. If the actuarial valuations of the
7 higher education retirement plans of each institution contributing to
8 the higher education retirement plan supplemental benefit fund
9 suggest that different contribution rates are appropriate for each
10 institution, different rates may be adopted. Rates adopted by the
11 pension funding council are subject to revision by the legislature;

12 (ii) Recommend legislation that will, upon accumulation of
13 sufficient funding in the higher education retirement plan
14 supplemental benefit fund, transfer the responsibility for making
15 supplemental benefit payments to the department of retirement
16 systems, and adjust employer contribution rates to reflect the
17 transfer of responsibility.

18 (g)(i) The rates adopted by the pension funding council must be
19 designed to keep the cost of the higher education retirement plan
20 supplemental benefits at a more level percentage of pay than a pay-
21 as-you-go method. This more level percentage of pay of costs means a
22 combination of the cost of supplemental benefits paid by the
23 institution directly or indirectly on a pay-as-you-go basis, plus the
24 cost of contributions to the higher education retirement plan
25 supplemental benefit fund, on an annual basis. Contributions shall
26 continue until the projected value of the funds equals the projected
27 cost of future benefits for the institution.

28 (ii) Funds are anticipated to be accumulated in the higher
29 education retirement plan supplemental benefit fund, and not expended
30 on benefits until approximately the year 2030.

31 (iii) The pension funding council, in consultation with the state
32 actuary, may choose and occasionally revise, a funding method
33 designed to achieve these objectives.

34 **Sec. 3.** RCW 41.45.050 and 2004 c 242 s 38 are each amended to
35 read as follows:

36 (1) Employers of members of the public employees' retirement
37 system, the teachers' retirement system, the school employees'
38 retirement system, the public safety employees' retirement system,
39 ~~((and))~~ the Washington state patrol retirement system, and the higher

1 education retirement plans shall make contributions to those systems
2 and plans based on the rates established in RCW 41.45.060 and
3 41.45.070.

4 (2) The state shall make contributions to the law enforcement
5 officers' and firefighters' retirement system plan 2 based on the
6 rates established in RCW 41.45.060 and 41.45.070. The state treasurer
7 shall transfer the required contributions each month on the basis of
8 salary data provided by the department.

9 (3) The department shall bill employers, and the state shall make
10 contributions to the law enforcement officers' and firefighters'
11 retirement system plan 2, using the combined rates established in RCW
12 41.45.060 and 41.45.070 regardless of the level of appropriation
13 provided in the biennial budget. Any member of an affected retirement
14 system may, by mandamus or other appropriate proceeding, require the
15 transfer and payment of funds as directed in this section.

16 (4) The contributions received for the public employees'
17 retirement system shall be allocated between the public employees'
18 retirement system plan 1 fund and the public employees' retirement
19 system combined plan 2 and plan 3 fund as follows: The contributions
20 necessary to fully fund the public employees' retirement system
21 combined plan 2 and plan 3 employer contribution shall first be
22 deposited in the public employees' retirement system combined plan 2
23 and plan 3 fund. All remaining public employees' retirement system
24 employer contributions shall be deposited in the public employees'
25 retirement system plan 1 fund.

26 (5) The contributions received for the teachers' retirement
27 system shall be allocated between the plan 1 fund and the combined
28 plan 2 and plan 3 fund as follows: The contributions necessary to
29 fully fund the combined plan 2 and plan 3 employer contribution shall
30 first be deposited in the combined plan 2 and plan 3 fund. All
31 remaining teachers' retirement system employer contributions shall be
32 deposited in the plan 1 fund.

33 (6) The contributions received for the school employees'
34 retirement system shall be allocated between the public employees'
35 retirement system plan 1 fund and the school employees' retirement
36 system combined plan 2 and plan 3 fund as follows: The contributions
37 necessary to fully fund the combined plan 2 and plan 3 employer
38 contribution shall first be deposited in the combined plan 2 and plan
39 3 fund. All remaining school employees' retirement system employer

1 contributions shall be deposited in the public employees' retirement
2 system plan 1 fund.

3 (7) The contributions received for the law enforcement officers'
4 and firefighters' retirement system plan 2 shall be deposited in the
5 law enforcement officers' and firefighters' retirement system plan 2
6 fund.

7 (8) The contributions received for the public safety employees'
8 retirement system shall be allocated between the public employees'
9 retirement system plan 1 fund and the public safety employees'
10 retirement system plan 2 fund as follows: The contributions necessary
11 to fully fund the plan 2 employer contribution shall first be
12 deposited in the plan 2 fund. All remaining public safety employees'
13 retirement system employer contributions shall be deposited in the
14 public employees' retirement system plan 1 fund.

15 (9) The contributions received for the higher education
16 retirement plan supplemental benefit fund shall be deposited in the
17 fund and amounts received from each institution accounted for
18 separately.

19 **Sec. 4.** RCW 41.45.060 and 2009 c 561 s 3 are each amended to
20 read as follows:

21 (1) The state actuary shall provide preliminary actuarial
22 valuation results based on the economic assumptions and asset value
23 smoothing technique included in RCW 41.45.035 or adopted under RCW
24 41.45.030 or 41.45.035.

25 (2) Not later than July 31, 2008, and every two years thereafter,
26 consistent with the economic assumptions and asset value smoothing
27 technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or
28 41.45.035, the council shall adopt and may make changes to:

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

31 (b) Basic employer contribution rates for the public employees'
32 retirement system, the teachers' retirement system, and the
33 Washington state patrol retirement system; and

34 (c) Basic employer contribution rates 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 council may adopt annual rate changes for any plan for any
2 rate-setting period. The contribution rates adopted by the council
3 shall be subject to revision by the legislature.

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

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

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
11 safety 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; and

14 (c) To fully fund the public employees' retirement system plan 1
15 and the teachers' retirement system plan 1 in accordance with RCW
16 41.45.070, 41.45.150, and this section.

17 (4) The aggregate actuarial cost method shall be used to
18 calculate a combined plan 2 and 3 normal cost, a Washington state
19 patrol retirement system normal cost, and a public safety employees'
20 retirement system normal cost.

21 (5) A modified entry age normal cost method, as set forth in this
22 chapter, shall be used to calculate employer contributions to the
23 public employees' retirement system plan 1 and the teachers'
24 retirement system plan 1.

25 (6) The employer contribution rate for the public employees'
26 retirement system and the school employees' retirement system shall
27 equal the sum of:

28 (a) The amount required to pay the combined plan 2 and plan 3
29 normal cost for the system, subject to any minimum rates applied
30 pursuant to RCW 41.45.155; plus

31 (b) The amount required to amortize the unfunded actuarial
32 accrued liability in plan 1 of the public employees' retirement
33 system over a rolling ten-year period using projected future salary
34 growth and growth in system membership, and subject to any minimum or
35 maximum rates applied pursuant to RCW 41.45.150; plus

36 (c) The amounts required to amortize the costs of any benefit
37 improvements in plan 1 of the public employees' retirement system
38 that become effective after June 30, 2009. The cost of each benefit
39 improvement shall be amortized over a fixed ten-year period using
40 projected future salary growth and growth in system membership. The

1 amounts required under this subsection are not subject to, and are
2 collected in addition to, any minimum or maximum rates applied
3 pursuant to RCW 41.45.150.

4 (7) The employer contribution rate for the public safety
5 employees' retirement system shall equal the sum of:

6 (a) The amount required to pay the normal cost for the system,
7 subject to any minimum rates applied pursuant to RCW 41.45.155; plus

8 (b) The amount required to amortize the unfunded actuarial
9 accrued liability in plan 1 of the public employees' retirement
10 system over a rolling ten-year period using projected future salary
11 growth and growth in system membership, and subject to any minimum or
12 maximum rates applied pursuant to RCW 41.45.150; plus

13 (c) The amounts required to amortize the costs of any benefit
14 improvements in plan 1 of the public employees' retirement system
15 that become effective after June 30, 2009. The cost of each benefit
16 improvement shall be amortized over a fixed ten-year period using
17 projected future salary growth and growth in system membership. The
18 amounts required under this subsection are not subject to, and are
19 collected in addition to, any minimum or maximum rates applied
20 pursuant to RCW 41.45.150.

21 (8) The employer contribution rate for the teachers' retirement
22 system shall equal the sum of:

23 (a) The amount required to pay the combined plan 2 and plan 3
24 normal cost for the system, subject to any minimum rates applied
25 pursuant to RCW 41.45.155; plus

26 (b) The amount required to amortize the unfunded actuarial
27 accrued liability in plan 1 of the teachers' retirement system over a
28 rolling ten-year period using projected future salary growth and
29 growth in system membership, and subject to any minimum or maximum
30 rates applied pursuant to RCW 41.45.150; plus

31 (c) The amounts required to amortize the costs of any benefit
32 improvements in plan 1 of the teachers' retirement system that become
33 effective after June 30, 2009. The cost of each benefit improvement
34 shall be amortized over a fixed ten-year period using projected
35 future salary growth and growth in system membership. The amounts
36 required under this subsection are not subject to, and are collected
37 in addition to, any minimum or maximum rates applied pursuant to RCW
38 41.45.150.

39 (9) The employer contribution rate for each of the institutions
40 of higher education for the higher education supplemental retirement

1 benefits must be sufficient to fund, as a reasonably level percentage
2 of pay, a portion of the projected cost of the supplemental
3 retirement benefits for the institution beginning in 2035, with the
4 other portion supported on a pay-as-you-go basis, either as direct
5 payments by each institution to retirees, or as contributions to the
6 higher education retirement plan supplemental benefit fund.
7 Contributions must continue until the council determines that the
8 institution for higher education supplemental retirement benefit
9 liabilities are satisfied.

10 (10) The council shall immediately notify the directors of the
11 office of financial management and department of retirement systems
12 of the state and employer contribution rates adopted. The rates shall
13 be effective for the ensuing biennial period, subject to any
14 legislative modifications.

15 (~~(10)~~) (11) The director shall collect those rates adopted by
16 the council. The rates established in RCW 41.45.062, or by the
17 council, shall be subject to revision by the legislature.

18 (~~(11)~~) (12) The state actuary shall prepare final actuarial
19 valuation results based on the economic assumptions, asset value
20 smoothing technique, and contribution rates included in or adopted
21 under RCW 41.45.030, 41.45.035, and this section.

22 **Sec. 5.** RCW 41.50.075 and 2004 c 242 s 44 are each amended to
23 read as follows:

24 (1) Two funds are hereby created and established in the state
25 treasury to be known as the Washington law enforcement officers' and
26 firefighters' system plan 1 retirement fund, and the Washington law
27 enforcement officers' and firefighters' system plan 2 retirement fund
28 which shall consist of all moneys paid into them in accordance with
29 the provisions of this chapter and chapter 41.26 RCW, whether such
30 moneys take the form of cash, securities, or other assets. The plan 1
31 fund shall consist of all moneys paid to finance the benefits
32 provided to members of the law enforcement officers' and
33 firefighters' retirement system plan 1, and the plan 2 fund shall
34 consist of all moneys paid to finance the benefits provided to
35 members of the law enforcement officers' and firefighters' retirement
36 system plan 2.

37 (2) All of the assets of the Washington state teachers'
38 retirement system shall be credited according to the purposes for
39 which they are held, to two funds to be maintained in the state

1 treasury, namely, the teachers' retirement system plan 1 fund and the
2 teachers' retirement system combined plan 2 and 3 fund. The plan 1
3 fund shall consist of all moneys paid to finance the benefits
4 provided to members of the Washington state teachers' retirement
5 system plan 1, and the combined plan 2 and 3 fund shall consist of
6 all moneys paid to finance the benefits provided to members of the
7 Washington state teachers' retirement system plan 2 and 3.

8 (3) There is hereby established in the state treasury two
9 separate funds, namely the public employees' retirement system plan 1
10 fund and the public employees' retirement system combined plan 2 and
11 plan 3 fund. The plan 1 fund shall consist of all moneys paid to
12 finance the benefits provided to members of the public employees'
13 retirement system plan 1, and the combined plan 2 and plan 3 fund
14 shall consist of all moneys paid to finance the benefits provided to
15 members of the public employees' retirement system plans 2 and 3.

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

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

25 (6) There is hereby established in the state treasury the higher
26 education retirement plan supplemental benefit fund. The higher
27 education retirement plan supplemental benefit fund shall consist of
28 all moneys paid to finance the benefits provided to members of the
29 higher education retirement plan.

30 NEW SECTION. Sec. 6. A new section is added to chapter 41.50
31 RCW to read as follows:

32 (1) On the July 1st of the fiscal year following a determination
33 by the pension funding council that a higher education institution
34 has sufficiently funded the liabilities of that institution through
35 contributions to the higher education retirement plan supplemental
36 benefit fund, the department shall assume responsibility for making
37 benefit payments to higher education retirement plan supplemental
38 beneficiaries for that institution from the portion of the higher

1 education retirement plan supplemental benefit fund attributed to the
2 individual institution.

3 (2) Immediately following the determination by the pension
4 funding council under RCW 41.45.060(9) that an institution
5 participating in the higher education retirement plan supplemental
6 benefits has sufficiently funded the benefits of the plan that higher
7 education institution:

8 (a) Must provide any data and assistance requested by the
9 department to facilitate the transition of responsibility for making
10 benefit payments to higher education retirement plan members eligible
11 for supplemental benefit payments; and

12 (b) Is governed by the provisions of RCW 41.50.110.

13 (3) No later than upon the department's assumption of
14 responsibility for benefit payments under subsection (1) of this
15 section, the department shall assess contributions to the department
16 of retirement systems' expense fund under RCW 41.50.110(3) for active
17 participants in the higher education retirement plan. Contributions
18 to the expense fund for higher education retirement plan members must
19 end when there are no longer retirees or beneficiaries from an
20 institution receiving payments administered by the department.

21 (4)(a) Each month following the department's assumption of
22 responsibility for making benefit payments to an institution's higher
23 education retirement plan supplemental beneficiaries, the institution
24 shall submit to the department information on any new retirees
25 covered by the higher education retirement plan supplemental benefit.
26 The submission shall include all data relevant to the calculation of
27 a supplemental benefit for each retiree, and the benefit that the
28 institution determines the individual qualifies to receive. No later
29 than January 1st, following the funding determination in RCW
30 41.45.060(9) that begins the transition of responsibility for benefit
31 payments to the department, the department shall provide the
32 institution with a notice of what data will be required to determine
33 higher education retirement plan supplemental benefit determinations
34 for future retirees.

35 (b) The department shall review the information provided by the
36 institution for each retiring higher education retirement plan member
37 eligible for the supplemental benefit and determine the supplemental
38 benefit amount the member is eligible to receive, if any.

39 (c) In the event that the department is not provided with all
40 data required by the notice in (a) of this subsection, the

1 institution of higher education will remain responsible for payment
2 of higher education retirement plan supplemental benefits to that
3 member. In addition, the collection of overpayments and error
4 correction provisions of this chapter apply in the event that the
5 department makes supplemental benefit payments based on incomplete or
6 inaccurate data provided by an institution.

7 NEW SECTION. **Sec. 7.** This act is necessary for the immediate
8 preservation of the public peace, health, or safety, or support of
9 the state government and its existing public institutions, and takes
10 effect July 1, 2019."

SHB 1661 - S COMM AMD
By Committee on Ways & Means

NOT CONSIDERED 12/23/2019

11 On page 1, line 1 of the title, after "plans;" strike the
12 remainder of the title and insert "amending RCW 28B.10.423,
13 41.45.050, 41.45.060, and 41.50.075; adding a new section to chapter
14 41.50 RCW; creating a new section; providing an effective date; and
15 declaring an emergency."

EFFECT: Modifies the contribution rate for Central Washington
University from 0.28 percent to 0.00 percent.

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