

SB 5350 - H COMM AMD
By Committee on Appropriations

ADOPTED 04/12/2023

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

3 "NEW SECTION. **Sec. 1.** The legislature finds that beneficiaries
4 receiving a monthly benefit from the public employees' retirement
5 system plan 1 and the teachers' retirement system plan 1 have
6 experienced a loss of purchasing power due to rising inflation.
7 Certain beneficiaries do not receive annual increases; providing a
8 one-time cost-of-living adjustment helps address beneficiaries' loss
9 of purchasing power. An ongoing cost-of-living adjustment would
10 provide additional protection against further loss of purchasing
11 power, however this policy may not be affordable until required
12 employer contribution rates towards the unfunded accrued actuarial
13 liability are reduced or no longer required.

14 NEW SECTION. **Sec. 2.** During the 2023-2025 fiscal biennium, the
15 select committee on pension policy will study and recommend an
16 ongoing cost-of-living adjustment for beneficiaries of the public
17 employees' retirement system plan 1 and the teachers' retirement
18 system plan 1. Any recommendation must consider employer contribution
19 rate stability and coordinate the effective date of an ongoing cost-
20 of-living adjustment with the reduction or elimination of the
21 unfunded accrued actuarial liability.

22 **Sec. 3.** RCW 41.32.4992 and 2022 c 52 s 1 are each amended to
23 read as follows:

24 (1) Beneficiaries who are receiving a monthly benefit from the
25 teachers' retirement system plan 1 on July 1, 2017, shall receive,
26 effective July 1, 2018, an increase to their monthly benefit of one
27 and one-half percent multiplied by the beneficiaries' monthly
28 benefit, not to exceed (~~sixty-two dollars and fifty cents~~) \$62.50.

29 (2) Beneficiaries who are receiving a monthly benefit from the
30 teachers' retirement system plan 1 on July 1, 2019, shall receive,

1 effective July 1, 2020, an increase to their monthly benefit of three
2 percent multiplied by the beneficiaries' monthly benefit, not to
3 exceed (~~sixty-two dollars and fifty cents~~) \$62.50.

4 (3) Beneficiaries who are receiving a monthly benefit from the
5 teachers' retirement system plan 1 on July 1, 2021, shall receive,
6 effective July 1, 2022, an increase to their monthly benefit of three
7 percent multiplied by the beneficiaries' monthly benefit, not to
8 exceed (~~one hundred ten dollars and zero cents~~) \$110.00.

9 (4) Beneficiaries who are receiving a monthly benefit from the
10 teachers' retirement system plan 1 on July 1, 2022, shall receive,
11 effective July 1, 2023, an increase to their monthly benefit of three
12 percent multiplied by the beneficiaries' monthly benefit, not to
13 exceed \$110.00.

14 (5) This section does not apply to those receiving benefits
15 pursuant to RCW 41.32.489 or 41.32.540.

16 **Sec. 4.** RCW 41.40.1987 and 2022 c 52 s 2 are each amended to
17 read as follows:

18 (1) Beneficiaries who are receiving a monthly benefit from the
19 public employees' retirement system plan 1 on July 1, 2017, shall
20 receive, effective July 1, 2018, an increase to their monthly benefit
21 of one and one-half percent multiplied by the beneficiaries' monthly
22 benefit, not to exceed (~~sixty-two dollars and fifty cents~~) \$62.50.

23 (2) Beneficiaries who are receiving a monthly benefit from the
24 public employees' retirement system plan 1 on July 1, 2019, shall
25 receive, effective July 1, 2020, an increase to their monthly benefit
26 of three percent multiplied by the beneficiaries' monthly benefit,
27 not to exceed (~~sixty-two dollars and fifty cents~~) \$62.50.

28 (3) Beneficiaries who are receiving a monthly benefit from the
29 public employees' retirement system plan 1 on July 1, 2021, shall
30 receive, effective July 1, 2022, an increase to their monthly benefit
31 of three percent multiplied by the beneficiaries' monthly benefit,
32 not to exceed (~~one hundred ten dollars and zero cents~~) \$110.00.

33 (4) Beneficiaries who are receiving a monthly benefit from the
34 public employees' retirement system plan 1 on July 1, 2022, shall
35 receive, effective July 1, 2023, an increase to their monthly benefit
36 of three percent multiplied by the beneficiaries' monthly benefit,
37 not to exceed \$110.00.

38 (5) This section does not apply to those receiving benefits
39 pursuant to RCW 41.40.1984.

1 **Sec. 5.** RCW 41.45.060 and 2020 c 103 s 4 are each amended to
2 read as follows:

3 (1) The state actuary shall provide preliminary actuarial
4 valuation results based on the economic assumptions and asset value
5 smoothing technique included in RCW 41.45.035 or adopted under RCW
6 41.45.030 or 41.45.035.

7 (2) Not later than July 31, 2008, and every two years thereafter,
8 consistent with the economic assumptions and asset value smoothing
9 technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or
10 41.45.035, the council shall adopt and may make changes to:

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

13 (b) Basic employer contribution rates for the public employees'
14 retirement system, the teachers' retirement system, and the
15 Washington state patrol retirement system; and

16 (c) Basic employer contribution rates for the school employees'
17 retirement system and the public safety employees' retirement system
18 for funding both those systems and the public employees' retirement
19 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 law enforcement
26 officers' and firefighters' retirement system plan 1 not later than
27 June 30, 2024;

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

33 (c) To fully fund the public employees' retirement system plan 1
34 and the teachers' retirement system plan 1 in accordance with RCW
35 41.45.070, 41.45.150, and this section.

36 (4) The aggregate actuarial cost method shall be used to
37 calculate a combined plan 2 and 3 normal cost, a Washington state
38 patrol retirement system normal cost, and a public safety employees'
39 retirement system normal cost.

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

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

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

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

16 (c) The amounts required to amortize the costs of any benefit
17 improvements in plan 1 of the public employees' retirement system
18 that become effective after June 30, 2009. The cost of each benefit
19 improvement shall be amortized over a fixed ten-year period using
20 projected future salary growth and growth in system membership. The
21 amounts required under this subsection are not subject to, and are
22 collected in addition to, any minimum or maximum rates applied
23 pursuant to RCW 41.45.150. The rate for benefit improvements that
24 became effective after June 30, 2009, shall not include a rate for
25 the improvements in this act until July 1, 2027.

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

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

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

35 (c) The amounts required to amortize the costs of any benefit
36 improvements in plan 1 of the public employees' retirement system
37 that become effective after June 30, 2009. The cost of each benefit
38 improvement shall be amortized over a fixed ten-year period using
39 projected future salary growth and growth in system membership. The
40 amounts required under this subsection are not subject to, and are

1 collected in addition to, any minimum or maximum rates applied
2 pursuant to RCW 41.45.150. The rate for benefit improvements that
3 became effective after June 30, 2009, shall not include a rate for
4 the improvements in this act until July 1, 2027.

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

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

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

15 (c) The amounts required to amortize the costs of any benefit
16 improvements in plan 1 of the teachers' retirement system that become
17 effective after June 30, 2009. The cost of each benefit improvement
18 shall be amortized over a fixed ten-year period using projected
19 future salary growth and growth in system membership. The amounts
20 required under this subsection are not subject to, and are collected
21 in addition to, any minimum or maximum rates applied pursuant to RCW
22 41.45.150. The rate for benefit improvements that became effective
23 after June 30, 2009, shall not include a rate for the improvements in
24 this act until July 1, 2027.

25 (9) The employer contribution rate for each of the institutions
26 of higher education for the higher education supplemental retirement
27 benefits must be sufficient to fund, as a level percentage of pay, a
28 portion of the projected cost of the supplemental retirement benefits
29 for the institution beginning in 2035, with the other portion
30 supported on a pay-as-you-go basis, either as direct payments by each
31 institution to retirees, or as contributions to the higher education
32 retirement plan supplemental benefit fund. Contributions must
33 continue until the council determines that the institution for higher
34 education supplemental retirement benefit liabilities are satisfied.

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

1 (11) The director shall collect those rates adopted by the
2 council. The rates established in RCW 41.45.062, or by the council,
3 shall be subject to revision by the legislature.

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

8 **Sec. 6.** RCW 41.45.070 and 2009 c 561 s 4 are each amended to
9 read as follows:

10 (1) In addition to the basic employer contribution rate
11 established in RCW 41.45.060 or 41.45.054, the department shall also
12 charge employers of public employees' retirement system, teachers'
13 retirement system, school employees' retirement system, public safety
14 employees' retirement system, or Washington state patrol retirement
15 system members an additional supplemental rate to pay for the cost of
16 additional benefits, if any, granted to members of those systems.
17 Except as provided in subsections (6), (7), and (9) of this section,
18 the supplemental contribution rates required by this section shall be
19 calculated by the state actuary and shall be charged regardless of
20 language to the contrary contained in the statute which authorizes
21 additional benefits.

22 (2) In addition to the basic member, employer, and state
23 contribution rate established in RCW 41.45.0604 for the law
24 enforcement officers' and firefighters' retirement system plan 2, the
25 department shall also establish supplemental rates to pay for the
26 cost of additional benefits, if any, granted to members of the law
27 enforcement officers' and firefighters' retirement system plan 2.
28 Except as provided in subsection (6) of this section, these
29 supplemental rates shall be calculated by the actuary retained by the
30 law enforcement officers' and firefighters' board and the state
31 actuary through the process provided in RCW 41.26.720(1)(a) and the
32 state treasurer shall transfer the additional required contributions
33 regardless of language to the contrary contained in the statute which
34 authorizes the additional benefits.

35 (3) Beginning July 1, 2009, the supplemental rate charged under
36 this section to fund benefit increases provided to active members of
37 the public employees' retirement system plan 1 and the teachers'
38 retirement system plan 1 shall be calculated as the level percentage
39 of all system pay needed to fund the cost of the benefit over a fixed

1 ten-year period, using projected future salary growth and growth in
2 system membership. The supplemental rate to fund benefit increases
3 provided to active members of the public employees' retirement system
4 plan 1 shall be charged to all system employers in the public
5 employees' retirement system, the school employees' retirement
6 system, and the public safety employees' retirement system. The
7 supplemental rate to fund benefit increases provided to active
8 members of the teachers' retirement system plan 1 shall be charged to
9 all system employers in the teachers' retirement system.

10 (4) The supplemental rate charged under this section to fund
11 benefit increases provided to active and retired members of the
12 public employees' retirement system plan 2 and plan 3, the teachers'
13 retirement system plan 2 and plan 3, the public safety employees'
14 retirement system plan 2, the school employees' retirement system
15 plan 2 and plan 3, or the Washington state patrol retirement system
16 shall be calculated as the level percentage of all members' pay
17 needed to fund the cost of the benefit, as calculated under RCW
18 41.45.060, 41.45.061, 41.45.0631, or 41.45.067.

19 (5) The supplemental rate charged under this section to fund
20 postretirement adjustments which are provided on a nonautomatic basis
21 to current retirees shall be calculated as the percentage of pay
22 needed to fund the adjustments as they are paid to the retirees.
23 Beginning July 1, 2009, the supplemental rate charged under this
24 section to fund increases in the automatic postretirement adjustments
25 for active or retired members of the public employees' retirement
26 system plan 1 and the teachers' retirement system plan 1 shall be
27 calculated as the level percentage of pay needed to fund the cost of
28 the automatic adjustments over a fixed ten-year period, using
29 projected future salary growth and growth in system membership. The
30 supplemental rate to fund increases in the automatic postretirement
31 adjustments for active members or retired members of the public
32 employees' retirement system plan 1 shall be charged to all system
33 employers in the public employees' retirement system, the school
34 employees' retirement system, and the public safety employees'
35 retirement system. The supplemental rate to fund increases in
36 automatic postretirement adjustments for active members or retired
37 members of the teachers' retirement system plan 1 shall be charged to
38 all system employers in the teachers' retirement system.

1 (6) A supplemental rate shall not be charged to pay for the cost
2 of additional benefits granted to members pursuant to chapter 340,
3 Laws of 1998.

4 (7) A supplemental rate shall not be charged to pay for the cost
5 of additional benefits granted to members pursuant to chapter 41.31A
6 RCW; section 309, chapter 341, Laws of 1998; or section 701, chapter
7 341, Laws of 1998.

8 (8) A supplemental rate shall not be charged to pay for the cost
9 of additional benefits granted to members and survivors pursuant to
10 chapter 94, Laws of 2006.

11 (9) A supplemental rate shall not be charged to pay for the cost
12 of the additional benefits granted to members of the teachers'
13 retirement system and the school employees' retirement system plans 2
14 and 3 in sections 2, 4, 6, and 8, chapter 491, Laws of 2007 until
15 September 1, 2008. A supplemental rate shall not be charged to pay
16 for the cost of the additional benefits granted to members of the
17 public employees' retirement system plans 2 and 3 under sections 9
18 and 10, chapter 491, Laws of 2007 until July 1, 2008.

19 (10) A supplemental rate shall not be charged to pay for the cost
20 of the additional benefits granted to members of the teachers'
21 retirement system and the public employees' retirement system plans 1
22 in this act.

23 NEW SECTION. Sec. 7. This act is necessary for the immediate
24 preservation of the public peace, health, or safety, or support of
25 the state government and its existing public institutions, and takes
26 effect July 1, 2023."

27 Correct the title.

EFFECT: Delays the impact of the benefit cost on the contribution
rate for benefits added to the PERS and TRS 1 after June 30, 2009,
until July 1, 2027. Specifies that a supplemental contribution rate
shall not be charged for the benefits granted in the bill.

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