

SB 5350 - H AMD 653

By Representative Steele

WITHDRAWN 04/12/2023

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

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 41.32
4 RCW to read as follows:

5 (1) Beginning July 1, 2023, and every year thereafter, the
6 department shall determine the following information for each plan 1
7 retired member or beneficiary whose retirement allowance has been in
8 effect for at least one year:

9 (a) The original dollar amount of the retirement allowance as of
10 June 30, 2023, or the effective date of retirement, whichever is
11 later;

12 (b) The index for the calendar year prior to July 1, 2022, or the
13 effective date of the retirement allowance, whichever is later, to be
14 known as "index A";

15 (c) The index for the calendar year prior to the date of
16 determination, to be known as "index B"; and

17 (d) The ratio obtained when index B is divided by index A.

18 (2) The value of the ratio obtained is the annual adjustment to
19 the original retirement allowance and must be applied beginning with
20 the July payment. In no event, however, may the annual adjustment:

21 (a) Produce a retirement allowance which is lower than the
22 original retirement allowance;

23 (b) Exceed three percent in the initial annual adjustment; or

24 (c) Differ from the previous year's annual adjustment by more
25 than three percent.

26 (3) For the purposes of this section, "index" means, for any
27 calendar year, that year's average consumer price index, Seattle,
28 Washington area for urban wage earners and clerical workers, all
29 items, compiled by the bureau of labor statistics, United States
30 department of labor.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.40
2 RCW to read as follows:

3 (1) Beginning July 1, 2023, and every year thereafter, the
4 department shall determine the following information for each plan 1
5 retired member or beneficiary whose retirement allowance has been in
6 effect for at least one year:

7 (a) The original dollar amount of the retirement allowance as of
8 June 30, 2023, or the effective date of retirement, whichever is
9 later;

10 (b) The index for the calendar year prior to July 1, 2022, or the
11 effective date of the retirement allowance, whichever is later, to be
12 known as "index A";

13 (c) The index for the calendar year prior to the date of
14 determination, to be known as "index B"; and

15 (d) The ratio obtained when index B is divided by index A.

16 (2) The value of the ratio obtained is the annual adjustment to
17 the original retirement allowance and must be applied beginning with
18 the July payment. In no event, however, may the annual adjustment:

19 (a) Produce a retirement allowance which is lower than the
20 original retirement allowance;

21 (b) Exceed three percent in the initial annual adjustment; or

22 (c) Differ from the previous year's annual adjustment by more
23 than three percent.

24 (3) For the purposes of this section, "index" means, for any
25 calendar year, that year's average consumer price index, Seattle,
26 Washington area for urban wage earners and clerical workers, all
27 items, compiled by the bureau of labor statistics, United States
28 department of labor.

29 **Sec. 3.** RCW 41.45.060 and 2020 c 103 s 4 are each amended to
30 read as follows:

31 (1) The state actuary shall provide preliminary actuarial
32 valuation results based on the economic assumptions and asset value
33 smoothing technique included in RCW 41.45.035 or adopted under RCW
34 41.45.030 or 41.45.035.

35 (2) Not later than July 31, 2008, and every two years thereafter,
36 consistent with the economic assumptions and asset value smoothing
37 technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or
38 41.45.035, the council shall adopt and may make changes to:

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

3 (b) Basic employer contribution rates for the public employees'
4 retirement system, the teachers' retirement system, and the
5 Washington state patrol retirement system; and

6 (c) Basic employer contribution rates for the school employees'
7 retirement system and the public safety employees' retirement system
8 for funding both those systems and the public employees' retirement
9 system plan 1.

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

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

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

18 (b) To fully fund the public employees' retirement system plans 2
19 and 3, the teachers' retirement system plans 2 and 3, the public
20 safety employees' retirement system plan 2, and the school employees'
21 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
22 41.45.067, and this section; and

23 (c) To fully fund the public employees' retirement system plan 1
24 and the teachers' retirement system plan 1 in accordance with RCW
25 41.45.070, 41.45.150, and this section.

26 (4) The aggregate actuarial cost method shall be used to
27 calculate a combined plan 2 and 3 normal cost, a Washington state
28 patrol retirement system normal cost, and a public safety employees'
29 retirement system normal cost.

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

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

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

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

6 (c) The amounts required to amortize the costs of any benefit
7 improvements in plan 1 of the public employees' retirement system
8 that become effective after June 30, 2009. The cost of each benefit
9 improvement shall be amortized over a fixed ten-year period using
10 projected future salary growth and growth in system membership. The
11 amounts required under this subsection are not subject to, and are
12 collected in addition to, any minimum or maximum rates applied
13 pursuant to RCW 41.45.150. The rate for benefit improvements that
14 became effective after June 30, 2009, shall not include a rate for
15 the improvements in this act until July 1, 2027.

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

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

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

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

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

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

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

6 (c) The amounts required to amortize the costs of any benefit
7 improvements in plan 1 of the teachers' retirement system that become
8 effective after June 30, 2009. The cost of each benefit improvement
9 shall be amortized over a fixed ten-year period using projected
10 future salary growth and growth in system membership. The amounts
11 required under this subsection are not subject to, and are collected
12 in addition to, any minimum or maximum rates applied pursuant to RCW
13 41.45.150. The rate for benefit improvements that became effective
14 after June 30, 2009, shall not include a rate for the improvements in
15 this act until July 1, 2027.

16 (9) The employer contribution rate for each of the institutions
17 of higher education for the higher education supplemental retirement
18 benefits must be sufficient to fund, as a level percentage of pay, a
19 portion of the projected cost of the supplemental retirement benefits
20 for the institution beginning in 2035, with the other portion
21 supported on a pay-as-you-go basis, either as direct payments by each
22 institution to retirees, or as contributions to the higher education
23 retirement plan supplemental benefit fund. Contributions must
24 continue until the council determines that the institution for higher
25 education supplemental retirement benefit liabilities are satisfied.

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

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

34 (12) The state actuary shall prepare final actuarial valuation
35 results based on the economic assumptions, asset value smoothing
36 technique, and contribution rates included in or adopted under RCW
37 41.45.030, 41.45.035, and this section.

38 **Sec. 4.** RCW 41.45.070 and 2009 c 561 s 4 are each amended to
39 read as follows:

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

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

26 (3) Beginning July 1, 2009, the supplemental rate charged under
27 this section to fund benefit increases provided to active members of
28 the public employees' retirement system plan 1 and the teachers'
29 retirement system plan 1 shall be calculated as the level percentage
30 of all system pay needed to fund the cost of the benefit over a fixed
31 ten-year period, using projected future salary growth and growth in
32 system membership. The supplemental rate to fund benefit increases
33 provided to active members of the public employees' retirement system
34 plan 1 shall be charged to all system employers in the public
35 employees' retirement system, the school employees' retirement
36 system, and the public safety employees' retirement system. The
37 supplemental rate to fund benefit increases provided to active
38 members of the teachers' retirement system plan 1 shall be charged to
39 all system employers in the teachers' retirement system.

1 (4) The supplemental rate charged under this section to fund
2 benefit increases provided to active and retired members of the
3 public employees' retirement system plan 2 and plan 3, the teachers'
4 retirement system plan 2 and plan 3, the public safety employees'
5 retirement system plan 2, the school employees' retirement system
6 plan 2 and plan 3, or the Washington state patrol retirement system
7 shall be calculated as the level percentage of all members' pay
8 needed to fund the cost of the benefit, as calculated under RCW
9 41.45.060, 41.45.061, 41.45.0631, or 41.45.067.

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

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

33 (7) A supplemental rate shall not be charged to pay for the cost
34 of additional benefits granted to members pursuant to chapter 41.31A
35 RCW; section 309, chapter 341, Laws of 1998; or section 701, chapter
36 341, Laws of 1998.

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

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

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

13 NEW SECTION. **Sec. 5.** This act is necessary for the immediate
14 preservation of the public peace, health, or safety, or support of
15 the state government and its existing public institutions, and takes
16 effect July 1, 2023."

17 Correct the title.

EFFECT: Replaces the one-time increase to Public Employees'
Retirement System and Teachers' Retirement System Plan 1 retirements
with an ongoing annual increase of the Seattle Area Consumer Price
Index, up to a maximum increase of 3 percent per year, banked.

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