
SUBSTITUTE HOUSE BILL 1044

State of Washington 60th Legislature 2007 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Fromhold, Conway, Sommers and Moeller; by request of Office of the State Actuary)

READ FIRST TIME 02/01/07.

1 AN ACT Relating to the process for adopting contribution rates for
2 the actuarial funding of the state retirement systems; and amending RCW
3 41.45.030, 41.45.060, 41.45.0604, 41.45.061, 41.45.0631, and 41.45.110.

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

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

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

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

18 The council shall consult with the economic and revenue forecast

1 supervisor and the executive director of the state investment board,
2 and shall consider long-term historical averages, in reviewing possible
3 changes to the economic assumptions.

4 (3) The assumptions and the asset value smoothing technique
5 established in RCW 41.45.035, as modified in the future by the council
6 or legislature, shall be used by the state actuary in conducting all
7 actuarial studies of the state retirement systems, including actuarial
8 fiscal notes under RCW 44.44.040. The assumptions shall also be used
9 for the administration of benefits under the retirement plans listed in
10 RCW 41.45.020, pursuant to timelines and conditions established by
11 department rules.

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

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

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

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

25 (b) Basic employer contribution rates for the public employees'
26 retirement system, the teachers' retirement system, and the Washington
27 state patrol retirement system (~~(to be used in the ensuing biennial~~
28 ~~period))~~); and

29 (c) (~~(A)~~) Basic employer contribution rates for the school
30 employees' retirement system and the public safety employees'
31 retirement system for funding both those systems and the public
32 employees' retirement system plan 1.

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

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

1 (a) To fully amortize the total costs of the public employees'
2 retirement system plan 1, the teachers' retirement system plan 1, and
3 the law enforcement officers' and fire fighters' retirement system plan
4 1 not later than June 30, 2024; and

5 (b) To fully fund the public employees' retirement system plans 2
6 and 3, the teachers' retirement system plans 2 and 3, the public safety
7 employees' retirement system plan 2, and the school employees'
8 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
9 41.45.067, and this section.

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

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

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

21 (7) The state actuary shall prepare final actuarial valuation
22 results based on the economic assumptions, asset value smoothing
23 technique, and contribution rates included in or adopted under RCW
24 41.45.030, 41.45.035, and this section.

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

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

32 (2) The law enforcement officers' and fire fighters' plan 2
33 retirement board shall immediately notify the directors of the office
34 of financial management and department of retirement systems of the
35 state, employer, and employee rates adopted. Thereafter, the director
36 shall collect those rates adopted by the board. The rates shall be

1 effective for the ensuing biennial period, subject to any legislative
2 modifications.

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

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

8 (a) Beginning September 1, 1997, except as provided in (b) of this
9 subsection, the employee contribution rate shall not exceed the
10 employer plan 2 and 3 rates adopted under RCW 41.45.060, 41.45.054, and
11 41.45.070 for the teachers' retirement system;

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

15 (c) In addition, the employee contribution rate for plan 2 shall
16 not be increased as a result of any distributions pursuant to section
17 309, chapter 341, Laws of 1998 and RCW 41.31A.020.

18 (2) The required contribution rate for members of the school
19 employees' retirement system plan 2 shall equal the school employees'
20 retirement system employer plan 2 and 3 contribution rate adopted under
21 RCW 41.45.060, 41.45.054, and 41.45.070, except as provided in
22 subsection (3) of this section.

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

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

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

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

36 (7) The required plan 2 and 3 contribution rates for employers

1 shall be adopted in the manner described in RCW 41.45.060, 41.45.054,
2 and 41.45.070.

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

6 (9) Concurrently with the adoption of employer contribution rates,
7 the state actuary shall calculate the required contribution rates for
8 plan 2 members, which are fixed in accordance with this section. Upon
9 adoption of employer contribution rates, the state actuary shall
10 immediately notify the directors of the office of financial management
11 and department of retirement systems of the required contribution rates
12 for members, which shall be effective for the ensuing rate-setting
13 period.

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

16 Beginning July 1, 2001, the required contribution rate for members
17 of the Washington state patrol retirement system shall be two percent
18 or equal to the employer rate adopted under RCW 41.45.060 and 41.45.070
19 for the Washington state patrol retirement system, whichever is
20 greater. The employee contribution rate shall not, however, include
21 any increase as a result of distributions under RCW 43.43.270(2) for
22 survivors of members who became disabled under RCW 43.43.040(2) prior
23 to July 1, 2006. Concurrently with the adoption of the employer
24 contribution rate for the Washington state patrol retirement system,
25 the state actuary shall calculate the required contribution rate for
26 members, which is fixed in accordance with this section. The state
27 actuary shall immediately notify the directors of the office of
28 financial management and department of retirement systems of the
29 required contribution rate for members, which shall be effective for
30 the ensuing rate-setting period.

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

33 The pension funding council shall solicit and administer a biennial
34 actuarial audit of the preliminary and final actuarial valuations used
35 for employer and member rate-setting purposes. This audit will be
36 conducted concurrent with the actuarial valuation performed by the

1 state actuary. At least once in each six-year period, the pension
2 funding council shall solicit and administer an actuarial audit of the
3 results of the experience study required in RCW 41.45.090. Upon
4 receipt of the results of the preliminary actuarial audits required by
5 this section, and at least thirty days prior to adopting contribution
6 rates, the pension funding council shall submit the results to the
7 select committee on pension policy.

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