

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 2021

62nd Legislature
2011 Regular Session

Passed by the House April 21, 2011
Yeas 52 Nays 45

Speaker of the House of Representatives

Passed by the Senate April 22, 2011
Yeas 28 Nays 17

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2021** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 2021

Passed Legislature - 2011 Regular Session

State of Washington

62nd Legislature

2011 Regular Session

By House Ways & Means (originally sponsored by Representatives Pettigrew, Darneille, Seaquist, Carlyle, Hunter, and Cody; by request of Governor Gregoire)

READ FIRST TIME 04/19/11.

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, 41.32.4851, 41.40.183, 41.40.197,
4 41.40.1984, and 41.45.150; creating a new section; declaring an
5 emergency; and providing an 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 41.32.4851 and 2006 c 244 s 1 are each amended to read
34 as follows:

35 (1) No one who becomes a beneficiary after June 30, 1995, shall
36 receive a monthly retirement allowance of less than twenty-four dollars

1 and twenty-two cents times the number of years of service creditable to
2 the person whose service is the basis of such retirement allowance.

3 (2) If the retirement allowance payable was adjusted at the time
4 benefit payments to the beneficiary commenced, the minimum allowance
5 provided in this section shall be adjusted in a manner consistent with
6 that adjustment.

7 (3) Beginning July 1, 1996, the minimum benefit set forth in
8 subsection (1) of this section shall be adjusted annually by the annual
9 increase.

10 (4) Those receiving a temporary disability benefit under RCW
11 41.32.540 shall not be eligible for the benefit provided by this
12 section.

13 ~~(5) ((Beginning July 1, 2004, the minimum benefit set forth in
14 subsection (1) of this section, prior to adjustments set forth in
15 subsection (2) of this section, for a beneficiary with at least twenty-
16 five years of service and who has been retired at least twenty years
17 shall be one thousand dollars per month. On July 1, 2006, and each
18 year thereafter, the minimum benefit in this subsection shall be
19 increased by three percent, rounded to the nearest cent.~~

20 ~~(6) Beginning July 1, 2006, the minimum benefit set forth in
21 subsection (1) of this section, prior to adjustments set forth in
22 subsection (2) of this section, for a beneficiary with at least twenty
23 years of service and who has been retired at least twenty five years
24 shall be one thousand dollars per month. On July 1, 2006, and each
25 year thereafter, the minimum benefit in this subsection shall be
26 increased by three percent, rounded to the nearest cent.))~~ Beginning
27 July 1, 2011, the minimum benefit set forth in subsection (1) of this
28 section, prior to adjustments set forth in subsection (2) of this
29 section, for a beneficiary with either (a) at least twenty years of
30 service and who has been retired at least twenty-five years, or (b) at
31 least twenty-five years of service and who has been retired at least
32 twenty years, shall be one thousand five hundred dollars per month. On
33 July 1, 2011, and each year thereafter, the minimum benefit in this
34 subsection shall be increased by three percent, rounded to the nearest
35 cent.

36 **Sec. 5.** RCW 41.40.183 and 2007 c 491 s 11 are each amended to read
37 as follows:

1 (1) Beginning July 1, 2009, the annual increase amount as defined
2 in RCW 41.40.010(~~(+41)~~) (4) shall be increased by an amount equal to
3 \$0.40 per month per year of service minus the 2008 gain-sharing
4 increase amount under RCW 41.31.010 as it exists on July 22, 2007.
5 This adjustment shall not decrease the annual increase amount, and is
6 not to exceed \$0.20 per month per year of service. The legislature
7 reserves the right to amend or repeal this section in the future and no
8 member or beneficiary has the contractual right to receive this
9 adjustment to the annual increase amount not granted prior to that
10 time.

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

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

21 **Sec. 6.** RCW 41.40.197 and 2007 c 89 s 1 are each amended to read
22 as follows:

23 (1) Beginning July 1, 1995, and annually thereafter through July 1,
24 2010, the retirement allowance of a person meeting the requirements of
25 this section shall be increased by the annual increase amount.

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

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

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

1 (a) A beneficiary who has received a retirement allowance for at
2 least one year by July 1st in the calendar year in which the annual
3 increase is given and has attained at least age sixty-six by December
4 31st in the calendar year in which the annual increase is given; or

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

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

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

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

18 **Sec. 7.** RCW 41.40.1984 and 2006 c 244 s 2 are each amended to read
19 as follows:

20 (1) Except as provided in subsections (4) and (5) of this section,
21 no one who becomes a beneficiary after June 30, 1995, shall receive a
22 monthly retirement allowance of less than twenty-four dollars and
23 twenty-two cents times the number of years of service creditable to the
24 person whose service is the basis of such retirement allowance.

25 (2) Where the retirement allowance payable was adjusted at the time
26 benefit payments to the beneficiary commenced, the minimum allowance
27 provided in this section shall be adjusted in a manner consistent with
28 that adjustment.

29 (3) Beginning July 1, 1996, the minimum benefit set forth in
30 subsection (1) of this section shall be adjusted annually by the annual
31 increase.

32 (4) Those receiving a benefit under RCW 41.40.220(1) or under RCW
33 41.44.170 (3) and (5) shall not be eligible for the benefit provided by
34 this section.

35 (5) For persons who served as elected officials and whose
36 accumulated employee contributions and credited interest was less than

1 seven hundred fifty dollars at the time of retirement, the minimum
2 benefit under subsection (1) of this section shall be ten dollars per
3 month per each year of creditable service.

4 ~~(6) ((Beginning July 1, 2004, the minimum benefit set forth in~~
5 ~~subsection (1) of this section, prior to adjustments set forth in~~
6 ~~subsection (2) of this section, for a beneficiary with at least twenty-~~
7 ~~five years of service and who has been retired at least twenty years~~
8 ~~shall be one thousand dollars per month. On July 1, 2006, and each~~
9 ~~year thereafter, the minimum benefit in this subsection shall be~~
10 ~~increased by three percent, rounded to the nearest cent.~~

11 ~~(7) Beginning July 1, 2006, the minimum benefit set forth in~~
12 ~~subsection (1) of this section, prior to adjustments set forth in~~
13 ~~subsection (2) of this section, for a beneficiary with at least twenty~~
14 ~~years of service and who has been retired at least twenty five years~~
15 ~~shall be one thousand dollars per month. On July 1, 2006, and each~~
16 ~~year thereafter, the minimum benefit in this subsection shall be~~
17 ~~increased by three percent, rounded to the nearest cent.)) Beginning~~
18 ~~July 1, 2011, the minimum benefit set forth in subsection (1) of this~~
19 ~~section, prior to adjustments set forth in subsection (2) of this~~
20 ~~section, for a beneficiary with either (a) at least twenty years of~~
21 ~~service and who has been retired at least twenty-five years, or (b) at~~
22 ~~least twenty-five years of service and who has been retired at least~~
23 ~~twenty years, shall be one thousand five hundred dollars per month. On~~
24 ~~July 1, 2011, and each year thereafter, the minimum benefit in this~~
25 ~~subsection shall be increased by three percent, rounded to the nearest~~
26 ~~cent.~~

27 **Sec. 8.** RCW 41.45.150 and 2010 1st sp.s. c 26 s 7 are each amended
28 to read as follows:

29 (1) Beginning July 1, 2009, and ending June 30, 2015, maximum
30 annual contribution rates are established for the portion of the
31 employer contribution rate for the public employees' retirement system
32 and the public safety employees' retirement system that is used for the
33 sole purpose of amortizing that portion of the unfunded actuarial
34 accrued liability in the public employees' retirement system plan 1
35 that excludes any amounts required to amortize plan 1 benefit
36 improvements effective after June 30, 2009. The maximum rates are:

1		Fiscal Year ending:					
2		2010	2011	2012	2013	2014	2015
3		1.25%	1.25%	3.75%	4.50%	5.25%	6.00%

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

12		Fiscal Year ending:					
13		2010	2011	2012	2013	2014	2015
14		1.25%	1.25%	3.75%	4.50%	5.25%	6.00%
15							

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

23		Fiscal Year ending:					
24		2010	2011	2012	2013	2014	2015
25		2.04%	2.04%	6.50%	7.50%	8.50%	9.50%

26 (4) Beginning July 1, 2015, a minimum (~~(5-25)~~) 3.50 percent
27 contribution is established as part of the basic employer contribution
28 rate for the public employees' retirement system and the public safety
29 employees' retirement system, to be used for the sole purpose of

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

8 (5) Beginning September 1, 2015, a minimum (~~(5.25)~~) 3.50 percent
9 contribution is established as part of the basic employer contribution
10 rate for the school employees' retirement system, to be used for the
11 sole purpose of amortizing that portion of the unfunded actuarial
12 accrued liability in the public employees' retirement system plan 1
13 that excludes any amounts required to amortize plan 1 benefit
14 improvements effective after June 30, 2009. This minimum contribution
15 rate shall remain effective until the actuarial value of assets in plan
16 1 of the public employees' retirement system equals one hundred percent
17 of the actuarial accrued liability.

18 (6) Beginning September 1, 2015, a minimum (~~(8.00)~~) 5.75 percent
19 contribution is established as part of the basic employer contribution
20 rate for the teachers' retirement system, to be used for the sole
21 purpose of amortizing that portion of the unfunded actuarial accrued
22 liability in the teachers' 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
26 teachers' retirement system equals one hundred percent of the actuarial
27 accrued liability.

28 (7) Upon completion of each biennial actuarial valuation, the state
29 actuary shall review the appropriateness of the minimum contribution
30 rates and recommend to the council any adjustments as may be needed due
31 to material changes in benefits or actuarial assumptions, methods, or
32 experience. Any changes adopted by the council shall be subject to
33 revision by the legislature.

34 NEW SECTION. **Sec. 9.** If any provision of this act or its
35 application to any person or circumstance is held invalid, the
36 remainder of the act or the application of the provision to other
37 persons or circumstances is not affected.

1 NEW SECTION. **Sec. 10.** This act is necessary for the immediate
2 preservation of the public peace, health, or safety, or support of the
3 state government and its existing public institutions, and takes effect
4 June 30, 2011.

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