S-2275.2

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**SUBSTITUTE SENATE BILL 5900**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senator Braun)

AN ACT Relating to making expenditures from the budget stabilization account for public employer unfunded actuarially accrued liabilities; adding a new section to chapter 41.50 RCW; adding a new section to chapter 41.45 RCW; creating a new section; making an appropriation; and declaring an emergency.

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

NEW SECTION. **Sec.**  The legislature finds that the public employees' retirement system plan 1 has an unfunded actuarially accrued liability of more than five billion dollars. The legislature further finds that in addition to the state general fund, other state and local government funds are responsible for amortizing the public employees' retirement system plan 1 unfunded actuarially accrued liability. The legislature further finds that about seventy percent of the moneys in the state's pension systems are the result of investment returns. The legislature further finds that the investment returns from a large contribution toward the unfunded actuarially liability will result in present and future decreased costs to taxpayers. Therefore, the legislature intends to appropriate moneys from the budget stabilization account to use transfers from extraordinary revenue growth to reduce the unfunded actuarially accrued liability of the public employees' retirement system plan 1.

NEW SECTION. **Sec.**  **FOR THE DEPARTMENT OF RETIREMENT SYSTEMS—PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 1 FUND**

The sum of $700,000,000 is appropriated from the budget stabilization account on June 30, 2017, and is provided solely for expenditure into the public employees' retirement system plan 1 fund to reduce the unfunded actuarially accrued liability in the public employees' retirement system plan 1. For purposes of RCW 43.88.055(4), the appropriation in this section does not suspend the requirements of RCW 43.88.055(1).

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

(1) A surcharge is established on each employer, as defined in RCW 41.35.010, 41.37.010, or 41.40.010, to reimburse the state general fund for the expected reduction in the unfunded actuarially accrued liability for all employers due to the payment made from the state general fund under section 2 of this act.

(2)(a) Beginning July 1, 2017, and ending June 30, 2019, the department shall bill each employer a surcharge of 0.40 percent each month.

(b) Beginning July 1, 2019, and ending June 30, 2021, the department shall bill each employer a surcharge of 0.65 percent each month.

(c) Beginning July 1, 2021, and ending June 30, 2023, the department shall bill each employer a surcharge of 0.36 percent each month.

(d) Beginning July 1, 2027, and ending June 30, 2028, the department shall bill each employer a surcharge of 0.03 percent each month.

(e) Beginning July 1, 2028, and ending June 30, 2029, the department shall bill each employer a surcharge of 3.50 percent each month.

(f) Beginning July 1, 2029, and ending June 30, 2030, the department shall bill each employer a surcharge of 0.74 percent each month. The surcharge rate in this subsection (2)(f) represents one-half of the expected reduction in the unfunded actuarially accrued liability to allow local government employers to benefit from savings that result from the payment made from the state general fund under section 2 of this act.

(3) Collections of the surcharge established in this section shall be deposited to the state general fund.

NEW SECTION. **Sec.**  A new section is added to chapter 41.45 RCW to read as follows:

For the 2017-2019 fiscal biennium, the contribution rate to the public employees' retirement system plan 1 unfunded actuarially accrued liability is reduced by 0.40 to 4.63 percent to reflect the payment made under section 2 of this act.

NEW SECTION. **Sec.**  This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately.

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