
SUBSTITUTE HOUSE BILL 2490

State of Washington 55th Legislature 1998 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Carlson, Ogden, Conway, Wolfe, Lambert, H. Sommers, D. Sommers, Schoesler, Gardner and Carrell; by request of Joint Committee on Pension Policy)

Read first time 02/07/98. Referred to Committee on .

1 AN ACT Relating to the sharing of extraordinary investment gains in
2 teachers' retirement system plan III; amending RCW 41.45.061 and
3 41.45.070; and adding a new section to chapter 41.34 RCW.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.34 RCW
6 to read as follows:

7 (1) Beginning July 1, 1998, and on January 1st of even-numbered
8 years thereafter, the member account of a person meeting the
9 requirements of this section shall be credited by the extraordinary
10 investment gain amount.

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

13 (a) Any member who earned service credit during the twelve-month
14 period from September 1st to August 30th immediately preceding the
15 distribution and had a balance of at least one thousand dollars in
16 their member account on August 30th of the year immediately preceding
17 the distribution; or

18 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875;
19 or

1 (c) Any person who is a retiree pursuant to RCW 41.34.020(8) and
2 who:

3 (i) Completed ten service credit years; or
4 (ii) Completed five service credit years, including twelve service
5 months after attaining age fifty-four; or
6 (iii) Completed five service credit years by July 1, 1996, under
7 plan II and who transferred to plan III under RCW 41.32.817; or
8 (d) Any person who had a balance of at least one thousand dollars
9 in their member account on August 30th of the year immediately
10 preceding the distribution and who:

11 (i) Completed ten service credit years; or
12 (ii) Completed five service credit years, including twelve service
13 months after attaining age fifty-four; or
14 (iii) Completed five service credit years by July 1, 1996, under
15 plan II and who transferred to plan III under RCW 41.32.817.

16 (3) The extraordinary investment gain amount shall be calculated as
17 follows:

18 (a) One-half of the value of the net assets held in trust for
19 pension benefits in the teachers' retirement system combined plan II
20 and III fund at the close of the previous state fiscal year not
21 including the amount attributable to member accounts;

22 (b) Multiplied by the amount which the compound average of
23 investment returns on those assets over the previous four state fiscal
24 years exceeds ten percent;

25 (c) Multiplied by the proportion of:

26 (i) The sum of the service credit on August 30th of the previous
27 year of all persons eligible for the benefit provided in subsection (1)
28 of this section; to,
29 (ii) The sum of the service credit on August 30th of the previous
30 year of:

31 (A) All persons eligible for the benefit provided in subsection (1)
32 of this section; and
33 (B) Any person who earned service credit in plan II during the
34 twelve-month period from September 1st to August 30th immediately
35 preceding the distribution; and
36 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765;
37 and
38 (D) Any person with five or more years of service in plan II;

1 (d) Divided proportionally among persons eligible for the benefit
2 provided in subsection (1) of this section on the basis of their
3 service credit total on August 30th of the previous year.

4 (4) The legislature reserves the right to amend or repeal this
5 section in the future and no member or beneficiary has a contractual
6 right to receive this distribution not granted prior to the amend or
7 repeal of this section.

8 **Sec. 2.** RCW 41.45.061 and 1997 c 10 s 2 are each amended to read
9 as follows:

10 (1) The required contribution rate for members of the plan II
11 teachers' retirement system shall be fixed at the rates in effect on
12 July 1, (~~(1996)~~) 1998, subject to the following:

13 (a) Beginning September 1, (~~(1997)~~) 1999, except as provided in (b)
14 of this subsection, the employee contribution rate shall not exceed the
15 employer plan II and III rates adopted under RCW 41.45.060 and
16 41.45.070 for the teachers' retirement system;

17 (b) In addition, the employee contribution rate for plan II shall
18 be increased by fifty percent of the contribution rate increase caused
19 by any plan II benefit increase passed after July 1, (~~(1996)~~) 1998;

20 (c) In addition, the employee contribution rate for plan II shall
21 not be increased as a result of any distributions pursuant to section
22 1 of this act.

23 (2) The required plan II and III contribution rates for employers
24 shall be adopted in the manner described in RCW 41.45.060.

25 **Sec. 3.** RCW 41.45.070 and 1995 c 239 s 310 are each amended to
26 read as follows:

27 (1) In addition to the basic employer contribution rate established
28 in RCW 41.45.060, the department shall also charge employers of public
29 employees' retirement system, teachers' retirement system, or
30 Washington state patrol retirement system members an additional
31 supplemental rate to pay for the cost of additional benefits, if any,
32 granted to members of those systems. Except as provided in subsection
33 (6) of this section, the supplemental contribution rates required by
34 this section shall be calculated by the state actuary and shall be
35 charged regardless of language to the contrary contained in the statute
36 which authorizes additional benefits.

1 (2) In addition to the basic state contribution rate established in
2 RCW 41.45.060 for the law enforcement officers' and fire fighters'
3 retirement system the department shall also establish a supplemental
4 rate to pay for the cost of additional benefits, if any, granted to
5 members of the law enforcement officers' and fire fighters' retirement
6 system. This supplemental rate shall be calculated by the state
7 actuary and the state treasurer shall transfer the additional required
8 contributions regardless of language to the contrary contained in the
9 statute which authorizes the additional benefits.

10 (3) The supplemental rate charged under this section to fund
11 benefit increases provided to active members of the public employees'
12 retirement system plan I, the teachers' retirement system plan I, the
13 law enforcement officers' and fire fighters' retirement system plan I,
14 and Washington state patrol retirement system, shall be calculated as
15 the level percentage of all members' pay needed to fund the cost of the
16 benefit not later than June 30, 2024.

17 (4) The supplemental rate charged under this section to fund
18 benefit increases provided to active and retired members of the public
19 employees' retirement system plan II, the teachers' retirement system
20 plan II and plan III, or the law enforcement officers' and fire
21 fighters' retirement system plan II, shall be calculated as the level
22 percentage of all members' pay needed to fund the cost of the benefit,
23 as calculated under RCW 41.40.650(~~(, 41.32.775,)~~) or 41.26.450,
24 respectively.

25 (5) The supplemental rate charged under this section to fund
26 postretirement adjustments which are provided on a nonautomatic basis
27 to current retirees shall be calculated as the percentage of pay needed
28 to fund the adjustments as they are paid to the retirees. The
29 supplemental rate charged under this section to fund automatic
30 postretirement adjustments for active or retired members of the public
31 employees' retirement system plan I and the teachers' retirement system
32 plan I shall be calculated as the level percentage of pay needed to
33 fund the cost of the automatic adjustments not later than June 30,
34 2024.

35 (6) A supplemental rate shall not be charged to pay for the cost of
36 additional benefits granted to members pursuant to section 1 of this
37 act.

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