
SUBSTITUTE SENATE BILL 6167

State of Washington

57th Legislature

2001 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Brown, Snyder, Spanel and B. Sheldon)

READ FIRST TIME 03/30/01.

1 AN ACT Relating to actuarial funding of state retirement systems;
2 amending RCW 41.45.010, 41.45.010, 41.45.020, 41.45.030, 41.45.050,
3 41.45.050, 41.45.061, 41.45.067, 41.45.070, 41.45.080, 41.45.120, and
4 41.31.020; reenacting and amending RCW 41.45.020, 41.45.060, 41.45.061,
5 and 41.45.070; adding new sections to chapter 41.45 RCW; decodifying
6 RCW 41.45.0602; providing effective dates; providing an expiration
7 date; and declaring an emergency.

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

9 **Sec. 1.** RCW 41.45.010 and 1998 c 341 s 401 are each amended to
10 read as follows:

11 It is the intent of the legislature to provide a dependable and
12 systematic process for funding the benefits provided to members and
13 retirees of the public employees' retirement system, chapter 41.40 RCW;
14 the teachers' retirement system, chapter 41.32 RCW; the law enforcement
15 officers' and fire fighters' retirement systems, chapters 41.26 and
16 41.26A RCW; the school employees' retirement system, chapter 41.35 RCW;
17 and the Washington state patrol retirement system, chapter 43.43 RCW.

18 The legislature finds that the funding status of the state
19 retirement systems has improved dramatically since 1989. Because of

1 the big reduction in unfunded pension liabilities, it is now prudent to
2 adjust the long-term economic assumptions that are used in the
3 actuarial studies conducted by the state actuary. The legislature
4 finds that it is reasonable to increase the salary growth assumption in
5 light of Initiative Measure No. 732, to increase the investment return
6 assumption in light of the asset allocation policies and historical
7 returns of the state investment board, and to reestablish June 30,
8 2024, as the target date to achieve full funding of all liabilities in
9 the public employees' retirement system plan 1 and the teachers'
10 retirement system plan 1.

11 The funding process established by this chapter is intended to
12 achieve the following goals:

13 (1) To continue to fully fund the public employees' retirement
14 system plan 2, the teachers' retirement system plans 2 and 3, the
15 school employees' retirement system plans 2 and 3, and the law
16 enforcement officers' and fire fighters' retirement system plan 2 as
17 provided by law;

18 (2) To fully amortize the total costs of the public employees'
19 retirement system plan 1(~~(7)~~) and the teachers' retirement system plan
20 1(~~(7~~ and the law enforcement officers' and fire fighters' retirement
21 ~~system plan 1))~~) not later than June 30, 2024;

22 (3) To ensure the actuarial funding of the restated law enforcement
23 officers' and fire fighters' retirement system defined benefit plan,
24 and provide for additional state funding if unfunded liabilities accrue
25 in the future;

26 (4) To establish predictable long-term employer contribution rates
27 which will remain a relatively constant proportion of the future state
28 budgets; and

29 (~~(4)~~) (5) To fund, to the extent feasible, benefit increases for
30 plan 1 members and all benefits for plan 2 and 3 members over the
31 working lives of those members so that the cost of those benefits are
32 paid by the taxpayers who receive the benefit of those members'
33 service.

34 **Sec. 2.** RCW 41.45.010 and 2000 c 247 s 501 are each amended to
35 read as follows:

36 It is the intent of the legislature to provide a dependable and
37 systematic process for funding the benefits provided to members and
38 retirees of the public employees' retirement system, chapter 41.40 RCW;

1 the teachers' retirement system, chapter 41.32 RCW; the law enforcement
2 officers' and fire fighters' retirement systems, chapters 41.26 and
3 41.26A RCW; the school employees' retirement system, chapter 41.35 RCW;
4 and the Washington state patrol retirement system, chapter 43.43 RCW.

5 The legislature finds that the funding status of the state
6 retirement systems has improved dramatically since 1989. Because of
7 the big reduction in unfunded pension liabilities, it is now prudent to
8 adjust the long-term economic assumptions that are used in the
9 actuarial studies conducted by the state actuary. The legislature
10 finds that it is reasonable to increase the salary growth assumption in
11 light of Initiative Measure No. 732, to increase the investment return
12 assumption in light of the asset allocation policies and historical
13 returns of the state investment board, and to reestablish June 30,
14 2024, as the target date to achieve full funding of all liabilities in
15 the public employees' retirement system plan 1 and the teachers'
16 retirement system plan 1.

17 The funding process established by this chapter is intended to
18 achieve the following goals:

19 (1) To continue to fully fund the public employees' retirement
20 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
21 the school employees' retirement system plans 2 and 3, and the law
22 enforcement officers' and fire fighters' retirement system plan 2 as
23 provided by law;

24 (2) To fully amortize the total costs of the public employees'
25 retirement system plan 1 ~~((7))~~ and the teachers' retirement system plan
26 1, ~~((and the law enforcement officers' and fire fighters' retirement~~
27 ~~system plan 1))~~ not later than June 30, 2024;

28 (3) To ensure the actuarial funding of the restated law enforcement
29 officers' and fire fighters' retirement system defined benefit plan,
30 and provide for additional state funding if unfunded liabilities accrue
31 in the future;

32 (4) To establish predictable long-term employer contribution rates
33 which will remain a relatively constant proportion of the future state
34 budgets; and

35 ~~((4))~~ (5) To fund, to the extent feasible, benefit increases for
36 plan 1 members and all benefits for plan 2 and 3 members over the
37 working lives of those members so that the cost of those benefits are
38 paid by the taxpayers who receive the benefit of those members'
39 service.

1 **Sec. 3.** RCW 41.45.020 and 1998 c 341 s 402 and 1998 c 283 s 1 are
2 each reenacted and amended to read as follows:

3 As used in this chapter, the following terms have the meanings
4 indicated unless the context clearly requires otherwise.

5 (1) "Council" means the pension funding council created in RCW
6 41.45.100.

7 (2) "Department" means the department of retirement systems.

8 (3) "~~Law enforcement officers' and fire fighters' retirement system~~
9 (~~plan 1" and "law enforcement officers' and fire fighters' retirement~~
10 ~~system~~)" plan 2" means the benefits and funding provisions under
11 chapter 41.26 RCW.

12 (4) "Restated law enforcement officers' and fire fighters'
13 retirement system defined benefit plan" means the benefits and funding
14 provisions under chapter 41.26A RCW.

15 (5) "Public employees' retirement system plan 1" and "public
16 employees' retirement system plan 2" mean the benefits and funding
17 provisions under chapter 41.40 RCW.

18 ~~((+5))~~ (6) "Teachers' retirement system plan 1," "teachers'
19 retirement system plan 2," and "teachers' retirement system plan 3"
20 mean the benefits and funding provisions under chapter 41.32 RCW.

21 ~~((+6))~~ (7) "School employees' retirement system plan 2" and
22 "school employees' retirement system plan 3" mean the benefits and
23 funding provisions under chapter 41.35 RCW.

24 ~~((+7))~~ (8) "Washington state patrol retirement system" means the
25 retirement benefits provided under chapter 43.43 RCW.

26 ~~((+8))~~ (9) "Unfunded liability" means the unfunded actuarial
27 accrued liability of a retirement system.

28 ~~((+9))~~ (10) "Actuary" or "state actuary" means the state actuary
29 employed under chapter 44.44 RCW.

30 ~~((+10))~~ (11) "State retirement systems" means the retirement
31 systems listed in RCW 41.50.030.

32 ~~((+11) "Work group" means the pension funding work group created in~~
33 ~~RCW 41.45.120.)~~

34 (12) "Classified employee" means a member of the Washington school
35 employees' retirement system plan 2 or plan 3 as defined in RCW
36 41.35.010.

37 (13) "Teacher" means a member of the teachers' retirement system as
38 defined in RCW 41.32.010(15).

1 **Sec. 4.** RCW 41.45.020 and 2000 c 247 s 502 are each amended to
2 read as follows:

3 As used in this chapter, the following terms have the meanings
4 indicated unless the context clearly requires otherwise.

5 (1) "Council" means the pension funding council created in RCW
6 41.45.100.

7 (2) "Department" means the department of retirement systems.

8 (3) "~~Law enforcement officers' and fire fighters' retirement system~~
9 (~~plan 1" and "law enforcement officers' and fire fighters' retirement~~
10 ~~system~~) plan 2" means the benefits and funding provisions under
11 chapter 41.26 RCW.

12 (4) "Restated law enforcement officers' and fire fighters'
13 retirement system defined benefit plan" means the benefits and funding
14 provisions under chapter 41.26A RCW.

15 (5) "Public employees' retirement system plan 1," "public
16 employees' retirement system plan 2," and "public employees' retirement
17 system plan 3" mean the benefits and funding provisions under chapter
18 41.40 RCW.

19 ~~((+5))~~ (6) "Teachers' retirement system plan 1," "teachers'
20 retirement system plan 2," and "teachers' retirement system plan 3"
21 mean the benefits and funding provisions under chapter 41.32 RCW.

22 ~~((+6))~~ (7) "School employees' retirement system plan 2" and
23 "school employees' retirement system plan 3" mean the benefits and
24 funding provisions under chapter 41.35 RCW.

25 ~~((+7))~~ (8) "Washington state patrol retirement system" means the
26 retirement benefits provided under chapter 43.43 RCW.

27 ~~((+8))~~ (9) "Unfunded liability" means the unfunded actuarial
28 accrued liability of a retirement system.

29 ~~((+9))~~ (10) "Actuary" or "state actuary" means the state actuary
30 employed under chapter 44.44 RCW.

31 ~~((+10))~~ (11) "State retirement systems" means the retirement
32 systems listed in RCW 41.50.030.

33 ~~((+11) "Work group" means the pension funding work group created in~~
34 ~~RCW 41.45.120.)~~

35 (12) "Classified employee" means a member of the Washington school
36 employees' retirement system plan 2 or plan 3 as defined in RCW
37 41.35.010.

38 (13) "Teacher" means a member of the teachers' retirement system as
39 defined in RCW 41.32.010(15).

1 **Sec. 5.** RCW 41.45.030 and 1995 c 233 s 1 are each amended to read
2 as follows:

3 (1) Beginning ~~((September))~~ April 1, ((1995)) 2004, and every
4 ~~((two))~~ four years thereafter, the state actuary shall submit to the
5 council information regarding the experience and financial condition of
6 each state retirement system. The council shall review this and such
7 other information as it may require.

8 (2) By ~~((December))~~ May 31, ((1995)) 2004, and every ~~((two))~~ four
9 years thereafter, the council, by affirmative vote of ~~((five))~~ four
10 councilmembers, ~~((shall))~~ may adopt changes to the ((following)) long-
11 term economic assumptions((:

12 ~~(a) Growth in system membership;~~

13 ~~(b) Growth in salaries, exclusive of merit or longevity increases;~~

14 ~~(c) Growth in inflation; and~~

15 ~~(d) Investment rate of return))~~ established in section 6 of this
16 act. Any changes adopted by the council shall be subject to revision
17 by the legislature.

18 The council shall ~~((work))~~ consult with the ~~((department of~~
19 ~~retirement systems, the state actuary,))~~ economic and revenue forecast
20 supervisor and the executive director of the state investment board,
21 and shall consider long-term historical averages, in ~~((developing))~~
22 reviewing possible changes to the economic assumptions.

23 (3) The assumptions ~~((adopted))~~ and the asset value smoothing
24 technique established in section 6 of this act, as modified in the
25 future by the council or legislature, shall be used by the state
26 actuary in conducting all actuarial studies of the state retirement
27 systems, including actuarial fiscal notes under RCW 44.44.040. The
28 assumptions shall also be used for the administration of benefits under
29 the retirement plans listed in RCW 41.45.020, pursuant to timelines and
30 conditions established by department rules.

31 NEW SECTION. **Sec. 6.** A new section is added to chapter 41.45 RCW
32 to read as follows:

33 (1) Beginning July 1, 2001, the following long-term economic
34 assumptions shall be used by the state actuary for the purposes of RCW
35 41.45.030:

36 (a) The growth in inflation assumption shall be 3.5 percent;

37 (b) The growth in salaries assumption, exclusive of merit or
38 longevity increases, shall be 4.5 percent;

1 (c) The investment rate of return assumption shall be 8 percent;
2 and

3 (d) The growth in system membership assumption shall be 1.25
4 percent for the public employees' retirement system, the school
5 employees' retirement system, and the law enforcement officers' and
6 fire fighters' retirement system. The assumption shall be .90 percent
7 for the teachers' retirement system.

8 (2) Beginning with actuarial studies done after July 1, 2001,
9 changes to plan asset values that vary from the long-term investment
10 rate of return assumption shall be recognized over a four-year period.
11 Beginning April 1, 2004, the council, by affirmative vote of four
12 councilmembers, may adopt changes to this asset value smoothing
13 technique. Any changes adopted by the council shall be subject to
14 revision by the legislature.

15 **Sec. 7.** RCW 41.45.050 and 1998 c 341 s 403 are each amended to
16 read as follows:

17 (1) Employers of members of the public employees' retirement
18 system, the teachers' retirement system, the school employees'
19 retirement system, and the Washington state patrol retirement system
20 shall make contributions to those systems based on the rates
21 established in RCW 41.45.060, section 9 of this act, and 41.45.070.

22 (2) The state shall make contributions to the law enforcement
23 officers' and fire fighters' retirement system plan 2 based on the
24 rates established in RCW 41.45.060, section 9 of this act, and
25 41.45.070. The state treasurer shall transfer the required
26 contributions each month on the basis of salary data provided by the
27 department.

28 (3) The state shall ensure the systematic actuarial funding of the
29 restated law enforcement officers' and fire fighters' retirement system
30 defined benefit plan in the manner provided by chapter 41.26A RCW.

31 (4) The department shall bill employers, and the state shall make
32 contributions to the law enforcement officers' and fire fighters'
33 retirement system plan 2, using the combined rates established in RCW
34 41.45.060, section 9 of this act, and 41.45.070 regardless of the level
35 of (~~pension funding~~) appropriation provided in the biennial budget.
36 Any member of an affected retirement system may, by mandamus or other
37 appropriate proceeding, require the transfer and payment of funds as
38 directed in this section.

1 (~~(4)~~) (5) The contributions received for the public employees'
2 retirement system shall be allocated between the public employees'
3 retirement system plan 1 fund and public employees' retirement system
4 plan 2 fund as follows: The contributions necessary to fully fund the
5 public employees' retirement system plan 2 employer contribution
6 required by RCW 41.40.650 shall first be deposited in the public
7 employees' retirement system plan 2 fund. All remaining public
8 employees' retirement system employer contributions shall be deposited
9 in the public employees' retirement system plan 1 fund.

10 (~~(5)~~) (6) The contributions received for the teachers' retirement
11 system shall be allocated between the plan 1 fund and the combined plan
12 2 and plan 3 fund as follows: The contributions necessary to fully
13 fund the combined plan 2 and plan 3 employer contribution shall first
14 be deposited in the combined plan 2 and plan 3 fund. All remaining
15 teachers' retirement system employer contributions shall be deposited
16 in the plan 1 fund.

17 (~~(6)~~) (7) The contributions received for the school employees'
18 retirement system shall be allocated between the public employees'
19 retirement system plan 1 fund and the school employees' retirement
20 system combined plan 2 and plan 3 fund as follows: The contributions
21 necessary to fully fund the combined plan 2 and plan 3 employer
22 contribution shall first be deposited in the combined plan 2 and plan
23 3 fund. All remaining school employees' retirement system employer
24 contributions shall be deposited in the public employees' retirement
25 system plan 1 fund.

26 (~~(7)~~) (8) The contributions received (~~(under RCW 41.26.450)~~) for
27 the law enforcement officers' and fire fighters' retirement system plan
28 2 shall be (~~allocated between the law enforcement officers' and fire~~
29 ~~fighters' retirement system plan 1 and the law enforcement officers'~~
30 ~~and fire fighters' retirement system plan 2 fund as follows: The~~
31 ~~contributions necessary to fully fund the law enforcement officers' and~~
32 ~~fire fighters' retirement system plan 2 employer contributions shall be~~
33 ~~first~~) deposited in the law enforcement officers' and fire fighters'
34 retirement system plan 2 fund. (~~All remaining law enforcement~~
35 ~~officers' and fire fighters' retirement system employer contributions~~
36 ~~shall be deposited in the law enforcement officers' and fire fighters'~~
37 ~~retirement system plan 1 fund.~~)

1 **Sec. 8.** RCW 41.45.050 and 2000 c 247 s 503 are each amended to
2 read as follows:

3 (1) Employers of members of the public employees' retirement
4 system, the teachers' retirement system, the school employees'
5 retirement system, and the Washington state patrol retirement system
6 shall make contributions to those systems based on the rates
7 established in RCW 41.45.060, section 9 of this act, and 41.45.070.

8 (2) The state shall make contributions to the law enforcement
9 officers' and fire fighters' retirement system plan 2 based on the
10 rates established in RCW 41.45.060, section 9 of this act, and
11 41.45.070. The state treasurer shall transfer the required
12 contributions each month on the basis of salary data provided by the
13 department.

14 (3) The state shall ensure the systematic actuarial funding of the
15 restated law enforcement officers' and fire fighters' retirement system
16 defined benefit plan in the manner provided by chapter 41.26A RCW.

17 (4) The department shall bill employers, and the state shall make
18 contributions to the law enforcement officers' and fire fighters'
19 retirement system plan 2, using the combined rates established in RCW
20 41.45.060, section 9 of this act, and 41.45.070 regardless of the level
21 of (~~(pension funding)~~) appropriation provided in the biennial budget.
22 Any member of an affected retirement system may, by mandamus or other
23 appropriate proceeding, require the transfer and payment of funds as
24 directed in this section.

25 (~~((4))~~) (5) The contributions received for the public employees'
26 retirement system shall be allocated between the public employees'
27 retirement system plan 1 fund and the public employees' retirement
28 system combined plan 2 and plan 3 fund as follows: The contributions
29 necessary to fully fund the public employees' retirement system
30 combined plan 2 and plan 3 employer contribution shall first be
31 deposited in the public employees' retirement system combined plan 2
32 and plan 3 fund. All remaining public employees' retirement system
33 employer contributions shall be deposited in the public employees'
34 retirement system plan 1 fund.

35 (~~((5))~~) (6) The contributions received for the teachers' retirement
36 system shall be allocated between the plan 1 fund and the combined plan
37 2 and plan 3 fund as follows: The contributions necessary to fully
38 fund the combined plan 2 and plan 3 employer contribution shall first
39 be deposited in the combined plan 2 and plan 3 fund. All remaining

1 teachers' retirement system employer contributions shall be deposited
2 in the plan 1 fund.

3 ~~((+6))~~ (7) The contributions received for the school employees'
4 retirement system shall be allocated between the public employees'
5 retirement system plan 1 fund and the school employees' retirement
6 system combined plan 2 and plan 3 fund as follows: The contributions
7 necessary to fully fund the combined plan 2 and plan 3 employer
8 contribution shall first be deposited in the combined plan 2 and plan
9 3 fund. All remaining school employees' retirement system employer
10 contributions shall be deposited in the public employees' retirement
11 system plan 1 fund.

12 ~~((+7))~~ (8) The contributions received ~~((under RCW 41.45.060,~~
13 ~~41.45.061, and 41.45.067))~~ for the law enforcement officers' and fire
14 fighters' retirement system plan 2 shall be ~~((allocated between the law~~
15 ~~enforcement officers' and fire fighters' retirement system plan 1 and~~
16 ~~the law enforcement officers' and fire fighters' retirement system plan~~
17 ~~2 fund as follows: The contributions necessary to fully fund the law~~
18 ~~enforcement officers' and fire fighters' retirement system plan 2~~
19 ~~employer contributions shall be first))~~ deposited in the law
20 enforcement officers' and fire fighters' retirement system plan 2 fund.
21 ~~((All remaining law enforcement officers' and fire fighters' retirement~~
22 ~~system employer contributions shall be deposited in the law enforcement~~
23 ~~officers' and fire fighters' retirement system plan 1 fund.))~~

24 NEW SECTION. Sec. 9. A new section is added to chapter 41.45 RCW
25 to read as follows:

26 (1) The basic employer and state contribution rates, and plan 2
27 member contribution rates, are changed to reflect the 1999 combined
28 actuarial valuation studies conducted by the office of the state
29 actuary, adjusted solely for the changes in the long-term economic
30 assumptions contained in section 6 of this act, and for the
31 reestablishment of the June 30, 2024, target date for funding all plan
32 1 liabilities.

33 Beginning July 1, 2001, the following employer contribution rates
34 shall be charged:

35 (a) 1.58 percent for the public employees' retirement system; and

36 (b) 2.70 percent for the law enforcement officers' and fire
37 fighters' retirement system plan 2.

1 (2) Beginning July 1, 2001, the basic state contribution rate for
2 the law enforcement officers' and fire fighters' retirement system plan
3 2 shall be 1.80 percent.

4 (3) Beginning September 1, 2001, the following employer
5 contribution rates shall be charged:

6 (a) 1.58 percent for the school employees' retirement system; and

7 (b) 2.85 percent for the teachers' retirement system.

8 (4) Beginning July 1, 2001, the following member contribution rates
9 shall be charged:

10 (a) 0.88 percent for the public employees' retirement system plan
11 2; and

12 (b) 4.50 percent for the law enforcement officers' and fire
13 fighters' retirement system plan 2.

14 (5) Beginning September 1, 2001, the following member contribution
15 rates shall be charged:

16 (a) 0.88 percent for the school employees' retirement system plan
17 2; and

18 (b) 1.23 percent for the teachers' retirement system plan 2.

19 (6) The contribution rates in this section shall be collected
20 through June 30, 2003.

21 **Sec. 10.** RCW 41.45.060 and 2000 2nd sp.s. c 1 s 905 and 2000 c 247
22 s 504 are each reenacted and amended to read as follows:

23 (1) The state actuary shall provide actuarial valuation results
24 based on the economic assumptions and asset value smoothing technique
25 included in section 6 of this act or adopted by the council under RCW
26 41.45.030 or section 6 of this act.

27 (2) Not later than September 30, ~~((1998))~~ 2002, and every two years
28 thereafter, consistent with the economic assumptions and asset value
29 smoothing technique included in section 6 of this act or adopted under
30 RCW 41.45.030 or section 6 of this act, the council shall adopt and may
31 make changes to:

32 (a) A basic state contribution rate for the law enforcement
33 officers' and fire fighters' retirement system plan 2;

34 (b) Basic employer contribution rates for the public employees'
35 retirement system, the teachers' retirement system, and the Washington
36 state patrol retirement system ~~((to be used in the ensuing biennial~~
37 ~~period))~~; and

1 (c) A basic employer contribution rate for the school employees'
2 retirement system for funding both that system and the public
3 employees' retirement system plan 1.

4 (~~For the 1999-2001 fiscal biennium, the rates adopted by the~~
5 ~~council shall be effective for the period designated in section 902,~~
6 ~~chapter 1, Laws of 2000 2nd sp. sess. and RCW 41.45.0602.)) The
7 contribution rates adopted by the council shall be subject to revision
8 by the legislature.~~

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

11 (a) To fully amortize the total costs of the public employees'
12 retirement system plan 1, the teachers' retirement system plan 1, (~~the~~
13 ~~law enforcement officers' and fire fighters' retirement system plan~~
14 ~~1,)) and the unfunded liability of the Washington state patrol
15 retirement system not later than June 30, 2024(~~, except as provided in~~
16 ~~subsection (5) of this section));~~~~

17 (b) To also continue to fully fund the public employees' retirement
18 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
19 the school employees' retirement system plans 2 and 3, and the law
20 enforcement officers' and fire fighters' retirement system plan 2 in
21 accordance with RCW 41.45.061, 41.45.067, and this section; and

22 (c) For the law enforcement officers' and fire fighters' system
23 plan 2 the rate charged to employers, except as provided in RCW
24 41.26.450, shall be thirty percent of the cost of the retirement system
25 and the rate charged to the state shall be twenty percent of the cost
26 of the retirement system.

27 (4) The aggregate actuarial cost method shall be used to calculate
28 a combined plan 2 and 3 employer contribution rate.

29 (~~(5) ((An amount equal to the amount of extraordinary investment~~
30 ~~gains as defined in RCW 41.31.020 shall be used to shorten the~~
31 ~~amortization period for the public employees' retirement system plan 1~~
32 ~~and the teachers' retirement system plan 1.~~

33 ~~(6))~~) The council shall immediately notify the directors of the
34 office of financial management and department of retirement systems of
35 the state and employer contribution rates adopted. The rates shall be
36 effective for the ensuing biennial period, subject to any legislative
37 modifications.

38 (~~(7))~~) (6) The director of the department of retirement systems
39 shall collect the rates established in section 9 of this act through

1 June 30, 2003. Thereafter, the director shall collect those rates
2 adopted by the council. The rates established in section 9 of this
3 act, or by the council, shall be subject to revision by the council.

4 NEW SECTION. Sec. 11. RCW 41.45.0602 is decodified.

5 **Sec. 12.** RCW 41.45.061 and 2000 c 230 s 2 are each amended to read
6 as follows:

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

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

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

17 (c) In addition, the employee contribution rate for plan 2 shall
18 not be increased as a result of any distributions pursuant to section
19 309, chapter 341, Laws of 1998 and RCW 41.31A.020.

20 (2) The required contribution rate for members of the school
21 employees' retirement system plan 2 shall equal the school employees'
22 retirement system employer plan 2 and 3 contribution rate adopted under
23 RCW 41.45.060, section 9 of this act, and 41.45.070, except as provided
24 in subsection (3) of this section.

25 (3) The employee contribution rate for plan 2 shall not be
26 increased as a result of any distributions pursuant to RCW 41.31A.020
27 and 41.31A.030.

28 (4) The required plan 2 and 3 contribution rates for employers
29 shall be adopted in the manner described in RCW 41.45.060, section 9 of
30 this act, and RCW 41.45.070.

31 **Sec. 13.** RCW 41.45.061 and 2000 c 247 s 506 and 2000 c 230 s 2 are
32 each reenacted and amended to read as follows:

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

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

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

8 (c) In addition, the employee contribution rate for plan 2 shall
9 not be increased as a result of any distributions pursuant to section
10 309, chapter 341, Laws of 1998 and RCW 41.31A.020.

11 (2) The required contribution rate for members of the school
12 employees' retirement system plan 2 shall equal the school employees'
13 retirement system employer plan 2 and 3 contribution rate adopted under
14 RCW 41.45.060, section 9 of this act, and 41.45.070, except as provided
15 in subsection (5) of this section.

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

19 (4) The required contribution rate for members of the law
20 enforcement officers' and fire fighters' retirement system plan 2 shall
21 be set at fifty percent of the cost of the retirement system.

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

25 (6) The required plan 2 and 3 contribution rates for employers
26 shall be adopted in the manner described in RCW 41.45.060, section 9 of
27 this act, and 41.45.070.

28 **Sec. 14.** RCW 41.45.067 and 2000 c 247 s 507 are each amended to
29 read as follows:

30 (1) Any increase in the contribution rate required as the result of
31 a failure of the state or of an employer to make any contribution
32 required by this section shall be borne in full by the state or by that
33 employer not making the contribution.

34 (2) The director shall notify all employers of any pending
35 adjustment in the required contribution rate and such pending
36 adjustment in the required contribution rate and any increase shall be
37 announced at least thirty days prior to the effective date of the
38 change.

1 (3) Members' contributions required by RCW 41.45.060 and 41.45.061
2 shall be deducted from the members' compensation each payroll period.
3 The members' contribution and the employers' contribution shall be
4 remitted directly to the department within fifteen days following the
5 end of the calendar month during which the payroll period ends.

6 (4) The state's contribution required for the law enforcement
7 officers' and fire fighters' retirement system plan 2 shall be
8 transferred to the appropriate fund from the total contributions
9 transferred by the state treasurer under RCW (~~41.45.060~~ and
10 ~~41.45.070~~) 41.45.050.

11 **Sec. 15.** RCW 41.45.070 and 1998 c 340 s 10 and 1998 c 341 s 406
12 are each reenacted and amended to read as follows:

13 (1) In addition to the basic employer contribution rate established
14 in RCW 41.45.060 or section 9 of this act, the department shall also
15 charge employers of public employees' retirement system, teachers'
16 retirement system, school employees' retirement system, or Washington
17 state patrol retirement system members an additional supplemental rate
18 to pay for the cost of additional benefits, if any, granted to members
19 of those systems. Except as provided in subsection (6) and (7) of this
20 section, the supplemental contribution rates required by this section
21 shall be calculated by the state actuary and shall be charged
22 regardless of language to the contrary contained in the statute which
23 authorizes additional benefits.

24 (2) In addition to the basic state contribution rate established in
25 RCW 41.45.060 or section 9 of this act for the law enforcement
26 officers' and fire fighters' retirement system plan 2, the department
27 shall also establish a supplemental rate to pay for the cost of
28 additional benefits, if any, granted to members of the law enforcement
29 officers' and fire fighters' retirement system plan 2. Except as
30 provided in subsection (6) of this section, this supplemental rate
31 shall be calculated by the state actuary and the state treasurer shall
32 transfer the additional required contributions regardless of language
33 to the contrary contained in the statute which authorizes the
34 additional benefits.

35 (3) The supplemental rate charged under this section to fund
36 benefit increases provided to active members of the public employees'
37 retirement system plan 1, the teachers' retirement system plan 1, (~~the~~
38 ~~law enforcement officers' and fire fighters' retirement system plan~~

1 17)) and Washington state patrol retirement system, shall be calculated
2 as the level percentage of all members' pay needed to fund the cost of
3 the benefit not later than June 30, 2024.

4 (4) The supplemental rate charged under this section to fund
5 benefit increases provided to active and retired members of the public
6 employees' retirement system plan 2, the teachers' retirement system
7 plan 2 and plan 3, the school employees' retirement system plan 2 and
8 plan 3, or the law enforcement officers' and fire fighters' retirement
9 system plan 2, shall be calculated as the level percentage of all
10 members' pay needed to fund the cost of the benefit, as calculated
11 under RCW 41.40.650 or 41.26.450, respectively.

12 (5) The supplemental rate charged under this section to fund
13 postretirement adjustments which are provided on a nonautomatic basis
14 to current retirees shall be calculated as the percentage of pay needed
15 to fund the adjustments as they are paid to the retirees. The
16 supplemental rate charged under this section to fund automatic
17 postretirement adjustments for active or retired members of the public
18 employees' retirement system plan 1 and the teachers' retirement system
19 plan 1 shall be calculated as the level percentage of pay needed to
20 fund the cost of the automatic adjustments not later than June 30,
21 2024.

22 (6) A supplemental rate shall not be charged to pay for the cost of
23 additional benefits granted to members pursuant to chapter 340, Laws of
24 1998.

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

29 **Sec. 16.** RCW 41.45.070 and 2000 c 247 s 505 are each amended to
30 read as follows:

31 (1) In addition to the basic employer contribution rate established
32 in RCW 41.45.060 or section 9 of this act, the department shall also
33 charge employers of public employees' retirement system, teachers'
34 retirement system, school employees' retirement system, or Washington
35 state patrol retirement system members an additional supplemental rate
36 to pay for the cost of additional benefits, if any, granted to members
37 of those systems. Except as provided in subsections (6) and (7) of
38 this section, the supplemental contribution rates required by this

1 section shall be calculated by the state actuary and shall be charged
2 regardless of language to the contrary contained in the statute which
3 authorizes additional benefits.

4 (2) In addition to the basic state contribution rate established in
5 RCW 41.45.060 or section 9 of this act for the law enforcement
6 officers' and fire fighters' retirement system plan 2, the department
7 shall also establish a supplemental rate to pay for the cost of
8 additional benefits, if any, granted to members of the law enforcement
9 officers' and fire fighters' retirement system plan 2. Except as
10 provided in subsection (6) of this section, this supplemental rate
11 shall be calculated by the state actuary and the state treasurer shall
12 transfer the additional required contributions regardless of language
13 to the contrary contained in the statute which authorizes the
14 additional benefits.

15 (3) The supplemental rate charged under this section to fund
16 benefit increases provided to active members of the public employees'
17 retirement system plan 1, the teachers' retirement system plan 1, (~~the~~
18 ~~law enforcement officers' and fire fighters' retirement system plan~~
19 ~~1,7~~)) and Washington state patrol retirement system, shall be calculated
20 as the level percentage of all members' pay needed to fund the cost of
21 the benefit not later than June 30, 2024.

22 (4) The supplemental rate charged under this section to fund
23 benefit increases provided to active and retired members of the public
24 employees' retirement system plan 2 and plan 3, the teachers'
25 retirement system plan 2 and plan 3, the school employees' retirement
26 system plan 2 and plan 3, or the law enforcement officers' and fire
27 fighters' retirement system plan 2, shall be calculated as the level
28 percentage of all members' pay needed to fund the cost of the benefit,
29 as calculated under RCW 41.45.060, 41.45.061, or 41.45.067.

30 (5) The supplemental rate charged under this section to fund
31 postretirement adjustments which are provided on a nonautomatic basis
32 to current retirees shall be calculated as the percentage of pay needed
33 to fund the adjustments as they are paid to the retirees. The
34 supplemental rate charged under this section to fund automatic
35 postretirement adjustments for active or retired members of the public
36 employees' retirement system plan 1 and the teachers' retirement system
37 plan 1 shall be calculated as the level percentage of pay needed to
38 fund the cost of the automatic adjustments not later than June 30,
39 2024.

1 (6) A supplemental rate shall not be charged to pay for the cost of
2 additional benefits granted to members pursuant to chapter 340, Laws of
3 1998.

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

8 **Sec. 17.** RCW 41.45.080 and 1989 c 273 s 8 are each amended to read
9 as follows:

10 In addition to the basic and supplemental employer contributions
11 required by RCW 41.45.060, section 9 of this act, and 41.45.070, the
12 department may also require additional employer contributions as
13 provided by law.

14 **Sec. 18.** RCW 41.45.120 and 1998 c 283 s 4 are each amended to read
15 as follows:

16 ~~(1) ((A pension funding work group is hereby created. The work
17 group shall consist of one staff member selected by the executive head
18 or chairperson of each of the following agencies or committees:~~

- 19 ~~(a) Department of retirement systems;~~
- 20 ~~(b) Office of financial management;~~
- 21 ~~(c) State investment board;~~
- 22 ~~(d) Ways and means committee of the senate;~~
- 23 ~~(e) Appropriations committee of the house of representatives; and~~
- 24 ~~(f) Economic and revenue forecast council.~~

25 ~~(2) The state actuary shall make available to the work group
26 information related to economic assumptions and contribution rates.~~

27 ~~(3))~~ The ~~((pension funding work group))~~ office of the state
28 actuary shall provide staff support to the pension funding council~~((~~
29 ~~Meetings of the pension funding work group may be called by any member~~
30 ~~of the group for the purpose of assisting the pension funding council,~~
31 ~~reviewing actuarial valuations of the state retirement systems,~~
32 ~~reviewing economic assumptions, or for any other purpose which may~~
33 ~~assist the pension funding council)). The council may also retain
34 independent actuarial advice, to be retained with the assistance of the
35 department, and paid by the department from the fund established in RCW
36 41.50.110.~~

1 (~~(4)~~) (2) Recommendations from both affected employee and
2 employer groups will be actively sought during the (~~(work group)~~)
3 council review process. The (~~(work group)~~) council shall conduct an
4 open public meeting on (~~(these recommendations)~~) any proposed changes
5 to contribution rates or long-term economic assumptions. This public
6 meeting is subject to the requirements of RCW 41.32.020.

7 **Sec. 19.** RCW 41.31.020 and 1998 c 340 s 2 are each amended to read
8 as follows:

9 (1) The gain-sharing increase amount shall be the amount of
10 increase, rounded to the nearest cent, that can be fully funded in
11 actuarial present value by the amount of extraordinary investment
12 gains, if any. Effective July 1, 2001, the actuarial calculation for
13 the computation of the increase amount shall be based on the economic
14 assumptions included in section 6 of this act. The amount of
15 extraordinary investment gains shall be calculated as follows:

16 (a) (~~(One-half of)~~) The sum of the value of the net assets held in
17 trust for pension benefits in the teachers' retirement system plan 1
18 fund and the public employees' retirement system plan 1 fund at the
19 close of the previous state fiscal year;

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

23 (2) The gain-sharing increase amount for July 1998, as provided for
24 in RCW 41.31.010, is ten cents.

25 NEW SECTION. **Sec. 20.** If any provision of this act or its
26 application to any person or circumstance is held invalid, the
27 remainder of the act or the application of the provision to other
28 persons or circumstances is not affected.

29 NEW SECTION. **Sec. 21.** Sections 1, 7, and 18 of this act expire
30 March 1, 2002.

31 NEW SECTION. **Sec. 22.** Sections 2, 3, 4, 8, 13, 14, and 16 of this
32 act take effect March 1, 2002.

33 NEW SECTION. **Sec. 23.** Except under section 22 of this act, this
34 act is necessary for the immediate preservation of the public peace,

1 health, or safety, or support of the state government and its existing
2 public institutions, and takes effect July 1, 2001.

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