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SENATE BILL 6045

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State of Washington

61st Legislature

2009 Regular Session

By Senator Zarelli

Read first time 02/18/09. Referred to Committee on Ways & Means.

1 AN ACT Relating to developing a defined contribution retirement  
2 system for public employees, teachers, and school employees; and  
3 creating new sections.

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

5 NEW SECTION. **Sec. 1.** The legislature recognizes the need for  
6 public employees, teachers, and school employees to have a secure and  
7 viable retirement benefit, not only for their own financial protection,  
8 but also so that public funds are spent prudently for their intended  
9 purpose. The legislature also recognizes the need for public employers  
10 and taxpayers to have consistent and predictable pension funding  
11 obligations in support of employee retirement benefits. Therefore, it  
12 is the intent of the legislature to design a defined contribution  
13 pension system for new public employees, teachers, and school employees  
14 that uses best practices of defined contribution plans to provide  
15 opportunity and flexibility to accrue a viable retirement benefit,  
16 while providing stable funding requirements for public employers and  
17 taxpayers. These best practices include minimizing the investment risk  
18 borne by the participants, whether through lack of investment knowledge

1 or lack of access to the full variety of investment classes, and  
2 providing a distribution option that would ensure participants would  
3 not outlive their savings.

4 NEW SECTION. **Sec. 2.** The office of the state actuary, with the  
5 assistance and support of the department of retirement systems, shall  
6 develop a legislative proposal in bill draft form that would implement  
7 a mandatory defined contribution retirement system. This proposal, and  
8 accompanying supporting documentation detailing the provisions of the  
9 proposal, shall be delivered to the fiscal committees of the senate and  
10 the house of representatives no later than December 1, 2009. The  
11 proposal shall include the following:

12 (1) The system shall require participation by all employees hired  
13 after December 31, 2011, that would otherwise be required to establish  
14 membership for the first time in the public employees' retirement  
15 system, the teachers' retirement system, and the school employees'  
16 retirement system. Once membership in the new system is established,  
17 participants shall contribute to this system for all future periods of  
18 eligible public employment.

19 (2) The system shall provide optional participation to those  
20 employees hired after December 31, 2011 that would otherwise have had  
21 the option to establish membership for the first time in the public  
22 employees' retirement system, the teachers' retirement system, and the  
23 school employees' retirement system.

24 (3) The provisions of the system will not apply to members, former  
25 members, and retirees of the public employees' retirement system, the  
26 school employees' retirement system, and the teachers' retirement  
27 system.

28 (4) The system shall be designed to qualify as a defined  
29 contribution pension plan under internal revenue code.

30 (5) The system shall require a participant to contribute five  
31 percent of his or her salary until the end of the month during which  
32 his or her thirty-fifth birthday occurs, and seven and one-half percent  
33 thereafter. At any time following the month during which his or her  
34 fifty-fifth birthday occurs, a participant may elect to increase the  
35 rate to ten percent.

36 (6) Each participant shall have a contractual right to an employer

1 contribution of the same percentage of salary as the participant, up to  
2 a maximum of six percent of salary.

3 (7) The system shall be considered a retirement system or  
4 retirement benefit for purposes of RCW 41.80.020.

5 (8) The system shall provide investment options to participants for  
6 their contributions that include but are not limited to: A fund  
7 managed by the state investment board similar to the funds established  
8 under RCW 41.50.075; and funds similar to those offered to members of  
9 plan 3 under RCW 41.34.130, including retirement strategy or life-cycle  
10 funds.

11 (9) The system shall provide distribution options to participants  
12 for their accumulated contributions and investment earnings that  
13 include but are not limited to purchasing an insurance-provided life  
14 annuity.

15 (10) The health care authority shall administer and make available  
16 to participants life insurance and long-term disability insurance  
17 products.

18 (11) The system shall have an implementation date of January 1,  
19 2012.

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