

SENATE BILL REPORT

SB 5999

As of April 8, 2019

Title: An act relating to making expenditures from the budget stabilization account for public employer unfunded actuarially accrued liabilities.

Brief Description: Making expenditures from the budget stabilization account for public employer unfunded actuarially accrued liabilities.

Sponsors: Senators Braun and Mullet.

Brief History:

Committee Activity: Ways & Means: 4/08/19.

Brief Summary of Bill

- Appropriates \$183,749,000 from the Budget Stabilization Account to be used to reduce the Teachers' Retirement System Plan 1 underfunded actuarially accrued liability.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

Background: Budget Stabilization Account. In 2007, the voters ratified a state constitutional amendment that established the Budget Stabilization Account (BSA) and directed 1 percent of general state revenues and a portion of any extraordinary revenue growth into the BSA. Extraordinary revenue growth is the amount of growth in general state revenues for that fiscal biennium, that exceed by one-third the average biennial percentage growth in general state revenues over the prior five fiscal biennia.

Generally, appropriations from the BSA require a three-fifths majority in each house of the Legislature, but in the case of a catastrophic event or low employment growth, the Legislature may appropriate monies from the BSA with a constitutional majority vote of each house.

Underfunded Actuarially Accrued Liability. Based on current actuarial assumptions the Teachers' Retirement System Plan 1 (TRS 1) has actuarially accrued liabilities greater than

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the actuarially accrued assets by more than \$3 billion. This is referred to as an underfunded actuarially accrued liability (UAAL). The UAAL is funded by employer only contribution rates that are in addition to normal pension contribution rates. UAAL rates are adjusted biennially to the level required to amortize the UAAL over a rolling ten-year period, subject to a minimum contribution rate of 5.75 percent. The adopted UAAL rate for the 2019-2021 fiscal biennium is 7.18 percent. The TRS 1 UAAL is expected to be fully funded by the end of the 2026 fiscal year.

Summary of Bill: On June 30, 2019, \$183,749,000 is appropriated from the BSA to the TRS 1 fund to reduce the UAAL.

Appropriation: \$183,749,000

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: This is a budget geek bill. It takes money that is earning 3 percent interest to an account that earns 7 percent interest. A pension is a promise and it should be funded so the promise can be kept.

Persons Testifying: PRO: Brian Sims, Washington State School Directors Association; Joyce Willms, Leoff 1 Coalition.

Persons Signed In To Testify But Not Testifying: No one.