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HOUSE BILL 2116

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State of Washington                      60th Legislature                      2007 Regular Session

By Representatives Bailey and Alexander

Read first time 02/08/2007. Referred to Committee on Appropriations.

1            AN ACT Relating to gain-sharing benefits and increasing  
2 contributions towards unfunded pension liabilities; amending RCW  
3 41.31.020, 41.31A.020, 41.32.835, and 41.35.610; adding a new section  
4 to chapter 41.45 RCW; decodifying RCW 41.31A.030 and 41.31A.040;  
5 providing effective dates; and declaring an emergency.

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

7            **Sec. 1.** 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. The amount of extraordinary investment gains shall be  
13 calculated as follows:

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

18            (b) Multiplied by the amount which the compound average of

1 investment returns on those assets over the previous four state fiscal  
2 years exceeds (~~ten~~) fourteen percent.

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

5 **Sec. 2.** RCW 41.31A.020 and 2003 c 294 s 4 are each amended to read  
6 as follows:

7 (1) On January 1, 2004, and on January 1st of even-numbered years  
8 thereafter, the member account of a person meeting the requirements of  
9 this section shall be credited by the extraordinary investment gain  
10 amount.

11 (2) The following persons, if hired prior to July 1, 2007, shall be  
12 eligible for the benefit provided in subsection (1) of this section:

13 (a) Any member of the teachers' retirement system plan 3, the  
14 Washington school employees' retirement system plan 3, or the public  
15 employees' retirement system plan 3 who earned service credit during  
16 the twelve-month period from September 1st to August 31st immediately  
17 preceding the distribution and had a balance of at least one thousand  
18 dollars in their member account on August 31st of the year immediately  
19 preceding the distribution; or

20 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875,  
21 41.35.680, or 41.40.820; or

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

- 24 (i) Completed ten service credit years; or
- 25 (ii) Completed five service credit years, including twelve service  
26 months after attaining age fifty-four; or

27 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and  
28 who has completed five service credit years by July 1, 1996, under plan  
29 2 and who transferred to plan 3 under RCW 41.32.817; or

30 (e) Any classified employee who is a retiree pursuant to RCW  
31 41.34.020(8) and who has completed five service credit years by  
32 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;  
33 or

34 (f) Any public employee who is a retiree pursuant to RCW  
35 41.34.020(8) and who has completed five service credit years by March  
36 1, 2002, and who transferred to plan 3 under RCW 41.40.795; or

1 (g) Any person who had a balance of at least one thousand dollars  
2 in their member account on August 31st of the year immediately  
3 preceding the distribution and who:

4 (i) Completed ten service credit years; or

5 (ii) Completed five service credit years, including twelve service  
6 months after attaining age fifty-four; or

7 (h) Any teacher who had a balance of at least one thousand dollars  
8 in their member account on August 31st of the year immediately  
9 preceding the distribution and who has completed five service credit  
10 years by July 1, 1996, under plan 2 and who transferred to plan 3 under  
11 RCW 41.32.817; or

12 (i) Any classified employee who had a balance of at least one  
13 thousand dollars in their member account on August 31st of the year  
14 immediately preceding the distribution and who has completed five  
15 service credit years by September 1, 2000, and who transferred to plan  
16 3 under RCW 41.35.510; or

17 (j) Any public employee who had a balance of at least one thousand  
18 dollars in their member account on August 31st of the year immediately  
19 preceding the distribution and who has completed five service credit  
20 years by March 1, 2002, and who transferred to plan 3 under RCW  
21 41.40.795.

22 (3) The extraordinary investment gain amount shall be calculated as  
23 follows:

24 (a) One-half of the sum of the value of the net assets held in  
25 trust for pension benefits in the teachers' retirement system combined  
26 plan 2 and 3 fund, the Washington school employees' retirement system  
27 combined plan 2 and 3 fund, and the public employees' retirement system  
28 combined plan 2 and 3 fund at the close of the previous state fiscal  
29 year not including the amount attributable to member accounts;

30 (b)(i) Through January 1, 2008, multiplied by the amount which the  
31 compound average of investment returns on those assets over the  
32 previous four state fiscal years exceeds ten percent;

33 (ii) On and after January 2, 2008, multiplied by the amount which  
34 the compound average of investment returns on those assets over the  
35 previous four state fiscal years exceeds fourteen percent;

36 (c) Multiplied by the proportion of:

37 (i) The sum of the service credit on August 31st of the previous

1 year of all persons eligible for the benefit provided in subsection (1)  
2 of this section; to

3 (ii) The sum of the service credit on August 31st of the previous  
4 year of:

5 (A) All persons eligible for the benefit provided in subsection (1)  
6 of this section;

7 (B) Any person who earned service credit in the teachers'  
8 retirement system plan 2, the Washington school employees' retirement  
9 system plan 2, or the public employees' retirement system plan 2 during  
10 the twelve-month period from September 1st to August 31st immediately  
11 preceding the distribution;

12 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765,  
13 41.35.420, or 41.40.630; and

14 (D) Any person with five or more years of service in the teachers'  
15 retirement system plan 2, the Washington school employees' retirement  
16 system plan 2, or the public employees' retirement system plan 2;

17 (d) Divided proportionally among persons eligible for the benefit  
18 provided in subsection (1) of this section on the basis of their  
19 service credit total on August 31st of the previous year.

20 (4) The legislature reserves the right to amend or repeal this  
21 section in the future and no member or beneficiary has a contractual  
22 right to receive this distribution not granted prior to that time.

23 **Sec. 3.** RCW 41.32.835 and 1995 c 239 s 105 are each amended to  
24 read as follows:

25 (1) All teachers who first become employed by an employer in an  
26 eligible position on or after ((July 1, 1996, shall be members of plan  
27 3)) the effective date of this section, shall have a period of ninety  
28 days to make an irrevocable choice to become a member of plan 2 or plan  
29 3. At the end of ninety days, if the member has not made a choice to  
30 become a member of plan 2, he or she becomes a member of plan 3.

31 (2) For administrative efficiency, until a member elects to become  
32 a member of plan 3, or becomes a member of plan 3 by default under  
33 subsection (1) of this section, the member shall be reported to the  
34 department in plan 2, with member and employer contributions. Upon  
35 becoming a member of plan 3 by election or by default, all service  
36 credit shall be transferred to the member's plan 3 defined benefit, and

1 all employee accumulated contributions shall be transferred to the  
2 member's plan 3 defined contribution account.

3 **Sec. 4.** RCW 41.35.610 and 1998 c 341 s 202 are each amended to  
4 read as follows:

5 (1) All classified employees who first become employed by an  
6 employer in an eligible position on or after ((September 1, 2000, shall  
7 be members of plan 3)) the effective date of this section, shall have  
8 a period of ninety days to make an irrevocable choice to become a  
9 member of plan 2 or plan 3. At the end of ninety days, if the member  
10 has not made a choice to become a member of plan 2, he or she becomes  
11 a member of plan 3.

12 (2) For administrative efficiency, until a member elects to become  
13 a member of plan 3, or becomes a member of plan 3 by default under  
14 subsection (1) of this section, the member shall be reported to the  
15 department in plan 2, with member and employer contributions. Upon  
16 becoming a member of plan 3 by election or by default, all service  
17 credit shall be transferred to the member's plan 3 defined benefit, and  
18 all employee accumulated contributions shall be transferred to the  
19 member's plan 3 defined contribution account.

20 NEW SECTION. **Sec. 5.** A new section is added to chapter 41.45 RCW  
21 to read as follows:

22 (1) The rates established in this section shall be collected in  
23 addition to the rates established pursuant to RCW 41.45.062,  
24 41.45.0621, and 41.45.070.

25 (2) Beginning September 1, 2007, a 1.25 percent contribution is  
26 established as part of the basic state and employer contribution rate  
27 for the teachers' retirement system, to be used for the sole purpose of  
28 amortizing the unfunded accrued actuarial liability in the teachers'  
29 retirement system plan 1.

30 (3) Beginning September 1, 2007, a 0.67 percent contribution is  
31 established as part of the basic state and employer contribution rate  
32 for the school employees' retirement system, to be used for the sole  
33 purpose of amortizing the unfunded accrued actuarial liability in the  
34 public employees' retirement system plan 1.

35 (4) Beginning July 1, 2007, a 0.67 percent contribution is  
36 established as part of the basic state and employer contribution rate

1 for the public employees' retirement system and the public safety  
2 employees' retirement system, to be used for the sole purpose of  
3 amortizing the unfunded accrued actuarial liability in the public  
4 employees' retirement system plan 1.

5 (5) The contribution rates in this section shall be collected  
6 through June 30, 2011, for the public employees' retirement system and  
7 the public safety employees' retirement system, through August 31,  
8 2011, for the school employees' retirement system, and through August  
9 31, 2010, for the teachers' retirement system.

10 NEW SECTION. **Sec. 6.** RCW 41.31A.030 and 41.31A.040 are  
11 decodified.

12 NEW SECTION. **Sec. 7.** (1) Sections 2 and 5 of this act are  
13 necessary for the immediate preservation of the public peace, health,  
14 or safety, or support of the state government and its existing public  
15 institutions, and take effect July 1, 2007.

16 (2) Section 1 of this act takes effect January 2, 2008.

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