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SENATE BILL 5946

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State of Washington                      60th Legislature                      2007 Regular Session

By Senators Schoesler, Zarelli and Parlette

Read first time 02/08/2007. Referred to Committee on Ways & Means.

1            AN ACT Relating to funding the state actuary's recommendations  
2 concerning projected improvements in the mortality of members and  
3 beneficiaries of the Washington state retirement systems; adding a new  
4 section to chapter 41.45 RCW; creating a new section; providing an  
5 effective date; and declaring an emergency.

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

7            NEW SECTION.    **Sec. 1.** The legislature has adopted a process for  
8 the dependable and systematic funding of the Washington state  
9 retirement systems, and to that end, has established the office of the  
10 state actuary. It is the legislature's intent to follow the  
11 recommendations of the state actuary absent a clear indication that his  
12 or her judgment is unreasonable. The legislature also recognizes that  
13 it is more cost-efficient to begin to fund the expected long-term  
14 obligations of the retirement systems as soon as possible, as this  
15 policy increases opportunities to generate investment earnings to  
16 offset plan liabilities. Furthermore, prefunding these expected long-  
17 term obligations promotes intergenerational equity for taxpayers,  
18 contribution rate adequacy, and benefit security for retirement system  
19 members and their beneficiaries.

1       The cost of retirement benefits is closely linked to the longevity  
2 of retirees. As life expectancy increases, so do the financial  
3 resources needed to fund pension plans. In the 2005 preliminary  
4 actuarial valuation report, the state actuary recommended an assumption  
5 change that recognized projected improvements in mortality. In  
6 response, the legislature has the opportunity to make small adjustments  
7 to pension contribution rates today in order to avoid large increases  
8 tomorrow. For these reasons, it is the legislature's intent to adopt  
9 contribution rates for the state retirement systems that are adequate  
10 to address projected mortality improvements.

11       NEW SECTION. **Sec. 2.** A new section is added to chapter 41.45 RCW  
12 to read as follows:

13       (1) For actuarial valuation reports issued after July 1, 2007, the  
14 state actuary shall include a recommendation regarding the impact of  
15 projected mortality improvements on contribution rates.

16       (2) Beginning July 1, 2007, the legislature shall recognize  
17 projected mortality improvements when adopting contribution rates for  
18 the Washington state retirement systems. To implement this change, the  
19 legislature hereby adopts the contribution rate increases identified in  
20 this section, which shall be collected in addition to the basic state,  
21 employer, and plan 2 member rates otherwise adopted under this chapter.

22       (3) Beginning July 1, 2007, the following contribution rates shall  
23 be charged in addition to the basic state and employer contribution  
24 rates: 0.62 percent for the public employees' retirement system, of  
25 which 0.16 percent shall be applied to the unfunded actuarial accrued  
26 liability in plan 1; 0.16 percent for the public safety employees'  
27 retirement system, all of which shall be applied to the unfunded  
28 actuarial accrued liability in plan 1 of the public employees'  
29 retirement system; and 1.04 percent for the Washington state patrol  
30 retirement system.

31       (4) Beginning September 1, 2007, the following contribution rates  
32 shall be charged in addition to the basic state and employer  
33 contribution rates: 0.74 percent for the teachers' retirement system,  
34 of which 0.28 percent shall be applied to the unfunded actuarial  
35 accrued liability in plan 1; and 0.65 percent for the school employees'  
36 retirement system, of which 0.16 percent shall be applied to the  
37 unfunded actuarial accrued liability in plan 1.

1 (5) Beginning July 1, 2007, the following contribution rates shall  
2 be charged in addition to the member rates: 0.45 percent for the  
3 public employees' retirement system plan 2; 0.00 percent for the public  
4 safety employees' retirement system; and 1.04 percent for the  
5 Washington state patrol retirement system.

6 (6) Beginning September 1, 2007, the following contribution rates  
7 shall be charged in addition to the member rates: 0.40 percent for the  
8 teachers' retirement system, and 0.40 percent for the school employees'  
9 retirement system.

10 (7) The contribution rates in subsections (3) and (5) of this  
11 section shall be collected through June 30, 2009, for the public  
12 employees' retirement system, public safety employees' retirement  
13 system, and Washington state patrol retirement system. The  
14 contribution rates in subsections (2) and (4) of this section shall be  
15 collected through August 31, 2009, for the teachers' retirement system  
16 and the school employees' retirement system.

17 NEW SECTION. **Sec. 3.** This act is necessary for the immediate  
18 preservation of the public peace, health, or safety, or support of the  
19 state government and its existing public institutions, and takes effect  
20 July 1, 2007.

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