
HOUSE BILL 1201

State of Washington

68th Legislature

2023 Regular Session

By Representatives Ormsby, Macri, and Morgan; by request of Office of Financial Management

Read first time 01/10/23. Referred to Committee on Appropriations.

1 AN ACT Relating to actuarial funding of state retirement systems;
2 amending RCW 41.45.060 and 41.45.150; repealing 2021 c 334 s 747
3 (uncodified); providing an effective date; and declaring an
4 emergency.

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

6 **Sec. 1.** RCW 41.45.060 and 2020 c 103 s 4 are each amended to
7 read as follows:

8 (1) The state actuary shall provide preliminary actuarial
9 valuation results based on the economic assumptions and asset value
10 smoothing technique included in RCW 41.45.035 or adopted under RCW
11 41.45.030 or 41.45.035.

12 (2) Not later than July 31, 2008, and every two years thereafter,
13 consistent with the economic assumptions and asset value smoothing
14 technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or
15 41.45.035, the council shall adopt and may make changes to:

16 (a) A basic state contribution rate for the law enforcement
17 officers' and firefighters' retirement system plan 1;

18 (b) Basic employer contribution rates for the public employees'
19 retirement system, the teachers' retirement system, and the
20 Washington state patrol retirement system; and

1 (c) Basic employer contribution rates for the school employees'
2 retirement system and the public safety employees' retirement system
3 for funding both those systems and the public employees' retirement
4 system plan 1.

5 The council may adopt annual rate changes for any plan for any
6 rate-setting period. The contribution rates adopted by the council
7 shall be subject to revision by the legislature.

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

10 (a) To fully amortize the total costs of the law enforcement
11 officers' and firefighters' retirement system plan 1 not later than
12 June 30, 2024;

13 (b) To fully fund the public employees' retirement system plans 2
14 and 3, the teachers' retirement system plans 2 and 3, the public
15 safety employees' retirement system plan 2, and the school employees'
16 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
17 41.45.067, and this section; and

18 (c) To fully fund the public employees' retirement system plan 1
19 and the teachers' retirement system plan 1 in accordance with RCW
20 41.45.070, 41.45.150, and this section.

21 (4) The aggregate actuarial cost method shall be used to
22 calculate a combined plan 2 and 3 normal cost, a Washington state
23 patrol retirement system normal cost, and a public safety employees'
24 retirement system normal cost.

25 (5) A modified entry age normal cost method, as set forth in this
26 chapter, shall be used to calculate employer contributions to the
27 public employees' retirement system plan 1 and the teachers'
28 retirement system plan 1.

29 (6) The employer contribution rate for the public employees'
30 retirement system and the school employees' retirement system shall
31 equal the sum of:

32 (a) The amount required to pay the combined plan 2 and plan 3
33 normal cost for the system, subject to any minimum rates applied
34 pursuant to RCW 41.45.155; plus

35 (b) The amount required to amortize the unfunded actuarial
36 accrued liability in plan 1 of the public employees' retirement
37 system over a rolling ten-year period using projected future salary
38 growth and growth in system membership, (~~and subject to any minimum
39 or maximum rates applied pursuant to~~) unless superseded by RCW
40 41.45.150; plus

1 (c) The amounts required to amortize the costs of any benefit
2 improvements in plan 1 of the public employees' retirement system
3 that become effective after June 30, 2009. The cost of each benefit
4 improvement shall be amortized over a fixed ten-year period using
5 projected future salary growth and growth in system membership. The
6 amounts required under this subsection are not subject to, and are
7 collected in addition to, any (~~minimum or maximum~~) rates applied
8 pursuant to RCW 41.45.150.

9 (7) The employer contribution rate for the public safety
10 employees' retirement system shall equal the sum of:

11 (a) The amount required to pay the normal cost for the system,
12 subject to any minimum rates applied pursuant to RCW 41.45.155; plus

13 (b) The amount required to amortize the unfunded actuarial
14 accrued liability in plan 1 of the public employees' retirement
15 system over a rolling ten-year period using projected future salary
16 growth and growth in system membership, (~~and subject to any minimum
17 or maximum rates applied pursuant to~~) unless superseded by RCW
18 41.45.150; plus

19 (c) The amounts required to amortize the costs of any benefit
20 improvements in plan 1 of the public employees' retirement system
21 that become effective after June 30, 2009. The cost of each benefit
22 improvement shall be amortized over a fixed ten-year period using
23 projected future salary growth and growth in system membership. The
24 amounts required under this subsection are not subject to, and are
25 collected in addition to, any (~~minimum or maximum~~) rates applied
26 pursuant to RCW 41.45.150.

27 (8) The employer contribution rate for the teachers' retirement
28 system shall equal the sum of:

29 (a) The amount required to pay the combined plan 2 and plan 3
30 normal cost for the system, subject to any minimum rates applied
31 pursuant to RCW 41.45.155; plus

32 (b) The amount required to amortize the unfunded actuarial
33 accrued liability in plan 1 of the teachers' retirement system over a
34 rolling ten-year period using projected future salary growth and
35 growth in system membership, (~~and subject to any minimum or maximum
36 rates applied pursuant to~~) unless superseded by RCW 41.45.150; plus

37 (c) The amounts required to amortize the costs of any benefit
38 improvements in plan 1 of the teachers' retirement system that become
39 effective after June 30, 2009. The cost of each benefit improvement
40 shall be amortized over a fixed ten-year period using projected

1 future salary growth and growth in system membership. The amounts
2 required under this subsection are not subject to, and are collected
3 in addition to, any (~~minimum or maximum~~) rates applied pursuant to
4 RCW 41.45.150.

5 (9) The employer contribution rate for each of the institutions
6 of higher education for the higher education supplemental retirement
7 benefits must be sufficient to fund, as a level percentage of pay, a
8 portion of the projected cost of the supplemental retirement benefits
9 for the institution beginning in 2035, with the other portion
10 supported on a pay-as-you-go basis, either as direct payments by each
11 institution to retirees, or as contributions to the higher education
12 retirement plan supplemental benefit fund. Contributions must
13 continue until the council determines that the institution for higher
14 education supplemental retirement benefit liabilities are satisfied.

15 (10) The council shall immediately notify the directors of the
16 office of financial management and department of retirement systems
17 of the state and employer contribution rates adopted. The rates shall
18 be effective for the ensuing biennial period, subject to any
19 legislative modifications.

20 (11) The director shall collect those rates adopted by the
21 council. The rates established in RCW 41.45.062, or by the council,
22 shall be subject to revision by the legislature.

23 (12) The state actuary shall prepare final actuarial valuation
24 results based on the economic assumptions, asset value smoothing
25 technique, and contribution rates included in or adopted under RCW
26 41.45.030, 41.45.035, and this section.

27 **Sec. 2.** RCW 41.45.150 and 2011 c 362 s 8 are each amended to
28 read as follows:

29 (1) Beginning July 1, 2009, and ending June 30, 2015, maximum
30 annual contribution rates are established for the portion of the
31 employer contribution rate for the public employees' retirement
32 system and the public safety employees' retirement system that is
33 used for the sole purpose of amortizing that portion of the unfunded
34 actuarial accrued liability in the public employees' retirement
35 system plan 1 that excludes any amounts required to amortize plan 1
36 benefit improvements effective after June 30, 2009. The maximum rates
37 are:

38 Fiscal Year ending:

1	2010	2011	2012	2013	2014	2015
2	1.25%	1.25%	3.75%	4.50%	5.25%	6.00%

3 (2) Beginning September 1, 2009, and ending August 31, 2015,
4 maximum annual contribution rates are established for the portion of
5 the employer contribution rate for the school employees' retirement
6 system that is used for the sole purpose of amortizing that portion
7 of the unfunded actuarial accrued liability in the public employees'
8 retirement system plan 1 that excludes any amounts required to
9 amortize plan 1 benefit improvements effective after June 30, 2009.
10 The maximum rates are:

11	Fiscal Year ending:					
12	2010	2011	2012	2013	2014	2015
13	1.25%	1.25%	3.75%	4.50%	5.25%	6.00%

14 (3) Beginning September 1, 2009, and ending August 31, 2015,
15 maximum annual contribution rates are established for the portion of
16 the employer contribution rate for the teachers' retirement system
17 that is used for the sole purpose of amortizing that portion of the
18 unfunded actuarial accrued liability in the teachers' retirement
19 system plan 1 that excludes any amounts required to amortize plan 1
20 benefit improvements effective after June 30, 2009. The maximum rates
21 are:

22	Fiscal Year ending:					
23	2010	2011	2012	2013	2014	2015
24	2.04%	2.04%	6.50%	7.50%	8.50%	9.50%

25 (4) Beginning July 1, 2015, and ending June 30, 2025, a minimum
26 3.50 percent contribution is established as part of the basic
27 employer contribution rate for the public employees' retirement
28 system and the public safety employees' retirement system, to be used
29 for the sole purpose of amortizing that portion of the unfunded
30 actuarial accrued liability in the public employees' retirement
31 system plan 1 that excludes any amounts required to amortize plan 1
32 benefit improvements effective after June 30, 2009. ~~((This minimum
33 contribution rate shall remain effective until the actuarial value of
34 assets in plan 1 of the public employees' retirement system equals
35 one hundred percent of the actuarial accrued liability.))~~

1 (5) Beginning September 1, 2015, and ending August 31, 2025 a
2 minimum 3.50 percent contribution is established as part of the basic
3 employer contribution rate for the school employees' retirement
4 system, to be used for the sole purpose of amortizing that portion of
5 the unfunded actuarial accrued liability in the public employees'
6 retirement system plan 1 that excludes any amounts required to
7 amortize plan 1 benefit improvements effective after June 30, 2009.
8 (~~This minimum contribution rate shall remain effective until the~~
9 ~~actuarial value of assets in plan 1 of the public employees'~~
10 ~~retirement system equals one hundred percent of the actuarial accrued~~
11 ~~liability.~~))

12 (6) Beginning September 1, 2015, and ending August 31, 2024, a
13 minimum 5.75 percent contribution is established as part of the basic
14 employer contribution rate for the teachers' retirement system, to be
15 used for the sole purpose of amortizing that portion of the unfunded
16 actuarial accrued liability in the teachers' retirement system plan 1
17 that excludes any amounts required to amortize plan 1 benefit
18 improvements effective after June 30, 2009. (~~This minimum~~
19 ~~contribution rate shall remain effective until the actuarial value of~~
20 ~~assets in plan 1 of the teachers' retirement system equals one~~
21 ~~hundred percent of the actuarial accrued liability.~~))

22 (7) Beginning July 1, 2025, and ending June 30, 2029, a
23 contribution rate of 0% shall supersede the portion of the employer
24 contribution rate for the public employees' retirement system and the
25 public safety employees' retirement system that is used for the sole
26 purpose of amortizing that portion of the unfunded actuarial accrued
27 liability in the public employees' retirement system plan 1 that
28 excludes any amounts required to amortize plan 1 benefit improvements
29 effective after June 30, 2009.

30 (8) Beginning September 1, 2025, and ending August 31, 2029, a
31 contribution rate of 0% shall supersede the portion of the employer
32 contribution rate for the school employees' retirement system that is
33 used for the sole purpose of amortizing that portion of the unfunded
34 actuarial accrued liability in the public employees' retirement
35 system plan 1 that excludes any amounts required to amortize plan 1
36 benefit improvements effective after June 30, 2009.

37 (9) Beginning September 1, 2024, and ending August 31, 2029, a
38 contribution rate of 0% shall supersede the portion of the employer
39 contribution rate for the teachers' retirement system that is used
40 for the sole purpose of amortizing that portion of the unfunded

1 actuarial accrued liability in the teachers' retirement system plan 1
2 that excludes any amounts required to amortize plan 1 benefit
3 improvements effective after June 30, 2009.

4 (10) Upon completion of each biennial actuarial valuation, the
5 state actuary shall review the appropriateness of ~~((the))~~
6 establishing, removing, or adjusting minimum contribution rates and
7 recommend to the council any adjustments as may be needed due to
8 material changes in benefits or actuarial assumptions, methods, or
9 experience. Any changes adopted by the council shall be subject to
10 revision by the legislature.

11 NEW SECTION. Sec. 3. 2021 c 334 s 747 (uncodified) is repealed.

12 NEW SECTION. Sec. 4. This act is necessary for the immediate
13 preservation of the public peace, health, or safety, or support of
14 the state government and its existing public institutions, and takes
15 effect June 30, 2023.

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