

CHAPTER 273

[Substitute Senate Bill No. 5418]

STATE RETIREMENT SYSTEMS—ACTUARIAL FUNDING

AN ACT Relating to actuarial funding of state pension systems; amending RCW 41.26.005, 41.26.040, 41.26.070, 41.26.080, 41.26.450, 41.32.005, 41.32.030, 41.32.401, 41.32.403, 41.32.775, 41.40.005, 41.40.080, 41.40.361, 41.40.370, 41.40.650, 43.43.220, 43.88.090, 41.40.160, 41.40.405, and 41.32.570; adding a new chapter to Title 41 RCW; repealing RCW 41.04.040, 41.04.050, 41.04.280, 41.32.110, 41.32.4982, 41.32.4983, 41.40.065, 41.32.150, 43.43.200, 43.88.085, and 82.32.400; providing an effective date; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. It is the intent of the legislature to provide a dependable and systematic process for funding the benefits provided to members and retirees of the public employees' retirement system, chapter 41.40 RCW; the teachers' retirement system, chapter 41.32 RCW; the law enforcement officers' and fire fighters' retirement system, chapter 41.26 RCW; and the Washington state patrol retirement system, chapter 43.43 RCW.

The funding process established by this chapter is intended to achieve the following goals:

(1) To continue to fully fund the public employees' retirement system plan II, the teachers' retirement system plan II, and the law enforcement officers' and fire fighters' retirement system plan II as provided by law;

(2) To fully amortize the total costs of the public employees' retirement system plan I, the teachers' retirement system plan I, and the law enforcement officers' and fire fighters' retirement system plan I not later than June 30, 2024;

(3) To establish predictable long-term employer contribution rates which will remain a relatively constant proportion of the future state budgets; and

(4) To fund, to the extent feasible, benefit increases for plan I members and all benefits for plan II members over the working lives of those members so that the cost of those benefits are paid by the taxpayers who receive the benefit of those members' service.

NEW SECTION. Sec. 2. As used in this chapter, the following terms have the meanings indicated unless the context clearly requires otherwise.

(1) "Council" means the economic and revenue forecast council created in RCW 82.01.130.

(2) "Department" means the department of retirement systems.

(3) "Law enforcement officers' and fire fighters' retirement system plan I" means the benefits and funding provisions covering persons who first became members of the law enforcement officers' and fire fighters' retirement system prior to October 1, 1977.

(4) "Law enforcement officers' and fire fighters' retirement system plan II" means the benefits and funding provisions covering persons who first became members of the law enforcement officers' and fire fighters' retirement system on or after October 1, 1977.

(5) "Public employees' retirement system plan I" means the benefits and funding provisions covering persons who first became members of the public employees' retirement system prior to October 1, 1977.

(6) "Public employees' retirement system plan II" means the benefits and funding provisions covering persons who first became members of the public employees' retirement system on or after October 1, 1977.

(7) "Teachers' retirement system plan I" means the benefits and funding provisions covering persons who first became members of the teachers' retirement system prior to October 1, 1977.

(8) "Teachers' retirement system plan II" means the benefits and funding provisions covering persons who first became members of the teachers' retirement system on or after October 1, 1977.

(9) "Unfunded liability" means the unfunded actuarial accrued liability of a retirement system.

(10) "Actuary" or "state actuary" means the state actuary employed under chapter 44.44 RCW.

(11) "State retirement systems" means the retirement systems listed in RCW 41.50.030.

NEW SECTION. Sec. 3. (1) The economic and revenue forecast council shall adopt the economic assumptions used by the state actuary in conducting valuation studies of the state retirement systems.

(2) Beginning September 1, 1989, and every six years thereafter, the state actuary shall submit to the council information regarding the experience and financial condition of each state retirement system. The council shall review the information submitted by the state actuary and shall recommend any adjustments which may be needed to the state or employer contribution rates contained in sections 6 and 7 of this act for the public employees' retirement system; the teachers' retirement system; the law enforcement officers' and fire fighters' retirement system; and the Washington state patrol retirement system.

(3) The council may utilize information provided by the state actuary and such other information as it may request.

NEW SECTION. Sec. 4. (1) The adoption of the economic assumptions and the recommendation of changes in employer and state contribution rates shall be by affirmative vote of at least five members of the council.

(2) The employer and state contribution rates recommended by the council shall be the level percentages of pay which are needed:

(a) To fully amortize the total costs of the public employees' retirement system plan I, the teachers' retirement system plan I, the law enforcement officers' and fire fighters' retirement system plan I, and the

unfunded liability of the Washington state patrol retirement system not later than June 30, 2024; and

(b) To also continue to fully fund the public employees' retirement system plan II, the teachers' retirement system plan II, and the law enforcement officers' and fire fighters' retirement system plan II in accordance with the provisions of RCW 41.40.650, 41.32.775, and 41.26.450, respectively.

NEW SECTION. Sec. 5. (1) Beginning September 1, 1990, employers of members of the public employees' retirement system, the teachers' retirement system, and the Washington state patrol retirement system shall make contributions to those systems based on the rates established in sections 6 and 7 of this act.

(2) Beginning September 1, 1990, the state shall make contributions to the law enforcement officers' and fire fighters' retirement system based on the rates established in sections 6 and 7 of this act. The state treasurer shall transfer the required contributions each month on the basis of salary data provided by the department.

(3) Beginning September 1, 1990, the department shall bill employers, and the state shall make contributions to the law enforcement officers' and fire fighters' retirement system, using the combined rates established in sections 6 and 7 of this act regardless of the level of pension funding provided in the biennial budget. Any member of an affected retirement system may, by mandamus or other appropriate proceeding, require the transfer and payment of funds as directed in this section.

(4) The contributions received for the public employees' retirement system shall be allocated between the public employees' retirement system plan I fund and public employees' retirement system plan II fund as follows: The contributions necessary to fully fund the public employees' retirement system plan II employer contribution required by RCW 41.40.650 shall first be deposited in the public employees' retirement system plan II fund. All remaining public employees' retirement system employer contributions shall be deposited in the public employees' retirement system plan I fund.

The employer contributions for the teachers' retirement system, and the state contributions for the law enforcement officers' and fire fighters' retirement system shall be allocated in the same manner as the public employees' retirement system and in accordance with the law enforcement officers' and fire fighters' retirement system plan II and the teachers' retirement system plan II contribution rates required by RCW 41.26.450 and 41.32.775 respectively.

NEW SECTION. Sec. 6. Beginning September 1, 1990, the basic state contribution rate for the law enforcement officers' and fire fighters' retirement system, and the basic employer contribution rates for the public employees' retirement system, the teachers' retirement system, and the Washington state patrol retirement system shall be as follows:

- (1) 7.10% for all members of the public employees' retirement system;
- (2) 12.60% for all members of the teachers' retirement system;
- (3) 16.88% for all members of the law enforcement officers' and fire fighters' retirement system; and
- (4) 21.47% for all members of the Washington state patrol retirement system.

NEW SECTION. Sec. 7. (1) Beginning September 1, 1990, in addition to the basic employer contribution rate established in section 6 of this act, the department shall also charge employers of public employees' retirement system, teachers' retirement system, or Washington state patrol retirement system members an additional supplemental rate to pay for the cost of additional benefits, if any, granted to members of those systems after January 1, 1991. The supplemental contribution rates required by this section shall be calculated by the state actuary and shall be charged regardless of language to the contrary contained in the statute which authorizes additional benefits.

(2) Beginning September 1, 1990, in addition to the basic state contribution rate established in section 6 of this act for the law enforcement officers' and fire fighters' retirement system the department shall also establish a supplemental rate to pay for the cost of additional benefits, if any, granted to members of the law enforcement officers' and fire fighters' retirement system after January 1, 1990. This supplemental rate shall be calculated by the state actuary and the state treasurer shall transfer the additional required contributions regardless of language to the contrary contained in the statute which authorizes the additional benefits.

(3) The supplemental rate charged under this section to fund benefit increases provided to active members of the public employees' retirement system plan I, the teachers' retirement system plan I, the law enforcement officers' and fire fighters' retirement system plan I, and Washington state patrol retirement system, shall be calculated as the level percentage of all members' pay needed to fund the cost of the benefit not later than June 30, 2024.

(4) The supplemental rate charged under this section to fund benefit increases provided to active and retired members of the public employees' retirement system plan II, the teachers' retirement system plan II, or the law enforcement officers' and fire fighters' retirement system plan II, shall be calculated as the level percentage of all members' pay needed to fund the cost of the benefit, as calculated under RCW 41.40.650, 41.32.775, or 41.26.450, respectively.

(5) The supplemental rate charged under this section to fund postretirement adjustments which are provided on a nonautomatic basis to current retirees shall be calculated as the percentage of pay needed to fund the adjustments as they are paid to the retirees. The supplemental rate charged under this section to fund automatic postretirement adjustments for

active or retired members of the public employees' retirement system plan I and the teachers' retirement system plan I shall be calculated as the level percentage of pay needed to fund the cost of the automatic adjustments not later than June 30, 2024.

NEW SECTION. Sec. 8. In addition to the basic and supplemental employer contributions required by sections 6 and 7 of this act the department may also require additional employer contributions as provided by law.

NEW SECTION. Sec. 9. The department shall collect and keep in convenient form such data as shall be necessary for an actuarial valuation of the assets and liabilities of the state retirement systems, and for making an actuarial investigation into the mortality, service, compensation, and other experience of the members and beneficiaries of those systems. The department and state actuary shall enter into a memorandum of understanding regarding the specific data the department will collect, when it will be collected, and how it will be maintained. The department shall notify the state actuary of any changes it makes, or intends to make, in the collection and maintenance of such data.

At least once in each six-year period, the state actuary shall conduct an actuarial investigation of the mortality, service, compensation and other experience of the members and beneficiaries of each state retirement system, and into the financial condition of each system. The results of each investigation shall be filed with the department, the office of financial management, and the budget writing committees of the Washington house of representatives and senate. Upon the basis of such actuarial investigation the department shall adopt such tables, schedules, factors, and regulations as are deemed necessary in the light of the findings of the actuary for the proper operation of the state retirement systems.

Sec. 10. Section 18, chapter 294, Laws of 1977 ex. sess. as last amended by section 5, chapter 102, Laws of 1985 and RCW 41.26.005 are each amended to read as follows:

(1) "Law enforcement officers' and fire fighters' retirement system plan I" or "plan I" means the benefits and funding provisions covering persons who first became members of the law enforcement officers' and fire fighters' retirement system prior to October 1, 1977. The provisions of the following sections of this chapter shall apply only to ((persons who establish membership in the retirement system on or before September 30, 1977)) members of plan I: RCW 41.26.080, 41.26.090, 41.26.100, 41.26.110, 41.26.120, 41.26.125, 41.26.130, 41.26.140, 41.26.150, 41.26.160, 41.26.170, 41.26.190, 41.26.200, 41.26.240, 41.26.250, 41.26.260, and 41.26.270.

(2) "Law enforcement officers' and fire fighters' retirement system plan II" or "plan II" means the benefits and funding provisions covering persons who first became members of the law enforcement officers' and fire fighters'

retirement system on or after October 1, 1977. The provisions of RCW 41.26.400 through 41.26.550 shall apply only to members of plan II.

Sec. 11. Section 4, chapter 209, Laws of 1969 ex. sess. as last amended by section 1, chapter 45, Laws of 1979 ex. sess. and RCW 41.26.040 are each amended to read as follows:

The Washington law enforcement officers' and fire fighters' retirement system is hereby created for fire fighters and law enforcement officers.

(1) (a) Notwithstanding RCW 41.26.030(8) and except as provided in subsection (1)(b) of this section, all fire fighters and law enforcement officers employed as such on or after March 1, 1970, on a full time fully compensated basis in this state shall be members of the retirement system established by this chapter with respect to all periods of service as such, to the exclusion of any pension system existing under any prior act except as provided in subsection (2) of this section.

(b) No fire fighter or law enforcement officer who commences a period of employment on or after July 1, 1979, as a participant under the federal comprehensive employment and training act of 1973 (CETA) (29 U.S.C. Sec. 801 et seq.), as amended, shall be a member of this system during the period of such participation unless, at the commencement of the participation under CETA, the fire fighter or law enforcement officer either:

(i) Has at least five years of service and the full amount of the employee's contributions for such service remains on deposit in the system; or

(ii) Has previously been retired from this system.

(2) Any employee serving as a law enforcement officer or fire fighter on March 1, 1970, who is then making retirement contributions under any prior act shall have his membership transferred to the system established by this chapter as of such date. Upon retirement for service or for disability, or death, of any such employee, his retirement benefits earned under this chapter shall be computed and paid. In addition, his benefits under the prior retirement act to which he was making contributions at the time of this transfer shall be computed as if he had not transferred. For the purpose of such computations, the employee's creditability of service and eligibility for service or disability retirement and survivor and all other benefits shall continue to be as provided in such prior retirement act, as if transfer of membership had not occurred. The excess, if any, of the benefits so computed, giving full value to survivor benefits, over the benefits payable under this chapter shall be paid whether or not the employee has made application under the prior act. If the employee's prior retirement system was the Washington public employees' retirement system, payment of such excess shall be made by that system; if the employee's prior retirement system was the state-wide city employees' retirement system, payment of such excess shall be made by the employer which was the member's employer when his transfer of membership occurred: PROVIDED, That any death in line of

duty lump sum benefit payment shall continue to be the obligation of that system as provided in RCW 41.44.210; in the case of all other prior retirement systems, payment of such excess shall be made by the employer which was the member's employer when his transfer of membership occurred.

(3) All funds held by any firemen's or policemen's relief and pension fund shall remain in that fund for the purpose of paying the obligations of the fund. The municipality shall continue to levy the dollar rate as provided in RCW 41.16.060, and this dollar rate shall be used for the purpose of paying the benefits provided in chapters 41.16 and 41.18 RCW. The obligations of chapter 41.20 RCW shall continue to be paid from whatever financial sources the city has been using for this purpose.

(4) Any member transferring from the Washington public employees' retirement system or the state-wide city employees' retirement system shall have transferred from the appropriate fund of the prior system of membership, a sum sufficient to pay into the Washington law enforcement officers' and fire fighters' retirement system fund the amount of the employees' and employers' contributions plus credited interest in the prior system for all service, as defined in this chapter, from the date of the employee's entrance therein until March 1, 1970. Except as provided for in subsection (2), such transfer of funds shall discharge said state retirement systems from any further obligation to pay benefits to such transferring members with respect to such service.

~~((5) All unfunded liabilities created by this or any other section of this chapter shall be computed by the actuary in his biennial evaluation. Such computation shall provide for amortization of the unfunded liabilities over a period of not more than forty years from March 1, 1970. The amount thus computed as necessary shall be reported to the governor by the department of retirement systems for inclusion in the budget. The legislature shall make the necessary appropriation to fund the unfunded liability from the state general fund beginning with the 1971-1973 biennium.))~~

Sec. 12. Section 7, chapter 209, Laws of 1969 ex. sess. as last amended by section 28, chapter 3, Laws of 1981 and RCW 41.26.070 are each amended to read as follows:

~~((A fund is))~~ Two funds are hereby created and established in the state treasury to be known as the Washington law enforcement officers' and fire fighters' system plan I retirement fund, and the Washington law enforcement officers' and fire fighters' system plan II retirement fund which shall consist of all moneys paid into ((it)) them in accordance with the provisions of this chapter, whether such moneys shall take the form of cash, securities, or other assets. The plan I fund shall consist of all moneys paid to finance the benefits provided to members of plan I, and the plan II fund shall consist of all moneys paid to finance the benefits provided to members of plan II. The state investment board has full power to invest or reinvest the funds created by this chapter in the securities authorized by RCW 43.84.150.

(1) The state treasurer shall be the custodian of all funds of the retirement system and all disbursements therefrom shall be paid by the state treasurer upon vouchers duly authorized by the ~~((retirement board))~~ department and bearing the signature of the duly authorized officer of the ~~((retirement board))~~ department.

(2) The state treasurer is hereby authorized and directed to deposit any portion of the funds of the retirement system not needed for immediate use in the same manner and subject to all the provisions of law with respect to the deposit of state funds by such treasurer, and all interest earned by such portion of the retirement system's funds as may be deposited by the state treasurer in pursuance of authority herewith given shall be collected by him and placed to the credit of the retirement fund or the department of retirement systems expense fund.

(3) Into the retirement system fund shall be paid all moneys received by the ~~((retirement board))~~ department, and paid therefrom shall be all refunds, adjustments, retirement allowances and other benefits provided for herein. All contributions by employers for the expense of operating the retirement system as provided for herein shall be transferred by the state treasurer from the retirement system fund to the department of retirement systems expense fund upon authorization of the ~~((retirement board))~~ department.

(4) There is hereby utilized for the purposes of this chapter, the department of retirement systems expense fund, as provided for in RCW 41.40.080 and from which shall be paid the expenses of the administration of this retirement system.

(5) In order to reimburse the department of retirement systems expense fund on an equitable basis the ~~((retirement board))~~ department shall ascertain and report to each employer the ~~((sum))~~ contribution rate necessary to defray its proportional share of the entire expense of the administration of this chapter during the ensuing biennium or fiscal year whichever may be required. Such sum is to be computed in an amount directly proportional to the estimated entire expense of the said administration as the ratio of monthly salaries of the employer's members bears to the total salaries of all members in the entire system. It shall then be the duty of all such employers to include in their budgets or otherwise provide the amounts so required.

(6) The ~~((retirement board))~~ department shall compute and bill each employer at the end of each month for the amount due for that month to the department of retirement systems expense fund and the same shall be paid as are its other obligations. Such computation as to each such employer shall be made on a percentage rate of salary established by the ~~((board))~~ department: PROVIDED, That the ~~((retirement board))~~ department may at its discretion establish a system of billing based upon calendar year

quarters in which event the said billing shall be at the end of each such quarter.

(7) For the purpose of providing amounts to be used to defray the cost of such administration, the ~~((retirement board))~~ department shall ascertain at the beginning of each biennium and request from the legislature an appropriation from the department of retirement systems expense fund sufficient to cover estimated expenses for the said biennium.

(8) RCW 41.26.060, 41.26.070 and 41.26.085 shall take effect commencing on January 1, 1972.

Sec. 13. Section 8, chapter 209, Laws of 1969 ex. sess. and RCW 41.26.080 are each amended to read as follows:

The total liability of ~~((this))~~ the plan I system shall be funded as follows:

(1) Every plan I member shall have deducted from each payroll a sum equal to six percent of his basic salary for each pay period.

(2) Every employer shall contribute monthly a sum equal to six percent of the basic salary of each plan I employee who is a member of this retirement system. The employer shall transmit the employee and employer contributions with a copy of the payroll to the retirement system monthly.

~~(3) ((The biennial actuarial evaluation required by RCW 41.26.060(2)) shall establish the total liability for this system. This liability shall be divided into current service liability and prior service liability. The contributions required by (1) and (2) above shall be applied toward the current service liability with the balance of the current service liability to be appropriated from the state general fund. The prior service liability shall be amortized over a period of not more than forty years from March 1, 1970. The amount thus computed shall be added to the current service liability to be appropriated from the state general fund.~~

~~This total amount shall be reported to the governor by the director of the retirement system, upon approval of the board, for inclusion in the budget. The legislature shall make the necessary appropriation from the state general fund to the Washington law enforcement officers' and fire fighters' retirement fund after considering the estimates as prepared and submitted. The transfer of funds from the state general fund to the retirement system shall be at a rate determined by the board of trustees on the basis of the latest actuarial valuation. The total amount of such transfers for a biennium shall not exceed the total amount appropriated by the legislature.)~~ The remaining liabilities of the plan I system shall be funded as provided in sections 1 through 9 of this act.

(4) Every member shall be deemed to consent and agree to the contribution made and provided for herein, and shall receipt in full for his salary or compensation. Payment less said contributions shall be a complete discharge of all claims and demands whatsoever for the services rendered by

such person during the period covered by such payments, except his claim to the benefits to which he may be entitled under the provisions of this chapter.

Sec. 14. Section 6, chapter 294, Laws of 1977 ex. sess. as last amended by section 1, chapter 268, Laws of 1986 and RCW 41.26.450 are each amended to read as follows:

The required contribution rates to the ((retirement)) plan II system for members, employers, and the state of Washington shall be established by the director from time to time as may be necessary upon the advice of the state actuary. The state actuary shall use the aggregate actuarial cost method to calculate contribution rates.

The member, the employer and the state shall each contribute the following shares of the cost of the retirement system:

Member	50%
Employer	30%
State	20%

Effective January 1, 1987, however, no member or employer contributions are required for any calendar month in which the member is not granted service credit.

Any adjustments in contribution rates required from time to time for future costs shall likewise be shared proportionally by the members, employers, and the state. (~~PROVIDED, That the costs of amortizing the unfunded supplemental present value of the retirement system for persons who established membership before September 30, 1977, shall be borne in full by the state~~)).

Any increase in the contribution rate required as the result of a failure of the state or of an employer to make any contribution required by this section shall be borne in full by the state or by that employer not making the contribution.

The director shall notify all employers of any pending adjustment in the required contribution rate and such increase shall be announced at least thirty days prior to the effective date of the change.

Members' contributions required by this section shall be deducted from the members basic salary each payroll period. The members contribution and the employers contribution shall be remitted directly to the department within fifteen days following the end of the calendar month during which the payroll period ends. The state's contribution required by this section shall be transferred to the plan II fund from the total contributions transferred by the state treasurer under sections 6 and 7 of this act.

Sec. 15. Section 19, chapter 293, Laws of 1977 ex. sess. and RCW 41.32.005 are each amended to read as follows:

(1) "Teachers' retirement system plan I" or "plan I" means the benefits and funding provisions covering persons who first became members of the teachers' retirement system prior to July 1, 1977. The provisions of the following sections of this chapter shall apply only to ((those persons who

~~establish membership in the retirement system on or before June 30, 1977))~~
members of plan I: RCW 41.32.250, 41.32.260, 41.32.270, 41.32.280, 41-
.32.290, 41.32.300, 41.32.310, 41.32.320, 41.32.330, 41.32.340, 41.32.350,
41.32.360, 41.32.365, 41.32.366, 41.32.380, 41.32.390, 41.32.430, 41.32-
.440, 41.32.470, 41.32.480, 41.32.491, 41.32.492, 41.32.493, 41.32.4931,
41.32.4932, 41.32.494, 41.32.4943, 41.32.4944, 41.32.4945, 41.32.497, 41-
.32.498, ((41.32.4982, 41.32.4983;)) 41.32.499, 41.32.500, 41.32.510, 41-
.32.520, 41.32.522, 41.32.523, 41.32.530, 41.32.540, 41.32.550, 41.32.560,
41.32.561, 41.32.565, 41.32.567, 41.32.570, and 41.32.583.

(2) "Teachers' retirement system plan II" or "plan II" means the benef-
its and funding provisions covering persons who first became members of
the teachers' retirement system on or after July 1, 1977. The provisions of
RCW 41.32.760 through 41.32.830 shall apply only to the members of plan
II.

Sec. 16. Section 3, chapter 80, Laws of 1947 as last amended by section 7, chapter 52, Laws of 1982 1st ex. sess. and RCW 41.32.030 are each amended to read as follows:

All of the assets of the retirement system shall be credited according to the purposes for which they are held, to ~~((a fund))~~ two funds to be maintained in the state treasury, namely, the teachers' retirement system plan I fund and the teachers' retirement system plan II fund. The plan I fund shall consist of all moneys paid to finance the benefits provided to members of plan I, and the plan II fund shall consist of all moneys paid to finance the benefits provided to members of plan II.

In the records of the teachers' retirement system the teachers' retirement fund plan I fund shall be subdivided into the annuity fund, the annuity reserve fund, the survivors' benefit fund, the pension reserve fund, the disability reserve fund, the death benefit fund, the income fund, the expense fund, and such other funds as may from time to time be created by the director for the purpose of the internal accounting record.

Sec. 17. Section 11, chapter 14, Laws of 1963 ex. sess. as last amended by section 1, chapter 236, Laws of 1984 and RCW 41.32.401 are each amended to read as follows:

~~((1) For the purpose of establishing and maintaining an actuarial reserve adequate to meet present and future liabilities of the system and to pay for an equitable portion of the operating expenses of the department; the director shall determine the necessary contribution rates to be made by each employer on all members' total earnable compensation on the basis of the latest valuation prepared by the state actuary, and shall include a percentage contribution of the total earnable compensation, to be known as the "normal contribution" and an additional percentage contribution of such earnable compensation, to be known as the "unfunded liability contribution." The director shall notify employers of such rates at least thirty days~~

~~prior to their effective date. Such determination shall provide for amortization of unfunded retirement system liabilities over a period of not more than fifty years from July 1, 1964. The legislature shall appropriate to the superintendent of public instruction the full amount recommended by the state actuary for the employer contribution rates for state funded certificated staff. The amounts shall be deposited in the teachers' retirement fund for the payment of pensions, survivors' benefits, and the employer's share of the operating expenses for the system. However, a school district for the 1985-86 school year shall not be required to pay to the department of retirement systems for the employer contribution to the teachers' retirement system; any amount in excess of the funds received by such school district from the state through the office of the superintendent of public instruction for such purpose, and for the 1986-87 school year and thereafter, a school district shall not be required to pay at a rate exceeding the rate that the director sets for the employer contribution for each employee.~~

(2)) In order to equitably reimburse the department of retirement systems expense fund, the director shall ascertain and report to each employer the contribution rate necessary to defray its proportional share of the cost of administering this chapter during either the next biennium or fiscal year, whichever is required to provide the amounts needed to defray such cost of administration. The director shall also ascertain at the beginning of either each biennium or each fiscal year, whichever is required, and request from the legislature an appropriation for the department of retirement systems expense fund sufficient to cover estimated expenses for the biennium or fiscal year.

Sec. 18. Section 3, chapter 236, Laws of 1984 and RCW 41.32.403 are each amended to read as follows:

The amount paid by each employer shall be computed by applying the rates established ~~((by RCW 41.32.403))~~ under sections 1 through 9 of this act to the total earnable compensation of the employer's members as shown on the current payrolls of the employer. The employer's contribution shall be paid at the end of each month in the amount due for that month.

Sec. 19. Section 6, chapter 293, Laws of 1977 ex. sess. as last amended by section 2, chapter 268, Laws of 1986 and RCW 41.32.775 are each amended to read as follows:

The required contribution rates to the retirement system for both members and employers shall be established by the director from time to time as may be necessary upon the advice of the state actuary: **PROVIDED**, That the employer contribution shall be contributed as provided in RCW ~~((41.32.403))~~ 41.32.403. The state actuary shall use the aggregate actuarial cost method to calculate contribution rates. The employer contribution rate calculated under this section shall be used only for the purpose of determining the amount of employer contributions to be deposited in the

plan II fund from the total employer contributions collected under RCW 41.32.403.

Contribution rates required to fund the costs of the retirement system shall always be equal for members and employers, except as herein provided. Effective January 1, 1987, however, no member or employer contributions are required for any calendar month in which the member is not granted service credit. Any adjustments in contribution rates required from time to time for future costs shall likewise be shared equally by the members and employers (~~PROVIDED, That the costs of amortizing the unfunded supplemental present value of the retirement system for persons who established membership before September 30, 1977, shall be borne in full by the employers~~)).

Any increase in the contribution rate required as the result of a failure of an employer to make any contribution required by this section shall be borne in full by the employer not making the contribution.

The director shall notify all employers of any pending adjustment in the required contribution rate and such increase shall be announced at least thirty days prior to the effective date of the change.

Members contributions required by this section shall be deducted from the members earnable compensation each payroll period. The members contribution shall be remitted directly to the department within fifteen days following the end of the calendar month during which the payroll period ends and the employers contribution shall be remitted as provided by law.

Sec. 20. Section 21, chapter 295, Laws of 1977 ex. sess. as amended by section 6, chapter 249, Laws of 1979 ex. sess. and RCW 41.40.005 are each amended to read as follows:

(1) "Public employees' retirement system plan I" or "plan I" means the benefits and funding provisions covering persons who first became members of the public employees' retirement system prior to October 1, 1977. The provisions of the following sections of this chapter shall apply only to ((persons who establish membership in the retirement system on or before September 30, 1977)) members of plan I: RCW 41.40.150, 41.40.160, 41.40.170, 41.40.180, 41.40.185, 41.40.190, 41.40.193, 41.40.195, 41.40.200, 41.40.210, 41.40.220, 41.40.230, 41.40.235, 41.40.250, 41.40.260, 41.40.270, 41.40.280, 41.40.300, 41.40.310, 41.40.320, and 41.40.330.

(2) "Public employees' retirement system plan II" or "plan II" means the benefits and funding provisions covering persons who first became members of the public employees' retirement system on or after October 1, 1977. The provisions of RCW 41.40.600 through 41.40.740 apply only to members of plan II.

Sec. 21. Section 9, chapter 274, Laws of 1947 as last amended by section 32, chapter 3, Laws of 1981 and RCW 41.40.080 are each amended to read as follows:

(1) All bonds or other obligations purchased according to RCW 43.84.150 shall be forthwith placed in the hands of the state treasurer who is hereby designated as custodian thereof, and it shall be his duty to collect the principal thereof and the interest thereon as the same becomes due and payable, and place the same when so collected into the retirement system's funds.

(2) The state treasurer shall be the custodian of all other funds of the retirement system and all disbursements therefrom shall be paid by the state treasurer upon vouchers duly authorized by the ~~((retirement board))~~ department and bearing the signature of the duly authorized officer of the ~~((retirement board))~~ department.

(3) The state treasurer is hereby authorized and directed to deposit any portion of the funds of the retirement system not needed for immediate use in the same manner and subject to all the provisions of law with respect to the deposit of state funds by such treasurer, and all interest earned by such portion of the retirement system's funds as may be deposited by the state treasurer in pursuance of authority herewith given shall be collected by him and placed to the credit of the retirement fund or the department of retirement systems expense fund.

(4) There is hereby established in the state treasury ~~((two))~~ three separate funds, namely:

(a) The public employees' retirement system plan I fund and the public employees' plan II fund, into which shall be paid all moneys received by the ~~((retirement board))~~ department and from which shall be paid all refunds, adjustments, retirement allowances and other benefits provided for herein. The plan I fund shall consist of all moneys paid to finance the benefits, provided to members of plan I, and the plan II fund shall consist of all moneys paid to finance the benefits provided to members of plan II. All contributions by members to the department of retirement systems expense fund as provided in RCW 41.40.330 and contributions by employers for the expense of operating the retirement system as provided for herein shall be transferred by the state treasurer from the retirement system fund to the department of retirement systems expense fund upon authorization of the ~~((retirement board))~~ department;

(b) The department of retirement systems expense fund, from which shall be paid the expenses of the administration of the retirement system.

(5) In order to reimburse the department of retirement systems expense fund on an equitable basis the ~~((retirement board))~~ department shall, after crediting the estimated amount to be collected as employees' contributions, ascertain and report to each employer the sum necessary to defray its proportional share of the entire expense of the administration of this chapter during the ensuing biennium or fiscal year whichever may be required. Such sum is to be computed in an amount directly proportional to the estimated entire expense of the said administration as the ratio of

monthly salaries of the employer's members bears to the total salaries of all members in the entire system. It shall then be the duty of all such employers to include in their budgets or otherwise provide the amounts so required.

(6) The ~~((retirement board))~~ department shall compute and bill each employer at the end of each month for the amount due for that month to the department of retirement systems expense fund and the same shall be paid as are its other obligations. Such computation as to each such employer shall be made on a percentage rate of salary established by the ~~((board))~~ department: PROVIDED, That the ~~((retirement board))~~ department may at its discretion establish a system of billing based upon calendar year quarters in which event the said billing shall be at the end of each such quarter.

(7) For the purpose of providing amounts to be used to defray the cost of such administration, the ~~((retirement board))~~ department shall ascertain at the beginning of each biennium and request from the legislature an appropriation from the department of retirement systems expense fund sufficient to cover estimated expenses for the said biennium.

Sec. 22. Section 4, chapter 231, Laws of 1957 as last amended by section 4, chapter 268, Laws of 1986 and RCW 41.40.361 are each amended to read as follows:

~~((1))~~ For the purpose of this section, the "fundable employer liability" at any date shall be the present value of

(a) all future pension benefits payable in respect of all members in the retirement system at that date, and

(b) all future benefits in respect of beneficiaries then receiving retirement allowances or pensions.

~~(2)~~ The contributions by the employer for benefits under the retirement system shall consist of the sum of a percentage of the compensation of members to be known as the "normal contribution", a percentage of such compensation to be known as the "unfunded liability contribution" and in the case of employers admitted to the retirement system after April 1, 1949, a percentage of such compensation to be known as the "additional contribution". The rates of such contributions shall be determined by the retirement board on the basis of assets and liabilities as shown by actuarial valuation: PROVIDED, That as to state employers effective July 1, 1973 the total combined contributions of the normal contribution and unfunded liability contribution shall not exceed a total combined percentage rate of seven percent for each employer unless authorized by the legislature.

~~(3)~~ After the completion of each actuarial valuation subsequent to the first actuarial valuation of June 30, 1953, the retirement board shall determine the normal contribution rate and such contribution rate shall become effective in the ensuing biennium. In addition the board shall determine the additional employer contribution rate necessary to fund the benefits granted officials holding office pursuant to Articles II and III of the Constitution of

~~the state of Washington and RCW 48.02.010. Said additional employer contribution rate shall be paid in the same manner as the normal contribution and the unfunded liability contribution. Until the unfunded liability contribution shall have been discontinued, such normal contribution rate shall be computed to be sufficient, when applied to the present value of the future compensation of the average new member entering the system, to provide for the payment of all prospective pension benefits in respect of such member. After the unfunded liability contributions have been discontinued, such normal contribution rate shall be determined as the uniform and constant percentage of the prospective compensation of all members of the retirement system at the date of such valuation which is equivalent to the excess of the fundable employer liability over the amount of funds currently standing to the credit of the benefit account fund.~~

~~(4) After the completion of each actuarial valuation subsequent to the first actuarial valuation of June 30, 1953, the retirement board shall determine the unfunded liability contribution, and such rate shall become effective in the ensuing biennium. The unfunded liability contribution rate shall be set at a percentage sufficient to provide for the amortization of unfunded retirement system liabilities over a period of not more than forty years from June 30, 1985. The unfunded liability shall be determined at such date as the excess of the fundable employer liability over the sum of the present value of the future normal contributions payable in respect of all members in the retirement system at that date, and the amount of all funds currently standing to the credit of the benefit account fund. The unfunded liability contributions shall continue until there remains no unfunded liability.~~

~~(5)) Any employer admitted to the retirement system after April 1, 1949, shall make an additional contribution until such time as the sum of such additional contributions equals the amount of contributions which such employer and employee would have been required to contribute between April 1, 1949, and the date of such employer's admission to the retirement system: PROVIDED, That either the employee or employer may make the contributions the employee would have made during the same period of time: PROVIDED FURTHER, That all additional contributions hereunder and under the provisions of RCW 41.40.160(2) must be completed within fifteen years from the date of the employer's admission. Employee contributions for these periods must be made before the member will receive credit for those periods of service, pursuant to such regulations as the ((retirement board)) department may adopt.~~

~~((6) For the biennium beginning July 1, 1971, and ending June 30, 1973, only, and notwithstanding any other provision of the chapter, the rate determined by the board for state employer contributions shall be only the percentage of compensation for members equal to the "normal contribution" computed to be four and thirty-six one-hundredths percent of compensation.))~~

Sec. 23. Section 38, chapter 274, Laws of 1947 as last amended by section 5, chapter 268, Laws of 1986 and RCW 41.40.370 are each amended to read as follows:

(1) The director shall ~~((ascertain and))~~ report to each employer the contribution rates ~~((necessary to meet present and future pension liabilities of the system))~~ required for the ensuing biennium or fiscal year, whichever is applicable. ~~((The amount to be so provided shall be computed by applying the rates of contribution as established by RCW 41.40.361 or 41.40.650 to an estimate of the total compensation earnable of all the said employer's members during the period for which provision is to be made.))~~

(2) Beginning ~~((April 1, 1949, or October 1, 1977, as the case may be))~~ September 1, 1990, the amount to be collected as the employer's contribution shall be computed by applying the applicable rates established ~~((by RCW 41.40.361 or 41.40.650))~~ in sections 1 through 9 of this act to the total compensation earnable of employer's members as shown on the current payrolls of the said employer. In addition, the director shall determine and collect the additional employer contribution rate necessary to fund the benefits granted officials holding office pursuant to Articles II and III of the Constitution of the state of Washington and RCW 48.02.010. Each said employer shall compute at the end of each month the amount due for that month and the same shall be paid as are its other obligations. Effective January 1, 1987, however, no contributions are required for any calendar month in which the member is not granted service credit.

(3) In the event of failure, for any reason, of an employer other than a political subdivision of the state to have remitted amounts due for membership service of any of the employer's members rendered during a prior biennium, the director shall bill such employer for such employer's contribution together with such charges as the director deems appropriate in accordance with RCW 41.50.120. Such billing shall be paid by the employer as, and the same shall be, a proper charge against any moneys available or appropriated to such employer for payment of current biennial payrolls.

Sec. 24. Section 6, chapter 295, Laws of 1977 ex. sess. as last amended by section 6, chapter 268, Laws of 1986 and RCW 41.40.650 are each amended to read as follows:

The required contribution rates to the retirement system for both members and employers shall be established by the director from time to time as may be necessary upon the advice of the state actuary. The state actuary shall use the aggregate actuarial cost method to calculate contribution rates. The employer contribution rate calculated under this section shall be used only for the purpose of determining the amount of employer contributions to be deposited in the plan II fund from the total employer contributions collected under RCW 41.40.370.

Contribution rates required to fund the costs of the retirement system shall always be equal for members and employers, except as herein provided. Effective January 1, 1987, however, no member or employer contributions are required for any calendar month in which the member is not granted service credit. Any adjustments in contribution rates required from time to time for future costs shall likewise be shared equally by the members and employers (~~PROVIDED, That the costs of amortizing the unfunded supplemental present value of the retirement system for persons who established membership before September 30, 1977, shall be borne in full by the employers~~)).

Any increase in the contribution rate required as the result of a failure of an employer to make any contribution required by this section shall be borne in full by the employer not making the contribution.

The director shall notify all employers of any pending adjustment in the required contribution rate and such increase shall be announced at least thirty days prior to the effective date of the change.

Members contributions required by this section shall be deducted from the members compensation earnable each payroll period. The members contribution and the employers contribution shall be remitted directly to the department within fifteen days following the end of the calendar month during which the payroll period ends.

Sec. 25. Section 43.43.220, chapter 8, Laws of 1965 as amended by section 2, chapter 180, Laws of 1973 1st ex. sess. and RCW 43.43.220 are each amended to read as follows:

~~((+))~~ The Washington state patrol retirement fund shall be the fund from which shall be paid all retirement allowances or benefits in lieu thereof which are payable as provided herein. The expenses of operating the retirement system shall be paid from appropriations made for the operation of the Washington state patrol.

~~((2))~~ The "fundable employer liability" at any date shall be the present value of:

(a) All future pension benefits payable in respect of all members in the retirement system at that date; and

(b) All future benefits in respect of beneficiaries then receiving retirement allowances or pensions.

~~(3)~~ The contributions by the state for benefits under the retirement system shall consist of the sum of a percentage of the compensation of members to be known as the "normal contribution", and a percentage of such compensation to be known as the "unfunded liability contribution". The rates of such contributions shall be determined by the retirement board on the basis of assets and liabilities as shown by actuarial valuation.

~~(4)~~ After the completion of each actuarial valuation, the retirement board shall determine or redetermine the normal contribution rate and such contribution rate shall become effective in the ensuing biennium. Until the

~~unfunded liability contribution shall have been discontinued, such normal contribution rate shall be computed to be sufficient, when applied to the present value of the future compensation of the average new member entering the system, to provide for the payment of all prospective pension benefits in respect of such member. After the unfunded liability contributions have been discontinued, such normal contribution rate shall be determined as the uniform and constant percentage of the prospective compensation of all members in the retirement system at the date of such valuation which is equivalent to the excess of the fundable employer liability over the amount of funds currently standing to the credit of the retirement fund.~~

~~(5) After the completion of each actuarial valuation, the retirement board shall determine or redetermine the unfunded liability contribution rate, and such rate shall become effective in the ensuing biennium. The unfunded liability contribution rate shall not be less than the uniform and constant percentage of the prospective compensation of all members in the retirement system for the forty-year period following the date of such valuation which is equivalent to the unfunded liability. The unfunded liability shall be determined at such date as the excess of the fundable employer liability over the sum of the present value of the future normal contributions payable in respect of all members in the retirement system at that date, and the amount of all funds currently standing to the credit of the retirement fund. The unfunded liability contributions shall continue until there remains no unfunded liability.~~

~~(6) The retirement board shall estimate biennially the amount required to maintain the retirement fund for the ensuing biennium:))~~

Sec. 26. Section 43.88.090, chapter 8, Laws of 1965 as last amended by section 35, chapter 505, Laws of 1987 and RCW 43.88.090 are each amended to read as follows:

(1) For purposes of developing budget proposals to the legislature, the governor shall have the power, and it shall be the governor's duty, to require from proper agency officials such detailed estimates and other information in such form and at such times as the governor shall direct. The estimates for the legislature and the judiciary shall be transmitted to the governor and shall be included in the budget without revision. The estimates for state pension contributions shall be based on the rates provided in sections 1 through 9 of this act. Copies of all such estimates shall be transmitted to the standing committees on ways and means of the house and senate at the same time as they are filed with the governor and the office of financial management.

(2) Estimates from each agency shall include goals and objectives for each program administered by the agency. The goals and objectives shall, whenever possible, be stated in terms of objective measurable results. The estimates shall include statements or tables which indicate, by agency, the state funds which are required for the receipt of federal matching revenues.

The estimates shall be revised as necessary to reflect legislative enactments and adopted appropriations and shall be included with the initial biennial allotment submitted under RCW 43.88.110.

(3) In the year of the gubernatorial election, the governor shall invite the governor-elect or the governor-elect's designee to attend all hearings provided in RCW 43.88.100; and the governor shall furnish the governor-elect or the governor-elect's designee with such information as will enable the governor-elect or the governor-elect's designee to gain an understanding of the state's budget requirements. The governor-elect or the governor-elect's designee may ask such questions during the hearings and require such information as the governor-elect or the governor-elect's designee deems necessary and may make recommendations in connection with any item of the budget which, with the governor-elect's reasons therefor, shall be presented to the legislature in writing with the budget document. Copies of all such estimates and other required information shall also be submitted to the standing committees on ways and means of the house and senate.

Sec. 27. Section 17, chapter 274, Laws of 1947 as last amended by section 4, chapter 155, Laws of 1965 and RCW 41.40.160 are each amended to read as follows:

(1) Subject to the provisions of RCW 41.40.150, at retirement the total service credited to a member shall consist of all his membership service and, if he is an original member, all of his certified prior service.

(2) Employees of a public utility or other private enterprise all or any portion of which has been heretofore or may be hereafter acquired by a public agency as a matter of public convenience and necessity, where it is in the public interest to retain the trained personnel of such enterprise, all service to that enterprise shall, upon the acquiring public agency becoming an employer as defined in RCW 41.40.010(4) be credited on the same basis as if rendered to the said employer: PROVIDED, That this shall apply only to those employees who were in the service of the enterprise at or prior to the time of acquisition by the public agency and who remain in the service of the acquiring agency until they attain membership in the state employees' retirement system; and to those employees who were in the service of the enterprise at the time of acquisition by the public agency and subsequently attain membership through employment with any participating agency: PROVIDED FURTHER, In the event that the acquiring agency is an employer at the time of the acquisition, employer's contributions in connection with members achieving service credit hereunder shall be made on the same basis as set forth in RCW 41.40.361 and 41.40.370 for an employer admitted after April 1, 1949.

Sec. 28. Section 1, chapter 75, Laws of 1971 and RCW 41.40.405 are each amended to read as follows:

(1) On and after January 1, 1972, every city and town then participating in the state-wide city employees' retirement system under the provisions

of chapter 41.44 RCW shall be an employer under this chapter and every person employed thereby on or after January 1, 1972, who is eligible for membership under RCW 41.40.120, exclusive of subsection (4) thereof, shall be a member of the Washington public employees' retirement system to the exclusion of any pension system existing under any prior law and participate on the same basis as a person who first becomes a member through the admission of any employer under RCW 41.40.410 on and after April 1, 1949. Each such city and town becoming an employer under the meaning of this chapter shall make contributions to the funds of the Washington public employees' retirement system as provided in RCW 41.40.080(~~(, 41.40.361 excluding subsection (5) thereof,)~~) and ((RCW)) 41.40.370 and its employees becoming members of the Washington public employees' retirement system shall thereafter contribute to the employees' savings fund at the rate established under the provisions of RCW 41.40.330.

(2) After June 10, 1971, no additional cities or towns shall be eligible to elect to become participants in the state-wide city employees' retirement system provided for in chapter 41.44 RCW.

Sec. 29. Section 57, chapter 80, Laws of 1947 as last amended by section 1, chapter 237, Laws of 1986 and RCW 41.32.570 are each amended to read as follows:

(1) Any retired teacher who enters service in any public educational institution in Washington state shall cease to receive pension payments while engaged in such service: PROVIDED, That service may be rendered up to seventy-five days per school year without reduction of pension.

(2) Subsection (1) of this section shall apply to all persons governed by the provisions of ((RCW 41.32.005)) plan I, regardless of the date of their retirement, but shall apply only to benefits payable after June 11, 1986.

NEW SECTION. Sec. 30. The following acts or parts of acts are each repealed:

(1) Section 1, chapter 78, Laws of 1949, section 86, chapter 3, Laws of 1983 and RCW 41.04.040;

(2) Section 2, chapter 78, Laws of 1949, section 87, chapter 3, Laws of 1983 and RCW 41.04.050;

(3) Section 2, chapter 105, Laws of 1975-'76 2nd ex. sess. and RCW 41.04.280;

(4) Section 11, chapter 80, Laws of 1947 and RCW 41.32.110;

(5) Section 10, chapter 189, Laws of 1973 1st ex. sess. and RCW 41.32.4982;

(6) Section 1, chapter 85, Laws of 1975-'76 2nd ex. sess. and RCW 41.32.4983;

(7) Section 7, chapter 274, Laws of 1947, section 4, chapter 291, Laws of 1961 and RCW 41.40.065;

(8) Section 15, chapter 80, Laws of 1947 and RCW 41.32.150;

(9) Section 43.43.200, chapter 8, Laws of 1965 and RCW 43.43.200;

(10) Section 1, chapter 306, Laws of 1986 and RCW 43.88.085; and

(11) Section 33, chapter 7, Laws of 1983, section 57, chapter 3, Laws of 1983 2nd ex. sess., section 607, chapter 285, Laws of 1984, section 85, chapter 57, Laws of 1985, section 8, chapter 502, Laws of 1987 and RCW 82.32.400.

NEW SECTION. Sec. 31. Sections 1 through 9 of this act shall constitute a new chapter in Title 41 RCW.

NEW SECTION. Sec. 32. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 33. (1) Sections 1 through 12, 14 through 16, 19 through 21, 24, 26, and 29 through 32 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and shall take effect immediately.

(2) Sections 13, 17, 18, 22, 23, 25, 27 and 28 shall take effect September 1, 1990.

Passed the Senate April 11, 1989.

Passed the House April 6, 1989.

Approved by the Governor May 8, 1989.

Filed in Office of Secretary of State May 8, 1989.

CHAPTER 274

[House Bill No. 2167]

MOBILE HOME PARKS—REVIEW OF NEED FOR

AN ACT Relating to sites for mobile home parks; adding a new section to chapter 35.63 RCW; adding a new section to chapter 35.22 RCW; adding a new section to chapter 35A.63 RCW; adding a new section to chapter 36.32 RCW; adding a new section to chapter 36.70 RCW; adding a new section to chapter 43.63A RCW; creating a new section; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. (1) The legislature finds that mobile home parks are an important part of housing in Washington state. Mobile homes allow many citizens to own a home who otherwise would not. Mobile home parks provide a place to locate mobile homes, and therefore, can be a source of affordable housing. Mobile home parks also provide community living opportunities which can enable senior citizens to live independently for as long as possible.

(2) The legislature also finds that local siting and zoning regulations for mobile home parks and land use decisions by some local jurisdictions prohibit or hinder the establishment or expansion of mobile home parks. In areas where mobile home parks are closing, such decisions increase the