

RCW 28B.10.423 Annuities and retirement income plans—Limit on retirement income—Adjustment of rates—Limitation of state funding—Actuarial valuation of supplemental benefit plans. (1) For employees who are first employed by an institution of higher education in a position eligible for participation in an old age annuities or retirement income plan under this chapter prior to July 1, 2011, it is the intent of RCW 28B.10.400, 28B.10.405, 28B.10.410, 28B.10.415, and 28B.10.420 and this section that the retirement income resulting from the contributions described herein from the state of Washington and the employee shall be projected actuarially so that it shall not exceed sixty percent of the average of the highest two consecutive years salary. Periodic review of the retirement systems established pursuant to RCW 28B.10.400, 28B.10.405, 28B.10.410, 28B.10.415, and 28B.10.420 and this section will be undertaken at such time and in such manner as determined by the committees on ways and means of the senate and of the house of representatives, the select committee on pension policy, and the pension funding council, and joint contribution rates will be adjusted if necessary to accomplish this intent.

(2) Beginning July 1, 2011, state funding for annuity or retirement income plans under RCW 28B.10.400 shall not exceed six percent of salary. The state board for community and technical colleges and the student achievement council are exempt from the provisions of this subsection (2).

(3) By June 30, 2013, and every two years thereafter, each institution of higher education that is responsible for payment of supplemental amounts under RCW 28B.10.400(1)(c) shall contract with the state actuary under chapter 41.44 RCW for an actuarial valuation of their supplemental benefit plan. By June 30, 2013, and at least once every six years thereafter, each institution shall also contract with the state actuary under chapter 41.44 RCW for an actuarial experience study of the mortality, service, compensation, and other experience of the annuity or retirement income plans created in this chapter, and into the financial condition of each system. At the discretion of the state actuary, the valuation or experience study may be performed by the state actuary or by an outside actuarial firm under contract to the office of the state actuary. Each institution of higher education is required to provide the data and information required for the performance of the valuation or experience study to the office of the state actuary or to the actuary performing the study on behalf of the state actuary. The state actuary may charge each institution for the actual cost of the valuation or experience study through an interagency agreement. Upon completion of the valuation or experience study, the state actuary shall provide copies of the study to the institution of higher education and to the select committee on pension policy and the pension funding council.

(4)(a) From January 1, 2012, through June 30, 2013, an employer contribution rate of one-quarter of one percent of salary is established to begin prefunding the unfunded future obligations of the supplemental benefit established in RCW 28B.10.400.

(b) Beginning July 1, 2013, an employer contribution rate of one-half of one percent of salary is established to prefund the unfunded future obligations of the supplemental benefit established in RCW 28B.10.400.

(c)(i) Beginning July 1, 2020, the employer contribution rates for each state institution of higher education are as follows:

University of Washington: 0.38 percent
Washington State University: 0.30 percent
Western Washington University: 0.21 percent
Eastern Washington University: 0.28 percent
Central Washington University: 0.28 percent
The Evergreen State College: 0.23 percent

State board for community and technical colleges: 0.13 percent

(ii) The contribution rates established in this section may be changed by rates adopted by the pension funding council beginning July 1, 2021, consistent with (e) of this subsection.

(iii) The rates in this subsection (4) are subject to the limit established in subsection (2) of this section.

(d) Consistent with chapter 41.50 RCW, the department of retirement systems shall collect the employer contribution rates established in this section from each state institution of higher education, and deposit those contributions into the higher education retirement plan supplemental benefit fund under RCW 41.50.075(6). The contributions made by each employer into the higher education retirement plan supplemental benefit fund and the earnings on those contributions shall be accounted for separately within the fund.

(e) Following the completion and review of the actuarial valuations and experience study conducted pursuant to subsection (3) of this section, the pension funding council may, by July 31, 2020, and every two years thereafter, adopt and make changes to the employer contribution rates established in this subsection consistent with the procedures established in chapter 41.45 RCW. If the actuarial valuations of the higher education retirement plans of each institution contributing to the higher education retirement plan supplemental benefit fund suggest that different contribution rates are appropriate for each institution, different rates may be adopted. Rates adopted by the pension funding council are subject to revision by the legislature.

(f) (i) The rates adopted by the pension funding council must be designed to keep the cost of the higher education retirement plan supplemental benefits at a more level percentage of pay than a pay-as-you-go method. This more level percentage of pay of costs means a combination of the cost of supplemental benefits paid by the institution directly, plus the cost of contributions to the higher education retirement plan supplemental benefit fund. Contributions shall continue until the projected value of the funds equals the projected cost of future benefits for the institution.

(ii) Funds are anticipated to be accumulated in the higher education retirement plan supplemental benefit fund, and not expended on benefits until approximately the year 2035.

(iii) The pension funding council, in consultation with the state actuary, may choose and occasionally revise, a funding method designed to achieve these objectives. [2020 c 103 § 2; 2012 c 229 § 516; 2011 1st sp.s. c 47 § 7; 1973 1st ex.s. c 149 § 8.]

Findings—Intent—2020 c 103: "(1) The legislature finds that:

(a) Chapter 47, Laws of 2011 1st sp. sess. (Engrossed Substitute House Bill No. 1981) established a framework to allow the state's institutions of higher education to begin funding the unfunded portion of the defined benefit component of the higher education retirement plans.

(b) Moneys in the fund are being invested in short-term assets with low rates of return because there is no stated or clear pathway for when these funds will be used to pay benefits and that a stated strategy would allow these funds to be invested at a higher rate of return.

(c) The first actuarial analysis of the plans was completed in 2016, which provided information about projected future costs and potential institution specific rates that would allow benefits to be paid from the fund beginning in 2035.

(2) Therefore, the legislature intends the following:

(a) To establish institution specific contribution rates for each institutions of higher education supplemental benefit plan;

(b) The pension funding council will adjust the institution specific rates periodically based on updated experience and actuarial analyses to maintain progress towards funding the actuarial liabilities of each institution and to allow payment from the funds by 2035;

(c) Future contribution rates represent the cost of paying on a combined prefunded and pay-as-you-go basis in a way that reduces the year-to-year changes in cost that the higher education retirement plan supplemental benefit has under current law;

(d) The department of retirement systems assumes responsibility for administering the higher education retirement plan supplemental benefit fund when sufficient assets have been accumulated, as determined by the pension funding council;

(e) When sufficient funding has been accumulated to begin making benefit payments that the payments be made solely from that institution's portion of the higher education retirement plan supplemental benefit fund;

(f) That moneys in the fund be invested in a way to maximize returns." [2020 c 103 § 1.]

Effective date—2020 c 103: "This act takes effect July 1, 2020." [2020 c 103 § 8.]

Effective date—2012 c 229 §§ 101, 117, 401, 402, 501 through 594, 601 through 609, 701 through 708, 801 through 821, 902, and 904: See note following RCW 28B.77.005.

Intent—Effective dates—2011 1st sp.s. c 47: See notes following RCW 28B.10.400.

Severability—Appropriation—Effective date—1973 1st ex.s. c 149: See notes following RCW 28B.10.400.