
HOUSE BILL 1432

State of Washington 52nd Legislature 1991 Regular Session

By Representatives Belcher, Betrozoff, Hine, G. Fisher, McLean, Grant, Fraser, D. Sommers, Dorn, Brumsickle and Winsley.

Read first time January 29, 1991. Referred to Committee on Appropriations.

1 AN ACT Relating to private retirement accounts for certain teachers
2 and public employees; amending RCW 43.84.090, 41.32.350, and 41.40.330;
3 and adding new chapters to Title 41 RCW.

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

5 NEW SECTION. **Sec. 1.** (1) The purpose of this chapter is to
6 provide a supplemental retirement benefit opportunity for teachers who
7 are members of the teachers' retirement system plan I and have at least
8 thirty years of service credit.

9 (2) This chapter may be known and cited as the teachers' retirement
10 account act.

11 NEW SECTION. **Sec. 2.** Unless the context clearly requires
12 otherwise, the definitions in this section apply throughout this
13 chapter.

14 (1) "Plan" means the teacher retirement account plan.

1 (2) "Principal account" means the teacher retirement principal
2 account.

3 (3) "Member" means a teacher, who is a member of the teachers'
4 retirement system plan I, participating in the teacher retirement
5 account plan.

6 (4) "Administrative account" means the teacher retirement
7 administrative account.

8 (5) "Accumulated contributions" means the total amount contributed
9 to a member's account under section 9 of this act, together with any
10 interest and earnings that have been credited to the member's account.

11 NEW SECTION. **Sec. 3.** The teacher retirement account plan is
12 established for teachers who are members of the teachers' retirement
13 system plan I and have at least thirty years of service credit.

14 NEW SECTION. **Sec. 4.** The superintendent of public instruction
15 shall administer the plan. The superintendent shall:

16 (1) Deposit or invest contributions to the plan consistent with
17 section 8 of this act;

18 (2) Credit investment earnings or interest to individual teacher
19 retirement accounts consistent with section 7 of this act;

20 (3) Keep or cause to be kept full and adequate accounts and records
21 of the assets, obligations, transactions, and affairs of any teacher
22 retirement accounts created under this chapter;

23 (4) File an annual report of the financial condition, transactions,
24 and affairs of the teacher retirement accounts. A copy of the annual
25 report shall be filed with the speaker of the house of representatives,
26 the president of the senate, the governor, and the state auditor; and

27 (5) Adopt rules necessary to carry out this chapter.

1 NEW SECTION. **Sec. 5.** The superintendent of public instruction
2 shall be deemed to stand in a fiduciary relationship to the members
3 participating in the plan and shall discharge his or her duties in good
4 faith and with that diligence, care, and skill which ordinary prudent
5 persons would exercise under similar circumstances in like positions.

6 NEW SECTION. **Sec. 6.** The teachers' retirement principal
7 account is created in the state treasury. Any deficiency in the
8 teacher retirement administrative account caused by an excess of
9 administrative expenses disbursed from that account over earnings of
10 investments of balances credited to that account shall be transferred
11 to that account from the principal account.

12 The contributions under section 9 of this act shall be paid into
13 the principal account and shall be sufficient to cover costs of
14 administration and staffing in addition to such other amounts as
15 determined by the superintendent of public instruction. The principal
16 account shall be used to carry out the purposes of this chapter.

17 NEW SECTION. **Sec. 7.** The teacher retirement administrative
18 account is created in the state treasury. All expenses of the
19 superintendent of public instruction under this chapter, including
20 staffing and administrative expenses, shall be paid out of the
21 administrative account. All earnings of investments of balances in the
22 administrative account shall be credited to this account. Any excess
23 of earnings of investments of balances credited to this account over
24 administrative expenses disbursed from this account shall be expended
25 to the principal account. Any deficiency in the administrative account
26 caused by an excess of administrative expenses disbursed from this
27 account over earnings of investments of balances credited to this

1 account shall be transferred to this account from the principal
2 account.

3 NEW SECTION. **Sec. 8.** (1) The superintendent of public
4 instruction shall:

5 (a) Deposit or invest the contributions under section 9 of this act
6 in a credit union, savings and loan association, bank, or mutual
7 savings bank;

8 (b) Purchase life insurance, shares of an investment company, or
9 fixed and/or variable annuity contracts from any insurance company or
10 investment company licensed to contract business in this state; or

11 (c) Invest in any of the class of investments described in RCW
12 43.84.150.

13 (2) The state investment board or the committee for deferred
14 compensation, at the request of the superintendent of public
15 instruction may invest moneys in the principal account. Moneys
16 invested by the investment board shall be invested in accordance with
17 RCW 43.84.150. Moneys invested by the committee for deferred
18 compensation shall be invested in accordance with RCW 41.04.250.
19 Except as provided in RCW 43.33A.160 or as necessary to pay a pro rata
20 share of expenses incurred by the committee for deferred compensation,
21 one hundred percent of all earnings from these investments shall accrue
22 directly to the principal account. The earnings on any surplus
23 balances in the principal account shall be credited to the principal
24 account.

25 NEW SECTION. **Sec. 9.** (1) The plan shall be funded on a
26 voluntary basis at the rate of six percent which will be deducted from
27 each member's salary.

1 (2) The contributions shall be collected by the superintendent of
2 public instruction and deposited in the member's account within the
3 principal account.

4 NEW SECTION. **Sec. 10.** (1) A member who separates from service
5 for any reason is entitled to receive a lump sum distribution of the
6 member's accumulated contributions. The superintendent of public
7 instruction may adopt rules establishing other payment options, in
8 addition to lump sum distributions, if the other payment options
9 conform to the requirements of the federal internal revenue code.

10 (2) The right of a person to receive a payment under this chapter
11 and the moneys in the accounts created under this chapter are exempt
12 from any state, county, municipal, or other local tax and are not
13 subject to execution, garnishment, or any other process of law
14 whatsoever.

15 NEW SECTION. **Sec. 11.** If a member dies, the amount of the
16 accumulated contributions standing to the member's credit at the time
17 of the member's death shall be paid to such person or persons having an
18 insurable interest in the member's life as the member has nominated by
19 written designation duly executed and filed with the superintendent of
20 public instruction. If there is no such designated person or persons
21 still living at the time of the member's death, the member's
22 accumulated contributions shall be paid to the member's surviving
23 spouse as if in fact the spouse had been nominated by written
24 designation or, if there is no such surviving spouse, then to the
25 member's legal representatives.

26 **Sec. 12.** RCW 43.84.090 and 1990 2nd ex.s. c 1 s 203 are each
27 amended to read as follows:

1 Except as otherwise provided by RCW 43.250.030, 67.40.025, sections
2 7, 8, 21, and 22 of this act, and 82.14.050, twenty percent of all
3 income received from such investments shall be deposited in the state
4 general fund.

5 **Sec. 13.** RCW 41.32.350 and 1990 c 274 s 7 are each amended to read
6 as follows:

7 Member contributions shall be placed in the annuity fund, the
8 disability reserve fund and the death benefit fund. A member may make
9 an additional lump sum payment at date of retirement, not to exceed his
10 or her accumulated contributions, to purchase additional annuity. A
11 contribution of six percent of earnable compensation is required from
12 each member, except as provided under RCW 41.32.013 and except members
13 who have at least thirty years of service credit and who participate in
14 the teacher retirement account plan under section 3 of this act.

15 NEW SECTION. **Sec. 14.** Sections 1 through 11 of this act shall
16 constitute a new chapter in Title 41 RCW.

17 NEW SECTION. **Sec. 15.** (1) The purpose of this chapter is to
18 provide a supplemental retirement benefit opportunity for public
19 employees who are members of the public employees' retirement system
20 plan I and have at least thirty years of service credit.

21 (2) This chapter may be known and cited as the public employees'
22 retirement account act.

23 NEW SECTION. **Sec. 16.** Unless the context clearly requires
24 otherwise, the definitions in this section apply throughout this
25 chapter.

26 (1) "Plan" means the public employee retirement account plan.

1 (2) "Principal account" means the public employee retirement
2 principal account.

3 (3) "Member" means a public employee, who is a member of the public
4 employees' retirement system plan I, participating in the public
5 employee retirement account plan.

6 (4) "Administrative account" means the public employee retirement
7 administrative account.

8 (5) "Accumulated contributions" means the total amount contributed
9 to a member's account under section 23 of this act, together with any
10 interest and earnings that have been credited to the member's account.

11 NEW SECTION. **Sec. 17.** The public employee retirement account
12 plan is established for public employees who are members of the public
13 employees' retirement system plan I and have at least thirty years of
14 service credit.

15 NEW SECTION. **Sec. 18.** The director of personnel shall
16 administer the plan. The director shall:

17 (1) Deposit or invest contributions to the plan consistent with
18 section 22 of this act;

19 (2) Credit investment earnings or interest to individual public
20 employee retirement accounts consistent with section 21 of this act;

21 (3) Keep or cause to be kept full and adequate accounts and records
22 of the assets, obligations, transactions, and affairs of any public
23 employee retirement accounts created under this chapter;

24 (4) File an annual report of the financial condition, transactions,
25 and affairs of the public employee retirement accounts. A copy of the
26 annual report shall be filed with the speaker of the house of
27 representatives, the president of the senate, the governor, and the
28 state auditor; and

1 (5) Adopt rules necessary to carry out this chapter.

2 NEW SECTION. **Sec. 19.** The director of personnel shall be
3 deemed to stand in a fiduciary relationship to the members
4 participating in the plan and shall discharge his or her duties in good
5 faith and with that diligence, care, and skill which ordinary prudent
6 persons would exercise under similar circumstances in like positions.

7 NEW SECTION. **Sec. 20.** The public employee retirement principal
8 account is created in the state treasury. Any deficiency in the public
9 employee retirement administrative account caused by an excess of
10 administrative expenses disbursed from that account over earnings of
11 investments of balances credited to that account shall be transferred
12 to that account from the principal account.

13 The contributions under section 23 of this act shall be paid into
14 the principal account and shall be sufficient to cover costs of
15 administration and staffing in addition to such other amounts as
16 determined by the administrator for the courts. The principal account
17 shall be used to carry out the purposes of this chapter.

18 NEW SECTION. **Sec. 21.** The public employee retirement
19 administrative account is created in the state treasury. All expenses
20 of the director of personnel under this chapter, including staffing and
21 administrative expenses, shall be paid out of the administrative
22 account. All earnings of investments of balances in the administrative
23 account shall be credited to this account. Any excess of earnings of
24 investments of balances credited to this account over administrative
25 expenses disbursed from this account shall be expended to the principal
26 account. Any deficiency in the administrative account caused by an
27 excess of administrative expenses disbursed from this account over

1 earnings of investments of balances credited to this account shall be
2 transferred to this account from the principal account.

3 NEW SECTION. **Sec. 22.** (1) The director of personnel shall:

4 (a) Deposit or invest the contributions under section 23 of this
5 act in a credit union, savings and loan association, bank, or mutual
6 savings bank;

7 (b) Purchase life insurance, shares of an investment company, or
8 fixed and/or variable annuity contracts from any insurance company or
9 investment company licensed to contract business in this state; or

10 (c) Invest in any of the class of investments described in RCW
11 43.84.150.

12 (2) The state investment board or the committee for deferred
13 compensation, at the request of the director of personnel may invest
14 moneys in the principal account. Moneys invested by the investment
15 board shall be invested in accordance with RCW 43.84.150. Moneys
16 invested by the committee for deferred compensation shall be invested
17 in accordance with RCW 41.04.250. Except as provided in RCW 43.33A.160
18 or as necessary to pay a pro rata share of expenses incurred by the
19 committee for deferred compensation, one hundred percent of all
20 earnings from these investments shall accrue directly to the principal
21 account. The earnings on any surplus balances in the principal account
22 shall be credited to the principal account.

23 NEW SECTION. **Sec. 23.** (1) The plan shall be funded on a
24 voluntary basis at the rate of six percent which will be deducted from
25 each member's salary.

26 (2) The contributions shall be collected by the director of
27 personnel and deposited in the member's account within the principal
28 account.

1 NEW SECTION. **Sec. 24.** (1) A member who separates from service
2 for any reason is entitled to receive a lump sum distribution of the
3 member's accumulated contributions. The director of personnel may
4 adopt rules establishing other payment options, in addition to lump sum
5 distributions, if the other payment options conform to the requirements
6 of the federal internal revenue code.

7 (2) The right of a person to receive a payment under this chapter
8 and the moneys in the accounts created under this chapter are exempt
9 from any state, county, municipal, or other local tax and are not
10 subject to execution, garnishment, or any other process of law
11 whatsoever.

12 NEW SECTION. **Sec. 25.** If a member dies, the amount of the
13 accumulated contributions standing to the member's credit at the time
14 of the member's death shall be paid to such person or persons having an
15 insurable interest in the member's life as the member has nominated by
16 written designation duly executed and filed with the director of
17 personnel. If there is no such designated person or persons still
18 living at the time of the member's death, the member's accumulated
19 contributions shall be paid to the member's surviving spouse as if in
20 fact the spouse had been nominated by written designation or, if there
21 is no such surviving spouse, then to the member's legal
22 representatives.

23 **Sec. 26.** RCW 41.40.330 and 1990 c 8 s 4 are each amended to read
24 as follows:

25 (1) Each employee who is a member of the retirement system, except
26 members who have at least thirty years of service credit and
27 participate in the public employee retirement account plan under
28 section 17 of this act, shall contribute six percent of his or her

1 total compensation earnable. Effective January 1, 1987, however, no
2 contributions are required for any calendar month in which the member
3 is not granted service credit. The officer responsible for making up
4 the payroll shall deduct from the compensation of each member, on each
5 and every payroll of such member for each and every payroll period
6 subsequent to the date on which he or she became a member of the
7 retirement system the contribution as provided by this section.

8 (2) Any member may, pursuant to regulations formulated from time to
9 time by the department, provide for himself or herself, by means of an
10 increased rate of contribution to his or her account in the employees'
11 savings fund, an increased prospective retirement allowance pursuant to
12 RCW 41.40.190 and 41.40.185.

13 (3) The officer responsible for making up the payroll shall deduct
14 from the compensation of each member covered by the provisions of RCW
15 41.40.190(5) and 41.40.185(4) on each and every payroll of such member
16 for each and every payroll period subsequent to the date on which he or
17 she thereafter becomes a member of the retirement system, an amount
18 equal to seven and one-half percent of such member's compensation
19 earnable.

20 NEW SECTION. **Sec. 27.** Sections 15 through 25 of this act shall
21 constitute a new chapter in Title 41 RCW.