

HOUSE BILL 2097

State of Washington

62nd Legislature

2011 Regular Session

By Representatives Sullivan, McCoy, Sells, Reykdal, Billig, Pettigrew, Tharinger, Van De Wege, Upthegrove, Rolfes, Goodman, Blake, Moscoso, Fitzgibbon, Lytton, Stanford, Lias, Hope, Hunt, Ladenburg, Appleton, Morris, Green, Hurst, Roberts, Kenney, Eddy, Kirby, Ryu, Darneille, Finn, Maxwell, Seaquist, Carlyle, Dunshee, Ormsby, and Miloscia

Read first time 04/14/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to merging plan 1 and plan 2 of the law enforcement
2 officers' and firefighters' retirement system; amending RCW 41.26.080,
3 41.50.075, 41.26.710, 41.26.715, 41.26.717, 41.26.720, 41.26.725,
4 41.26.732, 41.45.010, 41.45.035, 41.45.050, 41.45.060, 41.45.0604,
5 41.45.067, 41.45.070, 41.04.278, and 41.50.255; reenacting and amending
6 RCW 43.84.092; and creating new sections.

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

8 NEW SECTION. **Sec. 1.** (1) The contribution rates charged to law
9 enforcement officers' and firefighters' plan 2 members, employers, and
10 the state for July 1, 2011, through June 30, 2013, shall be as follows:

11	Member.....	8.46%
12	Employer.....	5.08%
13	State.....	2.96%

14 (2) The rates in this section shall be increased to reflect the
15 cost of any additional benefits as provided for in RCW 41.45.070.

1 NEW SECTION. **Sec. 2.** Section 1 of this act is added to chapter
2 41.26 RCW, but because of its temporary nature, shall not be codified.

3 **Sec. 3.** RCW 41.26.080 and 2007 c 492 s 8 are each amended to read
4 as follows:

5 (1) Except as set forth under subsection (2) of this section, the
6 total liability of the plan 1 system shall be funded as follows:

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

9 (b) Every employer shall contribute monthly a sum equal to six
10 percent of the basic salary of each plan 1 employee who is a member of
11 this retirement system. The employer shall transmit the employee and
12 employer contributions with a copy of the payroll to the retirement
13 system monthly.

14 (c) The remaining liabilities of the plan 1 system shall be funded
15 as provided in chapter 41.45 RCW.

16 (d) Every member shall be deemed to consent and agree to the
17 contribution made and provided for herein, and shall receipt in full
18 for his or her salary or compensation. Payment less said contributions
19 shall be a complete discharge of all claims and demands whatsoever for
20 the services rendered by such person during the period covered by such
21 payments, except his or her claim to the benefits to which he or she
22 may be entitled under the provisions of this chapter.

23 (2) No employer or member contribution is required after June 30,
24 2000, unless the most recent valuation study for law enforcement
25 officers' and firefighters' retirement system plan 1 indicates the plan
26 has unfunded liabilities. The legislature clarifies the enactment of
27 section 907, chapter 1, Laws of 2000 2nd sp. sess. and affirms the
28 suspension of employer and member contributions to plan 1 of the law
29 enforcement officers' and firefighters' retirement system, effective
30 June 30, 2000, as provided in this subsection. The legislature intends
31 this 2007 amendment of this subsection to be curative, remedial, and
32 retrospectively applicable to June 30, 2000. Contributions for the law
33 enforcement officers' and firefighters' plan 1 shall be established by
34 the law enforcement officers' and firefighters' retirement board
35 beginning July 1, 2013, as provided in chapter 41.26 RCW.

1 **Sec. 4.** RCW 41.50.075 and 2004 c 242 s 44 are each amended to read
2 as follows:

3 (1) ~~((Two funds are hereby created and))~~ There is hereby
4 established in the state treasury ~~((to be known as))~~ the Washington law
5 enforcement officers' and firefighters' system ~~((plan 1))~~ retirement
6 fund~~((, and the Washington law enforcement officers' and firefighters'~~
7 ~~system plan 2 retirement fund))~~ which shall consist of all moneys paid
8 ~~((into them))~~ in accordance with the provisions of this chapter and
9 chapter 41.26 RCW, whether such moneys take the form of cash,
10 securities, or other assets~~((. The plan 1 fund shall consist of all~~
11 ~~moneys paid))~~ to finance the benefits provided to members of the law
12 enforcement officers' and firefighters' retirement system plan 1~~((, and~~
13 ~~the plan 2 fund shall consist of all moneys paid to finance))~~ and the
14 benefits provided to members of the law enforcement officers' and
15 firefighters' retirement system plan 2.

16 (2) All of the assets of the Washington state teachers' retirement
17 system shall be credited according to the purposes for which they are
18 held, to two funds to be maintained in the state treasury, namely, the
19 teachers' retirement system plan 1 fund and the teachers' retirement
20 system combined plan 2 and 3 fund. The plan 1 fund shall consist of
21 all moneys paid to finance the benefits provided to members of the
22 Washington state teachers' retirement system plan 1, and the combined
23 plan 2 and 3 fund shall consist of all moneys paid to finance the
24 benefits provided to members of the Washington state teachers'
25 retirement system plan 2 and 3.

26 (3) There is hereby established in the state treasury two separate
27 funds, namely the public employees' retirement system plan 1 fund and
28 the public employees' retirement system combined plan 2 and plan 3
29 fund. The plan 1 fund shall consist of all moneys paid to finance the
30 benefits provided to members of the public employees' retirement system
31 plan 1, and the combined plan 2 and plan 3 fund shall consist of all
32 moneys paid to finance the benefits provided to members of the public
33 employees' retirement system plans 2 and 3.

34 (4) There is hereby established in the state treasury the school
35 employees' retirement system combined plan 2 and 3 fund. The combined
36 plan 2 and 3 fund shall consist of all moneys paid to finance the
37 benefits provided to members of the school employees' retirement system
38 plan 2 and plan 3.

1 (5) There is hereby established in the state treasury the public
2 safety employees' retirement system plan 2 fund. The plan 2 fund shall
3 consist of all moneys paid to finance the benefits provided to members
4 of the public safety employees' retirement system plan 2.

5 **Sec. 5.** RCW 41.26.710 and 2003 c 2 s 3 are each amended to read as
6 follows:

7 The definitions in this section apply throughout this subchapter
8 unless the context clearly requires otherwise.

9 (1) "Member" or "beneficiary" means:

10 (a) Current and future law enforcement officers and firefighters
11 who are contributing to the plan;

12 (b) Retired employees or their named beneficiaries who receive
13 benefits from the plan; and

14 (c) Separated vested members of the plan who are not currently
15 receiving benefits.

16 (2) "Plan" means the law enforcement officers' and firefighters'
17 retirement system plan 1 or plan 2.

18 (3) "Actuary" means the actuary employed by the board of trustees.

19 (4) "State actuary" means the actuary employed by the department.

20 (5) "Board" means the board of trustees.

21 (6) "Board member" means a member of the board of trustees.

22 (7) "Department" means the department of retirement systems.

23 (8) "Minimum benefits" means those benefits provided for in chapter
24 41.26 RCW as of July 1, 2003.

25 (9) "Employer" means the same as under RCW 41.26.030(~~(+2)~~)
26 (14)(b).

27 (10) "Enrolled actuary" means an actuary who is enrolled under the
28 employee retirement income security act of 1974 (Subtitle C of Title
29 III) and who is a member of the society of actuaries or the American
30 academy of actuaries.

31 (11) "Increased benefit" means a benefit in addition to the minimum
32 benefits.

33 (12) "Trust" means the assets of the (~~plan~~) system.

34 (13) "Benefits" means the age or service or combination thereof
35 required for retirement, the level of service and disability retirement
36 benefits, survivorship benefits, payment options including a deferred
37 retirement option plan, average final compensation, postretirement

1 cost-of-living adjustments, including health care and the elements of
2 compensation. Benefits shall not include the classifications of
3 employment eligible to participate in the plan.

4 (14) "Actuarially sound" means the (~~plan~~) system is sufficiently
5 funded to meet its projected liabilities and to defray the reasonable
6 expenses of its operation based upon commonly accepted, sound actuarial
7 principles.

8 (15) "System" means the law enforcement officers' and firefighters'
9 retirement system established in RCW 41.50.075.

10 **Sec. 6.** RCW 41.26.715 and 2007 c 303 s 1 are each amended to read
11 as follows:

12 (1) An eleven member board of trustees is hereby created.

13 (a) Before January 1, 2007, three of the board members shall be
14 active law enforcement officers who are participants in the plan.
15 Beginning with the first vacancy on or after January 1, 2007, two board
16 members shall be active law enforcement officers who are participants
17 in the plan and one board member shall be either an active or a retired
18 law enforcement officer who is a participant of the plan. The law
19 enforcement officer board members shall be appointed by the governor
20 from a list provided by a recognized statewide council whose membership
21 consists exclusively of guilds, associations, and unions representing
22 state and local government police officers, deputies, and sheriffs and
23 excludes federal law enforcement officers.

24 (b) Before January 1, 2007, three of the board members shall be
25 active firefighters who are participants in the plan. Beginning with
26 the first vacancy on or after January 1, 2007, two board members shall
27 be active firefighters who are participants in the plan and one board
28 member shall be either an active or a retired firefighter who is a
29 participant of the plan. The firefighter board members shall be
30 appointed by the governor from a list provided by a recognized
31 statewide council, affiliated with an international association
32 representing the interests of firefighters.

33 (c) Three of the board members shall be representatives of
34 employers and shall be appointed by the governor.

35 (d) One board member shall be a member of the house of
36 representatives who is appointed by the governor based on the
37 recommendation of the speaker of the house of representatives.

1 (e) One board member shall be a member of the senate who is
2 appointed by the governor based on the recommendation of the majority
3 leader of the senate.

4 (f) After January 1, 2008, at least one board member must be a
5 retired participant of the law enforcement officers' and firefighters'
6 retirement system (~~(plan-2)~~). This member may be appointed under (a)
7 through (e) of this subsection.

8 (2) The initial law enforcement officer and firefighter board
9 members shall serve terms of six, four, and two years, respectively.
10 Thereafter, law enforcement officer and firefighter board members serve
11 terms of six years. The initial employer representative board members
12 shall serve terms of four, five, and six years, respectively.
13 Thereafter, employer representative board members serve terms of four
14 years. The initial legislative board members shall serve terms of five
15 years and six months. Thereafter, legislative board members serve
16 terms of two years, which begin on January 1st of odd-numbered years.
17 Board members may be reappointed to succeeding terms without
18 limitation. Board members shall serve until their successors are
19 appointed and seated.

20 (3) In the event of a vacancy on the board, the vacancy shall be
21 filled in the same manner as prescribed for an initial appointment.

22 **Sec. 7.** RCW 41.26.717 and 2003 c 92 s 1 are each amended to read
23 as follows:

24 The law enforcement officers' and firefighters' (~~(plan-2)~~)
25 retirement board established in section 4, chapter 2, Laws of 2003 has
26 the following duties and powers in addition to any other duties or
27 powers authorized or required by law. The board:

28 (1) Shall employ staff as necessary to implement the purposes of
29 chapter 2, Laws of 2003 and this act. Staff must be state employees
30 under Title 41 RCW;

31 (2) Shall adopt an annual budget as provided in section 5, chapter
32 2, Laws of 2003. Expenses of the board are paid from the expense fund
33 created in RCW 41.26.732;

34 (3) May make, execute, and deliver contracts, conveyances, and
35 other instruments necessary to exercise and discharge its powers and
36 duties;

1 (4) May contract for all or part of the services necessary for the
2 management and operation of the board with other state or nonstate
3 entities authorized to do business in the state; and

4 (5) May contract with actuaries, auditors, and other consultants as
5 necessary to carry out its responsibilities.

6 **Sec. 8.** RCW 41.26.720 and 2008 c 99 s 5 are each amended to read
7 as follows:

8 (1) The board of trustees have the following powers and duties and
9 shall:

10 (a) Adopt actuarial tables, assumptions, and cost methodologies in
11 consultation with an enrolled actuary retained by the board. These
12 actions shall not be subject to legislative revision. The state
13 actuary shall provide assistance when the board requests. The actuary
14 retained by the board shall utilize the aggregate actuarial cost
15 method, or other recognized actuarial cost method based on a level
16 percentage of payroll, as that term is employed by the American academy
17 of actuaries. The actuary retained by the board shall adjust the
18 actuarial cost method to recognize the actuarial present value of
19 future revenue that will be included in the calculation of the market
20 value of assets pursuant to RCW 41.26.805(2), using the methods and
21 assumptions employed by the state actuary in RCW 41.26.805(9). In
22 determining the reasonableness of actuarial valuations, assumptions,
23 and cost methodologies, the actuary retained by the board shall provide
24 a copy of all such calculations to the state actuary. If the two
25 actuaries concur on the calculations, contributions shall be made as
26 set forth in the report of the board's actuary. If the two actuaries
27 cannot agree, they shall appoint a third, independent, enrolled actuary
28 who shall review the calculations of the actuary retained by the board
29 and the state actuary. Thereafter, contributions shall be based on the
30 methodology most closely following that of the third actuary;

31 (b)(i) Provide for the design and implementation of increased
32 benefits for members and beneficiaries of the plan, subject to the
33 contribution limitations under RCW 41.26.725. An increased benefit may
34 not be approved by the board until an actuarial cost of the benefit has
35 been determined by the actuary and contribution rates adjusted as may
36 be required to maintain the plan on a sound actuarial basis. Increased
37 benefits as approved by the board shall be presented to the legislature

1 on January 1st of each year. The increased benefits as approved by the
2 board shall become effective within ninety days unless a bill is
3 enacted in the next ensuing session of the legislature, by majority
4 vote of each house of the legislature, repealing the action of the
5 board;

6 (ii) As an alternative to the procedure in (b)(i) of this
7 subsection, recommend to the legislature changes in the benefits for
8 members and beneficiaries, without regard to the cost limitations in
9 RCW 41.26.725(3). Benefits adopted in this manner shall have the same
10 contractual protections as the minimum benefits in the plan. The
11 recommendations of the board shall be presented to the legislature on
12 January 1st of each year. These measures shall take precedence over
13 all other measures in the legislature, except appropriations bills, and
14 shall be either enacted or rejected without change or amendment by the
15 legislature before the end of such regular session;

16 (c) Retain professional and technical advisors necessary for the
17 accomplishment of its duties. The cost of these services may be
18 withdrawn from the trust;

19 (d) Consult with the department for the purpose of improving
20 benefit administration and member services;

21 (e) Provide an annual report to the governor and the legislature
22 setting forth the actuarial funding status of the plan and making
23 recommendations for improvements in those aspects of retirement
24 administration directed by the legislature or administered by the
25 department;

26 (f) Establish uniform administrative rules and operating policies
27 in the manner prescribed by law;

28 (g) Engage administrative staff and acquire office space
29 independent of, or in conjunction with, the department. The department
30 shall provide funding from its budget for these purposes;

31 (h) Publish on an annual basis a schedule of increased benefits
32 together with a summary of the minimum benefits as established by the
33 legislature which shall constitute the official plan document; and

34 (i) Be the fiduciary of the plan and discharge the board's duties
35 solely in the interest of the members and beneficiaries of the plan.

36 (2) Meetings of the board of trustees shall be conducted as
37 follows:

1 (a) All board meetings are open to the public, preceded by timely
2 public notice;

3 (b) All actions of the board shall be taken in open public session,
4 except for those matters which may be considered in executive session
5 as provided by law;

6 (c) The board shall retain minutes of each meeting setting forth
7 the names of those board members present and absent, and their voting
8 record on any voted issue; and

9 (d) The board may establish, with the assistance of the appropriate
10 office of state government, an internet web site providing for
11 interactive communication with state government, members and
12 beneficiaries of the plan, and the public.

13 (3) A quorum of the board is six board members. All board actions
14 require six concurring votes.

15 (4) The decisions of the board shall be made in good faith and are
16 final, binding, and conclusive on all parties. The decisions of the
17 board shall be subject to judicial review as provided by law.

18 (5) A law enforcement officers' and firefighters' retirement system
19 (~~(plan 2)~~) expense fund is established for the purpose of defraying the
20 expenses of the board. The board shall cause an annual budget to be
21 prepared consistent with the requirements of chapter 43.88 RCW and
22 shall draw the funding for the budget from the investment income of the
23 trust. Board members shall be reimbursed for travel and education
24 expenses as provided in RCW 43.03.050 and 43.03.060. The board shall
25 make an annual report to the governor, legislature, and state auditor
26 setting forth a summary of the costs and expenditures of the plan for
27 the preceding year. The board shall also retain the services of an
28 independent, certified public accountant who shall annually audit the
29 expenses of the fund and whose report shall be included in the board's
30 annual report.

31 **Sec. 9.** RCW 41.26.725 and 2003 c 93 s 1 are each amended to read
32 as follows:

33 (1) The board of trustees shall establish contributions as set
34 forth in this section. The cost of the minimum benefits as defined in
35 (~~(this)~~) plan 2 shall be funded on the following ratio:

36	Employee contributions	50%
37	Employer contributions	30%

1 State contributions 20%

2 (2) The minimum benefits shall constitute a contractual obligation
3 of the state and the contributing employers and may not be reduced
4 below the levels in effect on July 1, 2003. The state and the
5 contributing employers shall maintain the minimum benefits on a sound
6 actuarial basis in accordance with the actuarial standards adopted by
7 the board.

8 (3) Increased benefits created as provided for in RCW 41.26.720 are
9 granted on a basis not to exceed the contributions provided for in this
10 section. In addition to the contributions necessary to maintain the
11 minimum benefits, for any increased benefits provided for by the board,
12 the employee contribution shall not exceed fifty percent of the
13 actuarial cost of the benefit. In no instance shall the employee cost
14 exceed ten percent of covered payroll without the consent of a majority
15 of the affected employees. Employer contributions shall not exceed
16 thirty percent of the cost, but in no instance shall the employer
17 contribution exceed six percent of covered payroll. State
18 contributions shall not exceed twenty percent of the cost, but in no
19 instance shall the state contribution exceed four percent of covered
20 payroll. Employer contributions may not be increased above the maximum
21 under this section without the consent of the governing body of the
22 employer. State contributions may not be increased above the maximum
23 provided for in this section without the consent of the legislature.
24 In the event that the cost of maintaining the increased benefits on a
25 sound actuarial basis exceeds the aggregate contributions provided for
26 in this section, the board shall submit to the affected members of the
27 plan the option of paying the increased costs or of having the
28 increased benefits reduced to a level sufficient to be maintained by
29 the aggregate contributions. The reduction of benefits in accordance
30 with this section shall not be deemed a violation of the contractual
31 rights of the members, provided that no reduction may result in
32 benefits being lower than the level of the minimum benefits.

33 (4) The board shall manage the trust in a manner that maintains
34 reasonable contributions and administrative costs. Providing
35 additional benefits to members and beneficiaries is the board's
36 priority.

1 **Sec. 10.** RCW 41.26.732 and 2003 c 92 s 6 are each amended to read
2 as follows:

3 (1) A law enforcement officers' and firefighters' retirement system
4 (~~(plan-2)~~) expense fund is created within the law enforcement officers'
5 and firefighters' retirement system (~~(plan-2)~~) fund.

6 (2) The state investment board has the full power to invest,
7 reinvest, manage, contract, sell, or exchange investment money in the
8 expense fund. The state investment board is authorized to adopt
9 investment policies for the money in the expense fund. All investment
10 and operating costs associated with the investment of money shall be
11 paid pursuant to RCW 43.33A.160 and 43.84.160. With the exception of
12 these expenses, the earnings from the investment of the money shall be
13 retained by the law enforcement officers' and firefighters' retirement
14 system plan 2 fund.

15 (3) All investments made by the investment board shall be made with
16 the exercise of that degree of judgment and care pursuant to RCW
17 43.33A.140 and the investment policy established by the state
18 investment board.

19 (4) When appropriate for investment purposes, the state investment
20 board may commingle money in the expense fund with other funds.

21 (5) The authority to establish all policies relating to the expense
22 fund, other than the investment policies as set forth in subsections
23 (2) through (4) of this section, resides with the law enforcement
24 officers' and firefighters' (~~(plan-2)~~) retirement board. With the
25 exception of investments by, and expenses of, the state investment
26 board set forth in subsection (2) of this section, disbursements from
27 this expense fund may be made only on the authorization of the law
28 enforcement officers' and firefighters' (~~(plan-2)~~) retirement board,
29 and money in the expense fund may be spent only for the purposes of
30 defraying the expenses of the law enforcement officers' and
31 firefighters' (~~(plan-2)~~) retirement board as provided in (~~(section-5,~~
32 ~~chapter 2, Laws of 2003)) RCW 41.26.720.~~

33 (6) The state investment board shall routinely consult and
34 communicate with the law enforcement officers' and firefighters' (~~(plan~~
35 ~~2)) retirement board on the investment policy, earnings of the trust,
36 and related needs of the expense fund.~~

37 (7) The law enforcement officers' and firefighters' (~~(plan-2)~~)
38 retirement board shall administer the expense fund in a manner

1 reasonably designed to be actuarially sound. The assets of the expense
2 fund must be sufficient to defray the obligations of the account
3 including the costs of administration. Money used for administrative
4 expenses is not subject to the allotment of all expenditures pursuant
5 to chapter 43.88 RCW. (~~However,~~) An appropriation is not required
6 for expenditures. Administrative expenses include, but are not limited
7 to, the salaries and expenses of law enforcement officers' and
8 firefighters' (~~plan-2~~) retirement board personnel including lease
9 payments, travel, and goods and services necessary for operation of the
10 board, audits, and other general costs of conducting the business of
11 the board.

12 (8) The state investment board shall allocate from the law
13 enforcement officers' and firefighters' retirement system (~~plan-2~~)
14 fund to the expense fund the amount necessary to cover the expenses of
15 the law enforcement officers' and firefighters' (~~plan-2~~) retirement
16 board.

17 **Sec. 11.** RCW 41.45.010 and 2009 c 561 s 1 are each amended to read
18 as follows:

19 It is the intent of the legislature to provide a dependable and
20 systematic process for funding the benefits provided to members and
21 retirees of the public employees' retirement system, chapter 41.40 RCW;
22 the teachers' retirement system, chapter 41.32 RCW; the law enforcement
23 officers' and firefighters' retirement systems, chapter 41.26 RCW; the
24 school employees' retirement system, chapter 41.35 RCW; the public
25 safety employees' retirement system, chapter 41.37 RCW; and the
26 Washington state patrol retirement system, chapter 43.43 RCW.

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

29 (1) To fully fund the public employees' retirement system plans 2
30 and 3, the teachers' retirement system plans 2 and 3, the school
31 employees' retirement system plans 2 and 3, the public safety
32 employees' retirement system plan 2, and the law enforcement officers'
33 and firefighters' retirement system (~~plan-2~~) as provided by law;

34 (2) (~~To fully amortize the total costs of the law enforcement~~
35 ~~officers' and firefighters' retirement system plan 1, not later than~~
36 ~~June 30, 2024;~~

1 ~~(3)~~) To fully amortize the unfunded actuarial accrued liability in
2 the public employees' retirement system plan 1 and the teachers'
3 retirement system plan 1 within a rolling ten-year period, using
4 methods and assumptions that balance needs for increased benefit
5 security, decreased contribution rate volatility, and affordability of
6 pension contribution rates;

7 ~~((4))~~ (3) To establish long-term employer contribution rates
8 which will remain a relatively predictable proportion of the future
9 state budgets; and

10 ~~((5))~~ (4) To fund, to the extent feasible, all benefits for plan
11 2 and 3 members over the working lives of those members so that the
12 cost of those benefits are paid by the taxpayers who receive the
13 benefit of those members' service.

14 **Sec. 12.** RCW 41.45.035 and 2009 c 561 s 2 are each amended to read
15 as follows:

16 (1) Beginning July 1, 2001, the following long-term economic
17 assumptions shall be used by the state actuary for the purposes of RCW
18 41.45.030:

19 (a) The growth in inflation assumption shall be 3.5 percent;

20 (b) The growth in salaries assumption, exclusive of merit or
21 longevity increases, shall be 4.5 percent;

22 (c) The investment rate of return assumption shall be 8 percent;
23 and

24 (d) The growth in system membership assumption shall be 1.25
25 percent for the public employees' retirement system, the public safety
26 employees' retirement system, the school employees' retirement system,
27 and the law enforcement officers' and firefighters' retirement system.
28 The assumption shall be .90 percent for the teachers' retirement
29 system.

30 (2) Beginning July 1, 2009, the growth in salaries assumption for
31 the public employees' retirement system, the public safety employees'
32 retirement system, the teachers' retirement system, the school
33 employees' retirement system, ~~((plan 1 of the law enforcement officers'
34 and firefighters' retirement system,))~~ and the Washington state patrol
35 retirement system, exclusive of merit or longevity increases, shall be
36 the sum of:

1 (a) The growth in inflation assumption in subsection (1)(a) of this
2 section; and

3 (b) The productivity growth assumption of 0.5 percent.

4 (3)(a) Beginning with actuarial studies done after July 1, 2003,
5 changes to plan asset values that vary from the long-term investment
6 rate of return assumption shall be recognized in the actuarial value of
7 assets over a period that varies up to eight years depending on the
8 magnitude of the deviation of each year's investment rate of return
9 relative to the long-term rate of return assumption. Beginning with
10 actuarial studies performed after July 1, 2004, the actuarial value of
11 assets shall not be greater than one hundred thirty percent of the
12 market value of assets as of the valuation date or less than seventy
13 percent of the market value of assets as of the valuation date.
14 Beginning April 1, 2004, the council, by affirmative vote of four
15 councilmembers, may adopt changes to this asset value smoothing
16 technique. Any changes adopted by the council shall be subject to
17 revision by the legislature.

18 (b) The state actuary shall periodically review the appropriateness
19 of the asset smoothing method in this section and recommend changes to
20 the council as necessary. Any changes adopted by the council shall be
21 subject to revision by the legislature.

22 (4) Changes in the long-term economic assumptions, recognition of
23 asset values that vary from the long-term investment rate of
24 assumption, or limits on the extent to which the market value of assets
25 can deviate from the actuarial value of assets used in actuarial
26 studies on the law enforcement officers' and firefighters' retirement
27 system shall be adopted by the law enforcement officers' and
28 firefighters' retirement board pursuant to RCW 41.26.720. Any changes
29 adopted by the board shall not be subject to revision by the
30 legislature.

31 **Sec. 13.** RCW 41.45.050 and 2004 c 242 s 38 are each amended to
32 read as follows:

33 (1) Employers of members of the public employees' retirement
34 system, the teachers' retirement system, the school employees'
35 retirement system, the public safety employees' retirement system, and
36 the Washington state patrol retirement system shall make contributions

1 to those systems based on the rates established in RCW 41.45.060 and
2 41.45.070.

3 (2) The state shall make contributions to the law enforcement
4 officers' and firefighters' retirement system (~~(plan-2)~~) based on the
5 rates established in RCW 41.45.060 and 41.45.070. The state treasurer
6 shall transfer the required contributions each month on the basis of
7 salary data provided by the department.

8 (3) The department shall bill employers, and the state shall make
9 contributions to the law enforcement officers' and firefighters'
10 retirement system (~~(plan-2)~~), using the combined rates established in
11 RCW 41.45.060 and 41.45.070 regardless of the level of appropriation
12 provided in the biennial budget. Any member of an affected retirement
13 system may, by mandamus or other appropriate proceeding, require the
14 transfer and payment of funds as directed in this section.

15 (4) The contributions received for the public employees' retirement
16 system shall be allocated between the public employees' retirement
17 system plan 1 fund and the public employees' retirement system combined
18 plan 2 and plan 3 fund as follows: The contributions necessary to
19 fully fund the public employees' retirement system combined plan 2 and
20 plan 3 employer contribution shall first be deposited in the public
21 employees' retirement system combined plan 2 and plan 3 fund. All
22 remaining public employees' retirement system employer contributions
23 shall be deposited in the public employees' retirement system plan 1
24 fund.

25 (5) The contributions received for the teachers' retirement system
26 shall be allocated between the plan 1 fund and the combined plan 2 and
27 plan 3 fund as follows: The contributions necessary to fully fund the
28 combined plan 2 and plan 3 employer contribution shall first be
29 deposited in the combined plan 2 and plan 3 fund. All remaining
30 teachers' retirement system employer contributions shall be deposited
31 in the plan 1 fund.

32 (6) The contributions received for the school employees' retirement
33 system shall be allocated between the public employees' retirement
34 system plan 1 fund and the school employees' retirement system combined
35 plan 2 and plan 3 fund as follows: The contributions necessary to
36 fully fund the combined plan 2 and plan 3 employer contribution shall
37 first be deposited in the combined plan 2 and plan 3 fund. All

1 remaining school employees' retirement system employer contributions
2 shall be deposited in the public employees' retirement system plan 1
3 fund.

4 (7) The contributions received for the law enforcement officers'
5 and firefighters' retirement system (~~(plan-2)~~) shall be deposited in
6 the law enforcement officers' and firefighters' retirement system
7 (~~(plan-2)~~) fund.

8 (8) The contributions received for the public safety employees'
9 retirement system shall be allocated between the public employees'
10 retirement system plan 1 fund and the public safety employees'
11 retirement system plan 2 fund as follows: The contributions necessary
12 to fully fund the plan 2 employer contribution shall first be deposited
13 in the plan 2 fund. All remaining public safety employees' retirement
14 system employer contributions shall be deposited in the public
15 employees' retirement system plan 1 fund.

16 **Sec. 14.** RCW 41.45.060 and 2009 c 561 s 3 are each amended to read
17 as follows:

18 (1) The state actuary shall provide preliminary actuarial valuation
19 results based on the economic assumptions and asset value smoothing
20 technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or
21 41.45.035.

22 (2) Not later than July 31, 2008, and every two years thereafter,
23 consistent with the economic assumptions and asset value smoothing
24 technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or
25 41.45.035, the council shall adopt and may make changes to:

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

28 ~~(b))~~) Basic employer contribution rates for the public employees'
29 retirement system, the teachers' retirement system, and the Washington
30 state patrol retirement system; and

31 ~~((e))~~) (b) Basic employer contribution rates for the school
32 employees' retirement system and the public safety employees'
33 retirement system for funding both those systems and the public
34 employees' retirement system plan 1.

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

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

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

6 ~~(b))~~) To fully fund the public employees' retirement system plans
7 2 and 3, the teachers' retirement system plans 2 and 3, the public
8 safety employees' retirement system plan 2, and the school employees'
9 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
10 41.45.067, and this section; and

11 ~~((c))~~) (b) To fully fund the public employees' retirement system
12 plan 1 and the teachers' retirement system plan 1 in accordance with
13 RCW 41.45.070, 41.45.150, and this section.

14 (4) The aggregate actuarial cost method shall be used to calculate
15 a combined plan 2 and 3 normal cost, a Washington state patrol
16 retirement system normal cost, and a public safety employees'
17 retirement system normal cost.

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

22 (6) The employer contribution rate for the public employees'
23 retirement system and the school employees' retirement system shall
24 equal the sum of:

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

28 (b) The amount required to amortize the unfunded actuarial accrued
29 liability in plan 1 of the public employees' retirement system over a
30 rolling ten-year period using projected future salary growth and growth
31 in system membership, and subject to any minimum or maximum rates
32 applied pursuant to RCW 41.45.150; plus

33 (c) The amounts required to amortize the costs of any benefit
34 improvements in plan 1 of the public employees' retirement system that
35 become effective after June 30, 2009. The cost of each benefit
36 improvement shall be amortized over a fixed ten-year period using
37 projected future salary growth and growth in system membership. The

1 amounts required under this subsection are not subject to, and are
2 collected in addition to, any minimum or maximum rates applied pursuant
3 to RCW 41.45.150.

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

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

8 (b) The amount required to amortize the unfunded actuarial accrued
9 liability in plan 1 of the public employees' retirement system over a
10 rolling ten-year period using projected future salary growth and growth
11 in system membership, and subject to any minimum or maximum rates
12 applied pursuant to RCW 41.45.150; plus

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

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

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

26 (b) The amount required to amortize the unfunded actuarial accrued
27 liability in plan 1 of the teachers' retirement system over a rolling
28 ten-year period using projected future salary growth and growth in
29 system membership, and subject to any minimum or maximum rates applied
30 pursuant to RCW 41.45.150; plus

31 (c) The amounts required to amortize the costs of any benefit
32 improvements in plan 1 of the teachers' retirement system that become
33 effective after June 30, 2009. The cost of each benefit improvement
34 shall be amortized over a fixed ten-year period using projected future
35 salary growth and growth in system membership. The amounts required
36 under this subsection are not subject to, and are collected in addition
37 to, any minimum or maximum rates applied pursuant to RCW 41.45.150.

1 (9) The council shall immediately notify the directors of the
2 office of financial management and department of retirement systems of
3 the state and employer contribution rates adopted. The rates shall be
4 effective for the ensuing biennial period, subject to any legislative
5 modifications.

6 (10) The director shall collect those rates adopted by the council.
7 The rates established in RCW 41.45.062, or by the council, shall be
8 subject to revision by the legislature.

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

13 **Sec. 15.** RCW 41.45.0604 and 2007 c 280 s 3 are each amended to
14 read as follows:

15 (1) Not later than July 31, (~~(2008)~~) 2012, and every even-numbered
16 year thereafter, the law enforcement officers' and firefighters' (~~(plan~~
17 ~~2))~~ retirement board shall adopt contribution rates for the law
18 enforcement officers' and firefighters' retirement system plan 1 and
19 plan 2 as provided in RCW 41.26.720(1)(a).

20 (2) The law enforcement officers' and firefighters' plan 2
21 retirement board shall immediately notify the directors of the office
22 of financial management and department of retirement systems of the
23 state, employer, and employee rates adopted. Thereafter, the director
24 shall collect those rates adopted by the board. The rates shall be
25 effective for the ensuing biennial period, and are not subject to any
26 legislative modifications.

27 **Sec. 16.** RCW 41.45.067 and 2001 2nd sp.s. c 11 s 14 are each
28 amended to read as follows:

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

33 (2) The director shall notify all employers of any pending
34 adjustment in the required contribution rate and such pending
35 adjustment in the required contribution rate and any increase shall be

1 announced at least thirty days prior to the effective date of the
2 change.

3 (3) Members' contributions required by RCW 41.45.060 and 41.45.061
4 shall be deducted from the members' compensation each payroll period.
5 The members' contribution and the employers' contribution shall be
6 remitted directly to the department within fifteen days following the
7 end of the calendar month during which the payroll period ends.

8 (4) The state's contribution required for the law enforcement
9 officers' and firefighters' retirement system plan 1 or plan 2 shall be
10 transferred to the appropriate fund from the total contributions
11 transferred by the state treasurer under RCW 41.45.050.

12 **Sec. 17.** RCW 41.45.070 and 2009 c 561 s 4 are each amended to read
13 as follows:

14 (1) In addition to the basic employer contribution rate established
15 in RCW 41.45.060 (~~or 41.45.054~~), the department shall also charge
16 employers of public employees' retirement system, teachers' retirement
17 system, school employees' retirement system, public safety employees'
18 retirement system, or Washington state patrol retirement system members
19 an additional supplemental rate to pay for the cost of additional
20 benefits, if any, granted to members of those systems. Except as
21 provided in subsections (6), (7), and (9) of this section, the
22 supplemental contribution rates required by this section shall be
23 calculated by the state actuary and shall be charged regardless of
24 language to the contrary contained in the statute which authorizes
25 additional benefits.

26 (2) In addition to the basic member, employer, and state
27 contribution rate established in RCW 41.45.0604 for the law enforcement
28 officers' and firefighters' retirement system (~~plan 2~~), the
29 department shall also establish supplemental rates to pay for the cost
30 of additional benefits, if any, granted to members of the law
31 enforcement officers' and firefighters' retirement system (~~plan 2~~).
32 Except as provided in subsection (6) of this section, these
33 supplemental rates shall be calculated by the actuary retained by the
34 law enforcement officers' and firefighters' board and the state actuary
35 through the process provided in RCW 41.26.720(1)(a) and the state
36 treasurer shall transfer the additional required contributions

1 regardless of language to the contrary contained in the statute which
2 authorizes the additional benefits.

3 (3) Beginning July 1, 2009, the supplemental rate charged under
4 this section to fund benefit increases provided to active members of
5 the public employees' retirement system plan 1 and the teachers'
6 retirement system plan 1 shall be calculated as the level percentage of
7 all system pay needed to fund the cost of the benefit over a fixed ten-
8 year period, using projected future salary growth and growth in system
9 membership. The supplemental rate to fund benefit increases provided
10 to active members of the public employees' retirement system plan 1
11 shall be charged to all system employers in the public employees'
12 retirement system, the school employees' retirement system, and the
13 public safety employees' retirement system. The supplemental rate to
14 fund benefit increases provided to active members of the teachers'
15 retirement system plan 1 shall be charged to all system employers in
16 the teachers' retirement system.

17 (4) The supplemental rate charged under this section to fund
18 benefit increases provided to active and retired members of the public
19 employees' retirement system plan 2 and plan 3, the teachers'
20 retirement system plan 2 and plan 3, the public safety employees'
21 retirement system plan 2, the school employees' retirement system plan
22 2 and plan 3, or the Washington state patrol retirement system shall be
23 calculated as the level percentage of all members' pay needed to fund
24 the cost of the benefit, as calculated under RCW 41.45.060, 41.45.061,
25 41.45.0631, or 41.45.067.

26 (5) The supplemental rate charged under this section to fund
27 postretirement adjustments which are provided on a nonautomatic basis
28 to current retirees shall be calculated as the percentage of pay needed
29 to fund the adjustments as they are paid to the retirees. Beginning
30 July 1, 2009, the supplemental rate charged under this section to fund
31 increases in the automatic postretirement adjustments for active or
32 retired members of the public employees' retirement system plan 1 and
33 the teachers' retirement system plan 1 shall be calculated as the level
34 percentage of pay needed to fund the cost of the automatic adjustments
35 over a fixed ten-year period, using projected future salary growth and
36 growth in system membership. The supplemental rate to fund increases
37 in the automatic postretirement adjustments for active members or
38 retired members of the public employees' retirement system plan 1 shall

1 be charged to all system employers in the public employees' retirement
2 system, the school employees' retirement system, and the public safety
3 employees' retirement system. The supplemental rate to fund increases
4 in automatic postretirement adjustments for active members or retired
5 members of the teachers' retirement system plan 1 shall be charged to
6 all system employers in the teachers' retirement system.

7 (6) A supplemental rate shall not be charged to pay for the cost of
8 additional benefits granted to members pursuant to chapter 340, Laws of
9 1998.

10 (7) A supplemental rate shall not be charged to pay for the cost of
11 additional benefits granted to members pursuant to chapter 41.31A RCW;
12 section 309, chapter 341, Laws of 1998; or section 701, chapter 341,
13 Laws of 1998.

14 (8) A supplemental rate shall not be charged to pay for the cost of
15 additional benefits granted to members and survivors pursuant to
16 chapter 94, Laws of 2006.

17 (9) A supplemental rate shall not be charged to pay for the cost of
18 the additional benefits granted to members of the teachers' retirement
19 system and the school employees' retirement system plans 2 and 3 in
20 sections 2, 4, 6, and 8, chapter 491, Laws of 2007 until September 1,
21 2008. A supplemental rate shall not be charged to pay for the cost of
22 the additional benefits granted to members of the public employees'
23 retirement system plans 2 and 3 under sections 9 and 10, chapter 491,
24 Laws of 2007 until July 1, 2008.

25 **Sec. 18.** RCW 41.04.278 and 2006 c 309 s 4 are each amended to read
26 as follows:

27 (1) The select committee on pension policy may form three function-
28 specific subcommittees, as set forth under subsection (2) of this
29 section, from the members under RCW 41.04.276(1) (a) through (e), as
30 follows:

31 (a) A public safety subcommittee with one member from each group
32 under RCW 41.04.276(1) (a) through (e);

33 (b) An education subcommittee with one member from each group under
34 RCW 41.04.276(1) (a) through (e); and

35 (c) A state and local government subcommittee, with one retiree
36 member under RCW 41.04.276(1)(d) and two members from each group under
37 RCW 41.04.276(1) (a) through (c) and (e).

1 The retiree members may serve on more than one subcommittee to
2 ensure representation on each subcommittee.

3 (2)(a) The public safety subcommittee shall focus on pension issues
4 affecting public safety employees who are members of the (~~law~~
5 ~~enforcement officers' and firefighters')~~) public safety
6 employees' ((~~7~~)) and Washington state patrol retirement systems.

7 (b) The education subcommittee shall focus on pension issues
8 affecting educational employees who are members of the public
9 employees', teachers', and school employees' retirement systems.

10 (c) The state and local government subcommittee shall focus on
11 pension issues affecting state and local government employees who are
12 members of the public employees' retirement system.

13 **Sec. 19.** RCW 41.50.255 and 2004 c 242 s 49 are each amended to
14 read as follows:

15 (1) The director is authorized to pay from the interest earnings of
16 the trust funds of the public employees' retirement system, the
17 teachers' retirement system, the Washington state patrol retirement
18 system, the Washington judicial retirement system, the judges'
19 retirement system, the school employees' retirement system, the public
20 safety employees' retirement system, or the law enforcement officers'
21 and firefighters' retirement system lawful obligations of the
22 appropriate system for legal expenses and medical expenses which
23 expenses are primarily incurred for the purpose of protecting the
24 appropriate trust fund or are incurred in compliance with statutes
25 governing such funds.

26 The term "legal expense" includes, but is not limited to, legal
27 services provided through the legal services revolving fund, fees for
28 expert witnesses, travel expenses, fees for court reporters, cost of
29 transcript preparation, and reproduction of documents.

30 The term "medical costs" includes, but is not limited to, expenses
31 for the medical examination or reexamination of members or retirees,
32 the costs of preparation of medical reports, and fees charged by
33 medical professionals for attendance at discovery proceedings or
34 hearings.

35 The director may also pay from the interest earnings of the trust
36 funds specified in this section costs incurred in investigating fraud
37 and collecting overpayments, including expenses incurred to review and

1 investigate cases of possible fraud against the trust funds and
2 collection agency fees and other costs incurred in recovering
3 overpayments. Recovered funds must be returned to the appropriate
4 trust funds.

5 (2) The law enforcement officers' and firefighters' retirement
6 board is authorized to pay from the interest earnings of the law
7 enforcement officers' and firefighters' retirement system trust fund
8 lawful obligations for legal expenses that are primarily incurred for
9 the purpose of protecting the trust fund or incurred in compliance with
10 statutes governing the fund.

11 **Sec. 20.** RCW 43.84.092 and 2010 1st sp.s. c 30 s 20, 2010 1st
12 sp.s. c 9 s 7, 2010 c 248 s 6, 2010 c 222 s 5, 2010 c 162 s 6, and 2010
13 c 145 s 11 are each reenacted and amended to read as follows:

14 (1) All earnings of investments of surplus balances in the state
15 treasury shall be deposited to the treasury income account, which
16 account is hereby established in the state treasury.

17 (2) The treasury income account shall be utilized to pay or receive
18 funds associated with federal programs as required by the federal cash
19 management improvement act of 1990. The treasury income account is
20 subject in all respects to chapter 43.88 RCW, but no appropriation is
21 required for refunds or allocations of interest earnings required by
22 the cash management improvement act. Refunds of interest to the
23 federal treasury required under the cash management improvement act
24 fall under RCW 43.88.180 and shall not require appropriation. The
25 office of financial management shall determine the amounts due to or
26 from the federal government pursuant to the cash management improvement
27 act. The office of financial management may direct transfers of funds
28 between accounts as deemed necessary to implement the provisions of the
29 cash management improvement act, and this subsection. Refunds or
30 allocations shall occur prior to the distributions of earnings set
31 forth in subsection (4) of this section.

32 (3) Except for the provisions of RCW 43.84.160, the treasury income
33 account may be utilized for the payment of purchased banking services
34 on behalf of treasury funds including, but not limited to, depository,
35 safekeeping, and disbursement functions for the state treasury and
36 affected state agencies. The treasury income account is subject in all

1 respects to chapter 43.88 RCW, but no appropriation is required for
2 payments to financial institutions. Payments shall occur prior to
3 distribution of earnings set forth in subsection (4) of this section.

4 (4) Monthly, the state treasurer shall distribute the earnings
5 credited to the treasury income account. The state treasurer shall
6 credit the general fund with all the earnings credited to the treasury
7 income account except:

8 (a) The following accounts and funds shall receive their
9 proportionate share of earnings based upon each account's and fund's
10 average daily balance for the period: The aeronautics account, the
11 aircraft search and rescue account, the budget stabilization account,
12 the capitol building construction account, the Cedar River channel
13 construction and operation account, the Central Washington University
14 capital projects account, the charitable, educational, penal and
15 reformatory institutions account, the cleanup settlement account, the
16 Columbia river basin water supply development account, the common
17 school construction fund, the county arterial preservation account, the
18 county criminal justice assistance account, the county sales and use
19 tax equalization account, the deferred compensation administrative
20 account, the deferred compensation principal account, the department of
21 licensing services account, the department of retirement systems
22 expense account, the developmental disabilities community trust
23 account, the drinking water assistance account, the drinking water
24 assistance administrative account, the drinking water assistance
25 repayment account, the Eastern Washington University capital projects
26 account, the education construction fund, the education legacy trust
27 account, the election account, the energy freedom account, the energy
28 recovery act account, the essential rail assistance account, The
29 Evergreen State College capital projects account, the federal forest
30 revolving account, the ferry bond retirement fund, the freight
31 congestion relief account, the freight mobility investment account, the
32 freight mobility multimodal account, the grade crossing protective
33 fund, the public health services account, the health system capacity
34 account, the high capacity transportation account, the state higher
35 education construction account, the higher education construction
36 account, the highway bond retirement fund, the highway infrastructure
37 account, the highway safety account, the high occupancy toll lanes
38 operations account, the hospital safety net assessment fund, the

1 industrial insurance premium refund account, the judges' retirement
2 account, the judicial retirement administrative account, the judicial
3 retirement principal account, the local leasehold excise tax account,
4 the local real estate excise tax account, the local sales and use tax
5 account, the marine resources stewardship trust account, the medical
6 aid account, the mobile home park relocation fund, the motor vehicle
7 fund, the motorcycle safety education account, the multiagency
8 permitting team account, the multimodal transportation account, the
9 municipal criminal justice assistance account, the municipal sales and
10 use tax equalization account, the natural resources deposit account,
11 the oyster reserve land account, the pension funding stabilization
12 account, the perpetual surveillance and maintenance account, the public
13 employees' retirement system plan 1 account, the public employees'
14 retirement system combined plan 2 and plan 3 account, the public
15 facilities construction loan revolving account beginning July 1, 2004,
16 the public health supplemental account, the public transportation
17 systems account, the public works assistance account, the Puget Sound
18 capital construction account, the Puget Sound ferry operations account,
19 the Puyallup tribal settlement account, the real estate appraiser
20 commission account, the recreational vehicle account, the regional
21 mobility grant program account, the resource management cost account,
22 the rural arterial trust account, the rural Washington loan fund, the
23 site closure account, the small city pavement and sidewalk account, the
24 special category C account, the special wildlife account, the state
25 employees' insurance account, the state employees' insurance reserve
26 account, the state investment board expense account, the state
27 investment board commingled trust fund accounts, the state patrol
28 highway account, the state route number 520 civil penalties account,
29 the state route number 520 corridor account, the supplemental pension
30 account, the Tacoma Narrows toll bridge account, the teachers'
31 retirement system plan 1 account, the teachers' retirement system
32 combined plan 2 and plan 3 account, the tobacco prevention and control
33 account, the tobacco settlement account, the transportation 2003
34 account (nickel account), the transportation equipment fund, the
35 transportation fund, the transportation improvement account, the
36 transportation improvement board bond retirement account, the
37 transportation infrastructure account, the transportation partnership
38 account, the traumatic brain injury account, the tuition recovery trust

1 fund, the University of Washington bond retirement fund, the University
2 of Washington building account, the urban arterial trust account, the
3 volunteer firefighters' and reserve officers' relief and pension
4 principal fund, the volunteer firefighters' and reserve officers'
5 administrative fund, the Washington judicial retirement system account,
6 the Washington law enforcement officers' and firefighters' system
7 (~~plan 1~~) retirement account, (~~the Washington law enforcement~~
8 ~~officers' and firefighters' system plan 2 retirement account,~~) the
9 Washington public safety employees' plan 2 retirement account, the
10 Washington school employees' retirement system combined plan 2 and 3
11 account, the Washington state health insurance pool account, the
12 Washington state patrol retirement account, the Washington State
13 University building account, the Washington State University bond
14 retirement fund, the water pollution control revolving fund, and the
15 Western Washington University capital projects account. Earnings
16 derived from investing balances of the agricultural permanent fund, the
17 normal school permanent fund, the permanent common school fund, the
18 scientific permanent fund, and the state university permanent fund
19 shall be allocated to their respective beneficiary accounts.

20 (b) Any state agency that has independent authority over accounts
21 or funds not statutorily required to be held in the state treasury that
22 deposits funds into a fund or account in the state treasury pursuant to
23 an agreement with the office of the state treasurer shall receive its
24 proportionate share of earnings based upon each account's or fund's
25 average daily balance for the period.

26 (5) In conformance with Article II, section 37 of the state
27 Constitution, no treasury accounts or funds shall be allocated earnings
28 without the specific affirmative directive of this section.

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