

2 **HB 2905** - S COMM AMD
3 By Committee on Ways & Means

4 ADOPTED 3/4/94

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** A new section is added to chapter 41.32 RCW
8 under the subchapter hearing "Plan I" to read as follows:

9 The dollar amount of the temporary postretirement allowance
10 adjustment granted by section 1, chapter 519, Laws of 1993 shall be
11 provided as a permanent retirement allowance adjustment as of July 1,
12 1995.

13 **Sec. 2.** RCW 41.32.010 and 1993 c 95 s 7 are each amended to read
14 as follows:

15 As used in this chapter, unless a different meaning is plainly
16 required by the context:

17 (1)(a) "Accumulated contributions" for plan I members, means the
18 sum of all regular annuity contributions with regular interest thereon.

19 (b) "Accumulated contributions" for plan II members, means the sum
20 of all contributions standing to the credit of a member in the member's
21 individual account together with the regular interest thereon.

22 (2) "Actuarial equivalent" means a benefit of equal value when
23 computed upon the basis of such mortality tables and regulations as
24 shall be adopted by the director and regular interest.

25 (3) "Annuity" means the moneys payable per year during life by
26 reason of accumulated contributions of a member.

27 (4) "Member reserve" means the fund in which all of the accumulated
28 contributions of members are held.

29 (5)(a) "Beneficiary" for plan I members, means any person in
30 receipt of a retirement allowance or other benefit provided by this
31 chapter.

32 (b) "Beneficiary" for plan II members, means any person in receipt
33 of a retirement allowance or other benefit provided by this chapter
34 resulting from service rendered to an employer by another person.

1 (6) "Contract" means any agreement for service and compensation
2 between a member and an employer.

3 (7) "Creditable service" means membership service plus prior
4 service for which credit is allowable. This subsection shall apply
5 only to plan I members.

6 (8) "Dependent" means receiving one-half or more of support from a
7 member.

8 (9) "Disability allowance" means monthly payments during
9 disability. This subsection shall apply only to plan I members.

10 (10)(a) "Earnable compensation" for plan I members, means:

11 (i) All salaries and wages paid by an employer to an employee
12 member of the retirement system for personal services rendered during
13 a fiscal year. In all cases where compensation includes maintenance
14 the employer shall fix the value of that part of the compensation not
15 paid in money.

16 (A) Retroactive payments to an individual by an employer on
17 reinstatement of the employee in a position, or payments by an employer
18 to an individual in lieu of reinstatement in a position which are
19 awarded or granted as the equivalent of the salary or wages which the
20 individual would have earned during a payroll period shall be
21 considered earnable compensation and the individual shall receive the
22 equivalent service credit.

23 (B) If a leave of absence, without pay, is taken by a member for
24 the purpose of serving as a member of the state legislature, and such
25 member has served in the legislature five or more years, the salary
26 which would have been received for the position from which the leave of
27 absence was taken shall be considered as compensation earnable if the
28 employee's contribution thereon is paid by the employee. In addition,
29 where a member has been a member of the state legislature for five or
30 more years, earnable compensation for the member's two highest
31 compensated consecutive years of service shall include a sum not to
32 exceed thirty-six hundred dollars for each of such two consecutive
33 years, regardless of whether or not legislative service was rendered
34 during those two years.

35 (ii) For members employed less than full time under written
36 contract with a school district, or community college district, in an
37 instructional position, for which the member receives service credit of
38 less than one year in all of the years used to determine the earnable
39 compensation used for computing benefits due under RCW 41.32.497,

1 41.32.498, and 41.32.520, the member may elect to have earnable
2 compensation defined as provided in RCW 41.32.345. For the purposes of
3 this subsection, the term "instructional position" means a position in
4 which more than seventy-five percent of the member's time is spent as
5 a classroom instructor (including office hours), a librarian, or a
6 counselor. Earnable compensation shall be so defined only for the
7 purpose of the calculation of retirement benefits and only as necessary
8 to insure that members who receive fractional service credit under RCW
9 41.32.270 receive benefits proportional to those received by members
10 who have received full-time service credit.

11 (b) "Earnable compensation" for plan II members, means salaries or
12 wages earned by a member during a payroll period for personal services,
13 including overtime payments, and shall include wages and salaries
14 deferred under provisions established pursuant to sections 403(b),
15 414(h), and 457 of the United States Internal Revenue Code, but shall
16 exclude lump sum payments for deferred annual sick leave, unused
17 accumulated vacation, unused accumulated annual leave, or any form of
18 severance pay.

19 (i) Retroactive payments to an individual by an employer on
20 reinstatement of the employee in a position or payments by an employer
21 to an individual in lieu of reinstatement in a position which are
22 awarded or granted as the equivalent of the salary or wages which the
23 individual would have earned during a payroll period shall be
24 considered earnable compensation, to the extent provided above, and the
25 individual shall receive the equivalent service credit.

26 (ii) In any year in which a member serves in the legislature the
27 member shall have the option of having such member's earnable
28 compensation be the greater of:

29 (A) The earnable compensation the member would have received had
30 such member not served in the legislature; or

31 (B) Such member's actual earnable compensation received for
32 teaching and legislative service combined. Any additional
33 contributions to the retirement system required because compensation
34 earnable under (b)(ii)(A) of this subsection is greater than
35 compensation earnable under (b)(ii)(B) of this subsection shall be paid
36 by the member for both member and employer contributions.

37 (11) "Employer" means the state of Washington, the school district,
38 or any agency of the state of Washington by which the member is paid.

1 (12) "Fiscal year" means a year which begins July 1st and ends June
2 30th of the following year.

3 (13) "Former state fund" means the state retirement fund in
4 operation for teachers under chapter 187, Laws of 1923, as amended.

5 (14) "Local fund" means any of the local retirement funds for
6 teachers operated in any school district in accordance with the
7 provisions of chapter 163, Laws of 1917 as amended.

8 (15) "Member" means any teacher included in the membership of the
9 retirement system. Also, any other employee of the public schools who,
10 on July 1, 1947, had not elected to be exempt from membership and who,
11 prior to that date, had by an authorized payroll deduction, contributed
12 to the member reserve.

13 (16) "Membership service" means service rendered subsequent to the
14 first day of eligibility of a person to membership in the retirement
15 system: PROVIDED, That where a member is employed by two or more
16 employers the individual shall receive no more than one service credit
17 month during any calendar month in which multiple service is rendered.
18 The provisions of this subsection shall apply only to plan I members.

19 (17) "Pension" means the moneys payable per year during life from
20 the pension reserve.

21 (18) "Pension reserve" is a fund in which shall be accumulated an
22 actuarial reserve adequate to meet present and future pension
23 liabilities of the system and from which all pension obligations are to
24 be paid.

25 (19) "Prior service" means service rendered prior to the first date
26 of eligibility to membership in the retirement system for which credit
27 is allowable. The provisions of this subsection shall apply only to
28 plan I members.

29 (20) "Prior service contributions" means contributions made by a
30 member to secure credit for prior service. The provisions of this
31 subsection shall apply only to plan I members.

32 (21) "Public school" means any institution or activity operated by
33 the state of Washington or any instrumentality or political subdivision
34 thereof employing teachers, except the University of Washington and
35 Washington State University.

36 (22) "Regular contributions" means the amounts required to be
37 deducted from the compensation of a member and credited to the member's
38 individual account in the member reserve. This subsection shall apply
39 only to plan I members.

1 (23) "Regular interest" means such rate as the director may
2 determine.

3 (24)(a) "Retirement allowance" for plan I members, means monthly
4 payments based on the sum of annuity and pension, or any optional
5 benefits payable in lieu thereof.

6 (b) "Retirement allowance" for plan II members, means monthly
7 payments to a retiree or beneficiary as provided in this chapter.

8 (25) "Retirement system" means the Washington state teachers'
9 retirement system.

10 (26)(a) "Service" means the time during which a member has been
11 employed by an employer for compensation: PROVIDED, That where a
12 member is employed by two or more employers the individual shall
13 receive no more than one service credit month during any calendar month
14 in which multiple service is rendered.

15 (b) "Service" for plan II members, means periods of employment by
16 a member for one or more employers for which earnable compensation is
17 earned subject to the following conditions:

18 (i) A member employed in an eligible position or as a substitute
19 shall receive one service credit month for each month of September
20 through August of the following year if he or she earns earnable
21 compensation for eight hundred ten or more hours during that period and
22 is employed during nine of those months, except that a member may not
23 receive credit for any period prior to the member's employment in an
24 eligible position except as provided in RCW 41.32.812 and 41.50.132;

25 (ii) If a member is employed either in an eligible position or as
26 a substitute teacher for nine months of the twelve month period between
27 September through August of the following year but earns earnable
28 compensation for less than eight hundred ten hours but for at least six
29 hundred thirty hours, he or she will receive one-half of a service
30 credit month for each month of the twelve month period;

31 (iii) All other members in an eligible position or as a substitute
32 teacher shall receive service credit as follows:

33 (A) A service credit month is earned in those calendar months where
34 earnable compensation is earned for ninety or more hours;

35 (B) A half-service credit month is earned in those calendar months
36 where earnable compensation is earned for at least seventy hours but
37 less than ninety hours; and

1 (C) A quarter-service credit month is earned in those calendar
2 months where earnable compensation is earned for less than seventy
3 hours.

4 Any person who is a member of the teachers' retirement system and
5 who is elected or appointed to a state elective position may continue
6 to be a member of the retirement system and continue to receive a
7 service credit month for each of the months in a state elective
8 position by making the required member contributions.

9 When an individual is employed by two or more employers the
10 individual shall only receive one month's service credit during any
11 calendar month in which multiple service for ninety or more hours is
12 rendered.

13 The department shall adopt rules implementing this subsection.

14 (27) "Service credit year" means an accumulation of months of
15 service credit which is equal to one when divided by twelve.

16 (28) "Service credit month" means a full service credit month or an
17 accumulation of partial service credit months that are equal to one.

18 (29) "Teacher" means any person qualified to teach who is engaged
19 by a public school in an instructional, administrative, or supervisory
20 capacity. The term includes state, educational service district, and
21 school district superintendents and their assistants and all employees
22 certificated by the superintendent of public instruction; and in
23 addition thereto any full time school doctor who is employed by a
24 public school and renders service of an instructional or educational
25 nature.

26 (30) "Average final compensation" for plan II members, means the
27 member's average earnable compensation of the highest consecutive sixty
28 service credit months prior to such member's retirement, termination,
29 or death. Periods constituting authorized leaves of absence may not be
30 used in the calculation of average final compensation except under RCW
31 41.32.810(2).

32 (31) "Retiree" means any member in receipt of a retirement
33 allowance or other benefit provided by this chapter resulting from
34 service rendered to an employer by such member.

35 (32) "Department" means the department of retirement systems
36 created in chapter 41.50 RCW.

37 (33) "Director" means the director of the department.

1 (34) "State elective position" means any position held by any
2 person elected or appointed to state-wide office or elected or
3 appointed as a member of the legislature.

4 (35) "State actuary" or "actuary" means the person appointed
5 pursuant to RCW 44.44.010(2).

6 (36) "Substitute teacher" means:

7 (a) A teacher who is hired by an employer to work as a temporary
8 teacher, except for teachers who are annual contract employees of an
9 employer and are guaranteed a minimum number of hours; or

10 (b) Teachers who either (i) work in ineligible positions for more
11 than one employer or (ii) work in an ineligible position or positions
12 together with an eligible position.

13 (37)(a) "Eligible position" for plan II members from June 7, 1990,
14 through September 1, 1991, means a position which normally requires two
15 or more uninterrupted months of creditable service during September
16 through August of the following year.

17 (b) "Eligible position" for plan II on and after September 1, 1991,
18 means a position that, as defined by the employer, normally requires
19 five or more months of at least seventy hours of earnable compensation
20 during September through August of the following year.

21 (c) For purposes of this chapter an employer shall not define
22 "position" in such a manner that an employee's monthly work for that
23 employer is divided into more than one position.

24 (d) The elected position of the superintendent of public
25 instruction is an eligible position.

26 (38) "Plan I" means the teachers' retirement system, plan I
27 providing the benefits and funding provisions covering persons who
28 first became members of the system prior to October 1, 1977.

29 (39) "Plan II" means the teachers' retirement system, plan II
30 providing the benefits and funding provisions covering persons who
31 first became members of the system on and after October 1, 1977.

32 (40) "Index" means, for any calendar year, that year's annual
33 average consumer price index, Seattle, Washington area, for urban wage
34 earners and clerical workers, all items compiled by the bureau of labor
35 statistics, United States department of labor.

36 (41) "Index A" means the index for the year prior to the
37 determination of a postretirement adjustment.

38 (42) "Index B" means the index for the year prior to index A.

1 (43) "Index year" means the earliest calendar year in which the
2 index is more than sixty percent of index A.

3 (44) "Adjustment ratio" means the value of index A divided by index
4 B.

5 **Sec. 3.** RCW 41.32.575 and 1989 c 272 s 3 are each amended to read
6 as follows:

7 ~~(1) ((Beginning July 1, 1989, and every year thereafter, the~~
8 ~~department shall determine the following information for each retired~~
9 ~~member or beneficiary who is over the age of sixty five:~~

10 ~~(a) The dollar amount of the retirement allowance received by the~~
11 ~~retiree at age sixty five, to be known for the purposes of this section~~
12 ~~as the "age sixty five allowance";~~

13 ~~(b) The index for the calendar year prior to the year that the~~
14 ~~retiree reached age sixty five, to be known for purposes of this~~
15 ~~section as "index A";~~

16 ~~(c) The index for the calendar year prior to the date of~~
17 ~~determination, to be known for purposes of this section as "index B";~~

18 ~~(d) The ratio obtained when index B is divided by index A, to be~~
19 ~~known for the purposes of this section as the "full purchasing power~~
20 ~~ratio"; and~~

21 ~~(e) The value obtained when the retiree's age sixty five allowance~~
22 ~~is multiplied by sixty percent of the retiree's full purchasing power~~
23 ~~ratio, to be known for the purposes of this section as the "target~~
24 ~~benefit.")~~ Beginning April 1, 1995, and each April 1st thereafter, the
25 office of the state actuary shall notify the department of:

26 (a) The index year; and

27 (b) The adjustment ratio except the adjustment ratio may not be
28 greater than one and three one-hundredths or less than one.

29 (2) Beginning with the July 1, 1995, payment, and annually
30 thereafter the ((retiree's age sixty five)) retirement allowance of a
31 retiree who attained age sixty-five on or before the index year shall
32 be ((adjusted to be equal to the retiree's target benefit)) multiplied
33 by the adjustment ratio except the adjustment ratio may not exceed one
34 and three one-hundredths or be less than one. ((In no event, however,
35 shall the adjusted allowance:

36 ~~(a) Be smaller than the retirement allowance received without the~~
37 ~~adjustment; nor~~

1 ~~(b) Differ from the previous year's allowance by more than three~~
2 ~~percent.~~

3 ~~(3) For members who retire after age sixty five, the age sixty five~~
4 ~~allowance shall be the initial retirement allowance received by the~~
5 ~~member.~~

6 ~~(4) For beneficiaries of members who die prior to age sixty five:~~
7 ~~(a) The age sixty five allowance shall be the allowance received by the~~
8 ~~beneficiary on the date the member would have turned age sixty five;~~
9 ~~and (b) index A shall be the index for the calendar year prior to the~~
10 ~~year the member would have turned age sixty five.~~

11 ~~(5)) (3)~~ Where the pension payable to a beneficiary was adjusted
12 at the time the benefit commenced, the benefit provided by this section
13 shall be adjusted in a manner consistent with the adjustment made to
14 the beneficiary's pension.

15 ~~((6)) (4)~~ For the purposes of this section(~~+~~

16 ~~(a) "Index" means, for any calendar year, that year's average~~
17 ~~consumer price index—Seattle, Washington area for urban wage earners~~
18 ~~and clerical workers, all items, compiled by the bureau of labor~~
19 ~~statistics, United States department of labor;~~

20 ~~(b))~~ "retired member" or "retiree" means any member who has
21 retired for service or because of duty or nonduty disability, or the
22 surviving beneficiary of such a member.

23 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.40 RCW
24 under the subchapter heading "Plan I" to read as follows:

25 The dollar amount of the temporary postretirement allowance
26 adjustment granted by section 1, chapter 519, Laws of 1993 shall be
27 provided as a permanent retirement allowance adjustment as of July 1,
28 1995.

29 **Sec. 5.** RCW 41.40.010 and 1993 c 95 s 8 are each amended to read
30 as follows:

31 As used in this chapter, unless a different meaning is plainly
32 required by the context:

33 (1) "Retirement system" means the public employees' retirement
34 system provided for in this chapter.

35 (2) "Department" means the department of retirement systems created
36 in chapter 41.50 RCW.

1 (3) "State treasurer" means the treasurer of the state of
2 Washington.

3 (4)(a) "Employer" for plan I members, means every branch,
4 department, agency, commission, board, and office of the state, any
5 political subdivision or association of political subdivisions of the
6 state admitted into the retirement system, and legal entities
7 authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW as now
8 or hereafter amended; and the term shall also include any labor guild,
9 association, or organization the membership of a local lodge or
10 division of which is comprised of at least forty percent employees of
11 an employer (other than such labor guild, association, or organization)
12 within this chapter. The term may also include any city of the first
13 class that has its own retirement system.

14 (b) "Employer" for plan II members, means every branch, department,
15 agency, commission, board, and office of the state, and any political
16 subdivision and municipal corporation of the state admitted into the
17 retirement system, including public agencies created pursuant to RCW
18 35.63.070, 36.70.060, and 39.34.030.

19 (5) "Member" means any employee included in the membership of the
20 retirement system, as provided for in RCW 41.40.023.

21 (6) "Original member" of this retirement system means:

22 (a) Any person who became a member of the system prior to April 1,
23 1949;

24 (b) Any person who becomes a member through the admission of an
25 employer into the retirement system on and after April 1, 1949, and
26 prior to April 1, 1951;

27 (c) Any person who first becomes a member by securing employment
28 with an employer prior to April 1, 1951, provided the member has
29 rendered at least one or more years of service to any employer prior to
30 October 1, 1947;

31 (d) Any person who first becomes a member through the admission of
32 an employer into the retirement system on or after April 1, 1951,
33 provided, such person has been in the regular employ of the employer
34 for at least six months of the twelve-month period preceding the said
35 admission date;

36 (e) Any member who has restored all contributions that may have
37 been withdrawn as provided by RCW 41.40.150 and who on the effective
38 date of the individual's retirement becomes entitled to be credited
39 with ten years or more of membership service except that the provisions

1 relating to the minimum amount of retirement allowance for the member
2 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
3 apply to the member;

4 (f) Any member who has been a contributor under the system for two
5 or more years and who has restored all contributions that may have been
6 withdrawn as provided by RCW 41.40.150 and who on the effective date of
7 the individual's retirement has rendered five or more years of service
8 for the state or any political subdivision prior to the time of the
9 admission of the employer into the system; except that the provisions
10 relating to the minimum amount of retirement allowance for the member
11 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
12 apply to the member.

13 (7) "New member" means a person who becomes a member on or after
14 April 1, 1949, except as otherwise provided in this section.

15 (8)(a) "Compensation earnable" for plan I members, means salaries
16 or wages earned during a payroll period for personal services and where
17 the compensation is not all paid in money, maintenance compensation
18 shall be included upon the basis of the schedules established by the
19 member's employer: PROVIDED, That retroactive payments to an
20 individual by an employer on reinstatement of the employee in a
21 position, or payments by an employer to an individual in lieu of
22 reinstatement in a position which are awarded or granted as the
23 equivalent of the salary or wage which the individual would have earned
24 during a payroll period shall be considered compensation earnable and
25 the individual shall receive the equivalent service credit: PROVIDED
26 FURTHER, That if a leave of absence is taken by an individual for the
27 purpose of serving in the state legislature, the salary which would
28 have been received for the position from which the leave of absence was
29 taken, shall be considered as compensation earnable if the employee's
30 contribution is paid by the employee and the employer's contribution is
31 paid by the employer or employee.

32 (b) "Compensation earnable" for plan II members, means salaries or
33 wages earned by a member during a payroll period for personal services,
34 including overtime payments, and shall include wages and salaries
35 deferred under provisions established pursuant to sections 403(b),
36 414(h), and 457 of the United States Internal Revenue Code, but shall
37 exclude nonmoney maintenance compensation and lump sum payments for
38 deferred annual sick leave, unused accumulated vacation, unused
39 accumulated annual leave, or any form of severance pay: PROVIDED, That

1 retroactive payments to an individual by an employer on reinstatement
2 of the employee in a position, or payments by an employer to an
3 individual in lieu of reinstatement in a position which are awarded or
4 granted as the equivalent of the salary or wage which the individual
5 would have earned during a payroll period shall be considered
6 compensation earnable to the extent provided above, and the individual
7 shall receive the equivalent service credit: PROVIDED FURTHER, That in
8 any year in which a member serves in the legislature, the member shall
9 have the option of having such member's compensation earnable be the
10 greater of:

11 (i) The compensation earnable the member would have received had
12 such member not served in the legislature; or

13 (ii) Such member's actual compensation earnable received for
14 nonlegislative public employment and legislative service combined. Any
15 additional contributions to the retirement system required because
16 compensation earnable under subparagraph (i) of this subsection is
17 greater than compensation earnable under subparagraph (ii) of this
18 subsection shall be paid by the member for both member and employer
19 contributions.

20 (9)(a) "Service" for plan I members, except as provided in RCW
21 41.40.088, means periods of employment in an eligible position or
22 positions for one or more employers rendered to any employer for which
23 compensation is paid, and includes time spent in office as an elected
24 or appointed official of an employer. Compensation earnable earned in
25 full time work for seventy hours or more in any given calendar month
26 shall constitute one service credit month except as provided in RCW
27 41.40.088. Compensation earnable earned for less than seventy hours in
28 any calendar month shall constitute one-quarter service credit month of
29 service except as provided in RCW 41.40.088. Only service credit
30 months and one-quarter service credit months shall be counted in the
31 computation of any retirement allowance or other benefit provided for
32 in this chapter. Any fraction of a year of service shall be taken into
33 account in the computation of such retirement allowance or benefits.

34 Service by a state employee officially assigned by the state on a
35 temporary basis to assist another public agency, shall be considered as
36 service as a state employee: PROVIDED, That service to any other
37 public agency shall not be considered service as a state employee if
38 such service has been used to establish benefits in any other public
39 retirement system: PROVIDED FURTHER, That an individual shall receive

1 no more than a total of twelve service credit months of service during
2 any calendar year: PROVIDED FURTHER, That where an individual is
3 employed in an eligible position by one or more employers the
4 individual shall receive no more than one service credit month during
5 any calendar month in which multiple service for seventy or more hours
6 is rendered.

7 (b) "Service" for plan II members, means periods of employment by
8 a member in an eligible position or positions for one or more employers
9 for which compensation earnable is paid. Compensation earnable earned
10 for ninety or more hours in any calendar month shall constitute one
11 service credit month except as provided in RCW 41.40.088. Compensation
12 earnable earned for at least seventy hours but less than ninety hours
13 in any calendar month shall constitute one-half service credit month of
14 service. Compensation earnable earned for less than seventy hours in
15 any calendar month shall constitute one-quarter service credit month of
16 service.

17 Any fraction of a year of service shall be taken into account in
18 the computation of such retirement allowance or benefits.

19 Service in any state elective position shall be deemed to be full
20 time service, except that persons serving in state elective positions
21 who are members of the teachers' retirement system or law enforcement
22 officers' and fire fighters' retirement system at the time of election
23 or appointment to such position may elect to continue membership in the
24 teachers' retirement system or law enforcement officers' and fire
25 fighters' retirement system.

26 A member shall receive a total of not more than twelve service
27 credit months of service for such calendar year: PROVIDED, That when
28 an individual is employed in an eligible position by one or more
29 employers the individual shall receive no more than one service credit
30 month during any calendar month in which multiple service for ninety or
31 more hours is rendered.

32 (10) "Service credit year" means an accumulation of months of
33 service credit which is equal to one when divided by twelve.

34 (11) "Service credit month" means a month or an accumulation of
35 months of service credit which is equal to one.

36 (12) "Prior service" means all service of an original member
37 rendered to any employer prior to October 1, 1947.

38 (13) "Membership service" means:

39 (a) All service rendered, as a member, after October 1, 1947;

1 (b) All service after October 1, 1947, to any employer prior to the
2 time of its admission into the retirement system: PROVIDED, That an
3 amount equal to the employer and employee contributions which would
4 have been paid to the retirement system on account of such service
5 shall have been paid to the retirement system with interest (as
6 computed by the department) on the employee's portion prior to
7 retirement of such person, by the employee or his employer, except as
8 qualified by RCW 41.40.023: PROVIDED FURTHER, That employer
9 contributions plus employee contributions with interest submitted by
10 the employee under this subsection shall be placed in the employee's
11 individual account in the employees' savings fund and be treated as any
12 other contribution made by the employee, with the exception that the
13 contributions submitted by the employee in payment of the employer's
14 obligation, together with the interest the director may apply to the
15 employer's contribution, shall be excluded from the calculation of the
16 member's annuity in the event the member selects a benefit with an
17 annuity option;

18 (c) Service not to exceed six consecutive months of probationary
19 service rendered after April 1, 1949, and prior to becoming a member,
20 in the case of any member, upon payment in full by such member of the
21 total amount of the employer's contribution to the retirement fund
22 which would have been required under the law in effect when such
23 probationary service was rendered if the member had been a member
24 during such period, except that the amount of the employer's
25 contribution shall be calculated by the director based on the first
26 month's compensation earnable as a member;

27 (d) Service not to exceed six consecutive months of probationary
28 service, rendered after October 1, 1947, and before April 1, 1949, and
29 prior to becoming a member, in the case of any member, upon payment in
30 full by such member of five percent of such member's salary during said
31 period of probationary service, except that the amount of the
32 employer's contribution shall be calculated by the director based on
33 the first month's compensation earnable as a member.

34 (14)(a) "Beneficiary" for plan I members, means any person in
35 receipt of a retirement allowance, pension or other benefit provided by
36 this chapter.

37 (b) "Beneficiary" for plan II members, means any person in receipt
38 of a retirement allowance or other benefit provided by this chapter
39 resulting from service rendered to an employer by another person.

1 (15) "Regular interest" means such rate as the director may
2 determine.

3 (16) "Accumulated contributions" means the sum of all contributions
4 standing to the credit of a member in the member's individual account
5 together with the regular interest thereon.

6 (17)(a) "Average final compensation" for plan I members, means the
7 annual average of the greatest compensation earnable by a member during
8 any consecutive two year period of service credit months for which
9 service credit is allowed; or if the member has less than two years of
10 service credit months then the annual average compensation earnable
11 during the total years of service for which service credit is allowed.

12 (b) "Average final compensation" for plan II members, means the
13 member's average compensation earnable of the highest consecutive sixty
14 months of service credit months prior to such member's retirement,
15 termination, or death. Periods constituting authorized leaves of
16 absence may not be used in the calculation of average final
17 compensation except under RCW 41.40.710(2).

18 (18) "Final compensation" means the annual rate of compensation
19 earnable by a member at the time of termination of employment.

20 (19) "Annuity" means payments for life derived from accumulated
21 contributions of a member. All annuities shall be paid in monthly
22 installments.

23 (20) "Pension" means payments for life derived from contributions
24 made by the employer. All pensions shall be paid in monthly
25 installments.

26 (21) "Retirement allowance" means the sum of the annuity and the
27 pension.

28 (22) "Employee" means any person who may become eligible for
29 membership under this chapter, as set forth in RCW 41.40.023.

30 (23) "Actuarial equivalent" means a benefit of equal value when
31 computed upon the basis of such mortality and other tables as may be
32 adopted by the director.

33 (24) "Retirement" means withdrawal from active service with a
34 retirement allowance as provided by this chapter.

35 (25) "Eligible position" means:

36 (a) Any position that, as defined by the employer, normally
37 requires five or more months of service a year for which regular
38 compensation for at least seventy hours is earned by the occupant
39 thereof. For purposes of this chapter an employer shall not define

1 "position" in such a manner that an employee's monthly work for that
2 employer is divided into more than one position;

3 (b) Any position occupied by an elected official or person
4 appointed directly by the governor for which compensation is paid.

5 (26) "Ineligible position" means any position which does not
6 conform with the requirements set forth in subsection (25) of this
7 section.

8 (27) "Leave of absence" means the period of time a member is
9 authorized by the employer to be absent from service without being
10 separated from membership.

11 (28) "Totally incapacitated for duty" means total inability to
12 perform the duties of a member's employment or office or any other work
13 for which the member is qualified by training or experience.

14 (29) "Retiree" means any member in receipt of a retirement
15 allowance or other benefit provided by this chapter resulting from
16 service rendered to an employer by such member.

17 (30) "Director" means the director of the department.

18 (31) "State elective position" means any position held by any
19 person elected or appointed to state-wide office or elected or
20 appointed as a member of the legislature.

21 (32) "State actuary" or "actuary" means the person appointed
22 pursuant to RCW 44.44.010(2).

23 (33) "Plan I" means the public employees' retirement system, plan
24 I providing the benefits and funding provisions covering persons who
25 first became members of the system prior to October 1, 1977.

26 (34) "Plan II" means the public employees' retirement system, plan
27 II providing the benefits and funding provisions covering persons who
28 first became members of the system on and after October 1, 1977.

29 (35) "Index" means, for any calendar year, that year's annual
30 average consumer price index, Seattle, Washington area, for urban wage
31 earners and clerical workers, all items, compiled by the bureau of
32 labor statistics, United States department of labor.

33 (36) "Index A" means the index for the year prior to the
34 determination of a postretirement adjustment.

35 (37) "Index B" means the index for the year prior to index A.

36 (38) "Index year" means the earliest calendar year in which the
37 index is more than sixty percent of index A.

38 (39) "Adjustment ratio" means the value of index A divided by index
39 B.

1 **Sec. 6.** RCW 41.40.325 and 1989 c 272 s 2 are each amended to read
2 as follows:

3 (1) ~~Beginning ((July 1, 1989, and every year thereafter, the~~
4 ~~department shall determine the following information for each retired~~
5 ~~member or beneficiary who is over the age of sixty five:~~

6 ~~(a) The dollar amount of the retirement allowance received by the~~
7 ~~retiree at age sixty five, to be known for the purposes of this section~~
8 ~~as the "age sixty five allowance";~~

9 ~~(b) The index for the calendar year prior to the year that the~~
10 ~~retiree reached age sixty five, to be known for purposes of this~~
11 ~~section as "index A";~~

12 ~~(c) The index for the calendar year prior to the date of~~
13 ~~determination, to be known for purposes of this section as "index B";~~

14 ~~(d) The ratio obtained when index B is divided by index A, to be~~
15 ~~known for the purposes of this section as the "full purchasing power~~
16 ~~ratio"; and~~

17 ~~(e) The value obtained when the retiree's age sixty five allowance~~
18 ~~is multiplied by sixty percent of the retiree's full purchasing power~~
19 ~~ratio, to be known for the purposes of this section as the "target~~
20 ~~benefit.")~~ April 1, 1995, and each April 1st thereafter, the office of
21 the state actuary shall notify the department of:

22 (a) The index year; and

23 (b) The adjustment ratio except the adjustment ratio may not be
24 greater than one and three one-hundredths or less than one.

25 (2) Beginning with the July 1, 1995, payment, and annually
26 thereafter the ((retiree's age sixty five)) retirement allowance of a
27 retiree who attained age sixty-five on or before the index year shall
28 be ((adjusted to be equal to the retiree's target benefit)) multiplied
29 by the adjustment ratio except the adjustment ratio may not exceed one
30 and three one-hundredths or be less than one. ((In no event, however,
31 shall the adjusted allowance:

32 ~~(a) Be smaller than the retirement allowance received without the~~
33 ~~adjustment; nor~~

34 ~~(b) Differ from the previous year's allowance by more than three~~
35 ~~percent.~~

36 (3) ~~For members who retire after age sixty five, the age sixty five~~
37 ~~allowance shall be the initial retirement allowance received by the~~
38 ~~member.~~

1 ~~(4) For beneficiaries of members who die prior to age sixty five:~~
2 ~~(a) The age sixty five allowance shall be the allowance received by the~~
3 ~~beneficiary on the date the member would have turned age sixty five;~~
4 ~~and (b) index A shall be the index for the calendar year prior to the~~
5 ~~year the member would have turned age sixty five.~~

6 ~~(5))~~ (3) Where the pension payable to a beneficiary was adjusted
7 at the time the benefit commenced, the benefit provided by this section
8 shall be adjusted in a manner consistent with the adjustment made to
9 the beneficiary's pension.

10 ~~((6))~~ (4) For the purposes of this section(~~(:~~

11 ~~(a) "Index" means, for any calendar year, that year's average~~
12 ~~consumer price index—Seattle, Washington area for urban wage earners~~
13 ~~and clerical workers, all items, compiled by the bureau of labor~~
14 ~~statistics, United States department of labor;~~

15 ~~(b))~~ "retired member" or "retiree" means any member who has
16 retired for service or because of duty or nonduty disability, or the
17 surviving beneficiary of such a member.

18 **Sec. 7.** RCW 43.88.030 and 1991 c 358 s 1 and 1991 c 284 s 1 are
19 each reenacted and amended to read as follows:

20 (1) The director of financial management shall provide all agencies
21 with a complete set of instructions for submitting biennial budget
22 requests to the director at least three months before agency budget
23 documents are due into the office of financial management. The
24 director shall provide agencies that are required under RCW 44.40.070
25 to develop comprehensive six-year program and financial plans with a
26 complete set of instructions for submitting these program and financial
27 plans at the same time that instructions for submitting other budget
28 requests are provided. The budget document or documents shall consist
29 of the governor's budget message which shall be explanatory of the
30 budget and shall contain an outline of the proposed financial policies
31 of the state for the ensuing fiscal period, as well as an outline of
32 the proposed six-year financial policies where applicable, and shall
33 describe in connection therewith the important features of the budget.
34 The message shall set forth the reasons for salient changes from the
35 previous fiscal period in expenditure and revenue items and shall
36 explain any major changes in financial policy. Attached to the budget
37 message shall be such supporting schedules, exhibits and other
38 explanatory material in respect to both current operations and capital

1 improvements as the governor shall deem to be useful to the
2 legislature. The budget document or documents shall set forth a
3 proposal for expenditures in the ensuing fiscal period, or six-year
4 period where applicable, based upon the estimated revenues as approved
5 by the economic and revenue forecast council or upon the estimated
6 revenues of the office of financial management for those funds,
7 accounts, and sources for which the office of the economic and revenue
8 forecast council does not prepare an official forecast, including those
9 revenues anticipated to support the six-year programs and financial
10 plans under RCW 44.40.070. In estimating revenues to support financial
11 plans under RCW 44.40.070, the office of financial management shall
12 rely on information and advice from the interagency revenue task force.
13 Revenues shall be estimated for such fiscal period from the source and
14 at the rates existing by law at the time of submission of the budget
15 document, including the supplemental budgets submitted in the even-
16 numbered years of a biennium. However, the estimated revenues for use
17 in the governor's budget document may be adjusted to reflect budgetary
18 revenue transfers and revenue estimates dependent upon budgetary
19 assumptions of enrollments, workloads, and caseloads. All adjustments
20 to the approved estimated revenues must be set forth in the budget
21 document. The governor may additionally submit, as an appendix to each
22 supplemental, biennial, or six-year agency budget or to the budget
23 document or documents, a proposal for expenditures in the ensuing
24 fiscal period from revenue sources derived from proposed changes in
25 existing statutes.

26 Supplemental and biennial documents shall reflect a six-year
27 expenditure plan consistent with estimated revenues from existing
28 sources and at existing rates for those agencies required to submit
29 six-year program and financial plans under RCW 44.40.070. Any
30 additional revenue resulting from proposed changes to existing statutes
31 shall be separately identified within the document as well as related
32 expenditures for the six-year period.

33 The budget document or documents shall also contain:

34 (a) Revenues classified by fund and source for the immediately past
35 fiscal period, those received or anticipated for the current fiscal
36 period, those anticipated for the ensuing biennium, and those
37 anticipated for the ensuing six-year period to support the six-year
38 programs and financial plans required under RCW 44.40.070;

39 (b) The undesignated fund balance or deficit, by fund;

1 (c) Such additional information dealing with expenditures,
2 revenues, workload, performance, and personnel as the legislature may
3 direct by law or concurrent resolution;

4 (d) Such additional information dealing with revenues and
5 expenditures as the governor shall deem pertinent and useful to the
6 legislature;

7 (e) Tabulations showing expenditures classified by fund, function,
8 activity and object;

9 (f) A delineation of each agency's activities, including those
10 activities funded from nonbudgeted, nonappropriated sources, including
11 funds maintained outside the state treasury; (~~and~~)

12 (g) Identification of all proposed direct expenditures to implement
13 the Puget Sound water quality plan under chapter 90.70 RCW, shown by
14 agency and in total; and

15 (h) Tabulations showing each postretirement adjustment by
16 retirement system established after fiscal year 1991, to include, but
17 not be limited to, estimated total payments made to the end of the
18 previous biennial period, estimated payments for the present biennium,
19 and estimated payments for the ensuing biennium.

20 (2) The budget document or documents shall include detailed
21 estimates of all anticipated revenues applicable to proposed operating
22 or capital expenditures and shall also include all proposed operating
23 or capital expenditures. The total of beginning undesignated fund
24 balance and estimated revenues less working capital and other reserves
25 shall equal or exceed the total of proposed applicable expenditures.
26 The budget document or documents shall further include:

27 (a) Interest, amortization and redemption charges on the state
28 debt;

29 (b) Payments of all reliefs, judgments and claims;

30 (c) Other statutory expenditures;

31 (d) Expenditures incident to the operation for each agency;

32 (e) Revenues derived from agency operations;

33 (f) Expenditures and revenues shall be given in comparative form
34 showing those incurred or received for the immediately past fiscal
35 period and those anticipated for the current biennium and next ensuing
36 biennium, as well as those required to support the six-year programs
37 and financial plans required under RCW 44.40.070;

1 (g) A showing and explanation of amounts of general fund and other
2 funds obligations for debt service and any transfers of moneys that
3 otherwise would have been available for appropriation;

4 (h) Common school expenditures on a fiscal-year basis;

5 (i) A showing, by agency, of the value and purpose of financing
6 contracts for the lease/purchase or acquisition of personal or real
7 property for the current and ensuing fiscal periods; and

8 (j) A showing and explanation of anticipated amounts of general
9 fund and other funds required to amortize the unfunded actuarial
10 accrued liability of the retirement system specified under chapter
11 41.45 RCW, and the contributions to meet such amortization, stated in
12 total dollars and as a level percentage of total compensation.

13 (3) A separate capital budget document or schedule shall be
14 submitted that will contain the following:

15 (a) A capital plan consisting of proposed capital spending for at
16 least four fiscal periods succeeding the next fiscal period;

17 (b) A capital program consisting of proposed capital projects for
18 at least the two fiscal periods succeeding the next fiscal period;

19 (c) A capital plan consisting of proposed capital spending for at
20 least four fiscal periods succeeding the next fiscal period;

21 (d) A statement of the reason or purpose for a project;

22 (e) Verification that a project is consistent with the provisions
23 set forth in chapter 36.70A RCW;

24 (f) A statement about the proposed site, size, and estimated life
25 of the project, if applicable;

26 (g) Estimated total project cost;

27 (h) Estimated total project cost for each phase of the project as
28 defined by the office of financial management;

29 (i) Estimated ensuing biennium costs;

30 (j) Estimated costs beyond the ensuing biennium;

31 (k) Estimated construction start and completion dates;

32 (l) Source and type of funds proposed;

33 (m) Such other information bearing upon capital projects as the
34 governor deems to be useful;

35 (n) Standard terms, including a standard and uniform definition of
36 maintenance for all capital projects;

37 (o) Such other information as the legislature may direct by law or
38 concurrent resolution.

1 For purposes of this subsection (3), the term "capital project"
2 shall be defined subsequent to the analysis, findings, and
3 recommendations of a joint committee comprised of representatives from
4 the house capital appropriations committee, senate ways and means
5 committee, legislative transportation committee, legislative evaluation
6 and accountability program committee, and office of financial
7 management.

8 (4) No change affecting the comparability of agency or program
9 information relating to expenditures, revenues, workload, performance
10 and personnel shall be made in the format of any budget document or
11 report presented to the legislature under this section or RCW
12 43.88.160(1) relative to the format of the budget document or report
13 which was presented to the previous regular session of the legislature
14 during an odd-numbered year without prior legislative concurrence.
15 Prior legislative concurrence shall consist of (a) a favorable majority
16 vote on the proposal by the standing committees on ways and means of
17 both houses if the legislature is in session or (b) a favorable
18 majority vote on the proposal by members of the legislative evaluation
19 and accountability program committee if the legislature is not in
20 session.

21 NEW SECTION. **Sec. 8.** This act shall take effect August 1, 1994."

22 **HB 2905** - S COMM AMD
23 By Committee on Ways & Means

24 ADOPTED 3/4/94

25 On page 1, line 2 of the title, after "allowances;" strike the
26 remainder of the title and insert "amending RCW 41.32.010, 41.32.575,
27 41.40.010, and 41.40.325; reenacting and amending RCW 43.88.030; adding
28 a new section to chapter 41.32 RCW; adding a new section to chapter
29 41.40 RCW; and providing an effective date."

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