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HOUSE BILL 2905

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State of Washington

53rd Legislature

1994 Regular Session

By Representatives Sommers, Long, Linville and Rayburn; by request of Joint Committee on Pension Policy

Read first time 02/02/94. Referred to Committee on Appropriations.

1 AN ACT Relating to making permanent and simplifying the age sixty-  
2 five cost-of-living adjustment to retirement allowances; amending RCW  
3 41.32.010, 41.32.575, 41.40.010, and 41.40.325; reenacting and amending  
4 RCW 43.88.030; adding a new section to chapter 41.32 RCW; adding a new  
5 section to chapter 41.40 RCW; providing an effective date; and  
6 declaring an emergency.

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

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

10 The dollar amount of the temporary postretirement allowance  
11 adjustment granted by section 1, chapter 519, Laws of 1993 shall be  
12 provided as a permanent retirement allowance adjustment as of July 1,  
13 1995.

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

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

1 (1)(a) "Accumulated contributions" for plan I members, means the  
2 sum of all regular annuity contributions with regular interest thereon.  
3 (b) "Accumulated contributions" for plan II members, means the sum  
4 of all contributions standing to the credit of a member in the member's  
5 individual account together with the regular interest thereon.  
6 (2) "Actuarial equivalent" means a benefit of equal value when  
7 computed upon the basis of such mortality tables and regulations as  
8 shall be adopted by the director and regular interest.  
9 (3) "Annuity" means the moneys payable per year during life by  
10 reason of accumulated contributions of a member.  
11 (4) "Member reserve" means the fund in which all of the accumulated  
12 contributions of members are held.  
13 (5)(a) "Beneficiary" for plan I members, means any person in  
14 receipt of a retirement allowance or other benefit provided by this  
15 chapter.  
16 (b) "Beneficiary" for plan II members, means any person in receipt  
17 of a retirement allowance or other benefit provided by this chapter  
18 resulting from service rendered to an employer by another person.  
19 (6) "Contract" means any agreement for service and compensation  
20 between a member and an employer.  
21 (7) "Creditable service" means membership service plus prior  
22 service for which credit is allowable. This subsection shall apply  
23 only to plan I members.  
24 (8) "Dependent" means receiving one-half or more of support from a  
25 member.  
26 (9) "Disability allowance" means monthly payments during  
27 disability. This subsection shall apply only to plan I members.  
28 (10)(a) "Earnable compensation" for plan I members, means:  
29 (i) All salaries and wages paid by an employer to an employee  
30 member of the retirement system for personal services rendered during  
31 a fiscal year. In all cases where compensation includes maintenance  
32 the employer shall fix the value of that part of the compensation not  
33 paid in money.  
34 (A) Retroactive payments to an individual by an employer on  
35 reinstatement of the employee in a position, or payments by an employer  
36 to an individual in lieu of reinstatement in a position which are  
37 awarded or granted as the equivalent of the salary or wages which the  
38 individual would have earned during a payroll period shall be

1 considered earnable compensation and the individual shall receive the  
2 equivalent service credit.

3 (B) If a leave of absence, without pay, is taken by a member for  
4 the purpose of serving as a member of the state legislature, and such  
5 member has served in the legislature five or more years, the salary  
6 which would have been received for the position from which the leave of  
7 absence was taken shall be considered as compensation earnable if the  
8 employee's contribution thereon is paid by the employee. In addition,  
9 where a member has been a member of the state legislature for five or  
10 more years, earnable compensation for the member's two highest  
11 compensated consecutive years of service shall include a sum not to  
12 exceed thirty-six hundred dollars for each of such two consecutive  
13 years, regardless of whether or not legislative service was rendered  
14 during those two years.

15 (ii) For members employed less than full time under written  
16 contract with a school district, or community college district, in an  
17 instructional position, for which the member receives service credit of  
18 less than one year in all of the years used to determine the earnable  
19 compensation used for computing benefits due under RCW 41.32.497,  
20 41.32.498, and 41.32.520, the member may elect to have earnable  
21 compensation defined as provided in RCW 41.32.345. For the purposes of  
22 this subsection, the term "instructional position" means a position in  
23 which more than seventy-five percent of the member's time is spent as  
24 a classroom instructor (including office hours), a librarian, or a  
25 counselor. Earnable compensation shall be so defined only for the  
26 purpose of the calculation of retirement benefits and only as necessary  
27 to insure that members who receive fractional service credit under RCW  
28 41.32.270 receive benefits proportional to those received by members  
29 who have received full-time service credit.

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

38 (i) Retroactive payments to an individual by an employer on  
39 reinstatement of the employee in a position or payments by an employer

1 to an individual in lieu of reinstatement in a position which are  
2 awarded or granted as the equivalent of the salary or wages which the  
3 individual would have earned during a payroll period shall be  
4 considered earnable compensation, to the extent provided above, and the  
5 individual shall receive the equivalent service credit.

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

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

11 (B) Such member's actual earnable compensation received for  
12 teaching and legislative service combined. Any additional  
13 contributions to the retirement system required because compensation  
14 earnable under (b)(ii)(A) of this subsection is greater than  
15 compensation earnable under (b)(ii)(B) of this subsection shall be paid  
16 by the member for both member and employer contributions.

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

19 (12) "Fiscal year" means a year which begins July 1st and ends June  
20 30th of the following year.

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

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

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

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

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

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

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

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

12 (21) "Public school" means any institution or activity operated by  
13 the state of Washington or any instrumentality or political subdivision  
14 thereof employing teachers, except the University of Washington and  
15 Washington State University.

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

20 (23) "Regular interest" means such rate as the director may  
21 determine.

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

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

27 (25) "Retirement system" means the Washington state teachers'  
28 retirement system.

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

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

37 (i) A member employed in an eligible position or as a substitute  
38 shall receive one service credit month for each month of September  
39 through August of the following year if he or she earns earnable

1 compensation for eight hundred ten or more hours during that period and  
2 is employed during nine of those months, except that a member may not  
3 receive credit for any period prior to the member's employment in an  
4 eligible position except as provided in RCW 41.32.812 and 41.50.132;

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

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

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

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

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

21 Any person who is a member of the teachers' retirement system and  
22 who is elected or appointed to a state elective position may continue  
23 to be a member of the retirement system and continue to receive a  
24 service credit month for each of the months in a state elective  
25 position by making the required member contributions.

26 When an individual is employed by two or more employers the  
27 individual shall only receive one month's service credit during any  
28 calendar month in which multiple service for ninety or more hours is  
29 rendered.

30 The department shall adopt rules implementing this subsection.

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

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

35 (29) "Teacher" means any person qualified to teach who is engaged  
36 by a public school in an instructional, administrative, or supervisory  
37 capacity. The term includes state, educational service district, and  
38 school district superintendents and their assistants and all employees  
39 certificated by the superintendent of public instruction; and in

1 addition thereto any full time school doctor who is employed by a  
2 public school and renders service of an instructional or educational  
3 nature.

4 (30) "Average final compensation" for plan II members, means the  
5 member's average earnable compensation of the highest consecutive sixty  
6 service credit months prior to such member's retirement, termination,  
7 or death. Periods constituting authorized leaves of absence may not be  
8 used in the calculation of average final compensation except under RCW  
9 41.32.810(2).

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

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

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

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

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

21 (36) "Substitute teacher" means:

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

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

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

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

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

1 (d) The elected position of the superintendent of public  
2 instruction is an eligible position.

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

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

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

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

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

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

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

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

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

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

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

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

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

36 (e) ~~The value obtained when the retiree's age sixty five allowance~~  
37 ~~is multiplied by sixty percent of the retiree's full purchasing power~~  
38 ~~ratio, to be known for the purposes of this section as the "target~~



1 benefit.")) Beginning April 1, 1994, and each April 1st thereafter, the  
2 office of the state actuary shall notify the department of:

3 (a) The index year; and

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

6 (2) Beginning with the July 1, 1994, payment, and annually  
7 thereafter the ((retiree's age sixty-five)) retirement allowance of a  
8 retiree who attained age sixty-five on or before the index year shall  
9 be ((adjusted to be equal to the retiree's target benefit)) multiplied  
10 by the adjustment ratio except the adjustment ratio may not exceed one  
11 and three one-hundredths or be less than one. ((In no event, however,  
12 shall the adjusted allowance:

13 (a) Be smaller than the retirement allowance received without the  
14 adjustment; nor

15 (b) Differ from the previous year's allowance by more than three  
16 percent.

17 (3) For members who retire after age sixty five, the age sixty five  
18 allowance shall be the initial retirement allowance received by the  
19 member.

20 (4) For beneficiaries of members who die prior to age sixty five:

21 (a) The age sixty five allowance shall be the allowance received by the  
22 beneficiary on the date the member would have turned age sixty five;  
23 and (b) index A shall be the index for the calendar year prior to the  
24 year the member would have turned age sixty five.

25 (5)) (3) Where the pension payable to a beneficiary was adjusted  
26 at the time the benefit commenced, the benefit provided by this section  
27 shall be adjusted in a manner consistent with the adjustment made to  
28 the beneficiary's pension.

29 ((6)) (4) For the purposes of this section(:

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

34 (b)) "retired member" or "retiree" means any member who has  
35 retired for service or because of duty or nonduty disability, or the  
36 surviving beneficiary of such a member.

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

1 The dollar amount of the temporary postretirement allowance  
2 adjustment granted by section 1, chapter 519, Laws of 1993 shall be  
3 provided as a permanent retirement allowance adjustment as of July 1,  
4 1995.

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

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

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

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

13 (3) "State treasurer" means the treasurer of the state of  
14 Washington.

15 (4)(a) "Employer" for plan I members, means every branch,  
16 department, agency, commission, board, and office of the state, any  
17 political subdivision or association of political subdivisions of the  
18 state admitted into the retirement system, and legal entities  
19 authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW as now  
20 or hereafter amended; and the term shall also include any labor guild,  
21 association, or organization the membership of a local lodge or  
22 division of which is comprised of at least forty percent employees of  
23 an employer (other than such labor guild, association, or organization)  
24 within this chapter. The term may also include any city of the first  
25 class that has its own retirement system.

26 (b) "Employer" for plan II members, means every branch, department,  
27 agency, commission, board, and office of the state, and any political  
28 subdivision and municipal corporation of the state admitted into the  
29 retirement system, including public agencies created pursuant to RCW  
30 35.63.070, 36.70.060, and 39.34.030.

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

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

34 (a) Any person who became a member of the system prior to April 1,  
35 1949;

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

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

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

10 (e) Any member who has restored all contributions that may have  
11 been withdrawn as provided by RCW 41.40.150 and who on the effective  
12 date of the individual's retirement becomes entitled to be credited  
13 with ten years or more of membership service except that the provisions  
14 relating to the minimum amount of retirement allowance for the member  
15 upon retirement at age seventy as found in RCW 41.40.190(4) shall not  
16 apply to the member;

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

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

28 (8)(a) "Compensation earnable" for plan I members, means salaries  
29 or wages earned during a payroll period for personal services and where  
30 the compensation is not all paid in money, maintenance compensation  
31 shall be included upon the basis of the schedules established by the  
32 member's employer: PROVIDED, That retroactive payments to an  
33 individual by an employer on reinstatement of the employee in a  
34 position, or payments by an employer to an individual in lieu of  
35 reinstatement in a position which are awarded or granted as the  
36 equivalent of the salary or wage which the individual would have earned  
37 during a payroll period shall be considered compensation earnable and  
38 the individual shall receive the equivalent service credit: PROVIDED  
39 FURTHER, That if a leave of absence is taken by an individual for the

1 purpose of serving in the state legislature, the salary which would  
2 have been received for the position from which the leave of absence was  
3 taken, shall be considered as compensation earnable if the employee's  
4 contribution is paid by the employee and the employer's contribution is  
5 paid by the employer or employee.

6 (b) "Compensation earnable" for plan II members, means salaries or  
7 wages earned by a member during a payroll period for personal services,  
8 including overtime payments, and shall include wages and salaries  
9 deferred under provisions established pursuant to sections 403(b),  
10 414(h), and 457 of the United States Internal Revenue Code, but shall  
11 exclude nonmoney maintenance compensation and lump sum payments for  
12 deferred annual sick leave, unused accumulated vacation, unused  
13 accumulated annual leave, or any form of severance pay: PROVIDED, That  
14 retroactive payments to an individual by an employer on reinstatement  
15 of the employee in a position, or payments by an employer to an  
16 individual in lieu of reinstatement in a position which are awarded or  
17 granted as the equivalent of the salary or wage which the individual  
18 would have earned during a payroll period shall be considered  
19 compensation earnable to the extent provided above, and the individual  
20 shall receive the equivalent service credit: PROVIDED FURTHER, That in  
21 any year in which a member serves in the legislature, the member shall  
22 have the option of having such member's compensation earnable be the  
23 greater of:

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

26 (ii) Such member's actual compensation earnable received for  
27 nonlegislative public employment and legislative service combined. Any  
28 additional contributions to the retirement system required because  
29 compensation earnable under subparagraph (i) of this subsection is  
30 greater than compensation earnable under subparagraph (ii) of this  
31 subsection shall be paid by the member for both member and employer  
32 contributions.

33 (9)(a) "Service" for plan I members, except as provided in RCW  
34 41.40.088, means periods of employment in an eligible position or  
35 positions for one or more employers rendered to any employer for which  
36 compensation is paid, and includes time spent in office as an elected  
37 or appointed official of an employer. Compensation earnable earned in  
38 full time work for seventy hours or more in any given calendar month  
39 shall constitute one service credit month except as provided in RCW

1 41.40.088. Compensation earnable earned for less than seventy hours in  
2 any calendar month shall constitute one-quarter service credit month of  
3 service except as provided in RCW 41.40.088. Only service credit  
4 months and one-quarter service credit months shall be counted in the  
5 computation of any retirement allowance or other benefit provided for  
6 in this chapter. Any fraction of a year of service shall be taken into  
7 account in the computation of such retirement allowance or benefits.

8 Service by a state employee officially assigned by the state on a  
9 temporary basis to assist another public agency, shall be considered as  
10 service as a state employee: PROVIDED, That service to any other  
11 public agency shall not be considered service as a state employee if  
12 such service has been used to establish benefits in any other public  
13 retirement system: PROVIDED FURTHER, That an individual shall receive  
14 no more than a total of twelve service credit months of service during  
15 any calendar year: PROVIDED FURTHER, That where an individual is  
16 employed in an eligible position by one or more employers the  
17 individual shall receive no more than one service credit month during  
18 any calendar month in which multiple service for seventy or more hours  
19 is rendered.

20 (b) "Service" for plan II members, means periods of employment by  
21 a member in an eligible position or positions for one or more employers  
22 for which compensation earnable is paid. Compensation earnable earned  
23 for ninety or more hours in any calendar month shall constitute one  
24 service credit month except as provided in RCW 41.40.088. Compensation  
25 earnable earned for at least seventy hours but less than ninety hours  
26 in any calendar month shall constitute one-half service credit month of  
27 service. Compensation earnable earned for less than seventy hours in  
28 any calendar month shall constitute one-quarter service credit month of  
29 service.

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

32 Service in any state elective position shall be deemed to be full  
33 time service, except that persons serving in state elective positions  
34 who are members of the teachers' retirement system or law enforcement  
35 officers' and fire fighters' retirement system at the time of election  
36 or appointment to such position may elect to continue membership in the  
37 teachers' retirement system or law enforcement officers' and fire  
38 fighters' retirement system.

1 A member shall receive a total of not more than twelve service  
2 credit months of service for such calendar year: PROVIDED, That when  
3 an individual is employed in an eligible position by one or more  
4 employers the individual shall receive no more than one service credit  
5 month during any calendar month in which multiple service for ninety or  
6 more hours is rendered.

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

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

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

13 (13) "Membership service" means:

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

15 (b) All service after October 1, 1947, to any employer prior to the  
16 time of its admission into the retirement system: PROVIDED, That an  
17 amount equal to the employer and employee contributions which would  
18 have been paid to the retirement system on account of such service  
19 shall have been paid to the retirement system with interest (as  
20 computed by the department) on the employee's portion prior to  
21 retirement of such person, by the employee or his employer, except as  
22 qualified by RCW 41.40.023: PROVIDED FURTHER, That employer  
23 contributions plus employee contributions with interest submitted by  
24 the employee under this subsection shall be placed in the employee's  
25 individual account in the employees' savings fund and be treated as any  
26 other contribution made by the employee, with the exception that the  
27 contributions submitted by the employee in payment of the employer's  
28 obligation, together with the interest the director may apply to the  
29 employer's contribution, shall be excluded from the calculation of the  
30 member's annuity in the event the member selects a benefit with an  
31 annuity option;

32 (c) Service not to exceed six consecutive months of probationary  
33 service rendered after April 1, 1949, and prior to becoming a member,  
34 in the case of any member, upon payment in full by such member of the  
35 total amount of the employer's contribution to the retirement fund  
36 which would have been required under the law in effect when such  
37 probationary service was rendered if the member had been a member  
38 during such period, except that the amount of the employer's

1 contribution shall be calculated by the director based on the first  
2 month's compensation earnable as a member;

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

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

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

16 (15) "Regular interest" means such rate as the director may  
17 determine.

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

21 (17)(a) "Average final compensation" for plan I members, means the  
22 annual average of the greatest compensation earnable by a member during  
23 any consecutive two year period of service credit months for which  
24 service credit is allowed; or if the member has less than two years of  
25 service credit months then the annual average compensation earnable  
26 during the total years of service for which service credit is allowed.

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

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

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

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

4 (21) "Retirement allowance" means the sum of the annuity and the  
5 pension.

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

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

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

13 (25) "Eligible position" means:

14 (a) Any position that, as defined by the employer, normally  
15 requires five or more months of service a year for which regular  
16 compensation for at least seventy hours is earned by the occupant  
17 thereof. For purposes of this chapter an employer shall not define  
18 "position" in such a manner that an employee's monthly work for that  
19 employer is divided into more than one position;

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

34 ~~(e) The value obtained when the retiree's age sixty five allowance~~  
35 ~~is multiplied by sixty percent of the retiree's full purchasing power~~  
36 ~~ratio, to be known for the purposes of this section as the "target~~  
37 ~~benefit.")) April 1, 1994, and each April 1st thereafter, the office of  
38 the state actuary shall notify the department of:~~

1        (a) The index year; and  
2        (b) The adjustment ratio except the adjustment ratio may not be  
3 greater than one and three one-hundredths or less than one.

4        (2) Beginning with the July 1, 1994, payment, and annually  
5 thereafter the ~~((retiree's age sixty-five))~~ retirement allowance of a  
6 retiree who attained age sixty-five on or before the index year shall  
7 be ((adjusted to be equal to the retiree's target benefit)) multiplied  
8 by the adjustment ratio except the adjustment ratio may not exceed one  
9 and three one-hundredths or be less than one. ((In no event, however,  
10 shall the adjusted allowance:

11        ~~(a) Be smaller than the retirement allowance received without the~~  
12 ~~adjustment; nor~~

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

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

18        ~~(4) For beneficiaries of members who die prior to age sixty five:~~

19 ~~(a) The age sixty five allowance shall be the allowance received by the~~  
20 ~~beneficiary on the date the member would have turned age sixty five;~~  
21 ~~and (b) index A shall be the index for the calendar year prior to the~~  
22 ~~year the member would have turned age sixty five.~~

23        ~~(5)) (3) Where the pension payable to a beneficiary was adjusted~~  
24 ~~at the time the benefit commenced, the benefit provided by this section~~  
25 ~~shall be adjusted in a manner consistent with the adjustment made to~~  
26 ~~the beneficiary's pension.~~

27        ~~((6)) (4) For the purposes of this section((:~~

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

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

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

37        (1) The director of financial management shall provide all agencies  
38 with a complete set of instructions for submitting biennial budget

1 requests to the director at least three months before agency budget  
2 documents are due into the office of financial management. The  
3 director shall provide agencies that are required under RCW 44.40.070  
4 to develop comprehensive six-year program and financial plans with a  
5 complete set of instructions for submitting these program and financial  
6 plans at the same time that instructions for submitting other budget  
7 requests are provided. The budget document or documents shall consist  
8 of the governor's budget message which shall be explanatory of the  
9 budget and shall contain an outline of the proposed financial policies  
10 of the state for the ensuing fiscal period, as well as an outline of  
11 the proposed six-year financial policies where applicable, and shall  
12 describe in connection therewith the important features of the budget.  
13 The message shall set forth the reasons for salient changes from the  
14 previous fiscal period in expenditure and revenue items and shall  
15 explain any major changes in financial policy. Attached to the budget  
16 message shall be such supporting schedules, exhibits and other  
17 explanatory material in respect to both current operations and capital  
18 improvements as the governor shall deem to be useful to the  
19 legislature. The budget document or documents shall set forth a  
20 proposal for expenditures in the ensuing fiscal period, or six-year  
21 period where applicable, based upon the estimated revenues as approved  
22 by the economic and revenue forecast council or upon the estimated  
23 revenues of the office of financial management for those funds,  
24 accounts, and sources for which the office of the economic and revenue  
25 forecast council does not prepare an official forecast, including those  
26 revenues anticipated to support the six-year programs and financial  
27 plans under RCW 44.40.070. In estimating revenues to support financial  
28 plans under RCW 44.40.070, the office of financial management shall  
29 rely on information and advice from the interagency revenue task force.  
30 Revenues shall be estimated for such fiscal period from the source and  
31 at the rates existing by law at the time of submission of the budget  
32 document, including the supplemental budgets submitted in the even-  
33 numbered years of a biennium. However, the estimated revenues for use  
34 in the governor's budget document may be adjusted to reflect budgetary  
35 revenue transfers and revenue estimates dependent upon budgetary  
36 assumptions of enrollments, workloads, and caseloads. All adjustments  
37 to the approved estimated revenues must be set forth in the budget  
38 document. The governor may additionally submit, as an appendix to each  
39 supplemental, biennial, or six-year agency budget or to the budget

1 document or documents, a proposal for expenditures in the ensuing  
2 fiscal period from revenue sources derived from proposed changes in  
3 existing statutes.

4 Supplemental and biennial documents shall reflect a six-year  
5 expenditure plan consistent with estimated revenues from existing  
6 sources and at existing rates for those agencies required to submit  
7 six-year program and financial plans under RCW 44.40.070. Any  
8 additional revenue resulting from proposed changes to existing statutes  
9 shall be separately identified within the document as well as related  
10 expenditures for the six-year period.

11 The budget document or documents shall also contain:

12 (a) Revenues classified by fund and source for the immediately past  
13 fiscal period, those received or anticipated for the current fiscal  
14 period, those anticipated for the ensuing biennium, and those  
15 anticipated for the ensuing six-year period to support the six-year  
16 programs and financial plans required under RCW 44.40.070;

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

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

21 (d) Such additional information dealing with revenues and  
22 expenditures as the governor shall deem pertinent and useful to the  
23 legislature;

24 (e) Tabulations showing expenditures classified by fund, function,  
25 activity and object;

26 (f) A delineation of each agency's activities, including those  
27 activities funded from nonbudgeted, nonappropriated sources, including  
28 funds maintained outside the state treasury; ((and))

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

32 (h) Tabulations showing each postretirement adjustment by  
33 retirement system established after fiscal year 1991, to include, but  
34 not be limited to, estimated total payments made to the end of the  
35 previous biennial period, estimated payments for the present biennium,  
36 and estimated payments for the ensuing biennium.

37 (2) The budget document or documents shall include detailed  
38 estimates of all anticipated revenues applicable to proposed operating  
39 or capital expenditures and shall also include all proposed operating

1 or capital expenditures. The total of beginning undesignated fund  
2 balance and estimated revenues less working capital and other reserves  
3 shall equal or exceed the total of proposed applicable expenditures.  
4 The budget document or documents shall further include:

5 (a) Interest, amortization and redemption charges on the state  
6 debt;

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

8 (c) Other statutory expenditures;

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

10 (e) Revenues derived from agency operations;

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

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

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

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

23 (j) A showing and explanation of anticipated amounts of general  
24 fund and other funds required to amortize the unfunded actuarial  
25 accrued liability of the retirement system specified under chapter  
26 41.45 RCW, and the contributions to meet such amortization, stated in  
27 total dollars and as a level percentage of total compensation.

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

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

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

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

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

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

- 1 (f) A statement about the proposed site, size, and estimated life  
2 of the project, if applicable;
- 3 (g) Estimated total project cost;
- 4 (h) Estimated total project cost for each phase of the project as  
5 defined by the office of financial management;
- 6 (i) Estimated ensuing biennium costs;
- 7 (j) Estimated costs beyond the ensuing biennium;
- 8 (k) Estimated construction start and completion dates;
- 9 (l) Source and type of funds proposed;
- 10 (m) Such other information bearing upon capital projects as the  
11 governor deems to be useful;
- 12 (n) Standard terms, including a standard and uniform definition of  
13 maintenance for all capital projects;
- 14 (o) Such other information as the legislature may direct by law or  
15 concurrent resolution.

16 For purposes of this subsection (3), the term "capital project"  
17 shall be defined subsequent to the analysis, findings, and  
18 recommendations of a joint committee comprised of representatives from  
19 the house capital appropriations committee, senate ways and means  
20 committee, legislative transportation committee, legislative evaluation  
21 and accountability program committee, and office of financial  
22 management.

23 (4) No change affecting the comparability of agency or program  
24 information relating to expenditures, revenues, workload, performance  
25 and personnel shall be made in the format of any budget document or  
26 report presented to the legislature under this section or RCW  
27 43.88.160(1) relative to the format of the budget document or report  
28 which was presented to the previous regular session of the legislature  
29 during an odd-numbered year without prior legislative concurrence.  
30 Prior legislative concurrence shall consist of (a) a favorable majority  
31 vote on the proposal by the standing committees on ways and means of  
32 both houses if the legislature is in session or (b) a favorable  
33 majority vote on the proposal by members of the legislative evaluation  
34 and accountability program committee if the legislature is not in  
35 session.

36 NEW SECTION. **Sec. 8.** This act is necessary for the immediate  
37 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and shall take  
2 effect July 1, 1994.

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