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**SUBSTITUTE HOUSE BILL 2017**

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**State of Washington                      55th Legislature                      1997 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Carlson, H. Sommers, Lambert, Sehlin, Cooke, Ogden, Lantz and Anderson)

Read first time 03/08/97. Referred to Committee on .

1            AN ACT Relating to the Washington educational employees' retirement  
2 system; amending RCW 41.32.010, 41.32.044, 41.32.065, 41.32.067,  
3 41.32.780, 41.32.812, 41.32.817, 41.32.835, 41.32.8401, 41.32.875,  
4 41.34.060, 41.45.010, 41.45.020, 41.45.050, 41.45.060, 41.45.061,  
5 41.45.070, 41.50.030, 41.50.075, 41.50.080, 41.50.086, 41.50.200,  
6 41.50.205, 41.50.215, 41.50.230, 41.50.240, 43.33A.020, 28A.400.250,  
7 28B.10.417, 28B.50.874, 41.05.011, 41.33.010, 41.33.020, 41.33.030,  
8 41.48.030, 41.48.050, 41.50.060, 41.50.065, 41.50.132, 41.50.255,  
9 41.50.740, 41.50.750, 43.84.092, and 72.01.200; reenacting and amending  
10 RCW 41.40.010; adding a new section to chapter 41.32 RCW; adding a new  
11 section to chapter 41.40 RCW; adding new sections to chapter 41.45 RCW;  
12 adding a new section to chapter 41.54 RCW; creating new sections;  
13 decodifying RCW 41.32.032 and 41.50.132; repealing RCW 41.32.020 and  
14 41.32.818; providing an effective date; and declaring an emergency.

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

16            NEW SECTION. **Sec. 1.** The legislature recognizes that teachers and  
17 school district employees share the same educational work environment  
18 and academic calendar.

1 It is the intent of the legislature to achieve similar retirement  
2 benefits for all educational employees by transferring the membership  
3 of classified school employees in the public employees' retirement  
4 system plan 2, to the Washington educational employees' retirement  
5 system plan 2. The transfer of membership to the educational  
6 employees' retirement system plan 2 is not intended to cause a  
7 diminution or expansion of benefits for affected members. It is  
8 enacted solely to provide public employees working under the same  
9 conditions with the same options for retirement planning.

10 As members of the educational employees' retirement system plan 2,  
11 classified employees will have the same opportunity to transfer to the  
12 educational employees' retirement system plan 3 as their certificated  
13 coworkers. The ability to transfer to the educational employees'  
14 retirement system plan 3 offers members a new public retirement system  
15 that balances flexibility with stability; provides increased employee  
16 control of investments and responsible protection of the public's  
17 investment in employee benefits; and encourages the pursuit of public  
18 sector careers without creating barriers to other public or private  
19 sector employment.

20 **Sec. 2.** RCW 41.32.010 and 1996 c 39 s 1 are each amended to read  
21 as follows:

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

24 (1)(a) "Accumulated contributions" for plan ((F)) 1 members, means  
25 the sum of all regular annuity contributions and, except for the  
26 purpose of withdrawal at the time of retirement, any amount paid under  
27 RCW 41.50.165(2) with regular interest thereon.

28 (b) "Accumulated contributions" for plan ((FF)) 2 members, means  
29 the sum of all contributions standing to the credit of a member in the  
30 member's individual account, including any amount paid under RCW  
31 41.50.165(2), together with the regular interest thereon.

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

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

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

1 (5)(a) "Beneficiary" for plan ((F)) 1 members, means any person in  
2 receipt of a retirement allowance or other benefit provided by this  
3 chapter.

4 (b) "Beneficiary" for plan ((FF)) 2 and plan ((FFF)) 3 members,  
5 means any person in receipt of a retirement allowance or other benefit  
6 provided by this chapter resulting from service rendered to an employer  
7 by another person.

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

10 (7) "Creditable service" means membership service plus prior  
11 service for which credit is allowable. This subsection shall apply  
12 only to plan ((F)) 1 members.

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

15 (9) "Disability allowance" means monthly payments during  
16 disability. This subsection shall apply only to plan ((F)) 1 members.

17 (10)(a) "Earnable compensation" for plan ((F)) 1 members, means:

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

23 (ii) "Earnable compensation" for plan ((F)) 1 members also includes  
24 the following actual or imputed payments, which are not paid for  
25 personal services:

26 (A) Retroactive payments to an individual by an employer on  
27 reinstatement of the employee in a position, or payments by an employer  
28 to an individual in lieu of reinstatement in a position which are  
29 awarded or granted as the equivalent of the salary or wages which the  
30 individual would have earned during a payroll period shall be  
31 considered earnable compensation and the individual shall receive the  
32 equivalent service credit.

33 (B) If a leave of absence, without pay, is taken by a member for  
34 the purpose of serving as a member of the state legislature, and such  
35 member has served in the legislature five or more years, the salary  
36 which would have been received for the position from which the leave of  
37 absence was taken shall be considered as compensation earnable if the  
38 employee's contribution thereon is paid by the employee. In addition,  
39 where a member has been a member of the state legislature for five or

1 more years, earnable compensation for the member's two highest  
2 compensated consecutive years of service shall include a sum not to  
3 exceed thirty-six hundred dollars for each of such two consecutive  
4 years, regardless of whether or not legislative service was rendered  
5 during those two years.

6 (iii) For members employed less than full time under written  
7 contract with a school district, or community college district, in an  
8 instructional position, for which the member receives service credit of  
9 less than one year in all of the years used to determine the earnable  
10 compensation used for computing benefits due under RCW 41.32.497,  
11 41.32.498, and 41.32.520, the member may elect to have earnable  
12 compensation defined as provided in RCW 41.32.345. For the purposes of  
13 this subsection, the term "instructional position" means a position in  
14 which more than seventy-five percent of the member's time is spent as  
15 a classroom instructor (including office hours), a librarian, or a  
16 counselor. Earnable compensation shall be so defined only for the  
17 purpose of the calculation of retirement benefits and only as necessary  
18 to insure that members who receive fractional service credit under RCW  
19 41.32.270 receive benefits proportional to those received by members  
20 who have received full-time service credit.

21 (iv) "Earnable compensation" does not include:

22 (A) Remuneration for unused sick leave authorized under RCW  
23 41.04.340, 28A.400.210, or 28A.310.490;

24 (B) Remuneration for unused annual leave in excess of thirty days  
25 as authorized by RCW 43.01.044 and 43.01.041.

26 (b) "Earnable compensation" for plan ((~~IF~~)) 2 and plan ((~~IF~~)) 3  
27 members, means salaries or wages earned by a member during a payroll  
28 period for personal services, including overtime payments, and shall  
29 include wages and salaries deferred under provisions established  
30 pursuant to sections 403(b), 414(h), and 457 of the United States  
31 Internal Revenue Code, but shall exclude lump sum payments for deferred  
32 annual sick leave, unused accumulated vacation, unused accumulated  
33 annual leave, or any form of severance pay.

34 "Earnable compensation" for plan ((~~IF~~)) 2 and plan ((~~IF~~)) 3  
35 members also includes the following actual or imputed payments which,  
36 except in the case of (b)(ii)(B) of this subsection, are not paid for  
37 personal services:

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

17 (11) "Employer" for teacher members means the state of Washington,  
18 the school district, an educational service district, or any agency of  
19 the state of Washington by which the member is paid. "Employer" for  
20 classified employee members means a school district or an educational  
21 service district.

22 (12) "Fiscal year" means a year which begins July 1st and ends June  
23 30th of the following year.

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

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

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

34 (16) "Membership service" means service rendered subsequent to the  
35 first day of eligibility of a person to membership in the retirement  
36 system: PROVIDED, That where a member is employed by two or more  
37 employers the individual shall receive no more than one service credit  
38 month during any calendar month in which multiple service is rendered.

1 The provisions of this subsection shall apply only to plan ((F)) 1  
2 members.

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

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

9 (19) "Prior service" means service rendered prior to the first date  
10 of eligibility to membership in the retirement system for which credit  
11 is allowable. The provisions of this subsection shall apply only to  
12 plan ((F)) 1 members.

13 (20) "Prior service contributions" means contributions made by a  
14 member to secure credit for prior service. The provisions of this  
15 subsection shall apply only to plan ((F)) 1 members.

16 (21) "Public school" means any institution or activity operated by  
17 the state of Washington or any instrumentality or political subdivision  
18 thereof employing teachers, except the University of Washington and  
19 Washington State University.

20 (22) "Regular contributions" means the amounts required to be  
21 deducted from the compensation of a member and credited to the member's  
22 individual account in the member reserve. This subsection shall apply  
23 only to plan ((F)) 1 members.

24 (23) "Regular interest" means such rate as the director may  
25 determine.

26 (24)(a) "Retirement allowance" for plan ((F)) 1 members, means  
27 monthly payments based on the sum of annuity and pension, or any  
28 optional benefits payable in lieu thereof.

29 (b) "Retirement allowance" for plan ((H)) 2 and plan ((HH)) 3  
30 members, means monthly payments to a retiree or beneficiary as provided  
31 in this chapter.

32 (25) "Retirement system" means the Washington educational  
33 employees' retirement system, which consists of the Washington state  
34 teachers' retirement system plan 1, the educational employees'  
35 retirement system plan 2, and the educational employees' retirement  
36 system plan 3.

37 (26)(a) "Service" for plan ((F)) 1 members means the time during  
38 which a member has been employed by an employer for compensation.

1 (i) If a member is employed by two or more employers the individual  
2 shall receive no more than one service credit month during any calendar  
3 month in which multiple service is rendered.

4 (ii) As authorized by RCW 28A.400.300, up to forty-five days of  
5 sick leave may be creditable as service solely for the purpose of  
6 determining eligibility to retire under RCW 41.32.470.

7 (iii) As authorized in RCW 41.32.065, service earned in an out-of-  
8 state retirement system that covers teachers in public schools may be  
9 applied solely for the purpose of determining eligibility to retire  
10 under RCW 41.32.470.

11 (b) "Service" for plan ((~~II~~)) 2 and plan ((~~III~~)) 3 members, means  
12 periods of employment by a member for one or more employers for which  
13 earnable compensation is earned subject to the following conditions:

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

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

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

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

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

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

38 (iv) Any person who is a member of the ((~~teachers'~~)) educational  
39 employees' retirement system and who is elected or appointed to a state

1 elective position may continue to be a member of the retirement system  
2 and continue to receive a service credit month for each of the months  
3 in a state elective position by making the required member  
4 contributions.

5 (v) When an individual is employed by two or more employers the  
6 individual shall only receive one month's service credit during any  
7 calendar month in which multiple service for ninety or more hours is  
8 rendered.

9 (vi) As authorized by RCW 28A.400.300, up to forty-five days of  
10 sick leave may be creditable as service solely for the purpose of  
11 determining eligibility to retire under RCW 41.32.470. For purposes of  
12 plan ((H)) 2 and plan ((HH)) 3 "forty-five days" as used in RCW  
13 28A.400.300 is equal to two service credit months. Use of less than  
14 forty-five days of sick leave is creditable as allowed under this  
15 subsection as follows:

16 (A) Less than eleven days equals one-quarter service credit month;

17 (B) Eleven or more days but less than twenty-two days equals one-  
18 half service credit month;

19 (C) Twenty-two days equals one service credit month;

20 (D) More than twenty-two days but less than thirty-three days  
21 equals one and one-quarter service credit month;

22 (E) Thirty-three or more days but less than forty-five days equals  
23 one and one-half service credit month.

24 (vii) As authorized in RCW 41.32.065, service earned in an out-of-  
25 state retirement system that covers teachers in public schools may be  
26 applied solely for the purpose of determining eligibility to retire  
27 under RCW 41.32.470.

28 (viii) The department shall adopt rules implementing this  
29 subsection.

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

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

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



1 public school and renders service of an instructional or educational  
2 nature.

3 (30) "Average final compensation" for plan ((~~FF~~)) 2 and plan  
4 ((~~FFF~~)) 3 members, means the member's average earnable compensation of  
5 the highest consecutive sixty service credit months prior to such  
6 member's retirement, termination, or death. Periods constituting  
7 authorized leaves of absence may not be used in the calculation of  
8 average final compensation except under RCW 41.32.810(2).

9 (31) "Retiree" means any person in receipt of a retirement  
10 allowance or other benefit provided by this chapter resulting from  
11 service rendered to an employer while a member. A person is in receipt  
12 of a retirement allowance as defined in subsection (24) of this section  
13 or other benefit as provided by this chapter when the department mails,  
14 causes to be mailed, or otherwise transmits the retirement allowance  
15 warrant.

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

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

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

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

24 (36) "Substitute teacher" means:

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

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

31 (37)(a) "Eligible position" for plan ((~~FF~~)) 2 members from June 7,  
32 1990, through September 1, 1991, means a position which normally  
33 requires two or more uninterrupted months of creditable service during  
34 September through August of the following year.

35 (b) "Eligible position" for plan ((~~FF~~)) 2 and plan ((~~FFF~~)) 3 on and  
36 after September 1, 1991, means a position that, as defined by the  
37 employer, normally requires five or more months of at least seventy  
38 hours of earnable compensation during September through August of the  
39 following year.

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

4 (d) The elected position of the superintendent of public  
5 instruction is an eligible position.

6 (38) "Plan I" or "plan 1" means the teachers' retirement system,  
7 plan ((F)) 1 providing the benefits and funding provisions covering  
8 persons who first became members of the system prior to October 1,  
9 1977.

10 (39) "Plan II" or "plan 2" means the ((~~teachers'~~)) educational  
11 employees' retirement system, plan ((H)) 2 providing the benefits and  
12 funding provisions covering persons who first became members of the  
13 system on and after October 1, 1977, and prior to July 1, 1996.

14 (40) "Plan III" or "plan 3" means the ((~~teachers'~~)) educational  
15 employees' retirement system, plan ((I)) 3 providing the benefits and  
16 funding provisions covering persons who first become members of the  
17 system on and after July 1, 1996, or who transfer under RCW 41.32.817.

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

22 (42) "Index A" means the index for the year prior to the  
23 determination of a postretirement adjustment.

24 (43) "Index B" means the index for the year prior to index A.

25 (44) "Index year" means the earliest calendar year in which the  
26 index is more than sixty percent of index A.

27 (45) "Adjustment ratio" means the value of index A divided by index  
28 B.

29 (46) "Annual increase" means, initially, fifty-nine cents per month  
30 per year of service which amount shall be increased each July 1st by  
31 three percent, rounded to the nearest cent.

32 (47) "Member account" or "member's account" for purposes of plan  
33 ((I)) 3 means the sum of the contributions and earnings on behalf of  
34 the member in the defined contribution portion of plan ((I)) 3.

35 (48) "Classified employee" means a noncertificated employee of a  
36 school district or an educational service district.

37 (49) "Educational employee" means any teacher or classified  
38 employee.

1       **Sec. 3.** RCW 41.32.044 and 1973 2nd ex.s. c 32 s 5 are each amended  
2 to read as follows:

3       A retired ((~~teacher~~)) educational employee upon returning to  
4 service in the public schools of Washington may elect to again become  
5 a member of the retirement system: PROVIDED, That if such a retired  
6 ((~~teacher~~)) educational employee elects to be restored to membership he  
7 or she must establish two full years of service credit before ((~~he will~~  
8 ~~be~~)) becoming eligible to retire under the provision of a formula other  
9 than the one in effect at the time of ((~~his~~)) previous retirement:  
10 PROVIDED FURTHER, That where any such right to again retire is  
11 exercised to become effective before a member has established two full  
12 years of service credit ((~~he~~)) the member may elect to retire only  
13 under the provisions of the formula in effect at the time of ((~~his~~))  
14 previous retirement: AND PROVIDED FURTHER, That this section shall not  
15 apply to any individual who has returned to service and is presently in  
16 service on ((~~the effective date of this 1973 amendatory act~~)) September  
17 27, 1973.

18       **Sec. 4.** RCW 41.32.065 and 1991 c 278 s 1 are each amended to read  
19 as follows:

20       A ((~~member~~)) teacher may elect under this section to apply service  
21 credit earned in an out-of-state retirement system that covers teachers  
22 in public schools solely for the purpose of determining the time at  
23 which the ((~~member~~)) teacher may retire. The benefit shall be  
24 actuarially reduced to recognize the difference between the age a  
25 ((~~member~~)) teacher would have first been able to retire based on  
26 service in the state of Washington and the ((~~member's~~)) teacher's  
27 retirement age.

28       **Sec. 5.** RCW 41.32.067 and 1992 c 212 s 13 are each amended to read  
29 as follows:

30       A ((~~member~~)) teacher may purchase additional benefits subject to  
31 the following:

32       (1) The ((~~member~~)) teacher shall pay all reasonable administrative  
33 and clerical costs; and

34       (2) The ((~~member~~)) teacher shall make a member reserve contribution  
35 to be actuarially converted to a monthly benefit at the time of  
36 retirement.

1       **Sec. 6.** RCW 41.32.780 and 1991 c 35 s 67 are each amended to read  
2 as follows:

3       The following persons shall be members of the Washington  
4 educational employees' retirement system plan 2 and shall be governed  
5 by the provisions of RCW 41.32.755 through 41.32.825:

6       (1) All teachers who become employed by an employer in an eligible  
7 position on or after October 1, 1977, (~~shall be members of the~~  
8 ~~retirement system and shall be governed by the provisions of RCW~~  
9 ~~41.32.755 through 41.32.825)) and prior to July 1, 1996;~~

10       (2) All classified employees who are transferred to the retirement  
11 system under section 15 of this act; and

12       (3) All public employees' retirement system plan 2 members whose  
13 membership is not transferred under section 15 of this act, and who  
14 subsequently become employed as a classified employee in an eligible  
15 position.

16       **Sec. 7.** RCW 41.32.812 and 1994 c 197 s 21 are each amended to read  
17 as follows:

18       The department of retirement systems shall credit at least one-half  
19 service credit month for each month of each school year, as defined by  
20 RCW 28A.150.040, from October 1, 1977, through December 31, 1986, to a  
21 (~~member of the teachers' retirement system plan II~~) teacher who was  
22 employed by an employer, as defined by RCW 41.32.010, under a contract  
23 for half-time employment as determined by the department for such  
24 school year and from whose compensation contributions were paid by the  
25 employee or picked up by the employer. Any withdrawn contributions  
26 shall be restored under RCW 41.32.500(1) or 41.50.165 prior to  
27 crediting any service.

28       **Sec. 8.** RCW 41.32.817 and 1996 c 39 s 2 are each amended to read  
29 as follows:

30       (1) Every plan (~~II~~) 2 member employed by an employer in an  
31 eligible position may make an irrevocable option to transfer to plan  
32 (~~II~~) 3.

33       (2) Any plan (~~II~~) 2 member who is a substitute teacher may make  
34 an irrevocable option to transfer to plan (~~II~~) 3 at the time the  
35 member purchases substitute service credit pursuant to RCW 41.32.013,  
36 pursuant to time lines and procedures established by the department.

1 (3) Any plan (~~((H member))~~) 2 teacher, other than a substitute  
2 teacher, who wishes to transfer to plan (~~((H))~~) 3 after December 31,  
3 1997, may transfer during the month of January in any following year,  
4 provided that the member earns service credit for that month.

5 (4) Any plan 2 classified employee who wishes to transfer to plan  
6 3 after August 31, 1999, may transfer during the month of January in  
7 any following year, provided that the member earns service credit for  
8 that month.

9 (5) All service credit in plan (~~((H))~~) 2 shall be transferred to the  
10 defined benefit portion of plan (~~((H))~~) 3.

11 (~~((5))~~) (6) The accumulated contributions in plan (~~((H))~~) 2 less  
12 fifty percent of any contributions made pursuant to RCW 41.50.165(2)  
13 shall be transferred to the member's account in the defined  
14 contribution portion established in chapter 41.34 RCW, pursuant to  
15 procedures developed by the department and subject to RCW 41.34.090.  
16 Contributions made pursuant to RCW 41.50.165(2) that are not  
17 transferred to the member's account shall be transferred to the fund  
18 created in RCW 41.50.075(2), except that interest earned on all such  
19 contributions shall be transferred to the member's account.

20 (~~((6))~~) (7) The legislature reserves the right to discontinue the  
21 right to transfer under this section.

22 (~~((7))~~) (8) Anyone previously retired from plan (~~((H))~~) 2 is  
23 prohibited from transferring to plan (~~((H))~~) 3.

24 **Sec. 9.** RCW 41.32.835 and 1995 c 239 s 105 are each amended to  
25 read as follows:

26 (1) All teachers who first become employed by an employer in an  
27 eligible position on or after July 1, 1996, shall be members of plan  
28 (~~((H))~~) 3.

29 (2) All classified employees who first become employed by an  
30 employer in an eligible position on or after July 1, 1998, shall be  
31 members of plan 3.

32 **Sec. 10.** RCW 41.32.8401 and 1996 c 39 s 8 are each amended to read  
33 as follows:

34 (1) (~~((Anyone))~~) Any teacher who requests to transfer under RCW  
35 41.32.817 before January 1, 1998, and establishes service credit for  
36 January 1998, shall have their member account increased by (~~((twenty))~~)  
37 forty percent of:

1 (a) Plan ((FF)) 2 accumulated contributions as of January 1, 1996,  
2 less fifty percent of any payments made pursuant to RCW 41.50.165(2);  
3 or

4 (b) All amounts withdrawn after January 1, 1996, which are  
5 completely restored before January 1, 1998.

6 (2) Substitute teachers shall receive the additional payment  
7 provided in subsection (1) of this section if they:

8 (a) Establish service credit for January 1998; and

9 (b) Establish any service credit from July 1996 through December  
10 1997; and

11 (c) Elect to transfer on or before March 1, 1999.

12 (3) If a ((member)) teacher who requests to transfer dies before  
13 January 1, 1998, the additional payment provided by this section shall  
14 be paid to the member's estate, or the person or persons, trust, or  
15 organization the member nominated by written designation duly executed  
16 and filed with the department.

17 (4) The legislature reserves the right to modify or discontinue the  
18 right to ((an incentive)) a transfer payment under this section for any  
19 plan ((FF)) 2 members who have not previously transferred to plan  
20 ((FF)) 3.

21 **Sec. 11.** RCW 41.32.875 and 1996 c 39 s 6 are each amended to read  
22 as follows:

23 (1) NORMAL RETIREMENT. (a) Any member who is at least age sixty-  
24 five and who has:

25 ((a)) (i) Completed ten service credit years; or

26 ((b)) (ii) Completed five service credit years, including twelve  
27 service credit months after attaining age fifty-four; ((or))

28 shall be eligible to retire and receive a retirement allowance computed  
29 according to RCW 41.32.840.

30 ((c)) (b) Any teacher who is at least age sixty-five and has  
31 completed five service credit years by July 1, 1996, under plan ((FF))  
32 2 and who transferred to plan ((FF)) 3 under RCW 41.32.817((+)) shall  
33 be eligible to retire and to receive a retirement allowance computed  
34 according to the provisions of RCW 41.32.840.

35 (c) Any classified employee who is at least age sixty-five and has  
36 completed five service credit years by July 1, 1998, and who  
37 transferred to plan 3 under RCW 41.32.817 shall be eligible to retire

1 and to receive a retirement allowance computed according to the  
2 provisions of RCW 41.32.840.

3 (2) EARLY RETIREMENT. Any member who has attained at least age  
4 fifty-five and has completed at least ten years of service shall be  
5 eligible to retire and to receive a retirement allowance computed  
6 according to the provisions of RCW 41.32.840, except that a member  
7 retiring pursuant to this subsection shall have the retirement  
8 allowance actuarially reduced to reflect the difference in the number  
9 of years between age at retirement and the attainment of age sixty-  
10 five.

11 NEW SECTION. Sec. 12. A new section is added to chapter 41.32 RCW  
12 to read as follows:

13 (1) Any classified employee who requests to transfer under RCW  
14 41.32.817 before September 1, 1999, and establishes service credit for  
15 September 1999, shall have their member account increased by forty  
16 percent of:

17 (a) Plan 2 accumulated contributions as of July 1, 1998, less fifty  
18 percent of any payments made pursuant to RCW 41.50.165(2); or

19 (b) All amounts withdrawn after July 1, 1998, which are completely  
20 restored before September 1, 1999.

21 (2) If a classified employee who requests to transfer dies before  
22 September 1, 1999, the additional payment provided by this section  
23 shall be paid to the member's estate, or the person or persons, trust,  
24 or organization the member nominated by written designation duly  
25 executed and filed with the department.

26 (3) The legislature reserves the right to modify or discontinue the  
27 right to the transfer payment under this section for any plan 2 members  
28 who have not previously transferred to plan 3.

29 **Sec. 13.** RCW 41.34.060 and 1996 c 39 s 15 are each amended to read  
30 as follows:

31 (1) Except as provided in subsection (2) of this section, the  
32 member's account shall be invested by the state investment board. All  
33 contributions under this subsection shall be invested in the same  
34 portfolio as that of the (~~teachers'~~) educational employees'  
35 retirement system combined plan ((~~FF~~)) 2 and ((~~HH~~)) 3 fund under RCW  
36 41.50.075(2).

1 (2) Members may elect to self-direct their investments as  
2 authorized by the board, other than as provided in subsection (1) of  
3 this section. Expenses caused by self-directed investment shall be  
4 paid by the member in accordance with rules established by the board  
5 under RCW 41.50.088.

6 **Sec. 14.** RCW 41.40.010 and 1995 c 345 s 10, 1995 c 286 s 1, and  
7 1995 c 244 s 3 are each reenacted and amended to read as follows:

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

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

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

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

16 (4)(a) "Employer" for plan ((I)) 1 members, means every branch,  
17 department, agency, commission, board, and office of the state, any  
18 political subdivision or association of political subdivisions of the  
19 state admitted into the retirement system, and legal entities  
20 authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the  
21 term shall also include any labor guild, association, or organization  
22 the membership of a local lodge or division of which is comprised of at  
23 least forty percent employees of an employer (other than such labor  
24 guild, association, or organization) within this chapter. The term may  
25 also include any city of the first class that has its own retirement  
26 system.

27 (b) "Employer" for plan ((II)) 2 members, means every branch,  
28 department, agency, commission, board, and office of the state, and any  
29 political subdivision and municipal corporation of the state admitted  
30 into the retirement system, including public agencies created pursuant  
31 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after June 30,  
32 1998, school districts and educational service districts will no longer  
33 be employers for the public employees' retirement system plan 2.

34 (5) "Member" means any employee included in the membership of the  
35 retirement system, as provided for in RCW 41.40.023. RCW 41.26.045  
36 does not prohibit a person otherwise eligible for membership in the  
37 retirement system from establishing such membership effective when he  
38 or she first entered an eligible position.



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

2 (a) Any person who became a member of the system prior to April 1,  
3 1949;

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

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

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

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

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

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

34 (8)(a) "Compensation earnable" for plan ((F)) 1 members, means  
35 salaries or wages earned during a payroll period for personal services  
36 and where the compensation is not all paid in money, maintenance  
37 compensation shall be included upon the basis of the schedules  
38 established by the member's employer.

1 (i) "Compensation earnable" for plan ((F)) 1 members also includes  
2 the following actual or imputed payments, which are not paid for  
3 personal services:

4 (A) Retroactive payments to an individual by an employer on  
5 reinstatement of the employee in a position, or payments by an employer  
6 to an individual in lieu of reinstatement in a position which are  
7 awarded or granted as the equivalent of the salary or wage which the  
8 individual would have earned during a payroll period shall be  
9 considered compensation earnable and the individual shall receive the  
10 equivalent service credit;

11 (B) If a leave of absence is taken by an individual for the purpose  
12 of serving in the state legislature, the salary which would have been  
13 received for the position from which the leave of absence was taken,  
14 shall be considered as compensation earnable if the employee's  
15 contribution is paid by the employee and the employer's contribution is  
16 paid by the employer or employee;

17 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and  
18 72.09.240;

19 (D) Compensation that a member would have received but for a  
20 disability occurring in the line of duty only as authorized by RCW  
21 41.40.038;

22 (E) Compensation that a member receives due to participation in the  
23 leave sharing program only as authorized by RCW 41.04.650 through  
24 41.04.670; and

25 (F) Compensation that a member receives for being in standby  
26 status. For the purposes of this section, a member is in standby  
27 status when not being paid for time actually worked and the employer  
28 requires the member to be prepared to report immediately for work, if  
29 the need arises, although the need may not arise. Standby compensation  
30 is regular salary for the purposes of RCW 41.50.150(2).

31 (ii) "Compensation earnable" does not include:

32 (A) Remuneration for unused sick leave authorized under RCW  
33 41.04.340, 28A.400.210, or 28A.310.490;

34 (B) Remuneration for unused annual leave in excess of thirty days  
35 as authorized by RCW 43.01.044 and 43.01.041.

36 (b) "Compensation earnable" for plan ((F)) 2 members, means  
37 salaries or wages earned by a member during a payroll period for  
38 personal services, including overtime payments, and shall include wages  
39 and salaries deferred under provisions established pursuant to sections

1 403(b), 414(h), and 457 of the United States Internal Revenue Code, but  
2 shall exclude nonmoney maintenance compensation and lump sum or other  
3 payments for deferred annual sick leave, unused accumulated vacation,  
4 unused accumulated annual leave, or any form of severance pay.

5 "Compensation earnable" for plan ((H)) 2 members also includes the  
6 following actual or imputed payments, which are not paid for personal  
7 services:

8 (i) Retroactive payments to an individual by an employer on  
9 reinstatement of the employee in a position, or payments by an employer  
10 to an individual in lieu of reinstatement in a position which are  
11 awarded or granted as the equivalent of the salary or wage which the  
12 individual would have earned during a payroll period shall be  
13 considered compensation earnable to the extent provided above, and the  
14 individual shall receive the equivalent service credit;

15 (ii) In any year in which a member serves in the legislature, the  
16 member shall have the option of having such member's compensation  
17 earnable be the greater of:

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

20 (B) Such member's actual compensation earnable received for  
21 nonlegislative public employment and legislative service combined. Any  
22 additional contributions to the retirement system required because  
23 compensation earnable under ((b)(ii)(B)) (b)(ii)(A) of this  
24 subsection is greater than compensation earnable under ((b)(ii)(A))  
25 (b)(ii)(B) of this subsection shall be paid by the member for both  
26 member and employer contributions;

27 (iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,  
28 and 72.09.240;

29 (iv) Compensation that a member would have received but for a  
30 disability occurring in the line of duty only as authorized by RCW  
31 41.40.038;

32 (v) Compensation that a member receives due to participation in the  
33 leave sharing program only as authorized by RCW 41.04.650 through  
34 41.04.670; and

35 (vi) Compensation that a member receives for being in standby  
36 status. For the purposes of this section, a member is in standby  
37 status when not being paid for time actually worked and the employer  
38 requires the member to be prepared to report immediately for work, if

1 the need arises, although the need may not arise. Standby compensation  
2 is regular salary for the purposes of RCW 41.50.150(2).

3 (9)(a) "Service" for plan ((F)) 1 members, except as provided in  
4 RCW 41.40.088, means periods of employment in an eligible position or  
5 positions for one or more employers rendered to any employer for which  
6 compensation is paid, and includes time spent in office as an elected  
7 or appointed official of an employer. Compensation earnable earned in  
8 full time work for seventy hours or more in any given calendar month  
9 shall constitute one service credit month except as provided in RCW  
10 41.40.088. Compensation earnable earned for less than seventy hours in  
11 any calendar month shall constitute one-quarter service credit month of  
12 service except as provided in RCW 41.40.088. Only service credit  
13 months and one-quarter service credit months shall be counted in the  
14 computation of any retirement allowance or other benefit provided for  
15 in this chapter. Any fraction of a year of service shall be taken into  
16 account in the computation of such retirement allowance or benefits.  
17 Time spent in standby status, whether compensated or not, is not  
18 service.

19 (i) Service by a state employee officially assigned by the state on  
20 a temporary basis to assist another public agency, shall be considered  
21 as service as a state employee: PROVIDED, That service to any other  
22 public agency shall not be considered service as a state employee if  
23 such service has been used to establish benefits in any other public  
24 retirement system.

25 (ii) An individual shall receive no more than a total of twelve  
26 service credit months of service during any calendar year. If an  
27 individual is employed in an eligible position by one or more employers  
28 the individual shall receive no more than one service credit month  
29 during any calendar month in which multiple service for seventy or more  
30 hours is rendered.

31 (iii) A school district employee may count up to forty-five days of  
32 sick leave as creditable service solely for the purpose of determining  
33 eligibility to retire under RCW 41.40.180 as authorized by RCW  
34 28A.400.300. For purposes of plan ((F)) 1 "forty-five days" as used in  
35 RCW 28A.400.300 is equal to two service credit months. Use of less  
36 than forty-five days of sick leave is creditable as allowed under this  
37 subsection as follows:

38 (A) Less than twenty-two days equals one-quarter service credit  
39 month;

1 (B) Twenty-two days equals one service credit month;

2 (C) More than twenty-two days but less than forty-five days equals  
3 one and one-quarter service credit month.

4 (b) "Service" for plan ((FF)) 2 members, means periods of  
5 employment by a member in an eligible position or positions for one or  
6 more employers for which compensation earnable is paid. Compensation  
7 earnable earned for ninety or more hours in any calendar month shall  
8 constitute one service credit month except as provided in RCW  
9 41.40.088. Compensation earnable earned for at least seventy hours but  
10 less than ninety hours in any calendar month shall constitute one-half  
11 service credit month of service. Compensation earnable earned for less  
12 than seventy hours in any calendar month shall constitute one-quarter  
13 service credit month of service. Time spent in standby status, whether  
14 compensated or not, is not service.

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

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

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

31 (iii) Up to forty-five days of sick leave may be creditable as  
32 service solely for the purpose of determining eligibility to retire  
33 under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of  
34 plan ((FF)) 2 "forty-five days" as used in RCW 28A.400.300 is equal to  
35 two service credit months. Use of less than forty-five days of sick  
36 leave is creditable as allowed under this subsection as follows:

37 (A) Less than eleven days equals one-quarter service credit month;

38 (B) Eleven or more days but less than twenty-two days equals one-  
39 half service credit month;

1 (C) Twenty-two days equals one service credit month;

2 (D) More than twenty-two days but less than thirty-three days  
3 equals one and one-quarter service credit month;

4 (E) Thirty-three or more days but less than forty-five days equals  
5 one and one-half service credit month.

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

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

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

12 (13) "Membership service" means:

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

14 (b) All service after October 1, 1947, to any employer prior to the  
15 time of its admission into the retirement system for which member and  
16 employer contributions, plus interest as required by RCW 41.50.125,  
17 have been paid under RCW 41.40.056 or 41.40.057;

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 ((F)) 1 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 ((F)) 2 members, means any person in  
38 receipt of a retirement allowance or other benefit provided by this

1 chapter resulting from service rendered to an employer by another  
2 person.

3 (15) "Regular interest" means such rate as the director may  
4 determine.

5 (16) "Accumulated contributions" means the sum of all contributions  
6 standing to the credit of a member in the member's individual account,  
7 including any amount paid under RCW 41.50.165(2), together with the  
8 regular interest thereon.

9 (17)(a) "Average final compensation" for plan ((F)) 1 members,  
10 means the annual average of the greatest compensation earnable by a  
11 member during any consecutive two year period of service credit months  
12 for which service credit is allowed; or if the member has less than two  
13 years of service credit months then the annual average compensation  
14 earnable during the total years of service for which service credit is  
15 allowed.

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

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

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

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

30 (21) "Retirement allowance" means the sum of the annuity and the  
31 pension.

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

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

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

39 (25) "Eligible position" means:

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

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

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

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

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

18 (29) "Retiree" means any person in receipt of a retirement  
19 allowance or other benefit provided by this chapter resulting from  
20 service rendered to an employer while a member. A person is in receipt  
21 of a retirement allowance as defined in subsection (21) of this section  
22 or other benefit as provided by this chapter when the department mails,  
23 causes to be mailed, or otherwise transmits the retirement allowance  
24 warrant.

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

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

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

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

35 (34) "Plan II" or "plan 2" means the public employees' retirement  
36 system, plan ((H)) 2 providing the benefits and funding provisions  
37 covering persons who first became members of the system on and after  
38 October 1, 1977.



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

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

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

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

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

12 (40) "Annual increase" means, initially, fifty-nine cents per month  
13 per year of service which amount shall be increased each July 1st by  
14 three percent, rounded to the nearest cent.

15 NEW SECTION. **Sec. 15.** A new section is added to chapter 41.40 RCW  
16 to read as follows:

17 (1) Effective July 1, 1998, the membership of all plan 2 members  
18 currently employed in eligible positions in a school district or  
19 educational service district, and all plan 2 service credit for such  
20 members, is transferred to the Washington educational employees'  
21 retirement system plan 2. Plan 2 members who have withdrawn their  
22 member contributions for prior plan 2 service may restore contributions  
23 and service credit to the Washington educational employees' retirement  
24 system plan 2 as provided under RCW 41.32.825.

25 (2) The membership and previous service credit of a plan 2 member  
26 not employed in an eligible position on July 1, 1998, will be  
27 transferred to the Washington educational employees' retirement system  
28 plan 2 when he or she becomes employed in an eligible position. Plan  
29 2 members not employed in an eligible position on July 1, 1998, who  
30 have withdrawn their member contributions for prior plan 2 service may  
31 restore contributions and service credit to the Washington educational  
32 employees' retirement system plan 2 as provided under RCW 41.32.825.

33 (3) Members who restore contributions and service credit under  
34 subsection (1) or (2) of this section shall not be dual members for the  
35 purpose of RCW 41.54.020(2).

36 **Sec. 16.** RCW 41.45.010 and 1995 c 239 s 305 are each amended to  
37 read as follows:

1 It is the intent of the legislature to provide a dependable and  
2 systematic process for funding the benefits provided to members and  
3 retirees of the public employees' retirement system, chapter 41.40 RCW;  
4 the (~~teachers'~~) educational employees' retirement system, chapter  
5 41.32 RCW; the law enforcement officers' and fire fighters' retirement  
6 system, chapter 41.26 RCW; and the Washington state patrol retirement  
7 system, chapter 43.43 RCW.

8 The funding process established by this chapter is intended to  
9 achieve the following goals:

10 (1) To continue to fully fund the public employees' retirement  
11 system plan ((~~II~~)) 2, the (~~teachers'~~) educational employees'  
12 retirement system plans ((~~II~~)) 2 and ((~~III~~)) 3, and the law enforcement  
13 officers' and fire fighters' retirement system plan II as provided by  
14 law;

15 (2) To fully amortize the total costs of the public employees'  
16 retirement system plan ((~~I~~)) 1, the teachers' retirement system plan  
17 ((~~I~~)) 1, and the law enforcement officers' and fire fighters'  
18 retirement system plan I not later than June 30, 2024;

19 (3) To establish predictable long-term employer contribution rates  
20 which will remain a relatively constant proportion of the future state  
21 budgets; and

22 (4) To fund, to the extent feasible, benefit increases for plan  
23 ((~~I~~)) 1 members and all benefits for plan ((~~II~~)) 2 and ((~~III~~)) 3  
24 members over the working lives of those members so that the cost of  
25 those benefits are paid by the taxpayers who receive the benefit of  
26 those members' service.

27 **Sec. 17.** RCW 41.45.020 and 1995 c 239 s 306 are each amended to  
28 read as follows:

29 As used in this chapter, the following terms have the meanings  
30 indicated unless the context clearly requires otherwise.

31 (1) "Council" means the economic and revenue forecast council  
32 created in RCW 82.33.010.

33 (2) "Department" means the department of retirement systems.

34 (3) "Law enforcement officers' and fire fighters' retirement system  
35 plan I" and "law enforcement officers' and fire fighters' retirement  
36 system plan II" mean the benefits and funding provisions under chapter  
37 41.26 RCW.

1 (4) "Public employees' retirement system plan ((I)) 1" and "public  
2 employees' retirement system plan ((II)) 2" mean the benefits and  
3 funding provisions under chapter 41.40 RCW.

4 (5) "Teachers' retirement system plan ((I)) 1," "~~((teachers'))~~  
5 educational employees' retirement system plan ((II)) 2," and  
6 "~~((teachers'))~~ educational employees' retirement system plan ((III)) 3"  
7 mean the benefits and funding provisions under chapter 41.32 RCW.

8 (6) "Washington state patrol retirement system" means the  
9 retirement benefits provided under chapter 43.43 RCW.

10 (7) "Unfunded liability" means the unfunded actuarial accrued  
11 liability of a retirement system.

12 (8) "Actuary" or "state actuary" means the state actuary employed  
13 under chapter 44.44 RCW.

14 (9) "State retirement systems" means the retirement systems listed  
15 in RCW 41.50.030.

16 (10) "Classified employee" means a member of the educational  
17 employees' retirement system plan 2 or plan 3 as defined in RCW  
18 41.32.010(48).

19 (11) "Teacher" means a member of the educational employees'  
20 retirement system as defined in RCW 41.32.010(29).

21 **Sec. 18.** RCW 41.45.050 and 1995 c 239 s 308 are each amended to  
22 read as follows:

23 (1) Employers of members of the public employees' retirement  
24 system, the ~~((teachers'))~~ educational employees' retirement system, and  
25 the Washington state patrol retirement system shall make contributions  
26 to those systems based on the rates established in RCW 41.45.060 and  
27 41.45.070.

28 (2) The state shall make contributions to the law enforcement  
29 officers' and fire fighters' retirement system based on the rates  
30 established in RCW 41.45.060 and 41.45.070. The state treasurer shall  
31 transfer the required contributions each month on the basis of salary  
32 data provided by the department.

33 (3) The department shall bill employers, and the state shall make  
34 contributions to the law enforcement officers' and fire fighters'  
35 retirement system, using the combined rates established in RCW  
36 41.45.060 and 41.45.070 regardless of the level of pension funding  
37 provided in the biennial budget. Any member of an affected retirement

1 system may, by mandamus or other appropriate proceeding, require the  
2 transfer and payment of funds as directed in this section.

3 (4) The contributions received for the public employees' retirement  
4 system shall be allocated between the public employees' retirement  
5 system plan ((~~F~~)) 1 fund and public employees' retirement system plan  
6 ((~~FF~~)) 2 fund as follows: The contributions necessary to fully fund  
7 the public employees' retirement system plan ((~~FF~~)) 2 employer  
8 contribution required by RCW 41.40.650 shall first be deposited in the  
9 public employees' retirement system plan ((~~FF~~)) 2 fund. All remaining  
10 public employees' retirement system employer contributions shall be  
11 deposited in the public employees' retirement system plan ((~~F~~)) 1 fund.

12 (5) The contributions received for the ((~~teachers'~~)) educational  
13 employees' retirement system shall be allocated between ((~~the plan I~~  
14 ~~fund and the combined plan II and plan III~~)) funds as follows:

15 (a) The contributions necessary to fully fund the combined plan  
16 ((~~FF~~)) 2 and plan ((~~FFF~~)) 3 employer contribution shall first be  
17 deposited in the combined plan ((~~FF~~)) 2 and plan ((~~FFF~~)) 3 fund.

18 (b) Employer contributions to the public employees' retirement  
19 system plan 1 shall continue to be made at the same rate as if  
20 classified employees remained in the public employees' retirement  
21 system plan 2.

22 (c) All remaining ((~~teachers'~~)) educational employees' retirement  
23 system employer contributions shall be deposited in the teachers'  
24 retirement system plan ((~~F~~)) 1 fund.

25 (6) The contributions received under RCW 41.26.450 for the law  
26 enforcement officers' and fire fighters' retirement system shall be  
27 allocated between the law enforcement officers' and fire fighters'  
28 retirement system plan I and the law enforcement officers' and fire  
29 fighters' retirement system plan II fund as follows: The contributions  
30 necessary to fully fund the law enforcement officers' and fire  
31 fighters' retirement system plan II employer contributions shall be  
32 first deposited in the law enforcement officers' and fire fighters'  
33 retirement system plan II fund. All remaining law enforcement  
34 officers' and fire fighters' retirement system employer contributions  
35 shall be deposited in the law enforcement officers' and fire fighters'  
36 retirement system plan I fund.

37 **Sec. 19.** RCW 41.45.060 and 1995 c 239 s 309 are each amended to  
38 read as follows:

1 (1) The state actuary shall provide actuarial valuation results  
2 based on the assumptions adopted under RCW 41.45.030.

3 (2) Not later than September 30, 1996, and every two years  
4 thereafter, consistent with the assumptions adopted under RCW  
5 41.45.030, the council shall adopt both: (a) A basic state  
6 contribution rate for the law enforcement officers' and fire fighters'  
7 retirement system; and (b) basic employer contribution rates for the  
8 public employees' retirement system plan ((~~F~~)) 1, the teachers'  
9 retirement system plan ((~~F~~)) 1, and the Washington state patrol  
10 retirement system to be used in the ensuing biennial period.

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

13 (a) To fully amortize the total costs of the public employees'  
14 retirement system plan ((~~F~~)) 1, the teachers' retirement system plan  
15 ((~~F~~)) 1, the law enforcement officers' and fire fighters' retirement  
16 system plan I, and the unfunded liability of the Washington state  
17 patrol retirement system not later than June 30, 2024; and

18 (b) To also continue to fully fund the public employees' retirement  
19 system plan ((~~F~~)) 2, the ((~~teachers'~~)) educational employees'  
20 retirement system plans ((~~F~~)) 2 and ((~~F~~)) 3, and the law enforcement  
21 officers' and fire fighters' retirement system plan II in accordance  
22 with RCW 41.40.650, 41.26.450, and this section.

23 (4) The aggregate actuarial cost method shall be used to calculate  
24 a combined plan ((~~F~~)) 2 and ((~~F~~)) 3 employer contribution rate.

25 (5) The council shall immediately notify the directors of the  
26 office of financial management and department of retirement systems of  
27 the state and employer contribution rates adopted.

28 (6) The director of the department of retirement systems shall  
29 collect those rates adopted by the council.

30 **Sec. 20.** RCW 41.45.061 and 1995 c 239 s 311 are each amended to  
31 read as follows:

32 (1) The required contribution rate for ((~~members~~)) teachers of the  
33 plan ((~~F~~ ~~teachers'~~)) educational employees' retirement system shall  
34 be fixed at the rates in effect on July 1, 1996, subject to the  
35 following:

36 (a) Beginning September 1, ((~~1998~~)) 1997, except as provided in (b)  
37 of this subsection, the employee contribution rate shall not exceed the  
38 estimated employer plan ((~~F~~)) 2 and ((~~F~~ ~~rates adopted under RCW~~

1 ~~41.45.060 and 41.45.070 for the teachers' retirement system))~~ 3 cost of  
2 the teacher members;

3 (b) In addition, the employee contribution rate for plan ((~~FF~~)) 2  
4 shall be increased by fifty percent of the contribution rate increase  
5 caused by any plan ((~~FF~~)) 2 benefit increase passed after July 1, 1996.

6 (2) The required contribution rate for classified members of the  
7 plan 2 educational employees' retirement system shall be the same as  
8 the public employees' retirement system plan 2 employee rate, subject  
9 to the following:

10 (a) Any change to the public employees' retirement system plan 2  
11 rate due to benefit increases shall not be included; and

12 (b) The rate shall be increased by fifty percent of the  
13 contribution rate increase caused by any plan 2 benefit increase  
14 affecting classified plan 2 members.

15 (3) The required plan ((~~FF~~)) 2 and ((~~FFF~~)) 3 contribution rates for  
16 employers shall be adopted in the manner described in RCW 41.45.060.

17 **Sec. 21.** RCW 41.45.070 and 1995 c 239 s 310 are each amended to  
18 read as follows:

19 (1) In addition to the basic employer contribution rate established  
20 in RCW 41.45.060, the department shall also charge employers of public  
21 employees' retirement system, (~~teachers')~~ educational employees'  
22 retirement system, or Washington state patrol retirement system members  
23 an additional supplemental rate to pay for the cost of additional  
24 benefits, if any, granted to members of those systems. The  
25 supplemental contribution rates required by this section shall be  
26 calculated by the state actuary and shall be charged regardless of  
27 language to the contrary contained in the statute which authorizes  
28 additional benefits.

29 (2) In addition to the basic state contribution rate established in  
30 RCW 41.45.060 for the law enforcement officers' and fire fighters'  
31 retirement system the department shall also establish a supplemental  
32 rate to pay for the cost of additional benefits, if any, granted to  
33 members of the law enforcement officers' and fire fighters' retirement  
34 system. This supplemental rate shall be calculated by the state  
35 actuary and the state treasurer shall transfer the additional required  
36 contributions regardless of language to the contrary contained in the  
37 statute which authorizes the additional benefits.

1 (3) The supplemental rate charged under this section to fund  
2 benefit increases provided to active members of the public employees'  
3 retirement system plan ((F)) 1, the teachers' retirement system plan  
4 ((F)) 1, the law enforcement officers' and fire fighters' retirement  
5 system plan I, and Washington state patrol retirement system, shall be  
6 calculated as the level percentage of all members' pay needed to fund  
7 the cost of the benefit not later than June 30, 2024.

8 (4) The supplemental rate charged under this section to fund  
9 benefit increases provided to active and retired members of the public  
10 employees' retirement system plan ((FF)) 2, the ((teachers'))  
11 educational employees' retirement system plan ((FF)) 2 and plan ((FFF))  
12 3, or the law enforcement officers' and fire fighters' retirement  
13 system plan II, shall be calculated as the level percentage of all  
14 members' pay needed to fund the cost of the benefit, as calculated  
15 under RCW 41.40.650(~~(, 41.32.775)~~) or 41.26.450, respectively.

16 (5) The supplemental rate charged under this section to fund  
17 postretirement adjustments which are provided on a nonautomatic basis  
18 to current retirees shall be calculated as the percentage of pay needed  
19 to fund the adjustments as they are paid to the retirees. The  
20 supplemental rate charged under this section to fund automatic  
21 postretirement adjustments for active or retired members of the public  
22 employees' retirement system plan ((F)) 1 and the teachers' retirement  
23 system plan ((F)) 1 shall be calculated as the level percentage of pay  
24 needed to fund the cost of the automatic adjustments not later than  
25 June 30, 2024.

26 NEW SECTION. Sec. 22. A new section is added to chapter 41.45 RCW  
27 to read as follows:

28 Until September 2001, the employer contribution rate charged on the  
29 salaries of classified employees shall be the same as the employer  
30 contribution rate adopted for the public employees' retirement system  
31 under RCW 41.45.060 and include the supplemental rate under RCW  
32 41.45.070.

33 After September 2001, the employer contribution rate shall be  
34 calculated under RCW 41.45.060.

35 NEW SECTION. Sec. 23. A new section is added to chapter 41.45 RCW  
36 to read as follows:

1 Educational employees' retirement system plan 2 and 3 classified  
2 employees' salaries will be included in calculation of the contribution  
3 rate necessary to fund the public employees' retirement system  
4 benefits.

5 NEW SECTION. **Sec. 24.** A new section is added to chapter 41.45 RCW  
6 to read as follows:

7 Upon the advice of the state actuary, the state treasurer shall  
8 divide the assets in the public employees' retirement system plan 2 in  
9 such a manner that sufficient assets remain in plan 2 to maintain the  
10 employee contribution rate calculated in the latest actuarial valuation  
11 of the public employees' retirement system plan 2. The state actuary  
12 shall take into account changes in assets that occur between the latest  
13 actuarial valuation and the date of transfer. The balance of the  
14 assets shall be transferred to the Washington educational employees'  
15 retirement system plan 2 and 3.

16 **Sec. 25.** RCW 41.50.030 and 1995 c 239 s 316 are each amended to  
17 read as follows:

18 (1) As soon as possible but not more than one hundred and eighty  
19 days after March 19, 1976, there is transferred to the department of  
20 retirement systems, except as otherwise provided in this chapter, all  
21 powers, duties, and functions of:

22 (a) The Washington public employees' retirement system;

23 (b) The Washington state (~~teachers~~) educational employees'  
24 retirement system;

25 (c) The Washington law enforcement officers' and fire fighters'  
26 retirement system;

27 (d) The Washington state patrol retirement system;

28 (e) The Washington judicial retirement system; and

29 (f) The state treasurer with respect to the administration of the  
30 judges' retirement fund imposed pursuant to chapter 2.12 RCW.

31 (2) On July 1, 1996, there is transferred to the department all  
32 powers, duties, and functions of the deferred compensation committee.

33 (3) The department shall administer chapter 41.34 RCW.

34 **Sec. 26.** RCW 41.50.075 and 1996 c 39 s 16 are each amended to read  
35 as follows:



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

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

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

33 **Sec. 27.** RCW 41.50.080 and 1981 c 3 s 34 are each amended to read  
34 as follows:

35 The state investment board shall provide for the investment of all  
36 funds of the Washington public employees' retirement system, the  
37 (~~teachers'~~) educational employees' retirement system, the Washington  
38 law enforcement officers' and fire fighters' retirement system, the

1 Washington state patrol retirement system, the Washington judicial  
2 retirement system, and the judges' retirement fund, pursuant to RCW  
3 43.84.150, and may sell or exchange investments acquired in the  
4 exercise of that authority.

5 **Sec. 28.** RCW 41.50.086 and 1995 c 239 s 301 are each amended to  
6 read as follows:

7 (1) The employee retirement benefits board is created within the  
8 department of retirement systems.

9 (2) The board shall be composed of eight members appointed by the  
10 governor and one ex officio member as follows:

11 (a) Three members representing the public employees' retirement  
12 system: One retired, two active. The members shall be appointed from  
13 a list of nominations submitted by organizations representing each  
14 category. The initial term of appointment shall be two years for the  
15 retired member, one year for one active member, and three years for the  
16 remaining active member.

17 (b) Three members representing the (~~teachers~~) educational  
18 employees' retirement system: One retired, two active. The members  
19 shall be appointed from a list of nominations submitted by  
20 organizations representing each category. The initial term of  
21 appointment shall be one year for the retired member, two years for one  
22 active member, and three years for the remaining active member.

23 (c) Two members with experience in defined contribution plan  
24 administration. The initial term for these members shall be two years  
25 for one member and three years for the remaining member.

26 (d) The director of the department shall serve ex officio and shall  
27 be the chair of the board.

28 (3) After the initial appointments, members shall be appointed to  
29 three-year terms.

30 (4) The board shall meet at least quarterly during the calendar  
31 year, at the call of the chair.

32 (5) Members of the board shall serve without compensation but shall  
33 receive travel expenses as provided for in RCW 43.03.050 and 43.03.060.  
34 Such travel expenses shall be reimbursed by the department from the  
35 retirement system expense fund.

36 (6) The board shall adopt rules governing its procedures and  
37 conduct of business.

1 (7) The actuary shall perform all actuarial services for the board  
2 and provide advice and support.

3 (8) The state investment board shall provide advice and support to  
4 the board.

5 **Sec. 29.** RCW 41.50.200 and 1992 c 212 s 2 are each amended to read  
6 as follows:

7 In the records of the (~~teachers'~~) educational employees'  
8 retirement system the teachers' retirement system plan (~~(F)~~) 1 fund  
9 shall be subdivided into the member reserve, the pension reserve, and  
10 other funds as may from time to time be created by the director for the  
11 purpose of the internal accounting record. The director may adopt  
12 rules creating or deleting funds as he or she deems necessary.

13 **Sec. 30.** RCW 41.50.205 and 1991 c 35 s 33 are each amended to read  
14 as follows:

15 The department shall keep a record of all its proceedings, which  
16 shall be open to public inspection. It shall publish annually a report  
17 showing the fiscal transactions of the Washington state (~~teachers'~~)  
18 educational employees' retirement system for the preceding school year;  
19 the amount of the accumulated cash and securities of the system, and  
20 the last balance sheet showing the financial condition of the system by  
21 means of an actuarial valuation of the assets and liabilities of the  
22 retirement system.

23 **Sec. 31.** RCW 41.50.215 and 1992 c 212 s 6 are each amended to read  
24 as follows:

25 From interest and other earnings on the moneys of the Washington  
26 state (~~teachers'~~) educational employees' retirement system(~~(, and~~  
27 ~~except as otherwise provided in RCW 41.32.499,)~~) at the close of each  
28 fiscal year the department shall make an allowance of regular interest  
29 on the balance which was on hand at the beginning of the fiscal year in  
30 each of the (~~teachers'~~) educational employees' retirement system  
31 funds as they may deem advisable; however, no interest shall be  
32 credited to the expense fund.

33 **Sec. 32.** RCW 41.50.230 and 1991 c 35 s 51 are each amended to read  
34 as follows:

1 On or before a date specified by the department in each month every  
2 employer shall file a report with the department on a form provided,  
3 stating the name of the employer and with respect to each employee who  
4 is a member or who is required to become a member of the Washington  
5 state ((~~teachers'~~)) educational employees' retirement system: (1) The  
6 full name, (2) the earnable compensation paid, (3) the employee's  
7 contribution to the retirement system, and (4) other information as the  
8 department shall require.

9 **Sec. 33.** RCW 41.50.240 and 1977 ex.s. c 293 s 17 are each amended  
10 to read as follows:

11 The person responsible for making up the payroll shall transmit  
12 promptly to the department at the end of each and every payroll period  
13 a copy of the original payroll voucher or such other payroll report as  
14 the department may require showing thereon all deductions for  
15 contributions for the ((~~teachers'~~)) educational employees' retirement  
16 system made from the earnable compensation of a member of the  
17 ((~~teachers'~~)) educational employees' retirement system together with  
18 warrants or checks covering the total of such deductions. The  
19 department shall place such moneys into the proper funds established in  
20 this chapter.

21 NEW SECTION. **Sec. 34.** A new section is added to chapter 41.54 RCW  
22 to read as follows:

23 Persons who were members of the public employees' retirement system  
24 plan 2 prior to the effective date of this section and were transferred  
25 or mandated into membership pursuant to chapter . . . , Laws of 1997  
26 (this act) shall suffer no diminution of benefits guaranteed to public  
27 employees' retirement system plan 2 members as of the date of their  
28 change in membership.

29 **Sec. 35.** RCW 43.33A.020 and 1985 c 195 s 1 are each amended to  
30 read as follows:

31 There is hereby created the state investment board to consist of  
32 fourteen members to be appointed as provided in this section.

33 (1) One member who is an active member of the public employees'  
34 retirement system and has been an active member for at least five  
35 years. This member shall be appointed by the governor, subject to  
36 confirmation by the senate, from a list of nominations submitted by

1 organizations representing active members of the system. The initial  
2 term of appointment shall be one year.

3 (2) One member who is an active member of the law enforcement  
4 officers' and fire fighters' retirement system and has been an active  
5 member for at least five years. This member shall be appointed by the  
6 governor, subject to confirmation by the senate, from a list of  
7 nominations submitted by organizations representing active members of  
8 the system. The initial term of appointment shall be two years.

9 (3) One member who is an active member of the (~~teachers'~~)  
10 educational employees' retirement system and has been an active member  
11 for at least five years. This member shall be appointed by the  
12 superintendent of public instruction subject to confirmation by the  
13 senate. The initial term of appointment shall be three years.

14 (4) The state treasurer or the assistant state treasurer if  
15 designated by the state treasurer.

16 (5) A member of the state house of representatives. This member  
17 shall be appointed by the speaker of the house of representatives.

18 (6) A member of the state senate. This member shall be appointed  
19 by the president of the senate.

20 (7) One member who is a retired member of a state retirement system  
21 shall be appointed by the governor, subject to confirmation by the  
22 senate. The initial term of appointment shall be three years.

23 (8) The director of the department of labor and industries.

24 (9) The director of the department of retirement systems.

25 (10) Five nonvoting members appointed by the state investment board  
26 who are considered experienced and qualified in the field of  
27 investments.

28 The legislative members shall serve terms of two years. The  
29 initial legislative members appointed to the board shall be appointed  
30 no sooner than January 10, 1983. The position of a legislative member  
31 on the board shall become vacant at the end of that member's term on  
32 the board or whenever the member ceases to be a member of the senate or  
33 house of representatives from which the member was appointed.

34 After the initial term of appointment, all other members of the  
35 state investment board, except ex officio members, shall serve terms of  
36 three years and shall hold office until successors are appointed.  
37 Members' terms, except for ex officio members, shall commence on  
38 January 1 of the year in which the appointments are made.

1 Members may be reappointed for additional terms. Appointments for  
2 vacancies shall be made for the unexpired terms in the same manner as  
3 the original appointments. Any member may be removed from the board  
4 for cause by the member's respective appointing authority.

5 **Sec. 36.** RCW 28A.400.250 and 1984 c 228 s 1 are each amended to  
6 read as follows:

7 The board of directors of any school district, the Washington  
8 (~~state teachers'~~) educational employees' retirement system, the  
9 superintendent of public instruction, and educational service district  
10 superintendents are authorized to provide and pay for tax deferred  
11 annuities for their respective employees in lieu of a portion of salary  
12 or wages as authorized under the provisions of 26 U.S.C., section  
13 403(b), as amended by Public Law 87-370, 75 Stat. 796, as now or  
14 hereafter amended. The superintendent of public instruction and  
15 educational service district superintendents, if eligible, may also be  
16 provided with such annuities.

17 At the request of at least five employees, the employees' employer  
18 shall arrange for the purchase of tax deferred annuity contracts which  
19 meet the requirements of 26 U.S.C., section 403(b), as now or hereafter  
20 amended, for the employees from any company the employees may choose  
21 that is authorized to do business in this state through a Washington-  
22 licensed insurance agent that the employees may select. Payroll  
23 deductions shall be made in accordance with the arrangements for the  
24 purpose of paying the entire premium due and to become due under the  
25 contracts. Employees' rights under the annuity contract are  
26 nonforfeitable except for the failure to pay premiums.

27 The board of directors of any school district, the Washington  
28 (~~state teachers'~~) educational employees' retirement system, the  
29 superintendent of public instruction, and educational service district  
30 superintendents shall not restrict, except as provided in this section,  
31 employees' right to select the tax deferred annuity of their choice or  
32 the agent, broker, or company licensed by the state of Washington  
33 through which the tax deferred annuity is placed or purchased, and  
34 shall not place limitations on the time or place that the employees  
35 make the selection.

36 The board of directors of any school district, the Washington  
37 (~~state teachers'~~) educational employees' retirement system, the  
38 superintendent of public instruction, and educational service district

1 superintendents may each adopt rules regulating the sale of tax  
2 deferred annuities which: (1) Prohibit solicitation of employees for  
3 the purposes of selling tax deferred annuities on school premises  
4 during normal school hours; (2) only permit the solicitation of tax  
5 deferred annuities by agents, brokers, and companies licensed by the  
6 state of Washington; and (3) require participating companies to execute  
7 reasonable agreements protecting the respective employers from any  
8 liability attendant to procuring tax deferred annuities.

9       **Sec. 37.** RCW 28B.10.417 and 1977 ex.s. c 169 s 19 are each amended  
10 to read as follows:

11       (1) A faculty member or other employee designated by the board of  
12 trustees of the applicable regional university or of The Evergreen  
13 State College as being subject to an annuity or retirement income plan  
14 and who, at the time of such designation, is a member of the Washington  
15 (~~state teachers~~) educational employees' retirement system, shall  
16 retain credit for such service in the Washington (~~state teachers~~)  
17 educational employees' retirement system and except as provided in  
18 subsection (2) of this section, shall leave his or her accumulated  
19 contributions in the (~~teachers~~) educational employees' retirement  
20 fund. Upon his or her attaining eligibility for retirement under the  
21 Washington (~~state teachers~~) educational employees' retirement  
22 system, such faculty member or other employee shall receive from the  
23 Washington (~~state teachers~~) educational employees' retirement system  
24 a retirement allowance consisting of an annuity which shall be the  
25 actuarial equivalent of his or her accumulated contributions at his or  
26 her age when becoming eligible for such retirement and a pension for  
27 each year of creditable service established and retained at the time of  
28 said designation as provided in RCW 41.32.497 as now or hereafter  
29 amended. Anyone who on July 1, 1967, was receiving pension payments  
30 from the (~~teachers~~) educational employees' retirement system based  
31 on thirty-five years of creditable service shall thereafter receive a  
32 pension based on the total years of creditable service established with  
33 the retirement system: PROVIDED, HOWEVER, That any such faculty member  
34 or other employee who, upon attainment of eligibility for retirement  
35 under the Washington (~~state teachers~~) educational employees'  
36 retirement system, is still engaged in public educational employment,  
37 shall not be eligible to receive benefits under the Washington (~~state~~  
38 ~~teachers~~) educational employees' retirement system until he or she

1 ceases such public educational employment. Any retired faculty member  
2 or other employee who enters service in any public educational  
3 institution shall cease to receive pension payments while engaged in  
4 such service: PROVIDED FURTHER, That such service may be rendered up  
5 to seventy-five days in a school year without reduction of pension.

6 (2) A faculty member or other employee designated by the board of  
7 trustees of the applicable regional university or of The Evergreen  
8 State College as being subject to the annuity and retirement income  
9 plan and who, at the time of such designation, is a member of the  
10 Washington (~~((state teachers'))~~) educational employees' retirement system  
11 may, at his or her election and at any time, on and after midnight June  
12 10, 1959, terminate his or her membership in the Washington (~~((state  
13 teachers'))~~) educational employees' retirement system and withdraw his  
14 or her accumulated contributions and interest in the (~~((teachers'))~~)  
15 educational employees' retirement fund upon written application to the  
16 board of trustees of the Washington (~~((state teachers'))~~) educational  
17 employees' retirement system. Faculty members or other employees who  
18 withdraw their accumulated contributions, on and after the date of  
19 withdrawal of contributions, shall no longer be members of the  
20 Washington (~~((state teachers'))~~) educational employees' retirement system  
21 and shall forfeit all rights of membership, including pension benefits,  
22 theretofore acquired under the Washington (~~((state teachers'))~~)  
23 educational employees' retirement system.

24 **Sec. 38.** RCW 28B.50.874 and 1991 c 238 s 83 are each amended to  
25 read as follows:

26 When the state system of community and technical colleges assumes  
27 administrative control of the vocational-technical institutes,  
28 personnel employed by the vocational-technical institutes shall:

29 (1) Suffer no reduction in compensation, benefits, seniority, or  
30 employment status. After September 1, 1991, classified employees shall  
31 continue to be covered by chapter 41.56 RCW and faculty members and  
32 administrators shall be covered by chapter 28B.50 RCW;

33 (2) To the extent applicable to faculty members, any faculty  
34 currently employed on a "continuing contract" basis under RCW  
35 28A.405.210 be awarded tenure pursuant to RCW 28B.50.851 through  
36 28B.50.873, except for any faculty members who are provisional  
37 employees under RCW 28A.405.220;



1 (3) Be eligible to participate in the health care and other  
2 insurance plans provided by the health care authority and the state  
3 employee benefits board pursuant to chapter 41.05 RCW;

4 (4) Be eligible to participate in old age annuities or retirement  
5 income plans under the rules of the state board for community and  
6 technical colleges pursuant to RCW 28B.10.400 or the teachers'  
7 retirement system plan ((~~F~~)) 1 for personnel employed before July 1,  
8 1977, or educational employees' retirement plan ((~~F~~)) 2 for personnel  
9 employed after July 1, 1977, under chapter 41.32 RCW; however, no  
10 affected vocational-technical institute employee shall be required to  
11 choose from among any available retirement plan options prior to six  
12 months after September 1, 1991;

13 (5) Have transferred to their new administrative college district  
14 all accrued sick and vacation leave and thereafter shall earn and use  
15 all such leave under the rule established pursuant to RCW 28B.50.551;

16 (6) Be eligible to participate in the deferred compensation plan  
17 ((~~pursuant to RCW 41.04.250~~)) and the dependent care program pursuant  
18 to RCW 41.04.600 under the rules established by the state deferred  
19 compensation committee.

20 An exclusive bargaining representative certified to represent a  
21 bargaining unit covering employees of a vocational technical institute  
22 on September 1, 1991, shall remain the exclusive representative of such  
23 employees thereafter until and unless such representative is replaced  
24 or decertified in accordance with state law.

25 Any collective bargaining agreement in effect on June 30, 1991,  
26 shall remain in effect as it applies to employees of vocational  
27 technical institutes until its expiration or renewal date or until  
28 renegotiated or renewed in accordance with chapter 28B.52 or 41.56 RCW.  
29 After the expiration date of a collective bargaining agreement, all of  
30 the terms and conditions specified in the collective bargaining  
31 agreement, as it applies to employees of vocational-technical  
32 institutes, shall remain in effect until the effective date of a  
33 subsequent agreement, not to exceed one year from the termination date  
34 stated in the agreement. The board of trustees and the employees may  
35 mutually agree to continue the terms and conditions of the agreement  
36 beyond the one year extension. However, nothing in this section shall  
37 be construed to deny any employee right granted under chapter 28B.52 or  
38 41.56 RCW. Labor relations processes and agreements covering faculty  
39 members of vocational technical institutes after September 1, 1991,

1 shall be governed by chapter 28B.52 RCW. Labor relations processes and  
2 agreements covering classified employees of vocational technical  
3 institutes after September 1, 1991, shall continue to be governed by  
4 chapter 41.56 RCW.

5 **Sec. 39.** RCW 41.05.011 and 1996 c 39 s 21 are each amended to read  
6 as follows:

7 Unless the context clearly requires otherwise, the definitions in  
8 this section shall apply throughout this chapter.

9 (1) "Administrator" means the administrator of the authority.

10 (2) "State purchased health care" or "health care" means medical  
11 and health care, pharmaceuticals, and medical equipment purchased with  
12 state and federal funds by the department of social and health  
13 services, the department of health, the basic health plan, the state  
14 health care authority, the department of labor and industries, the  
15 department of corrections, the department of veterans affairs, and  
16 local school districts.

17 (3) "Authority" means the Washington state health care authority.

18 (4) "Insuring entity" means an insurer as defined in chapter 48.01  
19 RCW, a health care service contractor as defined in chapter 48.44 RCW,  
20 or a health maintenance organization as defined in chapter 48.46 RCW.

21 (5) "Flexible benefit plan" means a benefit plan that allows  
22 employees to choose the level of health care coverage provided and the  
23 amount of employee contributions from among a range of choices offered  
24 by the authority.

25 (6) "Employee" includes all full-time and career seasonal employees  
26 of the state, whether or not covered by civil service; elected and  
27 appointed officials of the executive branch of government, including  
28 full-time members of boards, commissions, or committees; and includes  
29 any or all part-time and temporary employees under the terms and  
30 conditions established under this chapter by the authority; justices of  
31 the supreme court and judges of the court of appeals and the superior  
32 courts; and members of the state legislature or of the legislative  
33 authority of any county, city, or town who are elected to office after  
34 February 20, 1970. "Employee" also includes: (a) Employees of a  
35 county, municipality, or other political subdivision of the state if  
36 the legislative authority of the county, municipality, or other  
37 political subdivision of the state seeks and receives the approval of  
38 the authority to provide any of its insurance programs by contract with

1 the authority, as provided in RCW 41.04.205; (b) employees of employee  
2 organizations representing state civil service employees, at the option  
3 of each such employee organization, and, effective October 1, 1995,  
4 employees of employee organizations currently pooled with employees of  
5 school districts for the purpose of purchasing insurance benefits, at  
6 the option of each such employee organization; and (c) employees of a  
7 school district if the authority agrees to provide any of the school  
8 districts' insurance programs by contract with the authority as  
9 provided in RCW 28A.400.350.

10 (7) "Board" means the public employees' benefits board established  
11 under RCW 41.05.055.

12 (8) "Retired or disabled school employee" means:

13 (a) Persons who separated from employment with a school district or  
14 educational service district and are receiving a retirement allowance  
15 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

16 (b) Persons who separate from employment with a school district or  
17 educational service district on or after October 1, 1993, and  
18 immediately upon separation receive a retirement allowance under  
19 chapter 41.32 or 41.40 RCW;

20 (c) Persons who separate from employment with a school district or  
21 educational service district due to a total and permanent disability,  
22 and are eligible to receive a deferred retirement allowance under  
23 chapter 41.32 or 41.40 RCW.

24 (9) "Benefits contribution plan" means a premium only contribution  
25 plan, a medical flexible spending arrangement, or a cafeteria plan  
26 whereby state and public employees may agree to a contribution to  
27 benefit costs which will allow the employee to participate in benefits  
28 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the  
29 internal revenue code.

30 (10) "Salary" means a state employee's monthly salary or wages.

31 (11) "Participant" means an individual who fulfills the eligibility  
32 and enrollment requirements under the benefits contribution plan.

33 (12) "Plan year" means the time period established by the  
34 authority.

35 (13) "Separated employees" means persons who separate from  
36 employment with an employer as defined in RCW 41.32.010(11) on or after  
37 July 1, 1996, and who are at least age fifty-five and have at least ten  
38 years of service under the ~~((teachers'))~~ educational employees'  
39 retirement system plan ~~((HH))~~ 3 as defined in RCW 41.32.010(40).

1       **Sec. 40.** RCW 41.33.010 and 1957 c 183 s 1 are each amended to read  
2 as follows:

3       The plan for covering the members of the ((~~teachers~~)) educational  
4 employees' retirement system under the old age and survivor insurance  
5 provisions of Title II of the federal social security act as amended,  
6 required by RCW 41.48.050 as amended by section 5, chapter 4, Laws of  
7 the Extraordinary Session of 1955, approved by the board of trustees of  
8 the ((~~teachers~~)) educational employees' retirement system on October  
9 8, 1956, and by the governor of the state of Washington on November 19,  
10 1956, is hereby approved.

11       **Sec. 41.** RCW 41.33.020 and 1992 c 212 s 12 are each amended to  
12 read as follows:

13       The terms and provisions of the plan are as follows:

14       (1) Each political subdivision of the state employing members of  
15 the ((~~teachers~~)) educational employees' retirement system and the  
16 members of the ((~~teachers~~)) educational employees' retirement system,  
17 after the approval of this plan by the legislature, and by the eligible  
18 employees through a referendum as provided in RCW 41.48.030 (3) and  
19 (4), shall be deemed to have accepted and agreed to be bound by the  
20 following terms and conditions in consideration of extension of the  
21 existing agreement between the secretary of health, education and  
22 welfare and the governor to make the protection of the federal old age  
23 and survivors insurance program available and applicable to such  
24 employees.

25       (2) As used in this plan the terms quoted below shall have the  
26 meanings assigned thereto in this section.

27       "Political subdivision" means any political subdivision, or  
28 instrumentality of one or more subdivisions, or proprietary enterprise  
29 acquired, purchased or originated by one or more such subdivisions  
30 after December, 1950, which employs members of the ((~~teachers~~))  
31 educational employees' retirement system. The state, its agencies,  
32 instrumentalities and institutions of higher learning shall be grouped  
33 and considered as a single political subdivision.

34       "Employee" means any person who is a member of the ((~~teachers~~))  
35 educational employees' retirement system and is employed by a political  
36 subdivision.

37       "Wages" shall have the meaning given in RCW 41.48.020(1) and  
38 section 209 of the social security act (42 U.S.C.A. Sec. 409).

1 "State" where not otherwise clearly indicated by the context, means  
2 the commissioner of employment security or other officer designated by  
3 the governor to administer the plan at the state level for all  
4 participating political subdivisions.

5 (3) The terms and conditions of this plan are intended and shall be  
6 construed to be in conformity with the requirements of the federal  
7 social security act as amended and with the requirements of chapter  
8 41.48 RCW, and particularly RCW 41.48.050, as amended by chapter 4,  
9 Laws of 1955 extraordinary session.

10 (4) The rights and benefits accruing to employees from membership  
11 in the (~~teachers~~) educational employees' retirement system shall in  
12 no way be altered or impaired by this plan or by the additional and  
13 supplementary OASI coverage which such employees may receive hereunder,  
14 other than the elimination of (1), (2) and (3) of section 52, chapter  
15 80, Laws of 1947 and RCW 41.32.520 as each are amended, with the  
16 exception of that part of (1) which permits a widow or widower without  
17 a child or children under age eighteen to receive a monthly payment of  
18 fifty dollars at age fifty, provided that the member had fifteen or  
19 more years of Washington membership service credit at date of death.

20 (5) There shall be no additional cost to or involvement of the  
21 state or a political subdivision with respect to OASI coverage of  
22 members of the (~~teachers~~) educational employees' retirement system  
23 until this plan has been approved by the legislature.

24 (6) Each employee to whom OASI coverage is made applicable under  
25 this plan pursuant to an extension or modification under RCW 41.48.030  
26 of the existing agreement between the secretary of health, education  
27 and welfare and the governor shall be required to pay into the OASI  
28 contribution (~~fund~~) account established by RCW 41.48.060 during the  
29 period of such coverage contributions with respect to his wages in an  
30 amount equal to the employee tax imposed by the federal insurance  
31 contributions act (section 3101, Internal Revenue Code of 1954), in  
32 consideration of the employee's retention in service by the political  
33 subdivision. The subdivision shall withhold such contributions from  
34 the wages paid to the employee; and shall remit the contributions so  
35 withheld in each calendar quarter to the state for deposit in the  
36 contribution (~~fund~~) account not later than the twentieth calendar day  
37 of the month following that quarter.

38 (7) Each political subdivision shall pay into the contribution  
39 (~~fund~~) account with respect to the wages of its employees during the

1 period of their OASI coverage pursuant to this plan contributions in an  
2 amount equal to the employer tax imposed by the federal insurance  
3 contributions act (section 3111, Internal Revenue Code of 1954), from  
4 the fund of the subdivision from which such employees' wages are paid.  
5 The subdivision shall remit such contributions to the state for deposit  
6 in the contribution ((fund)) account on a quarterly basis, not later  
7 than the twentieth calendar day of the month following each calendar  
8 quarter.

9 (8) If any political subdivision other than that comprising the  
10 state, its agencies, instrumentalities and institutions of higher  
11 learning fails to remit as provided herein employer contributions or  
12 employee contributions, or any part of either, such delinquent  
13 contributions may be recovered with interest at the rate of six percent  
14 per annum by action in a court of competent jurisdiction against the  
15 political subdivision; or such delinquent contributions may at the  
16 request of the governor be deducted from any moneys payable to such  
17 subdivision by the state.

18 (9) Each political subdivision shall be charged with a share of the  
19 cost of administration of this plan by the state, to be computed as  
20 that proportion of the overall cost of administration which its total  
21 annual contributions bear to the total annual contributions paid by all  
22 subdivisions on behalf of employees covered by the plan. The state  
23 shall compute the share of cost allocable to each subdivision and bill  
24 the subdivision therefor at the end of each fiscal year. The  
25 subdivision shall within ninety days thereafter remit its share of the  
26 cost to the state for deposit in the general fund of the state.

27 (10) Each political subdivision shall submit to the state, through  
28 the employment security department, P.O. Box 367, Olympia, Washington,  
29 or such other officer or agency as the governor may subsequently  
30 designate, on forms furnished by the state, not later than the  
31 twentieth calendar day of the month following the end of each calendar  
32 quarter, the following information:

- 33 A. The social security account number of each employee;
- 34 B. the name of each employee;
- 35 C. the amount of wages subject to contributions as required  
36 hereunder paid to each employee during the quarter;
- 37 D. the total amount of wages subject to contributions paid to all  
38 employees during the quarter;

1 E. the total amount of employee contributions withheld and  
2 remitted for the quarter; and

3 F. the total amount of employer contributions paid by the  
4 subdivision for the quarter.

5 (11) Each political subdivision shall furnish in the same manner as  
6 provided in subsection (10) of this section, upon reasonable notice,  
7 such other and further reports or information as the governor may from  
8 time to time require. Each subdivision shall comply with such  
9 requirements as the secretary of health, education and welfare or the  
10 governor may from time to time establish with respect to any or all of  
11 the reports or information which are or may be provided for under  
12 subsection (10) of this section or this subsection in order to assure  
13 the correctness and verification thereof.

14 (12) The governing body of each political subdivision shall  
15 designate an officer of the subdivision to administer such accounting,  
16 reporting and other functions as will be required for the effective  
17 operation of this plan within the subdivision, as provided herein. The  
18 commissioner of employment security or such other officer as the  
19 governor may designate, shall perform or supervise those functions with  
20 respect to employees of the subdivision comprising the state, its  
21 agencies, instrumentalities and institutions of higher learning; and  
22 shall serve as the representative of the participating political  
23 subdivisions in the administration of this plan with the secretary of  
24 health, education and welfare.

25 (13) The legislature shall designate the first day of any month  
26 beginning with January, 1956, as the effective date of OASI coverage  
27 for such employees, except that after January 1, 1958, the effective  
28 date may not be prior to the first day of the current year.

29 The employer's contribution for any retroactive coverage shall be  
30 transferred by the board of trustees from the (~~teachers'~~) educational  
31 employees' retirement pension reserve to the official designated by the  
32 governor to administer the plan at the state level.

33 Each employee's contributions for any retroactive coverage shall be  
34 transferred by the board of trustees from his accumulated contributions  
35 in the (~~teachers'~~) educational employees' retirement fund, to the  
36 official designated above. Each employee, if he or she so desires,  
37 may, within one year from the date of transfer, reimburse his or her  
38 accumulated contributions for the amount so transferred.

1 (14) The governor may terminate the operation of this plan in its  
2 entirety with respect to any political subdivision, in his or her  
3 discretion, if he or she finds that the subdivision has failed to  
4 comply substantially with any requirement or provision of this plan.  
5 The plan shall not be so terminated until reasonable notice and  
6 opportunity for hearing thereon have been given to the subdivision  
7 under such conditions, consistent with the provisions of the social  
8 security act, as shall have been established in regulations by the  
9 governor.

10 **Sec. 42.** RCW 41.33.030 and 1957 c 183 s 5 are each amended to read  
11 as follows:

12 The effective date of OASI coverage for members of the  
13 (~~teachers~~) educational employees' retirement system shall be January  
14 1, 1956: PROVIDED, That should the agreement between the governor and  
15 the secretary of health, education and welfare be executed subsequent  
16 to December 31, 1957, the effective date of coverage shall be that  
17 specified in the agreement.

18 **Sec. 43.** RCW 41.48.030 and 1971 ex.s. c 257 s 19 are each amended  
19 to read as follows:

20 (1) The governor is hereby authorized to enter on behalf of the  
21 state into an agreement with the secretary of health, education, and  
22 welfare consistent with the terms and provisions of this chapter, for  
23 the purpose of extending the benefits of the federal old-age and  
24 survivors insurance system to employees of the state or any political  
25 subdivision not members of an existing retirement system, or to members  
26 of a retirement system established by the state or by a political  
27 subdivision thereof or by an institution of higher learning with  
28 respect to services specified in such agreement which constitute  
29 "employment" as defined in RCW 41.48.020. Such agreement may contain  
30 such provisions relating to coverage, benefits, contributions,  
31 effective date, modification and termination of the agreement,  
32 administration, and other appropriate provisions as the governor and  
33 secretary of health, education, and welfare shall agree upon, but,  
34 except as may be otherwise required by or under the social security act  
35 as to the services to be covered, such agreement shall provide in  
36 effect that--



1 (a) Benefits will be provided for employees whose services are  
2 covered by the agreement (and their dependents and survivors) on the  
3 same basis as though such services constituted employment within the  
4 meaning of title II of the social security act;

5 (b) The state will pay to the secretary of the treasury, at such  
6 time or times as may be prescribed under the social security act,  
7 contributions with respect to wages (as defined in RCW 41.48.020),  
8 equal to the sum of the taxes which would be imposed by the federal  
9 insurance contributions act if the services covered by the agreement  
10 constituted employment within the meaning of that act;

11 (c) Such agreement shall be effective with respect to services in  
12 employment covered by the agreement or modification thereof performed  
13 after a date specified therein but in no event may it be effective with  
14 respect to any such services performed prior to the first day of the  
15 calendar year immediately preceding the calendar year in which such  
16 agreement or modification of the agreement is accepted by the secretary  
17 of health, education and welfare.

18 (d) All services which constitute employment as defined in RCW  
19 41.48.020 and are performed in the employ of the state by employees of  
20 the state, shall be covered by the agreement;

21 (e) All services which (i) constitute employment as defined in RCW  
22 41.48.020, (ii) are performed in the employ of a political subdivision  
23 of the state, and (iii) are covered by a plan which is in conformity  
24 with the terms of the agreement and has been approved by the governor  
25 under RCW 41.48.050, shall be covered by the agreement; and

26 (f) As modified, the agreement shall include all services described  
27 in either paragraph (d) or paragraph (e) of this subsection and  
28 performed by individuals to whom section 218(c)(3)(C) of the social  
29 security act is applicable, and shall provide that the service of any  
30 such individual shall continue to be covered by the agreement in case  
31 he thereafter becomes eligible to be a member of a retirement system;  
32 and

33 (g) As modified, the agreement shall include all services described  
34 in either paragraph (d) or paragraph (e) of this subsection and  
35 performed by individuals in positions covered by a retirement system  
36 with respect to which the governor has issued a certificate to the  
37 secretary of health, education, and welfare pursuant to subsection (5)  
38 of this section.

1 (h) Law enforcement officers and firemen of each political  
2 subdivision of this state who are covered by the Washington Law  
3 Enforcement Officers' and Fire Fighters' Retirement System Act (chapter  
4 209, Laws of 1969 ex. sess.) as now in existence or hereafter amended  
5 shall constitute a separate "coverage group" for purposes of the  
6 agreement entered into under this section and for purposes of section  
7 218 of the social security act. To the extent that the agreement  
8 between this state and the federal secretary of health, education, and  
9 welfare in existence on the date of adoption of this subsection is  
10 inconsistent with this subsection, the governor shall seek to modify  
11 the inconsistency.

12 (2) Any instrumentality jointly created by this state and any other  
13 state or states is hereby authorized, upon the granting of like  
14 authority by such other state or states, (a) to enter into an agreement  
15 with the secretary of health, education, and welfare whereby the  
16 benefits of the federal old-age and survivors insurance system shall be  
17 extended to employees of such instrumentality, (b) to require its  
18 employees to pay (and for that purpose to deduct from their wages)  
19 contributions equal to the amounts which they would be required to pay  
20 under RCW 41.48.040(1) if they were covered by an agreement made  
21 pursuant to subsection (1) of this section, and (c) to make payments to  
22 the secretary of the treasury in accordance with such agreement,  
23 including payments from its own funds, and otherwise to comply with  
24 such agreements. Such agreement shall, to the extent practicable, be  
25 consistent with the terms and provisions of subsection (1) and other  
26 provisions of this chapter.

27 (3) The governor is empowered to authorize a referendum, and to  
28 designate an agency or individual to supervise its conduct, in  
29 accordance with the requirements of section 218(d)(3) of the social  
30 security act, and subsection (4) of this section on the question of  
31 whether service in all positions covered by a retirement system  
32 established by the state or by a political subdivision thereof should  
33 be excluded from or included under an agreement under this chapter. If  
34 a retirement system covers positions of employees of the state of  
35 Washington, of the institutions of higher learning, and positions of  
36 employees of one or more of the political subdivisions of the state,  
37 then for the purpose of the referendum as provided herein, there may be  
38 deemed to be a separate retirement system with respect to employees of  
39 the state, or any one or more of the political subdivisions, or

1 institutions of higher learning and the governor shall authorize a  
2 referendum upon request of the subdivisions' or institutions' of higher  
3 learning governing body: PROVIDED HOWEVER, That if a referendum of  
4 state employees generally fails to produce a favorable majority vote  
5 then the governor may authorize a referendum covering positions of  
6 employees in any state department who are compensated in whole or in  
7 part from grants made to this state under title III of the federal  
8 social security act: PROVIDED, That any city or town affiliated with  
9 the state-wide city employees retirement system organized under chapter  
10 41.44 RCW may at its option agree to a plan submitted by the board of  
11 trustees of said state-wide city employees retirement system for  
12 inclusion under an agreement under this chapter if the referendum to be  
13 held as provided herein indicates a favorable result: PROVIDED  
14 FURTHER, That the (~~teachers'~~) educational employees' retirement  
15 system be considered one system for the purpose of the referendum  
16 except as applied to the several state colleges (~~(of education)~~). The  
17 notice of referendum required by section 218(d)(3)(C) of the social  
18 security act to be given to employees shall contain or shall be  
19 accompanied by a statement, in such form and such detail as the agency  
20 or individual designated to supervise the referendum shall deem  
21 necessary and sufficient, to inform the employees of the rights which  
22 will accrue to them and their dependents and survivors, and the  
23 liabilities to which they will be subject, if their services are  
24 included under an agreement under this chapter.

25 (4) The governor, before authorizing a referendum, shall require  
26 the following conditions to be met:

27 (a) The referendum shall be by secret written ballot on the  
28 question of whether service in positions covered by such retirement  
29 system shall be excluded from or included under the agreement between  
30 the governor and the secretary of health, education, and welfare  
31 provided for in RCW 41.48.030(1);

32 (b) An opportunity to vote in such referendum shall be given and  
33 shall be limited to eligible employees;

34 (c) Not less than ninety days' notice of such referendum shall be  
35 given to all such employees;

36 (d) Such referendum shall be conducted under the supervision (of  
37 the governor or) of an agency or individual designated by the governor;

1 (e) The proposal for coverage shall be approved only if a majority  
2 of the eligible employees vote in favor of including services in such  
3 positions under the agreement;

4 (f) The state legislature, in the case of a referendum affecting  
5 the rights and liabilities of state employees covered under the state  
6 employees' retirement system and employees under the (~~teachers'~~)  
7 educational employees' retirement system, and in all other cases the  
8 local legislative authority or governing body, shall have specifically  
9 approved the proposed plan and approved any necessary structural  
10 adjustment to the existing system to conform with the proposed plan.

11 (5) Upon receiving satisfactory evidence that with respect to any  
12 such referendum the conditions specified in subsection (4) of this  
13 section and section 218(d)(3) of the social security act have been met,  
14 the governor shall so certify to the secretary of health, education,  
15 and welfare.

16 (6) If the legislative body of any political subdivision of this  
17 state certifies to the governor that a referendum has been held under  
18 the terms of RCW 41.48.050(1)(i) and gives notice to the governor of  
19 termination of social security for any coverage group of the political  
20 subdivision, the governor shall give two years advance notice in  
21 writing to the federal department of health, education, and welfare of  
22 such termination of the agreement entered into under this section with  
23 respect to said coverage group.

24 **Sec. 44.** RCW 41.48.050 and 1981 c 119 s 1 are each amended to read  
25 as follows:

26 (1) Each political subdivision of the state is hereby authorized to  
27 submit for approval by the governor a plan for extending the benefits  
28 of title II of the social security act, in conformity with the  
29 applicable provisions of such act, to those employees of such political  
30 subdivisions who are not covered by an existing pension or retirement  
31 system. Each pension or retirement system established by the state or  
32 a political subdivision thereof is hereby authorized to submit for  
33 approval by the governor a plan for extending the benefits of title II  
34 of the social security act, in conformity with applicable provisions of  
35 such act, to members of such pension or retirement system. Each such  
36 plan and any amendment thereof shall be approved by the governor if he  
37 finds that such plan, or such plan as amended, is in conformity with

1 such requirements as are provided in regulations of the governor,  
2 except that no such plan shall be approved unless--

3 (a) It is in conformity with the requirements of the social  
4 security act and with the agreement entered into under RCW 41.48.030;

5 (b) It provides that all services which constitute employment as  
6 defined in RCW 41.48.020 and are performed in the employ of the  
7 political subdivision by employees thereof, shall be covered by the  
8 plan;

9 (c) It specifies the source or sources from which the funds  
10 necessary to make the payments required by paragraph (a) of subsection  
11 (3) and by subsection (4) of this section are expected to be derived  
12 and contains reasonable assurance that such sources will be adequate  
13 for such purposes;

14 (d) It provides that in the plan of coverage for members of the  
15 (~~state teachers'~~) educational employees' retirement system or for  
16 state employee members of the state employees' retirement system, there  
17 shall be no additional cost to or involvement of the state until such  
18 plan has received prior approval by the legislature;

19 (e) It provides for such methods of administration of the plan by  
20 the political subdivision as are found by the governor to be necessary  
21 for the proper and efficient administration of the plan;

22 (f) It provides that the political subdivision will make such  
23 reports, in such form and containing such information, as the governor  
24 may from time to time require and comply with such provisions as the  
25 governor or the secretary of health, education, and welfare may from  
26 time to time find necessary to assure the correctness and verification  
27 of such reports; and

28 (g) It authorizes the governor to terminate the plan in its  
29 entirety, in his discretion, if he finds that there has been a failure  
30 to comply substantially with any provision contained in such plan, such  
31 termination to take effect at the expiration of such notice and on such  
32 conditions as may be provided by regulations of the governor and may be  
33 consistent with the provisions of the social security act.

34 (h) It provides that law enforcement officers and fire fighters of  
35 each political subdivision of this state who are covered by the  
36 Washington Law Enforcement Officers' and Fire Fighters' Retirement  
37 System Act (chapter 209, Laws of 1969 ex. sess.) as now in existence or  
38 hereafter amended shall constitute a separate "coverage group" for  
39 purposes of the plan or agreement entered into under this section and

1 for purposes of section 216 of the social security act. To the extent  
2 that the plan or agreement entered into between the state and any  
3 political subdivision of this state is inconsistent with this  
4 subsection, the governor shall seek to modify the inconsistency.

5 (i) It provides that the plan or agreement may be terminated by any  
6 political subdivision as to any such coverage group upon giving at  
7 least two years advance notice in writing to the governor, effective at  
8 the end of the calendar quarter specified in the notice. It shall  
9 specify that before notice of such termination is given, a referendum  
10 shall be held among the members of the coverage group under the  
11 following conditions:

12 (i) The referendum shall be conducted under the supervision of the  
13 legislative body of the political subdivision.

14 (ii) Not less than sixty days' notice of such referendum shall be  
15 given to members of the coverage group.

16 (iii) An opportunity to vote by secret ballot in such referendum  
17 shall be given and shall be limited to all members of the coverage  
18 group.

19 (iv) The proposal for termination shall be approved only if a  
20 majority of the coverage group vote in favor of termination.

21 (v) If a majority of the coverage group vote in favor of  
22 termination, the legislative body of the political subdivision shall  
23 certify the results of the referendum to the governor and give notice  
24 of termination of such coverage group.

25 (2) The governor shall not finally refuse to approve a plan  
26 submitted by a political subdivision under subsection (1), and shall  
27 not terminate an approved plan, without reasonable notice and  
28 opportunity for hearing to the political subdivision affected thereby.

29 (3)(a) Each political subdivision as to which a plan has been  
30 approved under this section shall pay into the contribution ((fund))  
31 account, with respect to wages (as defined in RCW 41.48.020), at such  
32 time or times as the governor may by regulation prescribe,  
33 contributions in the amounts and at the rates specified in the  
34 applicable agreement entered into by the governor under RCW 41.48.030.

35 (b) Each political subdivision required to make payments under  
36 paragraph (a) of this subsection is authorized, in consideration of the  
37 employee's retention in, or entry upon, employment after enactment of  
38 this chapter, to impose upon each of its employees, as to services  
39 which are covered by an approved plan, a contribution with respect to

1 his wages (as defined in RCW 41.48.020), not exceeding the amount of  
2 employee tax which is imposed by the federal insurance contributions  
3 act, and to deduct the amount of such contribution from his wages as  
4 and when paid. Contributions so collected shall be paid into the OASI  
5 contribution (~~(fund)~~) account in partial discharge of the liability of  
6 such political subdivision or instrumentality under paragraph (a) of  
7 this subsection. Failure to deduct such contribution shall not relieve  
8 the employee or employer of liability therefor.

9 (4) Delinquent reports and payments due under paragraph (f) of  
10 subsection (1) and paragraph (a) of subsection (3) of this section will  
11 be subject to an added interest charge of six percent per year or, if  
12 higher, the rate chargeable to the state by the secretary by virtue of  
13 federal law, if the late report or payment contributes to any federal  
14 penalty for late filing of reports or for late deposit of  
15 contributions. Delinquent contributions, interest and penalties may be  
16 recovered by civil action or may, at the request of the governor, be  
17 deducted from any other moneys payable to the political subdivision by  
18 any department or agency of the state.

19 **Sec. 45.** RCW 41.50.060 and 1995 c 239 s 318 are each amended to  
20 read as follows:

21 The director may delegate the performance of such powers, duties,  
22 and functions, other than those relating to rule making, to employees  
23 of the department, but the director shall remain and be responsible for  
24 the official acts of the employees of the department.

25 The director shall be responsible for the public employees'  
26 retirement system, the (~~(teachers')~~) educational employees' retirement  
27 system, the judicial retirement system, the law enforcement officers'  
28 and fire fighters' retirement system, and the Washington state patrol  
29 retirement system. The director shall also be responsible for the  
30 deferred compensation program.

31 **Sec. 46.** RCW 41.50.065 and 1991 c 282 s 1 are each amended to read  
32 as follows:

33 (1) The department shall annually notify each member of each  
34 retirement system listed in RCW 41.50.030 of his or her:

- 35 (a) Service credit accumulated in the preceding calendar year; and  
36 (b) Total service credit accumulated.

1 (2) The department shall begin notifying members under this section  
2 according to the following schedule:

3 (a) All members of the (~~teachers'~~) educational employees'  
4 retirement system shall begin receiving annual notification of  
5 accumulated service credit and service credit earned within the  
6 preceding school year or one school year, as appropriate, no later than  
7 January 1, 1991;

8 (b) All members, other than members of the (~~teachers'~~)  
9 educational employees' retirement system, shall begin receiving annual  
10 notification of service credit accumulated within the preceding  
11 calendar year or school year, as appropriate, no later than June 30,  
12 1992;

13 (c) All members within five years of being eligible for service  
14 retirement shall begin receiving annual notification of total service  
15 credit accumulated no later than October 1, 1993;

16 (d) Members, other than members of the (~~teachers'~~) educational  
17 employees' retirement system, who are not within five years of being  
18 eligible for service retirement shall begin receiving annual  
19 notification of total service credit accumulated according to the  
20 following schedule:

21 (i) For members of the law enforcement officers' and fire fighters'  
22 retirement system, Washington state patrol retirement system, judicial  
23 retirement system, and judges' retirement system, no later than August  
24 30, 1993;

25 (ii) For employees of the state of Washington who are members of  
26 the public employees' retirement system, no later than August 30, 1994;

27 (iii) For employees of political subdivisions of the state of  
28 Washington, no later than January 31, 1995;

29 (iv) For employees of institutions of higher education as defined  
30 in RCW 28B.10.016, no later than June 30, 1995; and

31 (v) For school district employees who are members of the public  
32 employees' retirement system, no later than April 30, 1996.

33 (3) The department shall adopt rules implementing this section.

34 **Sec. 47.** RCW 41.50.132 and 1991 c 343 s 13 are each amended to  
35 read as follows:

36 (1) By December 31, 1992, the department of retirement systems  
37 shall implement and complete the following process for those members of  
38 the law enforcement officers' and fire fighters' retirement system plan



1 II, public employees' retirement system plans ((I)) 1 and ((II)) 2, and  
2 ((~~teachers'~~)) educational employees' retirement system plan ((II)) 2  
3 who erroneously had contributions either deducted or picked-up from  
4 their earnings on and after January 1, 1987:

5 (a) Create a list of transactions by employer for those members  
6 whose employer either deducted or picked-up employee contributions  
7 during a month where an employee did not work sufficient hours to earn  
8 service credit;

9 (b) Provide the affected employers with direction and guidance for  
10 the review of the transmitted lists from this subsection and the  
11 employers' preparation of any necessary correcting transactions to the  
12 department's records;

13 (c) Receive all correcting transactions submitted by the employer.

14 (2) All debits and credits to all member accounts affected by this  
15 remedial process shall be reconciled by the department.

16 (3) All moneys payable to an affected member, or any moneys to be  
17 further deducted or picked-up from such member's earnings, shall be  
18 determined and accomplished solely by the employer.

19 (4) After December 31, 1992, no credit of employer contributions  
20 shall be made.

21 (5) Return of contributions to an employee by the department is  
22 limited solely to when such member retires or otherwise terminates his  
23 or her membership and chooses to withdraw them with any accumulated  
24 interest.

25 (6) Employer contributions forfeited under this section shall be  
26 transferred to the department of retirement systems expense account.

27 **Sec. 48.** RCW 41.50.255 and 1995 c 281 s 1 are each amended to read  
28 as follows:

29 The director is authorized to pay from the interest earnings of the  
30 trust funds of the public employees' retirement system, the  
31 ((~~teachers'~~)) educational employees' retirement system, the Washington  
32 state patrol retirement system, the Washington judicial retirement  
33 system, the judges' retirement system, or the law enforcement officers'  
34 and fire fighters' retirement system lawful obligations of the  
35 appropriate system for legal expenses and medical expenses which  
36 expenses are primarily incurred for the purpose of protecting the  
37 appropriate trust fund or are incurred in compliance with statutes  
38 governing such funds.

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

5 The term "medical costs" includes, but is not limited to, expenses  
6 for the medical examination or reexamination of members or retirees,  
7 the costs of preparation of medical reports, and fees charged by  
8 medical professionals for attendance at discovery proceedings or  
9 hearings.

10 The director may also pay from the interest earnings of the trust  
11 funds specified in this section costs incurred in investigating fraud  
12 and collecting overpayments, including expenses incurred to review and  
13 investigate cases of possible fraud against the trust funds and  
14 collection agency fees and other costs incurred in recovering  
15 overpayments. Recovered funds must be returned to the appropriate  
16 trust funds.

17 **Sec. 49.** RCW 41.50.740 and 1993 c 270 s 2 are each amended to read  
18 as follows:

19 Members of the (~~teachers'~~) educational employees' retirement  
20 system who retired prior to January 1, 1993, from service with a  
21 community college district whose reported earnable compensation  
22 included payments made pursuant to an agreement to terminate or retire,  
23 or to provide notice of intent to retire, and whose retirement  
24 allowance has been reduced under RCW 41.50.150 or is reduced after July  
25 25, 1993, under RCW 41.50.730, shall have an opportunity to change the  
26 retirement allowance payment option selected by the member under RCW  
27 41.32.530. Any request for a change shall be made in writing to the  
28 department no later than October 31, 1993, and shall apply  
29 prospectively only.

30 **Sec. 50.** RCW 41.50.750 and 1993 c 270 s 3 are each amended to read  
31 as follows:

32 (1) Retirees whose reported earnable compensation included payments  
33 made pursuant to an agreement to terminate or retire, or to provide  
34 notice of intent to retire, shall not be required to repay to the trust  
35 funds any overpayments resulting from the employer misreporting,  
36 subject to the conditions provided in subsection (2) of this section.

1 The retirees' allowances shall be prospectively adjusted to reflect the  
2 benefits to which the retirees are correctly entitled.

3 (2) Subsection (1) of this section shall apply only to members of  
4 the (~~teachers~~) educational employees' retirement system who retired  
5 prior to January 1, 1993, from service with a community college  
6 district.

7 (3) Any retirees under subsection (2) of this section who, since  
8 January 1, 1990, have had their retirement allowances reduced under RCW  
9 41.50.130(1)(b) because of the inclusion of retirement agreement  
10 payments in calculating their allowances, shall have their allowances  
11 adjusted to reflect the benefits to which the retirees are correctly  
12 entitled, but without a reduction to recoup prior overpayments. The  
13 retirees shall be reimbursed by the retirement system for the  
14 cumulative amount of the reduction in the retirement allowance that has  
15 occurred since January 1, 1990, to recoup prior overpayments.

16 (4) Any retirees covered by subsection (2) of this section who,  
17 after January 1, 1990, repaid a previous overpayment in a lump sum  
18 under RCW 41.50.130(1)(b) because of the inclusion of retirement  
19 agreement payments in calculating their allowances, shall be reimbursed  
20 by the retirement system for the amount of the lump sum repayment.

21 **Sec. 51.** RCW 43.84.092 and 1996 c 262 s 4 are each amended to read  
22 as follows:

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

26 (2) The treasury income account shall be utilized to pay or receive  
27 funds associated with federal programs as required by the federal cash  
28 management improvement act of 1990. The treasury income account is  
29 subject in all respects to chapter 43.88 RCW, but no appropriation is  
30 required for refunds or allocations of interest earnings required by  
31 the cash management improvement act. Refunds of interest to the  
32 federal treasury required under the cash management improvement act  
33 fall under RCW 43.88.180 and shall not require appropriation. The  
34 office of financial management shall determine the amounts due to or  
35 from the federal government pursuant to the cash management improvement  
36 act. The office of financial management may direct transfers of funds  
37 between accounts as deemed necessary to implement the provisions of the  
38 cash management improvement act, and this subsection. Refunds or

1 allocations shall occur prior to the distributions of earnings set  
2 forth in subsection (4) of this section.

3 (3) Except for the provisions of RCW 43.84.160, the treasury income  
4 account may be utilized for the payment of purchased banking services  
5 on behalf of treasury funds including, but not limited to, depository,  
6 safekeeping, and disbursement functions for the state treasury and  
7 affected state agencies. The treasury income account is subject in all  
8 respects to chapter 43.88 RCW, but no appropriation is required for  
9 payments to financial institutions. Payments shall occur prior to  
10 distribution of earnings set forth in subsection (4) of this section.

11 (4) Monthly, the state treasurer shall distribute the earnings  
12 credited to the treasury income account. The state treasurer shall  
13 credit the general fund with all the earnings credited to the treasury  
14 income account except:

15 (a) The following accounts and funds shall receive their  
16 proportionate share of earnings based upon each account's and fund's  
17 average daily balance for the period: The capitol building  
18 construction account, the Cedar River channel construction and  
19 operation account, the Central Washington University capital projects  
20 account, the charitable, educational, penal and reformatory  
21 institutions account, the common school construction fund, the county  
22 criminal justice assistance account, the county sales and use tax  
23 equalization account, the data processing building construction  
24 account, the deferred compensation administrative account, the deferred  
25 compensation principal account, the department of retirement systems  
26 expense account, the Eastern Washington University capital projects  
27 account, the education construction fund, the emergency reserve fund,  
28 the federal forest revolving account, the health services account, the  
29 public health services account, the health system capacity account, the  
30 personal health services account, the highway infrastructure account,  
31 the industrial insurance premium refund account, the judges' retirement  
32 account, the judicial retirement administrative account, the judicial  
33 retirement principal account, the local leasehold excise tax account,  
34 the local real estate excise tax account, the local sales and use tax  
35 account, the medical aid account, the mobile home park relocation fund,  
36 the municipal criminal justice assistance account, the municipal sales  
37 and use tax equalization account, the natural resources deposit  
38 account, the perpetual surveillance and maintenance account, the public  
39 employees' retirement system plan ((F)) 1 account, the public

1 employees' retirement system plan ((FF)) 2 account, the Puyallup tribal  
2 settlement account, the resource management cost account, the site  
3 closure account, the special wildlife account, the state employees'  
4 insurance account, the state employees' insurance reserve account, the  
5 state investment board expense account, the state investment board  
6 commingled trust fund accounts, the supplemental pension account, the  
7 teachers' retirement system plan ((F)) 1 account, the ((teachers'))  
8 educational employees' retirement system plan ((FF)) 2 and plan 3  
9 account, the transportation infrastructure account, the tuition  
10 recovery trust fund, the University of Washington bond retirement fund,  
11 the University of Washington building account, the volunteer fire  
12 fighters' relief and pension principal account, the volunteer fire  
13 fighters' relief and pension administrative account, the Washington  
14 judicial retirement system account, the Washington law enforcement  
15 officers' and fire fighters' system plan I retirement account, the  
16 Washington law enforcement officers' and fire fighters' system plan II  
17 retirement account, the Washington state patrol retirement account, the  
18 Washington State University building account, the Washington State  
19 University bond retirement fund, the water pollution control revolving  
20 fund, and the Western Washington University capital projects account.  
21 Earnings derived from investing balances of the agricultural permanent  
22 fund, the normal school permanent fund, the permanent common school  
23 fund, the scientific permanent fund, and the state university permanent  
24 fund shall be allocated to their respective beneficiary accounts. All  
25 earnings to be distributed under this subsection (4)(a) shall first be  
26 reduced by the allocation to the state treasurer's service fund  
27 pursuant to RCW 43.08.190.

28 (b) The following accounts and funds shall receive eighty percent  
29 of their proportionate share of earnings based upon each account's or  
30 fund's average daily balance for the period: The aeronautics account,  
31 the aircraft search and rescue account, the central Puget Sound public  
32 transportation account, the city hardship assistance account, the  
33 county arterial preservation account, the department of licensing  
34 services account, the economic development account, the essential rail  
35 assistance account, the essential rail banking account, the ferry bond  
36 retirement fund, the gasohol exemption holding account, the grade  
37 crossing protective fund, the high capacity transportation account, the  
38 highway bond retirement fund, the highway construction stabilization  
39 account, the highway safety account, the marine operating fund, the

1 motor vehicle fund, the motorcycle safety education account, the  
2 pilotage account, the public transportation systems account, the Puget  
3 Sound capital construction account, the Puget Sound ferry operations  
4 account, the recreational vehicle account, the rural arterial trust  
5 account, the safety and education account, the small city account, the  
6 special category C account, the state patrol highway account, the  
7 transfer relief account, the transportation capital facilities account,  
8 the transportation equipment fund, the transportation fund, the  
9 transportation improvement account, the transportation revolving loan  
10 account, and the urban arterial trust account.

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

14 **Sec. 52.** RCW 72.01.200 and 1992 c 7 s 52 are each amended to read  
15 as follows:

16 State correctional facilities may employ certificated teachers to  
17 carry on their educational work, except for the educational programs  
18 provided pursuant to RCW 28A.190.030 through 28A.190.050 and all such  
19 teachers so employed shall be eligible to membership in the state  
20 (~~teachers'~~) educational employees' retirement fund.

21 NEW SECTION. **Sec. 53.** The benefits provided pursuant to chapter  
22 . . ., Laws of 1997 (this act) are not provided to employees as a  
23 matter of contractual right prior to July 1, 1998. The legislature  
24 retains the right to alter or abolish these benefits at any time prior  
25 to July 1, 1998.

26 NEW SECTION. **Sec. 54.** (1) The legislature declares that changing  
27 the numerical designation of the different retirement plans within the  
28 retirement systems from Roman numerals to Arabic numerals is of no  
29 substantive importance.

30 (2) The code reviser, under RCW 1.08.025, is directed to change the  
31 numerical designation of the retirement plans as follows:

- 32 (a) Where "I" is used, replace with "1";  
33 (b) Where "II" is used, replace with "2"; and  
34 (c) Where "III" is used, replace with "3".

1        NEW SECTION.    **Sec. 55.**    The following acts or parts of acts are  
2 each repealed:

3        (1) RCW 41.32.020 and 1947 c 80 s 2; and

4        (2) RCW 41.32.818 and 1996 c 39 s 3 & 1995 c 239 s 304.

5        NEW SECTION.    **Sec. 56.**    RCW 41.32.032 and 41.50.132 are decodified.

6        NEW SECTION.    **Sec. 57.**    Except for section 20 of this act, this act  
7 takes effect July 1, 1998.

8        NEW SECTION.    **Sec. 58.**    Section 20 of this act is necessary for the  
9 immediate preservation of the public peace, health, or safety, or  
10 support of the state government and its existing public institutions,  
11 and takes effect immediately.

--- END ---