
HOUSE BILL 2816

State of Washington 55th Legislature 1998 Regular Session

By Representatives Carrell, Chandler, Mielke, Boldt, Mulliken, Bush and D. Sommers

Read first time 01/20/98. Referred to Committee on Appropriations.

1 AN ACT Relating to creating the teachers' retirement system, plan
2 IV; amending RCW 41.32.005, 41.32.010, 41.32.835, 41.45.050, 41.50.030,
3 41.50.075, 41.50.088, 43.33A.190, and 41.04.445; adding new sections to
4 chapter 41.32 RCW; and adding a new chapter to Title 41 RCW.

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

6 NEW SECTION. **Sec. 1.** The purpose of chapter . . . , Laws of 1998
7 (this act) is to:

8 (1) Allow employees to choose to manage the investment of their
9 employee and employer retirement contributions;

10 (2) Increase flexibility for such employees to make transitions
11 into other public or private sector employment;

12 (3) Increase employee options for addressing retirement needs,
13 personal financial planning, and career transitions; and

14 (4) Continue the legislature's established policy of having
15 employees contribute toward their retirement benefits.

16 **Sec. 2.** RCW 41.32.005 and 1995 c 239 s 101 are each amended to
17 read as follows:

1 RCW 41.32.010 through 41.32.067 shall apply to members of plan I,
2 plan II, ~~((and))~~ plan III, and plan IV.

3 **Sec. 3.** RCW 41.32.010 and 1997 c 254 s 3 are each amended to read
4 as follows:

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

7 (1)(a) "Accumulated contributions" for plan I members, means the
8 sum of all regular annuity contributions and, except for the purpose of
9 withdrawal at the time of retirement, any amount paid under RCW
10 41.50.165(2) with regular interest thereon.

11 (b) "Accumulated contributions" for plan II members, means the sum
12 of all contributions standing to the credit of a member in the member's
13 individual account, including any amount paid under RCW 41.50.165(2),
14 together with the regular interest thereon.

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

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

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

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

25 (b) "Beneficiary" for plan II and plan III members, means any
26 person in receipt of a retirement allowance or other benefit provided
27 by this chapter resulting from service rendered to an employer by
28 another person.

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

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

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

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

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

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

6 (ii) "Earnable compensation" for plan I members also includes the
7 following actual or imputed payments, which are not paid for personal
8 services:

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

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

28 (iii) For members employed less than full time under written
29 contract with a school district, or community college district, in an
30 instructional position, for which the member receives service credit of
31 less than one year in all of the years used to determine the earnable
32 compensation used for computing benefits due under RCW 41.32.497,
33 41.32.498, and 41.32.520, the member may elect to have earnable
34 compensation defined as provided in RCW 41.32.345. For the purposes of
35 this subsection, the term "instructional position" means a position in
36 which more than seventy-five percent of the member's time is spent as
37 a classroom instructor (including office hours), a librarian, or a
38 counselor. Earnable compensation shall be so defined only for the
39 purpose of the calculation of retirement benefits and only as necessary

1 to insure that members who receive fractional service credit under RCW
2 41.32.270 receive benefits proportional to those received by members
3 who have received full-time service credit.

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

5 (A) Remuneration for unused sick leave authorized under RCW
6 41.04.340, 28A.400.210, or 28A.310.490;

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

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

17 "Earnable compensation" for plan II (~~and~~), plan III, and plan IV
18 members also includes the following actual or imputed payments which,
19 except in the case of (b)(ii)(B) of this subsection, are not paid for
20 personal services:

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

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

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

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

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

3 (12) "Fiscal year" means a year which begins July 1st and ends June
4 30th of the following year.

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

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

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

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

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

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

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

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

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

38 (22) "Regular contributions" means the amounts required to be
39 deducted from the compensation of a member and credited to the member's

1 individual account in the member reserve. This subsection shall apply
2 only to plan I members.

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

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

8 (b) "Retirement allowance" for plan II and plan III members, means
9 monthly payments to a retiree or beneficiary as provided in this
10 chapter.

11 (25) "Retirement system" means the Washington state teachers'
12 retirement system.

13 (26)(a) "Service" for plan I members means the time during which a
14 member has been employed by an employer for compensation.

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

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

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

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

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

35 (ii) If a member is employed either in an eligible position or as
36 a substitute teacher for nine months of the twelve month period between
37 September through August of the following year but earns earnable
38 compensation for less than eight hundred ten hours but for at least six

1 hundred thirty hours, he or she will receive one-half of a service
2 credit month for each month of the twelve month period;

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

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

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

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

13 (iv) Any person who is a member of the teachers' retirement system
14 and who is elected or appointed to a state elective position may
15 continue to be a member of the retirement system and continue to
16 receive a service credit month for each of the months in a state
17 elective position by making the required member contributions.

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

22 (vi) As authorized by RCW 28A.400.300, up to forty-five days of
23 sick leave may be creditable as service solely for the purpose of
24 determining eligibility to retire under RCW 41.32.470. For purposes of
25 plan II and plan III "forty-five days" as used in RCW 28A.400.300 is
26 equal to two service credit months. Use of less than forty-five days
27 of sick leave is creditable as allowed under this subsection as
28 follows:

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

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

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

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

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

37 (vii) As authorized in RCW 41.32.065, service earned in an out-of-
38 state retirement system that covers teachers in public schools may be

1 applied solely for the purpose of determining eligibility to retire
2 under RCW 41.32.470.

3 (viii) The department shall adopt rules implementing this
4 subsection.

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

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

9 (29) "Teacher" means any person qualified to teach who is engaged
10 by a public school in an instructional, administrative, or supervisory
11 capacity. The term includes state, educational service district, and
12 school district superintendents and their assistants and all employees
13 certificated by the superintendent of public instruction; and in
14 addition thereto any full time school doctor who is employed by a
15 public school and renders service of an instructional or educational
16 nature.

17 (30) "Average final compensation" for plan II and plan III members,
18 means the member's average earnable compensation of the highest
19 consecutive sixty service credit months prior to such member's
20 retirement, termination, or death. Periods constituting authorized
21 leaves of absence may not be used in the calculation of average final
22 compensation except under RCW 41.32.810(2).

23 (31) "Retiree" means any person who has begun accruing a retirement
24 allowance or other benefit provided by this chapter resulting from
25 service rendered to an employer while a member.

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

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

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

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

34 (36) "Substitute teacher" means:

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

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

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

8 (b) "Eligible position" for plan II (~~and~~), plan III, and plan IV
9 on and after September 1, 1991, means a position that, as defined by
10 the employer, normally requires five or more months of at least seventy
11 hours of earnable compensation during September through August of the
12 following year.

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

16 (d) The elected position of the superintendent of public
17 instruction is an eligible position.

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

21 (39) "Plan II" means the teachers' retirement system, plan II
22 providing the benefits and funding provisions covering persons who
23 first became members of the system on and after October 1, 1977, and
24 prior to July 1, 1996.

25 (40) "Plan III" means the teachers' retirement system, plan III
26 providing the benefits and funding provisions covering persons who
27 first become members of the system on and after July 1, 1996, or who
28 transfer under RCW 41.32.817.

29 (41) "Plan IV" means the teachers' retirement system plan IV
30 providing for persons who first become members of the teachers'
31 retirement system on and after the effective date of this act and who
32 choose to become members of plan IV under RCW 41.32.835, and for plan
33 II and plan III members who choose to transfer to plan IV under RCW
34 41.32.817 or section 6 of this act.

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

1 (~~(42)~~) (43) "Index A" means the index for the year prior to the
2 determination of a postretirement adjustment.

3 (~~(43)~~) (44) "Index B" means the index for the year prior to index
4 A.

5 (~~(44)~~) (45) "Index year" means the earliest calendar year in
6 which the index is more than sixty percent of index A.

7 (~~(45)~~) (46) "Adjustment ratio" means the value of index A divided
8 by index B.

9 (~~(46)~~) (47) "Annual increase" means, initially, fifty-nine cents
10 per month per year of service which amount shall be increased each July
11 1st by three percent, rounded to the nearest cent.

12 (~~(47)~~) (48) "Member account" or "member's account" for purposes
13 of plan III means the sum of the contributions and earnings on behalf
14 of the member in the defined contribution portion of plan III.

15 (~~(48)~~) (49) "Separation from service or employment" occurs when
16 a person has terminated all employment with an employer.

17 (~~(49)~~) (50) "Employed" or "employee" means a person who is
18 providing services for compensation to an employer, unless the person
19 is free from the employer's direction and control over the performance
20 of work. The department shall adopt rules and interpret this
21 subsection consistent with common law.

22 **Sec. 4.** RCW 41.32.835 and 1995 c 239 s 105 are each amended to
23 read as follows:

24 All teachers who first become employed by an employer in an
25 eligible position (~~(on or after)~~) between July 1, 1996, and July 1,
26 1999, shall be members of plan III. All teachers who first become
27 employed after July 1, 1999, shall make an irrevocable choice between
28 membership in plan III and membership in plan IV.

29 NEW SECTION. **Sec. 5.** A new section is added to chapter 41.32 RCW
30 under subchapter heading "provisions applicable to plan II" to read as
31 follows:

32 (1) Every plan II member employed by an employer in an eligible
33 position may make an irrevocable option to transfer to plan IV during
34 the month of January in any year following the effective date of this
35 act, provided that the member is employed in an eligible position and
36 receives compensation for that month.

1 (2) Any plan II member who is a substitute teacher may make an
2 irrevocable option to transfer to plan IV at the time the member
3 purchases substitute service credit under RCW 41.32.013 pursuant to
4 time lines and procedures established by the department.

5 (3) Membership in plan IV is prospective only. No further service
6 credit will be earned under this chapter.

7 (4) The legislature reserves the right to discontinue the right to
8 transfer under this section.

9 (5) Anyone previously retired from plan II is prohibited from
10 transferring to plan IV.

11 NEW SECTION. **Sec. 6.** A new section is added to chapter 41.32 RCW
12 under subchapter heading "provisions applicable to plan III" to read as
13 follows:

14 (1) Every plan III member employed by an employer in an eligible
15 position may make an irrevocable option to transfer to plan IV during
16 the month of January in any year following the effective date of this
17 act, provided that the member is employed in an eligible position and
18 receives compensation for that month.

19 (2) Any plan III member who is a substitute teacher may make an
20 irrevocable option to transfer to plan IV at the time the member
21 purchases substitute service credit under RCW 41.32.013 pursuant to
22 time lines and procedures established by the department.

23 (3) Membership in plan IV is prospective only. No further service
24 credit will be earned under this chapter.

25 (4) The legislature reserves the right to discontinue the right to
26 transfer under this section.

27 (5) Anyone previously retired from plan III is prohibited from
28 transferring to plan IV.

29 NEW SECTION. **Sec. 7.** As used in this chapter, the following terms
30 have the meanings indicated:

31 (1) "Actuary" means the state actuary or the office of the state
32 actuary.

33 (2) "Board" means the employee retirement benefits board authorized
34 in chapter 41.50 RCW.

35 (3) "Department" means the department of retirement systems.

1 (4) "Compensation" for purposes of this chapter is the same as
2 "earnable compensation" for plan IV in chapter 41.32 RCW, except that
3 the compensation may be reported when paid rather than when earned.

4 (5) "Member" means any employee included in the membership of a
5 retirement system as provided for plan IV in chapter 41.32 RCW.

6 (6) "Member account" or "member's account" means the sum of the
7 contributions and earnings on behalf of the member.

8 (7) "Employer" means the state of Washington, the school district,
9 or any agency of the state of Washington by which the member is paid.

10 NEW SECTION. Sec. 8. (1) This chapter applies only to members of
11 plan IV retirement systems created under chapter 41.32 RCW.

12 (2) Plan IV is a defined contribution plan with the member and
13 employer both contributing to the member's account. The member manages
14 the investment of the accumulated contributions and the earnings
15 attributable to investment.

16 NEW SECTION. Sec. 9. (1) A member shall contribute from his or
17 her compensation according to one of the following rate structures:

<u>Option A</u>	<u>Contribution Rate</u>
All Ages	5.0% fixed
<u>Option B</u>	
Up to Age 35	5.0%
Age 35 to 44	6.0%
Age 45 and above	7.5%
<u>Option C</u>	
Up to Age 35	6.0%
Age 35 to 44	7.5%
Age 45 and above	8.5%

28 (2) The board shall have the right to offer contribution rate
29 options in addition to those listed in subsection (1) of this section,
30 provided that no significant additional administrative costs are
31 created. All options offered by the board shall conform to the
32 requirements stated in subsections (3) and (4) of this section.

33 (3) Within ninety days of the date that an employee becomes a
34 member of plan IV or changes employers, he or she has an irrevocable
35 option to choose one of the above contribution rate structures. If the

1 member does not select an option within this ninety-day period, he or
2 she shall be assigned option A. Such assignment shall be irrevocable.

3 (4) Contributions shall begin the first day of the pay cycle in
4 which the rate option is made, or the first day of the pay cycle in
5 which the end of the ninety-day period occurs.

6 NEW SECTION. **Sec. 10.** The employer contribution rate for plan IV
7 members shall be the same rate as the employer contribution rate for
8 plan III as determined under RCW 41.45.060 and 41.45.070. The amount
9 of the employer contribution shall be equal to the plan III employer
10 contribution rate multiplied by the member's compensation, and shall be
11 credited to the member's account. The legislature may authorize
12 additional contributions to members' accounts through budget
13 appropriation.

14 NEW SECTION. **Sec. 11.** (1) Except as provided in subsection (2) of
15 this section, the member's account shall be invested by the state
16 investment board. All contributions under this subsection shall be
17 invested in the same portfolio as that of the teachers' retirement
18 system combined plan II, III, and IV fund under RCW 41.50.075(2).

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

24 NEW SECTION. **Sec. 12.** (1) If the member retires, becomes
25 disabled, or otherwise terminates employment, the balance in the
26 member's account may be distributed in accordance with an option
27 selected by the member either as a lump sum or pursuant to other
28 options authorized by the board.

29 (2) If the member dies while in service, the balance of the
30 member's account may be distributed in accordance with an option
31 selected by the member either as a lump sum or pursuant to other
32 options authorized by the board. The distribution shall be made to
33 such person or persons as the member shall have nominated by written
34 designation duly executed and filed with the department. If there be
35 no such designated person or persons still living at the time of the
36 member's death, the balance of the member's account in the retirement

1 system, less any amount identified as owing to an obligee upon
2 withdrawal of such account balance pursuant to a court order filed
3 under RCW 41.50.670, shall be paid to the member's surviving spouse as
4 if in fact such spouse had been nominated by written designation, or if
5 there is no surviving spouse, then to such person or persons, trust, or
6 organization as the member shall have nominated by written designation
7 duly executed and filed with the department.

8 (3) The distribution under subsections (1) or (2) of this section
9 shall be less any amount identified as owing to an obligee upon
10 withdrawal pursuant to a court order filed under RCW 41.50.670.

11 NEW SECTION. **Sec. 13.** (1) The retirement plan created by this
12 chapter shall be administered so as to comply with the federal Internal
13 Revenue Code, Title 26 U.S.C., and specifically with plan qualification
14 requirements imposed on governmental plans by section 401(a) of the
15 Internal Revenue Code.

16 (2) Any section or provision of this chapter which may be
17 susceptible to more than one construction shall be interpreted in favor
18 of the construction most likely to satisfy requirements imposed by
19 section 401(a) of the Internal Revenue Code.

20 (3) If any section or provision of this chapter is found to be in
21 conflict with the plan qualification requirements for governmental
22 plans in section 401(a) of the Internal Revenue Code, the conflicting
23 part of this chapter is hereby inoperative solely to the extent of the
24 conflict, and such finding shall not affect the operation of the
25 remainder of this chapter.

26 NEW SECTION. **Sec. 14.** Sections 1 and 7 through 13 of this act
27 shall constitute a new chapter in Title 41 RCW.

28 **Sec. 15.** RCW 41.45.050 and 1995 c 239 s 308 are each amended to
29 read as follows:

30 (1) Employers of members of the public employees' retirement
31 system, the teachers' retirement system, and the Washington state
32 patrol retirement system shall make contributions to those systems
33 based on the rates established in RCW 41.45.060 and 41.45.070.

34 (2) The state shall make contributions to the law enforcement
35 officers' and fire fighters' retirement system based on the rates
36 established in RCW 41.45.060 and 41.45.070. The state treasurer shall

1 transfer the required contributions each month on the basis of salary
2 data provided by the department.

3 (3) The department shall bill employers, and the state shall make
4 contributions to the law enforcement officers' and fire fighters'
5 retirement system, using the combined rates established in RCW
6 41.45.060 and 41.45.070 regardless of the level of pension funding
7 provided in the biennial budget. Any member of an affected retirement
8 system may, by mandamus or other appropriate proceeding, require the
9 transfer and payment of funds as directed in this section.

10 (4) The contributions received for the public employees' retirement
11 system shall be allocated between the public employees' retirement
12 system plan I fund and public employees' retirement system plan II fund
13 as follows: The contributions necessary to fully fund the public
14 employees' retirement system plan II employer contribution required by
15 RCW 41.40.650 shall first be deposited in the public employees'
16 retirement system plan II fund. All remaining public employees'
17 retirement system employer contributions shall be deposited in the
18 public employees' retirement system plan I fund.

19 (5) The contributions received for the teachers' retirement system
20 shall be allocated between the plan I fund and the combined plan II
21 ~~((and))~~, plan III, and plan IV fund as follows: The contributions made
22 on behalf of plan IV members shall first be deposited in the combined
23 plan II, plan III, and plan IV fund. Then, the contributions necessary
24 to fully fund the combined plan II and plan III employer contribution
25 shall ~~((first))~~ be deposited in the combined plan II ~~((and))~~, plan III,
26 and plan IV fund. All remaining teachers' retirement system employer
27 contributions shall be deposited in the plan I fund.

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

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

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

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

8 (b) The Washington state teachers' retirement system;

9 (c) The Washington law enforcement officers' and fire fighters'
10 retirement system;

11 (d) The Washington state patrol retirement system;

12 (e) The Washington judicial retirement system; and

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

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

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

18 (4) The department shall administer chapter 41.-- RCW (sections 1
19 and 7 through 13 of this act).

20 **Sec. 17.** RCW 41.50.075 and 1996 c 39 s 16 are each amended to read
21 as follows:

22 (1) Two funds are hereby created and established in the state
23 treasury to be known as the Washington law enforcement officers' and
24 fire fighters' system plan I retirement fund, and the Washington law
25 enforcement officers' and fire fighters' system plan II retirement fund
26 which shall consist of all moneys paid into them in accordance with the
27 provisions of this chapter and chapter 41.26 RCW, whether such moneys
28 take the form of cash, securities, or other assets. The plan I fund
29 shall consist of all moneys paid to finance the benefits provided to
30 members of the law enforcement officers' and fire fighters' retirement
31 system plan I, and the plan II fund shall consist of all moneys paid to
32 finance the benefits provided to members of the law enforcement
33 officers' and fire fighters' retirement system plan II.

34 (2) All of the assets of the Washington state teachers' retirement
35 system shall be credited according to the purposes for which they are
36 held, to two funds to be maintained in the state treasury, namely, the
37 teachers' retirement system plan I fund and the teachers' retirement
38 system combined plan II (~~and~~), III fund, and IV. The plan I fund

1 shall consist of all moneys paid to finance the benefits provided to
2 members of the Washington state teachers' retirement system plan I, and
3 the combined plan II (~~and~~), III, and IV fund shall consist of all
4 moneys paid to finance the benefits provided to members of the
5 Washington state teachers' retirement system plan II (~~and~~), III, and
6 IV.

7 (3) There is hereby established in the state treasury two separate
8 funds, namely the public employees' retirement system plan I fund and
9 the public employees' retirement system plan II fund. The plan I fund
10 shall consist of all moneys paid to finance the benefits provided to
11 members of the public employees' retirement system plan I, and the plan
12 II fund shall consist of all moneys paid to finance the benefits
13 provided to members of the public employees' retirement system plan II.

14 **Sec. 18.** RCW 41.50.088 and 1995 c 239 s 302 are each amended to
15 read as follows:

16 The board shall adopt rules as necessary and exercise all the
17 powers and perform all duties prescribed by law with respect to:

18 (1) The preselection of options for members to choose from for
19 self-directed investment deemed by the board to be in the best interest
20 of the member. At the board's request, the state investment board may
21 provide investment options for purposes of this subsection;

22 (2) The selection of optional benefit payment schedules available
23 to members and survivors of members upon the death, disability,
24 retirement, or termination of the member. The optional benefit
25 payments may include but not be limited to: Fixed and participating
26 annuities, joint and survivor annuities, and payments that bridge to
27 social security or defined benefit plan payments;

28 (3) Approval of actuarially equivalent annuities that may be
29 purchased from the combined plan II (~~and~~), plan III, and plan IV
30 funds under RCW 41.50.075(2) (~~or (3)~~) and the plan II fund under RCW
31 41.50.075(3);

32 (4) Determination of the basis for administrative charges to the
33 self-directed investment fund to offset self-directed account expenses;
34 and

35 (5) Selection of investment options for the deferred compensation
36 program.

1 **Sec. 19.** RCW 43.33A.190 and 1995 c 239 s 321 are each amended to
2 read as follows:

3 Pursuant to RCW 41.50.088, the state investment board, at the
4 request of the employee retirement benefits board, is authorized to
5 offer investment options for self-directed investment under plan III
6 and plan IV.

7 **Sec. 20.** RCW 41.04.445 and 1995 c 239 s 323 are each amended to
8 read as follows:

9 (1) This section applies to all members who are:

10 (a) Judges under the retirement system established under chapter
11 2.10, 2.12, or 2.14 RCW;

12 (b) Employees of the state under the retirement system established
13 by chapter 41.32, 41.40, or 43.43 RCW;

14 (c) Employees of school districts under the retirement system
15 established by chapter 41.32 or 41.40 RCW, except for substitute
16 teachers as defined by RCW 41.32.010;

17 (d) Employees of educational service districts under the retirement
18 system established by chapter 41.32 or 41.40 RCW; or

19 (e) Employees of community college districts under the retirement
20 system established by chapter 41.32 or 41.40 RCW.

21 (2) Only for compensation earned after the effective date of the
22 implementation of this section and as provided by section 414(h) of the
23 federal internal revenue code, the employer of all the members
24 specified in subsection (1) of this section shall pick up only those
25 member contributions as required under:

26 (a) RCW 2.10.090(1);

27 (b) RCW 2.12.060;

28 (c) RCW 2.14.090;

29 (d) RCW 41.32.263;

30 (e) RCW 41.32.350;

31 (f) RCW 41.40.330 (1) and (3);

32 (g) RCW 41.40.650;

33 (h) RCW 41.34.070;

34 (i) RCW 43.43.300; (~~and~~)

35 (j) RCW 41.34.040; and

36 (k) Section 9 of this act.

1 (3) Only for the purposes of federal income taxation, the gross
2 income of the member shall be reduced by the amount of the contribution
3 to the respective retirement system picked up by the employer.

4 (4) All member contributions to the respective retirement system
5 picked up by the employer as provided by this section, plus the accrued
6 interest earned thereon, shall be paid to the member upon the
7 withdrawal of funds or lump-sum payment of accumulated contributions as
8 provided under the provisions of the retirement systems.

9 (5) At least forty-five days prior to implementing this section,
10 the employer shall provide:

11 (a) A complete explanation of the effects of this section to all
12 members; and

13 (b) Notification of such implementation to the director of the
14 department of retirement systems.

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