
SENATE BILL 5929

State of Washington

55th Legislature

1997 Regular Session

By Senators Long, Bauer, Winsley, Franklin, Roach, Loveland and Rasmussen

Read first time 02/20/97. Referred to Committee on Ways & Means.

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, 41.45.070, 41.50.030, 41.50.075, 41.50.080, 41.50.086,
6 41.50.200, 41.50.205, 41.50.215, 41.50.230, 41.50.240, and 43.33A.020;
7 reenacting and amending RCW 41.40.010; adding a new section to chapter
8 41.32 RCW; adding a new section to chapter 41.40 RCW; adding new
9 sections to chapter 41.45 RCW; adding a new section to chapter 41.54
10 RCW; creating a new section; decodifying RCW 41.32.032 and 41.50.132;
11 repealing RCW 41.32.020 and 41.32.818; and providing an effective date.

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

13 NEW SECTION. **Sec. 1.** The legislature recognizes that teachers and
14 school district employees share the same educational work environment.
15 This shared workplace should provide similar retirement benefits for
16 both types of public employees.

17 It is the intent of the legislature to achieve that goal by
18 transferring the membership of classified school employees in the
19 public employees' retirement system plan 2, to the teachers' retirement

1 system plan 2. The transfer of membership to the teachers' retirement
2 system plan 2 is not intended to cause a diminution or expansion of
3 benefits for affected members. It is enacted solely to provide public
4 employees working under the same conditions with the same options for
5 retirement planning.

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

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

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

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

23 (b) "Accumulated contributions" for plan ((II)) 2 members, means
24 the sum of all contributions standing to the credit of a member in the
25 member's individual account, including any amount paid under RCW
26 41.50.165(2), together with the regular interest thereon.

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

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

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

34 (5)(a) "Beneficiary" for plan ((I)) 1 members, means any person in
35 receipt of a retirement allowance or other benefit provided by this
36 chapter.

37 (b) "Beneficiary" for plan ((II)) 2 and plan ((III)) 3 members,
38 means any person in receipt of a retirement allowance or other benefit

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

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

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

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

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

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

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

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

21 (A) 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 and the individual shall receive the
27 equivalent service credit.

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

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

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

17 (A) Remuneration for unused sick leave authorized under RCW
18 41.04.340, 28A.400.210, or 28A.310.490;

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

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

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

33 (i) Retroactive payments to an individual by an employer on
34 reinstatement of the employee in a position or payments by an employer
35 to an individual in lieu of reinstatement in a position which are
36 awarded or granted as the equivalent of the salary or wages which the
37 individual would have earned during a payroll period shall be
38 considered earnable compensation, to the extent provided above, and the
39 individual shall receive the equivalent service credit.

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

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

6 (B) Such member's actual earnable compensation received for
7 (~~teaching~~) nonlegislative service and legislative service combined.
8 Any additional contributions to the retirement system required because
9 compensation earnable under (b)(ii)(A) of this subsection is greater
10 than compensation earnable under (b)(ii)(B) of this subsection shall be
11 paid by the member for both member and employer contributions.

12 (11) "Employer" means the state of Washington, the school district,
13 an educational service district, or any agency of the state of
14 Washington by which the member is paid.

15 (12) "Fiscal year" means a year which begins July 1st and ends June
16 30th of the following year.

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

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

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

27 (16) "Membership service" means service rendered subsequent to the
28 first day of eligibility of a person to membership in the retirement
29 system: PROVIDED, That where a member is employed by two or more
30 employers the individual shall receive no more than one service credit
31 month during any calendar month in which multiple service is rendered.
32 The provisions of this subsection shall apply only to plan (~~F~~) 1
33 members.

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

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

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

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

8 (21) "Public school" means any institution or activity operated by
9 the state of Washington or any instrumentality or political subdivision
10 thereof employing teachers, except the University of Washington and
11 Washington State University.

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

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

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

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

24 (25) "Retirement system" means the Washington educational
25 employees' retirement system, which consists of the Washington state
26 teachers' retirement system plan 1, the educational employees'
27 retirement system plan 2, and the educational employees' retirement
28 system plan 3.

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

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

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

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

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

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

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

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

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

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

29 (iv) Any person who is a member of the ((~~teachers~~)) educational
30 employees' retirement system and who is elected or appointed to a state
31 elective position may continue to be a member of the retirement system
32 and continue to receive a service credit month for each of the months
33 in a state elective position by making the required member
34 contributions.

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

1 (vi) As authorized by RCW 28A.400.300, up to forty-five days of
2 sick leave may be creditable as service solely for the purpose of
3 determining eligibility to retire under RCW 41.32.470. For purposes of
4 plan ((H)) 2 and plan ((HH)) 3 "forty-five days" as used in RCW
5 28A.400.300 is equal to two service credit months. Use of less than
6 forty-five days of sick leave is creditable as allowed under this
7 subsection as follows:

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

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

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

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

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

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

20 (viii) The department shall adopt rules implementing this
21 subsection.

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

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

26 (29) "Teacher" means any person qualified to teach who is engaged
27 by a public school in an instructional, administrative, or supervisory
28 capacity. The term includes state, educational service district, and
29 school district superintendents and their assistants and all employees
30 certificated by the superintendent of public instruction; and in
31 addition thereto any full time school doctor who is employed by a
32 public school and renders service of an instructional or educational
33 nature.

34 (30) "Average final compensation" for plan ((H)) 2 and plan
35 ((HH)) 3 members, means the member's average earnable compensation of
36 the highest consecutive sixty service credit months prior to such
37 member's retirement, termination, or death. Periods constituting
38 authorized leaves of absence may not be used in the calculation of
39 average final compensation except under RCW 41.32.810(2).

1 (31) "Retiree" means any person in receipt of a retirement
2 allowance or other benefit provided by this chapter resulting from
3 service rendered to an employer while a member. A person is in receipt
4 of a retirement allowance as defined in subsection (24) of this section
5 or other benefit as provided by this chapter when the department mails,
6 causes to be mailed, or otherwise transmits the retirement allowance
7 warrant.

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

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

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

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

16 (36) "Substitute teacher" means:

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

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

23 (37)(a) "Eligible position" for plan ((FF)) 2 members from June 7,
24 1990, through September 1, 1991, means a position which normally
25 requires two or more uninterrupted months of creditable service during
26 September through August of the following year.

27 (b) "Eligible position" for plan ((FF)) 2 and plan ((FF)) 3 on and
28 after September 1, 1991, means a position that, as defined by the
29 employer, normally requires five or more months of at least seventy
30 hours of earnable compensation during September through August of the
31 following year.

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

35 (d) The elected position of the superintendent of public
36 instruction is an eligible position.

37 (38) "Plan I" or "plan 1" means the teachers' retirement system,
38 plan ((F)) 1 providing the benefits and funding provisions covering

1 persons who first became members of the system prior to October 1,
2 1977.

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

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

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

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

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

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

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

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

25 (47) "Member account" or "member's account" for purposes of plan
26 ((~~III~~)) 3 means the sum of the contributions and earnings on behalf of
27 the member in the defined contribution portion of plan ((~~III~~)) 3.

28 (48) "Classified employee" means a noncertificated employee of a
29 school district, educational service district, the state school for the
30 blind, or the state school for the deaf.

31 (49) "Educational employee" means all employees, including
32 substitute teachers, of a school district, educational service
33 district, the state school for the blind, or the state school for the
34 deaf.

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

37 A retired (~~teacher~~) educational employee upon returning to
38 service in the public schools of Washington may elect to again become

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

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

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

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

25 A ((member)) teacher may purchase additional benefits subject to
26 the following:

27 (1) The ((member)) teacher shall pay all reasonable administrative
28 and clerical costs; and

29 (2) The ((member)) teacher shall make a member reserve contribution
30 to be actuarially converted to a monthly benefit at the time of
31 retirement.

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

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

1 (1) All teachers who become employed by an employer in an eligible
2 position on or after October 1, 1977, ((shall be members of the
3 retirement system and shall be governed by the provisions of RCW
4 41.32.755 through 41.32.825)) and prior to July 1, 1996;

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

7 (3) All members who are not in an eligible position on July 1,
8 1998, and who subsequently become employed in an eligible position.

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

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

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

23 (1) Every plan ((II)) 2 member employed by an employer in an
24 eligible position may make an irrevocable option to transfer to plan
25 ((III)) 3.

26 (2) Any plan ((II)) 2 member who is a substitute teacher may make
27 an irrevocable option to transfer to plan ((III)) 3 at the time the
28 member purchases substitute service credit pursuant to RCW 41.32.013,
29 pursuant to time lines and procedures established by the department.

30 (3) Any plan ((II member)) 2 teacher, other than a substitute
31 teacher, who wishes to transfer to plan ((III)) 3 after December 31,
32 1997, may transfer during the month of January in any following year,
33 provided that the member earns service credit for that month.

34 (4) Any plan 2 classified employee who wishes to transfer to plan
35 3 after December 31, 1999, may transfer during the month of January in
36 any following year, provided that the member earns service credit for
37 that month.

1 ~~(5)~~ All service credit in plan ~~((II))~~ 2 shall be transferred to the
2 defined benefit portion of plan ~~((III))~~ 3.

3 ~~((5))~~ (6) The accumulated contributions in plan ~~((II))~~ 2 less
4 fifty percent of any contributions made pursuant to RCW 41.50.165(2)
5 shall be transferred to the member's account in the defined
6 contribution portion established in chapter 41.34 RCW, pursuant to
7 procedures developed by the department and subject to RCW 41.34.090.
8 Contributions made pursuant to RCW 41.50.165(2) that are not
9 transferred to the member's account shall be transferred to the fund
10 created in RCW 41.50.075(2), except that interest earned on all such
11 contributions shall be transferred to the member's account.

12 ~~((6))~~ (7) The legislature reserves the right to discontinue the
13 right to transfer under this section.

14 ~~((7))~~ (8) Anyone previously retired from plan ~~((II))~~ 2 is
15 prohibited from transferring to plan ~~((III))~~ 3.

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

18 (1) All teachers who first become employed by an employer in an
19 eligible position on or after July 1, 1996, shall be members of plan
20 ~~((III))~~ 3.

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

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

26 (1) ~~((Anyone))~~ Any teacher who requests to transfer under RCW
27 41.32.817 before January 1, 1998, and establishes service credit for
28 January 1998, shall have their member account increased by ~~((twenty))~~
29 forty percent of:

30 (a) Plan ~~((II))~~ 2 accumulated contributions as of January 1, 1996,
31 less fifty percent of any payments made pursuant to RCW 41.50.165(2);
32 or

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

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

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

1 (b) Establish any service credit from July 1996 through December
2 1997; and

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

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

9 (4) The legislature reserves the right to modify or discontinue the
10 right to (~~an incentive~~) a transfer payment under this section for any
11 plan (~~(H)~~) 2 members who have not previously transferred to plan
12 (~~(H)~~) 3.

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

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

17 (~~(a)~~) (i) Completed ten service credit years; or

18 (~~(b)~~) (ii) Completed five service credit years, including twelve
19 service credit months after attaining age fifty-four; (~~(e)~~)
20 shall be eligible to retire and receive a retirement allowance computed
21 according to RCW 41.32.840.

22 (~~(e)~~) (b) Any teacher who has completed five service credit years
23 by July 1, 1996, under plan (~~(H)~~) 2 and who transferred to plan
24 (~~(H)~~) 3 under RCW 41.32.817; and any classified employee who has
25 completed five service credit years by July 1, 1998, and who
26 transferred to plan 3 under RCW 41.32.817;

27 shall be eligible to retire and to receive a retirement allowance
28 computed according to the provisions of RCW 41.32.840.

29 (2) EARLY RETIREMENT. Any member who has attained at least age
30 fifty-five and has completed at least ten years of service shall be
31 eligible to retire and to receive a retirement allowance computed
32 according to the provisions of RCW 41.32.840, except that a member
33 retiring pursuant to this subsection shall have the retirement
34 allowance actuarially reduced to reflect the difference in the number
35 of years between age at retirement and the attainment of age sixty-
36 five.

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

3 (1) Any classified employee who requests to transfer under RCW
4 41.32.817 before January 1, 2000, and establishes service credit for
5 January 2000, shall have their member account increased by forty
6 percent of:

7 (a) Plan 2 accumulated contributions as of, less fifty
8 percent of any payments made pursuant to RCW 41.50.165(2); or

9 (b) All amounts withdrawn after, which are completely
10 restored before

11 (2) If a classified employee who requests to transfer dies before
12 January 1, 2000, the additional payment provided by this section shall
13 be paid to the member's estate, or the person or persons, trust, or
14 organization the member nominated by written designation duly executed
15 and filed with the department.

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

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

21 (1) Except as provided in subsection (2) of this section, the
22 member's account shall be invested by the state investment board. All
23 contributions under this subsection shall be invested in the same
24 portfolio as that of the (~~teachers~~) educational employees'
25 retirement system combined plan ((~~FF~~)) 2 and ((~~FF~~)) 3 fund under RCW
26 41.50.075(2).

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

32 **Sec. 14.** RCW 41.40.010 and 1995 c 345 s 10, 1995 c 286 s 1, and
33 1995 c 244 s 3 are each reenacted and amended to read as follows:

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

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

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

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

5 (4)(a) "Employer" for plan ((I)) 1 members, means every branch,
6 department, agency, commission, board, and office of the state, any
7 political subdivision or association of political subdivisions of the
8 state admitted into the retirement system, and legal entities
9 authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the
10 term shall also include any labor guild, association, or organization
11 the membership of a local lodge or division of which is comprised of at
12 least forty percent employees of an employer (other than such labor
13 guild, association, or organization) within this chapter. The term may
14 also include any city of the first class that has its own retirement
15 system.

16 (b) "Employer" for plan ((II)) 2 members, means every branch,
17 department, agency, commission, board, and office of the state, and any
18 political subdivision and municipal corporation of the state admitted
19 into the retirement system, including public agencies created pursuant
20 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after June 30,
21 1998, school districts, educational service districts, the state school
22 for the blind, and the state school for the deaf will no longer be
23 employers for the public employees' retirement system plan 2.

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

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

30 (a) Any person who became a member of the system prior to April 1,
31 1949;

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

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

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

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

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

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

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

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

32 (A) Retroactive payments to an individual by an employer on
33 reinstatement of the employee in a position, or payments by an employer
34 to an individual in lieu of reinstatement in a position which are
35 awarded or granted as the equivalent of the salary or wage which the
36 individual would have earned during a payroll period shall be
37 considered compensation earnable and the individual shall receive the
38 equivalent service credit;

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

7 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and
8 72.09.240;

9 (D) Compensation that a member would have received but for a
10 disability occurring in the line of duty only as authorized by RCW
11 41.40.038;

12 (E) Compensation that a member receives due to participation in the
13 leave sharing program only as authorized by RCW 41.04.650 through
14 41.04.670; and

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

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

34 "Compensation earnable" for plan ((FF)) 2 members also includes the
35 following actual or imputed payments, which are not paid for personal
36 services:

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

1 awarded or granted as the equivalent of the salary or wage which the
2 individual would have earned during a payroll period shall be
3 considered compensation earnable to the extent provided above, and the
4 individual shall receive the equivalent service credit;

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

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

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

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

19 (iv) 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 (v) 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 (vi) 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 (9)(a) "Service" for plan ~~((F))~~ 1 members, except as provided in
32 RCW 41.40.088, means periods of employment in an eligible position or
33 positions for one or more employers rendered to any employer for which
34 compensation is paid, and includes time spent in office as an elected
35 or appointed official of an employer. Compensation earnable earned in
36 full time work for seventy hours or more in any given calendar month
37 shall constitute one service credit month except as provided in RCW
38 41.40.088. Compensation earnable earned for less than seventy hours in
39 any calendar month shall constitute one-quarter service credit month of

1 service except as provided in RCW 41.40.088. Only service credit
2 months and one-quarter service credit months shall be counted in the
3 computation of any retirement allowance or other benefit provided for
4 in this chapter. Any fraction of a year of service shall be taken into
5 account in the computation of such retirement allowance or benefits.
6 Time spent in standby status, whether compensated or not, is not
7 service.

8 (i) Service by a state employee officially assigned by the state on
9 a temporary basis to assist another public agency, shall be considered
10 as service as a state employee: PROVIDED, That service to any other
11 public agency shall not be considered service as a state employee if
12 such service has been used to establish benefits in any other public
13 retirement system.

14 (ii) An individual shall receive no more than a total of twelve
15 service credit months of service during any calendar year. If an
16 individual is employed in an eligible position by one or more employers
17 the individual shall receive no more than one service credit month
18 during any calendar month in which multiple service for seventy or more
19 hours is rendered.

20 (iii) A school district employee may count up to forty-five days of
21 sick leave as creditable service solely for the purpose of determining
22 eligibility to retire under RCW 41.40.180 as authorized by RCW
23 28A.400.300. For purposes of plan ((F)) 1 "forty-five days" as used in
24 RCW 28A.400.300 is equal to two service credit months. Use of less
25 than forty-five days of sick leave is creditable as allowed under this
26 subsection as follows:

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

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

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

32 (b) "Service" for plan ((F)) 2 members, means periods of
33 employment by a member in an eligible position or positions for one or
34 more employers for which compensation earnable is paid. Compensation
35 earnable earned for ninety or more hours in any calendar month shall
36 constitute one service credit month except as provided in RCW
37 41.40.088. Compensation earnable earned for at least seventy hours but
38 less than ninety hours in any calendar month shall constitute one-half
39 service credit month of service. Compensation earnable earned for less

1 than seventy hours in any calendar month shall constitute one-quarter
2 service credit month of service. Time spent in standby status, whether
3 compensated or not, is not service.

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

6 (i) Service in any state elective position shall be deemed to be
7 full time service, except that persons serving in state elective
8 positions who are members of the (~~teachers'~~) educational employees'
9 retirement system or law enforcement officers' and fire fighters'
10 retirement system at the time of election or appointment to such
11 position may elect to continue membership in the (~~teachers'~~)
12 educational employees' retirement system or law enforcement officers'
13 and fire fighters' retirement system.

14 (ii) A member shall receive a total of not more than twelve service
15 credit months of service for such calendar year. If an individual is
16 employed in an eligible position by one or more employers the
17 individual shall receive no more than one service credit month during
18 any calendar month in which multiple service for ninety or more hours
19 is rendered.

20 (iii) Up to forty-five days of sick leave may be creditable as
21 service solely for the purpose of determining eligibility to retire
22 under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of
23 plan ((~~IF~~)) 2 "forty-five days" as used in RCW 28A.400.300 is equal to
24 two service credit months. Use of less than forty-five days of sick
25 leave is creditable as allowed under this subsection as follows:

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

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

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

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

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

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

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

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

1 (13) "Membership service" means:

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

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

7 (c) Service not to exceed six consecutive months of probationary
8 service rendered after April 1, 1949, and prior to becoming a member,
9 in the case of any member, upon payment in full by such member of the
10 total amount of the employer's contribution to the retirement fund
11 which would have been required under the law in effect when such
12 probationary service was rendered if the member had been a member
13 during such period, except that the amount of the employer's
14 contribution shall be calculated by the director based on the first
15 month's compensation earnable as a member;

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

23 (14)(a) "Beneficiary" for plan ((F)) 1 members, means any person in
24 receipt of a retirement allowance, pension or other benefit provided by
25 this chapter.

26 (b) "Beneficiary" for plan ((FF)) 2 members, means any person in
27 receipt of a retirement allowance or other benefit provided by this
28 chapter resulting from service rendered to an employer by another
29 person.

30 (15) "Regular interest" means such rate as the director may
31 determine.

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

36 (17)(a) "Average final compensation" for plan ((F)) 1 members,
37 means the annual average of the greatest compensation earnable by a
38 member during any consecutive two year period of service credit months
39 for which service credit is allowed; or if the member has less than two

1 years of service credit months then the annual average compensation
2 earnable during the total years of service for which service credit is
3 allowed.

4 (b) "Average final compensation" for plan ((FF)) 2 members, means
5 the member's average compensation earnable of the highest consecutive
6 sixty months of service credit months prior to such member's
7 retirement, termination, or death. Periods constituting authorized
8 leaves of absence may not be used in the calculation of average final
9 compensation except under RCW 41.40.710(2).

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

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

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

18 (21) "Retirement allowance" means the sum of the annuity and the
19 pension.

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

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

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

27 (25) "Eligible position" means:

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

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

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

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

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

7 (29) "Retiree" means any person in receipt of a retirement
8 allowance or other benefit provided by this chapter resulting from
9 service rendered to an employer while a member. A person is in receipt
10 of a retirement allowance as defined in subsection (21) of this section
11 or other benefit as provided by this chapter when the department mails,
12 causes to be mailed, or otherwise transmits the retirement allowance
13 warrant.

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

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

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

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

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

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

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

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

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

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

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

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

6 (1) Effective July 1, 1998, the membership of all plan 2 members
7 currently employed in eligible positions in a school district,
8 educational service district, state school for the blind, or state
9 school for the deaf and all plan 2 service credit for such members, is
10 transferred to the Washington educational employees' retirement system
11 plan 2.

12 (2) Plan 2 members who have withdrawn their member contributions
13 for prior plan 2 service may restore contributions and service credit
14 to the Washington educational employees' retirement system plan 2 as
15 provided under RCW 41.32.825.

16 (3) The membership and previous service credit of a plan 2 member
17 not employed in an eligible position on July 1, 1998, will be
18 transferred to the Washington educational employees' retirement system
19 plan 2 when he or she becomes employed in an eligible position.

20 (4) Plan 2 members not employed in an eligible position on July 1,
21 1998, who have withdrawn their member contributions for prior plan 2
22 service may restore contributions and service credit to the Washington
23 educational employees' retirement system plan 2 as provided under RCW
24 41.32.825.

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

27 It is the intent of the legislature to provide a dependable and
28 systematic process for funding the benefits provided to members and
29 retirees of the public employees' retirement system, chapter 41.40 RCW;
30 the ((~~teachers'~~)) educational employees' retirement system, chapter
31 41.32 RCW; the law enforcement officers' and fire fighters' retirement
32 system, chapter 41.26 RCW; and the Washington state patrol retirement
33 system, chapter 43.43 RCW.

34 The funding process established by this chapter is intended to
35 achieve the following goals:

36 (1) To continue to fully fund the public employees' retirement
37 system plan ((~~11~~)) 2, the ((~~teachers'~~)) educational employees'

1 retirement system plans ((IF)) 2 and ((IIF)) 3, and the law enforcement
2 officers' and fire fighters' retirement system plan II as provided by
3 law;

4 (2) To fully amortize the total costs of the public employees'
5 retirement system plan ((F)) 1, the teachers' retirement system plan
6 ((F)) 1, and the law enforcement officers' and fire fighters'
7 retirement system plan I not later than June 30, 2024;

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

11 (4) To fund, to the extent feasible, benefit increases for plan
12 ((F)) 1 members and all benefits for plan ((IF)) 2 and ((IIF)) 3
13 members over the working lives of those members so that the cost of
14 those benefits are paid by the taxpayers who receive the benefit of
15 those members' service.

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

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

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

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

23 (3) "Law enforcement officers' and fire fighters' retirement system
24 plan I" and "law enforcement officers' and fire fighters' retirement
25 system plan II" mean the benefits and funding provisions under chapter
26 41.26 RCW.

27 (4) "Public employees' retirement system plan ((F)) 1" and "public
28 employees' retirement system plan ((IF)) 2" mean the benefits and
29 funding provisions under chapter 41.40 RCW.

30 (5) "Teachers' retirement system plan ((F)) 1," "~~((teachers'))~~
31 educational employees' retirement system plan ((IF)) 2," and
32 "~~((teachers'))~~ educational employees' retirement system plan ((IIF)) 3"
33 mean the benefits and funding provisions under chapter 41.32 RCW.

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

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

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

3 (9) "State retirement systems" means the retirement systems listed
4 in RCW 41.50.030.

5 (10) "Classified employee" means a member of the educational
6 employees' retirement system plan 2 or plan 3 as defined in RCW
7 41.32.010(48).

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

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

12 (1) Employers of members of the public employees' retirement
13 system, the (~~((teachers'))~~) educational employees' retirement system, and
14 the Washington state patrol retirement system shall make contributions
15 to those systems based on the rates established in RCW 41.45.060 and
16 41.45.070.

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

22 (3) The department shall bill employers, and the state shall make
23 contributions to the law enforcement officers' and fire fighters'
24 retirement system, using the combined rates established in RCW
25 41.45.060 and 41.45.070 regardless of the level of pension funding
26 provided in the biennial budget. Any member of an affected retirement
27 system may, by mandamus or other appropriate proceeding, require the
28 transfer and payment of funds as directed in this section.

29 (4) The contributions received for the public employees' retirement
30 system shall be allocated between the public employees' retirement
31 system plan (~~((F))~~) 1 fund and public employees' retirement system plan
32 (~~((FF))~~) 2 fund as follows: The contributions necessary to fully fund
33 the public employees' retirement system plan (~~((FF))~~) 2 employer
34 contribution required by RCW 41.40.650 shall first be deposited in the
35 public employees' retirement system plan (~~((FF))~~) 2 fund. All remaining
36 public employees' retirement system employer contributions shall be
37 deposited in the public employees' retirement system plan (~~((F))~~) 1 fund.

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

4 (a) The contributions necessary to fully fund the combined plan
5 (~~II~~) 2 and plan (~~III~~) 3 employer contribution shall first be
6 deposited in the combined plan (~~II~~) 2 and plan (~~III~~) 3 fund.

7 (b) Employer contributions to the public employees' retirement
8 system plan 1 shall continue to be made at the same rate as if
9 classified employees remained in the public employees' retirement
10 system plan 2.

11 (c) All remaining (~~teachers'~~) educational employees' retirement
12 system employer contributions shall be deposited in the teachers'
13 retirement system plan (~~I~~) 1 fund.

14 (6) The contributions received under RCW 41.26.450 for the law
15 enforcement officers' and fire fighters' retirement system shall be
16 allocated between the law enforcement officers' and fire fighters'
17 retirement system plan I and the law enforcement officers' and fire
18 fighters' retirement system plan II fund as follows: The contributions
19 necessary to fully fund the law enforcement officers' and fire
20 fighters' retirement system plan II employer contributions shall be
21 first deposited in the law enforcement officers' and fire fighters'
22 retirement system plan II fund. All remaining law enforcement
23 officers' and fire fighters' retirement system employer contributions
24 shall be deposited in the law enforcement officers' and fire fighters'
25 retirement system plan I fund.

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

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

30 (2) Not later than September 30, 1996, and every two years
31 thereafter, consistent with the assumptions adopted under RCW
32 41.45.030, the council shall adopt both: (a) A basic state
33 contribution rate for the law enforcement officers' and fire fighters'
34 retirement system; and (b) basic employer contribution rates for the
35 public employees' retirement system plan (~~I~~) 1, the teachers'
36 retirement system plan (~~I~~) 1, and the Washington state patrol
37 retirement system to be used in the ensuing biennial period.

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

3 (a) To fully amortize the total costs of the public employees'
4 retirement system plan ((F)) 1, the teachers' retirement system plan
5 ((F)) 1, the law enforcement officers' and fire fighters' retirement
6 system plan I, and the unfunded liability of the Washington state
7 patrol retirement system not later than June 30, 2024; and

8 (b) To also continue to fully fund the public employees' retirement
9 system plan ((FF)) 2, the ~~((teachers'))~~ educational employees'
10 retirement system plans ((FF)) 2 and ((FFF)) 3, and the law enforcement
11 officers' and fire fighters' retirement system plan II in accordance
12 with RCW 41.40.650, 41.26.450, and this section.

13 (4) The aggregate actuarial cost method shall be used to calculate
14 a combined plan ((FF)) 2 and ((FFF)) 3 employer contribution rate.

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

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

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

22 (1) The required contribution rate for ~~((members))~~ teachers of the
23 plan ~~((FF teachers'))~~ 2 educational employees' retirement system shall
24 be fixed at the rates in effect on July 1, 1996, subject to the
25 following:

26 (a) Beginning September 1, ~~((1998))~~ 1997, except as provided in (b)
27 of this subsection, the employee contribution rate shall not exceed the
28 employer plan ((FF)) 2 and ((FFF)) 3 rates adopted under RCW 41.45.060
29 and 41.45.070 for the ~~((teachers'))~~ educational employees' retirement
30 system;

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

34 (2) The required contribution rate for classified members of the
35 plan 2 educational employees' retirement system shall be the same as
36 the public employees' retirement system plan 2 employee rate, subject
37 to the following:

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

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

6 (3) The required plan ((H)) 2 and ((HH)) 3 contribution rates for
7 employers shall be adopted in the manner described in RCW 41.45.060.

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

10 (1) In addition to the basic employer contribution rate established
11 in RCW 41.45.060, the department shall also charge employers of public
12 employees' retirement system, ~~((teachers'))~~ educational employees'
13 retirement system, or Washington state patrol retirement system members
14 an additional supplemental rate to pay for the cost of additional
15 benefits, if any, granted to members of those systems. The
16 supplemental contribution rates required by this section shall be
17 calculated by the state actuary and shall be charged regardless of
18 language to the contrary contained in the statute which authorizes
19 additional benefits.

20 (2) In addition to the basic state contribution rate established in
21 RCW 41.45.060 for the law enforcement officers' and fire fighters'
22 retirement system the department shall also establish a supplemental
23 rate to pay for the cost of additional benefits, if any, granted to
24 members of the law enforcement officers' and fire fighters' retirement
25 system. This supplemental rate shall be calculated by the state
26 actuary and the state treasurer shall transfer the additional required
27 contributions regardless of language to the contrary contained in the
28 statute which authorizes the additional benefits.

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

36 (4) The supplemental rate charged under this section to fund
37 benefit increases provided to active and retired members of the public
38 employees' retirement system plan ((H)) 2, the ~~((teachers'))~~

1 educational employees' retirement system plan ((~~IF~~)) 2 and plan ((~~HH~~))
2 3, or the law enforcement officers' and fire fighters' retirement
3 system plan II, shall be calculated as the level percentage of all
4 members' pay needed to fund the cost of the benefit, as calculated
5 under RCW 41.40.650(~~(, 41.32.775,)~~) or 41.26.450, respectively.

6 (5) The supplemental rate charged under this section to fund
7 postretirement adjustments which are provided on a nonautomatic basis
8 to current retirees shall be calculated as the percentage of pay needed
9 to fund the adjustments as they are paid to the retirees. The
10 supplemental rate charged under this section to fund automatic
11 postretirement adjustments for active or retired members of the public
12 employees' retirement system plan ((~~F~~)) 1 and the teachers' retirement
13 system plan ((~~F~~)) 1 shall be calculated as the level percentage of pay
14 needed to fund the cost of the automatic adjustments not later than
15 June 30, 2024.

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

18 Until September 2001, the employer contribution rate charged on the
19 salaries of classified employees shall be the same as the employer
20 contribution rate adopted for the public employees' retirement system
21 under RCW 41.45.060 and include the supplemental rate under RCW
22 41.45.070.

23 After September 2001, the employer contribution rate shall be
24 calculated under RCW 41.45.060.

25 Sec. 23. RCW 41.45.070 and 1995 c 239 s 310 are each amended to
26 read as follows:

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

1 (2) In addition to the basic state contribution rate established in
2 RCW 41.45.060 for the law enforcement officers' and fire fighters'
3 retirement system the department shall also establish a supplemental
4 rate to pay for the cost of additional benefits, if any, granted to
5 members of the law enforcement officers' and fire fighters' retirement
6 system. This supplemental rate shall be calculated by the state
7 actuary and the state treasurer shall transfer the additional required
8 contributions regardless of language to the contrary contained in the
9 statute which authorizes the additional benefits.

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

17 (4) The supplemental rate charged under this section to fund
18 benefit increases provided to active and retired members of the public
19 employees' retirement system plan ((H)) 2, the ((teachers'))
20 educational employees' retirement system plan ((H)) 2 and plan ((HH))
21 3, or the law enforcement officers' and fire fighters' retirement
22 system plan II, shall be calculated as the level percentage of all
23 members' pay needed to fund the cost of the benefit, as calculated
24 under RCW 41.40.650((, 41.32.775,)) or 41.26.450, respectively.

25 (5) The supplemental rate charged under this section to fund
26 postretirement adjustments which are provided on a nonautomatic basis
27 to current retirees shall be calculated as the percentage of pay needed
28 to fund the adjustments as they are paid to the retirees. The
29 supplemental rate charged under this section to fund automatic
30 postretirement adjustments for active or retired members of the public
31 employees' retirement system plan ((F)) 1 and the teachers' retirement
32 system plan ((F)) 1 shall be calculated as the level percentage of pay
33 needed to fund the cost of the automatic adjustments not later than
34 June 30, 2024.

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

37 Educational employees' retirement system plan 2 and 3 classified
38 employees' salaries will be included in calculation of the contribution

1 rate necessary to fund the public employees' retirement system
2 benefits.

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

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

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

10 (b) The Washington state (~~teachers'~~) educational employees'
11 retirement system;

12 (c) The Washington law enforcement officers' and fire fighters'
13 retirement system;

14 (d) The Washington state patrol retirement system;

15 (e) The Washington judicial retirement system; and

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

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

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

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

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

35 (2) All of the assets of the Washington state (~~teachers'~~)
36 educational employees' retirement system shall be credited according to
37 the purposes for which they are held, to two funds to be maintained in

1 the state treasury, namely, the teachers' retirement system plan ((F))
2 1 fund and the ((~~teachers'~~)) educational employees' retirement system
3 combined plan ((FF)) 2 and ((FFF)) 3 fund. The plan ((F)) 1 fund shall
4 consist of all moneys paid to finance the benefits provided to members
5 of the Washington state teachers' retirement system plan ((F)) 1, and
6 the combined plan ((FF)) 2 and ((FFF)) 3 fund shall consist of all
7 moneys paid to finance the benefits provided to members of the
8 Washington state ((~~teachers'~~)) educational employees' retirement system
9 plan ((FF)) 2 and ((FFF)) 3.

10 (3) There is hereby established in the state treasury two separate
11 funds, namely the public employees' retirement system plan ((F)) 1 fund
12 and the public employees' retirement system plan ((FF)) 2 fund. The
13 plan ((F)) 1 fund shall consist of all moneys paid to finance the
14 benefits provided to members of the public employees' retirement system
15 plan ((F)) 1, and the plan ((FF)) 2 fund shall consist of all moneys
16 paid to finance the benefits provided to members of the public
17 employees' retirement system plan ((FF)) 2.

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

20 The state investment board shall provide for the investment of all
21 funds of the Washington public employees' retirement system, the
22 ((~~teachers'~~)) educational employees' retirement system, the Washington
23 law enforcement officers' and fire fighters' retirement system, the
24 Washington state patrol retirement system, the Washington judicial
25 retirement system, and the judges' retirement fund, pursuant to RCW
26 43.84.150, and may sell or exchange investments acquired in the
27 exercise of that authority.

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

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

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

34 (a) Three members representing the public employees' retirement
35 system: One retired, two active. The members shall be appointed from
36 a list of nominations submitted by organizations representing each
37 category. The initial term of appointment shall be two years for the

1 retired member, one year for one active member, and three years for the
2 remaining active member.

3 (b) Three members representing the (~~teachers'~~) educational
4 employees' retirement system: One retired, two active. The members
5 shall be appointed from a list of nominations submitted by
6 organizations representing each category. The initial term of
7 appointment shall be one year for the retired member, two years for one
8 active member, and three years for the remaining active member.

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

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

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

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

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

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

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

26 (8) The state investment board shall provide advice and support to
27 the board.

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

30 In the records of the (~~teachers'~~) educational employees'
31 retirement system the teachers' retirement system plan (~~is~~) 1 fund
32 shall be subdivided into the member reserve, the pension reserve, and
33 other funds as may from time to time be created by the director for the
34 purpose of the internal accounting record. The director may adopt
35 rules creating or deleting funds as he or she deems necessary.

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

1 The department shall keep a record of all its proceedings, which
2 shall be open to public inspection. It shall publish annually a report
3 showing the fiscal transactions of the Washington state (~~teachers'~~)
4 educational employees' retirement system for the preceding school year;
5 the amount of the accumulated cash and securities of the system, and
6 the last balance sheet showing the financial condition of the system by
7 means of an actuarial valuation of the assets and liabilities of the
8 retirement system.

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

11 From interest and other earnings on the moneys of the Washington
12 state (~~teachers'~~) educational employees' retirement system(~~, and~~
13 ~~except as otherwise provided in RCW 41.32.499,~~) at the close of each
14 fiscal year the department shall make an allowance of regular interest
15 on the balance which was on hand at the beginning of the fiscal year in
16 each of the (~~teachers'~~) educational employees' retirement system
17 funds as they may deem advisable; however, no interest shall be
18 credited to the expense fund.

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

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

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

31 The person responsible for making up the payroll shall transmit
32 promptly to the department at the end of each and every payroll period
33 a copy of the original payroll voucher or such other payroll report as
34 the department may require showing thereon all deductions for
35 contributions for the (~~teachers'~~) educational employees' retirement
36 system made from the earnable compensation of a member of the

1 ((~~teachers~~)) educational employees' retirement system together with
2 warrants or checks covering the total of such deductions. The
3 department shall place such moneys into the proper funds established in
4 this chapter.

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

7 For purposes of calculating retirement benefits under this chapter,
8 classified members of the educational employees' retirement system plan
9 2, employed in two or more public employees' retirement system
10 positions on the effective date of this act may include compensation
11 earnable from their nonschool district position.

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

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

16 (1) One member who is an active member of the public employees'
17 retirement system and has been an active member for at least five
18 years. This member shall be appointed by the governor, subject to
19 confirmation by the senate, from a list of nominations submitted by
20 organizations representing active members of the system. The initial
21 term of appointment shall be one year.

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

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

33 (4) The state treasurer or the assistant state treasurer if
34 designated by the state treasurer.

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

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

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

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

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

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

11 The legislative members shall serve terms of two years. The
12 initial legislative members appointed to the board shall be appointed
13 no sooner than January 10, 1983. The position of a legislative member
14 on the board shall become vacant at the end of that member's term on
15 the board or whenever the member ceases to be a member of the senate or
16 house of representatives from which the member was appointed.

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

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

26 NEW SECTION. **Sec. 36.** The following acts or parts of acts are
27 each repealed:

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

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

30 NEW SECTION. **Sec. 37.** RCW 41.32.032 and 41.50.132 are decodified.

31 NEW SECTION. **Sec. 38.** This act takes effect July 1, 1998.

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