
SENATE BILL 6306

State of Washington

55th Legislature

1998 Regular Session

By Senators Long, Winsley, Rossi, Bauer, Roach and Anderson; by request of Joint Committee on Pension Policy

Read first time 01/15/98. Referred to Committee on Ways & Means.

1 AN ACT Relating to Washington school employees' retirement system;
2 amending RCW 41.32.010, 41.32.044, 41.32.065, 41.32.067, 41.32.780,
3 41.32.812, 41.32.817, 41.32.835, 41.32.8401, 41.32.875, 41.34.060,
4 41.45.010, 41.45.020, 41.45.050, 41.45.060, 41.45.061, 41.45.070,
5 41.50.030, 41.50.060, 41.50.065, 41.50.075, 41.50.080, 41.50.086,
6 41.50.088, 41.50.132, 41.50.200, 41.50.205, 41.50.215, 41.50.230,
7 41.50.240, 41.50.255, 41.50.740, 41.50.750, 43.33A.020, 43.33A.190,
8 28A.400.250, 28B.10.417, 28B.50.874, 41.05.011, 41.33.010, 41.33.020,
9 41.33.030, 41.48.030, 41.48.050, 43.84.092, and 72.01.200; reenacting
10 and amending RCW 41.40.010; adding a new section to chapter 41.32 RCW;
11 adding new sections to chapter 41.34 RCW; adding a new section to
12 chapter 41.40 RCW; adding new sections to chapter 41.45 RCW; adding a
13 new section to chapter 41.54 RCW; creating new sections; decodifying
14 RCW 41.32.032; repealing RCW 41.32.020 and 41.32.818; and providing an
15 effective date.

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

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

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

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

20 **Sec. 2.** RCW 41.32.010 and 1997 c 254 s 3 are each amended to read
21 as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (b) "Earnable compensation" for plan II and plan III 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 lump sum payments for deferred annual sick leave, unused
32 accumulated vacation, unused accumulated annual leave, or any form of
33 severance pay.

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

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

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

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

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

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

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

20 (b) "Employer" for classified employee members means a school
21 district or an educational service district.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (25) "Retirement system" means the Washington school employees'
31 retirement system, which consists of the Washington state teachers'
32 retirement system plan I, the Washington school employees' retirement
33 system plan II, and the Washington school employees' retirement system
34 plan III.

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

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

1 (ii) 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.

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

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

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

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

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

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

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

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

35 (iv) Any person who is a member of the (~~teachers'~~) Washington
36 school employees' retirement system and who is elected or appointed to
37 a state elective position may continue to be a member of the retirement
38 system and continue to receive a service credit month for each of the

1 months in a state elective position by making the required member
2 contributions.

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

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

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

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

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

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

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

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

26 (viii) The department shall adopt rules implementing this
27 subsection.

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

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

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

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

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

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

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

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

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

18 (36) "Substitute teacher" means:

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

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

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

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

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

37 (d) The elected position of the superintendent of public
38 instruction is an eligible position.

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

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

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

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

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

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

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

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

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

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

29 (48) "Separation from service or employment" occurs when a person
30 has terminated all employment with an employer.

31 (49) "Employed" or "employee" means a person who is providing
32 services for compensation to an employer, unless the person is free
33 from the employer's direction and control over the performance of work.
34 The department shall adopt rules and interpret this subsection
35 consistent with common law.

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

38 (51) "Educational employee" means any teacher or classified
39 employee.

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

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

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

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

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

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

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

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

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

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

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

10 (2) All classified employees who are transferred to the retirement
11 system under section 19 of this act; and

12 (3) All public employees' retirement system plan II members whose
13 membership is not transferred under section 19 of this act, and who
14 subsequently become employed as a classified employee in an eligible
15 position.

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

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

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

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

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

36 (3) Any plan II (~~member~~) teacher, other than a substitute
37 teacher, who wishes to transfer to plan III after December 31, 1997,

1 may transfer during the month of January in any following year,
2 provided that the member earns service credit for that month.

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

7 (5) All service credit in plan II shall be transferred to the
8 defined benefit portion of plan III.

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

18 ~~((+6))~~ (7) The legislature reserves the right to discontinue the
19 right to transfer under this section.

20 ~~((+7))~~ (8) Anyone previously retired from plan II is prohibited
21 from transferring to plan III.

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

24 (1) All teachers who first become employed by an employer in an
25 eligible position on or after July 1, 1996, shall be members of plan
26 III.

27 (2) All classified employees who first become employed by an
28 employer in an eligible position on or after January 1, 1999, shall be
29 members of plan III.

30 **Sec. 10.** RCW 41.32.8401 and 1997 c 10 s 1 are each amended to read
31 as follows:

32 (1) ~~((Anyone))~~ Any teacher who requests to transfer under RCW
33 41.32.817 before January 1, 1998, and establishes service credit for
34 January 1998, shall have their member account increased by forty
35 percent of:

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

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

3 (2) A further additional payment of twenty-five percent, for a
4 total of sixty-five percent, shall be paid subject to the conditions
5 contained in subsection (1) of this section on July 1, 1998.

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

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

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

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

12 (~~(3)~~) (4) If a (~~member~~) teacher who requests to transfer dies
13 before January 1, 1998, the additional payment provided by this section
14 shall be paid to the member's estate, or the person or persons, trust,
15 or organization the member nominated by written designation duly
16 executed and filed with the department.

17 (~~(4)~~) (5) The legislature reserves the right to modify or
18 discontinue the right to an (~~incentive~~) additional payment under this
19 section for any plan II members who have not previously transferred to
20 plan III.

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

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

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

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

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

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

35 (c) Any classified employee who is at least age sixty-five and has
36 completed five service credit years by January 1, 1999, and who
37 transferred to plan III under RCW 41.32.817 shall be eligible to retire

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

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

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

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

17 (a) Plan II accumulated contributions as of January 1, 1999, less
18 fifty percent of any payments made pursuant to RCW 41.50.165(2); or

19 (b) All amounts withdrawn after January 1, 1999, which are
20 completely restored before January 1, 2000.

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

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

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

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

36 (2) Members may elect to self-direct their investments as
37 ~~((authorized by the board, other than as provided in subsection (1) of~~

1 ~~this section. Expenses caused by self directed investment shall be~~
2 ~~paid by the member in accordance with rules established by the board~~
3 ~~under RCW 41.50.088)) set forth in section 16 of this act.~~

4 NEW SECTION. Sec. 14. A new section is added to chapter 41.34 RCW
5 to read as follows:

6 (1) Beginning July 1, 1998, and on January 1 of even-numbered years
7 thereafter, the member account of a person meeting the requirements of
8 this section shall be credited by the extraordinary investment gain
9 amount.

10 (2) The following persons shall be eligible for the benefit
11 provided in subsection (1) of this section:

12 (a) Any member who earned service credit during the twelve-month
13 period from September 1 to August 30th immediately preceding the
14 distribution and had a balance of at least one thousand dollars in
15 their member account on August 30 of the year immediately preceding the
16 distribution; or

17 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875;
18 or

19 (c) Any person who is a retiree pursuant to RCW 41.34.020(8) and
20 who:

21 (i) Completed ten service credit years; or

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

24 (iii) Completed five service credit years by July 1, 1996, under
25 plan II and who transferred to plan III under RCW 41.32.817; or

26 (d) Any person who had a balance of at least one thousand dollars
27 in their member account on August 30 of the year immediately preceding
28 the distribution and who:

29 (i) Completed ten service credit years; or

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

32 (iii) Completed five service credit years by July 1, 1996, under
33 plan II and who transferred to plan III under RCW 41.32.817.

34 (3) The extraordinary investment gain amount shall be calculated as
35 follows:

36 (a) One-half of the value of the net assets held in trust for
37 pension benefits in the teachers' retirement system combined plan II

1 and III fund at the close of the previous state fiscal year not
2 including the amount attributable to member accounts;

3 (b) Multiplied by the amount which investment returns on those
4 assets geometrically averaged over the previous four state fiscal years
5 exceeds ten percent;

6 (c) Multiplied by the proportion of:

7 (i) The sum of the service credit on August 30th of the previous
8 year of all persons eligible for the benefit provided in subsection (1)
9 of this section; to,

10 (ii) The sum of the service credit on August 30th of the previous
11 year of:

12 (A) All persons eligible for the benefit provided in subsection (1)
13 of this section; and

14 (B) Any person who earned service credit in plan II during the
15 twelve-month period from September 1st to August 30th immediately
16 preceding the distribution; and

17 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765;
18 and

19 (D) Any person with five or more years of service in plan II;

20 (d) Divided proportionally among persons eligible for the benefit
21 provided in subsection (1) of this section on the basis of their
22 service credit total on August 30th of the previous year.

23 (4) The legislature reserves the right to amend or repeal this
24 section in the future and no member or beneficiary has a contractual
25 right to receive this distribution not granted prior to amendment or
26 repeal.

27 NEW SECTION. **Sec. 15.** A new section is added to chapter 41.34 RCW
28 to read as follows:

29 All moneys in members' accounts, all property and rights purchased
30 therewith, and all income attributable thereto, shall be held in trust
31 by the state investment board, as set forth under RCW 43.33A.030, for
32 the exclusive benefit of the members and their beneficiaries.

33 NEW SECTION. **Sec. 16.** A new section is added to chapter 41.34 RCW
34 to read as follows:

35 (1) The state investment board has the full authority to invest all
36 self-directed investment moneys in accordance with RCW 43.84.150,
37 43.33A.140, and cumulative investment directions received pursuant to

1 RCW 41.34.060 and this section. In carrying out this authority the
2 state investment board, after consultation with the employee retirement
3 benefits board regarding any recommendations made pursuant to RCW
4 41.50.088(2), shall provide a set of options for members to choose from
5 for self-directed investment.

6 (2) All investment and operating costs of the state investment
7 board associated with making self-directed investments shall be paid by
8 members and recovered under procedures agreed to by the board and the
9 state investment board pursuant to the principles set forth in RCW
10 43.33A.160 and 43.84.160. All other expenses caused by self-directed
11 investment shall be paid by the member in accordance with rules
12 established by the board under RCW 41.50.088. With the exception of
13 these expenses, all earnings from self-directed investments shall
14 accrue to the member's account.

15 (3) The department shall keep or cause to be kept full and adequate
16 accounts and records of each individual member's account. Pursuant to
17 RCW 43.33A.180, the state investment board shall account for and report
18 on the investment of defined contribution assets under this chapter.

19 NEW SECTION. **Sec. 17.** A new section is added to chapter 41.34 RCW
20 to read as follows:

21 (1) No state board or commission, agency, or any officer, employee,
22 or member thereof shall be liable for any loss or deficiency resulting
23 from member defined contribution investments selected or required
24 pursuant to RCW 41.34.060 (1) or (2).

25 (2) Neither the board nor the state investment board, nor any
26 officer, employee, or member thereof shall be liable for any loss or
27 deficiency resulting from reasonable efforts to implement investment
28 directions pursuant to RCW 41.34.060 (1) or (2).

29 **Sec. 18.** RCW 41.40.010 and 1997 c 254 s 10 and 1997 c 88 s 6 are
30 each reenacted and amended to read as follows:

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

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

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

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

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

14 (b) "Employer" for plan II members, means every branch, department,
15 agency, commission, board, and office of the state, and any political
16 subdivision and municipal corporation of the state admitted into the
17 retirement system, including public agencies created pursuant to RCW
18 35.63.070, 36.70.060, and 39.34.030; except that after December 31,
19 1998, school districts and educational service districts will no longer
20 be employers for the public employees' retirement system plan II.

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

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

27 (a) Any person who became a member of the system prior to April 1,
28 1949;

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

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

36 (d) Any person who first becomes a member through the admission of
37 an employer into the retirement system on or after April 1, 1951,
38 provided, such person has been in the regular employ of the employer

1 for at least six months of the twelve-month period preceding the said
2 admission date;

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

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

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

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

26 (i) "Compensation earnable" for plan I members also includes the
27 following actual or imputed payments, which are not paid for personal
28 services:

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

36 (B) If a leave of absence is taken by an individual for the purpose
37 of serving in the state legislature, the salary which would have been
38 received for the position from which the leave of absence was taken,
39 shall be considered as compensation earnable if the employee's

1 contribution is paid by the employee and the employer's contribution is
2 paid by the employer or employee;

3 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and
4 72.09.240;

5 (D) Compensation that a member would have received but for a
6 disability occurring in the line of duty only as authorized by RCW
7 41.40.038;

8 (E) Compensation that a member receives due to participation in the
9 leave sharing program only as authorized by RCW 41.04.650 through
10 41.04.670; and

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

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

18 (A) Remuneration for unused sick leave authorized under RCW
19 41.04.340, 28A.400.210, or 28A.310.490;

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

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

30 "Compensation earnable" for plan II members also includes the
31 following actual or imputed payments, which are not paid for personal
32 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 wage which the
37 individual would have earned during a payroll period shall be
38 considered compensation earnable 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 compensation
3 earnable be the greater of:

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

6 (B) Such member's actual compensation earnable received for
7 nonlegislative public employment and legislative service combined. Any
8 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 (iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,
13 and 72.09.240;

14 (iv) Compensation that a member would have received but for a
15 disability occurring in the line of duty only as authorized by RCW
16 41.40.038;

17 (v) Compensation that a member receives due to participation in the
18 leave sharing program only as authorized by RCW 41.04.650 through
19 41.04.670; and

20 (vi) Compensation that a member receives for being in standby
21 status. For the purposes of this section, a member is in standby
22 status when not being paid for time actually worked and the employer
23 requires the member to be prepared to report immediately for work, if
24 the need arises, although the need may not arise. (~~Standby~~
25 ~~compensation is regular salary for the purposes of RCW 41.50.150(2).~~)

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

1 Time spent in standby status, whether compensated or not, is not
2 service.

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

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

15 (iii) A school district employee may count up to forty-five days of
16 sick leave as creditable service solely for the purpose of determining
17 eligibility to retire under RCW 41.40.180 as authorized by RCW
18 28A.400.300. For purposes of plan I "forty-five days" as used in RCW
19 28A.400.300 is equal to two service credit months. Use of less than
20 forty-five days of sick leave is creditable as allowed under this
21 subsection as follows:

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

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

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

27 (b) "Service" for plan II members, means periods of employment by
28 a member in an eligible position or positions for one or more employers
29 for which compensation earnable is paid. Compensation earnable earned
30 for ninety or more hours in any calendar month shall constitute one
31 service credit month except as provided in RCW 41.40.088. Compensation
32 earnable earned for at least seventy hours but less than ninety hours
33 in any calendar month shall constitute one-half service credit month of
34 service. Compensation earnable earned for less than seventy hours in
35 any calendar month shall constitute one-quarter service credit month of
36 service. Time spent in standby status, whether compensated or not, is
37 not service.

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

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

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

15 (iii) Up to forty-five days of sick leave may be creditable as
16 service solely for the purpose of determining eligibility to retire
17 under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of
18 plan II "forty-five days" as used in RCW 28A.400.300 is equal to two
19 service credit months. Use of less than forty-five days of sick leave
20 is creditable as allowed under this subsection as follows:

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

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

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

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

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

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

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

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

35 (13) "Membership service" means:

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

37 (b) All service after October 1, 1947, to any employer prior to the
38 time of its admission into the retirement system for which member and

1 employer contributions, plus interest as required by RCW 41.50.125,
2 have been paid under RCW 41.40.056 or 41.40.057;

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

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

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

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

25 (15) "Regular interest" means such rate as the director may
26 determine.

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

31 (17)(a) "Average final compensation" for plan I members, means the
32 annual average of the greatest compensation earnable by a member during
33 any consecutive two year period of service credit months for which
34 service credit is allowed; or if the member has less than two years of
35 service credit months then the annual average compensation earnable
36 during the total years of service for which service credit is allowed.

37 (b) "Average final compensation" for plan II members, means the
38 member's average compensation earnable of the highest consecutive sixty
39 months of service credit months prior to such member's retirement,

1 termination, or death. Periods constituting authorized leaves of
2 absence may not be used in the calculation of average final
3 compensation except under RCW 41.40.710(2).

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

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

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

12 (21) "Retirement allowance" means the sum of the annuity and the
13 pension.

14 (22) "Employee" or "employed" means a person who is providing
15 services for compensation to an employer, unless the person is free
16 from the employer's direction and control over the performance of work.
17 The department shall adopt rules and interpret this subsection
18 consistent with common law.

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

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

24 (25) "Eligible position" means:

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

31 (b) Any position occupied by an elected official or person
32 appointed directly by the governor, or appointed by the chief justice
33 of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which
34 compensation is paid.

35 (26) "Ineligible position" means any position which does not
36 conform with the requirements set forth in subsection (25) of this
37 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 who has begun accruing a retirement
8 allowance or other benefit provided by this chapter resulting from
9 service rendered to an employer while a member.

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

11 (31) "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 (32) "State actuary" or "actuary" means the person appointed
15 pursuant to RCW 44.44.010(2).

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

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

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

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

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

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

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

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

36 (41) "Separation from service" occurs when a person has terminated
37 all employment with an employer.

1 NEW SECTION. **Sec. 19.** A new section is added to chapter 41.40 RCW
2 to read as follows:

3 (1) Effective January 1, 1999, the membership of all plan II
4 members currently employed in eligible positions in a school district
5 or educational service district, and all plan II service credit for
6 such members, is transferred to the Washington school employees'
7 retirement system plan II. Plan II members who have withdrawn their
8 member contributions for prior plan II service may restore
9 contributions and service credit to the Washington school employees'
10 retirement system plan II as provided under RCW 41.32.825.

11 (2) The membership and previous service credit of a plan II member
12 not employed in an eligible position on July 1, 1998, will be
13 transferred to the Washington school employees' retirement system plan
14 II when he or she becomes employed in an eligible position. Plan II
15 members not employed in an eligible position on July 1, 1998, who have
16 withdrawn their member contributions for prior plan II service may
17 restore contributions and service credit to the Washington school
18 employees' retirement system plan II as provided under RCW 41.32.825.

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

22 **Sec. 20.** RCW 41.45.010 and 1995 c 239 s 305 are each amended to
23 read as follows:

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

31 The funding process established by this chapter is intended to
32 achieve the following goals:

33 (1) To continue to fully fund the public employees' retirement
34 system plan II, the ((~~teachers'~~)) Washington school employees'
35 retirement system plans II and III, and the law enforcement officers'
36 and fire fighters' retirement system plan II as provided by law;

37 (2) To fully amortize the total costs of the public employees'
38 retirement system plan I, the teachers' retirement system plan I, and

1 the law enforcement officers' and fire fighters' retirement system plan
2 I not later than June 30, 2024;

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

6 (4) To fund, to the extent feasible, benefit increases for plan I
7 members and all benefits for plan II and III members over the working
8 lives of those members so that the cost of those benefits are paid by
9 the taxpayers who receive the benefit of those members' service.

10 **Sec. 21.** RCW 41.45.020 and 1995 c 239 s 306 are each amended to
11 read as follows:

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

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

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

17 (3) "Law enforcement officers' and fire fighters' retirement system
18 plan I" and "law enforcement officers' and fire fighters' retirement
19 system plan II" mean the benefits and funding provisions under chapter
20 41.26 RCW.

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

24 (5) "Teachers' retirement system plan I," "~~((teachers'))~~ Washington
25 school employees' retirement system plan II," and "~~((teachers'))~~
26 Washington school employees' retirement system plan III" mean the
27 benefits and funding provisions under chapter 41.32 RCW.

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

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

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

34 (9) "State retirement systems" means the retirement systems listed
35 in RCW 41.50.030.

36 (10) "Classified employee" means a member of the Washington school
37 employees' retirement system plan II or plan III as defined in RCW
38 41.32.010.

1 (11) "Teacher" means a member of the Washington school employees'
2 retirement system as defined in RCW 41.32.010.

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

5 (1) Employers of members of the public employees' retirement
6 system, the ~~((teachers'))~~ Washington school employees' retirement
7 system, and the Washington state patrol retirement system shall make
8 contributions to those systems based on the rates established in RCW
9 41.45.060 and 41.45.070.

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

15 (3) The department shall bill employers, and the state shall make
16 contributions to the law enforcement officers' and fire fighters'
17 retirement system, using the combined rates established in RCW
18 41.45.060 and 41.45.070 regardless of the level of pension funding
19 provided in the biennial budget. Any member of an affected retirement
20 system may, by mandamus or other appropriate proceeding, require the
21 transfer and payment of funds as directed in this section.

22 (4) The contributions received for the public employees' retirement
23 system shall be allocated between the public employees' retirement
24 system plan I fund and public employees' retirement system plan II fund
25 as follows: The contributions necessary to fully fund the public
26 employees' retirement system plan II employer contribution required by
27 RCW 41.40.650 shall first be deposited in the public employees'
28 retirement system plan II fund. All remaining public employees'
29 retirement system employer contributions shall be deposited in the
30 public employees' retirement system plan I fund.

31 (5) The contributions received for the ~~((teachers'))~~ Washington
32 school employees' retirement system shall be allocated between ~~((the~~
33 ~~plan I fund and the combined plan II and plan III))~~ funds as follows:

34 (a) The contributions necessary to fully fund the combined plan II
35 and plan III employer contribution shall first be deposited in the
36 combined plan II and plan III fund.

37 (b) Employer contributions to the public employees' retirement
38 system plan I shall continue to be made at the same rate as if

1 classified employees remained in the public employees' retirement
2 system plan II.

3 (c) All remaining (~~teachers'~~) Washington school employees'
4 retirement system employer contributions shall be deposited in the
5 teachers' retirement system plan I fund.

6 (6) The contributions received under RCW 41.26.450 for the law
7 enforcement officers' and fire fighters' retirement system shall be
8 allocated between the law enforcement officers' and fire fighters'
9 retirement system plan I and the law enforcement officers' and fire
10 fighters' retirement system plan II fund as follows: The contributions
11 necessary to fully fund the law enforcement officers' and fire
12 fighters' retirement system plan II employer contributions shall be
13 first deposited in the law enforcement officers' and fire fighters'
14 retirement system plan II fund. All remaining law enforcement
15 officers' and fire fighters' retirement system employer contributions
16 shall be deposited in the law enforcement officers' and fire fighters'
17 retirement system plan I fund.

18 **Sec. 23.** RCW 41.45.060 and 1995 c 239 s 309 are each amended to
19 read as follows:

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

22 (2) Not later than September 30, 1996, and every two years
23 thereafter, consistent with the assumptions adopted under RCW
24 41.45.030, the council shall adopt both: (a) A basic state
25 contribution rate for the law enforcement officers' and fire fighters'
26 retirement system; and (b) basic employer contribution rates for the
27 public employees' retirement system plan I, the teachers' retirement
28 system plan I, and the Washington state patrol retirement system to be
29 used in the ensuing biennial period.

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

32 (a) To fully amortize the total costs of the public employees'
33 retirement system plan I, the teachers' retirement system plan I, the
34 law enforcement officers' and fire fighters' retirement system plan I,
35 and the unfunded liability of the Washington state patrol retirement
36 system not later than June 30, 2024; and

37 (b) To also continue to fully fund the public employees' retirement
38 system plan II, the (~~teachers'~~) Washington school employees'

1 retirement system plans II and III, and the law enforcement officers'
2 and fire fighters' retirement system plan II in accordance with RCW
3 41.40.650, 41.26.450, and this section.

4 (4) The aggregate actuarial cost method shall be used to calculate
5 a combined plan II and III employer contribution rate.

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

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

11 **Sec. 24.** RCW 41.45.061 and 1997 c 10 s 2 are each amended to read
12 as follows:

13 (1) The required contribution rate for (~~members~~) teachers of the
14 plan II (~~teachers~~) Washington school employees' retirement system
15 shall be fixed at the rates in effect on July 1, (~~1996~~) 1998, subject
16 to the following:

17 (a) Beginning September 1, (~~1997~~) 1999, except as provided in (b)
18 of this subsection, the employee contribution rate shall not exceed the
19 employer plan II and III rates adopted under RCW 41.45.060 and
20 41.45.070 for the teachers' retirement system;

21 (b) In addition, the employee contribution rate for plan II shall
22 be increased by fifty percent of the contribution rate increase caused
23 by any plan II benefit increase passed after July 1, (~~1996~~) 1998.

24 (2) The required contribution rate for classified members of the
25 plan II Washington school employees' retirement system shall be the
26 same as the public employees' retirement system plan II rate, subject
27 to the following:

28 (a) Any change to the public employees' retirement system plan II
29 rate due to benefit increases shall not be included;

30 (b) The rate shall be increased by fifty percent of the
31 contribution rate increase caused by any plan II benefit increases
32 affecting classified plan II members; and

33 (c) In addition, the employee contribution rate for plan II shall
34 not be increased as a result of any distributions pursuant to section
35 14 of this act.

36 (3) The required plan II and III contribution rates for employers
37 shall be adopted in the manner described in RCW 41.45.060.

1 **Sec. 25.** RCW 41.45.070 and 1995 c 239 s 310 are each amended to
2 read as follows:

3 (1) In addition to the basic employer contribution rate established
4 in RCW 41.45.060, the department shall also charge employers of public
5 employees' retirement system, (~~teachers'~~) Washington school
6 employees' retirement system, or Washington state patrol retirement
7 system members an additional supplemental rate to pay for the cost of
8 additional benefits, if any, granted to members of those systems.
9 Except as provided in subsection (6) of this section, the supplemental
10 contribution rates required by this section shall be calculated by the
11 state actuary and shall be charged regardless of language to the
12 contrary contained in the statute which authorizes additional benefits.

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

22 (3) The supplemental rate charged under this section to fund
23 benefit increases provided to active members of the public employees'
24 retirement system plan I, the teachers' retirement system plan I, the
25 law enforcement officers' and fire fighters' retirement system plan I,
26 and Washington state patrol retirement system, shall be calculated as
27 the level percentage of all members' pay needed to fund the cost of the
28 benefit not later than June 30, 2024.

29 (4) The supplemental rate charged under this section to fund
30 benefit increases provided to active and retired members of the public
31 employees' retirement system plan II, the (~~teachers'~~) Washington
32 school employees' retirement system plan II and plan III, or the law
33 enforcement officers' and fire fighters' retirement system plan II,
34 shall be calculated as the level percentage of all members' pay needed
35 to fund the cost of the benefit, as calculated under RCW 41.40.650(~~(~~
36 ~~41.32.775~~) or 41.26.450, respectively.

37 (5) The supplemental rate charged under this section to fund
38 postretirement adjustments which are provided on a nonautomatic basis
39 to current retirees shall be calculated as the percentage of pay needed

1 to fund the adjustments as they are paid to the retirees. The
2 supplemental rate charged under this section to fund automatic
3 postretirement adjustments for active or retired members of the public
4 employees' retirement system plan I and the teachers' retirement system
5 plan I shall be calculated as the level percentage of pay needed to
6 fund the cost of the automatic adjustments not later than June 30,
7 2024.

8 (6) A supplemental rate shall not be charged to pay for the cost of
9 additional benefits granted to members pursuant to chapter . . . , Laws
10 of 1998 (this act).

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

13 Until September 2001, the employer contribution rate charged on the
14 salaries of classified employee members of the Washington school
15 employees' retirement system shall be the same as the employer
16 contribution rate adopted for the public employees' retirement system
17 under RCW 41.45.060 and include the supplemental rate under RCW
18 41.45.070.

19 After September 2001, the employer contribution rate shall be
20 calculated under RCW 41.45.060.

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

23 Washington school employees' retirement system plan II and III
24 classified employees' salaries will be included in the calculation of
25 the contribution rate necessary to fund the public employees'
26 retirement system benefits.

27 NEW SECTION. Sec. 28. A new section is added to chapter 41.45 RCW
28 to read as follows:

29 Upon the advice of the state actuary, the state treasurer shall
30 divide the assets in the public employees' retirement system plan II in
31 such a manner that sufficient assets remain in plan II to maintain the
32 employee contribution rate calculated in the latest actuarial valuation
33 of the public employees' retirement system plan II. The state actuary
34 shall take into account changes in assets that occur between the latest
35 actuarial valuation and the date of transfer. The balance of the

1 assets shall be transferred to the Washington school employees'
2 retirement system plan II and III.

3 **Sec. 29.** 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'~~) school employees' retirement
11 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. 30.** RCW 41.50.060 and 1995 c 239 s 318 are each amended to
22 read as follows:

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

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

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

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

1 (a) Service credit accumulated in the preceding calendar year; and

2 (b) Total service credit accumulated.

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

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

10 (b) All members, other than members of the (~~teachers~~) Washington
11 school employees' retirement system, shall begin receiving annual
12 notification of service credit accumulated within the preceding
13 calendar year or school year, as appropriate, no later than June 30,
14 1992;

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

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

23 (i) For members of the law enforcement officers' and fire fighters'
24 retirement system, Washington state patrol retirement system, judicial
25 retirement system, and judges' retirement system, no later than August
26 30, 1993;

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

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

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

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

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

36 **Sec. 32.** RCW 41.50.075 and 1996 c 39 s 16 are each amended to read
37 as follows:

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

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

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

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

33 The state investment board shall provide for the investment of all
34 funds of the Washington public employees' retirement system, the
35 (~~((teachers'))~~) Washington school employees' retirement system, the
36 Washington law enforcement officers' and fire fighters' retirement
37 system, the Washington state patrol retirement system, the Washington
38 judicial retirement system, and the judges' retirement fund, pursuant

1 to RCW 43.84.150, and may sell or exchange investments acquired in the
2 exercise of that authority.

3 **Sec. 34.** RCW 41.50.086 and 1995 c 239 s 301 are each amended to
4 read as follows:

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

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

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

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

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

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

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

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

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

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

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

1 (~~(8)~~ The state investment board shall provide advice and support
2 to the board.))

3 **Sec. 35.** RCW 41.50.088 and 1995 c 239 s 302 are each amended to
4 read as follows:

5 (1) The board shall adopt rules as necessary and exercise all the
6 powers and perform all duties prescribed by law with respect to:

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

11 ~~(2))~~ (a) The selection of optional benefit payment schedules
12 available to members and survivors of members upon the death,
13 disability, retirement, or termination of the member. The optional
14 benefit payments may include but not be limited to: Fixed and
15 participating annuities, joint and survivor annuities, and payments
16 that bridge to social security or defined benefit plan payments;

17 (~~(3))~~ (b) Approval of actuarially equivalent annuities that may
18 be purchased from the combined plan II and plan III funds under RCW
19 41.50.075 (2) or (3);

20 (~~(4))~~ (c) Determination of the basis for administrative charges
21 to the self-directed investment fund to offset self-directed account
22 expenses; and

23 (~~(5))~~ (d) Selection of investment options for the deferred
24 compensation program.

25 (2) The board shall recommend to the state investment board types
26 of options for member self-directed investment in the teachers'
27 retirement system plan III, as deemed by the board to be reflective of
28 the members' preferences.

29 **Sec. 36.** RCW 41.50.132 and 1991 c 343 s 13 are each amended to
30 read as follows:

31 (1) By December 31, 1992, the department of retirement systems
32 shall implement and complete the following process for those members of
33 the law enforcement officers' and fire fighters' retirement system plan
34 II, public employees' retirement system plans I and II, and
35 (~~teachers')~~ Washington school employees' retirement system plan II
36 who erroneously had contributions either deducted or picked-up from
37 their earnings on and after January 1, 1987:

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

5 (b) Provide the affected employers with direction and guidance for
6 the review of the transmitted lists from this subsection and the
7 employers' preparation of any necessary correcting transactions to the
8 department's records;

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

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

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

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

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

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

23 **Sec. 37.** RCW 41.50.200 and 1992 c 212 s 2 are each amended to read
24 as follows:

25 In the records of the (~~teachers'~~) Washington school employees'
26 retirement system the teachers' retirement system plan I fund shall be
27 subdivided into the member reserve, the pension reserve, and other
28 funds as may from time to time be created by the director for the
29 purpose of the internal accounting record. The director may adopt
30 rules creating or deleting funds as he or she deems necessary.

31 **Sec. 38.** RCW 41.50.205 and 1991 c 35 s 33 are each amended to read
32 as follows:

33 The department shall keep a record of all its proceedings, which
34 shall be open to public inspection. It shall publish annually a report
35 showing the fiscal transactions of the Washington (~~state teachers'~~)
36 school employees' retirement system for the preceding school year; the
37 amount of the accumulated cash and securities of the system, and the

1 last balance sheet showing the financial condition of the system by
2 means of an actuarial valuation of the assets and liabilities of the
3 retirement system.

4 **Sec. 39.** RCW 41.50.215 and 1992 c 212 s 6 are each amended to read
5 as follows:

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

14 **Sec. 40.** RCW 41.50.230 and 1991 c 35 s 51 are each amended to read
15 as follows:

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

24 **Sec. 41.** RCW 41.50.240 and 1977 ex.s. c 293 s 17 are each amended
25 to read as follows:

26 The person responsible for making up the payroll shall transmit
27 promptly to the department at the end of each and every payroll period
28 a copy of the original payroll voucher or such other payroll report as
29 the department may require showing thereon all deductions for
30 contributions for the (~~((teachers'))~~) Washington school employees'
31 retirement system made from the earnable compensation of a member of
32 the (~~((teachers'))~~) Washington school employees' retirement system
33 together with warrants or checks covering the total of such deductions.
34 The department shall place such moneys into the proper funds
35 established in this chapter.

1 **Sec. 42.** RCW 41.50.255 and 1995 c 281 s 1 are each amended to read
2 as follows:

3 The director is authorized to pay from the interest earnings of the
4 trust funds of the public employees' retirement system, the
5 (~~teachers'~~) Washington school employees' retirement system, the
6 Washington state patrol retirement system, the Washington judicial
7 retirement system, the judges' retirement system, or the law
8 enforcement officers' and fire fighters' retirement system lawful
9 obligations of the appropriate system for legal expenses and medical
10 expenses which expenses are primarily incurred for the purpose of
11 protecting the appropriate trust fund or are incurred in compliance
12 with statutes governing such funds.

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

17 The term "medical costs" includes, but is not limited to, expenses
18 for the medical examination or reexamination of members or retirees,
19 the costs of preparation of medical reports, and fees charged by
20 medical professionals for attendance at discovery proceedings or
21 hearings.

22 The director may also pay from the interest earnings of the trust
23 funds specified in this section costs incurred in investigating fraud
24 and collecting overpayments, including expenses incurred to review and
25 investigate cases of possible fraud against the trust funds and
26 collection agency fees and other costs incurred in recovering
27 overpayments. Recovered funds must be returned to the appropriate
28 trust funds.

29 **Sec. 43.** RCW 41.50.740 and 1993 c 270 s 2 are each amended to read
30 as follows:

31 Members of the (~~teachers'~~) Washington school employees'
32 retirement system who retired prior to January 1, 1993, from service
33 with a community college district whose reported earnable compensation
34 included payments made pursuant to an agreement to terminate or retire,
35 or to provide notice of intent to retire, and whose retirement
36 allowance has been reduced under RCW 41.50.150 or is reduced after July
37 25, 1993, under RCW 41.50.730, shall have an opportunity to change the
38 retirement allowance payment option selected by the member under RCW

1 41.32.530. Any request for a change shall be made in writing to the
2 department no later than October 31, 1993, and shall apply
3 prospectively only.

4 **Sec. 44.** RCW 41.50.750 and 1993 c 270 s 3 are each amended to read
5 as follows:

6 (1) Retirees whose reported earnable compensation included payments
7 made pursuant to an agreement to terminate or retire, or to provide
8 notice of intent to retire, shall not be required to repay to the trust
9 funds any overpayments resulting from the employer misreporting,
10 subject to the conditions provided in subsection (2) of this section.
11 The retirees' allowances shall be prospectively adjusted to reflect the
12 benefits to which the retirees are correctly entitled.

13 (2) Subsection (1) of this section shall apply only to members of
14 the (~~teachers'~~) Washington school employees' retirement system who
15 retired prior to January 1, 1993, from service with a community college
16 district.

17 (3) Any retirees under subsection (2) of this section who, since
18 January 1, 1990, have had their retirement allowances reduced under RCW
19 41.50.130(1)(b) because of the inclusion of retirement agreement
20 payments in calculating their allowances, shall have their allowances
21 adjusted to reflect the benefits to which the retirees are correctly
22 entitled, but without a reduction to recoup prior overpayments. The
23 retirees shall be reimbursed by the retirement system for the
24 cumulative amount of the reduction in the retirement allowance that has
25 occurred since January 1, 1990, to recoup prior overpayments.

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

31 NEW SECTION. **Sec. 45.** A new section is added to chapter 41.54 RCW
32 to read as follows:

33 Persons who were members of the public employees' retirement system
34 plan II prior to the effective date of this section and were
35 transferred or mandated into membership pursuant to chapter . . . , Laws
36 of 1998 (this act) shall suffer no diminution of benefits guaranteed to

1 public employees' retirement system plan II members as of the date of
2 their change in membership.

3 **Sec. 46.** RCW 43.33A.020 and 1985 c 195 s 1 are each amended to
4 read as follows:

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

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

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

19 (3) One member who is an active member of the (~~teachers'~~)
20 Washington school employees' retirement system and has been an active
21 member for at least five years. This member shall be appointed by the
22 superintendent of public instruction subject to confirmation by the
23 senate. The initial term of appointment shall be three years.

24 (4) The state treasurer or the assistant state treasurer if
25 designated by the state treasurer.

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

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

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

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

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

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

1 The legislative members shall serve terms of two years. The
2 initial legislative members appointed to the board shall be appointed
3 no sooner than January 10, 1983. The position of a legislative member
4 on the board shall become vacant at the end of that member's term on
5 the board or whenever the member ceases to be a member of the senate or
6 house of representatives from which the member was appointed.

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

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

16 **Sec. 47.** RCW 43.33A.190 and 1995 c 239 s 321 are each amended to
17 read as follows:

18 Pursuant to (~~RCW 41.50.088, the state investment board, at the~~
19 ~~request of the employee retirement benefits board, is authorized to~~
20 ~~offer investment options for self-directed investment under plan III~~))
21 section 16 of this act, the state investment board shall invest all
22 self-directed investment moneys under the Washington school employees'
23 retirement system plan III; with full power to establish investment
24 policy, develop investment options, and manage self-directed investment
25 funds.

26 **Sec. 48.** RCW 28A.400.250 and 1984 c 228 s 1 are each amended to
27 read as follows:

28 The board of directors of any school district, the Washington
29 (~~state teachers')~~ school employees' retirement system, the
30 superintendent of public instruction, and educational service district
31 superintendents are authorized to provide and pay for tax deferred
32 annuities for their respective employees in lieu of a portion of salary
33 or wages as authorized under the provisions of 26 U.S.C., section
34 403(b), as amended by Public Law 87-370, 75 Stat. 796, as now or
35 hereafter amended. The superintendent of public instruction and
36 educational service district superintendents, if eligible, may also be
37 provided with such annuities.

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

11 The board of directors of any school district, the Washington
12 (~~state teachers'~~) school employees' retirement system, the
13 superintendent of public instruction, and educational service district
14 superintendents shall not restrict, except as provided in this section,
15 employees' right to select the tax deferred annuity of their choice or
16 the agent, broker, or company licensed by the state of Washington
17 through which the tax deferred annuity is placed or purchased, and
18 shall not place limitations on the time or place that the employees
19 make the selection.

20 The board of directors of any school district, the Washington
21 (~~state teachers'~~) school employees' retirement system, the
22 superintendent of public instruction, and educational service district
23 superintendents may each adopt rules regulating the sale of tax
24 deferred annuities which: (1) Prohibit solicitation of employees for
25 the purposes of selling tax deferred annuities on school premises
26 during normal school hours; (2) only permit the solicitation of tax
27 deferred annuities by agents, brokers, and companies licensed by the
28 state of Washington; and (3) require participating companies to execute
29 reasonable agreements protecting the respective employers from any
30 liability attendant to procuring tax deferred annuities.

31 **Sec. 49.** RCW 28B.10.417 and 1977 ex.s. c 169 s 19 are each amended
32 to read as follows:

33 (1) A faculty member or other employee designated by the board of
34 trustees of the applicable regional university or of The Evergreen
35 State College as being subject to an annuity or retirement income plan
36 and who, at the time of such designation, is a member of the Washington
37 (~~state teachers'~~) school employees' retirement system, shall retain
38 credit for such service in the Washington (~~state teachers'~~) school

1 employees' retirement system and except as provided in subsection (2)
2 of this section, shall leave his or her accumulated contributions in
3 the (~~teachers'~~) Washington school employees' retirement fund. Upon
4 his or her attaining eligibility for retirement under the Washington
5 (~~state teachers'~~) school employees' retirement system, such faculty
6 member or other employee shall receive from the Washington (~~state~~
7 ~~teachers'~~) school employees' retirement system a retirement allowance
8 consisting of an annuity which shall be the actuarial equivalent of his
9 or her accumulated contributions at his or her age when becoming
10 eligible for such retirement and a pension for each year of creditable
11 service established and retained at the time of (~~said~~) the
12 designation as provided in RCW 41.32.497 (~~as now or hereafter~~
13 ~~amended~~). Anyone who on July 1, 1967, was receiving pension payments
14 from the (~~teachers'~~) Washington school employees' retirement system
15 based on thirty-five years of creditable service shall thereafter
16 receive a pension based on the total years of creditable service
17 established with the retirement system: PROVIDED, HOWEVER, That any
18 such faculty member or other employee who, upon attainment of
19 eligibility for retirement under the Washington (~~state teachers'~~)
20 school employees' retirement system, is still engaged in public
21 educational employment, shall not be eligible to receive benefits under
22 the Washington (~~state teachers'~~) school employees' retirement system
23 until he or she ceases such public educational employment. Any retired
24 faculty member or other employee who enters service in any public
25 educational institution shall cease to receive pension payments while
26 engaged in such service: PROVIDED FURTHER, That such service may be
27 rendered up to seventy-five days in a school year without reduction of
28 pension.

29 (2) A faculty member or other employee designated by the board of
30 trustees of the applicable regional university or of The Evergreen
31 State College as being subject to the annuity and retirement income
32 plan and who, at the time of such designation, is a member of the
33 Washington (~~state teachers'~~) school employees' retirement system may,
34 at his or her election and at any time, on and after midnight June 10,
35 1959, terminate his or her membership in the Washington (~~state~~
36 ~~teachers'~~) school employees' retirement system and withdraw his or her
37 accumulated contributions and interest in the (~~teachers'~~) Washington
38 school employees' retirement fund upon written application to the board
39 of trustees of the Washington (~~state teachers'~~) school employees'

1 retirement system. Faculty members or other employees who withdraw
2 their accumulated contributions, on and after the date of withdrawal of
3 contributions, shall no longer be members of the Washington (~~state~~
4 ~~teachers'~~) school employees' retirement system and shall forfeit all
5 rights of membership, including pension benefits, theretofore acquired
6 under the Washington (~~state teachers'~~) school employees' retirement
7 system.

8 **Sec. 50.** RCW 28B.50.874 and 1991 c 238 s 83 are each amended to
9 read as follows:

10 When the state system of community and technical colleges assumes
11 administrative control of the vocational-technical institutes,
12 personnel employed by the vocational-technical institutes shall:

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

17 (2) To the extent applicable to faculty members, any faculty
18 currently employed on a "continuing contract" basis under RCW
19 28A.405.210 be awarded tenure pursuant to RCW 28B.50.851 through
20 28B.50.873, except for any faculty members who are provisional
21 employees under RCW 28A.405.220;

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

25 (4) Be eligible to participate in old age annuities or retirement
26 income plans under the rules of the state board for community and
27 technical colleges pursuant to RCW 28B.10.400 or the teachers'
28 retirement system plan I for personnel employed before July 1, 1977, or
29 Washington school employees' retirement system plan II for personnel
30 employed after July 1, 1977, under chapter 41.32 RCW; however, no
31 affected vocational-technical institute employee shall be required to
32 choose from among any available retirement plan options prior to six
33 months after September 1, 1991;

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

37 (6) Be eligible to participate in the deferred compensation plan
38 (~~pursuant to RCW 41.04.250~~) and the dependent care program pursuant

1 to RCW 41.04.600 under the rules established by the state deferred
2 compensation committee.

3 An exclusive bargaining representative certified to represent a
4 bargaining unit covering employees of a vocational technical institute
5 on September 1, 1991, shall remain the exclusive representative of such
6 employees thereafter until and unless such representative is replaced
7 or decertified in accordance with state law.

8 Any collective bargaining agreement in effect on June 30, 1991,
9 shall remain in effect as it applies to employees of vocational
10 technical institutes until its expiration or renewal date or until
11 renegotiated or renewed in accordance with chapter 28B.52 or 41.56 RCW.
12 After the expiration date of a collective bargaining agreement, all of
13 the terms and conditions specified in the collective bargaining
14 agreement, as it applies to employees of vocational-technical
15 institutes, shall remain in effect until the effective date of a
16 subsequent agreement, not to exceed one year from the termination date
17 stated in the agreement. The board of trustees and the employees may
18 mutually agree to continue the terms and conditions of the agreement
19 beyond the one year extension. However, nothing in this section shall
20 be construed to deny any employee right granted under chapter 28B.52 or
21 41.56 RCW. Labor relations processes and agreements covering faculty
22 members of vocational technical institutes after September 1, 1991,
23 shall be governed by chapter 28B.52 RCW. Labor relations processes and
24 agreements covering classified employees of vocational technical
25 institutes after September 1, 1991, shall continue to be governed by
26 chapter 41.56 RCW.

27 **Sec. 51.** RCW 41.05.011 and 1996 c 39 s 21 are each amended to read
28 as follows:

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

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

32 (2) "State purchased health care" or "health care" means medical
33 and health care, pharmaceuticals, and medical equipment purchased with
34 state and federal funds by the department of social and health
35 services, the department of health, the basic health plan, the state
36 health care authority, the department of labor and industries, the
37 department of corrections, the department of veterans affairs, and
38 local school districts.

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

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

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

9 (6) "Employee" includes all full-time and career seasonal employees
10 of the state, whether or not covered by civil service; elected and
11 appointed officials of the executive branch of government, including
12 full-time members of boards, commissions, or committees; and includes
13 any or all part-time and temporary employees under the terms and
14 conditions established under this chapter by the authority; justices of
15 the supreme court and judges of the court of appeals and the superior
16 courts; and members of the state legislature or of the legislative
17 authority of any county, city, or town who are elected to office after
18 February 20, 1970. "Employee" also includes: (a) Employees of a
19 county, municipality, or other political subdivision of the state if
20 the legislative authority of the county, municipality, or other
21 political subdivision of the state seeks and receives the approval of
22 the authority to provide any of its insurance programs by contract with
23 the authority, as provided in RCW 41.04.205; (b) employees of employee
24 organizations representing state civil service employees, at the option
25 of each such employee organization, and, effective October 1, 1995,
26 employees of employee organizations currently pooled with employees of
27 school districts for the purpose of purchasing insurance benefits, at
28 the option of each such employee organization; and (c) employees of a
29 school district if the authority agrees to provide any of the school
30 districts' insurance programs by contract with the authority as
31 provided in RCW 28A.400.350.

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

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

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

38 (b) Persons who separate from employment with a school district or
39 educational service district on or after October 1, 1993, and

1 immediately upon separation receive a retirement allowance under
2 chapter 41.32 or 41.40 RCW;

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

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

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

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

16 (12) "Plan year" means the time period established by the
17 authority.

18 (13) "Separated employees" means persons who separate from
19 employment with an employer as defined in RCW 41.32.010(11) on or after
20 July 1, 1996, and who are at least age fifty-five and have at least ten
21 years of service under the (~~teachers~~) Washington school employees'
22 retirement system plan III as defined in RCW 41.32.010(40).

23 **Sec. 52.** RCW 41.33.010 and 1957 c 183 s 1 are each amended to read
24 as follows:

25 The plan for covering the members of the (~~teachers~~) Washington
26 school employees' retirement system under the old age and survivor
27 insurance provisions of Title II of the federal social security act as
28 amended, required by RCW 41.48.050 as amended by section 5, chapter 4,
29 Laws of the Extraordinary Session of 1955, approved by the board of
30 trustees of the (~~teachers~~) Washington school employees' retirement
31 system on October 8, 1956, and by the governor of the state of
32 Washington on November 19, 1956, is hereby approved.

33 **Sec. 53.** RCW 41.33.020 and 1992 c 212 s 12 are each amended to
34 read as follows:

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

36 (1) Each political subdivision of the state employing members of
37 the (~~teachers~~) Washington school employees' retirement system and

1 the members of the ((~~teachers~~)) Washington school employees'
2 retirement system, after the approval of this plan by the legislature,
3 and by the eligible employees through a referendum as provided in RCW
4 41.48.030 (3) and (4), shall be deemed to have accepted and agreed to
5 be bound by the following terms and conditions in consideration of
6 extension of the existing agreement between the secretary of health,
7 education and welfare and the governor to make the protection of the
8 federal old age and survivors insurance program available and
9 applicable to such employees.

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

12 "Political subdivision" means any political subdivision, or
13 instrumentality of one or more subdivisions, or proprietary enterprise
14 acquired, purchased or originated by one or more such subdivisions
15 after December, 1950, which employs members of the ((~~teachers~~))
16 Washington school employees' retirement system. The state, its
17 agencies, instrumentalities and institutions of higher learning shall
18 be grouped and considered as a single political subdivision.

19 "Employee" means any person who is a member of the ((~~teachers~~))
20 Washington school employees' retirement system and is employed by a
21 political subdivision.

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

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

28 (3) The terms and conditions of this plan are intended and shall be
29 construed to be in conformity with the requirements of the federal
30 social security act as amended and with the requirements of chapter
31 41.48 RCW, and particularly RCW 41.48.050, as amended by chapter 4,
32 Laws of 1955 extraordinary session.

33 (4) The rights and benefits accruing to employees from membership
34 in the ((~~teachers~~)) Washington school employees' retirement system
35 shall in no way be altered or impaired by this plan or by the
36 additional and supplementary OASI coverage which such employees may
37 receive hereunder, other than the elimination of (1), (2) and (3) of
38 section 52, chapter 80, Laws of 1947 and RCW 41.32.520 as each are
39 amended, with the exception of that part of (1) which permits a widow

1 or widower without a child or children under age eighteen to receive a
2 monthly payment of fifty dollars at age fifty, provided that the member
3 had fifteen or more years of Washington membership service credit at
4 date of death.

5 (5) There shall be no additional cost to or involvement of the
6 state or a political subdivision with respect to OASI coverage of
7 members of the (~~teachers~~) Washington school employees' retirement
8 system until this plan has been approved by the legislature.

9 (6) Each employee to whom OASI coverage is made applicable under
10 this plan pursuant to an extension or modification under RCW 41.48.030
11 of the existing agreement between the secretary of health, education
12 and welfare and the governor shall be required to pay into the OASI
13 contribution (~~fund~~) account established by RCW 41.48.060 during the
14 period of such coverage contributions with respect to his wages in an
15 amount equal to the employee tax imposed by the federal insurance
16 contributions act (section 3101, Internal Revenue Code of 1954), in
17 consideration of the employee's retention in service by the political
18 subdivision. The subdivision shall withhold such contributions from
19 the wages paid to the employee; and shall remit the contributions so
20 withheld in each calendar quarter to the state for deposit in the
21 contribution (~~fund~~) account not later than the twentieth calendar day
22 of the month following that quarter.

23 (7) Each political subdivision shall pay into the contribution
24 (~~fund~~) account with respect to the wages of its employees during the
25 period of their OASI coverage pursuant to this plan contributions in an
26 amount equal to the employer tax imposed by the federal insurance
27 contributions act (section 3111, Internal Revenue Code of 1954), from
28 the fund of the subdivision from which such employees' wages are paid.
29 The subdivision shall remit such contributions to the state for deposit
30 in the contribution (~~fund~~) account on a quarterly basis, not later
31 than the twentieth calendar day of the month following each calendar
32 quarter.

33 (8) If any political subdivision other than that comprising the
34 state, its agencies, instrumentalities and institutions of higher
35 learning fails to remit as provided herein employer contributions or
36 employee contributions, or any part of either, such delinquent
37 contributions may be recovered with interest at the rate of six percent
38 per annum by action in a court of competent jurisdiction against the
39 political subdivision; or such delinquent contributions may at the

1 request of the governor be deducted from any moneys payable to such
2 subdivision by the state.

3 (9) Each political subdivision shall be charged with a share of the
4 cost of administration of this plan by the state, to be computed as
5 that proportion of the overall cost of administration which its total
6 annual contributions bear to the total annual contributions paid by all
7 subdivisions on behalf of employees covered by the plan. The state
8 shall compute the share of cost allocable to each subdivision and bill
9 the subdivision therefor at the end of each fiscal year. The
10 subdivision shall within ninety days thereafter remit its share of the
11 cost to the state for deposit in the general fund of the state.

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

18 A. The social security account number of each employee;

19 B. the name of each employee;

20 C. the amount of wages subject to contributions as required
21 hereunder paid to each employee during the quarter;

22 D. the total amount of wages subject to contributions paid to all
23 employees during the quarter;

24 E. the total amount of employee contributions withheld and
25 remitted for the quarter; and

26 F. the total amount of employer contributions paid by the
27 subdivision for the quarter.

28 (11) Each political subdivision shall furnish in the same manner as
29 provided in subsection (10) of this section, upon reasonable notice,
30 such other and further reports or information as the governor may from
31 time to time require. Each subdivision shall comply with such
32 requirements as the secretary of health, education and welfare or the
33 governor may from time to time establish with respect to any or all of
34 the reports or information which are or may be provided for under
35 subsection (10) of this section or this subsection in order to assure
36 the correctness and verification thereof.

37 (12) The governing body of each political subdivision shall
38 designate an officer of the subdivision to administer such accounting,
39 reporting and other functions as will be required for the effective

1 operation of this plan within the subdivision, as provided herein. The
2 commissioner of employment security or such other officer as the
3 governor may designate, shall perform or supervise those functions with
4 respect to employees of the subdivision comprising the state, its
5 agencies, instrumentalities and institutions of higher learning; and
6 shall serve as the representative of the participating political
7 subdivisions in the administration of this plan with the secretary of
8 health, education and welfare.

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

13 The employer's contribution for any retroactive coverage shall be
14 transferred by the board of trustees from the ((~~teachers~~)) Washington
15 school employees' retirement pension reserve to the official designated
16 by the governor to administer the plan at the state level.

17 Each employee's contributions for any retroactive coverage shall be
18 transferred by the board of trustees from his accumulated contributions
19 in the ((~~teachers~~)) Washington school employees' retirement fund, to
20 the official designated above. Each employee, if he or she so desires,
21 may, within one year from the date of transfer, reimburse his or her
22 accumulated contributions for the amount so transferred.

23 (14) The governor may terminate the operation of this plan in its
24 entirety with respect to any political subdivision, in his or her
25 discretion, if he or she finds that the subdivision has failed to
26 comply substantially with any requirement or provision of this plan.
27 The plan shall not be so terminated until reasonable notice and
28 opportunity for hearing thereon have been given to the subdivision
29 under such conditions, consistent with the provisions of the social
30 security act, as shall have been established in regulations by the
31 governor.

32 **Sec. 54.** RCW 41.33.030 and 1957 c 183 s 5 are each amended to read
33 as follows:

34 The effective date of OASI coverage for members of the
35 ((~~teachers~~)) Washington school employees' retirement system shall be
36 January 1, 1956: PROVIDED, That should the agreement between the
37 governor and the secretary of health, education and welfare be executed

1 subsequent to December 31, 1957, the effective date of coverage shall
2 be that specified in the agreement.

3 **Sec. 55.** RCW 41.48.030 and 1971 ex.s. c 257 s 19 are each amended
4 to read as follows:

5 (1) The governor is hereby authorized to enter on behalf of the
6 state into an agreement with the secretary of health, education, and
7 welfare consistent with the terms and provisions of this chapter, for
8 the purpose of extending the benefits of the federal old-age and
9 survivors insurance system to employees of the state or any political
10 subdivision not members of an existing retirement system, or to members
11 of a retirement system established by the state or by a political
12 subdivision thereof or by an institution of higher learning with
13 respect to services specified in such agreement which constitute
14 "employment" as defined in RCW 41.48.020. Such agreement may contain
15 such provisions relating to coverage, benefits, contributions,
16 effective date, modification and termination of the agreement,
17 administration, and other appropriate provisions as the governor and
18 secretary of health, education, and welfare shall agree upon, but,
19 except as may be otherwise required by or under the social security act
20 as to the services to be covered, such agreement shall provide in
21 effect that--

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

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

32 (c) Such agreement shall be effective with respect to services in
33 employment covered by the agreement or modification thereof performed
34 after a date specified therein but in no event may it be effective with
35 respect to any such services performed prior to the first day of the
36 calendar year immediately preceding the calendar year in which such
37 agreement or modification of the agreement is accepted by the secretary
38 of health, education and welfare.

1 (d) All services which constitute employment as defined in RCW
2 41.48.020 and are performed in the employ of the state by employees of
3 the state, shall be covered by the agreement;

4 (e) All services which (i) constitute employment as defined in RCW
5 41.48.020, (ii) are performed in the employ of a political subdivision
6 of the state, and (iii) are covered by a plan which is in conformity
7 with the terms of the agreement and has been approved by the governor
8 under RCW 41.48.050, shall be covered by the agreement; and

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

16 (g) As modified, the agreement shall include all services described
17 in either paragraph (d) or paragraph (e) of this subsection and
18 performed by individuals in positions covered by a retirement system
19 with respect to which the governor has issued a certificate to the
20 secretary of health, education, and welfare pursuant to subsection (5)
21 of this section.

22 (h) Law enforcement officers and firemen of each political
23 subdivision of this state who are covered by the Washington Law
24 Enforcement Officers' and Fire Fighters' Retirement System Act (chapter
25 209, Laws of 1969 ex. sess.) as now in existence or hereafter amended
26 shall constitute a separate "coverage group" for purposes of the
27 agreement entered into under this section and for purposes of section
28 218 of the social security act. To the extent that the agreement
29 between this state and the federal secretary of health, education, and
30 welfare in existence on the date of adoption of this subsection is
31 inconsistent with this subsection, the governor shall seek to modify
32 the inconsistency.

33 (2) Any instrumentality jointly created by this state and any other
34 state or states is hereby authorized, upon the granting of like
35 authority by such other state or states, (a) to enter into an agreement
36 with the secretary of health, education, and welfare whereby the
37 benefits of the federal old-age and survivors insurance system shall be
38 extended to employees of such instrumentality, (b) to require its
39 employees to pay (and for that purpose to deduct from their wages)

1 contributions equal to the amounts which they would be required to pay
2 under RCW 41.48.040(1) if they were covered by an agreement made
3 pursuant to subsection (1) of this section, and (c) to make payments to
4 the secretary of the treasury in accordance with such agreement,
5 including payments from its own funds, and otherwise to comply with
6 such agreements. Such agreement shall, to the extent practicable, be
7 consistent with the terms and provisions of subsection (1) and other
8 provisions of this chapter.

9 (3) The governor is empowered to authorize a referendum, and to
10 designate an agency or individual to supervise its conduct, in
11 accordance with the requirements of section 218(d)(3) of the social
12 security act, and subsection (4) of this section on the question of
13 whether service in all positions covered by a retirement system
14 established by the state or by a political subdivision thereof should
15 be excluded from or included under an agreement under this chapter. If
16 a retirement system covers positions of employees of the state of
17 Washington, of the institutions of higher learning, and positions of
18 employees of one or more of the political subdivisions of the state,
19 then for the purpose of the referendum as provided herein, there may be
20 deemed to be a separate retirement system with respect to employees of
21 the state, or any one or more of the political subdivisions, or
22 institutions of higher learning and the governor shall authorize a
23 referendum upon request of the subdivisions' or institutions' of higher
24 learning governing body: PROVIDED HOWEVER, That if a referendum of
25 state employees generally fails to produce a favorable majority vote
26 then the governor may authorize a referendum covering positions of
27 employees in any state department who are compensated in whole or in
28 part from grants made to this state under title III of the federal
29 social security act: PROVIDED, That any city or town affiliated with
30 the state-wide city employees retirement system organized under chapter
31 41.44 RCW may at its option agree to a plan submitted by the board of
32 trustees of said state-wide city employees retirement system for
33 inclusion under an agreement under this chapter if the referendum to be
34 held as provided herein indicates a favorable result: PROVIDED
35 FURTHER, That the (~~teachers~~) Washington school employees' retirement
36 system be considered one system for the purpose of the referendum
37 except as applied to the several state colleges (~~(of education)~~). The
38 notice of referendum required by section 218(d)(3)(C) of the social
39 security act to be given to employees shall contain or shall be

1 accompanied by a statement, in such form and such detail as the agency
2 or individual designated to supervise the referendum shall deem
3 necessary and sufficient, to inform the employees of the rights which
4 will accrue to them and their dependents and survivors, and the
5 liabilities to which they will be subject, if their services are
6 included under an agreement under this chapter.

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

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

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

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

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

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

23 (f) The state legislature, in the case of a referendum affecting
24 the rights and liabilities of state employees covered under the state
25 employees' retirement system and employees under the ((~~teachers'~~))
26 Washington school employees' retirement system, and in all other cases
27 the local legislative authority or governing body, shall have
28 specifically approved the proposed plan and approved any necessary
29 structural adjustment to the existing system to conform with the
30 proposed plan.

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

36 (6) If the legislative body of any political subdivision of this
37 state certifies to the governor that a referendum has been held under
38 the terms of RCW 41.48.050(1)(i) and gives notice to the governor of
39 termination of social security for any coverage group of the political

1 subdivision, the governor shall give two years advance notice in
2 writing to the federal department of health, education, and welfare of
3 such termination of the agreement entered into under this section with
4 respect to said coverage group.

5 **Sec. 56.** RCW 41.48.050 and 1981 c 119 s 1 are each amended to read
6 as follows:

7 (1) Each political subdivision of the state is hereby authorized to
8 submit for approval by the governor a plan for extending the benefits
9 of title II of the social security act, in conformity with the
10 applicable provisions of such act, to those employees of such political
11 subdivisions who are not covered by an existing pension or retirement
12 system. Each pension or retirement system established by the state or
13 a political subdivision thereof is hereby authorized to submit for
14 approval by the governor a plan for extending the benefits of title II
15 of the social security act, in conformity with applicable provisions of
16 such act, to members of such pension or retirement system. Each such
17 plan and any amendment thereof shall be approved by the governor if he
18 finds that such plan, or such plan as amended, is in conformity with
19 such requirements as are provided in regulations of the governor,
20 except that no such plan shall be approved unless--

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

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

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

32 (d) It provides that in the plan of coverage for members of the
33 (~~state teachers'~~) Washington school employees' retirement system or
34 for state employee members of the state employees' retirement system,
35 there shall be no additional cost to or involvement of the state until
36 such plan has received prior approval by the legislature;

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

4 (f) It provides that the political subdivision will make such
5 reports, in such form and containing such information, as the governor
6 may from time to time require and comply with such provisions as the
7 governor or the secretary of health, education, and welfare may from
8 time to time find necessary to assure the correctness and verification
9 of such reports; and

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

16 (h) It provides that law enforcement officers and fire fighters of
17 each political subdivision of this state who are covered by the
18 Washington Law Enforcement Officers' and Fire Fighters' Retirement
19 System Act (chapter 209, Laws of 1969 ex. sess.) as now in existence or
20 hereafter amended shall constitute a separate "coverage group" for
21 purposes of the plan or agreement entered into under this section and
22 for purposes of section 216 of the social security act. To the extent
23 that the plan or agreement entered into between the state and any
24 political subdivision of this state is inconsistent with this
25 subsection, the governor shall seek to modify the inconsistency.

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

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

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

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

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

3 (v) If a majority of the coverage group vote in favor of
4 termination, the legislative body of the political subdivision shall
5 certify the results of the referendum to the governor and give notice
6 of termination of such coverage group.

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

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

17 (b) Each political subdivision required to make payments under
18 paragraph (a) of this subsection is authorized, in consideration of the
19 employee's retention in, or entry upon, employment after enactment of
20 this chapter, to impose upon each of its employees, as to services
21 which are covered by an approved plan, a contribution with respect to
22 his wages (as defined in RCW 41.48.020), not exceeding the amount of
23 employee tax which is imposed by the federal insurance contributions
24 act, and to deduct the amount of such contribution from his wages as
25 and when paid. Contributions so collected shall be paid into the OASI
26 contribution ((fund)) account in partial discharge of the liability of
27 such political subdivision or instrumentality under paragraph (a) of
28 this subsection. Failure to deduct such contribution shall not relieve
29 the employee or employer of liability therefor.

30 (4) Delinquent reports and payments due under paragraph (f) of
31 subsection (1) and paragraph (a) of subsection (3) of this section will
32 be subject to an added interest charge of six percent per year or, if
33 higher, the rate chargeable to the state by the secretary by virtue of
34 federal law, if the late report or payment contributes to any federal
35 penalty for late filing of reports or for late deposit of
36 contributions. Delinquent contributions, interest and penalties may be
37 recovered by civil action or may, at the request of the governor, be
38 deducted from any other moneys payable to the political subdivision by
39 any department or agency of the state.

1 **Sec. 57.** RCW 43.84.092 and 1997 c 218 s 5 are each amended to read
2 as follows:

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

6 (2) The treasury income account shall be utilized to pay or receive
7 funds associated with federal programs as required by the federal cash
8 management improvement act of 1990. The treasury income account is
9 subject in all respects to chapter 43.88 RCW, but no appropriation is
10 required for refunds or allocations of interest earnings required by
11 the cash management improvement act. Refunds of interest to the
12 federal treasury required under the cash management improvement act
13 fall under RCW 43.88.180 and shall not require appropriation. The
14 office of financial management shall determine the amounts due to or
15 from the federal government pursuant to the cash management improvement
16 act. The office of financial management may direct transfers of funds
17 between accounts as deemed necessary to implement the provisions of the
18 cash management improvement act, and this subsection. Refunds or
19 allocations shall occur prior to the distributions of earnings set
20 forth in subsection (4) of this section.

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

29 (4) Monthly, the state treasurer shall distribute the earnings
30 credited to the treasury income account. The state treasurer shall
31 credit the general fund with all the earnings credited to the treasury
32 income account except:

33 (a) The following accounts and funds shall receive their
34 proportionate share of earnings based upon each account's and fund's
35 average daily balance for the period: The capitol building
36 construction account, the Cedar River channel construction and
37 operation account, the Central Washington University capital projects
38 account, the charitable, educational, penal and reformatory
39 institutions account, the common school construction fund, the county

1 criminal justice assistance account, the county sales and use tax
2 equalization account, the data processing building construction
3 account, the deferred compensation administrative account, the deferred
4 compensation principal account, the department of retirement systems
5 expense account, the drinking water assistance account, the Eastern
6 Washington University capital projects account, the education
7 construction fund, the emergency reserve fund, the federal forest
8 revolving account, the health services account, the public health
9 services account, the health system capacity account, the personal
10 health services account, the highway infrastructure account, the
11 industrial insurance premium refund account, the judges' retirement
12 account, the judicial retirement administrative account, the judicial
13 retirement principal account, the local leasehold excise tax account,
14 the local real estate excise tax account, the local sales and use tax
15 account, the medical aid account, the mobile home park relocation fund,
16 the municipal criminal justice assistance account, the municipal sales
17 and use tax equalization account, the natural resources deposit
18 account, the perpetual surveillance and maintenance account, the public
19 employees' retirement system plan I account, the public employees'
20 retirement system plan II account, the Puyallup tribal settlement
21 account, the resource management cost account, the site closure
22 account, the special wildlife account, the state employees' insurance
23 account, the state employees' insurance reserve account, the state
24 investment board expense account, the state investment board commingled
25 trust fund accounts, the supplemental pension account, the teachers'
26 retirement system plan I account, the (~~teachers'~~) Washington school
27 employees' retirement system plan II account, the transportation
28 infrastructure account, the tuition recovery trust fund, the University
29 of Washington bond retirement fund, the University of Washington
30 building account, the volunteer fire fighters' relief and pension
31 principal account, the volunteer fire fighters' relief and pension
32 administrative account, the Washington judicial retirement system
33 account, the Washington law enforcement officers' and fire fighters'
34 system plan I retirement account, the Washington law enforcement
35 officers' and fire fighters' system plan II retirement account, the
36 Washington state patrol retirement account, the Washington State
37 University building account, the Washington State University bond
38 retirement fund, the water pollution control revolving fund, and the
39 Western Washington University capital projects account. Earnings

1 derived from investing balances of the agricultural permanent fund, the
2 normal school permanent fund, the permanent common school fund, the
3 scientific permanent fund, and the state university permanent fund
4 shall be allocated to their respective beneficiary accounts. All
5 earnings to be distributed under this subsection (4)(a) shall first be
6 reduced by the allocation to the state treasurer's service fund
7 pursuant to RCW 43.08.190.

8 (b) The following accounts and funds shall receive eighty percent
9 of their proportionate share of earnings based upon each account's or
10 fund's average daily balance for the period: The aeronautics account,
11 the aircraft search and rescue account, the central Puget Sound public
12 transportation account, the city hardship assistance account, the
13 county arterial preservation account, the department of licensing
14 services account, the economic development account, the essential rail
15 assistance account, the essential rail banking account, the ferry bond
16 retirement fund, the gasohol exemption holding account, the grade
17 crossing protective fund, the high capacity transportation account, the
18 highway bond retirement fund, the highway construction stabilization
19 account, the highway safety account, the marine operating fund, the
20 motor vehicle fund, the motorcycle safety education account, the
21 pilotage account, the public transportation systems account, the Puget
22 Sound capital construction account, the Puget Sound ferry operations
23 account, the recreational vehicle account, the rural arterial trust
24 account, the safety and education account, the small city account, the
25 special category C account, the state patrol highway account, the
26 transfer relief account, the transportation capital facilities account,
27 the transportation equipment fund, the transportation fund, the
28 transportation improvement account, the transportation revolving loan
29 account, and the urban arterial trust account.

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

33 **Sec. 58.** RCW 72.01.200 and 1992 c 7 s 52 are each amended to read
34 as follows:

35 State correctional facilities may employ certificated teachers to
36 carry on their educational work, except for the educational programs
37 provided pursuant to RCW 28A.190.030 through 28A.190.050 and all such

1 teachers so employed shall be eligible to membership in the ((state
2 teachers')) Washington school employees' retirement fund.

3 NEW SECTION. Sec. 59. (1) The legislature declares that changing
4 the numerical designation of the different retirement plans within the
5 retirement systems from Roman numerals to Arabic numerals is of no
6 substantive importance.

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

9 (a) Where "I" is used, replace with "1";

10 (b) Where "II" is used, replace with "2"; and

11 (c) Where "III" is used, replace with "3".

12 NEW SECTION. Sec. 60. The following acts or parts of acts are
13 each repealed:

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

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

16 NEW SECTION. Sec. 61. RCW 41.32.032 is ndecodified.

17 NEW SECTION. Sec. 62. This act takes effect January 1, 1999.

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