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**BILL REQUEST - CODE REVISER'S OFFICE**

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BILL REQ. #: H-5111.2/00 2nd draft

ATTY/TYPIST: LL:rmh

BRIEF DESCRIPTION:

2 **ESSB 6530** - H COMM AMD  
3 By Committee on Appropriations

4

5 Strike everything after the enacting clause and insert the  
6 following:

7 **""PROVISIONS APPLICABLE TO PUBLIC EMPLOYEES'**  
8 **RETIREMENT SYSTEM PLANS 2 AND 3"**

9 **Sec. 101.** RCW 41.40.005 and 1992 c 72 s 8 are each amended to read  
10 as follows:

11 RCW 41.40.010 through 41.40.112 shall apply to members of plan 1  
12 (~~and~~), plan 2, and plan 3.

13 **Sec. 102.** RCW 41.40.010 and 1998 c 341 s 601 are each amended to  
14 read as follows:

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

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

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

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

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

1 (b) "Employer" for plan 2 and plan 3 members, means every branch,  
2 department, agency, commission, board, and office of the state, and any  
3 political subdivision and municipal corporation of the state admitted  
4 into the retirement system, including public agencies created pursuant  
5 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August  
6 31, 2000, school districts and educational service districts will no  
7 longer be employers for the public employees' retirement system plan 2.

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

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

14 (a) Any person who became a member of the system prior to April 1,  
15 1949;

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

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

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

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

35 (f) Any member who has been a contributor under the system for two  
36 or more years and who has restored all contributions that may have been  
37 withdrawn as provided by RCW 41.40.150 and who on the effective date of  
38 the individual's retirement has rendered five or more years of service  
39 for the state or any political subdivision prior to the time of the

1 admission of the employer into the system; except that the provisions  
2 relating to the minimum amount of retirement allowance for the member  
3 upon retirement at age seventy as found in RCW 41.40.190(4) shall not  
4 apply to the member.

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

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

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

15 (A) Retroactive payments to an individual by an employer on  
16 reinstatement of the employee in a position, or payments by an employer  
17 to an individual in lieu of reinstatement in a position which are  
18 awarded or granted as the equivalent of the salary or wage which the  
19 individual would have earned during a payroll period shall be  
20 considered compensation earnable and the individual shall receive the  
21 equivalent service credit;

22 (B) If a leave of absence is taken by an individual for the purpose  
23 of serving in the state legislature, the salary which would have been  
24 received for the position from which the leave of absence was taken,  
25 shall be considered as compensation earnable if the employee's  
26 contribution is paid by the employee and the employer's contribution is  
27 paid by the employer or employee;

28 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and  
29 72.09.240;

30 (D) Compensation that a member would have received but for a  
31 disability occurring in the line of duty only as authorized by RCW  
32 41.40.038;

33 (E) Compensation that a member receives due to participation in the  
34 leave sharing program only as authorized by RCW 41.04.650 through  
35 41.04.670; and

36 (F) Compensation that a member receives for being in standby  
37 status. For the purposes of this section, a member is in standby  
38 status when not being paid for time actually worked and the employer

1 requires the member to be prepared to report immediately for work, if  
2 the need arises, although the need may not arise.

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

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

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

8 (b) "Compensation earnable" for plan 2 and plan 3 members, means  
9 salaries or wages earned by a member during a payroll period for  
10 personal services, including overtime payments, and shall include wages  
11 and salaries deferred under provisions established pursuant to sections  
12 403(b), 414(h), and 457 of the United States Internal Revenue Code, but  
13 shall exclude nonmoney maintenance compensation and lump sum or other  
14 payments for deferred annual sick leave, unused accumulated vacation,  
15 unused accumulated annual leave, or any form of severance pay.

16 "Compensation earnable" for plan 2 and plan 3 members also includes  
17 the following actual or imputed payments, which are not paid for  
18 personal services:

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

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

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

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

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

1 (iv) Compensation that a member would have received but for a  
2 disability occurring in the line of duty only as authorized by RCW  
3 41.40.038;

4 (v) Compensation that a member receives due to participation in the  
5 leave sharing program only as authorized by RCW 41.04.650 through  
6 41.04.670; and

7 (vi) Compensation that a member receives for being in standby  
8 status. For the purposes of this section, a member is in standby  
9 status when not being paid for time actually worked and the employer  
10 requires the member to be prepared to report immediately for work, if  
11 the need arises, although the need may not arise.

12 (9)(a) "Service" for plan 1 members, except as provided in RCW  
13 41.40.088, means periods of employment in an eligible position or  
14 positions for one or more employers rendered to any employer for which  
15 compensation is paid, and includes time spent in office as an elected  
16 or appointed official of an employer. Compensation earnable earned in  
17 full time work for seventy hours or more in any given calendar month  
18 shall constitute one service credit month except as provided in RCW  
19 41.40.088. Compensation earnable earned for less than seventy hours in  
20 any calendar month shall constitute one-quarter service credit month of  
21 service except as provided in RCW 41.40.088. Only service credit  
22 months and one-quarter service credit months shall be counted in the  
23 computation of any retirement allowance or other benefit provided for  
24 in this chapter. Any fraction of a year of service shall be taken into  
25 account in the computation of such retirement allowance or benefits.  
26 Time spent in standby status, whether compensated or not, is not  
27 service.

28 (i) Service by a state employee officially assigned by the state on  
29 a temporary basis to assist another public agency, shall be considered  
30 as service as a state employee: PROVIDED, That service to any other  
31 public agency shall not be considered service as a state employee if  
32 such service has been used to establish benefits in any other public  
33 retirement system.

34 (ii) An individual shall receive no more than a total of twelve  
35 service credit months of service during any calendar year. If an  
36 individual is employed in an eligible position by one or more employers  
37 the individual shall receive no more than one service credit month  
38 during any calendar month in which multiple service for seventy or more  
39 hours is rendered.

1 (iii) A school district employee may count up to forty-five days of  
2 sick leave as creditable service solely for the purpose of determining  
3 eligibility to retire under RCW 41.40.180 as authorized by RCW  
4 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW  
5 28A.400.300 is equal to two service credit months. Use of less than  
6 forty-five days of sick leave is creditable as allowed under this  
7 subsection as follows:

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

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

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

13 (b) "Service" for plan 2 and plan 3 members, means periods of  
14 employment by a member in an eligible position or positions for one or  
15 more employers for which compensation earnable is paid. Compensation  
16 earnable earned for ninety or more hours in any calendar month shall  
17 constitute one service credit month except as provided in RCW  
18 41.40.088. Compensation earnable earned for at least seventy hours but  
19 less than ninety hours in any calendar month shall constitute one-half  
20 service credit month of service. Compensation earnable earned for less  
21 than seventy hours in any calendar month shall constitute one-quarter  
22 service credit month of service. Time spent in standby status, whether  
23 compensated or not, is not service.

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

26 (i) Service in any state elective position shall be deemed to be  
27 full time service, except that persons serving in state elective  
28 positions who are members of the Washington school employees'  
29 retirement system, teachers' retirement system, or law enforcement  
30 officers' and fire fighters' retirement system at the time of election  
31 or appointment to such position may elect to continue membership in the  
32 Washington school employees' retirement system, teachers' retirement  
33 system, or law enforcement officers' and fire fighters' retirement  
34 system.

35 (ii) A member shall receive a total of not more than twelve service  
36 credit months of service for such calendar year. If an individual is  
37 employed in an eligible position by one or more employers the  
38 individual shall receive no more than one service credit month during

1 any calendar month in which multiple service for ninety or more hours  
2 is rendered.

3 (iii) Up to forty-five days of sick leave may be creditable as  
4 service solely for the purpose of determining eligibility to retire  
5 under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of  
6 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal  
7 to two service credit months. Use of less than forty-five days of sick  
8 leave is creditable as allowed under this subsection as follows:

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

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

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

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

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

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

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

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

23 (13) "Membership service" means:

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

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

29 (c) Service not to exceed six consecutive months of probationary  
30 service rendered after April 1, 1949, and prior to becoming a member,  
31 in the case of any member, upon payment in full by such member of the  
32 total amount of the employer's contribution to the retirement fund  
33 which would have been required under the law in effect when such  
34 probationary service was rendered if the member had been a member  
35 during such period, except that the amount of the employer's  
36 contribution shall be calculated by the director based on the first  
37 month's compensation earnable as a member;

38 (d) Service not to exceed six consecutive months of probationary  
39 service, rendered after October 1, 1947, and before April 1, 1949, and



1 prior to becoming a member, in the case of any member, upon payment in  
2 full by such member of five percent of such member's salary during said  
3 period of probationary service, except that the amount of the  
4 employer's contribution shall be calculated by the director based on  
5 the first month's compensation earnable as a member.

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

9 (b) "Beneficiary" for plan 2 and plan 3 members, means any person  
10 in receipt of a retirement allowance or other benefit provided by this  
11 chapter resulting from service rendered to an employer by another  
12 person.

13 (15) "Regular interest" means such rate as the director may  
14 determine.

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

19 (17)(a) "Average final compensation" for plan 1 members, means the  
20 annual average of the greatest compensation earnable by a member during  
21 any consecutive two year period of service credit months for which  
22 service credit is allowed; or if the member has less than two years of  
23 service credit months then the annual average compensation earnable  
24 during the total years of service for which service credit is allowed.

25 (b) "Average final compensation" for plan 2 and plan 3 members,  
26 means the member's average compensation earnable of the highest  
27 consecutive sixty months of service credit months prior to such  
28 member's retirement, termination, or death. Periods constituting  
29 authorized leaves of absence may not be used in the calculation of  
30 average final compensation except under RCW 41.40.710(2).

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

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

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

1 (21) "Retirement allowance" means the sum of the annuity and the  
2 pension.

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

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

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

13 (25) "Eligible position" means:

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

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

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

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

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

33 (29) "Retiree" means any person who has begun accruing a retirement  
34 allowance or other benefit provided by this chapter resulting from  
35 service rendered to an employer while a member.

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

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

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

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

6 (34) "Plan 2" means the public employees' retirement system, plan  
7 2 providing the benefits and funding provisions covering persons who  
8 first became members of the system on and after October 1, 1977, and  
9 are not included in plan 3.

10 (35) "Plan 3" means the public employees' retirement system, plan  
11 3 providing the benefits and funding provisions covering persons who:  
12 (a) First become a member on or after:  
13 (i) March 1, 2002, and are employed by a state agency or institute  
14 of higher education and who did not choose to enter plan 2; or  
15 (ii) September 1, 2002, and are employed by other than a state  
16 agency or institute of higher education and who did not choose to enter  
17 plan 2; or  
18 (b) Transferred to plan 3 under section 304 of this act.

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

23 (~~(36)~~) (37) "Index A" means the index for the year prior to the  
24 determination of a postretirement adjustment.

25 (~~(37)~~) (38) "Index B" means the index for the year prior to index  
26 A.

27 (~~(38)~~) (39) "Index year" means the earliest calendar year in  
28 which the index is more than sixty percent of index A.

29 (~~(39)~~) (40) "Adjustment ratio" means the value of index A divided  
30 by index B.

31 (~~(40)~~) (41) "Annual increase" means, initially, fifty-nine cents  
32 per month per year of service which amount shall be increased each July  
33 1st by three percent, rounded to the nearest cent.

34 (~~(41)~~) (42) "Separation from service" occurs when a person has  
35 terminated all employment with an employer.

36 (43) "Member account" or "member's account" for purposes of plan 3  
37 means the sum of the contributions and earnings on behalf of the member  
38 in the defined contribution portion of plan 3.

1       **Sec. 103.** RCW 41.40.042 and 1991 c 35 s 89 are each amended to  
2 read as follows:

3       The deductions from the compensation of members, provided for in  
4 RCW 41.40.330 (~~or 41.40.650~~), 41.45.060, 41.45.061, or section 507 of  
5 this act, shall be made notwithstanding that the minimum compensation  
6 provided for by law for any member shall be reduced thereby. Every  
7 member shall be deemed to consent and agree to the deductions made and  
8 provided for in this chapter and receipt in full for his or her salary  
9 or compensation, and payment less the deductions shall be a full and  
10 complete discharge and acquittance of all claims and demands whatsoever  
11 for the services rendered by the person during the period covered by  
12 the payment, except as to benefits provided for under this chapter.

13       **Sec. 104.** RCW 41.40.054 and 1997 c 103 s 3 are each amended to  
14 read as follows:

15       A member shall not receive a disability retirement benefit under  
16 RCW 41.40.200, 41.40.220, 41.40.230, 41.40.235, 41.40.250, (~~or~~)  
17 41.40.670, or section 310 of this act if the disability is the result  
18 of criminal conduct by the member committed after April 21, 1997.

19       **Sec. 105.** RCW 41.40.057 and 1995 c 286 s 3 are each amended to  
20 read as follows:

21       (1) This section applies to the establishment of membership service  
22 with employers admitted to the retirement system after July 23, 1995.

23       (2) For current employees, membership service may be established  
24 for periods of employment with an employer prior to the employer's  
25 admission into the retirement system by making the payments required by  
26 this section.

27       The employer must select one of the options in this subsection and  
28 apply it uniformly, except as provided in subsection (3) of this  
29 section. The required payment shall include the total member and  
30 employer contributions that would have been required from the date of  
31 each current member's hire.

32       (a) Option A: The employer makes all the required payments within  
33 fifteen years from the date of the employer's admission.

34       (b) Option B: The employer makes a portion of the required  
35 payments and the member pays the balance. The employer shall not be  
36 required to make its payments until the member has made his or her

1 payments. Each member shall have the option to purchase the membership  
2 service.

3 (c) Option C: The member makes all of the required payments. Each  
4 member shall have the option to purchase the membership service.

5 All payments under options B and C of this subsection must be  
6 completed within five years from the date of the employer's admission,  
7 or prior to the retirement of the member, whichever occurs sooner. A  
8 member may not receive membership service credit under option B or C of  
9 this subsection until all required payments have been made.

10 (3) An employer shall not be required to purchase membership  
11 service under option A or B for periods of employment for which the  
12 employer made contributions to a qualified retirement plan as defined  
13 by 26 U.S.C. Sec. 401(a), if the contributions plus interest accrued  
14 cannot be transferred to the retirement system. If the employer does  
15 not purchase the membership credit under this subsection, the member  
16 may purchase the membership service under subsection (2)(c) of this  
17 section.

18 (4) A former employee who is an active member of the system and is  
19 not covered by subsection (2) of this section may establish membership  
20 service by making the required payments under subsection (2)(c) of this  
21 section prior to the retirement of the member.

22 (5) All payments made by the member under this section shall be  
23 placed in the member's individual account in the members' savings fund  
24 or the member's account for those members entering plan 3.

25 **Sec. 106.** RCW 41.40.062 and 1998 c 341 s 602 are each amended to  
26 read as follows:

27 (1) The members and appointive and elective officials of any  
28 political subdivision or association of political subdivisions of the  
29 state may become members of the retirement system by the approval of  
30 the local legislative authority.

31 (2) On and after September 1, 1965, every school district of the  
32 state of Washington shall be an employer under this chapter. Every  
33 member of each school district who is eligible for membership under RCW  
34 41.40.023 shall be a member of the retirement system and participate on  
35 the same basis as a person who first becomes a member through the  
36 admission of any employer into the retirement system on and after April  
37 1, 1949, except that after August 31, 2000, school districts will no

1 longer be employers for the public employees' retirement system plan 2  
2 or plan 3.

3 **Sec. 107.** RCW 41.40.088 and 1998 c 341 s 603 are each amended to  
4 read as follows:

5 (1) A plan 1 member who is employed by a school district or  
6 districts, an educational service district, the state school for the  
7 deaf, the state school for the blind, institutions of higher education,  
8 or community colleges:

9 (a) Shall receive a service credit month for each month of the  
10 period from September through August of the following year if he or she  
11 is employed in an eligible position, earns compensation earnable for  
12 six hundred thirty hours or more during that period, and is employed  
13 during nine months of that period, except that a member may not receive  
14 credit for any period prior to the member's employment in an eligible  
15 position;

16 (b) If a member in an eligible position does not meet the  
17 requirements of (a) of this subsection, the member is entitled to a  
18 service credit month for each month of the period he or she earns  
19 earnable compensation for seventy or more hours; and the member is  
20 entitled to a one-quarter service credit month for those calendar  
21 months during which he or she earned compensation for less than seventy  
22 hours.

23 (2) Except for any period prior to the member's employment in an  
24 eligible position, a plan 2 or plan 3 member who is employed by a  
25 school district or districts, an educational service district, the  
26 state school for the blind, the state school for the deaf, institutions  
27 of higher education, or community colleges:

28 (a) Shall receive a service credit month for each month of the  
29 period from September through August of the following year if he or she  
30 is employed in an eligible position, earns compensation earnable for  
31 eight hundred ten hours or more during that period, and is employed  
32 during nine months of that period;

33 (b) If a member in an eligible position for each month of the  
34 period from September through August of the following year does not  
35 meet the hours requirements of (a) of this subsection, the member is  
36 entitled to one-half service credit month for each month of the period  
37 if he or she earns earnable compensation for at least six hundred

1 thirty hours but less than eight hundred ten hours during that period,  
2 and is employed nine months of that period.

3 (c) In all other instances, a member in an eligible position is  
4 entitled to service credit months as follows:

5 (i) One service credit month for each month in which compensation  
6 is earned for ninety or more hours;

7 (ii) One-half service credit month for each month in which  
8 compensation is earned for at least seventy hours but less than ninety  
9 hours; and

10 (iii) One-quarter service credit month for each month in which  
11 compensation is earned for less than seventy hours.

12 (d) After August 31, 2000, school districts and educational service  
13 districts will no longer be employers for the public employees'  
14 retirement system plan 2 or plan 3.

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

16 **Sec. 108.** RCW 41.40.092 and 1983 c 81 s 3 are each amended to read  
17 as follows:

18 (1) Active members of the Washington state patrol retirement system  
19 who have previously established service credit in the public employees'  
20 retirement system, plan 1 or plan 2 while employed by the state patrol  
21 as a cadet as defined in RCW 43.43.120(6)(b) may have such service  
22 credit transferred to the state patrol retirement system subject to the  
23 terms and conditions specified in chapter 43.43 RCW, including  
24 reestablishment of such service for the sole purpose of transfer.  
25 Service reestablishment shall be subject to the interest requirements  
26 of RCW 41.40.150(2).

27 (2) Service credit established for employment other than that  
28 specified in subsection (1) of this section is not eligible for  
29 transfer.

30 NEW SECTION. **Sec. 109.** RCW 41.40.094 is decodified.

31 **"PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2"**

32 **Sec. 201.** RCW 41.40.610 and 1991 c 35 s 97 are each amended to  
33 read as follows:

34 RCW 41.40.620 through (~~41.40.740~~) 41.40.750 shall apply only to  
35 plan 2 members.





1        NEW SECTION.    **Sec. 304.**    (1) As used in this section, unless the  
2 context clearly requires otherwise:

3        (a) "Transfer period" means the time during which a member of one  
4 of the groups of plan 2 members identified in subsection (2) of this  
5 section may choose to irrevocably transfer from plan 2 to plan 3.

6        (b) "Transfer basis" means the accumulated contributions present in  
7 a member's savings fund on March 1, 2002, less fifty percent of any  
8 contributions made pursuant to RCW 41.50.165(2), which is the basis for  
9 calculation of the plan 2 to plan 3 additional transfer payment.

10       (c) "Additional transfer payment date" means June 1, 2003, the date  
11 of the additional transfer payment made according to subsection (6) of  
12 this section.

13       (2) Every plan 2 member employed by an employer in an eligible  
14 position has the option during their transfer period to make an  
15 irrevocable transfer to plan 3 according to the following schedule:

16       (a) For those members employed by state agencies and institutes of  
17 higher education the transfer period means the period between March 1,  
18 2002, and September 1, 2002.

19       (b) For those members employed by other organizations the transfer  
20 period means the period between September 1, 2002, and June 1, 2003.

21       (c) For those members employed by more than one employer within the  
22 retirement system, and whose transfer period is different between one  
23 employer and another, the member's transfer period is the last period  
24 that is available from any of that member's employers within the  
25 retirement system.

26       (3) All service credit in plan 2 shall be transferred to the  
27 defined benefit portion of plan 3.

28       (4)(a) Anyone who first became a state or higher education member  
29 of plan 2 before March 1, 2002, or a local government member of plan 2  
30 before September 1, 2002, who wishes to transfer to plan 3 after their  
31 transfer period may transfer during the month of January in any  
32 following year, provided that the member earns service credit for that  
33 month.

34       (b) Anyone who chose to become a state or higher education member  
35 of plan 2 on or after March 1, 2002, or a local government member of  
36 plan 2 on or after September 1, 2002, is prohibited from transferring  
37 to plan 3 under (a) of this subsection.

38       (5) The accumulated contributions in plan 2, less fifty percent of  
39 any contributions made pursuant to RCW 41.50.165(2) shall be

1 transferred to the member's account in the defined contribution portion  
2 established in chapter 41.34 RCW, pursuant to procedures developed by  
3 the department and subject to RCW 41.34.090. Contributions made  
4 pursuant to RCW 41.50.165(2) that are not transferred to the member's  
5 account shall be transferred to the fund created in RCW 41.50.075(3),  
6 except that interest earned on all such contributions shall be  
7 transferred to the member's account.

8 (6) Anyone who requests to transfer under this section during their  
9 transfer period, and establishes service credit for February 2003,  
10 shall have their member account:

11 (a) If a member's transfer period is that described in subsection  
12 (2)(a) of this section, increased by one hundred ten percent of the  
13 transfer basis;

14 (b) If a member's transfer period is that described in subsection  
15 (2)(b) of this section, increased by one hundred eleven percent of the  
16 transfer basis; and

17 (c) Deposited into the member's individual account on the  
18 additional transfer payment date.

19 (7) If a member who requests to transfer dies before June 1, 2003,  
20 the additional payment provided by this section shall be paid to the  
21 member's estate, or the person or persons, trust, or organization the  
22 member nominated by written designation duly executed and filed with  
23 the department.

24 (8) Anyone previously retired from plan 2 is prohibited from  
25 transferring to plan 3.

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

30 NEW SECTION. **Sec. 305.** Any member or beneficiary eligible to  
31 receive a retirement allowance under the provisions of section 309,  
32 310, or 312 of this act is eligible to commence receiving a retirement  
33 allowance after having filed written application with the department.

34 (1) Retirement allowances paid to members shall accrue from the  
35 first day of the calendar month immediately following such member's  
36 separation from employment.

37 (2) Retirement allowances payable to eligible members no longer in  
38 service, but qualifying for such an allowance pursuant to RCW 41.40.068

1 shall accrue from the first day of the calendar month immediately  
2 following such qualification.

3 (3) Disability allowances paid to disabled members shall accrue  
4 from the first day of the calendar month immediately following such  
5 member's separation from employment for disability.

6 (4) Retirement allowances paid as death benefits shall accrue from  
7 the first day of the calendar month immediately following the member's  
8 death.

9 NEW SECTION. **Sec. 306.** (1) A member who is on a paid leave of  
10 absence authorized by a member's employer shall continue to receive  
11 service credit.

12 (2) A member who receives compensation from an employer while on an  
13 authorized leave of absence to serve as an elected official of a labor  
14 organization, and whose employer is reimbursed by the labor  
15 organization for the compensation paid to the member during the period  
16 of absence, may also be considered to be on a paid leave of absence.  
17 This subsection shall only apply if the member's leave of absence is  
18 authorized by a collective bargaining agreement that provides that the  
19 member retains seniority rights with the employer during the period of  
20 leave. The earnable compensation reported for a member who establishes  
21 service credit under this subsection may not be greater than the salary  
22 paid to the highest paid job class covered by the collective bargaining  
23 agreement.

24 (3) Except as specified in subsection (4) of this section, a member  
25 shall be eligible to receive a maximum of two years service credit  
26 during a member's entire working career for those periods when a member  
27 is on an unpaid leave of absence authorized by an employer. Such  
28 credit may be obtained only if:

29 (a) The member makes the contribution on behalf of the employer,  
30 plus interest, as determined by the department; and

31 (b) The member makes the employee contribution, plus interest, as  
32 determined by the department, to the defined contribution portion.

33 The contributions required shall be based on the average of the  
34 member's earnable compensation at both the time the authorized leave of  
35 absence was granted and the time the member resumed employment.

36 (4) A member who leaves the employ of an employer to enter the  
37 armed forces of the United States shall be entitled to retirement  
38 system service credit for up to five years of military service if

1 within ninety days of the member's honorable discharge from the United  
2 States armed forces, the member applies for reemployment with the  
3 employer who employed the member immediately prior to the member  
4 entering the United States armed forces. This subsection shall be  
5 administered in a manner consistent with the requirements of the  
6 federal uniformed services employment and reemployment rights act.

7 The department shall establish the member's service credit and  
8 shall bill the employer for its contribution required under RCW  
9 41.45.060 and section 507 of this act for the period of military  
10 service, plus interest as determined by the department. Service credit  
11 under this subsection may be obtained only if the member makes the  
12 employee contribution to the defined contribution portion as determined  
13 by the department.

14 The contributions required shall be based on the compensation the  
15 member would have earned if not on leave, or if that cannot be  
16 estimated with reasonable certainty, the compensation reported for the  
17 member in the year prior to when the member went on military leave.

18 NEW SECTION. **Sec. 307.** (1) Contributions on behalf of the  
19 employer paid by the employee to purchase plan 3 service credit shall  
20 be allocated to the defined benefit portion of plan 3 and shall not be  
21 refundable when paid to the fund described in RCW 41.50.075(3).  
22 Contributions on behalf of the employee shall be allocated to the  
23 member account. If the member fails to meet the statutory time  
24 limitations to purchase plan 3 service credit, it may be purchased  
25 under the provisions of RCW 41.50.165(2). One-half of the purchase  
26 payments under RCW 41.50.165(2), plus interest, shall be allocated to  
27 the member's account.

28 (2) No purchased plan 3 membership service may be credited until  
29 all payments required of the member are made, with interest. Upon  
30 receipt of all payments owed by the member, the department shall bill  
31 the employer for any contributions, plus interest, required to purchase  
32 membership service.

33 NEW SECTION. **Sec. 308.** (1) The director may pay a member eligible  
34 to receive a retirement allowance or the member's beneficiary a lump  
35 sum payment in lieu of a monthly benefit if the initial monthly benefit  
36 would be less than one hundred dollars. The one hundred dollar limit

1 shall be increased annually as determined by the director. The lump  
2 sum payment shall be the actuarial equivalent of the monthly benefit.

3 (2) Persons covered under the provisions of subsection (1) of this  
4 section may upon returning to member status reinstate all previous  
5 service by depositing the lump sum payment received, with interest as  
6 computed by the director, within two years of returning to service or  
7 prior to retiring again, whichever comes first. In computing the  
8 amount due, the director shall exclude the accumulated value of the  
9 normal payments the member would have received while in beneficiary  
10 status if the lump sum payment had not occurred.

11 (3) Any member who receives a settlement under this section is  
12 deemed to be retired from this system.

13 NEW SECTION. **Sec. 309.** (1) NORMAL RETIREMENT. Any member who is  
14 at least age sixty-five and who has:

15 (a) Completed ten service credit years; or

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

18 (c) Completed five service credit years by the transfer payment  
19 date specified in section 304 of this act, under the public employees'  
20 retirement system plan 2 and who transferred to plan 3 under section  
21 304 of this act;

22 shall be eligible to retire and to receive a retirement allowance  
23 computed according to the provisions of section 303 of this act.

24 (2) EARLY RETIREMENT. Any member who has attained at least age  
25 fifty-five and has completed at least ten years of service shall be  
26 eligible to retire and to receive a retirement allowance computed  
27 according to the provisions of section 303 of this act, except that a  
28 member retiring pursuant to this subsection shall have the retirement  
29 allowance actuarially reduced to reflect the difference in the number  
30 of years between age at retirement and the attainment of age sixty-  
31 five.

32 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
33 least thirty service credit years and has attained age fifty-five shall  
34 be eligible to retire and to receive a retirement allowance computed  
35 according to the provisions of section 303 of this act, except that a  
36 member retiring pursuant to this subsection shall have the retirement  
37 allowance reduced by three percent per year to reflect the difference

1 in the number of years between age at retirement and the attainment of  
2 age sixty-five.

3 NEW SECTION. **Sec. 310.** (1) A member of the retirement system who  
4 becomes totally incapacitated for continued employment by an employer  
5 as determined by the department shall be eligible to receive an  
6 allowance under the provisions of plan 3. The member shall receive a  
7 monthly disability allowance computed as provided for in section 303 of  
8 this act and shall have this allowance actuarially reduced to reflect  
9 the difference in the number of years between age at disability and the  
10 attainment of age sixty-five.

11 Any member who receives an allowance under the provisions of this  
12 section shall be subject to comprehensive medical examinations as  
13 required by the department. If these medical examinations reveal that  
14 a member has recovered from the incapacitating disability and the  
15 member is offered reemployment by an employer at a comparable  
16 compensation, the member shall cease to be eligible for the allowance.

17 (2) If the recipient of a monthly retirement allowance under this  
18 section dies, any further benefit payments shall be conditioned by the  
19 payment option selected by the retiree as provided in section 314 of  
20 this act.

21 NEW SECTION. **Sec. 311.** (1) Any member who elects to transfer to  
22 plan 3 and has eligible unrestored withdrawn contributions in plan 2,  
23 may restore such contributions under the provisions of RCW 41.40.740  
24 with interest as determined by the department. The restored plan 2  
25 service credit will be automatically transferred to plan 3.  
26 Restoration payments will be transferred to the member account in plan  
27 3. If the member fails to meet the time limitations of RCW 41.40.740,  
28 they may restore such contributions under the provisions of RCW  
29 41.50.165(2). The restored plan 2 service credit will be automatically  
30 transferred to plan 3. One-half of the restoration payments under RCW  
31 41.50.165(2) plus interest shall be allocated to the member's account.

32 (2) Any member who elects to transfer to plan 3 may purchase plan  
33 2 service credit under RCW 41.40.740. Purchased plan 2 service credit  
34 will be automatically transferred to plan 3. Contributions on behalf  
35 of the employer paid by the employee shall be allocated to the defined  
36 benefit portion of plan 3 and shall not be refundable when paid to the  
37 fund described in RCW 41.50.075(3). Contributions on behalf of the

1 employee shall be allocated to the member account. If the member fails  
2 to meet the time limitations of RCW 41.40.740, they may subsequently  
3 restore such contributions under the provisions of RCW 41.50.165(2).  
4 Purchased plan 2 service credit will be automatically transferred to  
5 plan 3. One-half of the payments under RCW 41.50.165(2), plus  
6 interest, shall be allocated to the member's account.

7 NEW SECTION. **Sec. 312.** If a member dies prior to retirement, the  
8 surviving spouse or eligible child or children shall receive a  
9 retirement allowance computed as provided in section 303 of this act  
10 actuarially reduced to reflect a joint and one hundred percent survivor  
11 option and if the member was not eligible for normal retirement at the  
12 date of death a further reduction as described in section 309 of this  
13 act.

14 If the surviving spouse who is receiving the retirement allowance  
15 dies leaving a child or children under the age of majority, then such  
16 child or children shall continue to receive an allowance in an amount  
17 equal to that which was being received by the surviving spouse, share  
18 and share alike, until such child or children reach the age of  
19 majority.

20 If there is no surviving spouse eligible to receive an allowance at  
21 the time of the member's death, such member's child or children under  
22 the age of majority shall receive an allowance, share and share alike.  
23 The allowance shall be calculated with the assumption that the age of  
24 the spouse and member were equal at the time of the member's death.

25 NEW SECTION. **Sec. 313.** Beginning July 1, 1979, and every year  
26 thereafter, the department shall determine the following information  
27 for each retired member or beneficiary whose retirement allowance has  
28 been in effect for at least one year:

- 29 (1) The original dollar amount of the retirement allowance;
- 30 (2) The index for the calendar year prior to the effective date of  
31 the retirement allowance, to be known as "index A";
- 32 (3) The index for the calendar year prior to the date of  
33 determination, to be known as "index B"; and
- 34 (4) The ratio obtained when index B is divided by index A.

35 The value of the ratio obtained shall be the annual adjustment to  
36 the original retirement allowance and shall be applied beginning with  
37 the July payment. In no event, however, shall the annual adjustment:

1 (a) Produce a retirement allowance which is lower than the original  
2 retirement allowance;

3 (b) Exceed three percent in the initial annual adjustment; or

4 (c) Differ from the previous year's annual adjustment by more than  
5 three percent.

6 For the purposes of this section, "index" means, for any calendar  
7 year, that year's average consumer price index--Seattle, Washington  
8 area for urban wage earners and clerical workers, all items, compiled  
9 by the bureau of labor statistics, United States department of labor.

10 NEW SECTION. **Sec. 314.** (1) Upon retirement for service as  
11 prescribed in section 309 of this act or retirement for disability  
12 under section 310 of this act, a member shall elect to have the  
13 retirement allowance paid pursuant to one of the following options,  
14 calculated so as to be actuarially equivalent to each other.

15 (a) Standard allowance. A member electing this option shall  
16 receive a retirement allowance payable throughout such member's life.  
17 However, if the retiree dies before the total of the retirement  
18 allowance paid to such retiree equals the amount of such retiree's  
19 accumulated contributions at the time of retirement, then the balance  
20 shall be paid to the member's estate, or such person or persons, trust,  
21 or organization as the retiree shall have nominated by written  
22 designation duly executed and filed with the department; or if there be  
23 no such designated person or persons still living at the time of the  
24 retiree's death, then to the surviving spouse; or if there be neither  
25 such designated person or persons still living at the time of death nor  
26 a surviving spouse, then to the retiree's legal representative.

27 (b) The department shall adopt rules that allow a member to select  
28 a retirement option that pays the member a reduced retirement allowance  
29 and upon death, such portion of the member's reduced retirement  
30 allowance as the department by rule designates shall be continued  
31 throughout the life of and paid to a person nominated by the member by  
32 written designation duly executed and filed with the department at the  
33 time of retirement. The options adopted by the department shall  
34 include, but are not limited to, a joint and one hundred percent  
35 survivor option and a joint and fifty percent survivor option.

36 (2)(a) A member, if married, must provide the written consent of  
37 his or her spouse to the option selected under this section, except as  
38 provided in (b) of this subsection. If a member is married and both



1 the member and the member's spouse do not give written consent to an  
2 option under this section, the department shall pay a joint and fifty  
3 percent survivor benefit calculated to be actuarially equivalent to the  
4 benefit options available under subsection (1) of this section unless  
5 spousal consent is not required as provided in (b) of this subsection.

6 (b) If a copy of a dissolution order designating a survivor  
7 beneficiary under RCW 41.50.790 has been filed with the department at  
8 least thirty days prior to a member's retirement:

9 (i) The department shall honor the designation as if made by the  
10 member under subsection (1) of this section; and

11 (ii) The spousal consent provisions of (a) of this subsection do  
12 not apply.

13 NEW SECTION. **Sec. 315.** (1) Except as provided in RCW 41.40.037,  
14 no retiree under the provisions of plan 3 shall be eligible to receive  
15 such retiree's monthly retirement allowance if he or she is employed in  
16 an eligible position as defined in RCW 41.40.010, 41.32.010, or  
17 41.35.010, or as a law enforcement officer or fire fighter as defined  
18 in RCW 41.26.030, except that a retiree who ends his or her membership  
19 in the retirement system pursuant to RCW 41.40.023(3)(b) is not subject  
20 to this section if the retiree's only employment is as an elective  
21 official of a city or town.

22 (2) If a retiree's benefits have been suspended under this section,  
23 his or her benefits shall be reinstated when the retiree terminates the  
24 employment that caused his or her benefits to be suspended. Upon  
25 reinstatement, the retiree's benefits shall be actuarially recomputed  
26 pursuant to the rules adopted by the department.

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

28 NEW SECTION. **Sec. 316.** The benefits provided pursuant to chapter  
29 . . . , Laws of 2000 (this act) are not provided to employees as a  
30 matter of contractual right prior to March 1, 2002. The legislature  
31 retains the right to alter or abolish these benefits at any time prior  
32 to March 1, 2002.

33 NEW SECTION. **Sec. 317.** Sections 301 through 316 of this act are  
34 each added to chapter 41.40 RCW and codified with the subchapter  
35 heading "PLAN 3."

1 "DEFINED CONTRIBUTION"

2 **Sec. 401.** RCW 41.34.020 and 1998 c 341 s 301 are each amended to  
3 read as follows:

4 As used in this chapter, the following terms have the meanings  
5 indicated:

6 (1) "Actuary" means the state actuary or the office of the state  
7 actuary.

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

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

11 (4)(a) "Compensation" for teachers for purposes of this chapter is  
12 the same as "earnable compensation" for plan 3 in chapter 41.32 RCW  
13 except that the compensation may be reported when paid, rather than  
14 when earned.

15 (b) "Compensation" for classified employees for purposes of this  
16 chapter is the same as "compensation earnable" for plan 3 in RCW  
17 41.35.010, except that the compensation may be reported when paid,  
18 rather than when earned.

19 (c) "Compensation" for public employees for purposes of this  
20 chapter is the same as "compensation earnable" for plan 3 in RCW  
21 41.40.010, except that the compensation may be reported when paid,  
22 rather than when earned.

23 (5)(a) "Employer" for teachers for purposes of this chapter means  
24 the same as "employer" for plan 3 in chapter 41.32 RCW.

25 (b) "Employer" for classified employees for purposes of this  
26 chapter means the same as "employer" for plan 3 in RCW 41.35.010.

27 (c) "Employer" for public employees for purposes of this chapter  
28 means the same as "employer" for plan 3 in RCW 41.40.010.

29 (6) "Member" means any employee included in the membership of a  
30 retirement system as provided for in chapter 41.32 RCW of plan 3  
31 ~~((or))~~, chapter 41.35 RCW of plan 3, or chapter 41.40 RCW of plan 3.

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

34 (8) "Retiree" means any member in receipt of an allowance or other  
35 benefit provided by this chapter resulting from service rendered to an  
36 employer by such member.

37 (9) "Teacher" means a member of the teachers' retirement system  
38 plan 3 as defined in RCW 41.32.010(29).

1 (10) "Classified employee" means a member of the school employees'  
2 retirement system plan 3 as defined in RCW 41.35.010.

3 (11) "Public employee" means a member of the public employees'  
4 retirement system plan 3 as defined in RCW 41.40.010.

5 **Sec. 402.** RCW 41.34.030 and 1998 c 341 s 302 are each amended to  
6 read as follows:

7 (1) This chapter applies only to members of plan 3 retirement  
8 systems created under chapters 41.32 ((and)), 41.35, and 41.40 RCW.

9 (2) Plan 3 consists of two separate elements:

10 (a) A defined benefit portion covered under:

11 (i) Sections 101 through 117, chapter 239, Laws of 1995; or

12 (ii) Sections 1 through 25 and 201 through 213, chapter 341, Laws  
13 of 1998; or

14 (iii) Sections 101 through 316, chapter . . . , Laws of 2000  
15 (sections 101 through 316 of this act); and

16 (b) A defined contribution portion covered under this chapter.  
17 Unless specified otherwise, all references to "plan 3" in this chapter  
18 refer to the defined contribution portion of plan 3.

19 **Sec. 403.** RCW 41.34.040 and 1996 c 39 s 14 are each amended to  
20 read as follows:

21 (1) A member shall contribute from his or her compensation  
22 according to one of the following rate structures:

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

33 (2) The board shall have the right to offer contribution rate  
34 options in addition to those listed in subsection (1) of this section,  
35 provided that no significant additional administrative costs are

1 created. All options offered by the board shall conform to the  
2 requirements stated in subsections (3) and (4) of this section.

3 (3)(a) For members of the teachers' retirement system entering plan  
4 3 under RCW 41.32.835 or members of the school employees' retirement  
5 system entering plan 3 under RCW 41.35.610, within ninety days of  
6 becoming a member he or she has an irrevocable option to choose one of  
7 the above contribution rate structures. If the member does not select  
8 an option within the ninety-day period, he or she shall be assigned  
9 option A. Such assignment shall be irrevocable.

10 (b) For members of the public employees' retirement system entering  
11 plan 3 under section 302 of this act, within the ninety days described  
12 in section 302 an employee who irrevocably chooses plan 3 shall select  
13 one of the above contribution rate structures. If the member does not  
14 select an option within the ninety-day period, he or she shall be  
15 assigned option A. Such assignment shall be irrevocable.

16 (c) For members of the teachers' retirement system transferring to  
17 plan 3 under RCW 41.32.817, members of the school employees' retirement  
18 system transferring to plan 3 under RCW 41.35.510, or members of the  
19 public employees' retirement system transferring to plan 3 under  
20 section 304 of this act, upon election to plan 3 he or she must  
21 irrevocably choose one of the above contribution rate structures.

22 (d) Within ninety days of the date that an employee ((becomes a  
23 member of plan III or)) changes employers, he or she has an irrevocable  
24 option to choose one of the above contribution rate structures. If the  
25 member does not select an option within this ninety-day period, he or  
26 she shall be assigned option A. Such assignment shall be irrevocable.

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

30 **Sec. 404.** RCW 41.34.060 and 1999 c 265 s 1 are each amended to  
31 read as follows:

32 (1) Except as provided in subsection (3) of this section, the  
33 member's account shall be invested by the state investment board. In  
34 order to reduce transaction costs and address liquidity issues, based  
35 upon recommendations of the state investment board, the department may  
36 require members to provide up to ninety days' notice prior to moving  
37 funds from the state investment board portfolio to self-directed  
38 investment options provided under subsection (3) of this section.

1 (a) For members of the retirement system as provided for in chapter  
2 41.32 RCW of plan 3, investment shall be in the same portfolio as that  
3 of the teachers' retirement system combined plan 2 and 3 fund under RCW  
4 41.50.075(2).

5 (b) For members of the retirement system as provided for in chapter  
6 41.35 RCW of plan 3, investment shall be in the same portfolio as that  
7 of the school employees' retirement system combined plan 2 and 3 fund  
8 under RCW 41.50.075(4).

9 (c) For members of the retirement system as provided for in chapter  
10 41.40 RCW of plan 3, investment shall be in the same portfolio as that  
11 of the public employees' retirement system combined plan 2 and 3 fund  
12 under RCW 41.50.075(3).

13 (2) The state investment board shall declare monthly unit values  
14 for the portfolios or funds, or portions thereof, utilized under  
15 subsection (1)(a) and (b) of this section. The declared values shall  
16 be an approximation of portfolio or fund values, based on internal  
17 procedures of the state investment board. Such declared unit values  
18 and internal procedures shall be in the sole discretion of the state  
19 investment board. The state investment board may delegate any of the  
20 powers and duties under this subsection, including discretion, pursuant  
21 to RCW 43.33A.030. Member accounts shall be credited by the department  
22 with a rate of return based on changes to such unit values.

23 (3) Members may elect to self-direct their investments as set forth  
24 in RCW 41.34.130 and 43.33A.190.

25 **Sec. 405.** RCW 41.34.080 and 1998 c 341 s 304 are each amended to  
26 read as follows:

27 (1) Subject to subsections (2) and (3) of this section, the right  
28 of a person to a pension, an annuity, a retirement allowance, any  
29 optional benefit, any other right accrued or accruing to any person  
30 under the provisions of this chapter, and the various funds created by  
31 chapter 239, Laws of 1995(~~(, and)~~); chapter 341, Laws of 1998; and  
32 chapter . . . , Laws of 2000 (this act) and all moneys and investments  
33 and income thereof, is hereby exempt from any state, county, municipal,  
34 or other local tax, and shall not be subject to execution, garnishment,  
35 attachment, the operation of bankruptcy or insolvency laws, or other  
36 process of law whatsoever, and shall be unassignable.

37 (2) This section shall not be deemed to prohibit a beneficiary of  
38 a retirement allowance from authorizing deductions therefrom for

1 payment of premiums due on any group insurance policy or plan issued  
2 for the benefit of a group comprised of public employees of the state  
3 of Washington or its political subdivisions and that has been approved  
4 for deduction in accordance with rules that may be adopted by the state  
5 health care authority and/or the department. This section shall not be  
6 deemed to prohibit a beneficiary of a retirement allowance from  
7 authorizing deductions therefrom for payment of dues and other  
8 membership fees to any retirement association or organization the  
9 membership of which is composed of retired public employees, if a total  
10 of three hundred or more of such retired employees have authorized such  
11 deduction for payment to the same retirement association or  
12 organization.

13 (3) Subsection (1) of this section shall not prohibit the  
14 department from complying with (a) a wage assignment order for child  
15 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold  
16 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of  
17 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory  
18 benefits assignment order issued by the department, (e) a court order  
19 directing the department to pay benefits directly to an obligee under  
20 a dissolution order as defined in RCW 41.50.500(3) which fully complies  
21 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court  
22 order expressly authorized by federal law.

23 **Sec. 406.** RCW 41.34.100 and 1998 c 341 s 305 are each amended to  
24 read as follows:

25 (1) The benefits provided pursuant to chapter 239, Laws of 1995 are  
26 not provided to employees as a matter of contractual right prior to  
27 July 1, 1996. The legislature retains the right to alter or abolish  
28 these benefits at any time prior to July 1, 1996.

29 (2) The benefits provided pursuant to chapter 341, Laws of 1998 are  
30 not provided to employees as a matter of contractual right prior to  
31 September 1, 2000. The legislature retains the right to alter or  
32 abolish these benefits at any time prior to September 1, 2000.

33 (3) The benefits provided pursuant to chapter . . . , Laws of 2000  
34 (this act) are not provided to employees as a matter of contractual  
35 right prior to March 1, 2002. The legislature retains the right to  
36 alter or abolish these benefits at any time prior to March 1, 2002.

37 "GAIN SHARING"

1       **Sec. 407.** RCW 41.31A.010 and 1998 c 341 s 311 are each amended to  
2 read as follows:

3       The definitions in this section apply throughout this chapter  
4 unless the context requires otherwise.

5       (1) "Actuary" means the state actuary or the office of the state  
6 actuary.

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

8       (3) "Teacher" means any employee included in the membership of the  
9 teachers' retirement system as provided for in chapter 41.32 RCW.

10       (4) "Member account" or "member's account" means the sum of any  
11 contributions as provided for in chapter 41.34 RCW and the earnings on  
12 behalf of the member.

13       (5) "Classified employee" means the same as in RCW 41.35.010.

14       (6) "Public employee" means the same as "member" as defined in RCW  
15 41.40.010(5).

16       **Sec. 408.** RCW 41.31A.020 and 1998 c 341 s 312 are each amended to  
17 read as follows:

18       (1) On January 1, (~~(2002)~~) 2004, and on January 1st of even-  
19 numbered years thereafter, the member account of a person meeting the  
20 requirements of this section shall be credited by the extraordinary  
21 investment gain amount.

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

24       (a) Any member of the teachers' retirement system plan 3 (~~(or)~~),  
25 the Washington school employees' retirement system plan 3, or the  
26 public employees' retirement system plan 3 who earned service credit  
27 during the twelve-month period from September 1st to August 31st  
28 immediately preceding the distribution and had a balance of at least  
29 one thousand dollars in their member account on August 31st of the year  
30 immediately preceding the distribution; or

31       (b) Any person in receipt of a benefit pursuant to RCW 41.32.875  
32 (~~(or)~~), 41.35.680, or section 309 of this act; or

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

35       (i) Completed ten service credit years; or

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

1 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and  
2 who has completed five service credit years by July 1, 1996, under plan  
3 2 and who transferred to plan 3 under RCW 41.32.817; or

4 (e) Any classified employee who is a retiree pursuant to RCW  
5 41.34.020(8) and who has completed five service credit years by  
6 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;  
7 or

8 (f) Any public employee who is a retiree pursuant to RCW  
9 41.40.010(29) and who has completed five service credit years by March  
10 1, 2002, and who transferred to plan 3 under section 304 of this act;  
11 or

12 (g) Any person who had a balance of at least one thousand dollars  
13 in their member account on August 31st of the year immediately  
14 preceding the distribution and who:

15 (i) Completed ten service credit years; or

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

18 (~~(g)~~) (h) Any teacher who had a balance of at least one thousand  
19 dollars in their member account on August 31st of the year immediately  
20 preceding the distribution and who has completed five service credit  
21 years by July 1, 1996, under plan 2 and who transferred to plan 3 under  
22 RCW 41.32.817; or

23 (~~(h)~~) (i) Any classified employee who had a balance of at least  
24 one thousand dollars in their member account on August 31st of the year  
25 immediately preceding the distribution and who has completed five  
26 service credit years by September 1, 2000, and who transferred to plan  
27 3 under RCW 41.35.510; or

28 (j) Any public employee who had a balance of at least one thousand  
29 dollars in their member account on August 31st of the year immediately  
30 preceding the distribution and who has completed five service credit  
31 years by March 1, 2002, and who transferred to plan 3 under section 304  
32 of this act.

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

35 (a) One-half of the sum of the value of the net assets held in  
36 trust for pension benefits in the teachers' retirement system combined  
37 plan 2 and 3 fund (~~and~~), the Washington school employees' retirement  
38 system combined plan 2 and 3 fund, and the public employees' retirement



1 system combined plan 2 and 3 fund at the close of the previous state  
2 fiscal year not including the amount attributable to member accounts;

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

6 (c) Multiplied by the proportion of:

7 (i) The sum of the service credit on August 31st 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 31st of the previous  
11 year of:

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

14 (B) Any person who earned service credit in the teachers'  
15 retirement system plan 2 (~~(or)~~), the Washington school employees'  
16 retirement system plan 2, or the public employees' retirement system  
17 plan 2 during the twelve-month period from September 1st to August 31st  
18 immediately preceding the distribution;

19 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765  
20 (~~(or)~~), 41.35.420, or 41.40.630; and

21 (D) Any person with five or more years of service in the teachers'  
22 retirement system plan 2 (~~(or)~~), the Washington school employees'  
23 retirement system plan 2, or the public employees' retirement system  
24 plan 2;

25 (d) Divided proportionally among persons eligible for the benefit  
26 provided in subsection (1) of this section on the basis of their  
27 service credit total on August 31st of the previous year.

28 (4) The legislature reserves the right to amend or repeal this  
29 section in the future and no member or beneficiary has a contractual  
30 right to receive this distribution not granted prior to that time.

31 NEW SECTION. Sec. 409. A new section is added to chapter 41.31A  
32 RCW to read as follows:

33 (1) On June 1, 2003, the member account of a person meeting the  
34 requirements of this section shall be credited by the 2000 retroactive  
35 extraordinary investment gain amount and the 2002 retroactive  
36 extraordinary investment gain amount.

37 (2) The following persons shall be eligible for the benefits  
38 provided in subsection (1) of this section:

1 (a) Any public employee who earned service credit during the  
2 twelve-month period from September 1st to August 31st immediately  
3 preceding the distribution and who transferred to plan 3 under section  
4 304 of this act; or

5 (b) Any public employee in receipt of a benefit pursuant to section  
6 309 of this act and who has completed five service credit years by  
7 September 1, 2002, and who transferred to plan 3 under section 304 of  
8 this act; or

9 (c) Any public employee who is a retiree pursuant to RCW  
10 41.34.020(8) and who has completed five service credit years by  
11 September 1, 2002, and who transferred to plan 3 under section 304 of  
12 this act; or

13 (d) Any public employee who has a balance of at least one thousand  
14 dollars in either his or her member account or in plan 2 accumulated  
15 contributions and who has completed five service credit years by  
16 September 1, 2002, and who transferred to plan 3 under section 304 of  
17 this act.

18 (3) The 2000 retroactive extraordinary investment gain amount shall  
19 be calculated as follows:

20 (a) An amount equal to the average benefit per year of service paid  
21 in 2000 to members of the teachers' retirement system plan 3 under  
22 section 309, chapter 341, Laws of 1998;

23 (b) Distributed to persons eligible for the benefit in subsection  
24 (1) of this section on the basis of their service credit total on July  
25 1, 1999.

26 (4) The 2002 retroactive extraordinary investment gain amount shall  
27 be calculated as follows:

28 (a) An amount equal to the average benefit per year of service paid  
29 in 2002 to members of the teachers' retirement system plan 3 and the  
30 school employees' retirement system plan 3 under RCW 41.31A.020;

31 (b) Distributed to persons eligible for the benefit provided in  
32 subsection (1) of this section on the basis of their service credit  
33 total on July 1, 2001.

34 (5) The legislature reserves the right to amend or repeal this  
35 section in the future and no member or beneficiary has a contractual  
36 right to receive this distribution not granted prior to that time.

37

**"ACTUARIAL FUNDING"**

1       **Sec. 501.** RCW 41.45.010 and 1998 c 341 s 401 are each amended to  
2 read as follows:

3       It is the intent of the legislature to provide a dependable and  
4 systematic process for funding the benefits provided to members and  
5 retirees of the public employees' retirement system, chapter 41.40 RCW;  
6 the teachers' retirement system, chapter 41.32 RCW; the law enforcement  
7 officers' and fire fighters' retirement system, chapter 41.26 RCW; the  
8 school employees' retirement system, chapter 41.35 RCW; and the  
9 Washington state patrol retirement system, chapter 43.43 RCW.

10       The funding process established by this chapter is intended to  
11 achieve the following goals:

12       (1) To continue to fully fund the public employees' retirement  
13 system plans 2 and 3, the teachers' retirement system plans 2 and 3,  
14 the school employees' retirement system plans 2 and 3, and the law  
15 enforcement officers' and fire fighters' retirement system plan 2 as  
16 provided by law;

17       (2) To fully amortize the total costs of the public employees'  
18 retirement system plan 1, the teachers' retirement system plan 1, and  
19 the law enforcement officers' and fire fighters' retirement system plan  
20 1 not later than June 30, 2024;

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

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

28       **Sec. 502.** RCW 41.45.020 and 1998 c 341 s 402 and 1998 c 283 s 1  
29 are each reenacted and amended to read as follows:

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

32       (1) "Council" means the pension funding council created in RCW  
33 41.45.100.

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

35       (3) "Law enforcement officers' and fire fighters' retirement system  
36 plan 1" and "law enforcement officers' and fire fighters' retirement  
37 system plan 2" mean the benefits and funding provisions under chapter  
38 41.26 RCW.

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

5 (5) "Teachers' retirement system plan 1," "teachers' retirement  
6 system plan 2," and "teachers' retirement system plan 3" mean the  
7 benefits and funding provisions under chapter 41.32 RCW.

8 (6) "School employees' retirement system plan 2" and "school  
9 employees' retirement system plan 3" mean the benefits and funding  
10 provisions under chapter 41.35 RCW.

11 (7) "Washington state patrol retirement system" means the  
12 retirement benefits provided under chapter 43.43 RCW.

13 (8) "Unfunded liability" means the unfunded actuarial accrued  
14 liability of a retirement system.

15 (9) "Actuary" or "state actuary" means the state actuary employed  
16 under chapter 44.44 RCW.

17 (10) "State retirement systems" means the retirement systems listed  
18 in RCW 41.50.030.

19 (11) "Work group" means the pension funding work group created in  
20 RCW 41.45.120.

21 (12) "Classified employee" means a member of the Washington school  
22 employees' retirement system plan 2 or plan 3 as defined in RCW  
23 41.35.010.

24 (13) "Teacher" means a member of the teachers' retirement system as  
25 defined in RCW 41.32.010(15).

26 **Sec. 503.** RCW 41.45.050 and 1998 c 341 s 403 are each amended to  
27 read as follows:

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

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

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

8 (4) The contributions received for the public employees' retirement  
9 system shall be allocated between the public employees' retirement  
10 system plan 1 fund and the public employees' retirement system combined  
11 plan 2 and plan 3 fund as follows: The contributions necessary to  
12 fully fund the public employees' retirement system combined plan 2 and  
13 plan 3 employer contribution (~~required by RCW 41.40.650~~) shall first  
14 be deposited in the public employees' retirement system combined plan  
15 2 and plan 3 fund. All remaining public employees' retirement system  
16 employer contributions shall be deposited in the public employees'  
17 retirement system plan 1 fund.

18 (5) The contributions received for the teachers' retirement system  
19 shall be allocated between the plan 1 fund and the combined plan 2 and  
20 plan 3 fund as follows: The contributions necessary to fully fund the  
21 combined plan 2 and plan 3 employer contribution shall first be  
22 deposited in the combined plan 2 and plan 3 fund. All remaining  
23 teachers' retirement system employer contributions shall be deposited  
24 in the plan 1 fund.

25 (6) The contributions received for the school employees' retirement  
26 system shall be allocated between the public employees' retirement  
27 system plan 1 fund and the school employees' retirement system combined  
28 plan 2 and plan 3 fund as follows: The contributions necessary to  
29 fully fund the combined plan 2 and plan 3 employer contribution shall  
30 first be deposited in the combined plan 2 and plan 3 fund. All  
31 remaining school employees' retirement system employer contributions  
32 shall be deposited in the public employees' retirement system plan 1  
33 fund.

34 (7) The contributions received under RCW (~~41.26.450~~) 41.45.060,  
35 41.45.061, and section 507 of this act for the law enforcement  
36 officers' and fire fighters' retirement system shall be allocated  
37 between the law enforcement officers' and fire fighters' retirement  
38 system plan 1 and the law enforcement officers' and fire fighters'  
39 retirement system plan 2 fund as follows: The contributions necessary

1 to fully fund the law enforcement officers' and fire fighters'  
2 retirement system plan 2 employer contributions shall be first  
3 deposited in the law enforcement officers' and fire fighters'  
4 retirement system plan 2 fund. All remaining law enforcement officers'  
5 and fire fighters' retirement system employer contributions shall be  
6 deposited in the law enforcement officers' and fire fighters'  
7 retirement system plan 1 fund.

8 **Sec. 504.** RCW 41.45.060 and 1998 c 341 s 404, 1998 c 340 s 11, and  
9 1998 c 283 s 6 are each reenacted and amended to read as follows:

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

12 (2) Not later than September 30, 1998, and every two years  
13 thereafter, consistent with the assumptions adopted under RCW  
14 41.45.030, the council shall adopt and may make changes to:

15 (a) A basic state contribution rate for the law enforcement  
16 officers' and fire fighters' retirement system;

17 (b) Basic employer contribution rates for the public employees'  
18 retirement system (~~plan 1~~), the teachers' retirement system (~~plan~~  
19 ~~1~~), and the Washington state patrol retirement system to be used in  
20 the ensuing biennial period; and

21 (c) A basic employer contribution rate for the school employees'  
22 retirement system for funding the public employees' retirement system  
23 plan 1.

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

26 (a) To fully amortize the total costs of the public employees'  
27 retirement system plan 1, the teachers' retirement system plan 1, the  
28 law enforcement officers' and fire fighters' retirement system plan 1,  
29 and the unfunded liability of the Washington state patrol retirement  
30 system not later than June 30, 2024, except as provided in subsection  
31 (5) of this section; (~~and~~)

32 (b) To also continue to fully fund the public employees' retirement  
33 system plans 2 and 3, the teachers' retirement system plans 2 and 3,  
34 the school employees' retirement system plans 2 and 3, and the law  
35 enforcement officers' and fire fighters' retirement system plan 2 in  
36 accordance with RCW (~~41.40.650, 41.26.450,~~) 41.45.061, section 507 of  
37 this act, and this section; and

1        (c) For the law enforcement officers' and fire fighters' system  
2 plan 2 the rate charged to employers, except as provided in RCW  
3 41.26.450, shall be thirty percent of the cost of the retirement system  
4 and the rate charged to the state shall be twenty percent of the cost  
5 of the retirement system.

6        (4) The aggregate actuarial cost method shall be used to calculate  
7 a combined plan 2 and 3 employer contribution rate.

8        (5) An amount equal to the amount of extraordinary investment gains  
9 as defined in RCW 41.31.020 shall be used to shorten the amortization  
10 period for the public employees' retirement system plan 1 and the  
11 teachers' retirement system plan 1.

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

15        (7) The director of the department of retirement systems shall  
16 collect those rates adopted by the council.

17        **Sec. 505.** RCW 41.45.070 and 1998 c 341 s 406 and 1998 c 340 s 10  
18 are each reenacted and amended to read as follows:

19        (1) In addition to the basic employer contribution rate established  
20 in RCW 41.45.060, the department shall also charge employers of public  
21 employees' retirement system, teachers' retirement system, school  
22 employees' retirement system, or Washington state patrol retirement  
23 system members an additional supplemental rate to pay for the cost of  
24 additional benefits, if any, granted to members of those systems.  
25 Except as provided in subsections (6) and (7) of this section, the  
26 supplemental contribution rates required by this section shall be  
27 calculated by the state actuary and shall be charged regardless of  
28 language to the contrary contained in the statute which authorizes  
29 additional benefits.

30        (2) In addition to the basic state contribution rate established in  
31 RCW 41.45.060 for the law enforcement officers' and fire fighters'  
32 retirement system the department shall also establish a supplemental  
33 rate to pay for the cost of additional benefits, if any, granted to  
34 members of the law enforcement officers' and fire fighters' retirement  
35 system. Except as provided in subsection (6) of this section, this  
36 supplemental rate shall be calculated by the state actuary and the  
37 state treasurer shall transfer the additional required contributions

1 regardless of language to the contrary contained in the statute which  
2 authorizes the additional benefits.

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

10 (4) The supplemental rate charged under this section to fund  
11 benefit increases provided to active and retired members of the public  
12 employees' retirement system plan 2 and plan 3, the teachers'  
13 retirement system plan 2 and plan 3, the school employees' retirement  
14 system plan 2 and plan 3, or the law enforcement officers' and fire  
15 fighters' retirement system plan 2, shall be calculated as the level  
16 percentage of all members' pay needed to fund the cost of the benefit,  
17 as calculated under RCW ((~~41.40.650 or 41.26.450, respectively~~))  
18 41.45.060, 41.45.061, or section 507 of this act.

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

29 (6) A supplemental rate shall not be charged to pay for the cost of  
30 additional benefits granted to members pursuant to chapter 340, Laws of  
31 1998.

32 (7) A supplemental rate shall not be charged to pay for the cost of  
33 additional benefits granted to members pursuant to chapter 41.31A RCW;  
34 section 309, chapter 341, Laws of 1998; or section 701, chapter 341,  
35 Laws of 1998.

36 **Sec. 506.** RCW 41.45.061 and 1998 c 341 s 405 are each amended to  
37 read as follows:



1 (1) The required contribution rate for members of the plan 2  
2 teachers' retirement system shall be fixed at the rates in effect on  
3 July 1, 1996, subject to the following:

4 (a) Beginning September 1, 1997, except as provided in (b) of this  
5 subsection, the employee contribution rate shall not exceed the  
6 employer plan 2 and 3 rates adopted under RCW 41.45.060 and 41.45.070  
7 for the teachers' retirement system;

8 (b) In addition, the employee contribution rate for plan 2 shall be  
9 increased by fifty percent of the contribution rate increase caused by  
10 any plan 2 benefit increase passed after July 1, 1996;

11 (c) In addition, the employee contribution rate for plan 2 shall  
12 not be increased as a result of any distributions pursuant to section  
13 309, chapter 341, Laws of 1998 and RCW 41.31A.020.

14 (2) The required contribution rate for members of the school  
15 employees' retirement system plan 2 shall be fixed at the rates in  
16 effect on September 1, 2000, for members of the public employees'  
17 retirement system plan 2, subject to the following:

18 (a) Except as provided in (b) of this subsection, the member  
19 contribution rate shall not exceed the school employees' retirement  
20 system employer plan 2 and 3 contribution rate adopted under RCW  
21 41.45.060 and 41.45.070;

22 (b) The member contribution rate for the school employees'  
23 retirement system plan 2 shall be increased by fifty percent of the  
24 contribution rate increase caused by any plan 2 benefit increase passed  
25 after September 1, 2000.

26 (3) The required contribution rate for members of the public  
27 employees' retirement system plan 2 shall be set at the same rate as  
28 the employer combined plan 2 and plan 3 rate.

29 (4) The required contribution rate for members of the law  
30 enforcement officers' and fire fighters' retirement system plan 2 shall  
31 be set at fifty percent of the cost of the retirement system.

32 (5) The employee contribution rates for plan 2 under subsections  
33 (3) and (4) of this section shall not ((be increased)) include any  
34 increase as a result of any distributions pursuant to RCW 41.31A.020  
35 and 41.31A.030.

36 ((+4)) (6) The required plan 2 and 3 contribution rates for  
37 employers shall be adopted in the manner described in RCW 41.45.060.



1 held, to two funds to be maintained in the state treasury, namely, the  
2 teachers' retirement system plan 1 fund and the teachers' retirement  
3 system combined plan 2 and 3 fund. The plan 1 fund shall consist of  
4 all moneys paid to finance the benefits provided to members of the  
5 Washington state teachers' retirement system plan 1, and the combined  
6 plan 2 and 3 fund shall consist of all moneys paid to finance the  
7 benefits provided to members of the Washington state teachers'  
8 retirement system plan 2 and 3.

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

17 (4) There is hereby established in the state treasury the school  
18 employees' retirement system combined plan 2 and 3 fund. The combined  
19 plan 2 and 3 fund shall consist of all moneys paid to finance the  
20 benefits provided to members of the school employees' retirement system  
21 plan 2 and plan 3.

22 **Sec. 602.** RCW 41.50.088 and 1998 c 341 s 507 and 1998 c 116 s 10  
23 are each reenacted and amended to read as follows:

24 (1) The board shall adopt rules as necessary and exercise ~~((all))~~  
25 the following powers and ~~((perform all))~~ duties ~~((prescribed by law~~  
26 ~~with respect to))~~:

27 (a) The board shall recommend to the state investment board types  
28 of options for member self-directed investment in the teachers'  
29 retirement system plan 3 ~~((and))~~, the school employees' retirement  
30 system plan 3, and the public employees' retirement system plan 3 as  
31 deemed by the board to be reflective of the members' preferences;

32 (b) ~~((The selection of optional benefit payment schedules available~~  
33 ~~to members and survivors of members upon the death, disability,~~  
34 ~~retirement, or termination of the member. The optional benefit~~  
35 ~~payments may include but not be limited to: Fixed and participating~~  
36 ~~annuities, joint and survivor annuities, and payments that bridge to~~  
37 ~~social security or defined benefit plan payments;~~

1       ~~(c) Approval of actuarially equivalent annuities~~) By July 1, 2005,  
2 the board shall make optional actuarially equivalent life annuity  
3 benefit payment schedules available to members and survivors that may  
4 be purchased from the combined plan 2 and plan 3 funds under RCW  
5 41.50.075 (~~(2) or (3)~~); and

6       ~~((d))~~ (c) Determination of the basis for administrative charges  
7 to the self-directed investment fund to offset self-directed account  
8 expenses;

9       (2) The board shall recommend to the state investment board types  
10 of options for participant self-directed investment in the state  
11 deferred compensation plan, as deemed by the board to be reflective of  
12 the participants' preferences.

13       **Sec. 603.** RCW 41.50.500 and 1998 c 341 s 512 are each amended to  
14 read as follows:

15       Unless the context clearly requires otherwise, the definitions in  
16 this section apply throughout RCW 41.50.500 through 41.50.650,  
17 41.50.670 through 41.50.720, and 26.09.138.

18       (1) "Benefits" means periodic retirement payments or a withdrawal  
19 of accumulated contributions.

20       (2) "Disposable benefits" means that part of the benefits of an  
21 individual remaining after the deduction from those benefits of any  
22 amount required by law to be withheld. The term "required by law to be  
23 withheld" does not include any deduction elective to the member.

24       (3) "Dissolution order" means any judgment, decree, or order of  
25 spousal maintenance, property division, or court-approved property  
26 settlement incident to a decree of divorce, dissolution, invalidity, or  
27 legal separation issued by the superior court of the state of  
28 Washington or a judgment, decree, or other order of spousal support  
29 issued by a court of competent jurisdiction in another state or  
30 country, that has been registered or otherwise made enforceable in this  
31 state.

32       (4) "Mandatory benefits assignment order" means an order issued to  
33 the department of retirement systems pursuant to RCW 41.50.570 to  
34 withhold and deliver benefits payable to an obligor under chapter 2.10,  
35 2.12, 41.26, 41.32, 41.40, 41.35, or 43.43 RCW.

36       (5) "Obligee" means an ex spouse or spouse to whom a duty of  
37 spousal maintenance or property division obligation is owed.

1 (6) "Obligor" means the spouse or ex spouse owing a duty of spousal  
2 maintenance or a property division obligation.

3 (7) "Periodic retirement payments" means periodic payments of  
4 retirement allowances, including but not limited to service retirement  
5 allowances, disability retirement allowances, and survivors'  
6 allowances. The term does not include a withdrawal of accumulated  
7 contributions.

8 (8) "Property division obligation" means any outstanding court-  
9 ordered property division or court-approved property settlement  
10 obligation incident to a decree of divorce, dissolution, or legal  
11 separation.

12 (9) "Standard allowance" means a benefit payment option selected  
13 under RCW 2.10.146(1)(a), 41.26.460(1)(a), 41.32.785(1)(a),  
14 41.40.188(1)(a), 41.40.660(1), section 314(1)(a) of this act, or  
15 41.35.220 that ceases upon the death of the retiree. Standard  
16 allowance also means the benefit allowance provided under RCW 2.10.110,  
17 2.10.130, 43.43.260, 41.26.100, 41.26.130(1)(a), or chapter 2.12 RCW.  
18 Standard allowance also means the maximum retirement allowance  
19 available under RCW 41.32.530(1) following member withdrawal of  
20 accumulated contributions, if any.

21 (10) "Withdrawal of accumulated contributions" means a lump sum  
22 payment to a retirement system member of all or a part of the member's  
23 accumulated contributions, including accrued interest, at the request  
24 of the member including any lump sum amount paid upon the death of the  
25 member.

26 **Sec. 604.** RCW 41.05.011 and 1998 c 341 s 706 are each amended to  
27 read as follows:

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

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

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

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

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

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

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

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

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

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

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

1 immediately upon separation receive a retirement allowance under  
2 chapter 41.32, 41.35, 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, 41.35, 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:

20 (a) RCW 41.32.010(11) on or after July 1, 1996; or

21 (b) RCW 41.35.010 on or after September 1, 2000; or

22 (c) RCW 41.40.010 on or after March 1, 2002;

23 and who are at least age fifty-five and have at least ten years of  
24 service under the teachers' retirement system plan 3 as defined in RCW  
25 41.32.010(40) (~~or~~), the Washington school employees' retirement  
26 system plan 3 as defined in RCW 41.35.010, or the public employees'  
27 retirement system plan 3 as defined in RCW 41.40.010.

## 28 "FUND INVESTMENTS AND INTEREST EARNINGS"

29 **Sec. 701.** RCW 43.33A.190 and 1998 c 341 s 707 are each amended to  
30 read as follows:

31 Pursuant to RCW 41.34.130, the state investment board shall invest  
32 all self-directed investment moneys under teachers' retirement system  
33 plan 3 (~~and~~), the school employees' retirement system plan 3, and the  
34 public employees' retirement system plan 3 with full power to establish  
35 investment policy, develop investment options, and manage self-directed  
36 investment funds.

1       **Sec. 702.** RCW 43.84.092 and 1999 c 380 s 9, 1999 c 309 s 929, 1999  
2 c 268 s 5, and 1999 c 94 s 4 are each reenacted and amended to read as  
3 follows:

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

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

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

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

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



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

1 system plan 2 retirement account, the Washington school employees'  
2 retirement system combined plan 2 and 3 account, the Washington state  
3 patrol retirement account, the Washington State University building  
4 account, the Washington State University bond retirement fund, the  
5 water pollution control revolving fund, and the Western Washington  
6 University capital projects account. Earnings derived from investing  
7 balances of the agricultural permanent fund, the normal school  
8 permanent fund, the permanent common school fund, the scientific  
9 permanent fund, and the state university permanent fund shall be  
10 allocated to their respective beneficiary accounts. All earnings to be  
11 distributed under this subsection (4)(a) shall first be reduced by the  
12 allocation to the state treasurer's service fund pursuant to RCW  
13 43.08.190.

14 (b) The following accounts and funds shall receive eighty percent  
15 of their proportionate share of earnings based upon each account's or  
16 fund's average daily balance for the period: The aeronautics account,  
17 the aircraft search and rescue account, the county arterial  
18 preservation account, the department of licensing services account, the  
19 essential rail assistance account, the ferry bond retirement fund, the  
20 grade crossing protective fund, the high capacity transportation  
21 account, the highway bond retirement fund, the highway safety account,  
22 the motor vehicle fund, the motorcycle safety education account, the  
23 pilotage account, the public transportation systems account, the Puget  
24 Sound capital construction account, the Puget Sound ferry operations  
25 account, the recreational vehicle account, the rural arterial trust  
26 account, the safety and education account, the special category C  
27 account, the state patrol highway account, the transportation equipment  
28 fund, the transportation fund, the transportation improvement account,  
29 the transportation improvement board bond retirement account, and the  
30 urban arterial trust account.

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

34 **"LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'**  
35 **RETIREMENT SYSTEM PLAN 2"**

36 **Sec. 801.** RCW 41.26.450 and 1996 c 38 s 3 are each amended to read  
37 as follows:

1       ~~((1) The required contribution rates to the plan II system for~~  
2 ~~members, employers, and the state of Washington shall be established by~~  
3 ~~the director from time to time as may be necessary upon the advice of~~  
4 ~~the state actuary. The state actuary shall use the aggregate actuarial~~  
5 ~~cost method to calculate contribution rates.~~

6       ~~(2) Except as provided in subsection (3) of this section, the~~  
7 ~~member, the employer and the state shall each contribute the following~~  
8 ~~shares of the cost of the retirement system:~~

9	Member	50%
10	Employer	30%
11	State	20%

12       ~~(3)) Port districts established under Title 53 RCW and~~  
13 ~~institutions of higher education as defined in RCW 28B.10.016 shall~~  
14 ~~contribute both the employer and state shares of the cost of the~~  
15 ~~retirement system for any of their employees who are law enforcement~~  
16 ~~officers. Institutions of higher education shall contribute both the~~  
17 ~~employer and the state shares of the cost of the retirement system for~~  
18 ~~any of their employees who are fire fighters.~~

19       ~~((4) Effective January 1, 1987, however, no member or employer~~  
20 ~~contributions are required for any calendar month in which the member~~  
21 ~~is not granted service credit.~~

22       ~~(5) Any adjustments in contribution rates required from time to~~  
23 ~~time for future costs shall likewise be shared proportionally by the~~  
24 ~~members, employers, and the state.~~

25       ~~(6) Any increase in the contribution rate required as the result of~~  
26 ~~a failure of the state or of an employer to make any contribution~~  
27 ~~required by this section shall be borne in full by the state or by that~~  
28 ~~employer not making the contribution.~~

29       ~~(7) The director shall notify all employers of any pending~~  
30 ~~adjustment in the required contribution rate and such increase shall be~~  
31 ~~announced at least thirty days prior to the effective date of the~~  
32 ~~change.~~

33       ~~(8) Members' contributions required by this section shall be~~  
34 ~~deducted from the members basic salary each payroll period. The~~  
35 ~~members contribution and the employers contribution shall be remitted~~  
36 ~~directly to the department within fifteen days following the end of the~~  
37 ~~calendar month during which the payroll period ends. The state's~~  
38 ~~contribution required by this section shall be transferred to the plan~~

1 ~~II fund from the total contributions transferred by the state treasurer~~  
2 ~~under RCW 41.45.060 and 41.45.070.)~~)

3 **"EARLY RETIREMENT REDUCTION FACTORS"**

4 **Sec. 901.** RCW 41.40.630 and 1991 c 343 s 11 are each amended to  
5 read as follows:

6 (1) NORMAL RETIREMENT. Any member with at least five service  
7 credit years who has attained at least age sixty-five shall be eligible  
8 to retire and to receive a retirement allowance computed according to  
9 the provisions of RCW 41.40.620.

10 (2) EARLY RETIREMENT. Any member who has completed at least twenty  
11 service credit years and has attained age fifty-five shall be eligible  
12 to retire and to receive a retirement allowance computed according to  
13 the provisions of RCW 41.40.620, except that a member retiring pursuant  
14 to this subsection shall have the retirement allowance actuarially  
15 reduced to reflect the difference in the number of years between age at  
16 retirement and the attainment of age sixty-five.

17 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
18 least thirty service credit years and has attained age fifty-five shall  
19 be eligible to retire and to receive a retirement allowance computed  
20 according to the provisions of RCW 41.40.620, except that a member  
21 retiring pursuant to this subsection shall have the retirement  
22 allowance reduced by three percent per year to reflect the difference  
23 in the number of years between age at retirement and the attainment of  
24 age sixty-five.

25 **Sec. 902.** RCW 41.32.765 and 1991 c 343 s 5 are each amended to  
26 read as follows:

27 (1) NORMAL RETIREMENT. Any member with at least five service  
28 credit years of service who has attained at least age sixty-five shall  
29 be eligible to retire and to receive a retirement allowance computed  
30 according to the provisions of RCW 41.32.760.

31 (2) EARLY RETIREMENT. Any member who has completed at least twenty  
32 service credit years of service who has attained at least age fifty-  
33 five shall be eligible to retire and to receive a retirement allowance  
34 computed according to the provisions of RCW 41.32.760, except that a  
35 member retiring pursuant to this subsection shall have the retirement  
36 allowance actuarially reduced to reflect the difference in the number

1 of years between age at retirement and the attainment of age sixty-  
2 five.

3 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
4 least thirty service credit years and has attained age fifty-five shall  
5 be eligible to retire and to receive a retirement allowance computed  
6 according to the provisions of RCW 41.32.760, except that a member  
7 retiring pursuant to this subsection shall have the retirement  
8 allowance reduced by three percent per year to reflect the difference  
9 in the number of years between age at retirement and the attainment of  
10 age sixty-five.

11 **Sec. 903.** RCW 41.32.875 and 1996 c 39 s 6 are each amended to read  
12 as follows:

13 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five  
14 and who has:

15 (a) Completed ten service credit years; or

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

18 (c) Completed five service credit years by July 1, 1996, under plan  
19 2 and who transferred to plan 3 under RCW 41.32.817;

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

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

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

1       **Sec. 904.** RCW 41.26.430 and 1993 c 517 s 3 are each amended to  
2 read as follows:

3       (1) NORMAL RETIREMENT. Any member with at least five service  
4 credit years of service who has attained at least age (~~(fifty-five)~~)  
5 fifty-three shall be eligible to retire and to receive a retirement  
6 allowance computed according to the provisions of RCW 41.26.420.

7       (2) EARLY RETIREMENT. Any member who has completed at least twenty  
8 service credit years of service and has attained age fifty shall be  
9 eligible to retire and to receive a retirement allowance computed  
10 according to the provisions of RCW 41.26.420, except that a member  
11 retiring pursuant to this subsection shall have the retirement  
12 allowance actuarially reduced to reflect the difference in the number  
13 of years between age at retirement and the attainment of age (~~(fifty-~~  
14 ~~five))~~ fifty-three.

15       (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
16 least twenty service credit years and has attained age fifty shall be  
17 eligible to retire and to receive a retirement allowance computed  
18 according to the provisions of RCW 41.26.420, except that a member  
19 retiring pursuant to this subsection shall have the retirement  
20 allowance reduced by three percent per year to reflect the difference  
21 in the number of years between age at retirement and the attainment of  
22 age fifty-three.

23       **Sec. 905.** RCW 41.35.420 and 1998 c 341 s 103 are each amended to  
24 read as follows:

25       (1) NORMAL RETIREMENT. Any member with at least five service  
26 credit years who has attained at least age sixty-five shall be eligible  
27 to retire and to receive a retirement allowance computed according to  
28 the provisions of RCW 41.35.400.

29       (2) EARLY RETIREMENT. Any member who has completed at least twenty  
30 service credit years and has attained age fifty-five shall be eligible  
31 to retire and to receive a retirement allowance computed according to  
32 the provisions of RCW 41.35.400, except that a member retiring pursuant  
33 to this subsection shall have the retirement allowance actuarially  
34 reduced to reflect the difference in the number of years between age at  
35 retirement and the attainment of age sixty-five.

36       (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
37 least thirty service credit years and has attained age fifty-five shall  
38 be eligible to retire and to receive a retirement allowance computed

1 according to the provisions of RCW 41.35.400, except that a member  
2 retiring pursuant to this subsection shall have the retirement  
3 allowance reduced by three percent per year to reflect the difference  
4 in the number of years between age at retirement and the attainment of  
5 age sixty-five.

6 **Sec. 906.** RCW 41.35.680 and 1998 c 341 s 209 are each amended to  
7 read as follows:

8 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five  
9 and who has:

10 (a) Completed ten service credit years; or

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

13 (c) Completed five service credit years by September 1, 2000, under  
14 the public employees' retirement system plan 2 and who transferred to  
15 plan 3 under RCW 41.35.510;

16 shall be eligible to retire and to receive a retirement allowance  
17 computed according to the provisions of RCW 41.35.620.

18 (2) EARLY RETIREMENT. Any member who has attained at least age  
19 fifty-five and has completed at least ten years of service shall be  
20 eligible to retire and to receive a retirement allowance computed  
21 according to the provisions of RCW 41.35.620, except that a member  
22 retiring pursuant to this subsection shall have the retirement  
23 allowance actuarially reduced to reflect the difference in the number  
24 of years between age at retirement and the attainment of age sixty-  
25 five.

26 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
27 least thirty service credit years and has attained age fifty-five shall  
28 be eligible to retire and to receive a retirement allowance computed  
29 according to the provisions of RCW 41.35.620, except that a member  
30 retiring pursuant to this subsection shall have the retirement  
31 allowance reduced by three percent per year to reflect the difference  
32 in the number of years between age at retirement and the attainment of  
33 age sixty-five.

34 **"DEATH BENEFITS"**

35 **Sec. 1001.** RCW 41.26.510 and 1995 c 245 s 1 and 1995 c 144 s 19  
36 are each reenacted and amended to read as follows:

1 (1) Except as provided in RCW 11.07.010, if a member or a vested  
2 member who has not completed at least ten years of service dies, the  
3 amount of the accumulated contributions standing to such member's  
4 credit in the retirement system at the time of such member's death,  
5 less any amount identified as owing to an obligee upon withdrawal of  
6 accumulated contributions pursuant to a court order filed under RCW  
7 41.50.670, shall be paid to the member's estate, or such person or  
8 persons, trust, or organization as the member shall have nominated by  
9 written designation duly executed and filed with the department. If  
10 there be no such designated person or persons still living at the time  
11 of the member's death, such member's accumulated contributions standing  
12 to such member's credit in the retirement system, less any amount  
13 identified as owing to an obligee upon withdrawal of accumulated  
14 contributions pursuant to a court order filed under RCW 41.50.670,  
15 shall be paid to the member's surviving spouse as if in fact such  
16 spouse had been nominated by written designation, or if there be no  
17 such surviving spouse, then to such member's legal representatives.

18 (2) If a member who is eligible for retirement or a member who has  
19 completed at least ten years of service dies, the surviving spouse or  
20 eligible child or children shall elect to receive either:

21 (a) A retirement allowance computed as provided for in RCW  
22 41.26.430(~~(+1)~~), actuarially reduced by the amount of any lump sum  
23 benefit identified as owing to an obligee upon withdrawal of  
24 accumulated contributions pursuant to a court order filed under RCW  
25 41.50.670 and actuarially adjusted to reflect a joint and one hundred  
26 percent survivor option under RCW 41.26.460 and if the member was not  
27 eligible for normal retirement at the date of death a further reduction  
28 as described in RCW 41.26.430(~~(+2)~~); if a surviving spouse who is  
29 receiving a retirement allowance dies leaving a child or children of  
30 the member under the age of majority, then such child or children shall  
31 continue to receive an allowance in an amount equal to that which was  
32 being received by the surviving spouse, share and share alike, until  
33 such child or children reach the age of majority; if there is no  
34 surviving spouse eligible to receive an allowance at the time of the  
35 member's death, such member's child or children under the age of  
36 majority shall receive an allowance share and share alike calculated as  
37 herein provided making the assumption that the ages of the spouse and  
38 member were equal at the time of the member's death; or



1 (b)(i) The member's accumulated contributions, less any amount  
2 identified as owing to an obligee upon withdrawal of accumulated  
3 contributions pursuant to a court order filed under RCW 41.50.670; or

4 (ii) If the member dies on or after July 25, 1993, one hundred  
5 fifty percent of the member's accumulated contributions, less any  
6 amount identified as owing to an obligee upon withdrawal of accumulated  
7 contributions pursuant to a court order filed under RCW 41.50.670. Any  
8 accumulated contributions attributable to restorations made under RCW  
9 41.50.165(2) shall be refunded at one hundred percent.

10 (3) If a member who is eligible for retirement or a member who has  
11 completed at least ten years of service dies after October 1, 1977, and  
12 is not survived by a spouse or an eligible child, then the accumulated  
13 contributions standing to the member's credit, less any amount  
14 identified as owing to an obligee upon withdrawal of accumulated  
15 contributions pursuant to a court order filed under RCW 41.50.670,  
16 shall be paid:

17 (a) To an estate, a person or persons, trust, or organization as  
18 the member shall have nominated by written designation duly executed  
19 and filed with the department; or

20 (b) If there is no such designated person or persons still living  
21 at the time of the member's death, then to the member's legal  
22 representatives.

23 **Sec. 1002.** RCW 41.32.805 and 1995 c 144 s 16 are each amended to  
24 read as follows:

25 (1) Except as provided in RCW 11.07.010, if a member or a vested  
26 member who has not completed at least ten years of service dies, the  
27 amount of the accumulated contributions standing to such member's  
28 credit in the retirement system, less any amount identified as owing to  
29 an obligee upon withdrawal of accumulated contributions pursuant to a  
30 court order filed under RCW 41.50.670, at the time of such member's  
31 death shall be paid to the member's estate, or such person or persons,  
32 trust, or organization as the member shall have nominated by written  
33 designation duly executed and filed with the department. If there be  
34 no such designated person or persons still living at the time of the  
35 member's death, such member's accumulated contributions standing to  
36 such member's credit in the retirement system, less any amount  
37 identified as owing to an obligee upon withdrawal of accumulated  
38 contributions pursuant to a court order filed under RCW 41.50.670,

1 shall be paid to the member's surviving spouse as if in fact such  
2 spouse had been nominated by written designation, or if there be no  
3 such surviving spouse, then to such member's legal representatives.

4 (2) If a member who is eligible for retirement or a member who has  
5 completed at least ten years of service dies, the surviving spouse or  
6 eligible children shall elect to receive either:

7 (a) A retirement allowance computed as provided for in RCW  
8 41.32.765(~~(+1)~~), actuarially reduced by the amount of any lump sum  
9 benefit identified as owing to an obligee upon withdrawal of  
10 accumulated contributions pursuant to a court order filed under RCW  
11 41.50.670 and actuarially adjusted to reflect a joint and one hundred  
12 percent survivor option under RCW 41.32.785 and if the member was not  
13 eligible for normal retirement at the date of death a further reduction  
14 as described in RCW 41.32.765(~~(+2)~~); if a surviving spouse who is  
15 receiving a retirement allowance dies leaving a child or children of  
16 the member under the age of majority, then such child or children shall  
17 continue to receive an allowance in an amount equal to that which was  
18 being received by the surviving spouse, share and share alike, until  
19 such child or children reach the age of majority; if there is no  
20 surviving spouse eligible to receive an allowance at the time of the  
21 member's death, such member's child or children under the age of  
22 majority shall receive an allowance share and share alike calculated as  
23 herein provided making the assumption that the ages of the spouse and  
24 member were equal at the time of the member's death; or

25 (b) The member's accumulated contributions, less any amount  
26 identified as owing to an obligee upon withdrawal of accumulated  
27 contributions pursuant to a court order filed under RCW 41.50.670.

28 (3) If a member who is eligible for retirement or a member who has  
29 completed at least ten years of service dies after October 1, 1977, and  
30 is not survived by a spouse or an eligible child, then the accumulated  
31 contributions standing to the member's credit, less any amount  
32 identified as owing to an obligee upon withdrawal of accumulated  
33 contributions pursuant to a court order filed under RCW 41.50.670,  
34 shall be paid:

35 (a) To an estate, a person or persons, trust, or organization as  
36 the member shall have nominated by written designation duly executed  
37 and filed with the department; or

1 (b) If there is no such designated person or persons still living  
2 at the time of the member's death, then to the member's legal  
3 representatives.

4 **Sec. 1003.** RCW 41.32.895 and 1996 c 39 s 7 are each amended to  
5 read as follows:

6 If a member dies prior to retirement, the surviving spouse or  
7 eligible child or children shall receive a retirement allowance  
8 computed as provided in RCW 41.32.851 actuarially reduced to reflect a  
9 joint and one hundred percent survivor option and if the member was not  
10 eligible for normal retirement at the date of death a further reduction  
11 as described in RCW 41.32.875(~~((+2))~~).

12 If the surviving spouse who is receiving the retirement allowance  
13 dies leaving a child or children under the age of majority, then such  
14 child or children shall continue to receive an allowance in an amount  
15 equal to that which was being received by the surviving spouse, share  
16 and share alike, until such child or children reach the age of  
17 majority.

18 If there is no surviving spouse eligible to receive an allowance at  
19 the time of the member's death, such member's child or children under  
20 the age of majority shall receive an allowance, share and share alike.  
21 The allowance shall be calculated with the assumption that the age of  
22 the spouse and member were equal at the time of the member's death.

23 **Sec. 1004.** RCW 41.40.700 and 1995 c 144 s 8 are each amended to  
24 read as follows:

25 (1) Except as provided in RCW 11.07.010, if a member or a vested  
26 member who has not completed at least ten years of service dies, the  
27 amount of the accumulated contributions standing to such member's  
28 credit in the retirement system at the time of such member's death,  
29 less any amount identified as owing to an obligee upon withdrawal of  
30 accumulated contributions pursuant to a court order filed under RCW  
31 41.50.670, shall be paid to the member's estate, or such person or  
32 persons, trust, or organization as the member shall have nominated by  
33 written designation duly executed and filed with the department. If  
34 there be no such designated person or persons still living at the time  
35 of the member's death, such member's accumulated contributions standing  
36 to such member's credit in the retirement system, less any amount  
37 identified as owing to an obligee upon withdrawal of accumulated

1 contributions pursuant to a court order filed under RCW 41.50.670,  
2 shall be paid to the member's surviving spouse as if in fact such  
3 spouse had been nominated by written designation, or if there be no  
4 such surviving spouse, then to such member's legal representatives.

5 (2) If a member who is eligible for retirement or a member who has  
6 completed at least ten years of service dies, the surviving spouse or  
7 eligible child or children shall elect to receive either:

8 (a) A retirement allowance computed as provided for in RCW  
9 41.40.630(~~(+1)~~), actuarially reduced by the amount of any lump sum  
10 benefit identified as owing to an obligee upon withdrawal of  
11 accumulated contributions pursuant to a court order filed under RCW  
12 41.50.670 and actuarially adjusted to reflect a joint and one hundred  
13 percent survivor option under RCW 41.40.660 and if the member was not  
14 eligible for normal retirement at the date of death a further reduction  
15 as described in RCW 41.40.630(~~(+2)~~); if a surviving spouse who is  
16 receiving a retirement allowance dies leaving a child or children of  
17 the member under the age of majority, then such child or children shall  
18 continue to receive an allowance in an amount equal to that which was  
19 being received by the surviving spouse, share and share alike, until  
20 such child or children reach the age of majority; if there is no  
21 surviving spouse eligible to receive an allowance at the time of the  
22 member's death, such member's child or children under the age of  
23 majority shall receive an allowance share and share alike calculated as  
24 herein provided making the assumption that the ages of the spouse and  
25 member were equal at the time of the member's death; or

26 (b) The member's accumulated contributions, less any amount  
27 identified as owing to an obligee upon withdrawal of accumulated  
28 contributions pursuant to a court order filed under RCW 41.50.670.

29 (3) If a member who is eligible for retirement or a member who has  
30 completed at least ten years of service dies after October 1, 1977, and  
31 is not survived by a spouse or an eligible child, then the accumulated  
32 contributions standing to the member's credit, less any amount  
33 identified as owing to an obligee upon withdrawal of accumulated  
34 contributions pursuant to a court order filed under RCW 41.50.670,  
35 shall be paid:

36 (a) To a person or persons, estate, trust, or organization as the  
37 member shall have nominated by written designation duly executed and  
38 filed with the department; or

1 (b) If there is no such designated person or persons still living  
2 at the time of the member's death, then to the member's legal  
3 representatives.

4 "CONFORMING AMENDMENTS"

5 **Sec. 1101.** RCW 41.04.440 and 1995 c 239 s 322 are each amended to  
6 read as follows:

7 (1) The sole purpose of RCW 41.04.445 and 41.04.450 is to allow the  
8 members of the retirement systems created in chapters 2.10, 2.12,  
9 41.26, 41.32, 41.40, 41.34, and 43.43 RCW to enjoy the tax deferral  
10 benefits allowed under 26 U.S.C. 414(h). Chapter 227, Laws of 1984  
11 does not alter in any manner the provisions of RCW (~~41.26.450 and~~  
12 ~~41.40.650~~) 41.45.060, 41.45.061, and section 507 of this act which  
13 require that the member contribution rates shall be set so as to  
14 provide fifty percent of the cost of the respective retirement plans.

15 (2) Should the legislature revoke any benefit allowed under 26  
16 U.S.C. 414(h), no affected employee shall be entitled thereafter to  
17 receive such benefit as a matter of contractual right.

18 **Sec. 1102.** RCW 41.04.445 and 1995 c 239 s 323 are each amended to  
19 read as follows:

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

21 (a) Judges under the retirement system established under chapter  
22 2.10, 2.12, or 2.14 RCW;

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

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

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

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

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

- 1 (a) RCW 2.10.090(1);
- 2 (b) RCW 2.12.060;
- 3 (c) RCW 2.14.090;
- 4 (d) RCW 41.32.263;
- 5 (e) RCW 41.32.350;
- 6 (f) RCW 41.40.330 (1) and (3);
- 7 (g) RCW ((~~41.40.650~~)) 41.45.061 and section 507 of this act;
- 8 (h) RCW 41.34.070;
- 9 (i) RCW 43.43.300; and
- 10 (j) RCW 41.34.040.

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

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

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

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

23 (b) Notification of such implementation to the director of the  
24 department of retirement systems.

25 **Sec. 1103.** RCW 41.04.450 and 1995 c 239 s 324 are each amended to  
26 read as follows:

27 (1) Employers of those members under chapters 41.26, 41.40, and  
28 41.34 RCW who are not specified in RCW 41.04.445 may choose to  
29 implement the employer pick up of all member contributions without  
30 exception under RCW 41.26.080(1), 41.26.450, 41.40.330(1),  
31 ((~~41.40.650~~)) 41.45.060, 41.45.061, and section 507 of this act and  
32 chapter 41.34 RCW. If the employer does so choose, the employer and  
33 members shall be subject to the conditions and limitations of RCW  
34 41.04.445 (3), (4), and (5) and RCW 41.04.455.

35 (2) An employer exercising the option under this section may later  
36 choose to withdraw from and/or reestablish the employer pick up of  
37 member contributions only once in a calendar year following forty-five

1 days prior notice to the director of the department of retirement  
2 systems.

3 **Sec. 1104.** RCW 41.26.470 and 1999 c 135 s 1 are each amended to  
4 read as follows:

5 (1) A member of the retirement system who becomes totally  
6 incapacitated for continued employment by an employer as determined by  
7 the director shall be eligible to receive an allowance under the  
8 provisions of RCW 41.26.410 through 41.26.550. Such member shall  
9 receive a monthly disability allowance computed as provided for in RCW  
10 41.26.420 and shall have such allowance actuarially reduced to reflect  
11 the difference in the number of years between age at disability and the  
12 attainment of age fifty-five.

13 (2) Any member who receives an allowance under the provisions of  
14 this section shall be subject to such comprehensive medical  
15 examinations as required by the department. If such medical  
16 examinations reveal that such a member has recovered from the  
17 incapacitating disability and the member is no longer entitled to  
18 benefits under Title 51 RCW, the retirement allowance shall be canceled  
19 and the member shall be restored to duty in the same civil service  
20 rank, if any, held by the member at the time of retirement or, if  
21 unable to perform the duties of the rank, then, at the member's  
22 request, in such other like or lesser rank as may be or become open and  
23 available, the duties of which the member is then able to perform. In  
24 no event shall a member previously drawing a disability allowance be  
25 returned or be restored to duty at a salary or rate of pay less than  
26 the current salary attached to the rank or position held by the member  
27 at the date of the retirement for disability. If the department  
28 determines that the member is able to return to service, the member is  
29 entitled to notice and a hearing. Both the notice and the hearing  
30 shall comply with the requirements of chapter 34.05 RCW, the  
31 Administrative Procedure Act.

32 (3) Those members subject to this chapter who became disabled in  
33 the line of duty on or after July 23, 1989, and who receive benefits  
34 under RCW 41.04.500 through 41.04.530 or similar benefits under RCW  
35 41.04.535 shall receive or continue to receive service credit subject  
36 to the following:

37 (a) No member may receive more than one month's service credit in  
38 a calendar month.

1 (b) No service credit under this section may be allowed after a  
2 member separates or is separated without leave of absence.

3 (c) Employer contributions shall be paid by the employer at the  
4 rate in effect for the period of the service credited.

5 (d) Employee contributions shall be collected by the employer and  
6 paid to the department at the rate in effect for the period of service  
7 credited.

8 (e) State contributions shall be as provided in RCW (~~41.26.450~~)  
9 41.45.060 and section 507 of this act.

10 (f) Contributions shall be based on the regular compensation which  
11 the member would have received had the disability not occurred.

12 (g) The service and compensation credit under this section shall be  
13 granted for a period not to exceed six consecutive months.

14 (h) Should the legislature revoke the service credit authorized  
15 under this section or repeal this section, no affected employee is  
16 entitled to receive the credit as a matter of contractual right.

17 (4)(a) If the recipient of a monthly retirement allowance under  
18 this section dies before the total of the retirement allowance paid to  
19 the recipient equals the amount of the accumulated contributions at the  
20 date of retirement, then the balance shall be paid to the member's  
21 estate, or such person or persons, trust, or organization as the  
22 recipient has nominated by written designation duly executed and filed  
23 with the director, or, if there is no such designated person or persons  
24 still living at the time of the recipient's death, then to the  
25 surviving spouse, or, if there is neither such designated person or  
26 persons still living at the time of his or her death nor a surviving  
27 spouse, then to his or her legal representative.

28 (b) If a recipient of a monthly retirement allowance under this  
29 section died before April 27, 1989, and before the total of the  
30 retirement allowance paid to the recipient equaled the amount of his or  
31 her accumulated contributions at the date of retirement, then the  
32 department shall pay the balance of the accumulated contributions to  
33 the member's surviving spouse or, if there is no surviving spouse, then  
34 in equal shares to the member's children. If there is no surviving  
35 spouse or children, the department shall retain the contributions.

36 (5) Should the disability retirement allowance of any disability  
37 beneficiary be canceled for any cause other than reentrance into  
38 service or retirement for service, he or she shall be paid the excess,



1 if any, of the accumulated contributions at the time of retirement over  
2 all payments made on his or her behalf under this chapter.

3 **Sec. 1105.** RCW 41.26.520 and 1996 c 61 s 1 are each amended to  
4 read as follows:

5 (1) A member who is on a paid leave of absence authorized by a  
6 member's employer shall continue to receive service credit as provided  
7 for under the provisions of RCW 41.26.410 through 41.26.550.

8 (2) A member who receives compensation from an employer while on an  
9 authorized leave of absence to serve as an elected official of a labor  
10 organization, and whose employer is reimbursed by the labor  
11 organization for the compensation paid to the member during the period  
12 of absence, may also be considered to be on a paid leave of absence.  
13 This subsection shall only apply if the member's leave of absence is  
14 authorized by a collective bargaining agreement that provides that the  
15 member retains seniority rights with the employer during the period of  
16 leave. The basic salary reported for a member who establishes service  
17 credit under this subsection may not be greater than the salary paid to  
18 the highest paid job class covered by the collective bargaining  
19 agreement.

20 (3) Except as specified in subsection (6) of this section, a member  
21 shall be eligible to receive a maximum of two years service credit  
22 during a member's entire working career for those periods when a member  
23 is on an unpaid leave of absence authorized by an employer. Such  
24 credit may be obtained only if the member makes the employer, member,  
25 and state contributions plus interest as determined by the department  
26 for the period of the authorized leave of absence within five years of  
27 resumption of service or prior to retirement whichever comes sooner.

28 (4) If a member fails to meet the time limitations of subsection  
29 (3) of this section, the member may receive a maximum of two years of  
30 service credit during a member's working career for those periods when  
31 a member is on unpaid leave of absence authorized by an employer. This  
32 may be done by paying the amount required under RCW 41.50.165(2) prior  
33 to retirement.

34 (5) For the purpose of subsection (3) of this section the  
35 contribution shall not include the contribution for the unfunded  
36 supplemental present value as required by RCW (~~41.26.450~~) 41.45.060,  
37 41.45.061, and section 507 of this act. The contributions required  
38 shall be based on the average of the member's basic salary at both the

1 time the authorized leave of absence was granted and the time the  
2 member resumed employment.

3 (6) A member who leaves the employ of an employer to enter the  
4 armed forces of the United States shall be entitled to retirement  
5 system service credit for up to five years of military service. This  
6 subsection shall be administered in a manner consistent with the  
7 requirements of the federal uniformed services employment and  
8 reemployment rights act.

9 (a) The member qualifies for service credit under this subsection  
10 if:

11 (i) Within ninety days of the member's honorable discharge from the  
12 United States armed forces, the member applies for reemployment with  
13 the employer who employed the member immediately prior to the member  
14 entering the United States armed forces; and

15 (ii) The member makes the employee contributions required under RCW  
16 (~~41.26.450~~) 41.45.060, 41.45.061, and section 507 of this act within  
17 five years of resumption of service or prior to retirement, whichever  
18 comes sooner; or

19 (iii) Prior to retirement and not within ninety days of the  
20 member's honorable discharge or five years of resumption of service the  
21 member pays the amount required under RCW 41.50.165(2).

22 (b) Upon receipt of member contributions under (a)(ii) of this  
23 subsection, the department shall establish the member's service credit  
24 and shall bill the employer and the state for their respective  
25 contributions required under RCW 41.26.450 for the period of military  
26 service, plus interest as determined by the department.

27 (c) The contributions required under (a)(ii) of this subsection  
28 shall be based on the compensation the member would have earned if not  
29 on leave, or if that cannot be estimated with reasonable certainty, the  
30 compensation reported for the member in the year prior to when the  
31 member went on military leave.

32 (7) A member receiving benefits under Title 51 RCW who is not  
33 receiving benefits under this chapter shall be deemed to be on unpaid,  
34 authorized leave of absence.

35 **Sec. 1106.** RCW 41.40.710 and 1996 c 61 s 4 are each amended to  
36 read as follows:

1 (1) A member who is on a paid leave of absence authorized by a  
2 member's employer shall continue to receive service credit as provided  
3 for under the provisions of RCW 41.40.610 through 41.40.740.

4 (2) A member who receives compensation from an employer while on an  
5 authorized leave of absence to serve as an elected official of a labor  
6 organization, and whose employer is reimbursed by the labor  
7 organization for the compensation paid to the member during the period  
8 of absence, may also be considered to be on a paid leave of absence.  
9 This subsection shall only apply if the member's leave of absence is  
10 authorized by a collective bargaining agreement that provides that the  
11 member retains seniority rights with the employer during the period of  
12 leave. The compensation earnable reported for a member who establishes  
13 service credit under this subsection may not be greater than the salary  
14 paid to the highest paid job class covered by the collective bargaining  
15 agreement.

16 (3) Except as specified in subsection (4) of this section, a member  
17 shall be eligible to receive a maximum of two years service credit  
18 during a member's entire working career for those periods when a member  
19 is on an unpaid leave of absence authorized by an employer. Such  
20 credit may be obtained only if:

21 (a) The member makes both the plan 2 employer and member  
22 contributions plus interest as determined by the department for the  
23 period of the authorized leave of absence within five years of  
24 resumption of service or prior to retirement whichever comes sooner; or

25 (b) If not within five years of resumption of service but prior to  
26 retirement, pay the amount required under RCW 41.50.165(2).

27 The contributions required under (a) of this subsection shall be  
28 based on the average of the member's compensation earnable at both the  
29 time the authorized leave of absence was granted and the time the  
30 member resumed employment.

31 (4) A member who leaves the employ of an employer to enter the  
32 armed forces of the United States shall be entitled to retirement  
33 system service credit for up to five years of military service. This  
34 subsection shall be administered in a manner consistent with the  
35 requirements of the federal uniformed services employment and  
36 reemployment rights act.

37 (a) The member qualifies for service credit under this subsection  
38 if:

1 (i) Within ninety days of the member's honorable discharge from the  
2 United States armed forces, the member applies for reemployment with  
3 the employer who employed the member immediately prior to the member  
4 entering the United States armed forces; and

5 (ii) The member makes the employee contributions required under RCW  
6 ((41.40.650)) 41.45.061 and section 507 of this act within five years  
7 of resumption of service or prior to retirement, whichever comes  
8 sooner; or

9 (iii) Prior to retirement and not within ninety days of the  
10 member's honorable discharge or five years of resumption of service the  
11 member pays the amount required under RCW 41.50.165(2).

12 (b) Upon receipt of member contributions under (a)(ii) of this  
13 subsection, the department shall establish the member's service credit  
14 and shall bill the employer for its contribution required under RCW  
15 ((41.40.650)) 41.45.060, 41.45.061, and section 507 of this act for the  
16 period of military service, plus interest as determined by the  
17 department.

18 (c) The contributions required under (a)(ii) of this subsection  
19 shall be based on the compensation the member would have earned if not  
20 on leave, or if that cannot be estimated with reasonable certainty, the  
21 compensation reported for the member in the year prior to when the  
22 member went on military leave.

23 NEW SECTION. **Sec. 1107.** A new section is added to chapter 41.50  
24 RCW to read as follows:

25 Employers, as defined in RCW 41.26.030, 41.32.010, 41.34.020,  
26 41.35.010, and 41.40.010, must report all member data to the department  
27 in a format designed and communicated by the department. Employers  
28 failing to comply with this reporting requirement shall be assessed an  
29 additional fee as defined under RCW 41.50.110(5).

30 **"MISCELLANEOUS"**

31 NEW SECTION. **Sec. 1201.** (1) Except for sections 408 and 901  
32 through 906 of this act, this act takes effect March 1, 2002.

33 (2) Section 408 of this act takes effect January 1, 2004.

34 (3) Sections 901 through 906 of this act take effect September 1,  
35 2000.

1        NEW SECTION.    **Sec. 1202.**    Subchapter headings in this act are not  
2 any part of the law."

3    **ESSB 6530** - H COMM AMD  
4        By Committee on Appropriations

5

6        On page 1, line 1 of the title, after "systems;" strike the  
7 remainder of the title and insert "amending RCW 41.40.005, 41.40.010,  
8 41.40.042, 41.40.054, 41.40.057, 41.40.062, 41.40.088, 41.40.092,  
9 41.40.610, 41.34.020, 41.34.030, 41.34.040, 41.34.060, 41.34.080,  
10 41.34.100, 41.31A.010, 41.31A.020, 41.45.010, 41.45.050, 41.45.061,  
11 41.50.075, 41.50.500, 41.05.011, 43.33A.190, 41.26.450, 41.40.630,  
12 41.32.765, 41.32.875, 41.26.430, 41.35.420, 41.35.680, 41.32.805,  
13 41.32.895, 41.40.700, 41.04.440, 41.04.445, 41.04.450, 41.26.470,  
14 41.26.520, and 41.40.710; reenacting and amending RCW 41.45.020,  
15 41.45.060, 41.45.070, 41.50.088, 43.84.092, and 41.26.510; adding new  
16 sections to chapter 41.40 RCW; adding a new section to chapter 41.31A  
17 RCW; adding a new section to chapter 41.45 RCW; adding a new section to  
18 chapter 41.50 RCW; creating new sections; decodifying RCW 41.40.094;  
19 repealing RCW 41.40.650; and providing effective dates."

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