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HOUSE BILL 2744

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State of Washington

56th Legislature

2000 Regular Session

By Representatives H. Sommers, Alexander, Doumit, Conway, Wolfe, Lambert, Carlson, Ogden, Romero, Eickmeyer, Hurst, Lovick, Constantine, Haigh, Cooper, Keiser, Edmonds, Delvin, Stensen, Talcott, Scott, Wood, D. Sommers, Kagi, Morris, McDonald, Campbell, Rockefeller and Santos; by request of Joint Committee on Pension Policy

Read first time 01/19/2000. Referred to Committee on Appropriations.

1 AN ACT Relating to plans 2 and 3 of the state retirement systems;  
2 amending RCW 41.40.005, 41.40.010, 41.40.042, 41.40.054, 41.40.057,  
3 41.40.062, 41.40.088, 41.40.092, 41.34.020, 41.34.030, 41.34.060,  
4 41.34.080, 41.34.100, 41.31A.010, 41.31A.020, 41.45.010, 41.45.050,  
5 41.45.061, 41.50.075, 41.50.500, 41.05.011, 43.33A.190, 41.26.005, and  
6 41.26.450; reenacting and amending RCW 41.45.020, 41.45.060, 41.45.070,  
7 41.50.088, 43.84.092, and 41.26.030; adding new sections to chapter  
8 41.40 RCW; adding a new section to chapter 41.31A RCW; adding a new  
9 section to chapter 41.45 RCW; adding new sections to chapter 41.26 RCW;  
10 creating new sections; decodifying RCW 41.40.094; repealing RCW  
11 41.40.650; and providing effective dates.

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

13 "PROVISIONS APPLICABLE TO PUBLIC EMPLOYEES'  
14 RETIREMENT SYSTEM PLANS 2 AND 3"

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

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

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

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

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

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

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

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

22       (b) "Employer" for plan 2 and plan 3 members, means every branch,  
23 department, agency, commission, board, and office of the state, and any  
24 political subdivision and municipal corporation of the state admitted  
25 into the retirement system, including public agencies created pursuant  
26 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August  
27 31, 2000, school districts and educational service districts will no  
28 longer be employers for the public employees' retirement system plan 2.

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

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

35       (a) Any person who became a member of the system prior to April 1,  
36 1949;

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

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

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

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

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

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

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

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

36 (A) Retroactive payments to an individual by an employer on  
37 reinstatement of the employee in a position, or payments by an employer  
38 to an individual in lieu of reinstatement in a position which are  
39 awarded or granted as the equivalent of the salary or wage which the

1 individual would have earned during a payroll period shall be  
2 considered compensation earnable and the individual shall receive the  
3 equivalent service credit;

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

10 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and  
11 72.09.240;

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

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

18 (F) Compensation that a member receives for being in standby  
19 status. For the purposes of this section, a member is in standby  
20 status when not being paid for time actually worked and the employer  
21 requires the member to be prepared to report immediately for work, if  
22 the need arises, although the need may not arise.

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

24 (A) Remuneration for unused sick leave authorized under RCW  
25 41.04.340, 28A.400.210, or 28A.310.490;

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

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

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

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

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

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

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

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

21 (iv) Compensation that a member would have received but for a  
22 disability occurring in the line of duty only as authorized by RCW  
23 41.40.038;

24 (v) Compensation that a member receives due to participation in the  
25 leave sharing program only as authorized by RCW 41.04.650 through  
26 41.04.670; and

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

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

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

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

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

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

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

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

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

33 (b) "Service" for plan 2 and plan 3 members, means periods of  
34 employment by a member in an eligible position or positions for one or  
35 more employers for which compensation earnable is paid. Compensation  
36 earnable earned for ninety or more hours in any calendar month shall  
37 constitute one service credit month except as provided in RCW  
38 41.40.088. Compensation earnable earned for at least seventy hours but  
39 less than ninety hours in any calendar month shall constitute one-half

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (13) "Membership service" means:

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

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

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

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

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

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

32 (15) "Regular interest" means such rate as the director may  
33 determine.

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

38 (17)(a) "Average final compensation" for plan 1 members, means the  
39 annual average of the greatest compensation earnable by a member during

1 any consecutive two year period of service credit months for which  
2 service credit is allowed; or if the member has less than two years of  
3 service credit months then the annual average compensation earnable  
4 during the total years of service for which service credit is allowed.

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

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

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

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

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

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

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

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

31 (25) "Eligible position" means:

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

38 (b) Any position occupied by an elected official or person  
39 appointed directly by the governor, or appointed by the chief justice

1 of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which  
2 compensation is paid.

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

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

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

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

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

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

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

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

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

27 (35) "Plan 3" means the public employees' retirement system, plan  
28 3 providing the benefits and funding provisions covering persons who  
29 first became members of the system on and after September 1, 2001, and  
30 choose to enter plan 3, or who transfer under section 202 of this act.

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

35 (~~(36)~~) (37) "Index A" means the index for the year prior to the  
36 determination of a postretirement adjustment.

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

1       (~~(38)~~) (39) "Index year" means the earliest calendar year in  
2 which the index is more than sixty percent of index A.

3       (~~(39)~~) (40) "Adjustment ratio" means the value of index A divided  
4 by index B.

5       (~~(40)~~) (41) "Annual increase" means, initially, fifty-nine cents  
6 per month per year of service which amount shall be increased each July  
7 1st by three percent, rounded to the nearest cent.

8       (~~(41)~~) (42) "Separation from service" occurs when a person has  
9 terminated all employment with an employer.

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

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

15       The deductions from the compensation of members, provided for in  
16 RCW 41.40.330 or (~~(41.40.650,)~~) 41.34.040, shall be made  
17 notwithstanding that the minimum compensation provided for by law for  
18 any member shall be reduced thereby. Every member shall be deemed to  
19 consent and agree to the deductions made and provided for in this  
20 chapter and receipt in full for his or her salary or compensation, and  
21 payment less the deductions shall be a full and complete discharge and  
22 acquittance of all claims and demands whatsoever for the services  
23 rendered by the person during the period covered by the payment, except  
24 as to benefits provided for under this chapter.

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

27       A member shall not receive a disability retirement benefit under  
28 RCW 41.40.200, 41.40.220, 41.40.230, 41.40.235, 41.40.250, (~~(or)~~)  
29 41.40.670, or section 310 of this act if the disability is the result  
30 of criminal conduct by the member committed after April 21, 1997.

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

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

35       (2) For current employees, membership service may be established  
36 for periods of employment with an employer prior to the employer's

1 admission into the retirement system by making the payments required by  
2 this section.

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

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

10 (b) Option B: The employer makes a portion of the required  
11 payments and the member pays the balance. The employer shall not be  
12 required to make its payments until the member has made his or her  
13 payments. Each member shall have the option to purchase the membership  
14 service.

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

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

22 (3) An employer shall not be required to purchase membership  
23 service under option A or B for periods of employment for which the  
24 employer made contributions to a qualified retirement plan as defined  
25 by 26 U.S.C. Sec. 401(a), if the contributions plus interest accrued  
26 cannot be transferred to the retirement system. If the employer does  
27 not purchase the membership credit under this subsection, the member  
28 may purchase the membership service under subsection (2)(c) of this  
29 section.

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

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

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

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

5 (2) On and after September 1, 1965, every school district of the  
6 state of Washington shall be an employer under this chapter. Every  
7 member of each school district who is eligible for membership under RCW  
8 41.40.023 shall be a member of the retirement system and participate on  
9 the same basis as a person who first becomes a member through the  
10 admission of any employer into the retirement system on and after April  
11 1, 1949, except that after August 31, 2000, school districts will no  
12 longer be employers for the public employees' retirement system plan 2  
13 or plan 3.

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

16 (1) A plan 1 member who is employed by a school district or  
17 districts, an educational service district, the state school for the  
18 deaf, the state school for the blind, institutions of higher education,  
19 or community colleges:

20 (a) Shall receive a service credit month for each month of the  
21 period from September through August of the following year if he or she  
22 is employed in an eligible position, earns compensation earnable for  
23 six hundred thirty hours or more during that period, and is employed  
24 during nine months of that period, except that a member may not receive  
25 credit for any period prior to the member's employment in an eligible  
26 position;

27 (b) If a member in an eligible position does not meet the  
28 requirements of (a) of this subsection, the member is entitled to a  
29 service credit month for each month of the period he or she earns  
30 earnable compensation for seventy or more hours; and the member is  
31 entitled to a one-quarter service credit month for those calendar  
32 months during which he or she earned compensation for less than seventy  
33 hours.

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

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

6 (b) If a member in an eligible position for each month of the  
7 period from September through August of the following year does not  
8 meet the hours requirements of (a) of this subsection, the member is  
9 entitled to one-half service credit month for each month of the period  
10 if he or she earns earnable compensation for at least six hundred  
11 thirty hours but less than eight hundred ten hours during that period,  
12 and is employed nine months of that period.

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

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

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

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

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

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

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

28 (1) Active members of the Washington state patrol retirement system  
29 who have previously established service credit in the public employees'  
30 retirement system, plan 1 or plan 2 while employed by the state patrol  
31 as a cadet as defined in RCW 43.43.120(6)(b) may have such service  
32 credit transferred to the state patrol retirement system subject to the  
33 terms and conditions specified in chapter 43.43 RCW, including  
34 reestablishment of such service for the sole purpose of transfer.  
35 Service reestablishment shall be subject to the interest requirements  
36 of RCW 41.40.150(2).

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

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

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

6 NEW SECTION. **Sec. 201.** RCW 41.40.650 (Employer and member  
7 contributions) and 1989 c 273 s 24, 1986 c 268 s 6, 1984 c 184 s 12, &  
8 1977 ex.s. c 295 s 6 are each repealed.

9 NEW SECTION. **Sec. 202.** (1) Every plan 2 member employed by an  
10 employer in an eligible position has the option to make an irrevocable  
11 transfer to plan 3.

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

14 (3) Any plan 2 member who wishes to transfer to plan 3 may transfer  
15 according to the schedule provided in section 304(2) of this act.

16 (4) The accumulated contributions in plan 2, less fifty percent of  
17 any contributions made pursuant to RCW 41.50.165(2) shall be  
18 transferred to the member's account in the defined contribution portion  
19 established in chapter 41.34 RCW, pursuant to procedures developed by  
20 the department and subject to RCW 41.34.090. Contributions made  
21 pursuant to RCW 41.50.165(2) that are not transferred to the member's  
22 account shall be transferred to the fund created in RCW 41.50.075(2),  
23 except that interest earned on all such contributions shall be  
24 transferred to the member's account.

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

27 (6) Anyone previously retired from plan 2 is prohibited from  
28 transferring to plan 3.

29 **"PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 3"**

30 NEW SECTION. **Sec. 301.** (1) Sections 301 through 317 of this act  
31 apply only to plan 3 members.

1 (2) Plan 3 consists of two separate elements: (a) A defined  
2 benefit portion covered under this subchapter; and (b) a defined  
3 contribution portion covered under chapter 41.34 RCW.

4 (3) Unless otherwise specified, all references to "plan 3" in this  
5 subchapter refer to the defined benefit portion of plan 3.

6 NEW SECTION. **Sec. 302.** All employees who first become employed by  
7 an employer in an eligible position on or after September 1, 2001,  
8 shall have the irrevocable option of membership in plan 2 or plan 3.

9 NEW SECTION. **Sec. 303.** (1) A member of the retirement system  
10 shall receive a retirement allowance equal to one percent of such  
11 member's average final compensation for each service credit year.

12 (2) The retirement allowance payable under section 309 of this act  
13 to a member who separates after having completed at least twenty  
14 service credit years shall be increased by twenty-five one-hundredths  
15 of one percent, compounded for each month from the date of separation  
16 to the date that the retirement allowance commences.

17 NEW SECTION. **Sec. 304.** (1) As used in this subsection, unless a  
18 different meaning is plainly required by the context:

19 (a) "Transfer period" means the time during which a member of one  
20 of the groups of public employees' retirement system plan 2 members  
21 identified in subsection (2) of this section may choose to irrevocably  
22 transfer from plan 2 to plan 3.

23 (b) "Transfer amount" means the accumulated contributions present  
24 in a member's savings fund on September 1, 2001, plus contributions  
25 made thereafter until the actual date of transfer which is the basis  
26 for calculation of the plan 2 to plan 3 transfer payment.

27 (c) "Transfer payment date" means the date that the transfer  
28 payment will be made into a member's individual account as specified  
29 for that member's transfer period.

30 (d) "Additional transfer payment date" means March 1, 2003, the  
31 date of the additional transfer payment made according to subsection  
32 (3) of this section.

33 (2) Members that did not have the option of choosing plan 2 or plan  
34 3 upon entry into the retirement system, may irrevocably transfer to  
35 plan 3 according to the following schedule:

1 (a) For those members employed by state agencies and institutions  
2 of higher education the transfer period means the period between  
3 September 1, 2001, and March 1, 2002, and the transfer payment date is  
4 the end of the month of the member's actual date of transfer.

5 (b) For those members employed by other organizations the transfer  
6 period means the period between March 1, 2002, and March 1, 2003, and  
7 the transfer payment date is the end of the month of the member's  
8 actual date of transfer.

9 (c) For those members employed by more than one employer within the  
10 retirement system, and whose transfer period is different between one  
11 employer and another, the member's transfer period will be the last  
12 period that is available from any of that member's employers within the  
13 retirement system.

14 (3) Members of plan 2 who are members of the retirement system  
15 prior to September 1, 2001, and choose to irrevocably transfer to plan  
16 3 during the transfer period shall have an additional payment made  
17 equivalent to their transfer amount that is:

18 (a) Increased by one hundred ten percent;

19 (b) Increased by an annual rate of seven and one-half percent for  
20 the months between September 1, 2001, and the actual month the member  
21 transferred to plan 3; and

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

24 (4) If a member who requests to transfer during their transfer  
25 period dies before the additional transfer payment date, the additional  
26 transfer payment provided in this section shall be paid to the member's  
27 estate, or the person or persons, trust, or organization the member  
28 nominated by written designation duly executed and filed with the  
29 department.

30 (5) The legislature reserves the right to modify or discontinue the  
31 right to an additional payment under this section for any plan 2  
32 members who have not previously transferred to plan 3.

33 NEW SECTION. **Sec. 305.** Any member or beneficiary eligible to  
34 receive a retirement allowance under the provisions of section 309,  
35 310, or 312 of this act is eligible to commence receiving a retirement  
36 allowance after having filed written application with the department.

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

4 (2) Retirement allowances payable to eligible members no longer in  
5 service, but qualifying for such an allowance pursuant to RCW 41.40.068  
6 shall accrue from the first day of the calendar month immediately  
7 following such qualification.

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

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

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

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

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

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

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

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

4 (4) A member who leaves the employ of an employer to enter the  
5 armed forces of the United States shall be entitled to retirement  
6 system service credit for up to five years of military service if  
7 within ninety days of the member's honorable discharge from the United  
8 States armed forces, the member applies for reemployment with the  
9 employer who employed the member immediately prior to the member  
10 entering the United States armed forces. This subsection shall be  
11 administered in a manner consistent with the requirements of the  
12 federal uniformed services employment and reemployment rights act.

13 The department shall establish the member's service credit and  
14 shall bill the employer for its contribution required under section 313  
15 of this act for the period of military service, plus interest as  
16 determined by the department. Service credit under this subsection may  
17 be obtained only if the member makes the employee contribution to the  
18 defined contribution portion as determined by the department.

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

23 NEW SECTION. **Sec. 307.** (1) Contributions on behalf of the  
24 employer paid by the employee to purchase plan 3 service credit shall  
25 be allocated to the defined benefit portion of plan 3 and shall not be  
26 refundable when paid to the fund described in RCW 41.50.075(4).  
27 Contributions on behalf of the employee shall be allocated to the  
28 member account. If the member fails to meet the statutory time  
29 limitations to purchase plan 3 service credit, it may be purchased  
30 under the provisions of RCW 41.50.165(2). One-half of the purchase  
31 payments under RCW 41.50.165(2), plus interest, shall be allocated to  
32 the member's account.

33 (2) No purchased plan 3 membership service may be credited until  
34 all payments required of the member are made, with interest. Upon  
35 receipt of all payments owed by the member, the department shall bill  
36 the employer for any contributions, plus interest, required to purchase  
37 membership service.

1        NEW SECTION.    **Sec. 308.**    (1) The director may pay a member eligible  
2 to receive a retirement allowance or the member's beneficiary a lump  
3 sum payment in lieu of a monthly benefit if the initial monthly benefit  
4 would be less than one hundred dollars. The one hundred dollar limit  
5 shall be increased annually as determined by the director. The lump  
6 sum payment shall be the actuarial equivalent of the monthly benefit.

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

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

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

19        (a) Completed ten service credit years; or

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

22        (c) Completed five service credit years by the transfer payment  
23 date specified in section 304 of this act, under the public employees'  
24 retirement system plan 2 and who transferred to plan 3 under section  
25 202 of this act;

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

28        (2) EARLY RETIREMENT. Any member who has attained at least age  
29 fifty-five and has completed at least ten years of service shall be  
30 eligible to retire and to receive a retirement allowance computed  
31 according to the provisions of section 303 of this act, except that a  
32 member retiring pursuant to this subsection shall have the retirement  
33 allowance actuarially reduced to reflect the difference in the number  
34 of years between age at retirement and the attainment of age sixty-  
35 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 41.40.620, 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 NEW SECTION. **Sec. 310.** (1) A member of the retirement system who  
7 becomes totally incapacitated for continued employment by an employer  
8 as determined by the department shall be eligible to receive an  
9 allowance under the provisions of plan 3. The member shall receive a  
10 monthly disability allowance computed as provided for in section 303 of  
11 this act and shall have this allowance actuarially reduced to reflect  
12 the difference in the number of years between age at disability and the  
13 attainment of age sixty-five.

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

20 (2) If the recipient of a monthly retirement allowance under this  
21 section dies, any further benefit payments shall be conditioned by the  
22 payment option selected by the retiree as provided in section 315 of  
23 this act.

24 NEW SECTION. **Sec. 311.** (1) Any member who elects to transfer to  
25 plan 3 and has eligible unrestored withdrawn contributions in plan 2,  
26 may restore such contributions under the provisions of RCW 41.40.740  
27 with interest as determined by the department. The restored plan 2  
28 service credit will be automatically transferred to plan 3.  
29 Restoration payments will be transferred to the member account in plan  
30 3. If the member fails to meet the time limitations of RCW 41.40.740,  
31 they may restore such contributions under the provisions of RCW  
32 41.50.165(2). The restored plan 2 service credit will be automatically  
33 transferred to plan 3. One-half of the restoration payments under RCW  
34 41.50.165(2) plus interest shall be allocated to the member's account.

35 (2) Any member who elects to transfer to plan 3 may purchase plan  
36 2 service credit under RCW 41.40.740. Purchased plan 2 service credit  
37 will be automatically transferred to plan 3. Contributions on behalf

1 of the employer paid by the employee shall be allocated to the defined  
2 benefit portion of plan 3 and shall not be refundable when paid to the  
3 fund described in RCW 41.50.075(3). Contributions on behalf of the  
4 employee shall be allocated to the member account. If the member fails  
5 to meet the time limitations of RCW 41.40.740, they may subsequently  
6 restore such contributions under the provisions of RCW 41.50.165(2).  
7 Purchased plan 2 service credit will be automatically transferred to  
8 plan 3. One-half of the payments under RCW 41.50.165(2), plus  
9 interest, shall be allocated to the member's account.

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

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

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

28 NEW SECTION. **Sec. 313.** The required contribution rates to the  
29 retirement system for employers shall be established by the director  
30 from time to time as may be necessary upon the advice of the state  
31 actuary. The state actuary shall use the aggregate actuarial cost  
32 method to calculate contribution rates. The employer contribution rate  
33 calculated under this section shall be used only for the purpose of  
34 determining the amount of employer contributions to be deposited in the  
35 combined plan 2 and plan 3 fund from the total employer contributions  
36 collected under RCW 41.40.048.

1 Any increase in the contribution rate required as the result of a  
2 failure of an employer to make any contribution required by this  
3 section shall be borne in full by the employer not making the  
4 contribution.

5 The director shall notify all employers of any pending adjustment  
6 in the required contribution rate and such increase shall be announced  
7 at least thirty days prior to the effective date of the change.

8 The employer's contribution shall be remitted directly to the  
9 department within fifteen days following the end of the calendar month  
10 during which the payroll period ends.

11 NEW SECTION. **Sec. 314.** Beginning July 1, 1979, and every year  
12 thereafter, the department shall determine the following information  
13 for each retired member or beneficiary whose retirement allowance has  
14 been in effect for at least one year:

15 (1) The original dollar amount of the retirement allowance;

16 (2) The index for the calendar year prior to the effective date of  
17 the retirement allowance, to be known as "index A";

18 (3) The index for the calendar year prior to the date of  
19 determination, to be known as "index B"; and

20 (4) The ratio obtained when index B is divided by index A.

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

24 (a) Produce a retirement allowance which is lower than the original  
25 retirement allowance;

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

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

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

33 NEW SECTION. **Sec. 315.** (1) Upon retirement for service as  
34 prescribed in section 309 of this act or retirement for disability  
35 under section 310 of this act, a member shall elect to have the  
36 retirement allowance paid pursuant to one of the following options,  
37 calculated so as to be actuarially equivalent to each other.

1 (a) Standard allowance. A member electing this option shall  
2 receive a retirement allowance payable throughout such member's life.  
3 However, if the retiree dies before the total of the retirement  
4 allowance paid to such retiree equals the amount of such retiree's  
5 accumulated contributions at the time of retirement, then the balance  
6 shall be paid to the member's estate, or such person or persons, trust,  
7 or organization as the retiree shall have nominated by written  
8 designation duly executed and filed with the department; or if there be  
9 no such designated person or persons still living at the time of the  
10 retiree's death, then to the surviving spouse; or if there be neither  
11 such designated person or persons still living at the time of death nor  
12 a surviving spouse, then to the retiree's legal representative.

13 (b) The department shall adopt rules that allow a member to select  
14 a retirement option that pays the member a reduced retirement allowance  
15 and upon death, such portion of the member's reduced retirement  
16 allowance as the department by rule designates shall be continued  
17 throughout the life of and paid to a person nominated by the member by  
18 written designation duly executed and filed with the department at the  
19 time of retirement. The options adopted by the department shall  
20 include, but are not limited to, a joint and one hundred percent  
21 survivor option and a joint and fifty percent survivor option.

22 (2)(a) A member, if married, must provide the written consent of  
23 his or her spouse to the option selected under this section, except as  
24 provided in (b) of this subsection. If a member is married and both  
25 the member and the member's spouse do not give written consent to an  
26 option under this section, the department shall pay a joint and fifty  
27 percent survivor benefit calculated to be actuarially equivalent to the  
28 benefit options available under subsection (1) of this section unless  
29 spousal consent is not required as provided in (b) of this subsection.

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

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

35 (ii) The spousal consent provisions of (a) of this subsection do  
36 not apply.

37 (3)(a) Any member who retired before January 1, 1996, and who  
38 elected to receive a reduced retirement allowance under subsection  
39 (1)(b) or (2) of this section is entitled to receive a retirement

1 allowance adjusted in accordance with (b) of this subsection, if they  
2 meet the following conditions:

3 (i) The retiree's designated beneficiary predeceases or has  
4 predeceased the retiree; and

5 (ii) The retiree provides to the department proper proof of the  
6 designated beneficiary's death.

7 (b) The retirement allowance payable to the retiree, as of July 1,  
8 1998, or the date of the designated beneficiary's death, whichever  
9 comes last, shall be increased by the percentage derived in (c) of this  
10 subsection.

11 (c) The percentage increase shall be derived by the following:

12 (i) One hundred percent multiplied by the result of (c)(ii) of this  
13 subsection converted to a percent;

14 (ii) Subtract one from the reciprocal of the appropriate joint and  
15 survivor option factor;

16 (iii) The joint and survivor option factor shall be from the table  
17 in effect as of July 1, 1998.

18 (d) The adjustment under (b) of this subsection shall accrue from  
19 the beginning of the month following the date of the designated  
20 beneficiary's death or from July 1, 1998, whichever comes last.

21 NEW SECTION. **Sec. 316.** (1) Except as provided in RCW 41.40.037,  
22 no retiree under the provisions of plan 3 shall be eligible to receive  
23 such retiree's monthly retirement allowance if he or she is employed in  
24 an eligible position as defined in RCW 41.40.010, 41.32.010, or  
25 41.35.010, or as a law enforcement officer or fire fighter as defined  
26 in RCW 41.26.030, except that a retiree who ends his or her membership  
27 in the retirement system pursuant to RCW 41.40.023(3)(b) is not subject  
28 to this section if the retiree's only employment is as an elective  
29 official of a city or town.

30 (2) If a retiree's benefits have been suspended under this section,  
31 his or her benefits shall be reinstated when the retiree terminates the  
32 employment that caused his or her benefits to be suspended. Upon  
33 reinstatement, the retiree's benefits shall be actuarially recomputed  
34 pursuant to the rules adopted by the department.

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

36 NEW SECTION. **Sec. 317.** The benefits provided pursuant to chapter  
37 . . . , Laws of 2000 (this act) are not provided to employees as a

1 matter of contractual right prior to September 1, 2001. The  
2 legislature retains the right to alter or abolish these benefits at any  
3 time prior to September 1, 2001.

4 NEW SECTION. **Sec. 318.** Sections 301 through 317 of this act are  
5 each added to chapter 41.40 RCW and codified with the subchapter  
6 heading "PLAN 3."

7 **"DEFINED CONTRIBUTION"**

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

10 As used in this chapter, the following terms have the meanings  
11 indicated:

12 (1) "Actuary" means the state actuary or the office of the state  
13 actuary.

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

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

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

21 (b) "Compensation" for classified employees for purposes of this  
22 chapter is the same as "compensation earnable" for plan 3 in RCW  
23 41.35.010, except that the compensation may be reported when paid,  
24 rather than when earned.

25 (c) "Compensation" for public employees for purposes of this  
26 chapter is the same as "compensation earnable" for plan 3 in RCW  
27 41.40.010, except that the compensation may be reported when paid,  
28 rather than when earned.

29 (d) "Compensation" for law enforcement officers and fire fighters  
30 for purposes of this chapter is the same as "basic salary" for plan 3  
31 in RCW 41.26.030.

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

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

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

3 (d) "Employer" for law enforcement officers and fire fighters for  
4 purposes of this chapter is the same as "employer" for plan 3 in RCW  
5 41.26.030.

6 (6) "Member" means any employee included in the membership of a  
7 retirement system as provided for in chapter 41.32 RCW of plan 3  
8 ~~((or))~~, chapter 41.35 RCW of plan 3, chapter 41.40 RCW of plan 3, or  
9 chapter 41.26 RCW of plan 3.

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

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

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

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

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

21 (12) "Law enforcement officer or fire fighter" means a member of  
22 the law enforcement officers' and fire fighters' retirement system plan  
23 3 as defined in RCW 41.26.030.

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

26 (1) This chapter applies only to members of plan 3 retirement  
27 systems created under chapters 41.32 ~~((and))~~, 41.35, 41.40, and 41.26  
28 RCW.

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

30 (a) A defined benefit portion covered under:

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

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

34 (iii) Sections 101 through 317, chapter . . . , Laws of 2000  
35 (sections 101 through 317 of this act); or sections 801 through 1017,

36 chapter . . . , Laws of 2000 (sections 801 through 1017 of this act);

37 and

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

4 **Sec. 403.** RCW 41.34.060 and 1999 c 265 s 1 are each amended to  
5 read as follows:

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

13 (a) For members of the retirement system as provided for in chapter  
14 41.32 RCW of plan 3, investment shall be in the same portfolio as that  
15 of the teachers' retirement system combined plan 2 and 3 fund under RCW  
16 41.50.075(2).

17 (b) For members of the retirement system as provided for in chapter  
18 41.35 RCW of plan 3, investment shall be in the same portfolio as that  
19 of the school employees' retirement system combined plan 2 and 3 fund  
20 under RCW 41.50.075(4).

21 (c) For members of the retirement system as provided for in chapter  
22 41.40 RCW of plan 3, investment shall be in the same portfolio as that  
23 of the public employees' retirement system combined plan 2 and 3 fund  
24 under RCW 41.50.075(3).

25 (d) For members of the retirement system as provided for in chapter  
26 41.26 RCW of plan 3, investment shall be in the same portfolio as that  
27 of the law enforcement officers' and fire fighters' system combined  
28 plan 2 and 3 fund under RCW 41.50.075(1).

29 (2) The state investment board shall declare monthly unit values  
30 for the portfolios or funds, or portions thereof, utilized under  
31 subsection (1)(a) and (b) of this section. The declared values shall  
32 be an approximation of portfolio or fund values, based on internal  
33 procedures of the state investment board. Such declared unit values  
34 and internal procedures shall be in the sole discretion of the state  
35 investment board. The state investment board may delegate any of the  
36 powers and duties under this subsection, including discretion, pursuant  
37 to RCW 43.33A.030. Member accounts shall be credited by the department  
38 with a rate of return based on changes to such unit values.

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

3 **Sec. 404.** RCW 41.34.080 and 1998 c 341 s 304 are each amended to  
4 read as follows:

5 (1) Subject to subsections (2) and (3) of this section, the right  
6 of a person to a pension, an annuity, a retirement allowance, any  
7 optional benefit, any other right accrued or accruing to any person  
8 under the provisions of this chapter, and the various funds created by  
9 chapter 239, Laws of 1995(~~(, and))~~; chapter 341, Laws of 1998; and  
10 chapter . . . , Laws of 2000 (this act) and all moneys and investments  
11 and income thereof, is hereby exempt from any state, county, municipal,  
12 or other local tax, and shall not be subject to execution, garnishment,  
13 attachment, the operation of bankruptcy or insolvency laws, or other  
14 process of law whatsoever, and shall be unassignable.

15 (2) This section shall not be deemed to prohibit a beneficiary of  
16 a retirement allowance from authorizing deductions therefrom for  
17 payment of premiums due on any group insurance policy or plan issued  
18 for the benefit of a group comprised of public employees of the state  
19 of Washington or its political subdivisions and that has been approved  
20 for deduction in accordance with rules that may be adopted by the state  
21 health care authority and/or the department. This section shall not be  
22 deemed to prohibit a beneficiary of a retirement allowance from  
23 authorizing deductions therefrom for payment of dues and other  
24 membership fees to any retirement association or organization the  
25 membership of which is composed of retired public employees, if a total  
26 of three hundred or more of such retired employees have authorized such  
27 deduction for payment to the same retirement association or  
28 organization.

29 (3) Subsection (1) of this section shall not prohibit the  
30 department from complying with (a) a wage assignment order for child  
31 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold  
32 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of  
33 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory  
34 benefits assignment order issued by the department, (e) a court order  
35 directing the department to pay benefits directly to an obligee under  
36 a dissolution order as defined in RCW 41.50.500(3) which fully complies  
37 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court  
38 order expressly authorized by federal law.



1 requirements of this section shall be credited by the extraordinary  
2 investment gain amount.

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

5 (a) Any member of the teachers' retirement system plan 3 ~~((or)),~~  
6 the Washington school employees' retirement system plan 3, the public  
7 employees' retirement system plan 3, or the law enforcement officers'  
8 and fire fighters' retirement system plan 3 who earned service credit  
9 during the twelve-month period from September 1st to August 31st  
10 immediately preceding the distribution and had a balance of at least  
11 one thousand dollars in their member account on August 31st of the year  
12 immediately preceding the distribution; or

13 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875  
14 ~~((or)),~~ 41.35.680, section 309 or 1008 of this act; or

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

17 (i) Completed ten service credit years; or

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

20 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and  
21 who has completed five service credit years by July 1, 1996, under plan  
22 2 and who transferred to plan 3 under RCW 41.32.817; or

23 (e) Any classified employee who is a retiree pursuant to RCW  
24 41.34.020(8) and who has completed five service credit years by  
25 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;  
26 or

27 (f) Any public employee who is a retiree pursuant to RCW  
28 41.40.010(29) and who has completed five service credit years by  
29 September 1, 2001, and who transferred to plan 3 under section 202 of  
30 this act; or

31 (g) Any law enforcement officer or fire fighter who is a retiree  
32 pursuant to RCW 41.26.030(24), and who has completed five service  
33 credit years by September 1, 2001, and transferred to plan 3 under  
34 section 901 of this act; or

35 (h) Any person who had a balance of at least one thousand dollars  
36 in their member account on August 31st of the year immediately  
37 preceding the distribution and who:

38 (i) Completed ten service credit years; or

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

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

8 (~~(h)~~) (j) Any classified employee who had a balance of at least  
9 one thousand dollars in their member account on August 31st of the year  
10 immediately preceding the distribution and who has completed five  
11 service credit years by September 1, 2000, and who transferred to plan  
12 3 under RCW 41.35.510; or

13 (k) Any public employee who had a balance of at least one thousand  
14 dollars in their member account on August 31st of the year immediately  
15 preceding the distribution and who has completed five service credit  
16 years by September 1, 2001, and who transferred to plan 3 under section  
17 202 of this act; or

18 (l) Any law enforcement officer or fire fighter who had a balance  
19 of at least one thousand dollars in their member account on August 31st  
20 of the year immediately preceding the distribution and who has  
21 completed five service credit years by September 1, 2001, and who  
22 transferred to plan 3 under section 901 of this act.

23 (3) The extraordinary investment gain amount shall be calculated as  
24 follows:

25 (a) One-half of the sum of the value of the net assets held in  
26 trust for pension benefits in the teachers' retirement system combined  
27 plan 2 and 3 fund (~~and~~), the Washington school employees' retirement  
28 system combined plan 2 and 3 fund, the public employees' retirement  
29 system combined plan 2 and 3 fund, and the law enforcement officers'  
30 and fire fighters' retirement system combined plan 2 and 3 fund at the  
31 close of the previous state fiscal year not including the amount  
32 attributable to member accounts;

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

36 (c) Multiplied by the proportion of:

37 (i) The sum of the service credit on August 31st of the previous  
38 year of all persons eligible for the benefit provided in subsection (1)  
39 of this section; to

1 (ii) The sum of the service credit on August 31st of the previous  
2 year of:

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

5 (B) Any person who earned service credit in the teachers'  
6 retirement system plan 2 ~~((or))~~, the Washington school employees'  
7 retirement system plan 2, the public employees' retirement system plan  
8 2, or the law enforcement officers' and fire fighters' retirement  
9 system plan 2 during the twelve-month period from September 1st to  
10 August 31st immediately preceding the distribution;

11 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765  
12 ~~((or))~~, 41.35.420, 41.40.630, or 41.26.430; and

13 (D) Any person with five or more years of service in the teachers'  
14 retirement system plan 2 ~~((or))~~, the Washington school employees'  
15 retirement system plan 2, the public employees' retirement system plan  
16 2, or the law enforcement officers' and fire fighters' retirement  
17 system plan 2;

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

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

24 NEW SECTION. Sec. 408. A new section is added to chapter 41.31A  
25 RCW to read as follows:

26 (1) On March 1, 2003, the member account of a person meeting the  
27 requirements of this section shall be credited by the 2000 retroactive  
28 extraordinary investment gain amount and the 2002 retroactive  
29 extraordinary investment gain amount.

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

32 (a) Any public employee or law enforcement officer or fire fighter  
33 who earned service credit during the twelve-month period from September  
34 1st to August 1st immediately preceding the distribution and who  
35 transferred to plan 3 under section 202 or 901 of this act; or

36 (b) Any public employee or law enforcement officer or fire fighter  
37 in receipt of a benefit pursuant to section 309 of this act and who has

1 completed five service credit years by September 1, 2001, and who  
2 transferred to plan 3 under section 202 or 901 of this act; or

3 (c) Any public employee or law enforcement officer or fire fighter  
4 who is a retiree pursuant to RCW 41.34.020(8) and who has completed  
5 five service credit years by September 1, 2001, and who transferred to  
6 plan 3 under section 202 or 901 of this act; or

7 (d) Any public employee or law enforcement officer or fire fighter  
8 who has a balance of at least one thousand dollars in his or her member  
9 account and who has completed five service credit years by September 1,  
10 2001, and who transferred to plan 3 under section 202 or 901 of this  
11 act.

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

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

17 (b) Distributed to persons eligible for the benefit in subsection  
18 (1) of this section on the basis of their service credit total on July  
19 1, 2001.

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

22 (a) An amount equal to the average benefit per year of service paid  
23 in 2002 to members of the teachers' retirement system plan 3 under  
24 section 309, chapter 341, Laws of 1998;

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

28 (5) 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 **"ACTUARIAL FUNDING"**

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

34 It is the intent of the legislature to provide a dependable and  
35 systematic process for funding the benefits provided to members and  
36 retirees of the public employees' retirement system, chapter 41.40 RCW;  
37 the teachers' retirement system, chapter 41.32 RCW; the law enforcement

1 officers' and fire fighters' retirement system, chapter 41.26 RCW; the  
2 school employees' retirement system, chapter 41.35 RCW; and the  
3 Washington state patrol retirement system, chapter 43.43 RCW.

4 The funding process established by this chapter is intended to  
5 achieve the following goals:

6 (1) To continue to fully fund the public employees' retirement  
7 system plans 2 and 3, the teachers' retirement system plans 2 and 3,  
8 the school employees' retirement system plans 2 and 3, and the law  
9 enforcement officers' and fire fighters' retirement system plans 2 and  
10 3 as provided by law;

11 (2) To fully amortize the total costs of the public employees'  
12 retirement system plan 1, the teachers' retirement system plan 1, and  
13 the law enforcement officers' and fire fighters' retirement system plan  
14 1 not later than June 30, 2024;

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

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

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

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

26 (1) "Council" means the pension funding council created in RCW  
27 41.45.100.

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

29 (3) "Law enforcement officers' and fire fighters' retirement system  
30 plan 1," ((and)) "law enforcement officers' and fire fighters'  
31 retirement system plan 2," and "law enforcement officers' and fire  
32 fighters' retirement system plan 3" mean the benefits and funding  
33 provisions under chapter 41.26 RCW.

34 (4) "Public employees' retirement system plan 1," ((and)) "public  
35 employees' retirement system plan 2," and "public employees' retirement  
36 system plan 3" mean the benefits and funding provisions under chapter  
37 41.40 RCW.

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

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

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

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

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

13 (10) "State retirement systems" means the retirement systems listed  
14 in RCW 41.50.030.

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

17 (12) "Classified employee" means a member of the Washington school  
18 employees' retirement system plan 2 or plan 3 as defined in RCW  
19 41.35.010.

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

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

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

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

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

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

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

13 (5) The contributions received for the teachers' retirement system  
14 shall be allocated between the plan 1 fund and the combined plan 2 and  
15 plan 3 fund as follows: The contributions necessary to fully fund the  
16 combined plan 2 and plan 3 employer contribution shall first be  
17 deposited in the combined plan 2 and plan 3 fund. All remaining  
18 teachers' retirement system employer contributions shall be deposited  
19 in the plan 1 fund.

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

29 (7) The contributions received under RCW 41.26.450 for the law  
30 enforcement officers' and fire fighters' retirement system shall be  
31 allocated between the law enforcement officers' and fire fighters'  
32 retirement system plan 1 and the law enforcement officers' and fire  
33 fighters' retirement system combined plan 2 and plan 3 fund as follows:  
34 The contributions necessary to fully fund the law enforcement officers'  
35 and fire fighters' retirement system combined plan 2 and plan 3  
36 employer contributions shall be first deposited in the law enforcement  
37 officers' and fire fighters' retirement system combined plan 2 and plan  
38 3 fund. All remaining law enforcement officers' and fire fighters'

1 retirement system employer contributions shall be deposited in the law  
2 enforcement officers' and fire fighters' retirement system plan 1 fund.

3 **Sec. 504.** RCW 41.45.060 and 1998 c 341 s 404, 1998 c 340 s 11, and  
4 1998 c 283 s 6 are each reenacted and amended to read as follows:

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

7 (2) Not later than September 30, 1998, and every two years  
8 thereafter, consistent with the assumptions adopted under RCW  
9 41.45.030, the council shall adopt and may make changes to:

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

12 (b) Basic employer contribution rates for the public employees'  
13 retirement system (~~plan 1~~), the teachers' retirement system (~~plan~~  
14 ~~1~~), and the Washington state patrol retirement system to be used in  
15 the ensuing biennial period; and

16 (c) A basic employer contribution rate for the school employees'  
17 retirement system for funding the public employees' retirement system  
18 plan 1.

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

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

27 (b) To also continue to fully fund the public employees' retirement  
28 system plans 2 and 3, the teachers' retirement system plans 2 and 3,  
29 the school employees' retirement system plans 2 and 3, and the law  
30 enforcement officers' and fire fighters' retirement system plans 2 and  
31 3 in accordance with RCW (~~41.40.650, 41.26.450,~~) 41.45.061, section  
32 507 of this act, and this section; and

33 (c) For the law enforcement officers' and fire fighters' system  
34 plans 2 and 3 the rate charged to employers shall be one and one-half  
35 times the rate charged to the state.

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

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

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

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

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

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

23 (2) In addition to the basic state contribution rate established in  
24 RCW 41.45.060 for the law enforcement officers' and fire fighters'  
25 retirement system the department shall also establish a supplemental  
26 rate to pay for the cost of additional benefits, if any, granted to  
27 members of the law enforcement officers' and fire fighters' retirement  
28 system. Except as provided in subsection (6) of this section, this  
29 supplemental rate shall be calculated by the state actuary and the  
30 state treasurer shall transfer the additional required contributions  
31 regardless of language to the contrary contained in the statute which  
32 authorizes the additional benefits.

33 (3) The supplemental rate charged under this section to fund  
34 benefit increases provided to active members of the public employees'  
35 retirement system plan 1, the teachers' retirement system plan 1, the  
36 law enforcement officers' and fire fighters' retirement system plan 1,  
37 and Washington state patrol retirement system, shall be calculated as

1 the level percentage of all members' pay needed to fund the cost of the  
2 benefit not later than June 30, 2024.

3 (4) The supplemental rate charged under this section to fund  
4 benefit increases provided to active and retired members of the public  
5 employees' retirement system plan 2 and plan 3, the teachers'  
6 retirement system plan 2 and plan 3, the school employees' retirement  
7 system plan 2 and plan 3, or the law enforcement officers' and fire  
8 fighters' retirement system plan 2 and plan 3, shall be calculated as  
9 the level percentage of all members' pay needed to fund the cost of the  
10 benefit, as calculated under RCW 41.40.650 or 41.26.450, respectively.

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

21 (6) A supplemental rate shall not be charged to pay for the cost of  
22 additional benefits granted to members pursuant to chapter 340, Laws of  
23 1998.

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

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

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

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

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

4 (c) In addition, the employee contribution rate for plan 2 shall  
5 not be increased as a result of any distributions pursuant to section  
6 309, chapter 341, Laws of 1998 and RCW 41.31A.020.

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

11 (a) Except as provided in (b) of this subsection, the member  
12 contribution rate shall not exceed the school employees' retirement  
13 system employer plan 2 and 3 contribution rate adopted under RCW  
14 41.45.060 and 41.45.070;

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

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

22 (4) The required contribution rate for members of the law  
23 enforcement officers' and fire fighters' retirement system plan 2 shall  
24 be set at the sum of the employer and state rates for the combined plan  
25 2 and plan 3.

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

30 ((+4)) (6) The required plan 2 and 3 contribution rates for  
31 employers shall be adopted in the manner described in RCW 41.45.060.

32 NEW SECTION. Sec. 507. A new section is added to chapter 41.45  
33 RCW to read as follows:

34 (1) Any increase in the contribution rate required as the result of  
35 a failure of the state or of an employer to make any contribution  
36 required by this section shall be borne in full by the state or by that  
37 employer not making the contribution.

1 (2) The director shall notify all employers of any pending  
2 adjustment in the required contribution rate and such pending  
3 adjustment in the required contribution rate and any increase shall be  
4 announced at least thirty days prior to the effective date of the  
5 change.

6 (3) Members' contributions required by this section shall be  
7 deducted from the members' compensation each payroll period. The  
8 members' contribution and the employers' contribution shall be remitted  
9 directly to the department within fifteen days following the end of the  
10 calendar month during which the payroll period ends. The state's  
11 contribution required by this section shall be transferred to the  
12 appropriate fund from the total contributions transferred by the state  
13 treasurer under RCW 41.45.060 and 41.45.070.

14 **"NECESSARY FOR IMPLEMENTATION"**

15 **Sec. 601.** RCW 41.50.075 and 1998 c 341 s 503 are each amended to  
16 read as follows:

17 (1) Two funds are hereby created and established in the state  
18 treasury to be known as the Washington law enforcement officers' and  
19 fire fighters' system plan 1 retirement fund, and the Washington law  
20 enforcement officers' and fire fighters' system combined plan 2 and  
21 plan 3 retirement fund which shall consist of all moneys paid into them  
22 in accordance with the provisions of this chapter and chapter 41.26  
23 RCW, whether such moneys take the form of cash, securities, or other  
24 assets. The plan 1 fund shall consist of all moneys paid to finance  
25 the benefits provided to members of the law enforcement officers' and  
26 fire fighters' retirement system plan 1, and the plan 2 fund shall  
27 consist of all moneys paid to finance the benefits provided to members  
28 of the law enforcement officers' and fire fighters' retirement system  
29 plan 2.

30 (2) All of the assets of the Washington state teachers' retirement  
31 system shall be credited according to the purposes for which they are  
32 held, to two funds to be maintained in the state treasury, namely, the  
33 teachers' retirement system plan 1 fund and the teachers' retirement  
34 system combined plan 2 and 3 fund. The plan 1 fund shall consist of  
35 all moneys paid to finance the benefits provided to members of the  
36 Washington state teachers' retirement system plan 1, and the combined  
37 plan 2 and 3 fund shall consist of all moneys paid to finance the

1 benefits provided to members of the Washington state teachers'  
2 retirement system plan 2 and 3.

3 (3) There is hereby established in the state treasury two separate  
4 funds, namely the public employees' retirement system plan 1 fund and  
5 the public employees' retirement system combined plan 2 and plan 3  
6 fund. The plan 1 fund shall consist of all moneys paid to finance the  
7 benefits provided to members of the public employees' retirement system  
8 plan 1, and the combined plan 2 and plan 3 fund shall consist of all  
9 moneys paid to finance the benefits provided to members of the public  
10 employees' retirement system plans 2 and 3.

11 (4) There is hereby established in the state treasury the school  
12 employees' retirement system combined plan 2 and 3 fund. The combined  
13 plan 2 and 3 fund shall consist of all moneys paid to finance the  
14 benefits provided to members of the school employees' retirement system  
15 plan 2 and plan 3.

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

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

20 (a) The board shall recommend to the state investment board types  
21 of options for member self-directed investment in the teachers'  
22 retirement system plan 3 (~~and~~), the school employees' retirement  
23 system plan 3, the public employees' retirement system plan 3, and the  
24 law enforcement officers' and fire fighters' retirement system plan 3  
25 as deemed by the board to be reflective of the members' preferences;

26 (b) The selection of optional benefit payment schedules available  
27 to members and survivors of members upon the death, disability,  
28 retirement, or termination of the member. The optional benefit  
29 payments (~~may~~) shall include but not be limited to: Fixed and  
30 participating annuities, joint and survivor annuities, and payments  
31 that bridge to social security or defined benefit plan payments;

32 (c) Approval of actuarially equivalent annuities that may be  
33 purchased from the combined plan 2 and plan 3 funds under RCW 41.50.075  
34 (2) or (3); and

35 (d) Determination of the basis for administrative charges to the  
36 self-directed investment fund to offset self-directed account expenses;

37 (2) The board shall recommend to the state investment board types  
38 of options for participant self-directed investment in the state

1 deferred compensation plan, as deemed by the board to be reflective of  
2 the participants' preferences.

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

5 Unless the context clearly requires otherwise, the definitions in  
6 this section apply throughout RCW 41.50.500 through 41.50.650,  
7 41.50.670 through 41.50.720, and 26.09.138.

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

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

14 (3) "Dissolution order" means any judgment, decree, or order of  
15 spousal maintenance, property division, or court-approved property  
16 settlement incident to a decree of divorce, dissolution, invalidity, or  
17 legal separation issued by the superior court of the state of  
18 Washington or a judgment, decree, or other order of spousal support  
19 issued by a court of competent jurisdiction in another state or  
20 country, that has been registered or otherwise made enforceable in this  
21 state.

22 (4) "Mandatory benefits assignment order" means an order issued to  
23 the department of retirement systems pursuant to RCW 41.50.570 to  
24 withhold and deliver benefits payable to an obligor under chapter 2.10,  
25 2.12, 41.26, 41.32, 41.40, 41.35, or 43.43 RCW.

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

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

30 (7) "Periodic retirement payments" means periodic payments of  
31 retirement allowances, including but not limited to service retirement  
32 allowances, disability retirement allowances, and survivors'  
33 allowances. The term does not include a withdrawal of accumulated  
34 contributions.

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

1 (9) "Standard allowance" means a benefit payment option selected  
2 under RCW 2.10.146(1)(a), 41.26.460(1)(a), section 1015(1)(a) of this  
3 act, 41.32.785(1)(a), 41.40.188(1)(a), 41.40.660(1), section 315(1)(a)  
4 of this act, or 41.35.220 that ceases upon the death of the retiree.  
5 Standard allowance also means the benefit allowance provided under RCW  
6 2.10.110, 2.10.130, 43.43.260, 41.26.100, 41.26.130(1)(a), or chapter  
7 2.12 RCW. Standard allowance also means the maximum retirement  
8 allowance available under RCW 41.32.530(1) following member withdrawal  
9 of accumulated contributions, if any.

10 (10) "Withdrawal of accumulated contributions" means a lump sum  
11 payment to a retirement system member of all or a part of the member's  
12 accumulated contributions, including accrued interest, at the request  
13 of the member including any lump sum amount paid upon the death of the  
14 member.

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

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

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

20 (2) "State purchased health care" or "health care" means medical  
21 and health care, pharmaceuticals, and medical equipment purchased with  
22 state and federal funds by the department of social and health  
23 services, the department of health, the basic health plan, the state  
24 health care authority, the department of labor and industries, the  
25 department of corrections, the department of veterans affairs, and  
26 local school districts.

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

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

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

35 (6) "Employee" includes all full-time and career seasonal employees  
36 of the state, whether or not covered by civil service; elected and  
37 appointed officials of the executive branch of government, including  
38 full-time members of boards, commissions, or committees; and includes

1 any or all part-time and temporary employees under the terms and  
2 conditions established under this chapter by the authority; justices of  
3 the supreme court and judges of the court of appeals and the superior  
4 courts; and members of the state legislature or of the legislative  
5 authority of any county, city, or town who are elected to office after  
6 February 20, 1970. "Employee" also includes: (a) Employees of a  
7 county, municipality, or other political subdivision of the state if  
8 the legislative authority of the county, municipality, or other  
9 political subdivision of the state seeks and receives the approval of  
10 the authority to provide any of its insurance programs by contract with  
11 the authority, as provided in RCW 41.04.205; (b) employees of employee  
12 organizations representing state civil service employees, at the option  
13 of each such employee organization, and, effective October 1, 1995,  
14 employees of employee organizations currently pooled with employees of  
15 school districts for the purpose of purchasing insurance benefits, at  
16 the option of each such employee organization; and (c) employees of a  
17 school district if the authority agrees to provide any of the school  
18 districts' insurance programs by contract with the authority as  
19 provided in RCW 28A.400.350.

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

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

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

26 (b) Persons who separate from employment with a school district or  
27 educational service district on or after October 1, 1993, and  
28 immediately upon separation receive a retirement allowance under  
29 chapter 41.32, 41.35, or 41.40 RCW;

30 (c) Persons who separate from employment with a school district or  
31 educational service district due to a total and permanent disability,  
32 and are eligible to receive a deferred retirement allowance under  
33 chapter 41.32, 41.35, or 41.40 RCW.

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

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

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

4 (12) "Plan year" means the time period established by the  
5 authority.

6 (13) "Separated employees" means persons who separate from  
7 employment with an employer as defined in:

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

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

10 (c) RCW 41.40.010 on or after September 1, 2001;

11 and who are at least age fifty-five and have at least ten years of  
12 service under the teachers' retirement system plan 3 as defined in RCW  
13 41.32.010(40) (~~or~~), the Washington school employees' retirement  
14 system plan 3 as defined in RCW 41.35.010, or the public employees'  
15 retirement system plan 3 as defined in RCW 41.40.010.

16 **"FUND INVESTMENTS AND INTEREST EARNINGS"**

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

19 Pursuant to RCW 41.34.130, the state investment board shall invest  
20 all self-directed investment moneys under teachers' retirement system  
21 plan 3 (~~and~~), the school employees' retirement system plan 3, the  
22 public employees' retirement system plan 3, and the law enforcement  
23 officers' and fire fighters' retirement system plan 3 with full power  
24 to establish investment policy, develop investment options, and manage  
25 self-directed investment funds.

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

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

32 (2) The treasury income account shall be utilized to pay or receive  
33 funds associated with federal programs as required by the federal cash  
34 management improvement act of 1990. The treasury income account is  
35 subject in all respects to chapter 43.88 RCW, but no appropriation is  
36 required for refunds or allocations of interest earnings required by

1 the cash management improvement act. Refunds of interest to the  
2 federal treasury required under the cash management improvement act  
3 fall under RCW 43.88.180 and shall not require appropriation. The  
4 office of financial management shall determine the amounts due to or  
5 from the federal government pursuant to the cash management improvement  
6 act. The office of financial management may direct transfers of funds  
7 between accounts as deemed necessary to implement the provisions of the  
8 cash management improvement act, and this subsection. Refunds or  
9 allocations shall occur prior to the distributions of earnings set  
10 forth in subsection (4) of this section.

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

19 (4) Monthly, the state treasurer shall distribute the earnings  
20 credited to the treasury income account. The state treasurer shall  
21 credit the general fund with all the earnings credited to the treasury  
22 income account except:

23 (a) The following accounts and funds shall receive their  
24 proportionate share of earnings based upon each account's and fund's  
25 average daily balance for the period: The capitol building  
26 construction account, the Cedar River channel construction and  
27 operation account, the Central Washington University capital projects  
28 account, the charitable, educational, penal and reformatory  
29 institutions account, the common school construction fund, the county  
30 criminal justice assistance account, the county sales and use tax  
31 equalization account, the data processing building construction  
32 account, the deferred compensation administrative account, the deferred  
33 compensation principal account, the department of retirement systems  
34 expense account, the drinking water assistance account, the Eastern  
35 Washington University capital projects account, the education  
36 construction fund, the emergency reserve fund, the federal forest  
37 revolving account, the health services account, the public health  
38 services account, the health system capacity account, the personal  
39 health services account, the state higher education construction

1 account, the higher education construction account, the highway  
2 infrastructure account, the industrial insurance premium refund  
3 account, the judges' retirement account, the judicial retirement  
4 administrative account, the judicial retirement principal account, the  
5 local leasehold excise tax account, the local real estate excise tax  
6 account, the local sales and use tax account, the medical aid account,  
7 the mobile home park relocation fund, the municipal criminal justice  
8 assistance account, the municipal sales and use tax equalization  
9 account, the natural resources deposit account, the perpetual  
10 surveillance and maintenance account, the public employees' retirement  
11 system plan 1 account, the public employees' retirement system combined  
12 plan 2 and plan 3 account, the Puyallup tribal settlement account, the  
13 resource management cost account, the site closure account, the special  
14 wildlife account, the state employees' insurance account, the state  
15 employees' insurance reserve account, the state investment board  
16 expense account, the state investment board commingled trust fund  
17 accounts, the supplemental pension account, the teachers' retirement  
18 system plan 1 account, the teachers' retirement system combined plan 2  
19 and plan 3 account, the tobacco prevention and control account, the  
20 tobacco settlement account, the transportation infrastructure account,  
21 the tuition recovery trust fund, the University of Washington bond  
22 retirement fund, the University of Washington building account, the  
23 volunteer fire fighters' and reserve officers' relief and pension  
24 principal ((~~account~~)) fund, the volunteer fire fighters' ((~~relief and~~  
25 pension)) and reserve officers' administrative ((~~account~~)) fund, the  
26 Washington judicial retirement system account, the Washington law  
27 enforcement officers' and fire fighters' system plan 1 retirement  
28 account, the Washington law enforcement officers' and fire fighters'  
29 system combined plan 2 and plan 3 retirement account, the Washington  
30 school employees' retirement system combined plan 2 and 3 account, the  
31 Washington state patrol retirement account, the Washington State  
32 University building account, the Washington State University bond  
33 retirement fund, the water pollution control revolving fund, and the  
34 Western Washington University capital projects account. Earnings  
35 derived from investing balances of the agricultural permanent fund, the  
36 normal school permanent fund, the permanent common school fund, the  
37 scientific permanent fund, and the state university permanent fund  
38 shall be allocated to their respective beneficiary accounts. All  
39 earnings to be distributed under this subsection (4)(a) shall first be

1 reduced by the allocation to the state treasurer's service fund  
2 pursuant to RCW 43.08.190.

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

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

23 **"LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'**  
24 **RETIREMENT SYSTEM PLANS 1, 2, AND 3"**

25 **Sec. 801.** RCW 41.26.005 and 1992 c 72 s 2 are each amended to read  
26 as follows:

27 RCW 41.26.010 through 41.26.062 shall apply to members of plan 1  
28 (~~and~~), plan 2, and plan 3.

29 **Sec. 802.** RCW 41.26.030 and 1996 c 178 s 11 and 1996 c 38 s 2 are  
30 each reenacted and amended to read as follows:

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

33 (1) "Retirement system" means the "Washington law enforcement  
34 officers' and fire fighters' retirement system" provided herein.

35 (2)(a) "Employer" for plan 1 members, means the legislative  
36 authority of any city, town, county, or district or the elected

1 officials of any municipal corporation that employs any law enforcement  
2 officer and/or fire fighter, any authorized association of such  
3 municipalities, and, except for the purposes of RCW 41.26.150, any  
4 labor guild, association, or organization, which represents the fire  
5 fighters or law enforcement officers of at least seven cities of over  
6 20,000 population and the membership of each local lodge or division of  
7 which is composed of at least sixty percent law enforcement officers or  
8 fire fighters as defined in this chapter.

9 (b) "Employer" for plan 2 and plan 3 members, means the following  
10 entities to the extent that the entity employs any law enforcement  
11 officer and/or fire fighter:

12 (i) The legislative authority of any city, town, county, or  
13 district;

14 (ii) The elected officials of any municipal corporation;

15 (iii) The governing body of any other general authority law  
16 enforcement agency; or

17 (iv) A four-year institution of higher education having a fully  
18 operational fire department as of January 1, 1996.

19 (3) "Law enforcement officer" beginning January 1, 1994, means any  
20 person who is commissioned and employed by an employer on a full time,  
21 fully compensated basis to enforce the criminal laws of the state of  
22 Washington generally, with the following qualifications:

23 (a) No person who is serving in a position that is basically  
24 clerical or secretarial in nature, and who is not commissioned shall be  
25 considered a law enforcement officer;

26 (b) Only those deputy sheriffs, including those serving under a  
27 different title pursuant to county charter, who have successfully  
28 completed a civil service examination for deputy sheriff or the  
29 equivalent position, where a different title is used, and those persons  
30 serving in unclassified positions authorized by RCW 41.14.070 except a  
31 private secretary will be considered law enforcement officers;

32 (c) Only such full time commissioned law enforcement personnel as  
33 have been appointed to offices, positions, or ranks in the police  
34 department which have been specifically created or otherwise expressly  
35 provided for and designated by city charter provision or by ordinance  
36 enacted by the legislative body of the city shall be considered city  
37 police officers;

38 (d) The term "law enforcement officer" also includes the executive  
39 secretary of a labor guild, association or organization (which is an

1 employer under RCW 41.26.030(2)) if that individual has five years  
2 previous membership in the retirement system established in chapter  
3 41.20 RCW. The provisions of this subsection (3)(d) shall not apply to  
4 plan 2 and plan 3 members; and

5 (e) The term "law enforcement officer" also includes a person  
6 employed on or after January 1, 1993, as a public safety officer or  
7 director of public safety, so long as the job duties substantially  
8 involve only either police or fire duties, or both, and no other duties  
9 in a city or town with a population of less than ten thousand. The  
10 provisions of this subsection (3)(e) shall not apply to any public  
11 safety officer or director of public safety who is receiving a  
12 retirement allowance under this chapter as of May 12, 1993.

13 (4) "Fire fighter" means:

14 (a) Any person who is serving on a full time, fully compensated  
15 basis as a member of a fire department of an employer and who is  
16 serving in a position which requires passing a civil service  
17 examination for fire fighter, and who is actively employed as such;

18 (b) Anyone who is actively employed as a full time fire fighter  
19 where the fire department does not have a civil service examination;

20 (c) Supervisory fire fighter personnel;

21 (d) Any full time executive secretary of an association of fire  
22 protection districts authorized under RCW 52.12.031. The provisions of  
23 this subsection (4)(d) shall not apply to plan 2 and plan 3 members;

24 (e) The executive secretary of a labor guild, association or  
25 organization (which is an employer under RCW 41.26.030(2) as now or  
26 hereafter amended), if such individual has five years previous  
27 membership in a retirement system established in chapter 41.16 or 41.18  
28 RCW. The provisions of this subsection (4)(e) shall not apply to plan  
29 2 and plan 3 members;

30 (f) Any person who is serving on a full time, fully compensated  
31 basis for an employer, as a fire dispatcher, in a department in which,  
32 on March 1, 1970, a dispatcher was required to have passed a civil  
33 service examination for fire fighter; and

34 (g) Any person who on March 1, 1970, was employed on a full time,  
35 fully compensated basis by an employer, and who on May 21, 1971, was  
36 making retirement contributions under the provisions of chapter 41.16  
37 or 41.18 RCW.

38 (5) "Department" means the department of retirement systems created  
39 in chapter 41.50 RCW.

1 (6) "Surviving spouse" means the surviving widow or widower of a  
2 member. "Surviving spouse" shall not include the divorced spouse of a  
3 member except as provided in RCW 41.26.162.

4 (7)(a) "Child" or "children" means an unmarried person who is under  
5 the age of eighteen or mentally or physically handicapped as determined  
6 by the department, except a handicapped person in the full time care of  
7 a state institution, who is:

8 (i) A natural born child;

9 (ii) A stepchild where that relationship was in existence prior to  
10 the date benefits are payable under this chapter;

11 (iii) A posthumous child;

12 (iv) A child legally adopted or made a legal ward of a member prior  
13 to the date benefits are payable under this chapter; or

14 (v) An illegitimate child legitimized prior to the date any  
15 benefits are payable under this chapter.

16 (b) A person shall also be deemed to be a child up to and including  
17 the age of twenty years and eleven months while attending any high  
18 school, college, or vocational or other educational institution  
19 accredited, licensed, or approved by the state, in which it is located,  
20 including the summer vacation months and all other normal and regular  
21 vacation periods at the particular educational institution after which  
22 the child returns to school.

23 (8) "Member" means any fire fighter, law enforcement officer, or  
24 other person as would apply under subsections (3) or (4) of this  
25 section whose membership is transferred to the Washington law  
26 enforcement officers' and fire fighters' retirement system on or after  
27 March 1, 1970, and every law enforcement officer and fire fighter who  
28 is employed in that capacity on or after such date.

29 (9) "Retirement fund" means the "Washington law enforcement  
30 officers' and fire fighters' retirement system fund" as provided for  
31 herein.

32 (10) "Employee" means any law enforcement officer or fire fighter  
33 as defined in subsections (3) and (4) of this section.

34 (11)(a) "Beneficiary" for plan 1 members, means any person in  
35 receipt of a retirement allowance, disability allowance, death benefit,  
36 or any other benefit described herein.

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

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

3 (12)(a) "Final average salary" for plan 1 members, means (i) for a  
4 member holding the same position or rank for a minimum of twelve months  
5 preceding the date of retirement, the basic salary attached to such  
6 same position or rank at time of retirement; (ii) for any other member,  
7 including a civil service member who has not served a minimum of twelve  
8 months in the same position or rank preceding the date of retirement,  
9 the average of the greatest basic salaries payable to such member  
10 during any consecutive twenty-four month period within such member's  
11 last ten years of service for which service credit is allowed, computed  
12 by dividing the total basic salaries payable to such member during the  
13 selected twenty-four month period by twenty-four; (iii) in the case of  
14 disability of any member, the basic salary payable to such member at  
15 the time of disability retirement; (iv) in the case of a member who  
16 hereafter vests pursuant to RCW 41.26.090, the basic salary payable to  
17 such member at the time of vesting.

18 (b) "Final average salary" for plan 2 and plan 3 members, means the  
19 monthly average of the member's basic salary for the highest  
20 consecutive sixty service credit months of service prior to such  
21 member's retirement, termination, or death. Periods constituting  
22 authorized unpaid leaves of absence may not be used in the calculation  
23 of final average salary.

24 (13)(a) "Basic salary" for plan 1 members, means the basic monthly  
25 rate of salary or wages, including longevity pay but not including  
26 overtime earnings or special salary or wages, upon which pension or  
27 retirement benefits will be computed and upon which employer  
28 contributions and salary deductions will be based.

29 (b) "Basic salary" for plan 2 and plan 3 members, means salaries or  
30 wages earned by a member during a payroll period for personal services,  
31 including overtime payments, and shall include wages and salaries  
32 deferred under provisions established pursuant to sections 403(b),  
33 414(h), and 457 of the United States Internal Revenue Code, but shall  
34 exclude lump sum payments for deferred annual sick leave, unused  
35 accumulated vacation, unused accumulated annual leave, or any form of  
36 severance pay. In any year in which a member serves in the legislature  
37 the member shall have the option of having such member's basic salary  
38 be the greater of:

1 (i) The basic salary the member would have received had such member  
2 not served in the legislature; or

3 (ii) Such member's actual basic salary received for nonlegislative  
4 public employment and legislative service combined. Any additional  
5 contributions to the retirement system required because basic salary  
6 under (b)(i) of this subsection is greater than basic salary under  
7 (b)(ii) of this subsection shall be paid by the member for both member  
8 and employer contributions.

9 (14)(a) "Service" for plan 1 members, means all periods of  
10 employment for an employer as a fire fighter or law enforcement  
11 officer, for which compensation is paid, together with periods of  
12 suspension not exceeding thirty days in duration. For the purposes of  
13 this chapter service shall also include service in the armed forces of  
14 the United States as provided in RCW 41.26.190. Credit shall be  
15 allowed for all service credit months of service rendered by a member  
16 from and after the member's initial commencement of employment as a  
17 fire fighter or law enforcement officer, during which the member worked  
18 for seventy or more hours, or was on disability leave or disability  
19 retirement. Only service credit months of service shall be counted in  
20 the computation of any retirement allowance or other benefit provided  
21 for in this chapter.

22 (i) For members retiring after May 21, 1971 who were employed under  
23 the coverage of a prior pension act before March 1, 1970, "service"  
24 shall also include (A) such military service not exceeding five years  
25 as was creditable to the member as of March 1, 1970, under the member's  
26 particular prior pension act, and (B) such other periods of service as  
27 were then creditable to a particular member under the provisions of RCW  
28 41.18.165, 41.20.160 or 41.20.170. However, in no event shall credit  
29 be allowed for any service rendered prior to March 1, 1970, where the  
30 member at the time of rendition of such service was employed in a  
31 position covered by a prior pension act, unless such service, at the  
32 time credit is claimed therefor, is also creditable under the  
33 provisions of such prior act.

34 (ii) A member who is employed by two employers at the same time  
35 shall only be credited with service to one such employer for any month  
36 during which the member rendered such dual service.

37 (b) "Service" for plan 2 and plan 3 members, means periods of  
38 employment by a member for one or more employers for which basic salary  
39 is earned for ninety or more hours per calendar month which shall

1 constitute a service credit month. Periods of employment by a member  
2 for one or more employers for which basic salary is earned for at least  
3 seventy hours but less than ninety hours per calendar month shall  
4 constitute one-half service credit month. Periods of employment by a  
5 member for one or more employers for which basic salary is earned for  
6 less than seventy hours shall constitute a one-quarter service credit  
7 month.

8 Members of the retirement system who are elected or appointed to a  
9 state elective position may elect to continue to be members of this  
10 retirement system.

11 Service credit years of service shall be determined by dividing the  
12 total number of service credit months of service by twelve. Any  
13 fraction of a service credit year of service as so determined shall be  
14 taken into account in the computation of such retirement allowance or  
15 benefits.

16 If a member receives basic salary from two or more employers during  
17 any calendar month, the individual shall receive one service credit  
18 month's service credit during any calendar month in which multiple  
19 service for ninety or more hours is rendered; or one-half service  
20 credit month's service credit during any calendar month in which  
21 multiple service for at least seventy hours but less than ninety hours  
22 is rendered; or one-quarter service credit month during any calendar  
23 month in which multiple service for less than seventy hours is  
24 rendered.

25 (15) "Accumulated contributions" means the employee's contributions  
26 made by a member, including any amount paid under RCW 41.50.165(2),  
27 plus accrued interest credited thereon.

28 (16) "Actuarial reserve" means a method of financing a pension or  
29 retirement plan wherein reserves are accumulated as the liabilities for  
30 benefit payments are incurred in order that sufficient funds will be  
31 available on the date of retirement of each member to pay the member's  
32 future benefits during the period of retirement.

33 (17) "Actuarial valuation" means a mathematical determination of  
34 the financial condition of a retirement plan. It includes the  
35 computation of the present monetary value of benefits payable to  
36 present members, and the present monetary value of future employer and  
37 employee contributions, giving effect to mortality among active and  
38 retired members and also to the rates of disability, retirement,  
39 withdrawal from service, salary and interest earned on investments.

1 (18) "Disability board" for plan 1 members means either the county  
2 disability board or the city disability board established in RCW  
3 41.26.110.

4 (19) "Disability leave" means the period of six months or any  
5 portion thereof during which a member is on leave at an allowance equal  
6 to the member's full salary prior to the commencement of disability  
7 retirement. The definition contained in this subsection shall apply  
8 only to plan 1 members.

9 (20) "Disability retirement" for plan 1 members, means the period  
10 following termination of a member's disability leave, during which the  
11 member is in receipt of a disability retirement allowance.

12 (21) "Position" means the employment held at any particular time,  
13 which may or may not be the same as civil service rank.

14 (22) "Medical services" for plan 1 members, shall include the  
15 following as minimum services to be provided. Reasonable charges for  
16 these services shall be paid in accordance with RCW 41.26.150.

17 (a) Hospital expenses: These are the charges made by a hospital,  
18 in its own behalf, for

19 (i) Board and room not to exceed semiprivate room rate unless  
20 private room is required by the attending physician due to the  
21 condition of the patient.

22 (ii) Necessary hospital services, other than board and room,  
23 furnished by the hospital.

24 (b) Other medical expenses: The following charges are considered  
25 "other medical expenses", provided that they have not been considered  
26 as "hospital expenses".

27 (i) The fees of the following:

28 (A) A physician or surgeon licensed under the provisions of chapter  
29 18.71 RCW;

30 (B) An osteopathic physician and surgeon licensed under the  
31 provisions of chapter 18.57 RCW;

32 (C) A chiropractor licensed under the provisions of chapter 18.25  
33 RCW.

34 (ii) The charges of a registered graduate nurse other than a nurse  
35 who ordinarily resides in the member's home, or is a member of the  
36 family of either the member or the member's spouse.

37 (iii) The charges for the following medical services and supplies:

38 (A) Drugs and medicines upon a physician's prescription;

39 (B) Diagnostic x-ray and laboratory examinations;

1 (C) X-ray, radium, and radioactive isotopes therapy;  
2 (D) Anesthesia and oxygen;  
3 (E) Rental of iron lung and other durable medical and surgical  
4 equipment;  
5 (F) Artificial limbs and eyes, and casts, splints, and trusses;  
6 (G) Professional ambulance service when used to transport the  
7 member to or from a hospital when injured by an accident or stricken by  
8 a disease;  
9 (H) Dental charges incurred by a member who sustains an accidental  
10 injury to his or her teeth and who commences treatment by a legally  
11 licensed dentist within ninety days after the accident;  
12 (I) Nursing home confinement or hospital extended care facility;  
13 (J) Physical therapy by a registered physical therapist;  
14 (K) Blood transfusions, including the cost of blood and blood  
15 plasma not replaced by voluntary donors;  
16 (L) An optometrist licensed under the provisions of chapter 18.53  
17 RCW.  
18 (23) "Regular interest" means such rate as the director may  
19 determine.  
20 (24) "Retiree" for persons who establish membership in the  
21 retirement system on or after October 1, 1977, means any member in  
22 receipt of a retirement allowance or other benefit provided by this  
23 chapter resulting from service rendered to an employer by such member.  
24 (25) "Director" means the director of the department.  
25 (26) "State actuary" or "actuary" means the person appointed  
26 pursuant to RCW 44.44.010(2).  
27 (27) "State elective position" means any position held by any  
28 person elected or appointed to state-wide office or elected or  
29 appointed as a member of the legislature.  
30 (28) "Plan 1" means the law enforcement officers' and fire  
31 fighters' retirement system, plan 1 providing the benefits and funding  
32 provisions covering persons who first became members of the system  
33 prior to October 1, 1977.  
34 (29) "Plan 2" means the law enforcement officers' and fire  
35 fighters' retirement system, plan 2 providing the benefits and funding  
36 provisions covering persons who first became members of the system on  
37 and after October 1, 1977.  
38 (30) "Plan 3" means the law enforcement officers' and fire  
39 fighters' retirement system, plan 3 providing benefits and funding

1 provisions covering persons who first became members of the system on  
2 and after March 1, 2002, and choose to enter plan 3, or who transfer  
3 under section 901 of this act.

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

6 (~~(31)~~) (32) "Service credit month" means a full service credit  
7 month or an accumulation of partial service credit months that are  
8 equal to one.

9 (~~(32)~~) (33) "General authority law enforcement agency" means any  
10 agency, department, or division of a municipal corporation, political  
11 subdivision, or other unit of local government of this state, and any  
12 agency, department, or division of state government, having as its  
13 primary function the detection and apprehension of persons committing  
14 infractions or violating the traffic or criminal laws in general, but  
15 not including the Washington state patrol. Such an agency, department,  
16 or division is distinguished from a limited authority law enforcement  
17 agency having as one of its functions the apprehension or detection of  
18 persons committing infractions or violating the traffic or criminal  
19 laws relating to limited subject areas, including but not limited to,  
20 the state departments of natural resources, fish and wildlife, and  
21 social and health services, the state gambling commission, the state  
22 lottery commission, the state parks and recreation commission, the  
23 state utilities and transportation commission, the state liquor control  
24 board, and the state department of corrections.

25 **"LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'**  
26 **RETIREMENT SYSTEM PLAN 2"**

27 NEW SECTION. Sec. 901. A new section is added to chapter 41.26  
28 RCW to read as follows:

29 (1) Every plan 2 member employed by an employer in an eligible  
30 position has the option to make an irrevocable transfer to plan 3.

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

33 (3) Any plan 2 member who wishes to transfer to plan 3 may transfer  
34 during any month during the period from March 1, 2002, to March 1,  
35 2003, provided that the member earns service credit for that month.

36 (4) The accumulated contributions in plan 2, less fifty percent of  
37 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(2),  
6 except that interest earned on all such contributions shall be  
7 transferred to the member's account.

8 (5) The legislature reserves the right to discontinue the right to  
9 transfer under this section.

10 (6) Anyone previously retired from plan 2 is prohibited from  
11 transferring to plan 3.

12 **Sec. 902.** RCW 41.26.450 and 1996 c 38 s 3 are each amended to read  
13 as follows:

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

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

22	Member	50%
23	Employer	30%
24	State	20%

25 ~~(3))~~ Port districts established under Title 53 RCW and  
26 institutions of higher education as defined in RCW 28B.10.016 shall  
27 contribute both the employer and state shares of the cost of the  
28 retirement system for any of their employees who are law enforcement  
29 officers. Institutions of higher education shall contribute both the  
30 employer and the state shares of the cost of the retirement system for  
31 any of their employees who are fire fighters.

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

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

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

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

9       ~~(8) Members' contributions required by this section shall be~~  
10 ~~deducted from the members basic salary each payroll period. The~~  
11 ~~members contribution and the employers contribution shall be remitted~~  
12 ~~directly to the department within fifteen days following the end of the~~  
13 ~~calendar month during which the payroll period ends. The state's~~  
14 ~~contribution required by this section shall be transferred to the plan~~  
15 ~~II fund from the total contributions transferred by the state treasurer~~  
16 ~~under RCW 41.45.060 and 41.45.070.)~~

17                   **"LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'**  
18                   **RETIREMENT SYSTEM PLAN 3"**

19       NEW SECTION. Sec. 1001. (1) Sections 1001 through 1017 apply only  
20 to plan 3 members.

21       (2) Plan 3 consists of two separate elements: (a) A defined  
22 benefit portion covered under this subchapter; and (b) a defined  
23 contribution portion covered under chapter 41.34 RCW.

24       (3) Unless otherwise specified, all references to "plan 3" in this  
25 subchapter refer to the defined benefit portion of plan 3.

26       NEW SECTION. Sec. 1002. All employees who first become employed  
27 by an employer in an eligible position on or after March 1, 2002, shall  
28 have the irrevocable option of membership in plan 2 or plan 3.

29       NEW SECTION. Sec. 1003. (1) A member of the retirement system  
30 shall receive a retirement allowance equal to one percent of such  
31 member's average final compensation for each service credit year.

32       (2) The retirement allowance payable under section 1008 of this act  
33 to a member who separates after having completed at least twenty  
34 service credit years shall be increased by twenty-five one-hundredths

1 of one percent, compounded for each month from the date of separation  
2 to the date that the retirement allowance commences.

3 NEW SECTION. **Sec. 1004.** (1) As used in this section, unless a  
4 different meaning is plainly required by the context:

5 (a) "Transfer period" means March 1, 2002, to March 1, 2003, the  
6 time during which plan 2 members identified in subsection (2) of this  
7 section may choose to irrevocably transfer from plan 2 to plan 3.

8 (b) "Transfer amount" means the accumulated contributions present  
9 in a member's savings fund on March 1, 2002, plus contributions made  
10 thereafter until the actual date of transfer which is the basis for  
11 calculation of the plan 2 to plan 3 transfer payment.

12 (c) "Transfer payment date" means the date that the transfer  
13 payment will be made into a member's individual account on the date  
14 specified for that member's transfer period.

15 (d) "Additional transfer payment date" means March 1, 2003, the  
16 date of the additional transfer payment made according to subsection  
17 (3) of this section.

18 (2) Members that did not have the option of choosing plan 2 or plan  
19 3 upon entry into the retirement system, may irrevocably transfer to  
20 plan 3 during the transfer period.

21 (3) Members of plan 2 who are members of the retirement system  
22 prior to March 1, 2002, and choose to irrevocably transfer to plan 3  
23 during the transfer period shall have an additional payment made  
24 equivalent to their transfer amount that is:

25 (a) Increased by seventy-seven percent;

26 (b) Increased by an annual rate of seven and one-half percent for  
27 the months between March 1, 2002, and the actual month the member  
28 transferred to plan 3; and

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

31 (4) If a member who requests to transfer during their transfer  
32 period dies before the additional transfer payment date, the additional  
33 transfer payment provided in this section shall be paid to the member's  
34 estate, or the person or persons, trust, or organization the member  
35 nominated by written designation duly executed and filed with the  
36 department.

1 (5) The legislature reserves the right to modify or discontinue the  
2 right to an additional payment under this section for any plan 2  
3 members who have not previously transferred to plan 3.

4 NEW SECTION. **Sec. 1005.** Any member or beneficiary eligible to  
5 receive a retirement allowance under the provisions of sections 1008,  
6 1009, or 1012 of this act shall be eligible to commence receiving a  
7 retirement allowance after having filed written application with the  
8 department.

9 (1) Retirement allowances paid to members under the provisions of  
10 section 1008 of this act shall accrue from the first day of the  
11 calendar month immediately following such member's separation from  
12 service.

13 (2) Retirement allowances paid to vested members no longer in  
14 service, but qualifying for such an allowance pursuant to section 1008  
15 of this act, shall accrue from the first day of the calendar month  
16 immediately following such qualification.

17 (3) Disability allowances paid to disabled members under the  
18 provisions of section 1009 of this act shall accrue from the first day  
19 of the calendar month immediately following such member's separation  
20 from service for disability.

21 (4) Retirement allowances paid as death benefits under the  
22 provisions of section 1012 of this act shall accrue from the first day  
23 of the calendar month immediately following the member's death.

24 (5) A person is separated from service on the date a person has  
25 terminated all employment with an employer.

26 NEW SECTION. **Sec. 1006.** (1) A member who is on a paid leave of  
27 absence authorized by a member's employer shall continue to receive  
28 service credit as provided for under the provisions of sections 1001  
29 through 1017 of this act.

30 (2) A member who receives compensation from an employer while on an  
31 authorized leave of absence to serve as an elected official of a labor  
32 organization, and whose employer is reimbursed by the labor  
33 organization for the compensation paid to the member during the period  
34 of absence, may also be considered to be on a paid leave of absence.  
35 This subsection shall only apply if the member's leave of absence is  
36 authorized by a collective bargaining agreement that provides that the  
37 member retains seniority rights with the employer during the period of

1 leave. The basic salary reported for a member who establishes service  
2 credit under this subsection may not be greater than the salary paid to  
3 the highest paid job class covered by the collective bargaining  
4 agreement.

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

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

19 (5) For the purpose of subsection (3) of this section the  
20 contribution shall not include the contribution for the unfunded  
21 supplemental present value as required by section 1013 of this act.  
22 The contributions required shall be based on the average of the  
23 member's basic salary at both the time the authorized leave of absence  
24 was granted and the time the member resumed employment.

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

31 (a) The member qualifies for service credit under this subsection  
32 if:

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

37 (ii) The member makes the employee contributions required under  
38 section 1013 of this act within five years of resumption of service or  
39 prior to retirement, whichever comes sooner; or

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

4 (b) Upon receipt of member contributions under (a)(ii) of this  
5 subsection, the department shall establish the member's service credit  
6 and shall bill the employer and the state for their respective  
7 contributions required under section 1013 of this act for the period of  
8 military service, plus interest as determined by the department.

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

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

17 NEW SECTION. **Sec. 1007.** (1) Contributions on behalf of the  
18 employer paid by the employee to purchase plan 3 service credit shall  
19 be allocated to the defined benefit portion of plan 3 and shall not be  
20 refundable when paid to the fund described in RCW 41.50.075(4).  
21 Contributions on behalf of the employee shall be allocated to the  
22 member account. If the member fails to meet the statutory time  
23 limitations to purchase plan 3 service credit, it may be purchased  
24 under the provisions of RCW 41.50.165(2). One-half of the purchase  
25 payments under RCW 41.50.165(2), plus interest, shall be allocated to  
26 the member's account.

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

32 NEW SECTION. **Sec. 1008.** (1) NORMAL RETIREMENT. Any member with  
33 at least five service credit years of service who has attained at least  
34 age fifty-five shall be eligible to retire and to receive a retirement  
35 allowance computed according to the provisions of section 1003 of this  
36 act.

1 (2) EARLY RETIREMENT. Any member who has completed at least twenty  
2 service credit years of service and has attained age fifty shall be  
3 eligible to retire and to receive a retirement allowance computed  
4 according to the provisions of section 1003 of this act, except that a  
5 member retiring pursuant to this subsection shall have the retirement  
6 allowance actuarially reduced to reflect the difference in the number  
7 of years between age at retirement and the attainment of age fifty-  
8 five.

9 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
10 least twenty service credit years and has attained age fifty shall be  
11 eligible to retire and to receive a retirement allowance computed  
12 according to the provisions of section 1003 of this act, except that a  
13 member retiring pursuant to this subsection shall have the retirement  
14 allowance reduced by three percent per year to reflect the difference  
15 in the number of years between age at retirement and the attainment of  
16 age fifty-five.

17 NEW SECTION. **Sec. 1009.** (1) A member of the retirement system who  
18 becomes totally incapacitated for continued employment by an employer  
19 as determined by the director shall be eligible to receive an allowance  
20 under the provisions of sections 1001 through 1017 of this act. Such  
21 member shall receive a monthly disability allowance computed as  
22 provided for in section 1009 of this act and shall have such allowance  
23 actuarially reduced to reflect the difference in the number of years  
24 between age at disability and the attainment of age fifty-five.

25 (2) Any member who receives an allowance under the provisions of  
26 this section shall be subject to such comprehensive medical  
27 examinations as required by the department. If such medical  
28 examinations reveal that such a member has recovered from the  
29 incapacitating disability and the member is no longer entitled to  
30 benefits under Title 51 RCW, the retirement allowance shall be canceled  
31 and the member shall be restored to duty in the same civil service  
32 rank, if any, held by the member at the time of retirement or, if  
33 unable to perform the duties of the rank, then, at the member's  
34 request, in such other like or lesser rank as may be or become open and  
35 available, the duties of which the member is then able to perform. In  
36 no event shall a member previously drawing a disability allowance be  
37 returned or be restored to duty at a salary or rate of pay less than  
38 the current salary attached to the rank or position held by the member

1 at the date of the retirement for disability. If the department  
2 determines that the member is able to return to service, the member is  
3 entitled to notice and a hearing. Both the notice and the hearing  
4 shall comply with the requirements of chapter 34.05 RCW, the  
5 Administrative Procedure Act.

6 (3) Those members subject to this chapter who became disabled in  
7 the line of duty on or after July 23, 1989, and who receive benefits  
8 under RCW 41.04.500 through 41.04.530 or similar benefits under RCW  
9 41.04.535 shall receive or continue to receive service credit subject  
10 to the following:

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

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

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

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

20 (e) State contributions shall be as provided in section 1013 of  
21 this act.

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

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

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

29 (4)(a) If the recipient of a monthly retirement allowance under  
30 this section dies before the total of the retirement allowance paid to  
31 the recipient equals the amount of the accumulated contributions at the  
32 date of retirement, then the balance shall be paid to the member's  
33 estate, or such person or persons, trust, or organization as the  
34 recipient has nominated by written designation duly executed and filed  
35 with the director, or, if there is no such designated person or persons  
36 still living at the time of the recipient's death, then to the  
37 surviving spouse, or, if there is neither such designated person or  
38 persons still living at the time of his or her death nor a surviving  
39 spouse, then to his or her legal representative.

1 (b) If a recipient of a monthly retirement allowance under this  
2 section died before April 27, 1989, and before the total of the  
3 retirement allowance paid to the recipient equaled the amount of his or  
4 her accumulated contributions at the date of retirement, then the  
5 department shall pay the balance of the accumulated contributions to  
6 the member's surviving spouse or, if there is no surviving spouse, then  
7 in equal shares to the member's children. If there is no surviving  
8 spouse or children, the department shall retain the contributions.

9 (5) Should the disability retirement allowance of any disability  
10 beneficiary be canceled for any cause other than reentrance into  
11 service or retirement for service, he or she shall be paid the excess,  
12 if any, of the accumulated contributions at the time of retirement over  
13 all payments made on his or her behalf under this chapter.

14 NEW SECTION. **Sec. 1010.** Notwithstanding any other provision of  
15 law, members shall be eligible for industrial insurance as provided by  
16 Title 51 RCW, and shall be included in the payroll of the employer for  
17 such purpose.

18 NEW SECTION. **Sec. 1011.** (1) Any member who elects to transfer to  
19 plan 3 and has eligible unrestored withdrawn contributions in plan 2,  
20 may restore such contributions under the provisions of RCW 41.26.425  
21 with interest as determined by the department. The restored plan 2  
22 service credit shall be automatically transferred to plan 3.  
23 Restoration payments shall be transferred to the member account in plan  
24 3. If the member fails to meet the time limitations of RCW 41.26.425,  
25 they may restore such contributions under the provisions of RCW  
26 41.50.165(2). The restored plan 2 service credit shall be  
27 automatically transferred to plan 3. One-half of the restoration  
28 payments under RCW 41.50.165(2) plus interest shall be allocated to the  
29 member's account.

30 (2) Any member who elects to transfer to plan 3 may purchase plan  
31 2 service credit under RCW 41.26.425. Purchased plan 2 service credit  
32 shall be automatically transferred to plan 3. Contributions on behalf  
33 of the employer paid by the employee shall be allocated to the defined  
34 benefit portion of plan 3 and shall not be refundable when paid to the  
35 combined plan 2 and plan 3 fund described in RCW 41.50.075(1).  
36 Contributions on behalf of the employee shall be allocated to the  
37 member account. If the member fails to meet the time limitations of

1 RCW 41.26.425, they may subsequently restore such contributions under  
2 the provisions of RCW 41.50.165(2). Purchased plan 2 service credit  
3 shall be automatically transferred to plan 3. One-half of the payments  
4 under RCW 41.50.165(2), plus interest, shall be allocated to the  
5 member's account.

6 NEW SECTION. **Sec. 1012.** (1) Except as provided in RCW 11.07.010,  
7 if a member or a vested member who has not completed at least ten years  
8 of service dies, the amount of the accumulated contributions standing  
9 to such member's credit in the retirement system at the time of such  
10 member's death, less any amount identified as owing to an obligee upon  
11 withdrawal of accumulated contributions pursuant to a court order filed  
12 under RCW 41.50.670, shall be paid to the member's estate, or such  
13 person or persons, trust, or organization as the member shall have  
14 nominated by written designation duly executed and filed with the  
15 department. If there be no such designated person or persons still  
16 living at the time of the member's death, such member's accumulated  
17 contributions standing to such member's credit in the retirement  
18 system, less any amount identified as owing to an obligee upon  
19 withdrawal of accumulated contributions pursuant to a court order filed  
20 under RCW 41.50.670, shall be paid to the member's surviving spouse as  
21 if in fact such spouse had been nominated by written designation, or if  
22 there be no such surviving spouse, then to such member's legal  
23 representatives.

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

27 (a) A retirement allowance computed as provided for in section 1008  
28 of this act, actuarially reduced by the amount of any lump sum benefit  
29 identified as owing to an obligee upon withdrawal of accumulated  
30 contributions pursuant to a court order filed under RCW 41.50.670 and  
31 actuarially adjusted to reflect a joint and one hundred percent  
32 survivor option under section 1015 of this act and if the member was  
33 not eligible for normal retirement at the date of death a further  
34 reduction as described in section 1008(2) of this act; if a surviving  
35 spouse who is receiving a retirement allowance dies leaving a child or  
36 children of the member under the age of majority, then such child or  
37 children shall continue to receive an allowance in an amount equal to  
38 that which was being received by the surviving spouse, share and share

1 alike, until such child or children reach the age of majority; if there  
2 is no surviving spouse eligible to receive an allowance at the time of  
3 the member's death, such member's child or children under the age of  
4 majority shall receive an allowance share and share alike calculated as  
5 herein provided making the assumption that the ages of the spouse and  
6 member were equal at the time of the member's death; or

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

10 (ii) If the member dies on or after July 25, 1993, one hundred  
11 fifty percent of the member's accumulated contributions, less any  
12 amount identified as owing to an obligee upon withdrawal of accumulated  
13 contributions pursuant to a court order filed under RCW 41.50.670. Any  
14 accumulated contributions attributable to restorations made under RCW  
15 41.50.165(2) shall be refunded at one hundred percent.

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

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

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

29 NEW SECTION. **Sec. 1013.** Port districts established under Title 53  
30 RCW and institutions of higher education as defined in RCW 28B.10.016  
31 shall contribute both the employer and state shares of the cost of the  
32 retirement system for any of their employees who are law enforcement  
33 officers. Institutions of higher education shall contribute both the  
34 employer and the state shares of the cost of the retirement system for  
35 any of their employees who are fire fighters.

36 NEW SECTION. **Sec. 1014.** Beginning July 1, 1979, and every year  
37 thereafter, the department shall determine the following information

1 for each retired member or beneficiary whose retirement allowance has  
2 been in effect for at least one year:

3 (1) The original dollar amount of the retirement allowance;

4 (2) The index for the calendar year prior to the effective date of  
5 the retirement allowance, to be known as "index A";

6 (3) The index for the calendar year prior to the date of  
7 determination, to be known as "index B"; and

8 (4) The ratio obtained when index B is divided by index A.

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

12 (a) Produce a retirement allowance which is lower than the original  
13 retirement allowance;

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

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

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

21 NEW SECTION. **Sec. 1015.** (1) Upon retirement for service as  
22 prescribed in section 1008 of this act or disability retirement under  
23 section 1009 of this act, a member shall elect to have the retirement  
24 allowance paid pursuant to the following options, calculated so as to  
25 be actuarially equivalent to each other.

26 (a) Standard allowance. A member electing this option shall  
27 receive a retirement allowance payable throughout such member's life.  
28 However, if the retiree dies before the total of the retirement  
29 allowance paid to such retiree equals the amount of such retiree's  
30 accumulated contributions at the time of retirement, then the balance  
31 shall be paid to the member's estate, or such person or persons, trust,  
32 or organization as the retiree shall have nominated by written  
33 designation duly executed and filed with the department; or if there be  
34 no such designated person or persons still living at the time of the  
35 retiree's death, then to the surviving spouse; or if there be neither  
36 such designated person or persons still living at the time of death nor  
37 a surviving spouse, then to the retiree's legal representative.

1 (b) The department shall adopt rules that allow a member to select  
2 a retirement option that pays the member a reduced retirement allowance  
3 and upon death, such portion of the member's reduced retirement  
4 allowance as the department by rule designates shall be continued  
5 throughout the life of and paid to a designated person. Such person  
6 shall be nominated by the member by written designation duly executed  
7 and filed with the department at the time of retirement. The options  
8 adopted by the department shall include, but are not limited to, a  
9 joint and one hundred percent survivor option and a joint and fifty  
10 percent survivor option.

11 (2)(a) A member, if married, must provide the written consent of  
12 his or her spouse to the option selected under this section, except as  
13 provided in (b) of this subsection. If a member is married and both  
14 the member and member's spouse do not give written consent to an option  
15 under this section, the department will pay the member a joint and  
16 fifty percent survivor benefit and record the member's spouse as the  
17 beneficiary. Such benefit shall be calculated to be actuarially  
18 equivalent to the benefit options available under subsection (1) of  
19 this section unless spousal consent is not required as provided in (b)  
20 of this subsection.

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

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

26 (ii) The spousal consent provisions of (a) of this subsection do  
27 not apply.

28 (3)(a) Any member who retired before January 1, 1996, and who  
29 elected to receive a reduced retirement allowance under subsection  
30 (1)(b) or (2) of this section is entitled to receive a retirement  
31 allowance adjusted in accordance with (b) of this subsection, if they  
32 meet the following conditions:

33 (i) The retiree's designated beneficiary predeceases or has  
34 predeceased the retiree; and

35 (ii) The retiree provides to the department proper proof of the  
36 designated beneficiary's death.

37 (b) The retirement allowance payable to the retiree, as of July 1,  
38 1998, or the date of the designated beneficiary's death, whichever

1 comes last, shall be increased by the percentage derived in (c) of this  
2 subsection.

3 (c) The percentage increase shall be derived by the following:

4 (i) One hundred percent multiplied by the result of (c)(ii) of this  
5 subsection converted to a percent;

6 (ii) Subtract one from the reciprocal of the appropriate joint and  
7 survivor option factor;

8 (iii) The joint and survivor option factor shall be from the table  
9 in effect as of July 1, 1998.

10 (d) The adjustment under (b) of this subsection shall accrue from  
11 the beginning of the month following the date of the designated  
12 beneficiary's death or from July 1, 1998, whichever comes last.

13 NEW SECTION. **Sec. 1016.** (1) No retiree under the provisions of  
14 plan 3 shall be eligible to receive such retiree's monthly retirement  
15 allowance if he or she is employed in an eligible position as defined  
16 in RCW 41.40.010 or 41.32.010, or as a law enforcement officer or fire  
17 fighter as defined in RCW 41.26.030. If a retiree's benefits have been  
18 suspended under this section, his or her benefits shall be reinstated  
19 when the retiree terminates the employment that caused his or her  
20 benefits to be suspended. Upon reinstatement, the retiree's benefits  
21 shall be actuarially recomputed pursuant to the rules adopted by the  
22 department.

23 (2) The department shall adopt rules implementing this section.

24 NEW SECTION. **Sec. 1017.** (1) On or after June 10, 1982, the  
25 director may pay a beneficiary, subject to the provisions of subsection  
26 (5) of this section, a lump sum payment in lieu of a monthly benefit if  
27 the initial monthly benefit computed in accordance with section 1003 of  
28 this act would be less than fifty dollars. The lump sum payment shall  
29 be the greater of the actuarial equivalent of such monthly benefits or  
30 an amount equal to the individual's accumulated contributions plus  
31 accrued interest.

32 (2) A beneficiary, subject to the provisions of subsection (5) of  
33 this section, who is receiving a regular monthly benefit of less than  
34 fifty dollars may request, in writing, to convert from a monthly  
35 benefit to a lump sum payment. If the director approves the  
36 conversion, the calculation of the actuarial equivalent of the total  
37 estimated regular benefit will be computed based on the beneficiary's

1 age at the time the benefit initially accrued. The lump sum payment  
2 will be reduced to reflect any payments received on or after the  
3 initial benefit accrual date.

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

12 (4) If a member fails to meet the time limitations set forth under  
13 subsection (3) of this section, the member may reinstate all previous  
14 service under RCW 41.50.165(2) prior to retirement. The sum deposited  
15 shall exclude the accumulated value of the normal payments the member  
16 would have received while in beneficiary status if the lump sum payment  
17 had not occurred.

18 (5) Only persons entitled to or receiving a service retirement  
19 allowance under section 1003 of this act or an earned disability  
20 allowance under section 1009 of this act qualify for participation  
21 under this section.

22 (6) It is the intent of the legislature that any member who  
23 receives a settlement under this section shall be deemed to be retired  
24 from this system.

25 NEW SECTION. **Sec. 1018.** The benefits provided pursuant to chapter  
26 . . . , Laws of 2000 (this act) are not provided to employees as a  
27 matter of contractual right prior to September 1, 2001. The  
28 legislature retains the right to alter or abolish these benefits at any  
29 time prior to September 1, 2001.

30 NEW SECTION. **Sec. 1019.** Sections 1001 through 1017 of this act  
31 are each added to chapter 41.26 RCW.

32 **"EARLY RETIREMENT REDUCTION FACTORS"**

33 NEW SECTION. **Sec. 1101.** (1) NORMAL RETIREMENT. Any member with  
34 at least five service credit years who has attained at least age sixty-

1 five shall be eligible to retire and to receive a retirement allowance  
2 computed according to the provisions of RCW 41.40.620.

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

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

18 NEW SECTION. **Sec. 1102.** (1) NORMAL RETIREMENT. Any member with  
19 at least five service credit years of service who has attained at least  
20 age sixty-five shall be eligible to retire and to receive a retirement  
21 allowance computed according to the provisions of RCW 41.32.760.

22 (2) EARLY RETIREMENT. Any member who has completed at least twenty  
23 service credit years of service who has attained at least age fifty-  
24 five shall be eligible to retire and to receive a retirement allowance  
25 computed according to the provisions of RCW 41.32.760, except that a  
26 member 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 41.32.760, 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        NEW SECTION. Sec. 1103. (1) NORMAL RETIREMENT. Any member who is  
2 at least age sixty-five and who has:

3        (a) Completed ten service credit years; or

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

6        (c) Completed five service credit years by July 1, 1996, under plan  
7 2 and who transferred to plan 3 under RCW 41.32.817;

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

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

18       (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
19 least thirty service credit years and has attained age fifty-five shall  
20 be eligible to retire and to receive a retirement allowance computed  
21 according to the provisions of RCW 41.32.840, except that a member  
22 retiring pursuant to this subsection shall have the retirement  
23 allowance reduced by three percent per year to reflect the difference  
24 in the number of years between age at retirement and the attainment of  
25 age sixty-five.

26       NEW SECTION. Sec. 1104. (1) NORMAL RETIREMENT. Any member with  
27 at least five service credit years of service who has attained at least  
28 age fifty-five shall be eligible to retire and to receive a retirement  
29 allowance computed according to the provisions of RCW 41.26.420.

30       (2) EARLY RETIREMENT. Any member who has completed at least twenty  
31 service credit years of service and has attained age fifty shall be  
32 eligible to retire and to receive a retirement allowance computed  
33 according to the provisions of RCW 41.26.420, except that a member  
34 retiring pursuant to this subsection shall have the retirement  
35 allowance actuarially reduced to reflect the difference in the number  
36 of years between age at retirement and the attainment of age fifty-  
37 five.

1 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
2 least twenty service credit years and has attained age fifty shall be  
3 eligible to retire and to receive a retirement allowance computed  
4 according to the provisions of RCW 41.26.420, except that a member  
5 retiring pursuant to this subsection shall have the retirement  
6 allowance reduced by three percent per year to reflect the difference  
7 in the number of years between age at retirement and the attainment of  
8 age fifty-five.

9 NEW SECTION. **Sec. 1105.** (1) NORMAL RETIREMENT. Any member with  
10 at least five service credit years who has attained at least age sixty-  
11 five shall be eligible to retire and to receive a retirement allowance  
12 computed according to the provisions of RCW 41.35.400.

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

20 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
21 least thirty service credit years and has attained age fifty-five shall  
22 be eligible to retire and to receive a retirement allowance computed  
23 according to the provisions of RCW 41.35.400, except that a member  
24 retiring pursuant to this subsection shall have the retirement  
25 allowance reduced by three percent per year to reflect the difference  
26 in the number of years between age at retirement and the attainment of  
27 age sixty-five.

28 NEW SECTION. **Sec. 1106.** (1) NORMAL RETIREMENT. Any member who is  
29 at least age sixty-five and who has:

30 (a) Completed ten service credit years; or

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

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

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

1 (2) EARLY RETIREMENT. Any member who has attained at least age  
2 fifty-five and has completed at least ten years of service shall be  
3 eligible to retire and to receive a retirement allowance computed  
4 according to the provisions of RCW 41.35.620, except that a member  
5 retiring pursuant to this subsection shall have the retirement  
6 allowance actuarially reduced to reflect the difference in the number  
7 of years between age at retirement and the attainment of age sixty-  
8 five.

9 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
10 least thirty service credit years and has attained age fifty-five shall  
11 be eligible to retire and to receive a retirement allowance computed  
12 according to the provisions of RCW 41.35.620, except that a member  
13 retiring pursuant to this subsection shall have the retirement  
14 allowance reduced by three percent per year to reflect the difference  
15 in the number of years between age at retirement and the attainment of  
16 age sixty-five.

17 **"MISCELLANEOUS"**

18 NEW SECTION. **Sec. 1201.** (1) Except for sections 407 and 1101  
19 through 1106 of this act, this act takes effect September 1, 2001.

20 (2) Section 407 of this act takes effect January 1, 2004.

21 (3) Sections 1101 through 1107 of this act take effect September 1,  
22 2000.

23 NEW SECTION. **Sec. 1202.** Subchapter headings in this act are not  
24 any part of the law.

--- END ---