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ENGROSSED SUBSTITUTE SENATE BILL 6530

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State of Washington

56th Legislature

2000 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Fraser, Long, Snyder, Franklin, Bauer, Honeyford, Jacobsen, Fairley, Haugen, Roach, Zarelli, Rasmussen, Goings, McAuliffe, Patterson, Eide, Winsley, Hale, Costa, Kohl-Welles, Stevens, B. Sheldon, Gardner and Spanel; by request of Joint Committee on Pension Policy)

Read first time 02/07/2000.

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, 41.40.610, 41.34.020, 41.34.030,  
4 41.34.060, 41.34.080, 41.34.100, 41.31A.010, 41.31A.020, 41.45.010,  
5 41.45.050, 41.45.061, 41.50.075, 41.50.500, 41.05.011, 43.33A.190,  
6 41.26.450, 41.40.630, 41.32.765, 41.32.875, 41.26.430, 41.35.420,  
7 41.35.680, 41.32.805, 41.32.895, 41.40.700, 41.04.440, 41.04.445,  
8 41.04.450, 41.26.470, 41.26.520, and 41.40.710; reenacting and amending  
9 RCW 41.45.020, 41.45.060, 41.45.070, 41.50.088, 43.84.092, and  
10 41.26.510; adding new sections to chapter 41.40 RCW; adding a new  
11 section to chapter 41.31A RCW; adding a new section to chapter 41.45  
12 RCW; adding a new section to chapter 41.50 RCW; creating new sections;  
13 decodifying RCW 41.40.094; repealing RCW 41.40.650; providing effective  
14 dates; and declaring an emergency.

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

16 "PROVISIONS APPLICABLE TO PUBLIC EMPLOYEES'

17 RETIREMENT SYSTEM PLANS 2 AND 3"

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

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

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

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

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

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

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

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

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

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

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

1 (a) Any person who became a member of the system prior to April 1,  
2 1949;

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

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

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

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

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

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

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

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

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

11 (B) If a leave of absence is taken by an individual for the purpose  
12 of serving in the state legislature, the salary which would have been  
13 received for the position from which the leave of absence was taken,  
14 shall be considered as compensation earnable if the employee's  
15 contribution is paid by the employee and the employer's contribution is  
16 paid by the employer or employee;

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

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

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

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

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

31 (A) Remuneration for unused sick leave authorized under RCW  
32 41.04.340, 28A.400.210, or 28A.310.490;

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

35 (b) "Compensation earnable" for plan 2 and plan 3 members, means  
36 salaries or wages earned by a member during a payroll period for  
37 personal services, including overtime payments, and shall include wages  
38 and salaries deferred under provisions established pursuant to sections  
39 403(b), 414(h), and 457 of the United States Internal Revenue Code, but

1 shall exclude nonmoney maintenance compensation and lump sum or other  
2 payments for deferred annual sick leave, unused accumulated vacation,  
3 unused accumulated annual leave, or any form of severance pay.

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

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

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

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

19 (B) Such member's actual compensation earnable received for  
20 nonlegislative public employment and legislative service combined. Any  
21 additional contributions to the retirement system required because  
22 compensation earnable under (b)(ii)(A) of this subsection is greater  
23 than compensation earnable under (b)(ii)(B) of this subsection shall be  
24 paid by the member for both member and employer contributions;

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

27 (iv) Compensation that a member would have received but for a  
28 disability occurring in the line of duty only as authorized by RCW  
29 41.40.038;

30 (v) Compensation that a member receives due to participation in the  
31 leave sharing program only as authorized by RCW 41.04.650 through  
32 41.04.670; and

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

38 (9)(a) "Service" for plan 1 members, except as provided in RCW  
39 41.40.088, means periods of employment in an eligible position or

1 positions for one or more employers rendered to any employer for which  
2 compensation is paid, and includes time spent in office as an elected  
3 or appointed official of an employer. Compensation earnable earned in  
4 full time work for seventy hours or more in any given calendar month  
5 shall constitute one service credit month except as provided in RCW  
6 41.40.088. Compensation earnable earned for less than seventy hours in  
7 any calendar month shall constitute one-quarter service credit month of  
8 service except as provided in RCW 41.40.088. Only service credit  
9 months and one-quarter service credit months shall be counted in the  
10 computation of any retirement allowance or other benefit provided for  
11 in this chapter. Any fraction of a year of service shall be taken into  
12 account in the computation of such retirement allowance or benefits.  
13 Time spent in standby status, whether compensated or not, is not  
14 service.

15 (i) Service by a state employee officially assigned by the state on  
16 a temporary basis to assist another public agency, shall be considered  
17 as service as a state employee: PROVIDED, That service to any other  
18 public agency shall not be considered service as a state employee if  
19 such service has been used to establish benefits in any other public  
20 retirement system.

21 (ii) An individual shall receive no more than a total of twelve  
22 service credit months of service during any calendar year. If an  
23 individual is employed in an eligible position by one or more employers  
24 the individual shall receive no more than one service credit month  
25 during any calendar month in which multiple service for seventy or more  
26 hours is rendered.

27 (iii) A school district employee may count up to forty-five days of  
28 sick leave as creditable service solely for the purpose of determining  
29 eligibility to retire under RCW 41.40.180 as authorized by RCW  
30 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW  
31 28A.400.300 is equal to two service credit months. Use of less than  
32 forty-five days of sick leave is creditable as allowed under this  
33 subsection as follows:

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

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

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

1 (b) "Service" for plan 2 and plan 3 members, means periods of  
2 employment by a member in an eligible position or positions for one or  
3 more employers for which compensation earnable is paid. Compensation  
4 earnable earned for ninety or more hours in any calendar month shall  
5 constitute one service credit month except as provided in RCW  
6 41.40.088. Compensation earnable earned for at least seventy hours but  
7 less than ninety hours in any calendar month shall constitute one-half  
8 service credit month of service. Compensation earnable earned for less  
9 than seventy hours in any calendar month shall constitute one-quarter  
10 service credit month of service. Time spent in standby status, whether  
11 compensated or not, is not service.

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

14 (i) Service in any state elective position shall be deemed to be  
15 full time service, except that persons serving in state elective  
16 positions who are members of the Washington school employees'  
17 retirement system, teachers' retirement system, or law enforcement  
18 officers' and fire fighters' retirement system at the time of election  
19 or appointment to such position may elect to continue membership in the  
20 Washington school employees' retirement system, teachers' retirement  
21 system, or law enforcement officers' and fire fighters' retirement  
22 system.

23 (ii) A member shall receive a total of not more than twelve service  
24 credit months of service for such calendar year. If an individual is  
25 employed in an eligible position by one or more employers the  
26 individual shall receive no more than one service credit month during  
27 any calendar month in which multiple service for ninety or more hours  
28 is rendered.

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

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

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

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

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

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

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

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

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

11 (13) "Membership service" means:

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

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

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

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

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

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



1 (15) "Regular interest" means such rate as the director may  
2 determine.

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

7 (17)(a) "Average final compensation" for plan 1 members, means the  
8 annual average of the greatest compensation earnable by a member during  
9 any consecutive two year period of service credit months for which  
10 service credit is allowed; or if the member has less than two years of  
11 service credit months then the annual average compensation earnable  
12 during the total years of service for which service credit is allowed.

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

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

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

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

27 (21) "Retirement allowance" means the sum of the annuity and the  
28 pension.

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

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

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

39 (25) "Eligible position" means:

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

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

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

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

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

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

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

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

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

29 (33) "Plan 1" means the public employees' retirement system, plan  
30 1 providing the benefits and funding provisions covering persons who  
31 first became members of the system prior to October 1, 1977.

32 (34) "Plan 2" means the public employees' retirement system, plan  
33 2 providing the benefits and funding provisions covering persons who  
34 first became members of the system on and after October 1, 1977, and  
35 are not included in plan 3.

36 (35) "Plan 3" means the public employees' retirement system, plan  
37 3 providing the benefits and funding provisions covering persons who:

38 (a) First become a member on or after:

1 (i) March 1, 2002, and are employed by a state agency or institute  
2 of higher education and who choose to enter plan 3; or

3 (ii) September 1, 2002, and are employed by other than a state  
4 agency or institute of higher education and who choose to enter plan 3;  
5 or

6 (b) Transferred to plan 3 under section 304 of this act.

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

11 (~~(36)~~) (37) "Index A" means the index for the year prior to the  
12 determination of a postretirement adjustment.

13 (~~(37)~~) (38) "Index B" means the index for the year prior to index  
14 A.

15 (~~(38)~~) (39) "Index year" means the earliest calendar year in  
16 which the index is more than sixty percent of index A.

17 (~~(39)~~) (40) "Adjustment ratio" means the value of index A divided  
18 by index B.

19 (~~(40)~~) (41) "Annual increase" means, initially, fifty-nine cents  
20 per month per year of service which amount shall be increased each July  
21 1st by three percent, rounded to the nearest cent.

22 (~~(41)~~) (42) "Separation from service" occurs when a person has  
23 terminated all employment with an employer.

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

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

29 The deductions from the compensation of members, provided for in  
30 RCW 41.40.330 (~~or 41.40.650~~), 41.45.060, 41.45.061, or section 507 of  
31 this act, shall be made notwithstanding that the minimum compensation  
32 provided for by law for any member shall be reduced thereby. Every  
33 member shall be deemed to consent and agree to the deductions made and  
34 provided for in this chapter and receipt in full for his or her salary  
35 or compensation, and payment less the deductions shall be a full and  
36 complete discharge and acquittance of all claims and demands whatsoever  
37 for the services rendered by the person during the period covered by  
38 the payment, except as to benefits provided for under this chapter.

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

3       A member shall not receive a disability retirement benefit under  
4 RCW 41.40.200, 41.40.220, 41.40.230, 41.40.235, 41.40.250, (~~(or)~~)  
5 41.40.670, or section 310 of this act if the disability is the result  
6 of criminal conduct by the member committed after April 21, 1997.

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

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

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

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

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

22       (b) Option B: The employer makes a portion of the required  
23 payments and the member pays the balance. The employer shall not be  
24 required to make its payments until the member has made his or her  
25 payments. Each member shall have the option to purchase the membership  
26 service.

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

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

34       (3) An employer shall not be required to purchase membership  
35 service under option A or B for periods of employment for which the  
36 employer made contributions to a qualified retirement plan as defined  
37 by 26 U.S.C. Sec. 401(a), if the contributions plus interest accrued  
38 cannot be transferred to the retirement system. If the employer does

1 not purchase the membership credit under this subsection, the member  
2 may purchase the membership service under subsection (2)(c) of this  
3 section.

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

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

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

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

17 (2) On and after September 1, 1965, every school district of the  
18 state of Washington shall be an employer under this chapter. Every  
19 member of each school district who is eligible for membership under RCW  
20 41.40.023 shall be a member of the retirement system and participate on  
21 the same basis as a person who first becomes a member through the  
22 admission of any employer into the retirement system on and after April  
23 1, 1949, except that after August 31, 2000, school districts will no  
24 longer be employers for the public employees' retirement system plan 2  
25 or plan 3.

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

28 (1) A plan 1 member who is employed by a school district or  
29 districts, an educational service district, the state school for the  
30 deaf, the state school for the blind, institutions of higher education,  
31 or community colleges:

32 (a) Shall receive a service credit month for each month of the  
33 period from September through August of the following year if he or she  
34 is employed in an eligible position, earns compensation earnable for  
35 six hundred thirty hours or more during that period, and is employed  
36 during nine months of that period, except that a member may not receive

1 credit for any period prior to the member's employment in an eligible  
2 position;

3 (b) If a member in an eligible position does not meet the  
4 requirements of (a) of this subsection, the member is entitled to a  
5 service credit month for each month of the period he or she earns  
6 earnable compensation for seventy or more hours; and the member is  
7 entitled to a one-quarter service credit month for those calendar  
8 months during which he or she earned compensation for less than seventy  
9 hours.

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

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

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

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

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

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

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

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

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

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

3       (1) Active members of the Washington state patrol retirement system  
4 who have previously established service credit in the public employees'  
5 retirement system, plan 1 or plan 2 while employed by the state patrol  
6 as a cadet as defined in RCW 43.43.120(6)(b) may have such service  
7 credit transferred to the state patrol retirement system subject to the  
8 terms and conditions specified in chapter 43.43 RCW, including  
9 reestablishment of such service for the sole purpose of transfer.  
10 Service reestablishment shall be subject to the interest requirements  
11 of RCW 41.40.150(2).

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

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

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

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

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

21       NEW SECTION.   **Sec. 202.** RCW 41.40.650 (Employer and member  
22 contributions) and 1989 c 273 s 24, 1986 c 268 s 6, 1984 c 184 s 12, &  
23 1977 ex.s. c 295 s 6 are each repealed.

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

25       NEW SECTION.   **Sec. 301.** (1) Sections 301 through 316 of this act  
26 apply only to plan 3 members.

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

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

1        NEW SECTION.    **Sec. 302.**    (1) All employees who first become  
2 employed by an employer in an eligible position on or after March 1,  
3 2002, for state agencies or institutes of higher education, or  
4 September 1, 2002, for other employers, shall have a period of one  
5 hundred eighty days to make an irrevocable choice to become a member of  
6 plan 3. At the end of one hundred eighty days, if the member makes no  
7 choice, he or she remains a member of plan 2.

8        (2) Until an employee elects to become a member of plan 3, the  
9 member shall be reported to the department in plan 2, with member and  
10 employer contributions. If the member exercises the option to enter  
11 plan 3, all service credit and employer contributions shall be  
12 transferred to the member's plan 3 defined benefit. All employee  
13 contributions plus any interest earned shall be transferred to the  
14 member's plan 3 defined contribution account.

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

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

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

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

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

32        (c) "Additional transfer payment date" means March 1, 2003, the  
33 date of the additional transfer payment made according to subsection  
34 (6) of this section.

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



1 (a) For those members employed by state agencies and institutes of  
2 higher education the transfer period means the period between March 1,  
3 2002, and September 1, 2002.

4 (b) For those members employed by other organizations the transfer  
5 period means the period between September 1, 2002, and March 1, 2003.

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

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

13 (4)(a) Any plan 2 member who wishes to transfer to plan 3 after  
14 their transfer period may transfer during the month of January in any  
15 following year, provided that the member earns service credit for that  
16 month.

17 (b) Anyone who first became a state or higher education member of  
18 plan 2 on or after March 1, 2002, or a local government member of plan  
19 2 on or after September 1, 2002, and who did not elect to join plan 3  
20 within one hundred eighty days, has the option to transfer to plan 3  
21 under (a) of this subsection.

22 (5) The accumulated contributions in plan 2, less fifty percent of  
23 any contributions made pursuant to RCW 41.50.165(2) shall be  
24 transferred to the member's account in the defined contribution portion  
25 established in chapter 41.34 RCW, pursuant to procedures developed by  
26 the department and subject to RCW 41.34.090. Contributions made  
27 pursuant to RCW 41.50.165(2) that are not transferred to the member's  
28 account shall be transferred to the fund created in RCW 41.50.075(3),  
29 except that interest earned on all such contributions shall be  
30 transferred to the member's account.

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

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

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

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

3 (7) If a member who requests to transfer dies before March 1, 2003,  
4 the additional payment provided by this section shall be paid to the  
5 member's estate, or the person or persons, trust, or organization the  
6 member nominated by written designation duly executed and filed with  
7 the department.

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

10 (9) The legislature reserves the right to discontinue the right to  
11 transfer under this section and to modify and to discontinue the right  
12 to an additional payment under this section for any plan 2 members who  
13 have not previously transferred to plan 3.

14 NEW SECTION. **Sec. 305.** Any member or beneficiary eligible to  
15 receive a retirement allowance under the provisions of section 309,  
16 310, or 312 of this act is eligible to commence receiving a retirement  
17 allowance after having filed written application with the department.

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

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

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

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

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

34 (2) A member who receives compensation from an employer while on an  
35 authorized leave of absence to serve as an elected official of a labor  
36 organization, and whose employer is reimbursed by the labor  
37 organization for the compensation paid to the member during the period

1 of absence, may also be considered to be on a paid leave of absence.  
2 This subsection shall only apply if the member's leave of absence is  
3 authorized by a collective bargaining agreement that provides that the  
4 member retains seniority rights with the employer during the period of  
5 leave. The earnable compensation reported for a member who establishes  
6 service credit under this subsection may not be greater than the salary  
7 paid to the highest paid job class covered by the collective bargaining  
8 agreement.

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

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

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

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

21 (4) A member who leaves the employ of an employer to enter the  
22 armed forces of the United States shall be entitled to retirement  
23 system service credit for up to five years of military service if  
24 within ninety days of the member's honorable discharge from the United  
25 States armed forces, the member applies for reemployment with the  
26 employer who employed the member immediately prior to the member  
27 entering the United States armed forces. This subsection shall be  
28 administered in a manner consistent with the requirements of the  
29 federal uniformed services employment and reemployment rights act.

30 The department shall establish the member's service credit and  
31 shall bill the employer for its contribution required under RCW  
32 41.45.060 and section 507 of this act for the period of military  
33 service, plus interest as determined by the department. Service credit  
34 under this subsection may be obtained only if the member makes the  
35 employee contribution to the defined contribution portion as determined  
36 by the department.

37 The contributions required shall be based on the compensation the  
38 member would have earned if not on leave, or if that cannot be

1 estimated with reasonable certainty, the compensation reported for the  
2 member in the year prior to when the member went on military leave.

3 NEW SECTION. **Sec. 307.** (1) Contributions on behalf of the  
4 employer paid by the employee to purchase plan 3 service credit shall  
5 be allocated to the defined benefit portion of plan 3 and shall not be  
6 refundable when paid to the fund described in RCW 41.50.075(3).  
7 Contributions on behalf of the employee shall be allocated to the  
8 member account. If the member fails to meet the statutory time  
9 limitations to purchase plan 3 service credit, it may be purchased  
10 under the provisions of RCW 41.50.165(2). One-half of the purchase  
11 payments under RCW 41.50.165(2), plus interest, shall be allocated to  
12 the member's account.

13 (2) No purchased plan 3 membership service may be credited until  
14 all payments required of the member are made, with interest. Upon  
15 receipt of all payments owed by the member, the department shall bill  
16 the employer for any contributions, plus interest, required to purchase  
17 membership service.

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

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

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

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

36 (a) Completed ten service credit years; or

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

3 (c) Completed five service credit years by the transfer payment  
4 date specified in section 304 of this act, under the public employees'  
5 retirement system plan 2 and who transferred to plan 3 under section  
6 304 of this act;

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

9 (2) EARLY RETIREMENT. Any member who has attained at least age  
10 fifty-five and has completed at least ten years of service shall be  
11 eligible to retire and to receive a retirement allowance computed  
12 according to the provisions of section 303 of this act, except that a  
13 member retiring pursuant to this subsection shall have the retirement  
14 allowance actuarially reduced to reflect the difference in the number  
15 of years between age at retirement and the attainment of age sixty-  
16 five.

17 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
18 least thirty service credit years and has attained age fifty-five shall  
19 be eligible to retire and to receive a retirement allowance computed  
20 according to the provisions of section 303 of this act, except that a  
21 member retiring pursuant to this subsection shall have the retirement  
22 allowance reduced by three percent per year to reflect the difference  
23 in the number of years between age at retirement and the attainment of  
24 age sixty-five.

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

33 Any member who receives an allowance under the provisions of this  
34 section shall be subject to comprehensive medical examinations as  
35 required by the department. If these medical examinations reveal that  
36 a member has recovered from the incapacitating disability and the  
37 member is offered reemployment by an employer at a comparable  
38 compensation, the member shall cease to be eligible for the allowance.

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

5 NEW SECTION. **Sec. 311.** (1) Any member who elects to transfer to  
6 plan 3 and has eligible unrestored withdrawn contributions in plan 2,  
7 may restore such contributions under the provisions of RCW 41.40.740  
8 with interest as determined by the department. The restored plan 2  
9 service credit will be automatically transferred to plan 3.  
10 Restoration payments will be transferred to the member account in plan  
11 3. If the member fails to meet the time limitations of RCW 41.40.740,  
12 they may restore such contributions under the provisions of RCW  
13 41.50.165(2). The restored plan 2 service credit will be automatically  
14 transferred to plan 3. One-half of the restoration payments under RCW  
15 41.50.165(2) plus interest shall be allocated to the member's account.

16 (2) Any member who elects to transfer to plan 3 may purchase plan  
17 2 service credit under RCW 41.40.740. Purchased plan 2 service credit  
18 will be automatically transferred to plan 3. Contributions on behalf  
19 of the employer paid by the employee shall be allocated to the defined  
20 benefit portion of plan 3 and shall not be refundable when paid to the  
21 fund described in RCW 41.50.075(3). Contributions on behalf of the  
22 employee shall be allocated to the member account. If the member fails  
23 to meet the time limitations of RCW 41.40.740, they may subsequently  
24 restore such contributions under the provisions of RCW 41.50.165(2).  
25 Purchased plan 2 service credit will be automatically transferred to  
26 plan 3. One-half of the payments under RCW 41.50.165(2), plus  
27 interest, shall be allocated to the member's account.

28 NEW SECTION. **Sec. 312.** If a member dies prior to retirement, the  
29 surviving spouse or eligible child or children shall receive a  
30 retirement allowance computed as provided in section 303 of this act  
31 actuarially reduced to reflect a joint and one hundred percent survivor  
32 option and if the member was not eligible for normal retirement at the  
33 date of death a further reduction as described in section 309 of this  
34 act.

35 If the surviving spouse who is receiving the retirement allowance  
36 dies leaving a child or children under the age of majority, then such  
37 child or children shall continue to receive an allowance in an amount

1 equal to that which was being received by the surviving spouse, share  
2 and share alike, until such child or children reach the age of  
3 majority.

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

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

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

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

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

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

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

22 (a) Produce a retirement allowance which is lower than the original  
23 retirement allowance;

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

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

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

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

36 (a) Standard allowance. A member electing this option shall  
37 receive a retirement allowance payable throughout such member's life.

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

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

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

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

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

33 (ii) The spousal consent provisions of (a) of this subsection do  
34 not apply.

35 NEW SECTION. **Sec. 315.** (1) Except as provided in RCW 41.40.037,  
36 no retiree under the provisions of plan 3 shall be eligible to receive  
37 such retiree's monthly retirement allowance if he or she is employed in  
38 an eligible position as defined in RCW 41.40.010, 41.32.010, or



1 41.35.010, or as a law enforcement officer or fire fighter as defined  
2 in RCW 41.26.030, except that a retiree who ends his or her membership  
3 in the retirement system pursuant to RCW 41.40.023(3)(b) is not subject  
4 to this section if the retiree's only employment is as an elective  
5 official of a city or town.

6 (2) If a retiree's benefits have been suspended under this section,  
7 his or her benefits shall be reinstated when the retiree terminates the  
8 employment that caused his or her benefits to be suspended. Upon  
9 reinstatement, the retiree's benefits shall be actuarially recomputed  
10 pursuant to the rules adopted by the department.

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

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

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

20 **"DEFINED CONTRIBUTION"**

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

23 As used in this chapter, the following terms have the meanings  
24 indicated:

25 (1) "Actuary" means the state actuary or the office of the state  
26 actuary.

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

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

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

34 (b) "Compensation" for classified employees for purposes of this  
35 chapter is the same as "compensation earnable" for plan 3 in RCW

1 41.35.010, except that the compensation may be reported when paid,  
2 rather than when earned.

3 (c) "Compensation" for public employees for purposes of this  
4 chapter is the same as "compensation earnable" for plan 3 in RCW  
5 41.40.010, except that the compensation may be reported when paid,  
6 rather than when earned.

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

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

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

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

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

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

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

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

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

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

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

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

32 (a) A defined benefit portion covered under:

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

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

36 (iii) Sections 101 through 316, chapter . . . , Laws of 2000  
37 (sections 101 through 316 of this act); 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 (2) The state investment board shall declare monthly unit values  
26 for the portfolios or funds, or portions thereof, utilized under  
27 subsection (1)(a) and (b) of this section. The declared values shall  
28 be an approximation of portfolio or fund values, based on internal  
29 procedures of the state investment board. Such declared unit values  
30 and internal procedures shall be in the sole discretion of the state  
31 investment board. The state investment board may delegate any of the  
32 powers and duties under this subsection, including discretion, pursuant  
33 to RCW 43.33A.030. Member accounts shall be credited by the department  
34 with a rate of return based on changes to such unit values.

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

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

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

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

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

37       **Sec. 405.** RCW 41.34.100 and 1998 c 341 s 305 are each amended to  
38 read as follows:

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

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

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

13 **"GAIN SHARING"**

14 **Sec. 406.** RCW 41.31A.010 and 1998 c 341 s 311 are each amended to  
15 read as follows:

16 The definitions in this section apply throughout this chapter  
17 unless the context requires otherwise.

18 (1) "Actuary" means the state actuary or the office of the state  
19 actuary.

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

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

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

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

27 (6) "Public employee" means the same as "member" as defined in RCW  
28 41.40.010(5).

29 **Sec. 407.** RCW 41.31A.020 and 1998 c 341 s 312 are each amended to  
30 read as follows:

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

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

1 (a) Any member of the teachers' retirement system plan 3 ~~((or))~~,  
2 the Washington school employees' retirement system plan 3, or the  
3 public employees' retirement system plan 3 who earned service credit  
4 during the twelve-month period from September 1st to August 31st  
5 immediately preceding the distribution and had a balance of at least  
6 one thousand dollars in their member account on August 31st of the year  
7 immediately preceding the distribution; or  
8 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875  
9 ~~((or))~~, 41.35.680, or section 309 of this act; or  
10 (c) Any person who is a retiree pursuant to RCW 41.34.020(8) and  
11 who:  
12 (i) Completed ten service credit years; or  
13 (ii) Completed five service credit years, including twelve service  
14 months after attaining age fifty-four; or  
15 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and  
16 who has completed five service credit years by July 1, 1996, under plan  
17 2 and who transferred to plan 3 under RCW 41.32.817; or  
18 (e) Any classified employee who is a retiree pursuant to RCW  
19 41.34.020(8) and who has completed five service credit years by  
20 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;  
21 or  
22 (f) Any public employee who is a retiree pursuant to RCW  
23 41.40.010(29) and who has completed five service credit years by March  
24 1, 2002, and who transferred to plan 3 under section 304 of this act;  
25 or  
26 (g) Any person who had a balance of at least one thousand dollars  
27 in their member account on August 31st of the year immediately  
28 preceding the distribution and who:  
29 (i) Completed ten service credit years; or  
30 (ii) Completed five service credit years, including twelve service  
31 months after attaining age fifty-four; or  
32 ~~((or))~~ (h) Any teacher who had a balance of at least one thousand  
33 dollars in their member account on August 31st of the year immediately  
34 preceding the distribution and who has completed five service credit  
35 years by July 1, 1996, under plan 2 and who transferred to plan 3 under  
36 RCW 41.32.817; or  
37 ~~((or))~~ (i) Any classified employee who had a balance of at least  
38 one thousand dollars in their member account on August 31st of the year  
39 immediately preceding the distribution and who has completed five

1 service credit years by September 1, 2000, and who transferred to plan  
2 3 under RCW 41.35.510; or

3 (j) Any public employee 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 March 1, 2002, and who transferred to plan 3 under section 304  
7 of this act.

8 (3) The extraordinary investment gain amount shall be calculated as  
9 follows:

10 (a) One-half of the sum of the value of the net assets held in  
11 trust for pension benefits in the teachers' retirement system combined  
12 plan 2 and 3 fund (~~and~~), the Washington school employees' retirement  
13 system combined plan 2 and 3 fund, and the public employees' retirement  
14 system combined plan 2 and 3 fund at the close of the previous state  
15 fiscal year not including the amount attributable to member accounts;

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

19 (c) Multiplied by the proportion of:

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

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

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

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

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

34 (D) Any person with five or more years of service in the teachers'  
35 retirement system plan 2 (~~or~~), the Washington school employees'  
36 retirement system plan 2, or the public employees' retirement system  
37 plan 2;

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

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

7 NEW SECTION. **Sec. 408.** A new section is added to chapter 41.31A  
8 RCW to read as follows:

9 (1) On March 1, 2003, the member account of a person meeting the  
10 requirements of this section shall be credited by the 2000 retroactive  
11 extraordinary investment gain amount and the 2002 retroactive  
12 extraordinary investment gain amount.

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

15 (a) Any public employee who earned service credit during the  
16 twelve-month period from September 1st to August 31st immediately  
17 preceding the distribution and who transferred to plan 3 under section  
18 304 of this act; or

19 (b) Any public employee in receipt of a benefit pursuant to section  
20 309 of this act and who has completed five service credit years by  
21 September 1, 2002, and who transferred to plan 3 under section 304 of  
22 this act; or

23 (c) Any public 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, 2002, and who transferred to plan 3 under section 304 of  
26 this act; or

27 (d) Any public employee who has a balance of at least one thousand  
28 dollars in his or her member account and who has completed five service  
29 credit years by September 1, 2002, and who transferred to plan 3 under  
30 section 304 of this act.

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

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

36 (b) Distributed to persons eligible for the benefit in subsection  
37 (1) of this section on the basis of their service credit total on July  
38 1, 2001.



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

3 (a) An amount equal to the average benefit per year of service paid  
4 in 2002 to members of the teachers' retirement system plan 3 under RCW  
5 41.31A.020;

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

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

12 **"ACTUARIAL FUNDING"**

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

15 It is the intent of the legislature to provide a dependable and  
16 systematic process for funding the benefits provided to members and  
17 retirees of the public employees' retirement system, chapter 41.40 RCW;  
18 the teachers' retirement system, chapter 41.32 RCW; the law enforcement  
19 officers' and fire fighters' retirement system, chapter 41.26 RCW; the  
20 school employees' retirement system, chapter 41.35 RCW; and the  
21 Washington state patrol retirement system, chapter 43.43 RCW.

22 The funding process established by this chapter is intended to  
23 achieve the following goals:

24 (1) To continue to fully fund the public employees' retirement  
25 system plans 2 and 3, the teachers' retirement system plans 2 and 3,  
26 the school employees' retirement system plans 2 and 3, and the law  
27 enforcement officers' and fire fighters' retirement system plan 2 as  
28 provided by law;

29 (2) To fully amortize the total costs of the public employees'  
30 retirement system plan 1, the teachers' retirement system plan 1, and  
31 the law enforcement officers' and fire fighters' retirement system plan  
32 1 not later than June 30, 2024;

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

36 (4) To fund, to the extent feasible, benefit increases for plan 1  
37 members and all benefits for plan 2 and 3 members over the working

1 lives of those members so that the cost of those benefits are paid by  
2 the taxpayers who receive the benefit of those members' service.

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

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

7 (1) "Council" means the pension funding council created in RCW  
8 41.45.100.

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

10 (3) "Law enforcement officers' and fire fighters' retirement system  
11 plan 1" and "law enforcement officers' and fire fighters' retirement  
12 system plan 2" mean the benefits and funding provisions under chapter  
13 41.26 RCW.

14 (4) "Public employees' retirement system plan 1," (~~and~~) "public  
15 employees' retirement system plan 2," and "public employees' retirement  
16 system plan 3" mean the benefits and funding provisions under chapter  
17 41.40 RCW.

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

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

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

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

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

30 (10) "State retirement systems" means the retirement systems listed  
31 in RCW 41.50.030.

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

34 (12) "Classified employee" means a member of the Washington school  
35 employees' retirement system plan 2 or plan 3 as defined in RCW  
36 41.35.010.

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

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

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

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

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

20       (4) The contributions received for the public employees' retirement  
21 system shall be allocated between the public employees' retirement  
22 system plan 1 fund and the public employees' retirement system combined  
23 plan 2 and plan 3 fund as follows: The contributions necessary to  
24 fully fund the public employees' retirement system combined plan 2 and  
25 plan 3 employer contribution (~~(required by RCW 41.40.650)~~) shall first  
26 be deposited in the public employees' retirement system combined plan  
27 2 and plan 3 fund. All remaining public employees' retirement system  
28 employer contributions shall be deposited in the public employees'  
29 retirement system plan 1 fund.

30       (5) The contributions received for the teachers' retirement system  
31 shall be allocated between the plan 1 fund and the combined plan 2 and  
32 plan 3 fund as follows: The contributions necessary to fully fund the  
33 combined plan 2 and plan 3 employer contribution shall first be  
34 deposited in the combined plan 2 and plan 3 fund. All remaining  
35 teachers' retirement system employer contributions shall be deposited  
36 in the plan 1 fund.

37       (6) The contributions received for the school employees' retirement  
38 system shall be allocated between the public employees' retirement  
39 system plan 1 fund and the school employees' retirement system combined

1 plan 2 and plan 3 fund as follows: The contributions necessary to  
2 fully fund the combined plan 2 and plan 3 employer contribution shall  
3 first be deposited in the combined plan 2 and plan 3 fund. All  
4 remaining school employees' retirement system employer contributions  
5 shall be deposited in the public employees' retirement system plan 1  
6 fund.

7 (7) The contributions received under RCW (~~(41.26.450)~~) 41.45.060,  
8 41.45.061, and section 507 of this act for the law enforcement  
9 officers' and fire fighters' retirement system shall be allocated  
10 between the law enforcement officers' and fire fighters' retirement  
11 system plan 1 and the law enforcement officers' and fire fighters'  
12 retirement system plan 2 fund as follows: The contributions necessary  
13 to fully fund the law enforcement officers' and fire fighters'  
14 retirement system plan 2 employer contributions shall be first  
15 deposited in the law enforcement officers' and fire fighters'  
16 retirement system plan 2 fund. All remaining law enforcement officers'  
17 and fire fighters' retirement system employer contributions shall be  
18 deposited in the law enforcement officers' and fire fighters'  
19 retirement system plan 1 fund.

20 **Sec. 504.** RCW 41.45.060 and 1998 c 341 s 404, 1998 c 340 s 11, and  
21 1998 c 283 s 6 are each reenacted and amended to read as follows:

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

24 (2) Not later than September 30, 1998, and every two years  
25 thereafter, consistent with the assumptions adopted under RCW  
26 41.45.030, the council shall adopt and may make changes to:

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

29 (b) Basic employer contribution rates for the public employees'  
30 retirement system (~~(plan 1)~~), the teachers' retirement system (~~(plan~~  
31 ~~1)~~), and the Washington state patrol retirement system to be used in  
32 the ensuing biennial period; and

33 (c) A basic employer contribution rate for the school employees'  
34 retirement system for funding the public employees' retirement system  
35 plan 1.

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

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

7 (b) To also continue to fully fund the public employees' retirement  
8 system plans 2 and 3, the teachers' retirement system plans 2 and 3,  
9 the school employees' retirement system plans 2 and 3, and the law  
10 enforcement officers' and fire fighters' retirement system plan 2 in  
11 accordance with RCW ~~((41.40.650, 41.26.450,))~~ 41.45.061, section 507 of  
12 this act, and this section; and

13 (c) For the law enforcement officers' and fire fighters' system  
14 plan 2 the rate charged to employers, except as provided in RCW  
15 41.26.450, shall be thirty percent of the cost of the retirement system  
16 and the rate charged to the state shall be twenty percent of the cost  
17 of the retirement system.

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

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

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

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

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

31 (1) In addition to the basic employer contribution rate established  
32 in RCW 41.45.060, the department shall also charge employers of public  
33 employees' retirement system, teachers' retirement system, school  
34 employees' retirement system, or Washington state patrol retirement  
35 system members an additional supplemental rate to pay for the cost of  
36 additional benefits, if any, granted to members of those systems.  
37 Except as provided in subsections (6) and (7) of this section, the  
38 supplemental contribution rates required by this section shall be

1 calculated by the state actuary and shall be charged regardless of  
2 language to the contrary contained in the statute which authorizes  
3 additional benefits.

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

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

21 (4) The supplemental rate charged under this section to fund  
22 benefit increases provided to active and retired members of the public  
23 employees' retirement system plan 2 and plan 3, the teachers'  
24 retirement system plan 2 and plan 3, the school employees' retirement  
25 system plan 2 and plan 3, or the law enforcement officers' and fire  
26 fighters' retirement system plan 2, shall be calculated as the level  
27 percentage of all members' pay needed to fund the cost of the benefit,  
28 as calculated under RCW (~~41.40.650 or 41.26.450, respectively~~)  
29 41.45.060, 41.45.061, or section 507 of this act.

30 (5) The supplemental rate charged under this section to fund  
31 postretirement adjustments which are provided on a nonautomatic basis  
32 to current retirees shall be calculated as the percentage of pay needed  
33 to fund the adjustments as they are paid to the retirees. The  
34 supplemental rate charged under this section to fund automatic  
35 postretirement adjustments for active or retired members of the public  
36 employees' retirement system plan 1 and the teachers' retirement system  
37 plan 1 shall be calculated as the level percentage of pay needed to  
38 fund the cost of the automatic adjustments not later than June 30,  
39 2024.

1 (6) A supplemental rate shall not be charged to pay for the cost of  
2 additional benefits granted to members pursuant to chapter 340, Laws of  
3 1998.

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

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

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

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

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

20 (c) In addition, the employee contribution rate for plan 2 shall  
21 not be increased as a result of any distributions pursuant to section  
22 309, chapter 341, Laws of 1998 and RCW 41.31A.020.

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

27 (a) Except as provided in (b) of this subsection, the member  
28 contribution rate shall not exceed the school employees' retirement  
29 system employer plan 2 and 3 contribution rate adopted under RCW  
30 41.45.060 and 41.45.070;

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

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

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

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

8       ~~((+4))~~ (6) The required plan 2 and 3 contribution rates for  
9 employers shall be adopted in the manner described in RCW 41.45.060.

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

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

16       (2) The director shall notify all employers of any pending  
17 adjustment in the required contribution rate and such pending  
18 adjustment in the required contribution rate and any increase shall be  
19 announced at least thirty days prior to the effective date of the  
20 change.

21       (3) Members' contributions required by RCW 41.45.060 and 41.45.061  
22 shall be deducted from the members' compensation each payroll period.  
23 The members' contribution and the employers' contribution shall be  
24 remitted directly to the department within fifteen days following the  
25 end of the calendar month during which the payroll period ends.

26       (4) The state's contribution required for the law enforcement  
27 officers' and fire fighters' retirement system plan 2 shall be  
28 transferred to the appropriate fund from the total contributions  
29 transferred by the state treasurer under RCW 41.45.060 and 41.45.070.

30       NEW SECTION. Sec. 508. A new section is added to chapter 41.45  
31 RCW to read as follows:

32       (1) Beginning May 1, 2000, through June 30, 2001, the basic state  
33 contribution rate for the law enforcement officers' and fire fighters'  
34 retirement system plan 2, and the basic employer contribution rates for  
35 the public employees' retirement system, the school employees'  
36 retirement system, and the teachers retirement system, shall be as  
37 follows:



1 (a) 2.16 percent for all plan 2 members of the law enforcement  
2 officers' and fire fighters' retirement system;

3 (b) 3.58 percent for all members of the public employees'  
4 retirement system;

5 (c) 3.58 percent for all members of the school employees'  
6 retirement system, effective as of the establishment of the new  
7 retirement system on September 1, 2000; and

8 (d) 6.03 percent for all members of the teachers' retirement  
9 system.

10 (2) The department shall also adjust employer and member  
11 contribution rates for the law enforcement officers and fire fighters  
12 retirement system plan 2, on May 1, 2000.

13 **"NECESSARY FOR IMPLEMENTATION"**

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

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

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

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

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

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

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

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

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

30 ~~((c) Approval of actuarially equivalent annuities))~~ By July 1, 2005,  
31 the board shall make optional actuarially equivalent life annuity  
32 benefit payment schedules available to members and survivors that may  
33 be purchased from the combined plan 2 and plan 3 funds under RCW  
34 41.50.075 ~~((+2) or (3))~~; and

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

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

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

7 Unless the context clearly requires otherwise, the definitions in  
8 this section apply throughout RCW 41.50.500 through 41.50.650,  
9 41.50.670 through 41.50.720, and 26.09.138.

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

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

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

24 (4) "Mandatory benefits assignment order" means an order issued to  
25 the department of retirement systems pursuant to RCW 41.50.570 to  
26 withhold and deliver benefits payable to an obligor under chapter 2.10,  
27 2.12, 41.26, 41.32, 41.40, 41.35, or 43.43 RCW.

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

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

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

37 (8) "Property division obligation" means any outstanding court-  
38 ordered property division or court-approved property settlement

1 obligation incident to a decree of divorce, dissolution, or legal  
2 separation.

3 (9) "Standard allowance" means a benefit payment option selected  
4 under RCW 2.10.146(1)(a), 41.26.460(1)(a), 41.32.785(1)(a),  
5 41.40.188(1)(a), 41.40.660(1), section 314(1)(a) of this act, or  
6 41.35.220 that ceases upon the death of the retiree. Standard  
7 allowance also means the benefit allowance provided under RCW 2.10.110,  
8 2.10.130, 43.43.260, 41.26.100, 41.26.130(1)(a), or chapter 2.12 RCW.  
9 Standard allowance also means the maximum retirement allowance  
10 available under RCW 41.32.530(1) following member withdrawal of  
11 accumulated contributions, if any.

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

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

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

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

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

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

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

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

37 (6) "Employee" includes all full-time and career seasonal employees  
38 of the state, whether or not covered by civil service; elected and

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

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

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

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

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

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

36 (9) "Benefits contribution plan" means a premium only contribution  
37 plan, a medical flexible spending arrangement, or a cafeteria plan  
38 whereby state and public employees may agree to a contribution to  
39 benefit costs which will allow the employee to participate in benefits

1 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the  
2 internal revenue code.

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

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

6 (12) "Plan year" means the time period established by the  
7 authority.

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

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

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

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

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

18 **"FUND INVESTMENTS AND INTEREST EARNINGS"**

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

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

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

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

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

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

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

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

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

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



1 distributed under this subsection (4)(a) shall first be reduced by the  
2 allocation to the state treasurer's service fund pursuant to RCW  
3 43.08.190.

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

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

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

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

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

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

1 Member-----50%  
2 Employer-----30%  
3 State-----20%

4 (3)) Port districts established under Title 53 RCW and  
5 institutions of higher education as defined in RCW 28B.10.016 shall  
6 contribute both the employer and state shares of the cost of the  
7 retirement system for any of their employees who are law enforcement  
8 officers. Institutions of higher education shall contribute both the  
9 employer and the state shares of the cost of the retirement system for  
10 any of their employees who are fire fighters.

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

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

17 (6) Any increase in the contribution rate required as the result of  
18 a failure of the state or of an employer to make any contribution  
19 required by this section shall be borne in full by the state or by that  
20 employer not making the contribution.

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

25 (8) Members' contributions required by this section shall be  
26 deducted from the members basic salary each payroll period. The  
27 members contribution and the employers contribution shall be remitted  
28 directly to the department within fifteen days following the end of the  
29 calendar month during which the payroll period ends. The state's  
30 contribution required by this section shall be transferred to the plan  
31 II fund from the total contributions transferred by the state treasurer  
32 under RCW 41.45.060 and 41.45.070.)

33 **"EARLY RETIREMENT REDUCTION FACTORS"**

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

36 (1) NORMAL RETIREMENT. Any member with at least five service  
37 credit years who has attained at least age sixty-five shall be eligible

1 to retire and to receive a retirement allowance computed according to  
2 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 **Sec. 902.** RCW 41.32.765 and 1991 c 343 s 5 are each amended to  
19 read as follows:

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

24 (2) EARLY RETIREMENT. Any member who has completed at least twenty  
25 service credit years of service who has attained at least age fifty-  
26 five shall be eligible to retire and to receive a retirement allowance  
27 computed according to the provisions of RCW 41.32.760, except that a  
28 member retiring pursuant to this subsection shall have the retirement  
29 allowance actuarially reduced to reflect the difference in the number  
30 of years between age at retirement and the attainment of age sixty-  
31 five.

32 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at  
33 least thirty service credit years and has attained age fifty-five shall  
34 be eligible to retire and to receive a retirement allowance computed  
35 according to the provisions of RCW 41.32.760, except that a member  
36 retiring pursuant to this subsection shall have the retirement  
37 allowance reduced by three percent per year to reflect the difference

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

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

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

7 (a) Completed ten service credit years; or

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

10 (c) Completed five service credit years by July 1, 1996, under plan  
11 2 and who transferred to plan 3 under RCW 41.32.817;

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

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

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

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

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

36 (2) EARLY RETIREMENT. Any member who has completed at least twenty  
37 service credit years of service and has attained age fifty shall be

1 eligible to retire and to receive a retirement allowance computed  
2 according to the provisions of RCW 41.26.420, except that a member  
3 retiring pursuant to this subsection shall have the retirement  
4 allowance (~~((actuarially reduced to reflect the difference in the number  
5 of years between age at retirement and the attainment of age fifty-  
6 five))~~ reduced by three percent per year to reflect the difference in  
7 the number of years between age at retirement and the attainment of age  
8 fifty-three.

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

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

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

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

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

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

34       (a) Completed ten service credit years; or

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

1 (c) Completed five service credit years by September 1, 2000, under  
2 the public employees' retirement system plan 2 and who transferred to  
3 plan 3 under RCW 41.35.510;  
4 shall be eligible to retire and to receive a retirement allowance  
5 computed according to the provisions of RCW 41.35.620.

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

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

22 "DEATH BENEFITS"

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

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

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

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

8 (a) A retirement allowance computed as provided for in RCW  
9 41.26.430(~~((+1))~~), actuarially reduced by the amount of any lump sum  
10 benefit identified as owing to an obligee upon withdrawal of  
11 accumulated contributions pursuant to a court order filed under RCW  
12 41.50.670 and actuarially adjusted to reflect a joint and one hundred  
13 percent survivor option under RCW 41.26.460 and if the member was not  
14 eligible for normal retirement at the date of death a further reduction  
15 as described in RCW 41.26.430(~~((+2))~~); if a surviving spouse who is  
16 receiving a retirement allowance dies leaving a child or children of  
17 the member under the age of majority, then such child or children shall  
18 continue to receive an allowance in an amount equal to that which was  
19 being received by the surviving spouse, share and share alike, until  
20 such child or children reach the age of majority; if there is no  
21 surviving spouse eligible to receive an allowance at the time of the  
22 member's death, such member's child or children under the age of  
23 majority shall receive an allowance share and share alike calculated as  
24 herein provided making the assumption that the ages of the spouse and  
25 member were equal at the time of the member's death; or

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

29 (ii) If the member dies on or after July 25, 1993, one hundred  
30 fifty percent of the member's accumulated contributions, less any  
31 amount identified as owing to an obligee upon withdrawal of accumulated  
32 contributions pursuant to a court order filed under RCW 41.50.670. Any  
33 accumulated contributions attributable to restorations made under RCW  
34 41.50.165(2) shall be refunded at one hundred percent.

35 (3) If a member who is eligible for retirement or a member who has  
36 completed at least ten years of service dies after October 1, 1977, and  
37 is not survived by a spouse or an eligible child, then the accumulated  
38 contributions standing to the member's credit, less any amount  
39 identified as owing to an obligee upon withdrawal of accumulated

1 contributions pursuant to a court order filed under RCW 41.50.670,  
2 shall be paid:

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

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

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

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

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

31 (a) A retirement allowance computed as provided for in RCW  
32 41.32.765(~~((+1))~~), actuarially reduced by the amount of any lump sum  
33 benefit identified as owing to an obligee upon withdrawal of  
34 accumulated contributions pursuant to a court order filed under RCW  
35 41.50.670 and actuarially adjusted to reflect a joint and one hundred  
36 percent survivor option under RCW 41.32.785 and if the member was not  
37 eligible for normal retirement at the date of death a further reduction  
38 as described in RCW 41.32.765(~~((+2))~~); if a surviving spouse who is



1 receiving a retirement allowance dies leaving a child or children of  
2 the member under the age of majority, then such child or children shall  
3 continue to receive an allowance in an amount equal to that which was  
4 being received by the surviving spouse, share and share alike, until  
5 such child or children reach the age of majority; if there is no  
6 surviving spouse eligible to receive an allowance at the time of the  
7 member's death, such member's child or children under the age of  
8 majority shall receive an allowance share and share alike calculated as  
9 herein provided making the assumption that the ages of the spouse and  
10 member were equal at the time of the member's death; or

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

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

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

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

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

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

35 If the surviving spouse who is receiving the retirement allowance  
36 dies leaving a child or children under the age of majority, then such  
37 child or children shall continue to receive an allowance in an amount  
38 equal to that which was being received by the surviving spouse, share

1 and share alike, until such child or children reach the age of  
2 majority.

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

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

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

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

30 (a) A retirement allowance computed as provided for in RCW  
31 41.40.630(~~((1))~~), actuarially reduced by the amount of any lump sum  
32 benefit identified as owing to an obligee upon withdrawal of  
33 accumulated contributions pursuant to a court order filed under RCW  
34 41.50.670 and actuarially adjusted to reflect a joint and one hundred  
35 percent survivor option under RCW 41.40.660 and if the member was not  
36 eligible for normal retirement at the date of death a further reduction  
37 as described in RCW 41.40.630(~~((2))~~); if a surviving spouse who is  
38 receiving a retirement allowance dies leaving a child or children of

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

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

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

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

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

26 **"CONFORMING AMENDMENTS"**

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

29 (1) The sole purpose of RCW 41.04.445 and 41.04.450 is to allow the  
30 members of the retirement systems created in chapters 2.10, 2.12,  
31 41.26, 41.32, 41.40, 41.34, and 43.43 RCW to enjoy the tax deferral  
32 benefits allowed under 26 U.S.C. 414(h). Chapter 227, Laws of 1984  
33 does not alter in any manner the provisions of RCW (~~41.26.450 and~~  
34 ~~41.40.650~~) 41.45.060, 41.45.061, and section 507 of this act which  
35 require that the member contribution rates shall be set so as to  
36 provide fifty percent of the cost of the respective retirement plans.

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

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

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

7 (a) Judges under the retirement system established under chapter  
8 2.10, 2.12, or 2.14 RCW;

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

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

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

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

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

23 (a) RCW 2.10.090(1);

24 (b) RCW 2.12.060;

25 (c) RCW 2.14.090;

26 (d) RCW 41.32.263;

27 (e) RCW 41.32.350;

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

29 (g) RCW ((~~41.40.650~~)) 41.45.061 and section 507 of this act;

30 (h) RCW 41.34.070;

31 (i) RCW 43.43.300; and

32 (j) RCW 41.34.040.

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

36 (4) All member contributions to the respective retirement system  
37 picked up by the employer as provided by this section, plus the accrued  
38 interest earned thereon, shall be paid to the member upon the

1 withdrawal of funds or lump-sum payment of accumulated contributions as  
2 provided under the provisions of the retirement systems.

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

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

7 (b) Notification of such implementation to the director of the  
8 department of retirement systems.

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

11 (1) Employers of those members under chapters 41.26, 41.40, and  
12 41.34 RCW who are not specified in RCW 41.04.445 may choose to  
13 implement the employer pick up of all member contributions without  
14 exception under RCW 41.26.080(1), 41.26.450, 41.40.330(1),  
15 (~~41.40.650~~) 41.45.060, 41.45.061, and section 507 of this act and  
16 chapter 41.34 RCW. If the employer does so choose, the employer and  
17 members shall be subject to the conditions and limitations of RCW  
18 41.04.445 (3), (4), and (5) and RCW 41.04.455.

19 (2) An employer exercising the option under this section may later  
20 choose to withdraw from and/or reestablish the employer pick up of  
21 member contributions only once in a calendar year following forty-five  
22 days prior notice to the director of the department of retirement  
23 systems.

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

26 (1) A member of the retirement system who becomes totally  
27 incapacitated for continued employment by an employer as determined by  
28 the director shall be eligible to receive an allowance under the  
29 provisions of RCW 41.26.410 through 41.26.550. Such member shall  
30 receive a monthly disability allowance computed as provided for in RCW  
31 41.26.420 and shall have such allowance actuarially reduced to reflect  
32 the difference in the number of years between age at disability and the  
33 attainment of age fifty-five.

34 (2) Any member who receives an allowance under the provisions of  
35 this section shall be subject to such comprehensive medical  
36 examinations as required by the department. If such medical  
37 examinations reveal that such a member has recovered from the

1 incapacitating disability and the member is no longer entitled to  
2 benefits under Title 51 RCW, the retirement allowance shall be canceled  
3 and the member shall be restored to duty in the same civil service  
4 rank, if any, held by the member at the time of retirement or, if  
5 unable to perform the duties of the rank, then, at the member's  
6 request, in such other like or lesser rank as may be or become open and  
7 available, the duties of which the member is then able to perform. In  
8 no event shall a member previously drawing a disability allowance be  
9 returned or be restored to duty at a salary or rate of pay less than  
10 the current salary attached to the rank or position held by the member  
11 at the date of the retirement for disability. If the department  
12 determines that the member is able to return to service, the member is  
13 entitled to notice and a hearing. Both the notice and the hearing  
14 shall comply with the requirements of chapter 34.05 RCW, the  
15 Administrative Procedure Act.

16 (3) Those members subject to this chapter who became disabled in  
17 the line of duty on or after July 23, 1989, and who receive benefits  
18 under RCW 41.04.500 through 41.04.530 or similar benefits under RCW  
19 41.04.535 shall receive or continue to receive service credit subject  
20 to the following:

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

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

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

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

30 (e) State contributions shall be as provided in RCW (~~41.26.450~~)  
31 41.45.060 and section 507 of this act.

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

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

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

1 (4)(a) If the recipient of a monthly retirement allowance under  
2 this section dies before the total of the retirement allowance paid to  
3 the recipient equals the amount of the accumulated contributions at the  
4 date of retirement, then the balance shall be paid to the member's  
5 estate, or such person or persons, trust, or organization as the  
6 recipient has nominated by written designation duly executed and filed  
7 with the director, or, if there is no such designated person or persons  
8 still living at the time of the recipient's death, then to the  
9 surviving spouse, or, if there is neither such designated person or  
10 persons still living at the time of his or her death nor a surviving  
11 spouse, then to his or her legal representative.

12 (b) If a recipient of a monthly retirement allowance under this  
13 section died before April 27, 1989, and before the total of the  
14 retirement allowance paid to the recipient equaled the amount of his or  
15 her accumulated contributions at the date of retirement, then the  
16 department shall pay the balance of the accumulated contributions to  
17 the member's surviving spouse or, if there is no surviving spouse, then  
18 in equal shares to the member's children. If there is no surviving  
19 spouse or children, the department shall retain the contributions.

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

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

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

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  
38 leave. The basic salary reported for a member who establishes service

1 credit under this subsection may not be greater than the salary paid to  
2 the highest paid job class covered by the collective bargaining  
3 agreement.

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

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

18 (5) For the purpose of subsection (3) of this section the  
19 contribution shall not include the contribution for the unfunded  
20 supplemental present value as required by RCW (~~41.26.450~~) 41.45.060,  
21 41.45.061, and section 507 of this act. The contributions required  
22 shall be based on the average of the member's basic salary at both the  
23 time the authorized leave of absence was granted and the time the  
24 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 RCW  
38 (~~41.26.450~~) 41.45.060, 41.45.061, and section 507 of this act within



1 five years of resumption of service or prior to retirement, whichever  
2 comes sooner; or

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

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

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

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

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

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

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

36 (3) Except as specified in subsection (4) of this section, a member  
37 shall be eligible to receive a maximum of two years service credit  
38 during a member's entire working career for those periods when a member

1 is on an unpaid leave of absence authorized by an employer. Such  
2 credit may be obtained only if:

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

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

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

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

19 (a) The member qualifies for service credit under this subsection  
20 if:

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

25 (ii) The member makes the employee contributions required under RCW  
26 (~~41.40.650~~) 41.45.061 and section 507 of this act within five years  
27 of resumption of service or prior to retirement, whichever comes  
28 sooner; or

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

32 (b) Upon receipt of member contributions under (a)(ii) of this  
33 subsection, the department shall establish the member's service credit  
34 and shall bill the employer for its contribution required under RCW  
35 (~~41.40.650~~) 41.45.060, 41.45.061, and section 507 of this act for the  
36 period of military service, plus interest as determined by the  
37 department.

38 (c) The contributions required under (a)(ii) of this subsection  
39 shall be based on the compensation the member would have earned if not

1 on leave, or if that cannot be estimated with reasonable certainty, the  
2 compensation reported for the member in the year prior to when the  
3 member went on military leave.

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

6 Employers, as defined in RCW 41.26.030, 41.32.010, 41.34.020,  
7 41.35.010, and 41.40.010, must report all member data to the department  
8 in a format designed and communicated by the department. Employers  
9 failing to comply with this reporting requirement shall be assessed an  
10 additional fee as defined under RCW 41.50.110(5).

11 **"MISCELLANEOUS"**

12 NEW SECTION. **Sec. 1201.** (1) Except for sections 407, 508, and 901  
13 through 906 of this act, this act takes effect March 1, 2002.

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

15 (3) Section 508 of this act is necessary for the immediate  
16 preservation of the public peace, health, or safety, or support of the  
17 state government and its existing public institutions, and takes effect  
18 May 1, 2000.

19 (4) Sections 901 through 906 of this act take effect September 1,  
20 2000.

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

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