
HOUSE BILL 2232

State of Washington 57th Legislature 2001 Regular Session

By Representatives Sehlin, H. Sommers and Fromhold

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1 AN ACT Relating to defining earnable compensation for the teachers'
2 retirement system; and amending RCW 41.32.010.

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

4 **Sec. 1.** RCW 41.32.010 and 1997 c 254 s 3 are each amended to read
5 as follows:

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

8 (1)(a) "Accumulated contributions" for plan 1 members, means the
9 sum of all regular annuity contributions and, except for the purpose of
10 withdrawal at the time of retirement, any amount paid under RCW
11 41.50.165(2) with regular interest thereon.

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

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

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

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

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

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

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

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

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

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

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

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

27 (ii) "Earnable compensation" for plan 1 members also includes the
28 following actual or imputed payments, which are not paid for personal
29 services:

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

37 (B) If a leave of absence, without pay, is taken by a member for
38 the purpose of serving as a member of the state legislature, and such
39 member has served in the legislature five or more years, the salary

1 which would have been received for the position from which the leave of
2 absence was taken shall be considered as compensation earnable if the
3 employee's contribution thereon is paid by the employee. In addition,
4 where a member has been a member of the state legislature for five or
5 more years, earnable compensation for the member's two highest
6 compensated consecutive years of service shall include a sum not to
7 exceed thirty-six hundred dollars for each of such two consecutive
8 years, regardless of whether or not legislative service was rendered
9 during those two years.

10 (iii) For members employed less than full time under written
11 contract with a school district, or community college district, in an
12 instructional position, for which the member receives service credit of
13 less than one year in all of the years used to determine the earnable
14 compensation used for computing benefits due under RCW 41.32.497,
15 41.32.498, and 41.32.520, the member may elect to have earnable
16 compensation defined as provided in RCW 41.32.345. For the purposes of
17 this subsection, the term "instructional position" means a position in
18 which more than seventy-five percent of the member's time is spent as
19 a classroom instructor (including office hours), a librarian, or a
20 counselor. Earnable compensation shall be so defined only for the
21 purpose of the calculation of retirement benefits and only as necessary
22 to insure that members who receive fractional service credit under RCW
23 41.32.270 receive benefits proportional to those received by members
24 who have received full-time service credit.

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

26 (A) Remuneration for unused sick leave authorized under RCW
27 41.04.340, 28A.400.210, or 28A.310.490;

28 (B) Remuneration for unused annual leave in excess of thirty days
29 as authorized by RCW 43.01.044 and 43.01.041; or

30 (C) Bonuses or stipends received for attaining certification by the
31 national board for professional teaching standards.

32 (b) "Earnable compensation" for plan 2 and plan 3 members, means
33 salaries or wages earned by a member during a payroll period for
34 personal services, including overtime payments, and shall include wages
35 and salaries deferred under provisions established pursuant to sections
36 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
37 shall exclude lump sum payments for deferred annual sick leave, unused
38 accumulated vacation, unused accumulated annual leave, stipends or

1 bonuses received for attaining certification by the national board for
2 professional teaching standards, or any form of severance pay.

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

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

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

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

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

24 (11) "Employer" means the state of Washington, the school district,
25 or any agency of the state of Washington by which the member is paid.

26 (12) "Fiscal year" means a year which begins July 1st and ends June
27 30th of the following year.

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

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

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

38 (16) "Membership service" means service rendered subsequent to the
39 first day of eligibility of a person to membership in the retirement

1 system: PROVIDED, That where a member is employed by two or more
2 employers the individual shall receive no more than one service credit
3 month during any calendar month in which multiple service is rendered.
4 The provisions of this subsection shall apply only to plan 1 members.

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

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

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

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

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

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

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

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

31 (b) "Retirement allowance" for plan 2 and plan 3 members, means
32 monthly payments to a retiree or beneficiary as provided in this
33 chapter.

34 (25) "Retirement system" means the Washington state teachers'
35 retirement system.

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

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

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

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

11 (b) "Service" for plan 2 and plan 3 members, means periods of
12 employment by a member for one or more employers for which earnable
13 compensation is earned subject to the following conditions:

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

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

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

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

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

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

37 (iv) Any person who is a member of the teachers' retirement system
38 and who is elected or appointed to a state elective position may
39 continue to be a member of the retirement system and continue to

1 receive a service credit month for each of the months in a state
2 elective position by making the required member contributions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (36) "Substitute teacher" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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