
HOUSE BILL 1324

State of Washington

59th Legislature

2005 Regular Session

By Representatives Fromhold, Conway, Crouse, Simpson and Linville; by request of Select Committee on Pension Policy

Read first time 01/20/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to public pensions that replaces gain-sharing
2 provisions with certain changes in benefits and sets contribution rates
3 for the public employees' retirement system, the teachers' retirement
4 system, the school employees' retirement system, and the public safety
5 employees' retirement system; amending RCW 41.40.630, 41.40.820,
6 41.32.765, 41.32.875, 41.35.420, 41.35.680, 41.32.835, 41.35.610,
7 41.31A.010, 41.31A.020, 41.45.061, 41.34.040, 41.32.010, 41.32.4851,
8 41.32.489, 41.40.010, 41.40.010, 41.40.197, and 41.40.1984; adding new
9 sections to chapter 41.45 RCW; creating a new section; decodifying RCW
10 41.31A.030, 41.31A.040, and 41.45.054; repealing RCW 41.31.010,
11 41.31.020, and 41.31.030; providing effective dates; providing an
12 expiration date; and declaring an emergency.

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

14 **Sec. 1.** RCW 41.40.630 and 2000 c 247 s 901 are each amended to
15 read as follows:

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

1 (2) UNREDUCED RETIREMENT. Any member who has completed at least
2 five service credit years and has attained age sixty, and for whom the
3 sum of the number of years of the member's age and the number of years
4 of the member's service credit equals ninety or more, shall be eligible
5 to retire. For the portion of the member's benefit that is based on
6 service credit earned after July 1, 2007, the member shall receive an
7 unreduced retirement allowance computed according to the provisions of
8 RCW 41.40.620. For the portion of the member's benefit that is based
9 on service credit earned prior to July 1, 2007, the retirement
10 allowance shall be reduced under subsection (3) or (4) of this section
11 as applicable.

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

19 ~~((+3))~~ (4) ALTERNATE EARLY RETIREMENT. Any member who has
20 completed at least thirty service credit years and has attained age
21 fifty-five shall be eligible to retire and to receive a retirement
22 allowance computed according to the provisions of RCW 41.40.620, except
23 that a member retiring pursuant to this subsection shall have the
24 retirement allowance reduced by three percent per year to reflect the
25 difference in the number of years between age at retirement and the
26 attainment of age sixty-five.

27 **Sec. 2.** RCW 41.40.820 and 2000 c 247 s 309 are each amended to
28 read as follows:

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

31 (a) Completed ten service credit years; or

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

34 (c) Completed five service credit years by the transfer payment
35 date specified in RCW 41.40.795, under the public employees' retirement
36 system plan 2 and who transferred to plan 3 under RCW 41.40.795;

1 shall be eligible to retire and to receive a retirement allowance
2 computed according to the provisions of RCW 41.40.790.

3 (2) UNREDUCED RETIREMENT. Any member who has completed the number
4 of service credit years required in subsection (1) of this section and
5 has attained age sixty, and for whom the sum of the number of years of
6 the member's age and the number of years of the member's service credit
7 equals ninety or more, shall be eligible to retire. For the portion of
8 the member's benefit that is based on service credit earned after July
9 1, 2007, the member shall receive an unreduced retirement allowance
10 computed according to the provisions of RCW 41.40.790. For the portion
11 of the member's benefit that is based on service credit earned prior to
12 July 1, 2007, the retirement allowance shall be reduced under
13 subsection (3) or (4) of this section as applicable.

14 (3) 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 41.40.790, 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))~~ (4) ALTERNATE EARLY RETIREMENT. Any member who has
23 completed at least thirty service credit years and has attained age
24 fifty-five shall be eligible to retire and to receive a retirement
25 allowance computed according to the provisions of RCW 41.40.790, except
26 that a member retiring pursuant to this subsection shall have the
27 retirement allowance reduced by three percent per year to reflect the
28 difference in the number of years between age at retirement and the
29 attainment of age sixty-five.

30 **Sec. 3.** RCW 41.32.765 and 2000 c 247 s 902 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 sixty-five shall
34 be eligible to retire and to receive a retirement allowance computed
35 according to the provisions of RCW 41.32.760.

36 (2) UNREDUCED RETIREMENT. Any member who has completed at least
37 five service credit years and has attained age sixty, and for whom the

1 sum of the number of years of the member's age and the number of years
2 of the member's service credit equals ninety or more, shall be eligible
3 to retire. For the portion of the member's benefit that is based on
4 service credit earned after July 1, 2007, the member shall receive an
5 unreduced retirement allowance computed according to the provisions of
6 RCW 41.32.760. For the portion of the member's benefit that is based
7 on service credit earned prior to July 1, 2007, the retirement
8 allowance shall be reduced under subsection (3) or (4) of this section
9 as applicable.

10 (3) EARLY RETIREMENT. Any member who has completed at least twenty
11 service credit years of service who has attained at least age fifty-
12 five shall be eligible to retire and to receive a retirement allowance
13 computed according to the provisions of RCW 41.32.760, except that a
14 member retiring pursuant to this subsection shall have the retirement
15 allowance actuarially reduced to reflect the difference in the number
16 of years between age at retirement and the attainment of age sixty-
17 five.

18 ((+3)) (4) ALTERNATE EARLY RETIREMENT. Any member who has
19 completed at least thirty service credit years and has attained age
20 fifty-five shall be eligible to retire and to receive a retirement
21 allowance computed according to the provisions of RCW 41.32.760, except
22 that a member retiring pursuant to this subsection shall have the
23 retirement allowance reduced by three percent per year to reflect the
24 difference in the number of years between age at retirement and the
25 attainment of age sixty-five.

26 **Sec. 4.** RCW 41.32.875 and 2000 c 247 s 903 are each amended to
27 read as follows:

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

30 (a) Completed ten service credit years; or

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

33 (c) Completed five service credit years by July 1, 1996, under plan
34 2 and who transferred to plan 3 under RCW 41.32.817;

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

1 (2) UNREDUCED RETIREMENT. Any member who has completed the number
2 of service credit years required in subsection (1) of this section and
3 has attained age sixty, and for whom the sum of the number of years of
4 the member's age and the number of years of the member's service credit
5 equals ninety or more, shall be eligible to retire. For the portion of
6 the member's benefit that is based on service credit earned after July
7 1, 2007, the member shall receive an unreduced retirement allowance
8 computed according to the provisions of RCW 41.32.840. For the portion
9 of the member's benefit that is based on service credit earned prior to
10 July 1, 2007, the retirement allowance shall be reduced under
11 subsection (3) or (4) of this section as applicable.

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

20 (~~(3)~~) (4) ALTERNATE EARLY RETIREMENT. Any member who has
21 completed at least thirty service credit years and has attained age
22 fifty-five shall be eligible to retire and to receive a retirement
23 allowance computed according to the provisions of RCW 41.32.840, except
24 that a member retiring pursuant to this subsection shall have the
25 retirement allowance reduced by three percent per year to reflect the
26 difference in the number of years between age at retirement and the
27 attainment of age sixty-five.

28 **Sec. 5.** RCW 41.35.420 and 2000 c 247 s 905 are each amended to
29 read as follows:

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

34 (2) UNREDUCED RETIREMENT. Any member who has completed at least
35 five service credit years and has attained age sixty, and for whom the
36 sum of the number of years of the member's age and the number of years
37 of the member's service credit equals ninety or more, shall be eligible

1 to retire. For the portion of the member's benefit that is based on
2 service credit earned after July 1, 2007, the member shall receive an
3 unreduced retirement allowance computed according to the provisions of
4 RCW 41.35.400. For the portion of the member's benefit that is based
5 on service credit earned prior to July 1, 2007, the retirement
6 allowance shall be reduced under subsection (3) or (4) of this section
7 as applicable.

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

15 ~~((3))~~ (4) ALTERNATE EARLY RETIREMENT. Any member who has
16 completed at least thirty service credit years and has attained age
17 fifty-five shall be eligible to retire and to receive a retirement
18 allowance computed according to the provisions of RCW 41.35.400, except
19 that a member retiring pursuant to this subsection shall have the
20 retirement allowance reduced by three percent per year to reflect the
21 difference in the number of years between age at retirement and the
22 attainment of age sixty-five.

23 **Sec. 6.** RCW 41.35.680 and 2000 c 247 s 906 are each amended to
24 read as follows:

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

- 27 (a) Completed ten service credit years; or
- 28 (b) Completed five service credit years, including twelve service
29 credit months after attaining age fifty-four; or

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

35 (2) UNREDUCED RETIREMENT. Any member who has completed the number
36 of service credit years required in subsection (1) of this section and
37 has attained age sixty, and for whom the sum of the number of years of

1 the member's age and the number of years of the member's service credit
2 equals ninety or more, shall be eligible to retire. For the portion of
3 the member's benefit that is based on service credit earned after July
4 1, 2007, the member shall receive an unreduced retirement allowance
5 computed according to the provisions of RCW 41.35.620. For the portion
6 of the member's benefit that is based on service credit earned prior to
7 July 1, 2007, the retirement allowance shall be reduced under
8 subsection (3) or (4) of this section as applicable.

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

25 **Sec. 7.** RCW 41.32.835 and 1995 c 239 s 105 are each amended to
26 read as follows:

27 (1) All teachers who first become employed by an employer in an
28 eligible position on or after ~~((July 1, 1996, shall be members of plan~~
29 ~~3))~~ July 1, 2007, shall have a period of ninety days to make an
30 irrevocable choice to become a member of plan 2 or plan 3. At the end
31 of ninety days, if the member has not made a choice to become a member
32 of plan 2, he or she becomes a member of plan 3.

33 (2) For administrative efficiency, until a member elects to become
34 a member of plan 3, or becomes a member of plan 3 by default under
35 subsection (1) of this section, the member shall be reported to the
36 department in plan 2, with member and employer contributions. Upon
37 becoming a member of plan 3 by election or by default, all service

1 credit shall be transferred to the member's plan 3 defined benefit, and
2 all employee accumulated contributions shall be transferred to the
3 member's plan 3 defined contribution account.

4 **Sec. 8.** RCW 41.35.610 and 1998 c 341 s 202 are each amended to
5 read as follows:

6 (1) All classified employees who first become employed by an
7 employer in an eligible position on or after ((September 1, 2000, shall
8 be members of plan 3)) July 1, 2007, shall have a period of ninety days
9 to make an irrevocable choice to become a member of plan 2 or plan 3.
10 At the end of ninety days, if the member has not made a choice to
11 become a member of plan 2, he or she becomes a member of plan 3.

12 (2) For administrative efficiency, until a member elects to become
13 a member of plan 3, or becomes a member of plan 3 by default under
14 subsection (1) of this section, the member shall be reported to the
15 department in plan 2, with member and employer contributions. Upon
16 becoming a member of plan 3 by election or by default, all service
17 credit shall be transferred to the member's plan 3 defined benefit, and
18 all employee accumulated contributions shall be transferred to the
19 member's plan 3 defined contribution account.

20 **Sec. 9.** RCW 41.31A.010 and 2000 c 247 s 407 are each amended to
21 read as follows:

22 The definitions in this section apply throughout this chapter
23 unless the context requires otherwise.

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

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

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

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

32 ~~((5))~~ (4) "Classified employee" means the same as in RCW
33 41.35.010.

34 ~~((6) "Public employee" means the same as "member" as defined in~~
35 ~~RCW 41.40.010(5).))~~

1 (5) "Terminated vested member" means a member who separates or has
2 separated from service after having completed enough service credit
3 years to be vested in the defined benefit portion of the members' plan
4 and who remains a member during the period of absence from service for
5 the exclusive purpose of receiving a future retirement allowance.

6 **Sec. 10.** RCW 41.31A.020 and 2003 c 294 s 4 are each amended to
7 read as follows:

8 (1) On January 1, ~~((2004))~~ 2008, and on January 1st of ~~((even-~~
9 ~~numbered years))~~ each year thereafter, the member account of a person
10 meeting the requirements of this section shall be credited by the
11 extraordinary investment gain amount.

12 ~~((The following persons))~~ Members, retirees, and terminated
13 vested members of the school employees' retirement system plan 3 as of
14 June 30, 2007, who also meet the criteria in any of (a) through (f) of
15 this subsection shall be eligible for the benefit provided in
16 subsection (1) of this section:

17 (a) Any member of the ~~((teachers' retirement system plan 3, the))~~
18 Washington school employees' retirement system plan 3 ~~((, or the public~~
19 ~~employees' retirement system plan 3))~~ who earned service credit during
20 the twelve-month period from September 1st to August 31st immediately
21 preceding the distribution and had a balance of at least one thousand
22 dollars in their member account on August 31st of the year immediately
23 preceding the distribution; or

24 (b) Any person in receipt of a benefit pursuant to RCW
25 ~~((41.32.875,))~~ 41.35.680 ~~((, or 41.40.820))~~; or

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

28 (i) Completed ten service credit years; or

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

31 ~~((Any teacher who is a retiree pursuant to RCW 41.34.020(8) and~~
32 ~~who has completed five service credit years by July 1, 1996, under plan~~
33 ~~2 and who transferred to plan 3 under RCW 41.32.817; or~~

34 ~~(e))~~ Any classified employee who is a retiree pursuant to RCW
35 41.34.020(8) and who has completed five service credit years by
36 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;
37 or

1 ~~((f) Any public employee who is a retiree pursuant to RCW~~
2 ~~41.34.020(8) and who has completed five service credit years by March~~
3 ~~1, 2002, and who transferred to plan 3 under RCW 41.40.795; or~~

4 ~~(g))~~ (e) Any person who had a balance of at least one thousand
5 dollars in their member account on August 31st of the year immediately
6 preceding the distribution and who:

7 (i) Completed ten service credit years; or

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

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

15 ~~(i))~~ (f) Any classified employee who had a balance of at least one
16 thousand dollars in their member account on August 31st of the year
17 immediately preceding the distribution and who has completed five
18 service credit years by September 1, 2000, and who transferred to plan
19 3 under RCW 41.35.510(~~(i) or~~

20 ~~(j) Any public employee who had a balance of at least one thousand~~
21 ~~dollars in their member account on August 31st of the year immediately~~
22 ~~preceding the distribution and who has completed five service credit~~
23 ~~years by March 1, 2002, and who transferred to plan 3 under RCW~~
24 ~~41.40.795)).~~

25 (3) The extraordinary investment gain amount shall be calculated as
26 follows:

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

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

36 ~~(c) Multiplied by the proportion of:~~

37 ~~(i) The sum of the service credit on August 31st of the previous~~

1 ~~year of all persons eligible for the benefit provided in subsection (1)~~
2 ~~of this section; to~~

3 ~~(ii) The sum of the service credit on August 31st of the previous~~
4 ~~year of:~~

5 ~~(A) All persons eligible for the benefit provided in subsection (1)~~
6 ~~of this section;~~

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

12 ~~(C) Any person in receipt of a benefit pursuant to RCW 41.32.765,~~
13 ~~41.35.420, or 41.40.630; and~~

14 ~~(D) Any person with five or more years of service in the teachers'~~
15 ~~retirement system plan 2, the Washington school employees' retirement~~
16 ~~system plan 2, or the public employees' retirement system plan 2;~~

17 ~~(d) Divided proportionally among persons eligible for the benefit~~
18 ~~provided in subsection (1) of this section on the basis of their)) Ten~~
19 ~~dollars, which shall be increased by three percent per year rounded to~~
20 ~~the nearest cent, multiplied by the member's service credit total on~~
21 ~~August 31st of the previous year.~~

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

25 NEW SECTION. **Sec. 11.** RCW 41.31A.030 is decodified.

26 NEW SECTION. **Sec. 12.** RCW 41.31A.040 is decodified.

27 **Sec. 13.** RCW 41.45.061 and 2004 c 242 s 40 are each amended to
28 read as follows:

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

32 ~~(a) Beginning September 1, 1997, except as provided in (b) of this~~
33 ~~subsection, the employee contribution rate shall not exceed the~~
34 ~~employer plan 2 and 3 rates adopted under RCW 41.45.060, 41.45.054, and~~
35 ~~41.45.070 for the teachers' retirement system;~~

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

4 ~~(c) In addition, the employee contribution rate for plan 2 shall~~
5 ~~not be increased as a result of any distributions pursuant to section~~
6 ~~309, chapter 341, Laws of 1998 and RCW 41.31A.020)) set at the same~~
7 ~~rate as the employer combined plan 2 and plan 3 rate.~~

8 (2) The required contribution rate for members of the school
9 employees' retirement system plan 2 shall ~~((equal the school employees'~~
10 ~~retirement system employer plan 2 and 3 contribution rate adopted under~~
11 ~~RCW 41.45.060, 41.45.054, and 41.45.070, except as provided in~~
12 ~~subsection (3) of this section.~~

13 ~~(3) The member contribution rate for the school employees'~~
14 ~~retirement system plan 2 shall be increased by fifty percent of the~~
15 ~~contribution rate increase caused by any plan 2 benefit increase passed~~
16 ~~after September 1, 2000)) be set at the same rate as the employer~~
17 ~~combined plan 2 and plan 3 rate.~~

18 ~~((4))~~ (3) The required contribution rate for members of the
19 public employees' retirement system plan 2 shall be set at the same
20 rate as the employer combined plan 2 and plan 3 rate.

21 ~~((5))~~ (4) The required contribution rate for members of the law
22 enforcement officers' and fire fighters' retirement system plan 2 shall
23 be set at fifty percent of the cost of the retirement system.

24 ~~((6))~~ (5) The ~~((employee))~~ required contribution rates for
25 members of the school employees' retirement system plan 2 ~~((under~~
26 ~~subsections (3) and (4) of this section))~~ shall not include any
27 increase as a result of any distributions pursuant to RCW 41.31A.020
28 ~~((and 41.31A.030)).~~

29 ~~((7))~~ (6) The required plan 2 and 3 contribution rates for
30 employers shall be adopted in the manner described in RCW 41.45.060~~((~~
31 ~~41.45.054,))~~ and 41.45.070.

32 ~~((8))~~ (7) The required contribution rate for members of the
33 public safety employees' retirement system plan 2 shall be set at fifty
34 percent of the cost of the retirement system.

35 **Sec. 14.** RCW 41.34.040 and 2003 c 156 s 1 are each amended to read
36 as follows:

1 (1) A member shall contribute from his or her compensation
2 according to one of the following rate structures in addition to the
3 mandatory minimum five percent:

| <u>Option A</u> | <u>Contribution Rate</u> |
|------------------|--------------------------|
| All Ages | 0.0% fixed |
| <u>Option B</u> | |
| Up to Age 35 | 0.0% |
| Age 35 to 44 | 1.0% |
| Age 45 and above | 2.5% |
| <u>Option C</u> | |
| Up to Age 35 | 1.0% |
| Age 35 to 44 | 2.5% |
| Age 45 and above | 3.5% |
| <u>Option D</u> | |
| All Ages | 2.0% |
| <u>Option E</u> | |
| All Ages | 5.0% |
| <u>Option F</u> | |
| All Ages | 10.0% |

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20 (2) The board shall have the right to offer contribution rate
21 options in addition to those listed in subsection (1) of this section,
22 provided that no significant additional administrative costs are
23 created. All options offered by the board shall conform to the
24 requirements stated in subsections (3) and (5) of this section.

25 (3)(a) For members of the teachers' retirement system entering plan
26 3 under RCW 41.32.835 or members of the school employees' retirement
27 system entering plan 3 under RCW 41.35.610, within ninety days of
28 becoming a member he or she has an option to choose one of the above
29 contribution rate structures. If the member does not select an option
30 within the ninety-day period, he or she shall be assigned option A.

31 (b) For members of the public employees' retirement system entering
32 plan 3 under RCW 41.40.785, within the ninety days described in RCW
33 41.40.785 an employee who irrevocably chooses plan 3 shall select one
34 of the above contribution rate structures. If the member does not
35 select an option within the ninety-day period, he or she shall be
36 assigned option A.

1 (c) For members of the teachers' retirement system transferring to
2 plan 3 under RCW 41.32.817, members of the school employees' retirement
3 system transferring to plan 3 under RCW 41.35.510, or members of the
4 public employees' retirement system transferring to plan 3 under RCW
5 41.40.795, upon election to plan 3 he or she must choose one of the
6 above contribution rate structures.

7 (d) Within ninety days of the date that an employee changes
8 employers, he or she has an option to choose one of the above
9 contribution rate structures. If the member does not select an option
10 within this ninety-day period, he or she shall be assigned option A.

11 ~~(4) ((Each year, members may change their contribution rate option
12 by notifying their employer in writing during the month of January.~~

13 ~~(5))~~ Contributions shall begin the first day of the pay cycle in
14 which the rate option is made, or the first day of the pay cycle in
15 which the end of the ninety-day period occurs.

16 NEW SECTION. **Sec. 15.** The benefits provided pursuant to sections
17 1 through 16 of this act are not provided to employees as a matter of
18 contractual right prior to July 1, 2007. The legislature retains the
19 right to alter or abolish these benefits at any time prior to July 1,
20 2007.

21 NEW SECTION. **Sec. 16.** Sections 1 through 14 of this act take
22 effect July 1, 2007.

23 NEW SECTION. **Sec. 17.** A new section is added to chapter 41.45 RCW
24 to read as follows:

25 The basic employer and state contribution rates and required plan
26 member contribution rates are changed to reflect the 2003 actuarial
27 valuation and actuarial projections of the 2005 actuarial valuation,
28 both of which incorporate the 2002 actuarial experience study conducted
29 by the office of the state actuary for 1995-2000. This contribution
30 rate schedule departs from the normal biennial process for setting
31 contribution rates by requiring four annual increases in rates. The
32 rates are lower in the first two years than required by the 2003
33 actuarial valuation and higher in the second two years than required by
34 the projected 2005 actuarial valuation. Upon completion of the 2005
35 actuarial valuation, the pension funding council and the state actuary

1 shall review the appropriateness of the contribution rates for 2007-
2 2008 and 2008-2009 and by September 30, 2006, the pension funding
3 council shall recommend to the legislature any adjustments as may be
4 needed due to material changes in benefits or actuarial assumptions,
5 methods, or experience. This contribution rate schedule also requires
6 a departure from the allocation formula for contributions in RCW
7 41.45.050.

8 (1) Beginning July 1, 2005, the following employer contribution
9 rate shall be charged: 2.50 percent for the public employees'
10 retirement system, of which .75 percent shall be allocated to the
11 unfunded actuarial accrued liability for the public employees'
12 retirement system plan 1.

13 (2) Beginning September 1, 2005, the following employer
14 contribution rates shall be charged:

15 (a) 3.00 percent for the school employees' retirement system, of
16 which .75 percent shall be allocated to the unfunded actuarial accrued
17 liability for the public employees' retirement system plan 1; and

18 (b) 3.50 percent for the teachers' retirement system, of which 1.50
19 percent shall be allocated to the unfunded actuarial accrued liability
20 for the teachers' retirement system plan 1.

21 (3) Beginning July 1, 2005, the following member contribution rate
22 shall be charged: 1.75 percent for the public employees' retirement
23 system plan 2.

24 (4) Beginning September 1, 2005, the following member contribution
25 rates shall be charged:

26 (a) 2.25 percent for the school employees' retirement system plan
27 2; and

28 (b) 1.75 percent for the teachers' retirement system plan 2.

29 (5) The contribution rates in subsections (1) through (4) of this
30 section shall be collected through June 30, 2006, for the public
31 employees' retirement system, and August 31, 2006, for the school
32 employees' retirement system and the teachers' retirement system.

33 (6) Beginning July 1, 2006, the following employer contribution
34 rate shall be charged: 5.00 percent for the public employees'
35 retirement system, of which 1.75 percent shall be allocated to the
36 unfunded actuarial accrued liability for the public employees'
37 retirement system plan 1.

1 (7) Beginning September 1, 2006, the following employer
2 contribution rates shall be charged:

3 (a) 5.25 percent for the school employees' retirement system, of
4 which 1.75 percent shall be allocated to the unfunded actuarial accrued
5 liability for the public employees' retirement system plan 1; and

6 (b) 5.25 percent for the teachers' retirement system, of which 2.25
7 percent shall be allocated to the unfunded actuarial accrued liability
8 for the teachers' retirement system plan 1.

9 (8) Beginning July 1, 2006, the following member contribution rate
10 shall be charged: 3.25 percent for the public employees' retirement
11 system plan 2.

12 (9) Beginning September 1, 2006, the following member contribution
13 rates shall be charged:

14 (a) 3.50 percent for the school employees' retirement system plan
15 2; and

16 (b) 2.75 percent for the teachers' retirement system plan 2.

17 (10) The contribution rates in subsections (6) through (9) of this
18 section shall be collected through June 30, 2007, for the public
19 employees' retirement system, and August 31, 2007, for the school
20 employees' retirement system and the teachers' retirement system.

21 (11) Beginning July 1, 2007, the following employer contribution
22 rate shall be charged: 7.25 percent for the public employees'
23 retirement system, of which 2.50 percent shall be allocated to the
24 unfunded actuarial accrued liability of the public employees'
25 retirement system plan 1.

26 (12) Beginning September 1, 2007, the following employer
27 contribution rates shall be charged:

28 (a) 7.25 percent for the school employees' retirement system, of
29 which 2.50 percent shall be allocated to the unfunded actuarial accrued
30 liability of the public employees' retirement system plan 1; and

31 (b) 7.37 percent for the teachers' retirement system, of which 3.50
32 percent shall be allocated to the unfunded actuarial accrued liability
33 of the teachers' retirement system plan 1.

34 (13) Beginning July 1, 2007, the following member contribution rate
35 shall be charged: 4.75 percent for the public employees' retirement
36 system plan 2.

37 (14) Beginning September 1, 2007, the following member contribution
38 rates shall be charged:

1 (a) 4.75 percent for the school employees' retirement system plan
2 2; and

3 (b) 3.75 percent for the teachers' retirement system plan 2.

4 (15) The contribution rates in subsections (11) through (14) of
5 this section shall be collected through June 30, 2008, for the public
6 employees' retirement system, and August 31, 2008, for the school
7 employees' retirement system and the teachers' retirement system.

8 (16) Beginning July 1, 2008, the following employer contribution
9 rate shall be charged: 8.62 percent for the public employees'
10 retirement system, of which 2.82 percent shall be allocated to the
11 unfunded actuarial accrued liability of the public employees'
12 retirement system plan 1.

13 (17) Beginning September 1, 2008, the following employer
14 contribution rates shall be charged:

15 (a) 8.94 percent for the school employees' retirement system, of
16 which 2.82 percent shall be allocated to the unfunded actuarial accrued
17 liability of the public employees' retirement system plan 1; and

18 (b) 9.21 percent for the teachers' retirement system, of which 4.18
19 percent shall be allocated to the unfunded actuarial accrued liability
20 of the teachers' retirement system plan 1.

21 (18) Beginning July 1, 2008, the following member contribution rate
22 shall be charged: 5.80 percent for the public employees' retirement
23 system plan 2.

24 (19) Beginning September 1, 2008, the following member contribution
25 rates shall be charged:

26 (a) 6.12 percent for the school employees' retirement system plan
27 2; and

28 (b) 4.91 percent for the teachers' retirement system plan 2.

29 (20) The contribution rates in subsections (16) through (19) of
30 this section shall be collected through June 30, 2009, for the public
31 employees' retirement system, and August 31, 2009, for the school
32 employees' retirement system and the teachers' retirement system.

33 NEW SECTION. **Sec. 18.** A new section is added to chapter 41.45 RCW
34 to read as follows:

35 Beginning July 1, 2009, for the public employees' retirement system
36 and the public safety employees' retirement system, and September 1,
37 2009, for the school employees' retirement system and the teachers'

1 retirement system, minimum basic employer and state contribution rates
2 and minimum required plan 2 member contribution rates are established.
3 In establishing these minimum rates, it is the intent of the
4 legislature to promote contribution rate stability over time. The
5 basic employer and state contribution rates and required plan 2 member
6 contribution rates as recommended by the pension funding council and
7 adopted by the legislature may exceed, but shall not drop below, these
8 minimum rates. Upon completion of each biennial actuarial valuation,
9 the pension funding council and the state actuary shall review the
10 appropriateness of the minimum contribution rates and the pension
11 funding council shall recommend to the legislature any adjustments as
12 may be needed due to material changes in benefits or actuarial
13 assumptions, methods, or experience.

14 (1) Beginning July 1, 2009, the following minimum employer
15 contribution rate shall be charged: 4.00 percent for the public
16 employees' retirement system.

17 (2) Beginning September 1, 2009, the following minimum employer
18 contribution rates shall be charged:

19 (a) 4.25 percent for the school employees' retirement system; and

20 (b) 5.00 percent for the teachers' retirement system.

21 (3) Beginning July 1, 2009, the following minimum member
22 contribution rate shall be charged: 4.00 percent for the public
23 employees' retirement system plan 2.

24 (4) Beginning September 1, 2009, the following minimum member
25 contribution rates shall be charged:

26 (a) 4.25 percent for the school employees' retirement system plan
27 2; and

28 (b) 5.00 percent for the teachers' retirement system plan 2.

29 (5) Beginning July 1, 2009, an additional minimum 2.75 percent is
30 added to the minimum employer contribution rate of 4.00 percent for the
31 public employees' retirement system until the actuarial value of assets
32 equals one hundred twenty-five percent of the actuarial accrued
33 liability for the public employees' retirement system plan 1 or June
34 30, 2024, whichever comes first.

35 (6) Beginning July 1, 2009, an additional minimum 2.75 percent is
36 added to the basic employer contribution rate for the public safety
37 employees' retirement system until the actuarial value of public
38 employees' retirement system plan 1 assets equals one hundred

1 twenty-five percent of the actuarial accrued liability for the public
2 employees' retirement system plan 1 or June 30, 2024, whichever comes
3 first.

4 (7) Beginning September 1, 2009, an additional minimum 2.75 percent
5 is added to the minimum employer contribution rate of 4.25 percent for
6 the school employees' retirement system until the actuarial value of
7 public employees' retirement system plan 1 assets equals one hundred
8 twenty-five percent of the actuarial accrued liability for the public
9 employees' retirement system plan 1 or June 30, 2024, whichever comes
10 first.

11 (8) Beginning September 1, 2009, an additional 5.75 percent is
12 added to the minimum employer contribution rate of 5.00 percent for the
13 teachers' retirement system until the actuarial value of assets equals
14 one hundred twenty-five percent of the actuarial accrued liability for
15 the teachers' retirement system plan 1 or June 30, 2024, whichever
16 comes first.

17 NEW SECTION. **Sec. 19.** RCW 41.45.054 is decodified, effective
18 September 1, 2005.

19 NEW SECTION. **Sec. 20.** Section 17 of this act is necessary for the
20 immediate preservation of the public peace, health, or safety, or
21 support of the state government and its existing public institutions,
22 and takes effect July 1, 2005.

23 NEW SECTION. **Sec. 21.** Section 18 of this act takes effect July 1,
24 2009.

25 **Sec. 22.** RCW 41.32.010 and 2003 c 31 s 1 are each amended to read
26 as follows:

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

29 (1)(a) "Accumulated contributions" for plan 1 members, means the
30 sum of all regular annuity contributions and, except for the purpose of
31 withdrawal at the time of retirement, any amount paid under RCW
32 41.50.165(2) with regular interest thereon.

33 (b) "Accumulated contributions" for plan 2 members, means the sum

1 of all contributions standing to the credit of a member in the member's
2 individual account, including any amount paid under RCW 41.50.165(2),
3 together with the regular interest thereon.

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

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

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

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

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

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

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

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

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

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

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

33 (ii) For an employee member of the retirement system teaching in an
34 extended school year program, two consecutive extended school years, as
35 defined by the employer school district, may be used as the annual
36 period for determining earnable compensation in lieu of the two fiscal
37 years.

1 (iii) "Earnable compensation" 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 wages which the
8 individual would have earned during a payroll period shall be
9 considered earnable compensation and the individual shall receive the
10 equivalent service credit.

11 (B) If a leave of absence, without pay, is taken by a member for
12 the purpose of serving as a member of the state legislature, and such
13 member has served in the legislature five or more years, the salary
14 which would have been received for the position from which the leave of
15 absence was taken shall be considered as compensation earnable if the
16 employee's contribution thereon is paid by the employee. In addition,
17 where a member has been a member of the state legislature for five or
18 more years, earnable compensation for the member's two highest
19 compensated consecutive years of service shall include a sum not to
20 exceed thirty-six hundred dollars for each of such two consecutive
21 years, regardless of whether or not legislative service was rendered
22 during those two years.

23 (iv) For members employed less than full time under written
24 contract with a school district, or community college district, in an
25 instructional position, for which the member receives service credit of
26 less than one year in all of the years used to determine the earnable
27 compensation used for computing benefits due under RCW 41.32.497,
28 41.32.498, and 41.32.520, the member may elect to have earnable
29 compensation defined as provided in RCW 41.32.345. For the purposes of
30 this subsection, the term "instructional position" means a position in
31 which more than seventy-five percent of the member's time is spent as
32 a classroom instructor (including office hours), a librarian, or a
33 counselor. Earnable compensation shall be so defined only for the
34 purpose of the calculation of retirement benefits and only as necessary
35 to insure that members who receive fractional service credit under RCW
36 41.32.270 receive benefits proportional to those received by members
37 who have received full-time service credit.

38 (v) "Earnable compensation" does not include:

1 (A) Remuneration for unused sick leave authorized under RCW
2 41.04.340, 28A.400.210, or 28A.310.490;

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

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

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

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

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

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

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

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

36 (12) "Fiscal year" means a year which begins July 1st and ends June
37 30th of the following year.

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

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

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

11 (16) "Membership service" means service rendered subsequent to the
12 first day of eligibility of a person to membership in the retirement
13 system: PROVIDED, That where a member is employed by two or more
14 employers the individual shall receive no more than one service credit
15 month during any calendar month in which multiple service is rendered.
16 The provisions of this subsection shall apply only to plan 1 members.

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

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

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

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

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

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

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

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

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

9 (25) "Retirement system" means the Washington state teachers'
10 retirement system.

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

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

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

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

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

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

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

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

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

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

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

11 (iv) Any person who is a member of the teachers' retirement system
12 and who is elected or appointed to a state elective position may
13 continue to be a member of the retirement system and continue to
14 receive a service credit month for each of the months in a state
15 elective position by making the required member contributions.

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

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

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

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

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

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

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

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

1 (viii) The department shall adopt rules implementing this
2 subsection.

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

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

7 (29) "Teacher" means any person qualified to teach who is engaged
8 by a public school in an instructional, administrative, or supervisory
9 capacity. The term includes state, educational service district, and
10 school district superintendents and their assistants and all employees
11 certificated by the superintendent of public instruction; and in
12 addition thereto any full time school doctor who is employed by a
13 public school and renders service of an instructional or educational
14 nature.

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

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

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

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

27 (34) "State elective position" means any position held by any
28 person elected or appointed to statewide office or elected or appointed
29 as a member of the legislature.

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

32 (36) "Substitute teacher" means:

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

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

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

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

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

13 (d) The elected position of the superintendent of public
14 instruction is an eligible position.

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

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

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

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

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

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

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

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

37 (46) "Annual increase" means(~~(, initially, fifty-nine)~~) one dollar

1 and forty-five cents per month per year of service which amount shall
2 be increased each July 1st by three percent, rounded to the nearest
3 cent.

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

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

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

14 **Sec. 23.** RCW 41.32.4851 and 2004 c 85 s 1 are each amended to read
15 as follows:

16 (1) No one who becomes a beneficiary after June 30, 1995, shall
17 receive a monthly retirement allowance of less than twenty-four dollars
18 and twenty-two cents times the number of years of service creditable to
19 the person whose service is the basis of such retirement allowance.

20 (2) If the retirement allowance payable was adjusted at the time
21 benefit payments to the beneficiary commenced, the minimum allowance
22 provided in this section shall be adjusted in a manner consistent with
23 that adjustment.

24 (3) Beginning July 1, 1996, the minimum benefit set forth in
25 subsection (1) of this section shall be adjusted annually by the annual
26 increase.

27 (4) Those receiving a temporary disability benefit under RCW
28 41.32.540 shall not be eligible for the benefit provided by this
29 section.

30 (5) Beginning July 1, 2004, the minimum benefit set forth in
31 subsection (1) of this section, prior to adjustments set forth in
32 subsection (2) of this section, for a beneficiary with at least twenty-
33 five years of service and who has been retired at least twenty years
34 shall be one thousand dollars per month(~~(. The minimum benefit in this~~
35 ~~subsection shall not be adjusted by the annual increase provided in~~
36 ~~subsection (3) of this section)) which shall be increased each July 1st
37 by three percent, rounded to the nearest cent.~~

1 (6) Beginning July 1, 2005, the minimum benefit set forth in
2 subsection (1) of this section, prior to adjustments set forth in
3 subsection (2) of this section, for a beneficiary with at least twenty
4 years of service and who has been retired at least twenty-five years
5 shall be one thousand dollars per month which shall be increased each
6 July 1st by three percent, rounded to the nearest cent.

7 **Sec. 24.** RCW 41.32.489 and 1995 c 345 s 2 are each amended to read
8 as follows:

9 (1) Beginning July 1, 1995, and annually thereafter, the retirement
10 allowance of a person meeting the requirements of this section shall be
11 increased by the annual increase amount.

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

14 (a) A beneficiary who has received a retirement allowance for at
15 least one year by July 1st in the calendar year in which the annual
16 increase is given and has attained at least age sixty-six by (~~July~~
17 ~~1st~~) December 31st in the calendar year in which the annual increase
18 is given; or

19 (b) A beneficiary whose retirement allowance is lower than the
20 minimum benefit provided under RCW 41.32.4851.

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

23 (a) A beneficiary receiving the minimum benefit on June 30, 1995,
24 under RCW 41.32.485; or

25 (b) A recipient of a survivor benefit on June 30, 1995, which has
26 been increased by RCW 41.32.575.

27 (4) If otherwise eligible, those receiving an annual adjustment
28 under RCW 41.32.530(1)(d) shall be eligible for the annual increase
29 adjustment in addition to the benefit that would have been received
30 absent this section.

31 (5) Those receiving a temporary disability benefit under RCW
32 41.32.540 shall not be eligible for the benefit provided by this
33 section.

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

1 **Sec. 25.** RCW 41.40.010 and 2003 c 412 s 4 are each amended to read
2 as follows:

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

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

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

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

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

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

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

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

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

37 (b) Any person who becomes a member through the admission of an

1 employer into the retirement system on and after April 1, 1949, and
2 prior to April 1, 1951;

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

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

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

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

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

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

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

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

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

14 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and
15 72.09.240;

16 (D) Compensation that a member would have received but for a
17 disability occurring in the line of duty only as authorized by RCW
18 41.40.038;

19 (E) Compensation that a member receives due to participation in the
20 leave sharing program only as authorized by RCW 41.04.650 through
21 41.04.670; and

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

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

28 (A) Remuneration for unused sick leave authorized under RCW
29 41.04.340, 28A.400.210, or 28A.310.490;

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

32 (b) "Compensation earnable" 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 nonmoney maintenance compensation and lump sum or other

1 payments for deferred annual sick leave, unused accumulated vacation,
2 unused accumulated annual leave, or any form of severance pay.

3 "Compensation earnable" for plan 2 and plan 3 members also includes
4 the following actual or imputed payments, which are not paid for
5 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 wage which the
10 individual would have earned during a payroll period shall be
11 considered compensation earnable 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 compensation
15 earnable be the greater of:

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

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

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

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

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

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

37 (9)(a) "Service" for plan 1 members, except as provided in RCW
38 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

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

3 (15) "Regular interest" means such rate as the director may
4 determine.

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

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

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

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

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

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

29 (21) "Retirement allowance" means the sum of the annuity and the
30 pension.

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

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

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

3 (25) "Eligible position" means:

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

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

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

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

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

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

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

27 (31) "State elective position" means any position held by any
28 person elected or appointed to statewide office or elected or appointed
29 as a member of the legislature.

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

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

35 (34) "Plan 2" means the public employees' retirement system, plan
36 2 providing the benefits and funding provisions covering persons who
37 first became members of the system on and after October 1, 1977, and
38 are not included in plan 3.

1 (35) "Plan 3" means the public employees' retirement system, plan
2 3 providing the benefits and funding provisions covering persons who:

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

4 (i) March 1, 2002, and are employed by a state agency or institute
5 of higher education and who did not choose to enter plan 2; or

6 (ii) September 1, 2002, and are employed by other than a state
7 agency or institute of higher education and who did not choose to enter
8 plan 2; or

9 (b) Transferred to plan 3 under RCW 41.40.795.

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

14 (37) "Index A" means the index for the year prior to the
15 determination of a postretirement adjustment.

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

17 (39) "Index year" means the earliest calendar year in which the
18 index is more than sixty percent of index A.

19 (40) "Adjustment ratio" means the value of index A divided by index
20 B.

21 (41) "Annual increase" means(~~(, initially, fifty-nine)~~) one dollar
22 and forty-five cents per month per year of service which amount shall
23 be increased each July 1st by three percent, rounded to the nearest
24 cent.

25 (42) "Separation from service" occurs when a person has terminated
26 all employment with an employer. Separation from service or employment
27 does not occur, and if claimed by an employer or employee may be a
28 violation of RCW 41.40.055, when an employee and employer have a
29 written or oral agreement to resume employment with the same employer
30 following termination.

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

34 **Sec. 26.** RCW 41.40.010 and 2004 c 242 s 53 are each amended to
35 read as follows:

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

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

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

5 (3) "State treasurer" means the treasurer of the state of
6 Washington.

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

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

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

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

31 (a) Any person who became a member of the system prior to April 1,
32 1949;

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

36 (c) Any person who first becomes a member by securing employment
37 with an employer prior to April 1, 1951, provided the member has

1 rendered at least one or more years of service to any employer prior to
2 October 1, 1947;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 41.40.088. Compensation earnable earned for at least seventy hours but
2 less than ninety hours in any calendar month shall constitute one-half
3 service credit month of service. Compensation earnable earned for less
4 than seventy hours in any calendar month shall constitute one-quarter
5 service credit month of service. Time spent in standby status, whether
6 compensated or not, is not service.

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

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

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

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

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

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

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

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

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

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

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

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

7 (13) "Membership service" means:

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

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

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

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

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

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

36 (15) "Regular interest" means such rate as the director may
37 determine.

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

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

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

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

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

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

25 (21) "Retirement allowance" means the sum of the annuity and the
26 pension.

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

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

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

37 (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 statewide office or elected or appointed
26 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 did not choose to enter plan 2; or

3 (ii) September 1, 2002, and are employed by other than a state
4 agency or institute of higher education and who did not choose to enter
5 plan 2; or

6 (b) Transferred to plan 3 under RCW 41.40.795.

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

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

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

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

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

22 (42) "Separation from service" occurs when a person has terminated
23 all employment with an employer. Separation from service or employment
24 does not occur, and if claimed by an employer or employee may be a
25 violation of RCW 41.40.055, when an employee and employer have a
26 written or oral agreement to resume employment with the same employer
27 following termination.

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

31 **Sec. 27.** RCW 41.40.197 and 1995 c 345 s 5 are each amended to read
32 as follows:

33 (1) Beginning July 1, 1995, and annually thereafter, the retirement
34 allowance of a person meeting the requirements of this section shall be
35 increased by the annual increase amount.

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

1 (a) A beneficiary who has received a retirement allowance for at
2 least one year by July 1st in the calendar year in which the annual
3 increase is given and has attained at least age sixty-six by (~~July~~
4 ~~1st~~) December 31st in the calendar year in which the annual increase
5 is given; or

6 (b) A beneficiary whose retirement allowance is lower than the
7 minimum benefit provided under RCW 41.40.1984.

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

10 (a) A beneficiary receiving the minimum benefit on June 30, 1995,
11 under RCW 41.40.198; or

12 (b) A recipient of a survivor benefit on June 30, 1995, which has
13 been increased by RCW 41.40.325.

14 (4) If otherwise eligible, those receiving an annual adjustment
15 under RCW 41.40.188(1)(c) shall be eligible for the annual increase
16 adjustment in addition to the benefit that would have been received
17 absent this section.

18 (5) Those receiving a benefit under RCW 41.40.220(1), or a survivor
19 of a disabled member under RCW 41.44.170(5) shall be eligible for the
20 benefit provided by this section.

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

25 **Sec. 28.** RCW 41.40.1984 and 2004 c 85 s 2 are each amended to read
26 as follows:

27 (1) Except as provided in subsections (4) and (5) of this section,
28 no one who becomes a beneficiary after June 30, 1995, shall receive a
29 monthly retirement allowance of less than twenty-four dollars and
30 twenty-two cents times the number of years of service creditable to the
31 person whose service is the basis of such retirement allowance.

32 (2) Where the retirement allowance payable was adjusted at the time
33 benefit payments to the beneficiary commenced, the minimum allowance
34 provided in this section shall be adjusted in a manner consistent with
35 that adjustment.

36 (3) Beginning July 1, 1996, the minimum benefit set forth in

1 subsection (1) of this section shall be adjusted annually by the annual
2 increase.

3 (4) Those receiving a benefit under RCW 41.40.220(1) or under RCW
4 41.44.170 (3) and (5) shall not be eligible for the benefit provided by
5 this section.

6 (5) For persons who served as elected officials and whose
7 accumulated employee contributions and credited interest was less than
8 seven hundred fifty dollars at the time of retirement, the minimum
9 benefit under subsection (1) of this section shall be ten dollars per
10 month per each year of creditable service.

11 (6) Beginning July 1, 2004, the minimum benefit set forth in
12 subsection (1) of this section, prior to adjustments set forth in
13 subsection (2) of this section, for a beneficiary with at least twenty-
14 five years of service and who has been retired at least twenty years
15 shall be one thousand dollars per month(~~(. The minimum benefit in this~~
16 ~~subsection shall not be adjusted by the annual increase provided in~~
17 ~~subsection (3) of this section)) which shall be increased each July 1st
18 by three percent, rounded to the nearest cent.~~

19 (7) Beginning July 1, 2005, the minimum benefit set forth in
20 subsection (1) of this section, prior to adjustments set forth in
21 subsection (2) of this section, for a beneficiary with at least twenty
22 years of service and who has been retired at least twenty-five years
23 shall be one thousand dollars per month which shall be increased each
24 July 1st by three percent, rounded to the nearest cent.

25 NEW SECTION. Sec. 29. The following acts or parts of acts are
26 each repealed:

- 27 (1) RCW 41.31.010 (Annual pension increases--Increased by gain-
28 sharing increase amount) and 1998 c 340 s 1;
- 29 (2) RCW 41.31.020 (Gain-sharing increase amount calculated) and
30 1998 c 340 s 2; and
- 31 (3) RCW 41.31.030 (Contractual right to increase not granted) and
32 1998 c 340 s 3.

33 NEW SECTION. Sec. 30. Sections 22 through 25 and 27 through 29 of
34 this act are necessary for the immediate preservation of the public
35 peace, health, or safety, or support of the state government and its
36 existing public institutions, and take effect immediately.

1 NEW SECTION. **Sec. 31.** Section 25 of this act expires July 1,
2 2006.

3 NEW SECTION. **Sec. 32.** Section 26 of this act takes effect July 1,
4 2006.

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