

CERTIFICATION OF ENROLLMENT

ENGROSSED HOUSE BILL 2391

60th Legislature
2007 Regular Session

Passed by the House April 21, 2007
Yeas 52 Nays 45

Speaker of the House of Representatives

Passed by the Senate April 22, 2007
Yeas 26 Nays 21

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 2391** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 2391

Passed Legislature - 2007 Regular Session

State of Washington 60th Legislature 2007 Regular Session

By Representatives Fromhold, Conway and Moeller

Read first time 03/19/2007. Referred to Committee on Appropriations.

1 AN ACT Relating to retirement system gain-sharing and alternate
2 benefits; amending RCW 41.31A.020, 41.32.765, 41.32.835, 41.32.875,
3 41.35.420, 41.35.610, 41.35.680, 41.40.630, 41.40.820, and 41.45.070;
4 adding a new section to chapter 41.32 RCW; adding a new section to
5 chapter 41.40 RCW; creating new sections; repealing RCW 41.31.010,
6 41.31.020, 41.31.030, 41.31A.010, 41.31A.020, 41.31A.030, and
7 41.31A.040; providing effective dates; and declaring an emergency.

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

9 **Sec. 1.** RCW 41.31A.020 and 2003 c 294 s 4 are each amended to read
10 as follows:

11 (1) On January 1, 2004, and on January 1st of even-numbered years
12 thereafter, the member account of a person meeting the requirements of
13 this section shall be credited by the extraordinary investment gain
14 amount.

15 (2) The following persons, hired prior to July 1, 2007, shall be
16 eligible for the benefit provided in 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

1 the twelve-month period from September 1st to August 31st immediately
2 preceding the distribution and had a balance of at least one thousand
3 dollars in their member account on August 31st of the year immediately
4 preceding the distribution; or

5 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875,
6 41.35.680, or 41.40.820; or

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

9 (i) Completed ten service credit years; or

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

12 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and
13 who has completed five service credit years by July 1, 1996, under plan
14 2 and who transferred to plan 3 under RCW 41.32.817; or

15 (e) Any classified employee who is a retiree pursuant to RCW
16 41.34.020(8) and who has completed five service credit years by
17 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;
18 or

19 (f) Any public employee who is a retiree pursuant to RCW
20 41.34.020(8) and who has completed five service credit years by March
21 1, 2002, and who transferred to plan 3 under RCW 41.40.795; or

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

25 (i) Completed ten service credit years; or

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

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

33 (i) Any classified employee who had a balance of at least one
34 thousand dollars in their member account on August 31st of the year
35 immediately preceding the distribution and who has completed five
36 service credit years by September 1, 2000, and who transferred to plan
37 3 under RCW 41.35.510; or

1 (j) Any public employee who had a balance of at least one thousand
2 dollars in their member account on August 31st of the year immediately
3 preceding the distribution and who has completed five service credit
4 years by March 1, 2002, and who transferred to plan 3 under RCW
5 41.40.795.

6 (3) The extraordinary investment gain amount shall be calculated as
7 follows:

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

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

17 (c) Multiplied by the proportion of:

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

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

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

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

30 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765,
31 41.35.420, or 41.40.630; and

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

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

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

4 **Sec. 2.** RCW 41.32.765 and 2000 c 247 s 902 are each amended to
5 read as follows:

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

10 (2) 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) ALTERNATE EARLY RETIREMENT.

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

26 (b) On or after September 1, 2008, any member who has completed at
27 least thirty service credit years and has attained age fifty-five shall
28 be eligible to retire and to receive a retirement allowance computed
29 according to the provisions of RCW 41.32.760, except that a member
30 retiring pursuant to this subsection shall have the retirement
31 allowance reduced as follows:

	<u>Retirement</u>	<u>Percent</u>
	<u>Age</u>	<u>Reduction</u>
32		
33	<u>55</u>	<u>20%</u>
34		
35	<u>56</u>	<u>17%</u>

1	<u>57</u>	<u>14%</u>
2	<u>58</u>	<u>11%</u>
3	<u>59</u>	<u>8%</u>
4	<u>60</u>	<u>5%</u>
5	<u>61</u>	<u>2%</u>
6	<u>62</u>	<u>0%</u>
7	<u>63</u>	<u>0%</u>
8	<u>64</u>	<u>0%</u>

9 Any member who retires under the provisions of this subsection is
10 ineligible for the postretirement employment provisions of RCW
11 41.32.802(2) until the retired member has reached sixty-five years of
12 age. For purposes of this subsection, employment with an employer also
13 includes any personal service contract, service by an employer as a
14 temporary or project employee, or any other similar compensated
15 relationship with any employer included under the provisions of RCW
16 41.32.800(1).

17 The subsidized reductions for alternate early retirement in this
18 subsection as set forth in section 2, chapter . . . (this act), Laws of
19 2007 were intended by the legislature as replacement benefits for gain-
20 sharing. Until there is legal certainty with respect to the repeal of
21 chapter 41.31A RCW, the right to retire under this subsection is
22 noncontractual, and the legislature reserves the right to amend or
23 repeal this subsection. Legal certainty includes, but is not limited
24 to, the expiration of any: Applicable limitations on actions; and
25 periods of time for seeking appellate review, up to and including
26 reconsideration by the Washington supreme court and the supreme court
27 of the United States. Until that time, eligible members may still
28 retire under this subsection, and upon receipt of the first installment
29 of a retirement allowance computed under this subsection, the resulting
30 benefit becomes contractual for the recipient. If the repeal of
31 chapter 41.31A RCW is held to be invalid in a final determination of a
32 court of law, and the court orders reinstatement of gain-sharing or
33 other alternate benefits as a remedy, then retirement benefits for any
34 member who has completed at least thirty service credit years and has
35 attained age fifty-five but has not yet received the first installment
36 of a retirement allowance under this subsection shall be computed using
37 the reductions in (a) of this subsection.

1 **Sec. 3.** RCW 41.32.835 and 1995 c 239 s 105 are each amended to
2 read as follows:

3 (1) All teachers who first become employed by an employer in an
4 eligible position on or after July 1, ((1996, shall be members of plan
5 3)) 2007, shall have a period of ninety days to make an irrevocable
6 choice to become a member of plan 2 or plan 3. At the end of ninety
7 days, if the member has not made a choice to become a member of plan 2,
8 he or she becomes a member of plan 3.

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

17 (3) The plan choice provision as set forth in section 3, chapter .
18 . . (this act), Laws of 2007 was intended by the legislature as a
19 replacement benefit for gain-sharing. Until there is legal certainty
20 with respect to the repeal of chapter 41.31A RCW, the right to plan
21 choice under this section is noncontractual, and the legislature
22 reserves the right to amend or repeal this section. Legal certainty
23 includes, but is not limited to, the expiration of any: Applicable
24 limitations on actions; and periods of time for seeking appellate
25 review, up to and including reconsideration by the Washington supreme
26 court and the supreme court of the United States. Until that time, all
27 teachers who first become employed by an employer in an eligible
28 position on or after July 1, 2007, may choose either plan 2 or plan 3
29 under this section. If the repeal of chapter 41.31A RCW is held to be
30 invalid in a final determination of a court of law, and the court
31 orders reinstatement of gain-sharing or other alternate benefits as a
32 remedy, then all teachers who first become employed by an employer in
33 an eligible position on or after the date of such reinstatement shall
34 be members of plan 3.

35 **Sec. 4.** RCW 41.32.875 and 2006 c 33 s 1 are each amended to read
36 as follows:

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

3 (a) Completed ten service credit years; or

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

6 (c) Completed five service credit years by July 1, 1996, under plan
7 2 and who transferred to plan 3 under RCW 41.32.817;
8 shall be eligible to retire and to receive a retirement allowance
9 computed according to the provisions of RCW 41.32.840.

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

18 (3) ALTERNATE EARLY RETIREMENT.

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

26 (b) On or after September 1, 2008, any member who has completed at
27 least thirty service credit years and has attained age fifty-five shall
28 be eligible to retire and to receive a retirement allowance computed
29 according to the provisions of RCW 41.32.840, except that a member
30 retiring pursuant to this subsection shall have the retirement
31 allowance reduced as follows:

	<u>Retirement</u>	<u>Percent</u>
	<u>Age</u>	<u>Reduction</u>
32		
33		
34	<u>55</u>	<u>20%</u>
35	<u>56</u>	<u>17%</u>
36	<u>57</u>	<u>14%</u>

1	<u>58</u>	<u>11%</u>
2	<u>59</u>	<u>8%</u>
3	<u>60</u>	<u>5%</u>
4	<u>61</u>	<u>2%</u>
5	<u>62</u>	<u>0%</u>
6	<u>63</u>	<u>0%</u>
7	<u>64</u>	<u>0%</u>

8 Any member who retires under the provisions of this subsection is
9 ineligible for the postretirement employment provisions of RCW
10 41.32.862(2) until the retired member has reached sixty-five years of
11 age. For purposes of this subsection, employment with an employer also
12 includes any personal service contract, service by an employer as a
13 temporary or project employee, or any other similar compensated
14 relationship with any employer included under the provisions of RCW
15 41.32.860(1).

16 The subsidized reductions for alternate early retirement in this
17 subsection as set forth in section 4, chapter . . . (this act), Laws of
18 2007 were intended by the legislature as replacement benefits for gain-
19 sharing. Until there is legal certainty with respect to the repeal of
20 chapter 41.31A RCW, the right to retire under this subsection is
21 noncontractual, and the legislature reserves the right to amend or
22 repeal this subsection. Legal certainty includes, but is not limited
23 to, the expiration of any: Applicable limitations on actions; and
24 periods of time for seeking appellate review, up to and including
25 reconsideration by the Washington supreme court and the supreme court
26 of the United States. Until that time, eligible members may still
27 retire under this subsection, and upon receipt of the first installment
28 of a retirement allowance computed under this subsection, the resulting
29 benefit becomes contractual for the recipient. If the repeal of
30 chapter 41.31A RCW is held to be invalid in a final determination of a
31 court of law, and the court orders reinstatement of gain-sharing or
32 other alternate benefits as a remedy, then retirement benefits for any
33 member who has completed at least thirty service credit years and has
34 attained age fifty-five but has not yet received the first installment
35 of a retirement allowance under this subsection shall be computed using
36 the reductions in (a) of this subsection.

1 NEW SECTION. **Sec. 5.** A new section is added to chapter 41.32 RCW
2 under the subchapter heading "plan 1" to read as follows:

3 (1) Beginning July 1, 2009, the annual increase amount as defined
4 in RCW 41.32.010(46) shall be increased by an amount equal to \$0.40 per
5 month per year of service minus the 2008 gain-sharing increase amount
6 under RCW 41.31.010 as it exists on the effective date of this section.
7 This adjustment shall not decrease the annual increase amount, and is
8 not to exceed \$0.20 per month per year of service. The legislature
9 reserves the right to amend or repeal this section in the future and no
10 member or beneficiary has the contractual right to receive this
11 adjustment to the annual increase amount not granted prior to that
12 time.

13 (2) The adjustment to the annual increase amount as set forth in
14 section 5, chapter . . . (this act), Laws of 2007 was intended by the
15 legislature as a replacement benefit for gain-sharing. If the repeal
16 of chapter 41.31 RCW is held to be invalid in a final determination of
17 a court of law, and the court orders reinstatement of gain-sharing or
18 other alternate benefits as a remedy, then this adjustment to the
19 annual increase amount shall not be included in future annual increase
20 amounts paid on or after the date of such reinstatement.

21 **Sec. 6.** RCW 41.35.420 and 2000 c 247 s 905 are each amended to
22 read as follows:

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

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

34 (3) ALTERNATE EARLY RETIREMENT.

35 (a) Any member who has completed at least thirty service credit
36 years and has attained age fifty-five shall be eligible to retire and
37 to receive a retirement allowance computed according to the provisions

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

5 (b) On or after September 1, 2008, any member who has completed at
6 least thirty service credit years and has attained age fifty-five shall
7 be eligible to retire and to receive a retirement allowance computed
8 according to the provisions of RCW 41.35.400, except that a member
9 retiring pursuant to this subsection shall have the retirement
10 allowance reduced as follows:

<u>Retirement</u>	<u>Percent</u>
<u>Age</u>	<u>Reduction</u>
<u>55</u>	<u>20%</u>
<u>56</u>	<u>17%</u>
<u>57</u>	<u>14%</u>
<u>58</u>	<u>11%</u>
<u>59</u>	<u>8%</u>
<u>60</u>	<u>5%</u>
<u>61</u>	<u>2%</u>
<u>62</u>	<u>0%</u>
<u>63</u>	<u>0%</u>
<u>64</u>	<u>0%</u>

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23 Any member who retires under the provisions of this subsection is
24 ineligible for the postretirement employment provisions of RCW
25 41.35.060(2) until the retired member has reached sixty-five years of
26 age. For purposes of this subsection, employment with an employer also
27 includes any personal service contract, service by an employer as a
28 temporary or project employee, or any other similar compensated
29 relationship with any employer included under the provisions of RCW
30 41.35.230(1).

31 The subsidized reductions for alternate early retirement in this
32 subsection as set forth in section 6, chapter . . . (this act), Laws of
33 2007 were intended by the legislature as replacement benefits for gain-
34 sharing. Until there is legal certainty with respect to the repeal of
35 chapter 41.31A RCW, the right to retire under this subsection is
36 noncontractual, and the legislature reserves the right to amend or

1 repeal this subsection. Legal certainty includes, but is not limited
2 to, the expiration of any: Applicable limitations on actions; and
3 periods of time for seeking appellate review, up to and including
4 reconsideration by the Washington supreme court and the supreme court
5 of the United States. Until that time, eligible members may still
6 retire under this subsection, and upon receipt of the first installment
7 of a retirement allowance computed under this subsection, the resulting
8 benefit becomes contractual for the recipient. If the repeal of
9 chapter 41.31A RCW is held to be invalid in a final determination of a
10 court of law, and the court orders reinstatement of gain-sharing or
11 other alternate benefits as a remedy, then retirement benefits for any
12 member who has completed at least thirty service credit years and has
13 attained age fifty-five but has not yet received the first installment
14 of a retirement allowance under this subsection shall be computed using
15 the reductions in (a) of this subsection.

16 **Sec. 7.** RCW 41.35.610 and 1998 c 341 s 202 are each amended to
17 read as follows:

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

24 (2) For administrative efficiency, until a member elects to become
25 a member of plan 3, or becomes a member of plan 3 by default under
26 subsection (1) of this section, the member shall be reported to the
27 department in plan 2, with member and employer contributions. Upon
28 becoming a member of plan 3 by election or by default, all service
29 credit shall be transferred to the member's plan 3 defined benefit, and
30 all employee accumulated contributions shall be transferred to the
31 member's plan 3 defined contribution account.

32 (3) The plan choice provision as set forth in section 7, chapter .
33 . (this act), Laws of 2007 was intended by the legislature as a
34 replacement benefit for gain-sharing. Until there is legal certainty
35 with respect to the repeal of chapter 41.31A RCW, the right to plan
36 choice under this section is noncontractual, and the legislature
37 reserves the right to amend or repeal this section. Legal certainty

1 includes, but is not limited to, the expiration of any: Applicable
2 limitations on actions; and periods of time for seeking appellate
3 review, up to and including reconsideration by the Washington supreme
4 court and the supreme court of the United States. Until that time, all
5 classified employees who first become employed by an employer in an
6 eligible position on or after July 1, 2007, may choose either plan 2 or
7 plan 3 under this section. If the repeal of chapter 41.31A RCW is held
8 to be invalid in a final determination of a court of law, and the court
9 orders reinstatement of gain-sharing or other alternate benefits as a
10 remedy, then all classified employees who first become employed by an
11 employer in an eligible position on or after the date of such
12 reinstatement shall be members of plan 3.

13 **Sec. 8.** RCW 41.35.680 and 2006 c 33 s 2 are each amended to read
14 as follows:

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

17 (a) Completed ten service credit years; or

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

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

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

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

33 (3) ALTERNATE EARLY RETIREMENT.

34 (a) Any member who has completed at least thirty service credit
35 years and has attained age fifty-five shall be eligible to retire and
36 to receive a retirement allowance computed according to the provisions
37 of RCW 41.35.620, except that a member retiring pursuant to this

1 subsection shall have the retirement allowance reduced by three percent
2 per year to reflect the difference in the number of years between age
3 at retirement and the attainment of age sixty-five.

4 (b) On or after September 1, 2008, any member who has completed at
5 least thirty service credit years and has attained age fifty-five shall
6 be eligible to retire and to receive a retirement allowance computed
7 according to the provisions of RCW 41.35.620, except that a member
8 retiring pursuant to this subsection shall have the retirement
9 allowance reduced as follows:

	<u>Retirement</u>	<u>Percent</u>
	<u>Age</u>	<u>Reduction</u>
10		
11		
12	<u>55</u>	<u>20%</u>
13	<u>56</u>	<u>17%</u>
14	<u>57</u>	<u>14%</u>
15	<u>58</u>	<u>11%</u>
16	<u>59</u>	<u>8%</u>
17	<u>60</u>	<u>5%</u>
18	<u>61</u>	<u>2%</u>
19	<u>62</u>	<u>0%</u>
20	<u>63</u>	<u>0%</u>
21	<u>64</u>	<u>0%</u>

22 Any member who retires under the provisions of this subsection is
23 ineligible for the postretirement employment provisions of RCW
24 41.35.060(2) until the retired member has reached sixty-five years of
25 age. For purposes of this subsection, employment with an employer also
26 includes any personal service contract, service by an employer as a
27 temporary or project employee, or any other similar compensated
28 relationship with any employer included under the provisions of RCW
29 41.35.230(1).

30 The subsidized reductions for alternate early retirement in this
31 subsection as set forth in section 8, chapter . . . (this act), Laws of
32 2007 were intended by the legislature as replacement benefits for gain-
33 sharing. Until there is legal certainty with respect to the repeal of
34 chapter 41.31A RCW, the right to retire under this subsection is
35 noncontractual, and the legislature reserves the right to amend or
36 repeal this subsection. Legal certainty includes, but is not limited

1 to, the expiration of any: Applicable limitations on actions; and
2 periods of time for seeking appellate review, up to and including
3 reconsideration by the Washington supreme court and the supreme court
4 of the United States. Until that time, eligible members may still
5 retire under this subsection, and upon receipt of the first installment
6 of a retirement allowance computed under this subsection, the resulting
7 benefit becomes contractual for the recipient. If the repeal of
8 chapter 41.31A RCW is held to be invalid in a final determination of a
9 court of law, and the court orders reinstatement of gain-sharing or
10 other alternate benefits as a remedy, then retirement benefits for any
11 member who has completed at least thirty service credit years and has
12 attained age fifty-five but has not yet received the first installment
13 of a retirement allowance under this subsection shall be computed using
14 the reductions in (a) of this subsection.

15 **Sec. 9.** RCW 41.40.630 and 2000 c 247 s 901 are each amended to
16 read as follows:

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

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

28 (3) ALTERNATE EARLY RETIREMENT.

29 (a) Any member who has completed at least thirty service credit
30 years and has attained age fifty-five shall be eligible to retire and
31 to receive a retirement allowance computed according to the provisions
32 of RCW 41.40.620, except that a member retiring pursuant to this
33 subsection shall have the retirement allowance reduced by three percent
34 per year to reflect the difference in the number of years between age
35 at retirement and the attainment of age sixty-five.

36 (b) On or after July 1, 2008, any member who has completed at least
37 thirty service credit years and has attained age fifty-five shall be

1 eligible to retire and to receive a retirement allowance computed
2 according to the provisions of RCW 41.40.620, except that a member
3 retiring pursuant to this subsection shall have the retirement
4 allowance reduced as follows:

	<u>Retirement</u>	<u>Percent</u>
	<u>Age</u>	<u>Reduction</u>
5		
6		
7	<u>55</u>	<u>20%</u>
8	<u>56</u>	<u>17%</u>
9	<u>57</u>	<u>14%</u>
10	<u>58</u>	<u>11%</u>
11	<u>59</u>	<u>8%</u>
12	<u>60</u>	<u>5%</u>
13	<u>61</u>	<u>2%</u>
14	<u>62</u>	<u>0%</u>
15	<u>63</u>	<u>0%</u>
16	<u>64</u>	<u>0%</u>

17 Any member who retires under the provisions of this subsection is
18 ineligible for the postretirement employment provisions of RCW
19 41.40.037(2)(d) until the retired member has reached sixty-five years
20 of age. For purposes of this subsection, employment with an employer
21 also includes any personal service contract, service by an employer as
22 a temporary or project employee, or any other similar compensated
23 relationship with any employer included under the provisions of RCW
24 41.40.690(1).

25 The subsidized reductions for alternate early retirement in this
26 subsection as set forth in section 9, chapter . . . (this act), Laws of
27 2007 were intended by the legislature as replacement benefits for gain-
28 sharing. Until there is legal certainty with respect to the repeal of
29 chapter 41.31A RCW, the right to retire under this subsection is
30 noncontractual, and the legislature reserves the right to amend or
31 repeal this subsection. Legal certainty includes, but is not limited
32 to, the expiration of any: Applicable limitations on actions; and
33 periods of time for seeking appellate review, up to and including
34 reconsideration by the Washington supreme court and the supreme court
35 of the United States. Until that time, eligible members may still
36 retire under this subsection, and upon receipt of the first installment

1 of a retirement allowance computed under this subsection, the resulting
2 benefit becomes contractual for the recipient. If the repeal of
3 chapter 41.31A RCW is held to be invalid in a final determination of a
4 court of law, and the court orders reinstatement of gain-sharing or
5 other alternate benefits as a remedy, then retirement benefits for any
6 member who has completed at least thirty service credit years and has
7 attained age fifty-five but has not yet received the first installment
8 of a retirement allowance under this subsection shall be computed using
9 the reductions in (a) of this subsection.

10 **Sec. 10.** RCW 41.40.820 and 2006 c 33 s 3 are each amended to read
11 as follows:

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

14 (a) Completed ten service credit years; or

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

17 (c) Completed five service credit years by the transfer payment
18 date specified in RCW 41.40.795, under the public employees' retirement
19 system plan 2 and who transferred to plan 3 under RCW 41.40.795;
20 shall be eligible to retire and to receive a retirement allowance
21 computed according to the provisions of RCW 41.40.790.

22 (2) EARLY RETIREMENT. Any member who has attained at least age
23 fifty-five and has completed at least ten years of service shall be
24 eligible to retire and to receive a retirement allowance computed
25 according to the provisions of RCW 41.40.790, except that a member
26 retiring pursuant to this subsection shall have the retirement
27 allowance actuarially reduced to reflect the difference in the number
28 of years between age at retirement and the attainment of age sixty-
29 five.

30 (3) ALTERNATE EARLY RETIREMENT.

31 (a) Any member who has completed at least thirty service credit
32 years and has attained age fifty-five shall be eligible to retire and
33 to receive a retirement allowance computed according to the provisions
34 of RCW 41.40.790, except that a member retiring pursuant to this
35 subsection shall have the retirement allowance reduced by three percent
36 per year to reflect the difference in the number of years between age
37 at retirement and the attainment of age sixty-five.

1 (b) On or after July 1, 2008, any member who has completed at least
2 thirty service credit years and has attained age fifty-five shall be
3 eligible to retire and to receive a retirement allowance computed
4 according to the provisions of RCW 41.40.790, except that a member
5 retiring pursuant to this subsection shall have the retirement
6 allowance reduced as follows:

<u>Retirement</u>	<u>Percent</u>
<u>Age</u>	<u>Reduction</u>
<u>55</u>	<u>20%</u>
<u>56</u>	<u>17%</u>
<u>57</u>	<u>14%</u>
<u>58</u>	<u>11%</u>
<u>59</u>	<u>8%</u>
<u>60</u>	<u>5%</u>
<u>61</u>	<u>2%</u>
<u>62</u>	<u>0%</u>
<u>63</u>	<u>0%</u>
<u>64</u>	<u>0%</u>

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19 Any member who retires under the provisions of this subsection is
20 ineligible for the postretirement employment provisions of RCW
21 41.40.037(2)(d) until the retired member has reached sixty-five years
22 of age. For purposes of this subsection, employment with an employer
23 also includes any personal service contract, service by an employer as
24 a temporary or project employee, or any other similar compensated
25 relationship with any employer included under the provisions of RCW
26 41.40.850(1).

27 The subsidized reductions for alternate early retirement in this
28 subsection as set forth in section 10, chapter . . . (this act), Laws
29 of 2007 were intended by the legislature as replacement benefits for
30 gain-sharing. Until there is legal certainty with respect to the
31 repeal of chapter 41.31A RCW, the right to retire under this subsection
32 is noncontractual, and the legislature reserves the right to amend or
33 repeal this subsection. Legal certainty includes, but is not limited
34 to, the expiration of any: Applicable limitations on actions; and
35 periods of time for seeking appellate review, up to and including
36 reconsideration by the Washington supreme court and the supreme court

1 of the United States. Until that time, eligible members may still
2 retire under this subsection, and upon receipt of the first installment
3 of a retirement allowance computed under this subsection, the resulting
4 benefit becomes contractual for the recipient. If the repeal of
5 chapter 41.31A RCW is held to be invalid in a final determination of a
6 court of law, and the court orders reinstatement of gain-sharing or
7 other alternate benefits as a remedy, then retirement benefits for any
8 member who has completed at least thirty service credit years and has
9 attained age fifty-five but has not yet received the first installment
10 of a retirement allowance under this subsection shall be computed using
11 the reductions in (a) of this subsection.

12 NEW SECTION. Sec. 11. A new section is added to chapter 41.40 RCW
13 under the subchapter heading "plan 1" to read as follows:

14 (1) Beginning July 1, 2009, the annual increase amount as defined
15 in RCW 41.40.010(41) shall be increased by an amount equal to \$0.40 per
16 month per year of service minus the 2008 gain-sharing increase amount
17 under RCW 41.31.010 as it exists on the effective date of this section.
18 This adjustment shall not decrease the annual increase amount, and is
19 not to exceed \$0.20 per month per year of service. The legislature
20 reserves the right to amend or repeal this section in the future and no
21 member or beneficiary has the contractual right to receive this
22 adjustment to the annual increase amount not granted prior to that
23 time.

24 (2) The adjustment to the annual increase amount as set forth in
25 section 11, chapter . . . (this act), Laws of 2007 was intended by the
26 legislature as a replacement benefit for gain-sharing. If the repeal
27 of chapter 41.31 RCW is held to be invalid in a final determination of
28 a court of law, and the court orders reinstatement of gain-sharing or
29 other alternate benefits as a remedy, then this adjustment to the
30 annual increase amount shall not be included in future annual increase
31 amounts paid on or after the date of such reinstatement.

32 **Sec. 12.** RCW 41.45.070 and 2006 c 94 s 3 are each amended to read
33 as follows:

34 (1) In addition to the basic employer contribution rate established
35 in RCW 41.45.060 or 41.45.054, the department shall also charge
36 employers of public employees' retirement system, teachers' retirement

1 system, school employees' retirement system, public safety employees'
2 retirement system, or Washington state patrol retirement system members
3 an additional supplemental rate to pay for the cost of additional
4 benefits, if any, granted to members of those systems. Except as
5 provided in subsections (6) (~~and~~), (7), and (9) of this section, the
6 supplemental contribution rates required by this section shall be
7 calculated by the state actuary and shall be charged regardless of
8 language to the contrary contained in the statute which authorizes
9 additional benefits.

10 (2) In addition to the basic member, employer, and state
11 contribution rate established in RCW 41.45.0604 for the law enforcement
12 officers' and firefighters' retirement system plan 2, the department
13 shall also establish supplemental rates to pay for the cost of
14 additional benefits, if any, granted to members of the law enforcement
15 officers' and firefighters' retirement system plan 2. Except as
16 provided in subsection (6) of this section, these supplemental rates
17 shall be calculated by the actuary retained by the law enforcement
18 officers' and firefighters' board and the state actuary through the
19 process provided in RCW 41.26.720(1)(a) and the state treasurer shall
20 transfer the additional required contributions regardless of language
21 to the contrary contained in the statute which authorizes the
22 additional benefits.

23 (3) The supplemental rate charged under this section to fund
24 benefit increases provided to active members of the public employees'
25 retirement system plan 1, the teachers' retirement system plan 1, and
26 Washington state patrol retirement system, shall be calculated as the
27 level percentage of all members' pay needed to fund the cost of the
28 benefit not later than June 30, 2024.

29 (4) The supplemental rate charged under this section to fund
30 benefit increases provided to active and retired members of the public
31 employees' retirement system plan 2 and plan 3, the teachers'
32 retirement system plan 2 and plan 3, the public safety employees'
33 retirement system plan 2, or the school employees' retirement system
34 plan 2 and plan 3 shall be calculated as the level percentage of all
35 members' pay needed to fund the cost of the benefit, as calculated
36 under RCW 41.45.060, 41.45.061, or 41.45.067.

37 (5) The supplemental rate charged under this section to fund
38 postretirement adjustments which are provided on a nonautomatic basis

1 to current retirees shall be calculated as the percentage of pay needed
2 to fund the adjustments as they are paid to the retirees. The
3 supplemental rate charged under this section to fund automatic
4 postretirement adjustments for active or retired members of the public
5 employees' retirement system plan 1 and the teachers' retirement system
6 plan 1 shall be calculated as the level percentage of pay needed to
7 fund the cost of the automatic adjustments not later than June 30,
8 2024.

9 (6) A supplemental rate shall not be charged to pay for the cost of
10 additional benefits granted to members pursuant to chapter 340, Laws of
11 1998.

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

16 (8) A supplemental rate shall not be charged to pay for the cost of
17 additional benefits granted to members and survivors pursuant to
18 chapter 94, Laws of 2006.

19 (9) A supplemental rate shall not be charged to pay for the cost of
20 the additional benefits granted to members of the teachers' retirement
21 system and the school employees' retirement system plans 2 and 3 in
22 sections 2, 4, 6, and 8 of this act until September 1, 2008. A
23 supplemental rate shall not be charged to pay for the cost of the
24 additional benefits granted to members of the public employees'
25 retirement system plans 2 and 3 under sections 9 and 10 of this act
26 until July 1, 2008.

27 NEW SECTION. Sec. 13. The following acts or parts of acts are
28 each repealed, effective January 2, 2008:

29 (1) RCW 41.31.010 (Annual pension increases--Increased by gain-
30 sharing increase amount) and 1998 c 340 s 1;

31 (2) RCW 41.31.020 (Gain-sharing increase amount calculated) and
32 1998 c 340 s 2;

33 (3) RCW 41.31.030 (Contractual right to increase not granted) and
34 1998 c 340 s 3;

35 (4) RCW 41.31A.010 (Definitions) and 2000 c 247 s 407 & 1998 c 341
36 s 311;

1 (5) RCW 41.31A.020 (Extraordinary investment gain--Credited to
2 member accounts--Persons eligible--Calculation of amount--Contractual
3 right not granted) and 2003 c 294 s 4, 2000 c 247 s 408, & 1998 c 341
4 s 312;

5 (6) RCW 41.31A.030 (Retroactive extraordinary investment gain--
6 Credited to member accounts--Persons eligible--Calculation of amount--
7 Contractual right not granted) and 1998 c 341 s 313; and

8 (7) RCW 41.31A.040 (Retroactive extraordinary investment gain--
9 Credited to member accounts--Persons eligible--Calculation of amount--
10 Contractual right not granted) and 2000 c 247 s 409.

11 NEW SECTION. **Sec. 14.** If any part of this act is found to be in
12 conflict with a final determination by the federal internal revenue
13 service that is a prescribed condition to favorable tax treatment of
14 one or more of the retirement plans, the conflicting part of this act
15 is inoperative solely to the extent of the conflict and with respect to
16 the individual members directly affected. This finding does not affect
17 the operation of the remainder of this act in its application to the
18 members concerned. The legislature reserves the right to amend or
19 repeal this act in the future as may be required to comply with a final
20 federal determination that amendment or repeal is necessary to maintain
21 the favorable tax treatment of a plan.

22 NEW SECTION. **Sec. 15.** The new benefits provided pursuant to
23 sections 2(3)(b), 4(3)(b), 6(3)(b), and 8(3)(b) of this act are not
24 provided to employees as a matter of contractual right prior to
25 September 1, 2008, and will not become a contractual right thereafter
26 if the repeal of chapter 41.31A RCW is held to be invalid in a final
27 determination of a court of law. The legislature retains the right to
28 alter or abolish these benefits at any time prior to September 1, 2008.

29 NEW SECTION. **Sec. 16.** The new benefits provided pursuant to
30 sections 9(3)(b) and 10(3)(b) of this act are not provided to employees
31 as a matter of contractual right prior to July 1, 2008, and will not
32 become a contractual right thereafter if the repeal of chapter 41.31A
33 RCW is held to be invalid in a final determination of a court of law.
34 The legislature retains the right to alter or abolish these benefits at
35 any time prior to July 1, 2008.

1 NEW SECTION. **Sec. 17.** Any action brought under this act must be
2 commenced within three years after the effective date of this section.

3 NEW SECTION. **Sec. 18.** If any provision of this act or its
4 application to any person or circumstance is held invalid, the
5 remainder of the act or the application of the provision to other
6 persons or circumstances is not affected.

7 NEW SECTION. **Sec. 19.** Sections 1, 3, and 7 of this act are
8 necessary for the immediate preservation of the public peace, health,
9 or safety, or support of the state government and its existing public
10 institutions, and take effect July 1, 2007.

--- END ---