

ESHB 1981 - S AMD 460

By Senators Schoesler, Conway, Hobbs

ADOPTED 05/21/2011

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature intends that the retirement
4 and annuity programs of the state's institutions of higher education be
5 revised for future participants to reflect changes that have already
6 occurred in state pension plans. The legislature intends also that
7 newly hired employees who are eligible for participation in an annuity
8 or retirement income plan offered by a higher education institution
9 have an opportunity to participate in either (1) that plan without a
10 supplemental benefit under RCW 28B.10.400(1)(c), or (2) the public
11 employees' retirement system plan 3 or the teachers' retirement system
12 plan 3. Plan 3 provides a combination of defined contribution and
13 defined benefit pension, which will be available for newly hired
14 employees. Further, the legislature intends that effective July 1,
15 2011, state funding for annuity or retirement income plans under RCW
16 28B.10.400 will not exceed six percent of salary. The legislature also
17 intends to reduce the expanded postretirement employment provisions for
18 members of the public employees' retirement system plan 1 and the
19 teachers' retirement system plan 1 that were temporarily expanded due
20 to the shortage of qualified workers in particular teaching and public
21 employment categories, and eliminate postretirement employment
22 exceptions that existed for annuity or retirement income plan-covered
23 positions that have been the subject of abuse.

24 **Sec. 2.** RCW 28B.10.400 and 2010 c 21 s 1 are each amended to read
25 as follows:

26 (1) The boards of regents of the state universities, the boards of
27 trustees of the regional universities and of The Evergreen State
28 College, (~~and~~) the state board for community and technical colleges,

1 and the higher education coordinating board are authorized and
2 empowered:

3 ~~((1))~~ (a) To assist the faculties and such other employees exempt
4 from civil service pursuant to RCW 41.06.070 (1)(cc) and (2) as any
5 such board may designate in the purchase of old age annuities or
6 retirement income plans under such rules as any such board may
7 prescribe, subject to the restrictions in subsection (2) of this
8 section. County agricultural agents, home demonstration agents, 4-H
9 club agents, and assistant county agricultural agents paid jointly by
10 the Washington State University and the several counties shall be
11 deemed to be full-time employees of the Washington State University for
12 the purposes ~~((hereof))~~ of this section;

13 ~~((2))~~ (b) To provide, under such rules ((and regulations)) as any
14 such board may prescribe for the faculty members or other employees
15 exempt from civil service pursuant to RCW 41.06.070 (1)(cc) and (2)
16 under its supervision, for the retirement of any such faculty member or
17 other exempt employee on account of age or condition of health,
18 retirement on account of age to be not earlier than the sixty-fifth
19 birthday: PROVIDED, That such faculty member or such other exempt
20 employee may elect to retire at the earliest age specified for
21 retirement by federal social security law: PROVIDED FURTHER, That any
22 supplemental payment authorized by (c) of this subsection ((3) of this
23 section)) and paid as a result of retirement earlier than age sixty-
24 five shall be at an actuarially reduced rate; and shall be provided
25 only to those persons who participate in an annuity or retirement
26 income plan under (a) of this subsection prior to July 1, 2011;

27 ~~((3))~~ (c) To pay ((to any such retired person)) only to those
28 persons who participate in an annuity or retirement income plan under
29 (a) of this subsection prior to July 1, 2011, or to his or her
30 designated beneficiary(s), each year after his or her retirement, a
31 supplemental amount which, when added to the amount of such annuity or
32 retirement income plan, or retirement income benefit pursuant to RCW
33 28B.10.415, received by the retired person or the retired person's
34 designated beneficiary(s) in such year, will not exceed fifty percent
35 of the average annual salary paid to such retired person for his or her
36 highest two consecutive years of full-time service under an annuity or
37 retirement income plan established pursuant to (a) of this subsection
38 ((1) of this section)) at an institution of higher education:

1 PROVIDED, HOWEVER, That if such retired person prior to retirement
2 elected a supplemental payment survivors option, any such supplemental
3 payments to such retired person or the retired person's designated
4 beneficiary(s) shall be at actuarially reduced rates: PROVIDED
5 FURTHER, That if a faculty member or other employee of an institution
6 of higher education who is a participant in a retirement plan
7 authorized by this section dies, or has died before retirement but
8 after becoming eligible for retirement on account of age, the
9 designated beneficiary(s) shall be entitled to receive the supplemental
10 payment authorized by this subsection to which such designated
11 beneficiary(s) would have been entitled had said deceased faculty
12 member or other employee retired on the date of death after electing a
13 supplemental payment survivors option: PROVIDED FURTHER, That for the
14 purpose of this subsection, the designated beneficiary(s) shall be
15 ~~((a))~~ (i) the surviving spouse of the retiree; or, ~~((b))~~ (ii) with
16 the written consent of such spouse, if any, such other person or
17 persons as shall have an insurable interest in the retiree's life and
18 shall have been nominated by written designation duly executed and
19 filed with the retiree's institution of higher education(~~(+)~~).

20 ~~((4))~~ (2) Boards are prohibited from offering a purchased annuity
21 or retirement income plan authorized under this section to employees
22 hired on or after July 1, 2011, who have retired or are eligible to
23 retire from a public employees' retirement system described in RCW
24 41.50.030. The higher education coordinating board ~~((is—also~~
25 ~~authorized and empowered as described in this section, subject to the~~
26 ~~following:—The board))~~ shall only offer participation in a purchased
27 annuity or retirement income plan authorized under this section to
28 employees who have previously contributed premiums to a similar
29 qualified plan(~~(, and the board is prohibited from offering or funding~~
30 ~~such a plan authorized under this section for the benefit of any~~
31 ~~retiree who is receiving or accruing a retirement allowance from a~~
32 ~~public employees' retirement system under Title 41 RCW or chapter 43.43~~
33 ~~RCW)).~~

34 (3) During the 2011 legislative interim, the select committee on
35 pension policy shall evaluate the suitability and necessity of the
36 annuity and retirement plans authorized under this chapter for
37 employees in various positions within higher education institutions.
38 The select committee shall report its findings, including any

1 recommendations for restrictions on future plan membership, to the ways
2 and means committees of the house of representatives and the senate no
3 later than December 31, 2011.

4 **Sec. 3.** RCW 28B.10.405 and 1977 ex.s. c 169 s 16 are each amended
5 to read as follows:

6 Members of the faculties and such other employees exempt from civil
7 service pursuant to RCW 41.06.070 (1)(cc) and (2) as are designated by
8 the boards of regents of the state universities, the boards of trustees
9 of the regional universities and of The Evergreen State College, the
10 higher education coordinating board, or the state board for community
11 and technical colleges ((education)) who do not opt to become members
12 of the teachers' retirement system or the public employees' retirement
13 system under section 9 or 18 of this act, or who are not prevented from
14 participation in an annuity or retirement plan under RCW 28B.10.400(2)
15 shall be required to contribute not less than five percent of their
16 salaries during each year of full-time service after the first two
17 years of such service toward the purchase of such annuity or retirement
18 income plan; such contributions may be in addition to federal social
19 security tax contributions, if any.

20 **Sec. 4.** RCW 28B.10.410 and 1977 ex.s. c 169 s 17 are each amended
21 to read as follows:

22 The boards of regents of the state universities, the boards of
23 trustees of the regional universities and of The Evergreen State
24 College, the higher education coordinating board, or the state board
25 for community and technical colleges ((education)) shall pay not more
26 than one-half of the annual premium of any annuity or retirement income
27 plan established under the provisions of RCW 28B.10.400 ((as now or
28 hereafter amended)). Such contribution shall not exceed ten percent of
29 the salary of the faculty member or other employee on whose behalf the
30 contribution is made. This contribution may be in addition to federal
31 social security tax contributions made by the boards, if any.

32 **Sec. 5.** RCW 28B.10.415 and 1979 ex.s. c 259 s 2 are each amended
33 to read as follows:

34 The boards of regents of the state universities, the boards of
35 trustees of the regional universities and of The Evergreen State

1 College, the higher education coordinating board, or the state board
2 for community and technical colleges (~~(education)~~) shall not pay any
3 amount to be added to the annuity or retirement income plan of any
4 retired person who was first hired on or after July 1, 2011, or who has
5 served for less than ten years in one or more of the state institutions
6 of higher education. In the case of persons who have served more than
7 ten years but less than twenty-five years no amount shall be paid in
8 excess of four percent of the amount authorized in (~~(subdivision (3)~~
9 ~~of)~~) RCW 28B.10.400 (~~(as now or hereafter amended)~~) (1)(c), multiplied
10 by the number of years of full-time service rendered by such person:
11 PROVIDED, That credit for years of service at an institution of higher
12 education shall be limited to those years in which contributions were
13 made by a faculty member or other employee designated pursuant to RCW
14 28B.10.400(1)(a) and the institution or the state as a result of which
15 a benefit is being received by a retired person from any Washington
16 state public retirement plan: PROVIDED FURTHER, That all such benefits
17 that a retired person is eligible to receive shall reduce any
18 supplementation payments provided for in RCW 28B.10.400 (~~(as now or~~
19 ~~hereafter amended)~~).

20 **Sec. 6.** RCW 28B.10.417 and 1977 ex.s. c 169 s 19 are each amended
21 to read as follows:

22 (1) This section applies only to those persons who are first
23 employed by a higher education institution in a position eligible for
24 participation in an annuity or retirement program under RCW 28B.10.400
25 prior to July 1, 2011.

26 (2) A faculty member or other employee exempt from civil service
27 pursuant to RCW 41.06.070 (1)(cc) and (2) designated by the board of
28 trustees of the applicable regional university or of The Evergreen
29 State College as being subject to an annuity or retirement income plan
30 and who, at the time of such designation, is a member of the Washington
31 state teachers' retirement system, shall retain credit for such service
32 in the Washington state teachers' retirement system and, except as
33 provided in subsection ((+2)) (3) of this section, shall leave his or
34 her accumulated contributions in the teachers' retirement fund. Upon
35 his or her attaining eligibility for retirement under the Washington
36 state teachers' retirement system, such faculty member or other
37 employee shall receive from the Washington state teachers' retirement

1 system a retirement allowance consisting of an annuity which shall be
2 the actuarial equivalent of his or her accumulated contributions at his
3 or her age when becoming eligible for such retirement and a pension for
4 each year of creditable service established and retained at the time of
5 said designation as provided in RCW 41.32.497 (~~as now or hereafter~~
6 ~~amended~~). Anyone who on July 1, 1967, was receiving pension payments
7 from the teachers' retirement system based on thirty-five years of
8 creditable service shall thereafter receive a pension based on the
9 total years of creditable service established with the retirement
10 system: PROVIDED, HOWEVER, That any such faculty member or other
11 employee exempt from civil service pursuant to RCW 41.06.070 (1)(cc)
12 and (2) who, upon attainment of eligibility for retirement under the
13 Washington state teachers' retirement system, is still engaged in
14 public educational employment, shall not be eligible to receive
15 benefits under the Washington state teachers' retirement system until
16 he or she ceases such public educational employment. Any retired
17 faculty member or other employee who enters service in any public
18 educational institution shall cease to receive pension payments while
19 engaged in such service: PROVIDED FURTHER, That such service may be
20 rendered up to seventy-five days in a school year without reduction of
21 pension.

22 ((+2)) (3) A faculty member or other exempt employee designated by
23 the board of trustees of the applicable regional university or of The
24 Evergreen State College as being subject to the annuity and retirement
25 income plan and who, at the time of such designation, is a member of
26 the Washington state teachers' retirement system may, at his or her
27 election and at any time, on and after midnight June 10, 1959,
28 terminate his or her membership in the Washington state teachers'
29 retirement system and withdraw his or her accumulated contributions and
30 interest in the teachers' retirement fund upon written application to
31 the board of trustees of the Washington state teachers' retirement
32 system. Faculty members or other employees who withdraw their
33 accumulated contributions, on and after the date of withdrawal of
34 contributions, shall no longer be members of the Washington state
35 teachers' retirement system and shall forfeit all rights of membership,
36 including pension benefits, theretofore acquired under the Washington
37 state teachers' retirement system.

1 **Sec. 7.** RCW 28B.10.423 and 1973 1st ex.s. c 149 s 8 are each
2 amended to read as follows:

3 (1) For employees who are first employed by an institution of
4 higher education in a position eligible for participation in an old age
5 annuities or retirement income plan under this chapter prior to July 1,
6 2011, it is the intent of RCW 28B.10.400, 28B.10.405, 28B.10.410,
7 28B.10.415, 28B.10.420, and 28B.10.423 ((and 83.20.030)) that the
8 retirement income resulting from the contributions described herein
9 from the state of Washington and the employee shall be projected
10 actuarially so that it shall not exceed sixty percent of the average of
11 the highest two consecutive years salary. Periodic review of the
12 retirement systems established pursuant to RCW 28B.10.400, 28B.10.405,
13 28B.10.410, 28B.10.415, 28B.10.420, and 28B.10.423 ((and 83.20.030))
14 will be undertaken at such time and in such manner as determined by the
15 committees on ways and means of the senate and of the house of
16 representatives ((and the public pension commission)), the select
17 committee on pension policy, and the pension funding council, and joint
18 contribution rates will be adjusted if necessary to accomplish this
19 intent.

20 (2) Beginning July 1, 2011, state funding for annuity or retirement
21 income plans under RCW 28B.10.400 shall not exceed six percent of
22 salary. The state board for community and technical colleges and the
23 higher education coordinating board are exempt from the provisions of
24 this subsection (2).

25 (3) By June 30, 2013, and every two years thereafter, each
26 institution of higher education that is responsible for payment of
27 supplemental amounts under RCW 28B.10.400(1)(c) shall contract with the
28 state actuary under chapter 41.44 RCW for an actuarial valuation of
29 their supplemental benefit plan. By June 30, 2013, and at least once
30 every six years thereafter, each institution shall also contract with
31 the state actuary under chapter 41.44 RCW for an actuarial experience
32 study of the mortality, service, compensation, and other experience of
33 the annuity or retirement income plans created in this chapter, and
34 into the financial condition of each system. At the discretion of the
35 state actuary, the valuation or experience study may be performed by
36 the state actuary or by an outside actuarial firm under contract to the
37 office of the state actuary. Each institution of higher education is
38 required to provide the data and information required for the

1 performance of the valuation or experience study to the office of the
2 state actuary or to the actuary performing the study on behalf of the
3 state actuary. The state actuary may charge each institution for the
4 actual cost of the valuation or experience study through an interagency
5 agreement. Upon completion of the valuation or experience study, the
6 state actuary shall provide copies of the study to the institution of
7 higher education and to the select committee on pension policy and the
8 pension funding council.

9 (4)(a) A higher education retirement plan supplemental benefit fund
10 is created in the custody of the state treasurer for the purpose of
11 funding future benefit obligations of higher education retirement plan
12 supplemental benefits. The state investment board has the full power
13 to invest, reinvest, manage, contract, sell, or exchange investment
14 money in the fund.

15 (b) From January 1, 2012, through June 30, 2013, an employer
16 contribution rate of one-quarter of one percent of salary is
17 established to begin prefunding the unfunded future obligations of the
18 supplemental benefit established in RCW 28B.10.400.

19 (c) Beginning July 1, 2013, an employer contribution rate of one-
20 half of one percent of salary is established to prefund the unfunded
21 future obligations of the supplemental benefit established in RCW
22 28B.10.400.

23 (d) Consistent with chapter 41.50 RCW, the department of retirement
24 systems shall collect the employer contribution rates established in
25 this section from each state institution of higher education, and
26 deposit those contributions into the higher education retirement plan
27 supplemental benefit fund. The contributions made by each employer
28 into the higher education retirement plan supplemental benefit fund and
29 the earnings on those contributions shall be accounted for separately
30 within the fund.

31 (e) Following the completion and review of the initial actuarial
32 valuations and experience study conducted pursuant to subsection (3) of
33 this section, the pension funding council may:

34 (i) Adopt and make changes to the employer contribution rates
35 established in this subsection consistent with the procedures
36 established in chapter 41.45 RCW. If the actuarial valuations of the
37 higher education retirement plans of each institution contributing to
38 the higher education retirement plan supplemental benefit fund suggest

1 that different contribution rates are appropriate for each institution,
2 different rates may be adopted. Rates adopted by the pension funding
3 council are subject to revision by the legislature;

4 (ii) Recommend legislation that will, upon accumulation of
5 sufficient funding in the higher education retirement plan supplemental
6 benefit fund, transfer the responsibility for making supplemental
7 benefit payments to the department of retirement systems, and adjust
8 employer contribution rates to reflect the transfer of responsibility.

9 **Sec. 8.** RCW 28B.10.430 and 1979 ex.s. c 96 s 5 are each amended to
10 read as follows:

11 (1) This section applies only to those persons who are first
12 employed by an institution of higher education in a position eligible
13 for participation in an old age annuities or retirement income plan
14 under this chapter prior to July 1, 2011.

15 (2) For any person receiving a monthly benefit pursuant to a
16 program established under RCW 28B.10.400, the pension portion of such
17 benefit shall be the sum of the following amounts:

18 (a) One-half of the monthly benefit payable under such program by
19 a life insurance company; and

20 (b) The monthly equivalent of the supplemental benefit described in
21 RCW 28B.10.400(~~(+3)~~) (1)(c).

22 (~~(+2)~~) (3) Notwithstanding any provision of law to the contrary,
23 effective July 1, 1979, no person receiving a monthly benefit pursuant
24 to RCW 28B.10.400 shall receive, as the pension portion of that
25 benefit, less than ten dollars per month for each year of service
26 creditable to the person whose service is the basis of the benefit.
27 Portions of a year shall be treated as fractions of a year and the
28 decimal equivalent shall be multiplied by ten dollars. Where the
29 benefit was adjusted at the time benefit payments to the beneficiary
30 commenced, the minimum pension provided in this section shall be
31 adjusted in a manner consistent with that adjustment.

32 (~~(+3)~~) (4) Notwithstanding any provision of law to the contrary,
33 effective July 1, 1979, the monthly benefit of each person who
34 commenced receiving a monthly benefit under this chapter as of a date
35 no later than July 1, 1974, shall be permanently increased by a post-
36 retirement adjustment. Such adjustment shall be calculated as follows:

1 (a) Monthly benefits to which this subsection and subsection
2 ((+2)) (3) of this section are both applicable shall be determined by
3 first applying subsection ((+2)) (3) of this section and then applying
4 this subsection. The ((department)) institution shall determine the
5 total years of creditable service and the total dollar benefit base
6 accrued as of December 31, 1978, except that this determination shall
7 take into account only those persons to whom this subsection applies;

8 (b) The ((department)) institution shall multiply the total
9 benefits determined in (a) of this subsection by six percent and divide
10 the dollar value thus determined by the total service determined in (a)
11 of this subsection. The resultant figure shall then be a post-
12 retirement increase factor which shall be applied as specified in (c)
13 of this subsection;

14 (c) Each person to whom this subsection applies shall receive an
15 increase which is the product of the factor determined in (b) of this
16 subsection multiplied by the years of creditable service.

17 NEW SECTION. **Sec. 9.** A new section is added to chapter 41.32 RCW
18 to be codified under the subchapter heading "plan 3" to read as
19 follows:

20 (1) All faculty members who are first employed by an institution of
21 higher education in a position eligible for participation in old age
22 annuities or retirement income plans under chapter 28B.10 RCW on or
23 after July 1, 2011, have a period of thirty days to make an irrevocable
24 choice to:

25 (a) Become a member of the teachers' retirement system plan 3 under
26 this chapter; or

27 (b) Participate in the annuities or retirement income plan provided
28 by the institution.

29 (2) At the end of thirty days, if the member has not made a choice
30 to become a member of the teachers' retirement system, he or she
31 becomes a participant in the institution's plan under RCW 28B.10.400,
32 but does not become eligible for any supplemental benefit under RCW
33 28B.10.400(1)(c).

34 **Sec. 10.** RCW 41.32.570 and 2007 c 50 s 3 are each amended to read
35 as follows:

36 (1)(a) If a retiree enters employment with an employer sooner than

1 one calendar month after his or her accrual date, the retiree's monthly
2 retirement allowance will be reduced by five and one-half percent for
3 every seven hours worked during that month. This reduction will be
4 applied each month until the retiree remains absent from employment
5 with an employer for one full calendar month.

6 (b) The benefit reduction provided in (a) of this subsection will
7 accrue for a maximum of one hundred forty hours per month. Any monthly
8 benefit reduction over one hundred percent will be applied to the
9 benefit the retiree is eligible to receive in subsequent months.

10 (2) (~~Except under subsection (3) of this section,~~) Any retired
11 teacher or retired administrator who enters service in any public
12 educational institution in Washington state at least one calendar month
13 after his or her accrual date shall cease to receive pension payments
14 while engaged in such service, after the retiree has rendered service
15 for more than eight hundred sixty-seven hours in a school year.

16 (3) (~~Any retired teacher or retired administrator who enters
17 service in any public educational institution in Washington state one
18 and one-half calendar months or more after his or her accrual date and:~~

19 ~~(a) Is hired pursuant to a written policy into a position for which
20 the school board has documented a justifiable need to hire a retiree
21 into the position;~~

22 ~~(b) Is hired through the established process for the position with
23 the approval of the school board or other highest decision-making
24 authority of the prospective employer;~~

25 ~~(c) Whose employer retains records of the procedures followed and
26 the decisions made in hiring the retired teacher or retired
27 administrator and provides those records in the event of an audit; and~~

28 ~~(d) The employee has not already rendered a cumulative total of
29 more than one thousand nine hundred hours of service while in receipt
30 of pension payments beyond an annual threshold of eight hundred sixty-
31 seven hours;~~

32 ~~shall cease to receive pension payments while engaged in that service
33 after the retiree has rendered service for more than one thousand five
34 hundred hours in a school year. The one thousand nine hundred hour
35 cumulative total limitation under this section applies prospectively
36 after July 22, 2007.~~

37 ~~(4) When a retired teacher or administrator renders service beyond~~

1 ~~eight hundred sixty seven hours, the department shall collect from the~~
2 ~~employer the applicable employer retirement contributions for the~~
3 ~~entire duration of the member's employment during that fiscal year.~~

4 (+5)) The department shall collect and provide the state actuary
5 with information relevant to the use of this section for the select
6 committee on pension policy.

7 ((+6)) (4) The legislature reserves the right to amend or repeal
8 this section in the future and no member or beneficiary has a
9 contractual right to be employed for more than five hundred twenty-five
10 hours per year without a reduction of his or her pension.

11 **Sec. 11.** RCW 41.32.800 and 2004 c 242 s 55 are each amended to
12 read as follows:

13 (1) Except as provided in RCW 41.32.802, no retiree under the
14 provisions of plan 2 shall be eligible to receive such retiree's
15 monthly retirement allowance if he or she is employed in an eligible
16 position as defined in RCW 41.40.010, 41.32.010, 41.37.010, or
17 41.35.010, or as a law enforcement officer or firefighter as defined in
18 RCW 41.26.030, or in a position covered by annuity and retirement
19 income plans offered by institutions of higher education pursuant to
20 RCW 28B.10.400.

21 If a retiree's benefits have been suspended under this section, his
22 or her benefits shall be reinstated when the retiree terminates the
23 employment that caused his or her benefits to be suspended. Upon
24 reinstatement, the retiree's benefits shall be actuarially recomputed
25 pursuant to the rules adopted by the department.

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

27 **Sec. 12.** RCW 41.32.802 and 2004 c 242 s 61 are each amended to
28 read as follows:

29 (1)(a) If a retiree enters employment with an employer sooner than
30 one calendar month after his or her accrual date, the retiree's monthly
31 retirement allowance will be reduced by five and one-half percent for
32 every seven hours worked during that month. This reduction will be
33 applied each month until the retiree remains absent from employment
34 with an employer for one full calendar month.

35 (b) The benefit reduction provided in (a) of this subsection will

1 accrue for a maximum of one hundred forty hours per month. Any benefit
2 reduction over one hundred percent will be applied to the benefit the
3 retiree is eligible to receive in subsequent months.

4 (2) A retiree who has satisfied the break in employment requirement
5 of subsection (1) of this section, may work up to eight hundred sixty-
6 seven hours per calendar year in an eligible position, as defined in
7 RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter
8 or law enforcement officer, as defined in RCW 41.26.030, or in a
9 position covered by annuity and retirement income plans offered by
10 institutions of higher education pursuant to RCW 28B.10.400, without
11 suspension of his or her benefit.

12 (3) If the retiree opts to reestablish membership under RCW
13 41.32.044, he or she terminates his or her retirement status and
14 immediately becomes a member. Retirement benefits shall not accrue
15 during the period of membership and the individual shall make
16 contributions and receive membership credit. Such a member shall have
17 the right to again retire if eligible.

18 **Sec. 13.** RCW 41.32.860 and 2005 c 327 s 2 are each amended to read
19 as follows:

20 (1) Except under RCW 41.32.862, no retiree shall be eligible to
21 receive such retiree's monthly retirement allowance if he or she is
22 employed in an eligible position as defined in RCW 41.40.010,
23 41.32.010, 41.35.010, or 41.37.010, or as a law enforcement officer or
24 firefighter as defined in RCW 41.26.030, or in a position covered by
25 annuity and retirement income plans offered by institutions of higher
26 education pursuant to RCW 28B.10.400.

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

32 **Sec. 14.** RCW 41.32.862 and 2004 c 242 s 62 are each amended to
33 read as follows:

34 (1)(a) If a retiree enters employment with an employer sooner than
35 one calendar month after his or her accrual date, the retiree's monthly
36 retirement allowance will be reduced by five and one-half percent for

1 every seven hours worked during that month. This reduction will be
2 applied each month until the retiree remains absent from employment
3 with an employer for one full calendar month.

4 (b) The benefit reduction provided in (a) of this subsection will
5 accrue for a maximum of one hundred forty hours per month. Any benefit
6 reduction over one hundred percent will be applied to the benefit the
7 retiree is eligible to receive in subsequent months.

8 (2) A retiree who has satisfied the break in employment requirement
9 of subsection (1) of this section, may work up to eight hundred sixty-
10 seven hours per calendar year in an eligible position, as defined in
11 RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter
12 or law enforcement officer, as defined in RCW 41.26.030, or in a
13 position covered by annuity and retirement income plans offered by
14 institutions of higher education pursuant to RCW 28B.10.400, without
15 suspension of his or her benefit.

16 (3) If the retiree opts to reestablish membership under RCW
17 41.32.044, he or she terminates his or her retirement status and
18 immediately becomes a member. Retirement benefits shall not accrue
19 during the period of membership and the individual shall make
20 contributions and receive membership credit. Such a member shall have
21 the right to again retire if eligible.

22 **Sec. 15.** RCW 41.35.060 and 2004 c 242 s 64 are each amended to
23 read as follows:

24 (1)(a) If a retiree enters employment with an employer sooner than
25 one calendar month after his or her accrual date, the retiree's monthly
26 retirement allowance will be reduced by five and one-half percent for
27 every eight hours worked during that month. This reduction will be
28 applied each month until the retiree remains absent from employment
29 with an employer for one full calendar month.

30 (b) The benefit reduction provided in (a) of this subsection will
31 accrue for a maximum of one hundred sixty hours per month. Any benefit
32 reduction over one hundred percent will be applied to the benefit the
33 retiree is eligible to receive in subsequent months.

34 (2) A retiree who has satisfied the break in employment requirement
35 of subsection (1) of this section may work up to eight hundred sixty-
36 seven hours per calendar year in an eligible position, as defined in
37 RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter

1 or law enforcement officer, as defined in RCW 41.26.030, or in a
2 position covered by annuity and retirement income plans offered by
3 institutions of higher education pursuant to RCW 28B.10.400, without
4 suspension of his or her benefit.

5 (3) If the retiree opts to reestablish membership under RCW
6 41.35.030, he or she terminates his or her retirement status and
7 becomes a member. Retirement benefits shall not accrue during the
8 period of membership and the individual shall make contributions and
9 receive membership credit. Such a member shall have the right to again
10 retire if eligible in accordance with RCW 41.35.420 or 41.35.680.
11 However, if the right to retire is exercised to become effective before
12 the member has rendered two uninterrupted years of service, the
13 retirement formula and survivor options the member had at the time of
14 the member's previous retirement shall be reinstated.

15 **Sec. 16.** RCW 41.35.230 and 2004 c 242 s 56 are each amended to
16 read as follows:

17 (1) Except as provided in RCW 41.35.060, no retiree under the
18 provisions of plan 2 shall be eligible to receive such retiree's
19 monthly retirement allowance if he or she is employed in an eligible
20 position as defined in RCW 41.35.010, 41.40.010, 41.37.010, or
21 41.32.010, or as a law enforcement officer or firefighter as defined in
22 RCW 41.26.030, or in a position covered by annuity and retirement
23 income plans offered by institutions of higher education pursuant to
24 RCW 28B.10.400, except that a retiree who ends his or her membership in
25 the retirement system pursuant to RCW 41.40.023(3)(b) is not subject to
26 this section if the retiree's only employment is as an elective
27 official.

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

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

34 **Sec. 17.** RCW 41.37.050 and 2005 c 327 s 6 are each amended to read
35 as follows:

36 (1)(a) If a retiree enters employment in an eligible position with

1 an employer as defined in this chapter sooner than one calendar month
2 after his or her accrual date, the retiree's monthly retirement
3 allowance will be reduced by five and one-half percent for every eight
4 hours worked during that month. This reduction will be applied each
5 month until the retiree remains absent from employment with an employer
6 for one full calendar month.

7 (b) If a retiree enters employment in an eligible position with an
8 employer as defined in chapter 41.32, 41.35, or 41.40 RCW sooner than
9 one calendar month after his or her accrual date, the retiree's monthly
10 retirement allowance will be reduced by five and one-half percent for
11 every eight hours worked during that month. This reduction will be
12 applied each month until the retiree remains absent from employment
13 with an employer for one full calendar month.

14 (c) The benefit reduction provided in (a) and (b) of this
15 subsection will accrue for a maximum of one hundred sixty hours per
16 month. Any benefit reduction over one hundred percent will be applied
17 to the benefit the retiree is eligible to receive in subsequent months.

18 (2) A retiree who has satisfied the break in employment requirement
19 of subsection (1) of this section may work up to eight hundred sixty-
20 seven hours per calendar year in an eligible position as defined in RCW
21 41.32.010, 41.35.010, or 41.40.010, or as a law enforcement officer or
22 firefighter as defined in RCW 41.26.030, or in a position covered by
23 annuity and retirement income plans offered by institutions of higher
24 education pursuant to RCW 28B.10.400, without suspension of his or her
25 benefit.

26 (3) If the retiree opts to reestablish membership under this
27 chapter, he or she terminates his or her retirement status and becomes
28 a member. Retirement benefits shall not accrue during the period of
29 membership and the individual shall make contributions and receive
30 membership credit. Such a member shall have the right to again retire
31 if eligible in accordance with this chapter. However, if the right to
32 retire is exercised to become effective before the member has rendered
33 two uninterrupted years of service, the retirement formula and survivor
34 options the member had at the time of the member's previous retirement
35 shall be reinstated.

36 (4) The department shall collect and provide the state actuary with
37 information relevant to the use of this section for the select
38 committee on pension policy.

1 NEW SECTION. **Sec. 18.** A new section is added to chapter 41.40 RCW
2 to be codified under the subchapter heading "plan 3" to read as
3 follows:

4 (1) All employees who are not qualified under section 9 of this act
5 and who are first employed by an institution of higher education in a
6 position eligible for participation in old age annuities or retirement
7 income plans under RCW 28B.10.400 on or after July 1, 2011, have a
8 period of thirty days to make an irrevocable choice to:

9 (a) Become a member of the public employees' retirement system plan
10 3 under this chapter; or

11 (b) Participate in the annuities or retirement income plan provided
12 by the institution.

13 (2) At the end of thirty days, if the member has not made a choice
14 to become a member of the public employees' retirement system, he or
15 she becomes a participant in the institution's plan under RCW
16 28B.10.400, but does not become eligible for any supplemental benefit
17 under RCW 28B.10.400(1)(c).

18 **Sec. 19.** RCW 41.40.037 and 2007 c 50 s 5 are each amended to read
19 as follows:

20 (1)(a) If a retiree enters employment with an employer sooner than
21 one calendar month after his or her accrual date, the retiree's monthly
22 retirement allowance will be reduced by five and one-half percent for
23 every eight hours worked during that month. This reduction will be
24 applied each month until the retiree remains absent from employment
25 with an employer for one full calendar month.

26 (b) The benefit reduction provided in (a) of this subsection will
27 accrue for a maximum of one hundred sixty hours per month. Any benefit
28 reduction over one hundred percent will be applied to the benefit the
29 retiree is eligible to receive in subsequent months.

30 (2)((~~(a) Except as provided in (b) of this subsection,~~) A retiree
31 from plan 1, plan 2, or plan 3 who enters employment with an employer
32 at least one calendar month after his or her accrual date may continue
33 to receive pension payments while engaged in such service for up to
34 eight hundred sixty-seven hours of service in a calendar year without
35 a reduction of pension. For purposes of this section, employment
36 includes positions covered by annuity and retirement income plans
37 offered by institutions of higher education pursuant to RCW 28B.10.400.

1 ~~((b) A retiree from plan 1 who enters employment with an employer~~
2 ~~at least three calendar months after his or her accrual date and:~~

3 ~~(i) Is hired pursuant to a written policy into a position for which~~
4 ~~the employer has documented a justifiable need to hire a retiree into~~
5 ~~the position;~~

6 ~~(ii) Is hired through the established process for the position with~~
7 ~~the approval of: A school board for a school district; the chief~~
8 ~~executive officer of a state agency employer; the secretary of the~~
9 ~~senate for the senate; the chief clerk of the house of representatives~~
10 ~~for the house of representatives; the secretary of the senate and the~~
11 ~~chief clerk of the house of representatives jointly for the joint~~
12 ~~legislative audit and review committee, the select committee on pension~~
13 ~~policy, the legislative evaluation and accountability program, the~~
14 ~~legislative systems committee, and the statute law committee; or~~
15 ~~according to rules adopted for the rehiring of retired plan 1 members~~
16 ~~for a local government employer;~~

17 ~~(iii) The employer retains records of the procedures followed and~~
18 ~~decisions made in hiring the retiree, and provides those records in the~~
19 ~~event of an audit; and~~

20 ~~(iv) The employee has not already rendered a cumulative total of~~
21 ~~more than one thousand nine hundred hours of service while in receipt~~
22 ~~of pension payments beyond an annual threshold of eight hundred sixty-~~
23 ~~seven hours;~~

24 ~~shall cease to receive pension payments while engaged in that service~~
25 ~~after the retiree has rendered service for more than one thousand five~~
26 ~~hundred hours in a calendar year. The one thousand nine hundred hour~~
27 ~~cumulative total under this subsection applies prospectively to those~~
28 ~~retiring after July 27, 2003, and retroactively to those who retired~~
29 ~~prior to July 27, 2003, and shall be calculated from the date of~~
30 ~~retirement.~~

31 ~~(c) When a plan 1 member renders service beyond eight hundred~~
32 ~~sixty seven hours, the department shall collect from the employer the~~
33 ~~applicable employer retirement contributions for the entire duration of~~
34 ~~the member's employment during that calendar year.~~

35 ~~(d) A retiree from plan 2 or plan 3 who has satisfied the break in~~
36 ~~employment requirement of subsection (1) of this section may work up to~~
37 ~~eight hundred sixty seven hours in a calendar year in an eligible~~

1 ~~position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or~~
2 ~~41.40.010, or as a firefighter or law enforcement officer, as defined~~
3 ~~in RCW 41.26.030, without suspension of his or her benefit.))~~

4 (3) If the retiree opts to reestablish membership under RCW
5 41.40.023(12), he or she terminates his or her retirement status and
6 becomes a member. Retirement benefits shall not accrue during the
7 period of membership and the individual shall make contributions and
8 receive membership credit. Such a member shall have the right to again
9 retire if eligible in accordance with RCW 41.40.180. However, if the
10 right to retire is exercised to become effective before the member has
11 rendered two uninterrupted years of service, the retirement formula and
12 survivor options the member had at the time of the member's previous
13 retirement shall be reinstated.

14 (4) The department shall collect and provide the state actuary with
15 information relevant to the use of this section for the select
16 committee on pension policy.

17 (5) The legislature reserves the right to amend or repeal this
18 section in the future and no member or beneficiary has a contractual
19 right to be employed for more than five months in a calendar year
20 without a reduction of his or her pension.

21 **Sec. 20.** RCW 41.50.030 and 2004 c 242 s 42 are each amended to
22 read as follows:

23 (1) As soon as possible but not more than one hundred and eighty
24 days after March 19, 1976, there is transferred to the department of
25 retirement systems, except as otherwise provided in this chapter, all
26 powers, duties, and functions of:

27 (a) The Washington public employees' retirement system;

28 (b) The Washington state teachers' retirement system;

29 (c) The Washington law enforcement officers' and firefighters'
30 retirement system;

31 (d) The Washington state patrol retirement system;

32 (e) The Washington judicial retirement system; and

33 (f) The state treasurer with respect to the administration of the
34 judges' retirement fund imposed pursuant to chapter 2.12 RCW.

35 (2) On July 1, 1996, there is transferred to the department all
36 powers, duties, and functions of the deferred compensation committee.

37 (3) The department shall administer chapter 41.34 RCW.

1 (4) The department shall administer the Washington school
2 employees' retirement system created under chapter 41.35 RCW.

3 (5) The department shall administer the Washington public safety
4 employees' retirement system created under chapter 41.37 RCW.

5 (6) The department shall administer the collection of employer
6 contributions and initial prefunding of the higher education retirement
7 plan supplemental benefits, also referred to as the annuity or
8 retirement income plans created under chapter 28B.10 RCW.

9 **Sec. 21.** RCW 41.50.080 and 2004 c 242 s 45 are each amended to
10 read as follows:

11 The state investment board shall provide for the investment of all
12 funds of the Washington public employees' retirement system, the
13 teachers' retirement system, the school employees' retirement system,
14 the Washington law enforcement officers' and firefighters' retirement
15 system, the Washington state patrol retirement system, the Washington
16 judicial retirement system, the Washington public safety employees'
17 retirement system, the higher education retirement plan supplemental
18 benefit fund, and the judges' retirement fund, pursuant to RCW
19 43.84.150, and may sell or exchange investments acquired in the
20 exercise of that authority.

21 **Sec. 22.** RCW 41.50.110 and 2009 c 564 s 924 are each amended to
22 read as follows:

23 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
24 section, all expenses of the administration of the department, the
25 expenses of administration of the retirement systems, and the expenses
26 of the administration of the office of the state actuary created in
27 chapters 2.10, 2.12, 28B.10, 41.26, 41.32, 41.40, 41.34, 41.35, 41.37,
28 43.43, and 44.44 RCW shall be paid from the department of retirement
29 systems expense fund.

30 (2) In order to reimburse the department of retirement systems
31 expense fund on an equitable basis the department shall ascertain and
32 report to each employer, as defined in RCW 28B.10.400, 41.26.030,
33 41.32.010, 41.35.010, 41.37.010, or 41.40.010, the sum necessary to
34 defray its proportional share of the entire expense of the
35 administration of the retirement system that the employer participates
36 in during the ensuing biennium or fiscal year whichever may be

1 required. Such sum is to be computed in an amount directly
2 proportional to the estimated entire expense of the administration as
3 the ratio of monthly salaries of the employer's members bears to the
4 total salaries of all members in the entire system. It shall then be
5 the duty of all such employers to include in their budgets or otherwise
6 provide the amounts so required.

7 (3) The department shall compute and bill each employer, as defined
8 in RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, or
9 41.40.010, at the end of each month for the amount due for that month
10 to the department of retirement systems expense fund and the same shall
11 be paid as are its other obligations. Such computation as to each
12 employer shall be made on a percentage rate of salary established by
13 the department. However, the department may at its discretion
14 establish a system of billing based upon calendar year quarters in
15 which event the said billing shall be at the end of each such quarter.

16 (4) The director may adjust the expense fund contribution rate for
17 each system at any time when necessary to reflect unanticipated costs
18 or savings in administering the department.

19 (5) An employer who fails to submit timely and accurate reports to
20 the department may be assessed an additional fee related to the
21 increased costs incurred by the department in processing the deficient
22 reports. Fees paid under this subsection shall be deposited in the
23 retirement system expense fund.

24 (a) Every six months the department shall determine the amount of
25 an employer's fee by reviewing the timeliness and accuracy of the
26 reports submitted by the employer in the preceding six months. If
27 those reports were not both timely and accurate the department may
28 prospectively assess an additional fee under this subsection.

29 (b) An additional fee assessed by the department under this
30 subsection shall not exceed fifty percent of the standard fee.

31 (c) The department shall adopt rules implementing this section.

32 (6) Expenses other than those under RCW 41.34.060(3) shall be paid
33 pursuant to subsection (1) of this section.

34 (7) During the 2007-2009 and 2009-2011 fiscal biennia, the
35 legislature may transfer from the department of retirement systems'
36 expense fund to the state general fund such amounts as reflect the
37 excess fund balance of the fund.

1 NEW SECTION. **Sec. 23.** Except for sections 10 and 19 of this act
2 which take effect January 1, 2012, this act is necessary for the
3 immediate preservation of the public peace, health, or safety, or
4 support of the state government and its existing public institutions,
5 and takes effect July 1, 2011."

ESHB 1981 - S AMD

By Senators Schoesler, Conway, Hobbs

ADOPTED 05/21/2011

6 On page 1, line 2 of the title, after "plans;" strike the remainder
7 of the title and insert "amending RCW 28B.10.400, 28B.10.405,
8 28B.10.410, 28B.10.415, 28B.10.417, 28B.10.423, 28B.10.430, 41.32.570,
9 41.32.800, 41.32.802, 41.32.860, 41.32.862, 41.35.060, 41.35.230,
10 41.37.050, 41.40.037, 41.50.030, 41.50.080, and 41.50.110; adding a new
11 section to chapter 41.32 RCW; adding a new section to chapter 41.40
12 RCW; creating a new section; providing effective dates; and declaring
13 an emergency."

EFFECT: Introduces an initial 0.25% employer contribution rate
effective January 1, 2012, for the prefunding of HERP supplemental
benefit liabilities and moves the starting date for collection of
contributions at a 0.5% rate from January 1, 2014, to July 1, 2013.

Repeals provisions allowing PERS 1 and TRS 1 retirees to work more
than 867 hours per year while collecting a retirement allowance,
effective January 1, 2012, for all members rather than only for members
retiring after September 1, 2011.

--- END ---