

ESHB 1981 - S COMM AMD  
By Committee on Ways & Means

NOT 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. The legislature also intends to reduce the expanded  
15 postretirement employment provisions for members of the public  
16 employees' retirement system and the teachers' retirement system plans  
17 1 that were temporarily expanded due to the shortage of qualified  
18 workers in particular teaching and public employment categories, and  
19 eliminate postretirement employment exceptions that existed for annuity  
20 or retirement income plan-covered positions that have been the subject  
21 of abuse.

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

24 (1) The boards of regents of the state universities, the boards of  
25 trustees of the regional universities and of The Evergreen State  
26 College, (~~and~~) the state board for community and technical colleges,  
27 and the higher education coordinating board are authorized and  
28 empowered:

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

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

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

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

18 ~~((4))~~ (2) Boards are prohibited from offering a purchased annuity  
19 or retirement income plan authorized under this section to employees  
20 hired on or after July 1, 2011, who have retired or are eligible to  
21 retire from a public employees' retirement system described in RCW  
22 41.50.030. The higher education coordinating board ~~((is—also~~  
23 ~~authorized and empowered as described in this section, subject to the~~  
24 ~~following:—The board))~~ shall only offer participation in a purchased  
25 annuity or retirement income plan authorized under this section to  
26 employees who have previously contributed premiums to a similar  
27 qualified plan(~~(, and the board is prohibited from offering or funding~~  
28 ~~such a plan authorized under this section for the benefit of any~~  
29 ~~retiree who is receiving or accruing a retirement allowance from a~~  
30 ~~public employees' retirement system under Title 41 RCW or chapter 43.43~~  
31 ~~RCW)).~~

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

34 Members of the faculties and ~~((such—other))~~ senior academic  
35 administrator employees as are designated by the boards of regents of  
36 the state universities, the boards of trustees of the regional  
37 universities and of The Evergreen State College, the higher education

1 coordinating board, or the state board for community and technical  
2 colleges ((education)) who do not opt to become members of the  
3 teachers' retirement system or the public employees' retirement system  
4 under section 9 or 18 of this act, or who are not prevented from  
5 participation in an annuity or retirement plan under RCW 28B.10.400(2)  
6 shall be required to contribute not less than five percent of their  
7 salaries during each year of full time service after the first two  
8 years of such service toward the purchase of such annuity or retirement  
9 income plan; such contributions may be in addition to federal social  
10 security tax contributions, if any.

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

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

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

25 The boards of regents of the state universities, the boards of  
26 trustees of the regional universities and of The Evergreen State  
27 College, the higher education coordinating board, or the state board  
28 for community and technical colleges ((education)) shall not pay any  
29 amount to be added to the annuity or retirement income plan of any  
30 retired person who was first hired on or after July 1, 2011, or who has  
31 served for less than ten years in one or more of the state institutions  
32 of higher education. In the case of persons who have served more than  
33 ten years but less than twenty-five years no amount shall be paid in  
34 excess of four percent of the amount authorized in ((~~subdivision (3)~~  
35 ~~of~~)) RCW 28B.10.400 ((as now or hereafter amended)) (1)(c), multiplied  
36 by the number of years of full time service rendered by such person:

1 PROVIDED, That credit for years of service at an institution of higher  
2 education shall be limited to those years in which contributions were  
3 made by a faculty member or other employee designated pursuant to RCW  
4 28B.10.400(1)(a) and the institution or the state as a result of which  
5 a benefit is being received by a retired person from any Washington  
6 state public retirement plan: PROVIDED FURTHER, That all such benefits  
7 that a retired person is eligible to receive shall reduce any  
8 supplementation payments provided for in RCW 28B.10.400 (~~as now or~~  
9 ~~hereafter amended~~)).

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

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

16 (2) A faculty member or other employee exempt from civil service  
17 pursuant to RCW 41.06.070 (1)(cc) and (2) designated by the board of  
18 trustees of the applicable regional university or of The Evergreen  
19 State College as being subject to an annuity or retirement income plan  
20 and who, at the time of such designation, is a member of the Washington  
21 state teachers' retirement system, shall retain credit for such service  
22 in the Washington state teachers' retirement system and except as  
23 provided in subsection ~~((+2))~~ (3) of this section, shall leave his or  
24 her accumulated contributions in the teachers' retirement fund. Upon  
25 his or her attaining eligibility for retirement under the Washington  
26 state teachers' retirement system, such faculty member or other  
27 employee shall receive from the Washington state teachers' retirement  
28 system a retirement allowance consisting of an annuity which shall be  
29 the actuarial equivalent of his or her accumulated contributions at his  
30 or her age when becoming eligible for such retirement and a pension for  
31 each year of creditable service established and retained at the time of  
32 said designation as provided in RCW 41.32.497 (~~as now or hereafter~~  
33 ~~amended~~)). Anyone who on July 1, 1967, was receiving pension payments  
34 from the teachers' retirement system based on thirty-five years of  
35 creditable service shall thereafter receive a pension based on the  
36 total years of creditable service established with the retirement  
37 system: PROVIDED, HOWEVER, That any such faculty member or other

1 employee exempt from civil service pursuant to RCW 41.06.070 (1)(cc)  
2 and (2) who, upon attainment of eligibility for retirement under the  
3 Washington state teachers' retirement system, is still engaged in  
4 public educational employment, shall not be eligible to receive  
5 benefits under the Washington state teachers' retirement system until  
6 he or she ceases such public educational employment. Any retired  
7 faculty member or other employee who enters service in any public  
8 educational institution shall cease to receive pension payments while  
9 engaged in such service: PROVIDED FURTHER, That such service may be  
10 rendered up to seventy-five days in a school year without reduction of  
11 pension.

12 ((+2)) (3) A faculty member or other exempt employee designated by  
13 the board of trustees of the applicable regional university or of The  
14 Evergreen State College as being subject to the annuity and retirement  
15 income plan and who, at the time of such designation, is a member of  
16 the Washington state teachers' retirement system may, at his or her  
17 election and at any time, on and after midnight June 10, 1959,  
18 terminate his or her membership in the Washington state teachers'  
19 retirement system and withdraw his or her accumulated contributions and  
20 interest in the teachers' retirement fund upon written application to  
21 the board of trustees of the Washington state teachers' retirement  
22 system. Faculty members or other employees who withdraw their  
23 accumulated contributions, on and after the date of withdrawal of  
24 contributions, shall no longer be members of the Washington state  
25 teachers' retirement system and shall forfeit all rights of membership,  
26 including pension benefits, theretofore acquired under the Washington  
27 state teachers' retirement system.

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

30 (1) For employees who are first employed by an institution of  
31 higher education in a position eligible for participation in an old age  
32 annuities or retirement income plan under this chapter prior to July 1,  
33 2011, it is the intent of RCW 28B.10.400, 28B.10.405, 28B.10.410,  
34 28B.10.415, 28B.10.420, 28B.10.423 and 83.20.030 that the retirement  
35 income resulting from the contributions described herein from the state  
36 of Washington and the employee shall be projected actuarially so that  
37 it shall not exceed sixty percent of the average of the highest two

1 consecutive years salary. Periodic review of the retirement systems  
2 established pursuant to RCW 28B.10.400, 28B.10.405, 28B.10.410,  
3 28B.10.415, 28B.10.420, and 28B.10.423 (~~and 83.20.030~~) will be  
4 undertaken at such time and in such manner as determined by the  
5 committees on ways and means of the senate and of the house of  
6 representatives (~~and the public pension commission~~), the select  
7 committee on pension policy, and the pension funding council, and joint  
8 contribution rates will be adjusted if necessary to accomplish this  
9 intent.

10 (2) By June 30, 2013, and every two years thereafter, each  
11 institution of higher education that is responsible for payment of  
12 supplemental amounts under RCW 28B.10.400(1)(c) shall contract with the  
13 state actuary under chapter 41.44 RCW for an actuarial valuation of  
14 their supplemental benefit plan. By June 30, 2013, and at least once  
15 every six years thereafter, each institution shall also contract with  
16 the state actuary under chapter 41.44 RCW for an actuarial experience  
17 study of the mortality, service, compensation, and other experience of  
18 the annuity or retirement income plans created in this chapter, and  
19 into the financial condition of each system. At the discretion of the  
20 state actuary, the valuation or experience study may be performed by  
21 the state actuary or by an outside actuarial firm under contract to the  
22 office of the state actuary. Each institution of higher education is  
23 required to provide the data and information required for the  
24 performance of the valuation or experience study to the office of the  
25 state actuary or to the actuary performing the study on behalf of the  
26 state actuary. The state actuary may charge each institution for the  
27 actual cost of the valuation or experience study through an interagency  
28 agreement. Upon completion of the valuation or experience study, the  
29 state actuary shall provide copies of the study to the institution of  
30 higher education and to the select committee on pension policy and the  
31 pension funding council.

32 (3)(a) A higher education retirement plan supplemental benefit fund  
33 is created in the custody of the state treasurer for the purpose of  
34 funding future benefit obligations of higher education retirement plan  
35 supplemental benefits. The state investment board has the full power  
36 to invest, reinvest, manage, contract, sell, or exchange investment  
37 money in the fund.

1 (b) Beginning January 1, 2014, an employer contribution rate of  
2 one-half of one percent of salary is established to begin prefunding  
3 the unfunded future obligations of the supplemental benefit established  
4 in RCW 28B.10.400.

5 (c) Consistent with chapter 41.50 RCW, the department of retirement  
6 systems shall collect the employer contribution rates established in  
7 this section from each state institution of higher education, and  
8 deposit those contributions into the higher education retirement plan  
9 supplemental benefit fund. The contributions made by each employer  
10 into the higher education retirement plan supplemental benefit fund and  
11 the earnings on those contributions shall be accounted for separately  
12 within the fund.

13 (d) Following the completion and review of the initial actuarial  
14 valuations and experience study conducted pursuant to subsection (2) of  
15 this section, the pension funding council may:

16 (i) Adopt and make changes to the employer contribution rate  
17 established in (a) of this subsection consistent with the procedures  
18 established in chapter 41.45 RCW. If the actuarial valuations of the  
19 higher education retirement plans of each institution contributing to  
20 the higher education retirement plan supplemental benefit fund suggest  
21 that different contribution rates are appropriate for each institution,  
22 different rates may be adopted. Rates adopted by the pension funding  
23 council are subject to revision by the legislature.

24 (ii) Recommend legislation that will, upon accumulation of  
25 sufficient funding in the higher education retirement plan supplemental  
26 benefit fund transfer the responsibility for making supplemental  
27 benefit payments to the department of retirement systems, and adjust  
28 employer contribution rates to reflect the transfer of responsibility.

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

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

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



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

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

5 (~~(+2)~~) (3) Notwithstanding any provision of law to the contrary,  
6 effective July 1, 1979, no person receiving a monthly benefit pursuant  
7 to RCW 28B.10.400 shall receive, as the pension portion of that  
8 benefit, less than ten dollars per month for each year of service  
9 creditable to the person whose service is the basis of the benefit.  
10 Portions of a year shall be treated as fractions of a year and the  
11 decimal equivalent shall be multiplied by ten dollars. Where the  
12 benefit was adjusted at the time benefit payments to the beneficiary  
13 commenced, the minimum pension provided in this section shall be  
14 adjusted in a manner consistent with that adjustment.

15 (~~(+3)~~) (4) Notwithstanding any provision of law to the contrary,  
16 effective July 1, 1979, the monthly benefit of each person who  
17 commenced receiving a monthly benefit under this chapter as of a date  
18 no later than July 1, 1974, shall be permanently increased by a post-  
19 retirement adjustment. Such adjustment shall be calculated as follows:

20 (a) Monthly benefits to which this subsection and subsection  
21 (~~(+2)~~) (3) of this section are both applicable shall be determined by  
22 first applying subsection (~~(+2)~~) (3) of this section and then applying  
23 this subsection. The (~~(department)~~) institution shall determine the  
24 total years of creditable service and the total dollar benefit base  
25 accrued as of December 31, 1978, except that this determination shall  
26 take into account only those persons to whom this subsection applies;

27 (b) The (~~(department)~~) institution shall multiply the total  
28 benefits determined in (a) of this subsection by six percent and divide  
29 the dollar value thus determined by the total service determined in (a)  
30 of this subsection. The resultant figure shall then be a post-  
31 retirement increase factor which shall be applied as specified in (c)  
32 of this subsection;

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

36 NEW SECTION. **Sec. 9.** A new section is added to chapter 41.32 RCW

1 to be codified under the subchapter heading "plan 3" to read as  
2 follows:

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

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

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

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

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

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

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

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

35 (3) Any retired teacher or retired administrator who retired prior  
36 to September 1, 2011, and who enters service in any public educational

1 institution in Washington state one and one-half calendar months or  
2 more after his or her accrual date and:

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

6 (b) Is hired through the established process for the position with  
7 the approval of the school board or other highest decision-making  
8 authority of the prospective employer;

9 (c) Whose employer retains records of the procedures followed and  
10 the decisions made in hiring the retired teacher or retired  
11 administrator and provides those records in the event of an audit; and

12 (d) The employee has not already rendered a cumulative total of  
13 more than one thousand nine hundred hours of service while in receipt  
14 of pension payments beyond an annual threshold of eight hundred sixty-  
15 seven hours;

16 shall cease to receive pension payments while engaged in that service  
17 after the retiree has rendered service for more than one thousand five  
18 hundred hours in a school year. The one thousand nine hundred hour  
19 cumulative total limitation under this section applies prospectively  
20 after July 22, 2007.

21 (4) When a retired teacher or administrator renders service beyond  
22 eight hundred sixty-seven hours, the department shall collect from the  
23 employer the applicable employer retirement contributions for the  
24 entire duration of the member's employment during that fiscal year.

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

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

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

34 (1) Except as provided in RCW 41.32.802, no retiree under the  
35 provisions of plan 2 shall be eligible to receive such retiree's  
36 monthly retirement allowance if he or she is employed in an eligible  
37 position as defined in RCW 41.40.010, 41.32.010, 41.37.010, or

1 41.35.010, or as a law enforcement officer or firefighter as defined in  
2 RCW 41.26.030, or in a position covered by annuity and retirement  
3 income plans offered by institutions of higher education pursuant to  
4 RCW 28B.10.400.

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

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

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

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

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

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

31 (3) If the retiree opts to reestablish membership under RCW  
32 41.32.044, he or she terminates his or her retirement status and  
33 immediately becomes a member. Retirement benefits shall not accrue  
34 during the period of membership and the individual shall make  
35 contributions and receive membership credit. Such a member shall have  
36 the right to again retire if eligible.

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

3       (1) Except under RCW 41.32.862, no retiree shall be eligible to  
4 receive such retiree's monthly retirement allowance if he or she is  
5 employed in an eligible position as defined in RCW 41.40.010,  
6 41.32.010, 41.35.010, or 41.37.010, or as a law enforcement officer or  
7 firefighter as defined in RCW 41.26.030, or in a position covered by  
8 annuity and retirement income plans offered by institutions of higher  
9 education pursuant to RCW 28B.10.400.

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

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

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

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

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

35       (3) If the retiree opts to reestablish membership under RCW  
36 41.32.044, he or she terminates his or her retirement status and  
37 immediately becomes a member. Retirement benefits shall not accrue

1 during the period of membership and the individual shall make  
2 contributions and receive membership credit. Such a member shall have  
3 the right to again retire if eligible.

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

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

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

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

24 (3) If the retiree opts to reestablish membership under RCW  
25 41.35.030, he or she terminates his or her retirement status and  
26 becomes a member. Retirement benefits shall not accrue during the  
27 period of membership and the individual shall make contributions and  
28 receive membership credit. Such a member shall have the right to again  
29 retire if eligible in accordance with RCW 41.35.420 or 41.35.680.  
30 However, if the right to retire is exercised to become effective before  
31 the member has rendered two uninterrupted years of service, the  
32 retirement formula and survivor options the member had at the time of  
33 the member's previous retirement shall be reinstated.

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

36 (1) Except as provided in RCW 41.35.060, no retiree under the

1 provisions of plan 2 shall be eligible to receive such retiree's  
2 monthly retirement allowance if he or she is employed in an eligible  
3 position as defined in RCW 41.35.010, 41.40.010, 41.37.010, or  
4 41.32.010, or as a law enforcement officer or firefighter as defined in  
5 RCW 41.26.030, or in a position covered by annuity and retirement  
6 income plans offered by institutions of higher education pursuant to  
7 RCW 28B.10.400, except that a retiree who ends his or her membership in  
8 the retirement system pursuant to RCW 41.40.023(3)(b) is not subject to  
9 this section if the retiree's only employment is as an elective  
10 official.

11 (2) If a retiree's benefits have been suspended under this section,  
12 his or her benefits shall be reinstated when the retiree terminates the  
13 employment that caused his or her benefits to be suspended. Upon  
14 reinstatement, the retiree's benefits shall be actuarially recomputed  
15 pursuant to the rules adopted by the department.

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

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

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

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

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

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

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

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

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

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

30 (a) Become a member of the public employees' retirement system plan  
31 3 under this chapter; or

32 (b) Participate in the annuities or retirement income plan provided  
33 by the institution.

34 (2) At the end of thirty days, if the member has not made a choice  
35 to become a member of the public employees' retirement system, he or  
36 she becomes a participant in the institution's plan under RCW



1 28B.10.400, but does not become eligible for any supplemental benefit  
2 under RCW 28B.10.400(1)(c).

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

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

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

15 (2)(a) Except as provided in (b) of this subsection, a retiree from  
16 plan 1 who enters employment with an employer at least one calendar  
17 month after his or her accrual date may continue to receive pension  
18 payments while engaged in such service for up to eight hundred sixty-  
19 seven hours of service in a calendar year without a reduction of  
20 pension.

21 (b) A retiree from plan 1 who retired prior to September 1, 2011,  
22 and who enters employment with an employer at least three calendar  
23 months after his or her accrual date and:

24 (i) Is hired pursuant to a written policy into a position for which  
25 the employer has documented a justifiable need to hire a retiree into  
26 the position;

27 (ii) Is hired through the established process for the position with  
28 the approval of: A school board for a school district; the chief  
29 executive officer of a state agency employer; the secretary of the  
30 senate for the senate; the chief clerk of the house of representatives  
31 for the house of representatives; the secretary of the senate and the  
32 chief clerk of the house of representatives jointly for the joint  
33 legislative audit and review committee, the select committee on pension  
34 policy, the legislative evaluation and accountability program, the  
35 legislative systems committee, and the statute law committee; or  
36 according to rules adopted for the rehiring of retired plan 1 members  
37 for a local government employer;

1 (iii) The employer retains records of the procedures followed and  
2 decisions made in hiring the retiree, and provides those records in the  
3 event of an audit; and

4 (iv) The employee has not already rendered a cumulative total of  
5 more than one thousand nine hundred hours of service while in receipt  
6 of pension payments beyond an annual threshold of eight hundred sixty-  
7 seven hours;

8 shall cease to receive pension payments while engaged in that service  
9 after the retiree has rendered service for more than one thousand five  
10 hundred hours in a calendar year. The one thousand nine hundred hour  
11 cumulative total under this subsection applies prospectively to those  
12 retiring after July 27, 2003, and retroactively to those who retired  
13 prior to July 27, 2003, and shall be calculated from the date of  
14 retirement.

15 (c) When a plan 1 member renders service beyond eight hundred  
16 sixty-seven hours, the department shall collect from the employer the  
17 applicable employer retirement contributions for the entire duration of  
18 the member's employment during that calendar year.

19 (d) A retiree from plan 2 or plan 3 who has satisfied the break in  
20 employment requirement of subsection (1) of this section may work up to  
21 eight hundred sixty-seven hours in a calendar year in an eligible  
22 position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or  
23 41.40.010, or as a firefighter or law enforcement officer, as defined  
24 in RCW 41.26.030, without suspension of his or her benefit.

25 (3) If the retiree opts to reestablish membership under RCW  
26 41.40.023(12), he or she terminates his or her retirement status and  
27 becomes a member. Retirement benefits shall not accrue during the  
28 period of membership and the individual shall make contributions and  
29 receive membership credit. Such a member shall have the right to again  
30 retire if eligible in accordance with RCW 41.40.180. However, if the  
31 right to retire is exercised to become effective before the member has  
32 rendered two uninterrupted years of service, the retirement formula and  
33 survivor options the member had at the time of the member's previous  
34 retirement shall be reinstated.

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

1 (5) 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 be employed for more than five months in a calendar year  
4 without a reduction of his or her pension.

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

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

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

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

13 (c) The Washington law enforcement officers' and firefighters'  
14 retirement system;

15 (d) The Washington state patrol retirement system;

16 (e) The Washington judicial retirement system; and

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

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

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

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

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

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

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

32 The state investment board shall provide for the investment of all  
33 funds of the Washington public employees' retirement system, the  
34 teachers' retirement system, the school employees' retirement system,  
35 the Washington law enforcement officers' and firefighters' retirement  
36 system, the Washington state patrol retirement system, the Washington

1 judicial retirement system, the Washington public safety employees'  
2 retirement system, the higher education retirement plan supplemental  
3 benefit fund, and the judges' retirement fund, pursuant to RCW  
4 43.84.150, and may sell or exchange investments acquired in the  
5 exercise of that authority.

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

8 (1) Except as provided by RCW 41.50.255 and subsection (6) of this  
9 section, all expenses of the administration of the department, the  
10 expenses of administration of the retirement systems, and the expenses  
11 of the administration of the office of the state actuary created in  
12 chapters 2.10, 2.12, 28B.10, 41.26, 41.32, 41.40, 41.34, 41.35, 41.37,  
13 43.43, and 44.44 RCW shall be paid from the department of retirement  
14 systems expense fund.

15 (2) In order to reimburse the department of retirement systems  
16 expense fund on an equitable basis the department shall ascertain and  
17 report to each employer, as defined in RCW 28B.10.400, 41.26.030,  
18 41.32.010, 41.35.010, 41.37.010, or 41.40.010, the sum necessary to  
19 defray its proportional share of the entire expense of the  
20 administration of the retirement system that the employer participates  
21 in during the ensuing biennium or fiscal year whichever may be  
22 required. Such sum is to be computed in an amount directly  
23 proportional to the estimated entire expense of the administration as  
24 the ratio of monthly salaries of the employer's members bears to the  
25 total salaries of all members in the entire system. It shall then be  
26 the duty of all such employers to include in their budgets or otherwise  
27 provide the amounts so required.

28 (3) The department shall compute and bill each employer, as defined  
29 in RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, or  
30 41.40.010, at the end of each month for the amount due for that month  
31 to the department of retirement systems expense fund and the same shall  
32 be paid as are its other obligations. Such computation as to each  
33 employer shall be made on a percentage rate of salary established by  
34 the department. However, the department may at its discretion  
35 establish a system of billing based upon calendar year quarters in  
36 which event the said billing shall be at the end of each such quarter.

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

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

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

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

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

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

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

23 NEW SECTION. **Sec. 23.** This act is necessary for the immediate  
24 preservation of the public peace, health, or safety, or support of the  
25 state government and its existing public institutions, and takes effect  
26 July 1, 2011."

ESHB 1981 - S COMM AMD  
By Committee on Ways & Means

**NOT ADOPTED 05/21/2011**

27 On page 1, line 2 of the title, after "plans;" strike the remainder  
28 of the title and insert "amending RCW 28B.10.400, 28B.10.405,  
29 28B.10.410, 28B.10.415, 28B.10.417, 28B.10.423, 28B.10.430, 41.32.570,

1 41.32.800, 41.32.802, 41.32.860, 41.32.862, 41.35.060, 41.35.230,  
2 41.37.050, 41.40.037, 41.50.030, 41.50.080, and 41.50.110; adding a new  
3 section to chapter 41.32 RCW; adding a new section to chapter 41.40  
4 RCW; creating a new section; providing an effective date; and declaring  
5 an emergency."

--- END ---