
ENGROSSED SUBSTITUTE HOUSE BILL 1981

State of Washington 62nd Legislature 2011 1st Special Session

By House Ways & Means (originally sponsored by Representatives Bailey and Carlyle)

READ FIRST TIME 04/19/11.

1 AN ACT Relating to public employee postretirement employment and
2 higher education employees' annuities and retirement income plans;
3 amending RCW 28B.10.400, 28B.10.405, 28B.10.410, 28B.10.415,
4 28B.10.417, 28B.10.423, 28B.10.430, 41.32.570, 41.32.800, 41.32.802,
5 41.32.860, 41.32.862, 41.35.060, 41.35.230, 41.37.050, 41.40.037,
6 41.50.030, 41.50.080, and 41.50.110; adding a new section to chapter
7 41.32 RCW; adding a new section to chapter 41.40 RCW; creating a new
8 section; providing an effective date; and declaring an emergency.

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

10 NEW SECTION. **Sec. 1.** The legislature intends that the retirement
11 and annuity programs of the state's institutions of higher education be
12 revised for future participants to reflect changes that have already
13 occurred in state pension plans. The legislature intends also that
14 newly hired employees who are eligible for participation in an annuity
15 or retirement income plan offered by a higher education institution
16 have an opportunity to participate in either (1) that plan without a
17 supplemental benefit under RCW 28B.10.400(3), or (2) the public
18 employees' retirement system plan 3 or the teachers' retirement system
19 plan 3. Plan 3 provides a combination of defined contribution and

1 defined benefit pension, which will be available for newly hired
2 employees. Further, the legislature intends that effective July 1,
3 2011, state funding for annuity or retirement income plans under RCW
4 28B.10.400 will not exceed six percent of salary. The legislature also
5 intends to reduce the expanded postretirement employment provisions for
6 members of the public employees' retirement system and the teachers'
7 retirement system plans 1 that were temporarily expanded due to the
8 shortage of qualified workers in particular teaching and public
9 employment categories, and eliminate postretirement employment
10 exceptions that existed for annuity or retirement income plan-covered
11 positions that have been the subject of abuse.

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

14 (1) The boards of regents of the state universities, the boards of
15 trustees of the regional universities and of The Evergreen State
16 College, ~~((and))~~ the state board for community and technical colleges,
17 and the higher education coordinating board are authorized and
18 empowered:

19 ~~((+1))~~ (a) To assist the faculties and ~~((such-other))~~ senior
20 academic administrator employees as any such board may designate in the
21 purchase of old age annuities or retirement income plans under such
22 rules as any such board may prescribe, subject to the restrictions in
23 subsection (2) of this section. County agricultural agents, home
24 demonstration agents, 4-H club agents, and assistant county
25 agricultural agents paid jointly by the Washington State University and
26 the several counties shall be deemed to be full time employees of the
27 Washington State University for the purposes ~~((hereof))~~ of this
28 section;

29 ~~((+2))~~ (b) To provide, under such rules ~~((and-regulations))~~ as any
30 such board may prescribe for the faculty members or ~~((other))~~ senior
31 academic administrator employees under its supervision, for the
32 retirement of any such faculty member or ~~((other))~~ senior academic
33 administrator employee on account of age or condition of health,
34 retirement on account of age to be not earlier than the sixty-fifth
35 birthday: PROVIDED, That such faculty member or ~~((such-other))~~ senior
36 academic administrator employee may elect to retire at the earliest age
37 specified for retirement by federal social security law: PROVIDED

1 FURTHER, That any supplemental payment authorized by (c) of this
2 subsection (~~((3) of this section)~~) and paid as a result of retirement
3 earlier than age sixty-five shall be at an actuarially reduced rate;
4 and shall be provided only to those persons who participate in an
5 annuity or retirement income plan under (a) of this subsection prior to
6 July 1, 2011;

7 ~~((3))~~ (c) To pay (~~(to any such retired person)~~) only to those
8 persons who participate in an annuity or retirement income plan under
9 (a) of this subsection prior to July 1, 2011, or to his or her
10 designated beneficiary(s), each year after his or her retirement, a
11 supplemental amount which, when added to the amount of such annuity or
12 retirement income plan, or retirement income benefit pursuant to RCW
13 28B.10.415, received by the retired person or the retired person's
14 designated beneficiary(s) in such year, will not exceed fifty percent
15 of the average annual salary paid to such retired person for his or her
16 highest two consecutive years of full time service under an annuity or
17 retirement income plan established pursuant to (a) of this subsection
18 (~~((1) of this section)~~) at an institution of higher education:
19 PROVIDED, HOWEVER, That if such retired person prior to retirement
20 elected a supplemental payment survivors option, any such supplemental
21 payments to such retired person or the retired person's designated
22 beneficiary(s) shall be at actuarially reduced rates: PROVIDED
23 FURTHER, That if a faculty member or other employee of an institution
24 of higher education who is a participant in a retirement plan
25 authorized by this section dies, or has died before retirement but
26 after becoming eligible for retirement on account of age, the
27 designated beneficiary(s) shall be entitled to receive the supplemental
28 payment authorized by this subsection to which such designated
29 beneficiary(s) would have been entitled had said deceased faculty
30 member or other employee retired on the date of death after electing a
31 supplemental payment survivors option: PROVIDED FURTHER, That for the
32 purpose of this subsection, the designated beneficiary(s) shall be
33 ~~((a))~~ (i) the surviving spouse of the retiree; or, ~~((b))~~ (ii) with
34 the written consent of such spouse, if any, such other person or
35 persons as shall have an insurable interest in the retiree's life and
36 shall have been nominated by written designation duly executed and
37 filed with the retiree's institution of higher education(~~((+))~~).

1 ~~((4))~~ (2) Boards are prohibited from offering a purchased annuity
2 or retirement income plan authorized under this section to employees
3 hired on or after July 1, 2011, who have retired or are eligible to
4 retire from a public employees' retirement system described in RCW
5 41.50.030. The higher education coordinating board ~~((is—also~~
6 ~~authorized and empowered as described in this section, subject to the~~
7 ~~following:—The board))~~ shall only offer participation in a purchased
8 annuity or retirement income plan authorized under this section to
9 employees who have previously contributed premiums to a similar
10 qualified plan ~~((, and the board is prohibited from offering or funding~~
11 ~~such a plan authorized under this section for the benefit of any~~
12 ~~retiree who is receiving or accruing a retirement allowance from a~~
13 ~~public employees' retirement system under Title 41 RCW or chapter 43.43~~
14 ~~RCW)).~~

15 (3) For purposes of this chapter, "senior academic administrator"
16 means presidents; vice presidents; deans, directors, and chairs; and
17 executive heads of major administrative or academic divisions who
18 either hold concurrent faculty appointment with rank, or are employed
19 by the state board for community and technical colleges or the higher
20 education coordinating board.

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

23 Members of the faculties and ~~((such—other))~~ senior academic
24 administrator employees as are designated by the boards of regents of
25 the state universities, the boards of trustees of the regional
26 universities and of The Evergreen State College, the higher education
27 coordinating board, or the state board for community and technical
28 colleges ~~((education))~~ who do not opt to become members of the
29 teachers' retirement system or the public employees' retirement system
30 under section 9 or 18 of this act, or who are not prevented from
31 participation in an annuity or retirement plan under RCW 28B.10.400(2)
32 shall be required to contribute not less than five percent of their
33 salaries during each year of full time service after the first two
34 years of such service toward the purchase of such annuity or retirement
35 income plan; such contributions may be in addition to federal social
36 security tax contributions, if any.

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

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

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

15 The boards of regents of the state universities, the boards of
16 trustees of the regional universities and of The Evergreen State
17 College, the higher education coordinating board, or the state board
18 for community and technical colleges (~~(education)~~) shall not pay any
19 amount to be added to the annuity or retirement income plan of any
20 retired person who was first hired on or after July 1, 2011, or who has
21 served for less than ten years in one or more of the state institutions
22 of higher education. In the case of persons who have served more than
23 ten years but less than twenty-five years no amount shall be paid in
24 excess of four percent of the amount authorized in (~~(subdivision (3)~~
25 ~~of)~~) RCW 28B.10.400 (~~(as now or hereafter amended)~~) (1)(c), multiplied
26 by the number of years of full time service rendered by such person:
27 PROVIDED, That credit for years of service at an institution of higher
28 education shall be limited to those years in which contributions were
29 made by a faculty member or other employee designated pursuant to RCW
30 28B.10.400(1)(a) and the institution or the state as a result of which
31 a benefit is being received by a retired person from any Washington
32 state public retirement plan: PROVIDED FURTHER, That all such benefits
33 that a retired person is eligible to receive shall reduce any
34 supplementation payments provided for in RCW 28B.10.400 (~~(as now or~~
35 ~~hereafter amended)~~).

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

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

7 (2) A faculty member or (~~other~~) senior academic administrator
8 employee designated by the board of trustees of the applicable regional
9 university or of The Evergreen State College as being subject to an
10 annuity or retirement income plan and who, at the time of such
11 designation, is a member of the Washington state teachers' retirement
12 system, shall retain credit for such service in the Washington state
13 teachers' retirement system and except as provided in subsection
14 (~~(2)~~) (3) of this section, shall leave his or her accumulated
15 contributions in the teachers' retirement fund. Upon his or her
16 attaining eligibility for retirement under the Washington state
17 teachers' retirement system, such faculty member or other employee
18 shall receive from the Washington state teachers' retirement system a
19 retirement allowance consisting of an annuity which shall be the
20 actuarial equivalent of his or her accumulated contributions at his or
21 her age when becoming eligible for such retirement and a pension for
22 each year of creditable service established and retained at the time of
23 said designation as provided in RCW 41.32.497 (~~as now or hereafter~~
24 ~~amended~~). Anyone who on July 1, 1967, was receiving pension payments
25 from the teachers' retirement system based on thirty-five years of
26 creditable service shall thereafter receive a pension based on the
27 total years of creditable service established with the retirement
28 system: PROVIDED, HOWEVER, That any such faculty member or (~~other~~)
29 senior academic administrator employee who, upon attainment of
30 eligibility for retirement under the Washington state teachers'
31 retirement system, is still engaged in public educational employment,
32 shall not be eligible to receive benefits under the Washington state
33 teachers' retirement system until he or she ceases such public
34 educational employment. Any retired faculty member or (~~other~~) senior
35 academic administrator employee who enters service in any public
36 educational institution shall cease to receive pension payments while
37 engaged in such service: PROVIDED FURTHER, That such service may be

1 rendered up to seventy-five days in a school year without reduction of
2 pension.

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

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

22 (1) For employees who are first employed by an institution of
23 higher education in a position eligible for participation in an old age
24 annuities or retirement income plan under this chapter prior to July 1,
25 2011, it is the intent of RCW 28B.10.400, 28B.10.405, 28B.10.410,
26 28B.10.415, 28B.10.420, 28B.10.423 and 83.20.030 that the retirement
27 income resulting from the contributions described herein from the state
28 of Washington and the employee shall be projected actuarially so that
29 it shall not exceed sixty percent of the average of the highest two
30 consecutive years salary. Periodic review of the retirement systems
31 established pursuant to RCW 28B.10.400, 28B.10.405, 28B.10.410,
32 28B.10.415, 28B.10.420, and 28B.10.423 (~~and 83.20.030~~) will be
33 undertaken at such time and in such manner as determined by the
34 committees on ways and means of the senate and of the house of
35 representatives (~~and the public pension commission~~), the select
36 committee on pension policy, and the pension funding council, and joint

1 contribution rates will be adjusted if necessary to accomplish this
2 intent.

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

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

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

36 (b) Beginning January 1, 2012, an employer contribution rate of
37 one-half of one percent of salary is established to begin prefunding

1 the unfunded future obligations of the supplemental benefit established
2 in RCW 28B.10.400.

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

11 (d) Following the completion and review of the initial actuarial
12 valuations and experience study conducted pursuant to subsection (3) of
13 this section, the pension funding council may:

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

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

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

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

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

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

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

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

13 (~~(+3)~~) (4) Notwithstanding any provision of law to the contrary,
14 effective July 1, 1979, the monthly benefit of each person who
15 commenced receiving a monthly benefit under this chapter as of a date
16 no later than July 1, 1974, shall be permanently increased by a post-
17 retirement adjustment. Such adjustment shall be calculated as follows:

18 (a) Monthly benefits to which this subsection and subsection
19 (~~(+2)~~) (3) of this section are both applicable shall be determined by
20 first applying subsection (~~(+2)~~) (3) of this section and then applying
21 this subsection. The (~~department~~) institution shall determine the
22 total years of creditable service and the total dollar benefit base
23 accrued as of December 31, 1978, except that this determination shall
24 take into account only those persons to whom this subsection applies;

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

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

34 NEW SECTION. Sec. 9. A new section is added to chapter 41.32 RCW
35 to be codified under the subchapter heading "plan 3" to read as
36 follows:

37 (1) All faculty members who are first employed by an institution of

1 higher education in a position eligible for participation in old age
2 annuities or retirement income plans under chapter 28B.10 RCW on or
3 after July 1, 2011, have a period of thirty days to make an irrevocable
4 choice to:

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

7 (b) Participate in the annuities or retirement income plan provided
8 by the institution.

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

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

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

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

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

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

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

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

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

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

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

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

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

23 ~~((6))~~ (4) The legislature reserves the right to amend or repeal
24 this section in the future and no member or beneficiary has a
25 contractual right to be employed for more than five hundred twenty-five
26 hours per year without a reduction of his or her pension.

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

29 (1) Except as provided in RCW 41.32.802, no retiree under the
30 provisions of plan 2 shall be eligible to receive such retiree's
31 monthly retirement allowance if he or she is employed in an eligible
32 position as defined in RCW 41.40.010, 41.32.010, 41.37.010, or
33 41.35.010, or as a law enforcement officer or firefighter as defined in
34 RCW 41.26.030, or in a position covered by annuity and retirement
35 income plans offered by institutions of higher education pursuant to
36 RCW 28B.10.400.

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

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

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

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

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

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

27 (3) If the retiree opts to reestablish membership under RCW
28 41.32.044, he or she terminates his or her retirement status and
29 immediately becomes a member. Retirement benefits shall not accrue
30 during the period of membership and the individual shall make
31 contributions and receive membership credit. Such a member shall have
32 the right to again retire if eligible.

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

35 (1) Except under RCW 41.32.862, no retiree shall be eligible to
36 receive such retiree's monthly retirement allowance if he or she is

1 employed in an eligible position as defined in RCW 41.40.010,
2 41.32.010, 41.35.010, or 41.37.010, or as a law enforcement officer or
3 firefighter as defined in RCW 41.26.030, or in a position covered by
4 annuity and retirement income plans offered by institutions of higher
5 education pursuant to RCW 28B.10.400.

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

11 **Sec. 14.** RCW 41.32.862 and 2004 c 242 s 62 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. 15.** RCW 41.35.060 and 2004 c 242 s 64 are each amended to
2 read as follows:

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

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

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

21 (3) If the retiree opts to reestablish membership under RCW
22 41.35.030, he or she terminates his or her retirement status and
23 becomes a member. Retirement benefits shall not accrue during the
24 period of membership and the individual shall make contributions and
25 receive membership credit. Such a member shall have the right to again
26 retire if eligible in accordance with RCW 41.35.420 or 41.35.680.
27 However, if the right to retire is exercised to become effective before
28 the member has rendered two uninterrupted years of service, the
29 retirement formula and survivor options the member had at the time of
30 the member's previous retirement shall be reinstated.

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

33 (1) Except as provided in RCW 41.35.060, no retiree under the
34 provisions of plan 2 shall be eligible to receive such retiree's
35 monthly retirement allowance if he or she is employed in an eligible
36 position as defined in RCW 41.35.010, 41.40.010, 41.37.010, or
37 41.32.010, or as a law enforcement officer or firefighter as defined in

1 RCW 41.26.030, or in a position covered by annuity and retirement
2 income plans offered by institutions of higher education pursuant to
3 RCW 28B.10.400, except that a retiree who ends his or her membership in
4 the retirement system pursuant to RCW 41.40.023(3)(b) is not subject to
5 this section if the retiree's only employment is as an elective
6 official.

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

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

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

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

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

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

33 (2) A retiree who has satisfied the break in employment requirement
34 of subsection (1) of this section may work up to eight hundred sixty-
35 seven hours per calendar year in an eligible position as defined in RCW
36 41.32.010, 41.35.010, or 41.40.010, or as a law enforcement officer or
37 firefighter as defined in RCW 41.26.030, or in a position covered by

1 annuity and retirement income plans offered by institutions of higher
2 education pursuant to RCW 28B.10.400, without suspension of his or her
3 benefit.

4 (3) If the retiree opts to reestablish membership under this
5 chapter, he or she terminates his or her retirement status and becomes
6 a member. Retirement benefits shall not accrue during the period of
7 membership and the individual shall make contributions and receive
8 membership credit. Such a member shall have the right to again retire
9 if eligible in accordance with this chapter. However, if the right to
10 retire is exercised to become effective before the member has rendered
11 two uninterrupted years of service, the retirement formula and survivor
12 options the member had at the time of the member's previous retirement
13 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 NEW SECTION. **Sec. 18.** A new section is added to chapter 41.40 RCW
18 to be codified under the subchapter heading "plan 3" to read as
19 follows:

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

25 (a) Become a member of the public employees' retirement system plan
26 3 under 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 public employees' retirement system, he or
31 she becomes a participant in the institution's plan under RCW
32 28B.10.400, but does not become eligible for any supplemental benefit
33 under RCW 28B.10.400(1)(c).

34 **Sec. 19.** RCW 41.40.037 and 2007 c 50 s 5 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 eight 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 sixty hours per month. Any benefit
8 reduction over one hundred percent will be applied to the benefit the
9 retiree is eligible to receive in subsequent months.

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

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

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

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

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

37 ~~(iv) The employee has not already rendered a cumulative total of~~

1 ~~more than one thousand nine hundred hours of service while in receipt~~
2 ~~of pension payments beyond an annual threshold of eight hundred sixty~~
3 ~~seven hours;~~
4 ~~shall cease to receive pension payments while engaged in that service~~
5 ~~after the retiree has rendered service for more than one thousand five~~
6 ~~hundred hours in a calendar year. The one thousand nine hundred hour~~
7 ~~cumulative total under this subsection applies prospectively to those~~
8 ~~retiring after July 27, 2003, and retroactively to those who retired~~
9 ~~prior to July 27, 2003, and shall be calculated from the date of~~
10 ~~retirement.~~

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

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

21 (3) If the retiree opts to reestablish membership under RCW
22 41.40.023(12), he or she terminates his or her retirement status and
23 becomes a member. Retirement benefits shall not accrue during the
24 period of membership and the individual shall make contributions and
25 receive membership credit. Such a member shall have the right to again
26 retire if eligible in accordance with RCW 41.40.180. However, if the
27 right to retire is exercised to become effective before the member has
28 rendered two uninterrupted years of service, the retirement formula and
29 survivor options the member had at the time of the member's previous
30 retirement shall be reinstated.

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

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

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

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

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

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

9 (c) The Washington law enforcement officers' and firefighters'
10 retirement system;

11 (d) The Washington state patrol retirement system;

12 (e) The Washington judicial retirement system; and

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

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

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

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

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

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

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

28 The state investment board shall provide for the investment of all
29 funds of the Washington public employees' retirement system, the
30 teachers' retirement system, the school employees' retirement system,
31 the Washington law enforcement officers' and firefighters' retirement
32 system, the Washington state patrol retirement system, the Washington
33 judicial retirement system, the Washington public safety employees'
34 retirement system, the higher education retirement plan supplemental
35 benefit fund, and the judges' retirement fund, pursuant to RCW
36 43.84.150, and may sell or exchange investments acquired in the
37 exercise of that authority.

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

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

10 (2) In order to reimburse the department of retirement systems
11 expense fund on an equitable basis the department shall ascertain and
12 report to each employer, as defined in RCW 28B.10.400, 41.26.030,
13 41.32.010, 41.35.010, 41.37.010, or 41.40.010, the sum necessary to
14 defray its proportional share of the entire expense of the
15 administration of the retirement system that the employer participates
16 in during the ensuing biennium or fiscal year whichever may be
17 required. Such sum is to be computed in an amount directly
18 proportional to the estimated entire expense of the administration as
19 the ratio of monthly salaries of the employer's members bears to the
20 total salaries of all members in the entire system. It shall then be
21 the duty of all such employers to include in their budgets or otherwise
22 provide the amounts so required.

23 (3) The department shall compute and bill each employer, as defined
24 in RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, or
25 41.40.010, at the end of each month for the amount due for that month
26 to the department of retirement systems expense fund and the same shall
27 be paid as are its other obligations. Such computation as to each
28 employer shall be made on a percentage rate of salary established by
29 the department. However, the department may at its discretion
30 establish a system of billing based upon calendar year quarters in
31 which event the said billing shall be at the end of each such quarter.

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

35 (5) An employer who fails to submit timely and accurate reports to
36 the department may be assessed an additional fee related to the
37 increased costs incurred by the department in processing the deficient

1 reports. Fees paid under this subsection shall be deposited in the
2 retirement system expense fund.

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

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

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

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

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

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

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