
SUBSTITUTE HOUSE BILL 1981

State of Washington

62nd Legislature

2011 Regular 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 are employed by a
5 higher education institution and who participate in an annuity or
6 retirement income plan under (a) of this subsection prior to July 1,
7 2011;

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

1 shall have been nominated by written designation duly executed and
2 filed with the retiree's institution of higher education((+)).

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

17 (3) For purposes of this chapter, "senior academic administrator"
18 means institutional presidents; vice presidents; deans, directors, and
19 chairs; and executive heads of major administrative or academic
20 divisions who hold concurrent faculty appointment with rank.

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.

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

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

34 (b) Beginning January 1, 2012, an employer contribution rate of
35 one-half of one percent of salary is established to begin prefunding
36 the unfunded future obligations of the supplemental benefit established
37 in RCW 28B.10.400.

1 (c) Consistent with chapter 41.50 RCW, the department of retirement
2 systems shall collect the employer contribution rates established in
3 this section from each state institution of higher education, and
4 deposit those contributions into the higher education retirement plan
5 supplemental benefit fund.

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

9 (i) Adopt and make changes to the employer contribution rate
10 established in (a) of this subsection consistent with the procedures
11 established in chapter 41.45 RCW. Rates adopted by the pension funding
12 council are subject to revision by the legislature.

13 (ii) Recommend legislation that will, upon accumulation of
14 sufficient funding in the higher education retirement plan supplemental
15 benefit fund transfer the responsibility for making supplemental
16 benefit payments to the department of retirement systems, and adjust
17 employer contribution rates to reflect the transfer of responsibility.

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

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

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

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

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

31 (~~(+2)~~) (3) Notwithstanding any provision of law to the contrary,
32 effective July 1, 1979, no person receiving a monthly benefit pursuant
33 to RCW 28B.10.400 shall receive, as the pension portion of that
34 benefit, less than ten dollars per month for each year of service
35 creditable to the person whose service is the basis of the benefit.
36 Portions of a year shall be treated as fractions of a year and the
37 decimal equivalent shall be multiplied by ten dollars. Where the

1 benefit was adjusted at the time benefit payments to the beneficiary
2 commenced, the minimum pension provided in this section shall be
3 adjusted in a manner consistent with that adjustment.

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

9 (a) Monthly benefits to which this subsection and subsection
10 ~~((+2))~~ (3) of this section are both applicable shall be determined by
11 first applying subsection ~~((+2))~~ (3) of this section and then applying
12 this subsection. The ~~((department))~~ institution shall determine the
13 total years of creditable service and the total dollar benefit base
14 accrued as of December 31, 1978, except that this determination shall
15 take into account only those persons to whom this subsection applies;

16 (b) The ~~((department))~~ institution shall multiply the total
17 benefits determined in (a) of this subsection by six percent and divide
18 the dollar value thus determined by the total service determined in (a)
19 of this subsection. The resultant figure shall then be a post-
20 retirement increase factor which shall be applied as specified in (c)
21 of this subsection;

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

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

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

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

35 (b) Participate in the annuities or retirement income plan provided
36 by the institution.

1 (2) At the end of thirty days, if the member has not made a choice
2 to become a member of the teachers' retirement system, he or she
3 becomes a participant in the institution's plan under RCW 28B.10.400,
4 but does not become eligible for any supplemental benefit under RCW
5 28B.10.400(1)(c).

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

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

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

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

24 (~~Any retired teacher or retired administrator who enters
25 service in any public educational institution in Washington state one
26 and one-half calendar months or more after his or her accrual date and:~~

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

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

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

36 ~~(d) 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 school year. The one thousand nine hundred hour~~
7 ~~cumulative total limitation under this section applies prospectively~~
8 ~~after July 22, 2007.~~

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

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

16 ~~((+6))~~ (4) The legislature reserves the right to amend or repeal
17 this section in the future and no member or beneficiary has a
18 contractual right to be employed for more than five hundred twenty-five
19 hours per year without a reduction of his or her pension.

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

22 (1) Except as provided in RCW 41.32.802, no retiree under the
23 provisions of plan 2 shall be eligible to receive such retiree's
24 monthly retirement allowance if he or she is employed in an eligible
25 position as defined in RCW 41.40.010, 41.32.010, 41.37.010, or
26 41.35.010, or as a law enforcement officer or firefighter as defined in
27 RCW 41.26.030, or in a position covered by annuity and retirement
28 income plans offered by institutions of higher education pursuant to
29 RCW 28B.10.400.

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

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

1 **Sec. 12.** RCW 41.32.802 and 2004 c 242 s 61 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 seven 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 forty 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 41.32.044, he or she terminates his or her retirement status and
23 immediately becomes a member. Retirement benefits shall not accrue
24 during the period of membership and the individual shall make
25 contributions and receive membership credit. Such a member shall have
26 the right to again retire if eligible.

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

29 (1) Except under RCW 41.32.862, no retiree shall be eligible to
30 receive such retiree's monthly retirement allowance if he or she is
31 employed in an eligible position as defined in RCW 41.40.010,
32 41.32.010, 41.35.010, or 41.37.010, or as a law enforcement officer or
33 firefighter as defined in RCW 41.26.030, or in a position covered by
34 annuity and retirement income plans offered by institutions of higher
35 education pursuant to RCW 28B.10.400.

36 (2) If a retiree's benefits have been suspended under this section,
37 his or her benefits shall be reinstated when the retiree terminates the

1 employment that caused the suspension of benefits. Upon reinstatement,
2 the retiree's benefits shall be actuarially recomputed pursuant to the
3 rules adopted by the department.

4 **Sec. 14.** RCW 41.32.862 and 2004 c 242 s 62 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 seven 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 forty 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 41.32.044, he or she terminates his or her retirement status and
26 immediately becomes a member. Retirement benefits shall not accrue
27 during the period of membership and the individual shall make
28 contributions and receive membership credit. Such a member shall have
29 the right to again retire if eligible.

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

32 (1)(a) If a retiree enters employment with an employer sooner than
33 one calendar month after his or her accrual date, the retiree's monthly
34 retirement allowance will be reduced by five and one-half percent for
35 every eight hours worked during that month. This reduction will be

1 applied each month until the retiree remains absent from employment
2 with an employer for one full calendar month.

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

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

15 (3) If the retiree opts to reestablish membership under RCW
16 41.35.030, he or she terminates his or her retirement status and
17 becomes a member. Retirement benefits shall not accrue during the
18 period of membership and the individual shall make contributions and
19 receive membership credit. Such a member shall have the right to again
20 retire if eligible in accordance with RCW 41.35.420 or 41.35.680.
21 However, if the right to retire is exercised to become effective before
22 the member has rendered two uninterrupted years of service, the
23 retirement formula and survivor options the member had at the time of
24 the member's previous retirement shall be reinstated.

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

27 (1) Except as provided in RCW 41.35.060, no retiree under the
28 provisions of plan 2 shall be eligible to receive such retiree's
29 monthly retirement allowance if he or she is employed in an eligible
30 position as defined in RCW 41.35.010, 41.40.010, 41.37.010, or
31 41.32.010, or as a law enforcement officer or firefighter as defined in
32 RCW 41.26.030, or in a position covered by annuity and retirement
33 income plans offered by institutions of higher education pursuant to
34 RCW 28B.10.400, except that a retiree who ends his or her membership in
35 the retirement system pursuant to RCW 41.40.023(3)(b) is not subject to
36 this section if the retiree's only employment is as an elective
37 official.

1 (2) If a retiree's benefits have been suspended under this section,
2 his 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 (3) The department shall adopt rules implementing this section.

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

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

16 (b) If a retiree enters employment in an eligible position with an
17 employer as defined in chapter 41.32, 41.35, or 41.40 RCW 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 eight 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 (c) The benefit reduction provided in (a) and (b) of this
24 subsection will accrue for a maximum of one hundred sixty hours per
25 month. Any benefit reduction over one hundred percent will be applied
26 to the benefit the 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 RCW
30 41.32.010, 41.35.010, or 41.40.010, or as a law enforcement officer or
31 firefighter as defined in RCW 41.26.030, or in a position covered by
32 annuity and retirement income plans offered by institutions of higher
33 education pursuant to RCW 28B.10.400, without suspension of his or her
34 benefit.

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

1 membership and the individual shall make contributions and receive
2 membership credit. Such a member shall have the right to again retire
3 if eligible in accordance with this chapter. However, if the right to
4 retire is exercised to become effective before the member has rendered
5 two uninterrupted years of service, the retirement formula and survivor
6 options the member had at the time of the member's previous retirement
7 shall be reinstated.

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

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

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

19 (a) Become a member of the public employees' retirement system plan
20 3 under this chapter; or

21 (b) Participate in the annuities or retirement income plan provided
22 by the institution.

23 (2) At the end of thirty days, if the member has not made a choice
24 to become a member of the public employees' retirement system, he or
25 she becomes a participant in the institution's plan under RCW
26 28B.10.400, but does not become eligible for any supplemental benefit
27 under RCW 28B.10.400(1)(c).

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

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

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

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

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

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

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

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

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

36 ~~shall cease to receive pension payments while engaged in that service~~
37 ~~after the retiree has rendered service for more than one thousand five~~
38 ~~hundred hours in a calendar year. The one thousand nine hundred hour~~

1 ~~cumulative total under this subsection applies prospectively to those~~
2 ~~retiring after July 27, 2003, and retroactively to those who retired~~
3 ~~prior to July 27, 2003, and shall be calculated from the date of~~
4 ~~retirement.~~

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

9 ~~(d) A retiree from plan 2 or plan 3 who has satisfied the break in~~
10 ~~employment requirement of subsection (1) of this section may work up to~~
11 ~~eight hundred sixty seven hours in a calendar year in an eligible~~
12 ~~position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or~~
13 ~~41.40.010, or as a firefighter or law enforcement officer, as defined~~
14 ~~in RCW 41.26.030, without suspension of his or her benefit.))~~

15 (3) If the retiree opts to reestablish membership under RCW
16 41.40.023(12), he or she terminates his or her retirement status and
17 becomes a member. Retirement benefits shall not accrue during the
18 period of membership and the individual shall make contributions and
19 receive membership credit. Such a member shall have the right to again
20 retire if eligible in accordance with RCW 41.40.180. However, if the
21 right to retire is exercised to become effective before the member has
22 rendered two uninterrupted years of service, the retirement formula and
23 survivor options the member had at the time of the member's previous
24 retirement shall be reinstated.

25 (4) 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 (5) 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 months in a calendar year
31 without a reduction of his or her pension.

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

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

- 1 (a) The Washington public employees' retirement system;
2 (b) The Washington state teachers' retirement system;
3 (c) The Washington law enforcement officers' and firefighters'
4 retirement system;
5 (d) The Washington state patrol retirement system;
6 (e) The Washington judicial retirement system; and
7 (f) The state treasurer with respect to the administration of the
8 judges' retirement fund imposed pursuant to chapter 2.12 RCW.

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

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

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

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

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

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

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

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

34 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
35 section, all expenses of the administration of the department, the
36 expenses of administration of the retirement systems, and the expenses

1 of the administration of the office of the state actuary created in
2 chapters 2.10, 2.12, 28B.10, 41.26, 41.32, 41.40, 41.34, 41.35, 41.37,
3 43.43, and 44.44 RCW shall be paid from the department of retirement
4 systems expense fund.

5 (2) In order to reimburse the department of retirement systems
6 expense fund on an equitable basis the department shall ascertain and
7 report to each employer, as defined in RCW 28B.10.400, 41.26.030,
8 41.32.010, 41.35.010, 41.37.010, or 41.40.010, the sum necessary to
9 defray its proportional share of the entire expense of the
10 administration of the retirement system that the employer participates
11 in during the ensuing biennium or fiscal year whichever may be
12 required. Such sum is to be computed in an amount directly
13 proportional to the estimated entire expense of the administration as
14 the ratio of monthly salaries of the employer's members bears to the
15 total salaries of all members in the entire system. It shall then be
16 the duty of all such employers to include in their budgets or otherwise
17 provide the amounts so required.

18 (3) The department shall compute and bill each employer, as defined
19 in RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, or
20 41.40.010, at the end of each month for the amount due for that month
21 to the department of retirement systems expense fund and the same shall
22 be paid as are its other obligations. Such computation as to each
23 employer shall be made on a percentage rate of salary established by
24 the department. However, the department may at its discretion
25 establish a system of billing based upon calendar year quarters in
26 which event the said billing shall be at the end of each such quarter.

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

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

35 (a) Every six months the department shall determine the amount of
36 an employer's fee by reviewing the timeliness and accuracy of the
37 reports submitted by the employer in the preceding six months. If

1 those reports were not both timely and accurate the department may
2 prospectively assess an additional fee under this subsection.

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

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

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

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

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

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