
SENATE BILL 5474

State of Washington

62nd Legislature

2011 Regular Session

By Senators Murray and Conway; by request of Governor Gregoire

Read first time 01/26/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to higher education employees' annuities and
2 retirement income plans; amending RCW 28B.10.400, 28B.10.405,
3 28B.10.410, 28B.10.415, 28B.10.417, 28B.10.423, and 28B.10.430; adding
4 a new section to chapter 41.32 RCW; adding a new section to chapter
5 41.40 RCW; creating a new section; providing an effective date; and
6 declaring an emergency.

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

8 NEW SECTION. **Sec. 1.** The legislature intends that the retirement
9 and annuity programs of the state's institutions of higher education be
10 revised for future participants to reflect changes that have already
11 occurred in state pension plans. The legislature intends also that
12 newly hired employees who are eligible for participation in an annuity
13 or retirement income plan offered by a higher education institution
14 have an opportunity to participate in either (1) that plan without a
15 supplemental benefit under RCW 28B10.400(3), or (2) in the public
16 employees' retirement system plan 3 or the teachers' retirement system
17 plan 3. Plan 3 provides a combination of defined contribution and
18 defined benefit pension, which will be available for newly hired

1 employees. Further, the legislature intends that effective July 1,
2 2011, state funding for annuity or retirement income plans under RCW
3 28B.10.400 will not exceed six percent of salary.

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

6 (1) The boards of regents of the state universities, the boards of
7 trustees of the regional universities and of The Evergreen State
8 College, ~~((and))~~ the state board for community and technical colleges,
9 and the higher education coordinating board are authorized and
10 empowered:

11 ~~((+1))~~ (a) To assist the faculties and such other employees as any
12 such board may designate in the purchase of old age annuities or
13 retirement income plans under such rules as any such board may
14 prescribe, subject to the restrictions in subsection (2) of this
15 section. County agricultural agents, home demonstration agents, 4-H
16 club agents, and assistant county agricultural agents paid jointly by
17 the Washington State University and the several counties shall be
18 deemed to be full time employees of the Washington State University for
19 the purposes hereof;

20 ~~((+2))~~ (b) To provide, under such rules and regulations as any
21 such board may prescribe for the faculty members or other employees
22 under its supervision, for the retirement of any such faculty member or
23 other employee on account of age or condition of health, retirement on
24 account of age to be not earlier than the sixty-fifth birthday:
25 PROVIDED, That such faculty member or such other employee may elect to
26 retire at the earliest age specified for retirement by federal social
27 security law: PROVIDED FURTHER, That any supplemental payment
28 authorized by (c) of this subsection ~~((+3) of this section))~~ and paid
29 as a result of retirement earlier than age sixty-five shall be at an
30 actuarially reduced rate; and shall be provided only to those persons
31 who are employed by a higher education institution and who participate
32 in an annuity or retirement income plan under (a) of this subsection
33 prior to July 1, 2011;

34 ~~((+3))~~ (c) To pay ~~((to any such retired person))~~ only to those
35 persons who are employed by a higher education institution and who
36 participate in an annuity or retirement income plan under (a) of this
37 subsection prior to July 1, 2011, or to his or her designated

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

29 ~~((+4))~~ (2) Boards are prohibited from offering a purchased annuity
30 or retirement income plan authorized under this section to employees
31 hired on or after July 1, 2011, who have retired or are eligible to
32 retire from a public employees' retirement system described in chapters
33 41.32, 41.35, and 41.40 RCW. The higher education coordinating board
34 ~~((is also authorized and empowered as described in this section,~~
35 ~~subject to the following: The board))~~ shall only offer participation
36 in a purchased annuity or retirement income plan authorized under this
37 section to employees who have previously contributed premiums to a
38 similar qualified plan~~((, and the board is prohibited from offering or~~

1 funding such a plan authorized under this section for the benefit of
2 any retiree who is receiving or accruing a retirement allowance from a
3 public employees' retirement system under Title 41 RCW or chapter 43.43
4 RCW)).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 (2) Beginning July 1, 2011, state funding for annuity or retirement
18 income plans under RCW 28B.10.400 shall not exceed six percent of
19 salary.

20 (3) By July 30, 2012, and every two years thereafter, each
21 institution of higher education that is responsible for payment of
22 supplemental amounts under RCW 28B.10.400(1)(c) shall contract with the
23 state actuary under chapter 41.44 RCW for an actuarial valuation of
24 their supplemental benefit plan. At the discretion of the state
25 actuary, the valuation may be performed by the state actuary or by an
26 outside actuarial firm under contract to the office of the state
27 actuary. Each institution of higher education is required to provide
28 the data and information required for the performance of the valuation
29 to the office of the state actuary or to the actuary performing the
30 valuation on behalf of the state actuary. The state actuary may charge
31 each institution for the actual cost of the valuation through an
32 interagency agreement. Upon completion of the valuation, the state
33 actuary shall provide copies of the valuation to the institution of
34 higher education and to the select committee on pension policy and the
35 pension funding council.

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

1 (1) This section applies only to those persons who are first
2 employed by an institution of higher education in a position eligible
3 for participation in an old age annuities or retirement income plan
4 under chapter 28B.10 RCW prior to July 1, 2011.

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

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

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

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

22 (~~(+3)~~) (4) Notwithstanding any provision of law to the contrary,
23 effective July 1, 1979, the monthly benefit of each person who
24 commenced receiving a monthly benefit under this chapter as of a date
25 no later than July 1, 1974, shall be permanently increased by a post-
26 retirement adjustment. Such adjustment shall be calculated as follows:

27 (a) Monthly benefits to which this subsection and subsection
28 (~~(+2)~~) (3) of this section are both applicable shall be determined by
29 first applying subsection (~~(+2)~~) (3) and then applying this
30 subsection. The (~~department~~) institution shall determine the total
31 years of creditable service and the total dollar benefit base accrued
32 as of December 31, 1978, except that this determination shall take into
33 account only those persons to whom this subsection applies;

34 (b) The (~~department~~) institution shall multiply the total
35 benefits determined in (a) of this subsection by six percent and divide
36 the dollar value thus determined by the total service determined in (a)
37 of this subsection. The resultant figure shall then be a post-

1 retirement increase factor which shall be applied as specified in (c)
2 of this subsection;

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

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

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

14 (a) Become a member of the teachers' retirement system plan 3 under
15 chapter 41.32 RCW; or

16 (b) Participate in the annuities or retirement income plan provided
17 by the institution.

18 (2) At the end of thirty days, if the member has not made a choice
19 to become a member of the teachers' retirement system, he or she
20 becomes a participant in the institutions plan under RCW 28B.10.400,
21 but does not become eligible for any supplemental benefit under RCW
22 28B.10.400(1)(c).

23 NEW SECTION. **Sec. 10.** A new section is added to chapter 41.40 RCW
24 to be codified under the subchapter heading "plan 3" to read as
25 follows:

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

31 (a) Become a member of the public employees' retirement system plan
32 3 under chapter 41.40 RCW; or

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

35 (2) At the end of thirty days, if the member has not made a choice
36 to become a member of the public employees' retirement system, he or

1 she becomes a participant in the institutions plan under RCW
2 28B.10.400, but does not become eligible for any supplemental benefit
3 under RCW 28B.10.400(1)(c).

4 NEW SECTION. **Sec. 11.** This act is necessary for the immediate
5 preservation of the public peace, health, or safety, or support of the
6 state government and its existing public institutions, and takes effect
7 July 1, 2011.

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