



1 of the legislature to provide a defined contribution retirement plan  
2 option for elected officials that uses best practices to provide the  
3 opportunity and flexibility to accrue a viable retirement benefit,  
4 while providing stable funding requirements for public employers and  
5 taxpayers.

6 **PART II**  
7 **RETIREMENT SYSTEM**

8 NEW SECTION. **Sec. 201.** This chapter applies only to members of  
9 the Washington elected officials retirement savings plan created under  
10 this chapter.

11 NEW SECTION. **Sec. 202.** The definitions in this section apply  
12 throughout this chapter unless the context clearly requires otherwise.

13 (1) "Accumulated contributions" means the sum of all contributions  
14 standing to the credit of a member in the member's individual account,  
15 together with the earnings thereon.

16 (2) "Compensation earnable" means salaries or wages earned by a  
17 member during a payroll period for service as an elected official,  
18 including wages and salaries deferred under provisions established  
19 pursuant to sections 403(b), 414(h), and 457 of the internal revenue  
20 code, but excludes nonmoney maintenance compensation and lump sum or  
21 other payments for deferred annual sick leave, unused accumulated  
22 vacation leave, unused accumulated annual leave, or any form of  
23 severance pay.

24 (3) "Department" means the department of retirement systems created  
25 in chapter 41.50 RCW.

26 (4) "Director" means the director of the department.

27 (5) "Eligible position" means any position as a state or local  
28 elected official, including elected judges and justices, that also  
29 meets the definition of eligible position in chapter 41.40 RCW.

30 (6) "Employee" or "employed" means a person who is providing  
31 services as an elected official for an employer.

32 (7) "Employer" means every branch, commission, board, and office of  
33 the state, and any political subdivision and municipal corporation of  
34 the state admitted into the retirement system. Any employer who is  
35 participating in the retirement systems established in chapter 41.40

1 RCW on the effective date of this section is an employer under this  
2 chapter. Any entity that becomes an employer under chapter 41.40 RCW  
3 after the effective date of this section is also an employer under this  
4 chapter.

5 (8) "Ineligible position" means any position that does not conform  
6 with the requirements set forth in subsection (5) of this section.

7 (9) "Member" means any employee included in the membership of the  
8 retirement system, as provided for in section 204 of this act.

9 (10) "Member account" or "member's account" means the sum of the  
10 member and employer contributions and earnings on behalf of the member.

11 (11) "Regular interest" means the rate the director determines.

12 (12) "Retirement system" means the Washington elected officials  
13 retirement savings plan created in this chapter.

14 (13) "Separation from service" occurs when a person has terminated  
15 all elected service with an employer.

16 (14) "Service" means periods of elected service by a member.

17 (15) "State actuary" or "actuary" means the person appointed  
18 pursuant to RCW 44.44.010(2).

19 (16) "State elective position" means any position held by any  
20 person elected or appointed to statewide office or elected or appointed  
21 as a member of the legislature.

22 (17) "State treasurer" means the treasurer of the state of  
23 Washington.

24 NEW SECTION. **Sec. 203.** A Washington elected officials retirement  
25 savings plan is hereby created for the elected officials of the state  
26 of Washington and its political subdivisions. The administration and  
27 management of the savings plan, the responsibility for making effective  
28 the provisions of this chapter, and the authority to make all rules and  
29 regulations necessary therefor are hereby vested in the department.  
30 All such rules and regulations shall be governed by the provisions of  
31 chapter 34.05 RCW. The retirement system created in this chapter shall  
32 be known as the Washington elected officials retirement savings plan.

33 NEW SECTION. **Sec. 204.** Membership in the retirement system  
34 consists of all persons elected to state or local government office on  
35 or after July 1, 2015, including persons who have previously served as  
36 elected officials, who make an irrevocable election within ninety days

1 of taking office to become a member of the system. Membership in the  
2 retirement system will begin on the first day of the term of office for  
3 those who elect to join the retirement system. Those who do not elect  
4 to become members of the system may not be a member of any other  
5 retirement plan for their service as elected officials.

6 NEW SECTION. **Sec. 205.** (1) A member shall contribute five percent  
7 of his or her compensation earnable until age thirty-five, and seven  
8 and one-half percent thereafter.

9 (2) The employer of a member shall contribute to the member's  
10 account an amount equal to eighty percent of the contributions made by  
11 a member.

12 (3) Contributions shall begin the first day of the pay cycle in  
13 which the employee becomes a member.

14 NEW SECTION. **Sec. 206.** In addition to contributions made to  
15 members' accounts, employers shall make contributions to the unfunded  
16 actuarial accrued liability in plan 1 of the public employees'  
17 retirement system in the amounts specified in RCW 41.45.060(6) (b) and  
18 (c).

19 NEW SECTION. **Sec. 207.** (1) Members may self-direct their  
20 investments as set forth in section 208 of this act and RCW 43.33A.190.  
21 If a member does not select investments, the member's account shall be  
22 invested in the default investment option of the retirement strategy  
23 fund that is closest to the retirement target date of the member.  
24 "Retirement strategy fund" means one of several diversified asset  
25 allocation portfolios managed by investment advisors under contract to  
26 the state investment board. The asset mix of the portfolios adjusts  
27 over time depending on a target retirement date.

28 (2) The department shall adopt rules that will allow members the  
29 option to roll over moneys from other tax qualified accounts into their  
30 public employees' savings plan member account. This option is subject  
31 to internal revenue service requirements for favorable tax  
32 qualification. The department is not required to allow all roll-overs  
33 that may be permitted under internal revenue service regulations.

1        NEW SECTION.    **Sec. 208.**    (1) The state investment board has the  
2 full authority to invest all self-directed investment moneys in  
3 accordance with RCW 43.84.150 and 43.33A.140, and cumulative investment  
4 directions received pursuant to section 207 of this act and this  
5 section. In carrying out this authority the state investment board,  
6 after consultation with the department, shall provide a set of options  
7 for members to choose from for self-directed investment.

8        (2) All investment and operating costs of the state investment  
9 board associated with making self-directed investments shall be paid by  
10 members and recovered under procedures agreed to by the department and  
11 the state investment board pursuant to the principles set forth in RCW  
12 43.33A.160 and 43.84.160. All other expenses caused by self-directed  
13 investment shall be paid by the member in accordance with rules  
14 established by the department. With the exception of these expenses,  
15 all earnings from self-directed investments shall accrue to the  
16 member's account.

17        (3)(a)(i) The department shall keep or cause to be kept full and  
18 adequate accounts and records of each individual member's account. The  
19 department shall account for and report on the investment of defined  
20 contribution assets or may enter into an agreement with the state  
21 investment board for such accounting and reporting under this chapter.

22        (ii) The department's duties related to individual member accounts  
23 include conducting the activities of trade instruction, settlement  
24 activities, and direction of cash movement and related wire transfers  
25 with the custodian bank and outside investment firms.

26        (iii) The department has sole responsibility for contracting with  
27 any recordkeepers for individual member accounts and shall manage the  
28 performance of recordkeepers under those contracts.

29        (b)(i) The department's duties under (a)(ii) of this subsection do  
30 not limit the authority of the state investment board to conduct its  
31 responsibilities for asset management and balancing of the defined  
32 contribution funds.

33        (ii) The state investment board has sole responsibility for  
34 contracting with outside investment firms to provide investment  
35 management for the defined contribution funds and shall manage the  
36 performance of investment managers under those contracts.

37        (c) The state treasurer shall designate and define the terms of  
38 engagement for the custodial banks.

1        NEW SECTION.    **Sec. 209.**    (1) If the member terminates service as an  
2    elected official, the balance in the member's account may be  
3    distributed in accordance with an option selected by the member either  
4    as a lump sum or pursuant to other options authorized by the  
5    department.

6        (2) If the member dies while in service, the balance of the  
7    member's account may be distributed in accordance with an option  
8    selected by the member either as a lump sum or pursuant to other  
9    options authorized by the department. The distribution is as follows:

10        (a) The distribution shall be made to the person or persons the  
11    member nominated by written designation duly executed and filed with  
12    the department;

13        (b) If there is no designated person or persons still living at the  
14    time of the member's death, the balance of the member's account in the  
15    retirement system shall be paid to the member's surviving spouse as if  
16    in fact the spouse had been nominated by written designation;

17        (c) If there is no surviving spouse, then to the person or persons,  
18    trust, or organization as the member has nominated by written  
19    designation duly executed and filed with the department; or

20        (d) If there is no designated person or persons still living at the  
21    time of the member's death, then to the member's legal representatives.

22        (3) The distribution under subsections (1) and (2) of this section  
23    is less any amount identified as owing to an obligee upon withdrawal  
24    pursuant to a court order filed under RCW 41.50.670.

25        (4) Upon any distribution from a member account under this section,  
26    any employer contributions and the earnings on those contributions in  
27    which the member is not vested as provided for in section 205 of this  
28    act are forfeited by the member. Amounts forfeited under this  
29    subsection will be credited, under rules developed by the department,  
30    to the employers that made the contributions.

31        (5) The department, in consultation with the state investment  
32    board, may adopt rules providing members and survivors an option to  
33    purchase, using funds in the member's account, an annuity. The  
34    offering of this option is subject to favorable tax determination by  
35    the internal revenue service.

36        NEW SECTION.    **Sec. 210.**    (1) Subject to subsections (2) and (3) of  
37    this section, the right of a person to an annuity or any other right

1 accrued or accruing to any person under the provisions of this chapter,  
2 the various funds created by this chapter, and all moneys and  
3 investments and income thereof, are hereby exempt from any state,  
4 county, municipal, or other local tax, and is not subject to execution,  
5 garnishment, attachment, the operation of bankruptcy or insolvency  
6 laws, or other process of law whatsoever, whether the same be in actual  
7 possession of the person or be deposited or loaned and shall be  
8 unassignable.

9 (2)(a) This section does not prohibit a beneficiary of an annuity  
10 from authorizing deductions therefrom for payment of premiums due on  
11 any group insurance policy or plan issued for the benefit of a group  
12 comprised of public employees of the state of Washington or its  
13 political subdivisions and which has been approved for deduction in  
14 accordance with rules that may be adopted by the state health care  
15 authority and/or the department. This section does not prohibit a  
16 beneficiary of an annuity from authorizing deductions therefrom for  
17 payment of dues and other membership fees to any retirement association  
18 or organization the membership of which is composed of retired public  
19 employees, if a total of three hundred or more of such retired  
20 employees have authorized such deduction for payment to the same  
21 retirement association or organization.

22 (b) This section does not prohibit a beneficiary of an annuity from  
23 authorizing deductions from that allowance for charitable purposes on  
24 the same terms as employees and public officers under RCW 41.04.035 and  
25 41.04.036.

26 (3) Subsection (1) of this section does not prohibit the department  
27 from complying with (a) a wage assignment order for child support  
28 issued pursuant to chapter 26.18 RCW, (b) an order to withhold and  
29 deliver issued pursuant to chapter 74.20A RCW, (c) a notice of payroll  
30 deduction issued pursuant to RCW 26.23.060, (d) a mandatory benefits  
31 assignment order issued by the department, (e) a court order directing  
32 the department of retirement systems to pay benefits directly to an  
33 obligee under a dissolution order as defined in RCW 41.50.500(3) which  
34 fully complies with RCW 41.50.670 and 41.50.700, or (f) any  
35 administrative or court order expressly authorized by federal law.

36 NEW SECTION. **Sec. 211.** (1) The retirement plan created by this  
37 chapter must be administered so as to comply with the internal revenue

1 code, Title 26 U.S.C., and specifically with plan qualification  
2 requirements imposed on governmental plans by section 401(a) of the  
3 internal revenue code.

4 (2) Any section or provision of this chapter which is susceptible  
5 to more than one construction must be interpreted in favor of the  
6 construction most likely to satisfy requirements imposed by section  
7 401(a) of the internal revenue code.

8 (3) If any section or provision of this chapter is found to be in  
9 conflict with the plan qualification requirements for governmental  
10 plans in section 401(a) of the internal revenue code, the conflicting  
11 part of this chapter is hereby inoperative solely to the extent of the  
12 conflict, and such finding does not affect the operation of the  
13 remainder of this chapter.

14 NEW SECTION. **Sec. 212.** (1) A state board, commission, or agency,  
15 or any officer, employee, or member thereof, is not liable for any loss  
16 or deficiency resulting from member investments selected or required  
17 pursuant to section 208 (1) or (3) of this act.

18 (2) Neither the department, nor director or any employee, nor the  
19 state investment board, nor any officer, employee, or member thereof,  
20 is liable for any loss or deficiency resulting from a member investment  
21 in the default option pursuant to section 207 of this act or reasonable  
22 efforts to implement investment directions pursuant to section 208 (1)  
23 or (3) of this act.

24 (3) The state investment board, or any officer, employee, or member  
25 thereof, is not liable with respect to any declared unit valuations or  
26 crediting of rates of return, or any other exercise of powers or  
27 duties, including discretion, under section 208(2) of this act.

28 (4) The department, or any officer or employee thereof, is not  
29 liable for crediting rates of return which are consistent with the  
30 state investment board's declaration of unit valuations pursuant to  
31 section 208(2) of this act.

32 NEW SECTION. **Sec. 213.** For the purposes of this chapter, the  
33 terms spouse, marriage, marital, husband, wife, widow, widower, next of  
34 kin, and family apply equally to state registered domestic partnerships  
35 or individuals in state registered domestic partnerships as well as to  
36 marital relationships and married persons, and references to



1 dissolution of marriage apply equally to state registered domestic  
2 partnerships that have been terminated, dissolved, or invalidated, to  
3 the extent that such interpretation does not conflict with federal law.  
4 When necessary to implement chapter 521, Laws of 2009, gender-specific  
5 terms such as husband and wife used in any statute, rule, or other law  
6 are gender neutral, and applicable to individuals in state registered  
7 domestic partnerships.

8 NEW SECTION. **Sec. 214.** Sections 201 through 213 of this act  
9 constitute a new chapter in Title 41 RCW.

10 **PART III**

11 **CHANGES TO EXISTING RETIREMENT SYSTEMS**

12 **Sec. 301.** RCW 41.04.440 and 2007 c 492 s 3 are each amended to  
13 read as follows:

14 (1) The sole purpose of RCW 41.04.445 and 41.04.450 is to allow the  
15 members of the retirement systems created in chapters 2.10, 2.12,  
16 41.26, 41.32, 41.35, 41.37, 41.40, 41.34, 41.--- (the new chapter  
17 created in section 214 of this act), and 43.43 RCW to enjoy the tax  
18 deferral benefits allowed under 26 U.S.C. 414(h). Chapter 227, Laws of  
19 1984 does not alter in any manner the provisions of RCW 41.45.060,  
20 41.45.061, and 41.45.067 which require that the member contribution  
21 rates shall be set so as to provide fifty percent of the cost of the  
22 respective retirement plans.

23 (2) Should the legislature revoke any benefit allowed under 26  
24 U.S.C. 414(h), no affected employee shall be entitled thereafter to  
25 receive such benefit as a matter of contractual right.

26 **Sec. 302.** RCW 41.04.445 and 2007 c 492 s 4 are each amended to  
27 read as follows:

28 (1) This section applies to all members who are:

29 (a) Judges under the retirement system established under chapter  
30 2.10, 2.12, or 2.14 RCW;

31 (b) Employees of the state under the retirement system established  
32 by chapter 41.32, 41.37, 41.40, 41.--- (the new chapter created in  
33 section 214 of this act), or 43.43 RCW;

1 (c) Employees of school districts under the retirement system  
2 established by chapter 41.32 (~~(or)~~), 41.40, or 41.--- (the new chapter  
3 created in section 214 of this act) RCW, except for substitute teachers  
4 as defined by RCW 41.32.010;

5 (d) Employees of educational service districts under the retirement  
6 system established by chapter 41.32 (~~(or)~~), 41.40, or 41.--- (the new  
7 chapter created in section 214 of this act) RCW; or

8 (e) Employees of community college districts under the retirement  
9 system established by chapter 41.32 (~~(or)~~), 41.40, or 41.--- (the new  
10 chapter created in section 214 of this act) RCW.

11 (2) Only for compensation earned after the effective date of the  
12 implementation of this section and as provided by section 414(h) of the  
13 federal internal revenue code, the employer of all the members  
14 specified in subsection (1) of this section shall pick up only those  
15 member contributions as required under:

16 (a) RCW 2.10.090(1);

17 (b) RCW 2.12.060;

18 (c) RCW 2.14.090;

19 (d) RCW 41.32.263;

20 (e) RCW 41.32.350;

21 (f) RCW 41.40.330 (1) and (3);

22 (g) RCW 41.45.061 and 41.45.067;

23 (h) RCW 41.34.070; and

24 (i) (~~RCW 43.43.300; and~~  
25 ~~(j)~~) RCW 41.34.040.

26 (3) Only for the purposes of federal income taxation, the gross  
27 income of the member shall be reduced by the amount of the contribution  
28 to the respective retirement system picked up by the employer.

29 (4) All member contributions to the respective retirement system  
30 picked up by the employer as provided by this section, plus the accrued  
31 interest earned thereon, shall be paid to the member upon the  
32 withdrawal of funds or lump sum payment of accumulated contributions as  
33 provided under the provisions of the retirement systems.

34 (5) At least forty-five days prior to implementing this section,  
35 the employer shall provide:

36 (a) A complete explanation of the effects of this section to all  
37 members; and

1 (b) Notification of such implementation to the director of the  
2 department of retirement systems.

3 **Sec. 303.** RCW 41.04.450 and 2007 c 492 s 5 are each amended to  
4 read as follows:

5 (1) Employers of those members under chapters 41.26, 41.34, 41.35,  
6 41.37, 41.--- (the new chapter created in section 214 of this act), and  
7 41.40 RCW who are not specified in RCW 41.04.445 may choose to  
8 implement the employer pick up of all member contributions without  
9 exception under RCW 41.26.080(1)(a), 41.26.450, 41.40.330(1),  
10 41.45.060, 41.45.061, and 41.45.067 and chapters 41.34, and 41.--- (the  
11 new chapter created in section 214 of this act) RCW. If the employer  
12 does so choose, the employer and members shall be subject to the  
13 conditions and limitations of RCW 41.04.445 (3), (4), and (5) and  
14 41.04.455.

15 (2) An employer exercising the option under this section may later  
16 choose to withdraw from and/or reestablish the employer pick up of  
17 member contributions only once in a calendar year following forty-five  
18 days prior notice to the director of the department of retirement  
19 systems.

20 NEW SECTION. **Sec. 304.** A new section is added to chapter 41.50  
21 RCW to read as follows:

22 If the department determines that due to employer error a member of  
23 the elected officials retirement savings plan has suffered a loss of  
24 investment return, the employer shall pay the department for credit to  
25 the member's account the amount determined by the department as  
26 necessary to correct the error.

27 **Sec. 305.** RCW 41.50.030 and 2011 1st sp.s. c 47 s 20 are each  
28 amended to read as follows:

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

- 33 (a) The Washington public employees' retirement system;  
34 (b) The Washington state teachers' retirement system;

1 (c) The Washington law enforcement officers' and firefighters'  
2 retirement system;

3 (d) The Washington state patrol retirement system;

4 (e) The Washington judicial retirement system; and

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

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

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

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

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

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

18 (7) The department shall administer the Washington elected  
19 officials retirement savings plan created in chapter 41.--- RCW (the  
20 new chapter created in section 214 of this act).

21 **Sec. 306.** RCW 41.50.110 and 2011 1st sp.s. c 50 s 936 and 2011 1st  
22 sp.s. c 47 s 22 are each reenacted and amended to read as follows:

23 (1) Except as provided by RCW 41.50.255 and subsection (6) of this  
24 section, all expenses of the administration of the department, the  
25 expenses of administration of the retirement systems, and the expenses  
26 of the administration of the office of the state actuary created in  
27 chapters 2.10, 2.12, 28B.10, 41.26, 41.32, 41.40, 41.34, 41.35, 41.37,  
28 41.--- (the new chapter created in section 214 of this act), 43.43, and  
29 44.44 RCW shall be paid from the department of retirement systems  
30 expense fund.

31 (2) In order to reimburse the department of retirement systems  
32 expense fund on an equitable basis the department shall ascertain and  
33 report to each employer, as defined in RCW 28B.10.400, 41.26.030,  
34 41.32.010, 41.35.010, 41.37.010, section 202 of this act, or 41.40.010,  
35 the sum necessary to defray its proportional share of the entire  
36 expense of the administration of the retirement system that the  
37 employer participates in during the ensuing biennium or fiscal year

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

7 (3) The department shall compute and bill each employer, as defined  
8 in RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, section  
9 202 of this act, or 41.40.010, at the end of each month for the amount  
10 due for that month to the department of retirement systems expense fund  
11 and the same shall be paid as are its other obligations. Such  
12 computation as to each employer shall be made on a percentage rate of  
13 salary established by the department. However, the department may at  
14 its discretion establish a system of billing based upon calendar year  
15 quarters in which event the said billing shall be at the end of each  
16 such quarter.

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

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

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

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

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

33 (6) Expenses other than those under RCW 41.34.060(~~(+3)~~) (4) shall  
34 be paid pursuant to subsection (1) of this section.

35 (7) During the 2009-2011 and 2011-2013 fiscal biennia, the  
36 legislature may transfer from the department of retirement systems'  
37 expense fund to the state general fund such amounts as reflect the  
38 excess fund balance of the fund.

