

CERTIFICATION OF ENROLLMENT

HOUSE BILL 2905

Chapter 247, Laws of 1994

53rd Legislature
1994 Regular Session

RETIREMENT AND PENSIONS--COST-OF-LIVING ADJUSTMENT

EFFECTIVE DATE: 8/1/94

Passed by the House March 7, 1994
Yeas 92 Nays 0

BRIAN EBERSOLE

**Speaker of the
House of Representatives**

Passed by the Senate March 4, 1994
Yeas 48 Nays 0

JOEL PRITCHARD

President of the Senate

Approved April 1, 1994

MIKE LOWRY

Governor of the State of Washington

CERTIFICATE

I, Marilyn Showalter, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2905** as passed by the House of Representatives and the Senate on the dates hereon set forth.

MARILYN SHOWALTER

Chief Clerk

FILED

April 1, 1994 - 10:42 a.m.

**Secretary of State
State of Washington**

HOUSE BILL 2905

AS AMENDED BY THE SENATE

Passed Legislature - 1994 Regular Session

State of Washington 53rd Legislature 1994 Regular Session

By Representatives Sommers, Long, Linville and Rayburn; by request of
Joint Committee on Pension Policy

Read first time 02/02/94. Referred to Committee on Appropriations.

1 AN ACT Relating to making permanent and simplifying the age sixty-
2 five cost-of-living adjustment to retirement allowances; amending RCW
3 41.32.010, 41.32.575, 41.40.010, and 41.40.325; reenacting and amending
4 RCW 43.88.030; adding a new section to chapter 41.32 RCW; adding a new
5 section to chapter 41.40 RCW; and providing an effective date.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.32 RCW
8 under the subchapter hearing "Plan I" to read as follows:

9 The dollar amount of the temporary postretirement allowance
10 adjustment granted by section 1, chapter 519, Laws of 1993 shall be
11 provided as a permanent retirement allowance adjustment as of July 1,
12 1995.

13 **Sec. 2.** RCW 41.32.010 and 1993 c 95 s 7 are each amended to read
14 as follows:

15 As used in this chapter, unless a different meaning is plainly
16 required by the context:

17 (1)(a) "Accumulated contributions" for plan I members, means the
18 sum of all regular annuity contributions with regular interest thereon.

1 (b) "Accumulated contributions" for plan II members, means the sum
2 of all contributions standing to the credit of a member in the member's
3 individual account together with the regular interest thereon.

4 (2) "Actuarial equivalent" means a benefit of equal value when
5 computed upon the basis of such mortality tables and regulations as
6 shall be adopted by the director and regular interest.

7 (3) "Annuity" means the moneys payable per year during life by
8 reason of accumulated contributions of a member.

9 (4) "Member reserve" means the fund in which all of the accumulated
10 contributions of members are held.

11 (5)(a) "Beneficiary" for plan I members, means any person in
12 receipt of a retirement allowance or other benefit provided by this
13 chapter.

14 (b) "Beneficiary" for plan II members, means any person in receipt
15 of a retirement allowance or other benefit provided by this chapter
16 resulting from service rendered to an employer by another person.

17 (6) "Contract" means any agreement for service and compensation
18 between a member and an employer.

19 (7) "Creditable service" means membership service plus prior
20 service for which credit is allowable. This subsection shall apply
21 only to plan I members.

22 (8) "Dependent" means receiving one-half or more of support from a
23 member.

24 (9) "Disability allowance" means monthly payments during
25 disability. This subsection shall apply only to plan I members.

26 (10)(a) "Earnable compensation" for plan I members, means:

27 (i) All salaries and wages paid by an employer to an employee
28 member of the retirement system for personal services rendered during
29 a fiscal year. In all cases where compensation includes maintenance
30 the employer shall fix the value of that part of the compensation not
31 paid in money.

32 (A) Retroactive payments to an individual by an employer on
33 reinstatement of the employee in a position, or payments by an employer
34 to an individual in lieu of reinstatement in a position which are
35 awarded or granted as the equivalent of the salary or wages which the
36 individual would have earned during a payroll period shall be
37 considered earnable compensation and the individual shall receive the
38 equivalent service credit.

1 (B) If a leave of absence, without pay, is taken by a member for
2 the purpose of serving as a member of the state legislature, and such
3 member has served in the legislature five or more years, the salary
4 which would have been received for the position from which the leave of
5 absence was taken shall be considered as compensation earnable if the
6 employee's contribution thereon is paid by the employee. In addition,
7 where a member has been a member of the state legislature for five or
8 more years, earnable compensation for the member's two highest
9 compensated consecutive years of service shall include a sum not to
10 exceed thirty-six hundred dollars for each of such two consecutive
11 years, regardless of whether or not legislative service was rendered
12 during those two years.

13 (ii) For members employed less than full time under written
14 contract with a school district, or community college district, in an
15 instructional position, for which the member receives service credit of
16 less than one year in all of the years used to determine the earnable
17 compensation used for computing benefits due under RCW 41.32.497,
18 41.32.498, and 41.32.520, the member may elect to have earnable
19 compensation defined as provided in RCW 41.32.345. For the purposes of
20 this subsection, the term "instructional position" means a position in
21 which more than seventy-five percent of the member's time is spent as
22 a classroom instructor (including office hours), a librarian, or a
23 counselor. Earnable compensation shall be so defined only for the
24 purpose of the calculation of retirement benefits and only as necessary
25 to insure that members who receive fractional service credit under RCW
26 41.32.270 receive benefits proportional to those received by members
27 who have received full-time service credit.

28 (b) "Earnable compensation" for plan II members, means salaries or
29 wages earned by a member during a payroll period for personal services,
30 including overtime payments, and shall include wages and salaries
31 deferred under provisions established pursuant to sections 403(b),
32 414(h), and 457 of the United States Internal Revenue Code, but shall
33 exclude lump sum payments for deferred annual sick leave, unused
34 accumulated vacation, unused accumulated annual leave, or any form of
35 severance pay.

36 (i) Retroactive payments to an individual by an employer on
37 reinstatement of the employee in a position or payments by an employer
38 to an individual in lieu of reinstatement in a position which are
39 awarded or granted as the equivalent of the salary or wages which the

1 individual would have earned during a payroll period shall be
2 considered earnable compensation, to the extent provided above, and the
3 individual shall receive the equivalent service credit.

4 (ii) In any year in which a member serves in the legislature the
5 member shall have the option of having such member's earnable
6 compensation be the greater of:

7 (A) The earnable compensation the member would have received had
8 such member not served in the legislature; or

9 (B) Such member's actual earnable compensation received for
10 teaching and legislative service combined. Any additional
11 contributions to the retirement system required because compensation
12 earnable under (b)(ii)(A) of this subsection is greater than
13 compensation earnable under (b)(ii)(B) of this subsection shall be paid
14 by the member for both member and employer contributions.

15 (11) "Employer" means the state of Washington, the school district,
16 or any agency of the state of Washington by which the member is paid.

17 (12) "Fiscal year" means a year which begins July 1st and ends June
18 30th of the following year.

19 (13) "Former state fund" means the state retirement fund in
20 operation for teachers under chapter 187, Laws of 1923, as amended.

21 (14) "Local fund" means any of the local retirement funds for
22 teachers operated in any school district in accordance with the
23 provisions of chapter 163, Laws of 1917 as amended.

24 (15) "Member" means any teacher included in the membership of the
25 retirement system. Also, any other employee of the public schools who,
26 on July 1, 1947, had not elected to be exempt from membership and who,
27 prior to that date, had by an authorized payroll deduction, contributed
28 to the member reserve.

29 (16) "Membership service" means service rendered subsequent to the
30 first day of eligibility of a person to membership in the retirement
31 system: PROVIDED, That where a member is employed by two or more
32 employers the individual shall receive no more than one service credit
33 month during any calendar month in which multiple service is rendered.
34 The provisions of this subsection shall apply only to plan I members.

35 (17) "Pension" means the moneys payable per year during life from
36 the pension reserve.

37 (18) "Pension reserve" is a fund in which shall be accumulated an
38 actuarial reserve adequate to meet present and future pension

1 liabilities of the system and from which all pension obligations are to
2 be paid.

3 (19) "Prior service" means service rendered prior to the first date
4 of eligibility to membership in the retirement system for which credit
5 is allowable. The provisions of this subsection shall apply only to
6 plan I members.

7 (20) "Prior service contributions" means contributions made by a
8 member to secure credit for prior service. The provisions of this
9 subsection shall apply only to plan I members.

10 (21) "Public school" means any institution or activity operated by
11 the state of Washington or any instrumentality or political subdivision
12 thereof employing teachers, except the University of Washington and
13 Washington State University.

14 (22) "Regular contributions" means the amounts required to be
15 deducted from the compensation of a member and credited to the member's
16 individual account in the member reserve. This subsection shall apply
17 only to plan I members.

18 (23) "Regular interest" means such rate as the director may
19 determine.

20 (24)(a) "Retirement allowance" for plan I members, means monthly
21 payments based on the sum of annuity and pension, or any optional
22 benefits payable in lieu thereof.

23 (b) "Retirement allowance" for plan II members, means monthly
24 payments to a retiree or beneficiary as provided in this chapter.

25 (25) "Retirement system" means the Washington state teachers'
26 retirement system.

27 (26)(a) "Service" means the time during which a member has been
28 employed by an employer for compensation: PROVIDED, That where a
29 member is employed by two or more employers the individual shall
30 receive no more than one service credit month during any calendar month
31 in which multiple service is rendered.

32 (b) "Service" for plan II members, means periods of employment by
33 a member for one or more employers for which earnable compensation is
34 earned subject to the following conditions:

35 (i) A member employed in an eligible position or as a substitute
36 shall receive one service credit month for each month of September
37 through August of the following year if he or she earns earnable
38 compensation for eight hundred ten or more hours during that period and
39 is employed during nine of those months, except that a member may not

1 receive credit for any period prior to the member's employment in an
2 eligible position except as provided in RCW 41.32.812 and 41.50.132;

3 (ii) If a member is employed either in an eligible position or as
4 a substitute teacher for nine months of the twelve month period between
5 September through August of the following year but earns earnable
6 compensation for less than eight hundred ten hours but for at least six
7 hundred thirty hours, he or she will receive one-half of a service
8 credit month for each month of the twelve month period;

9 (iii) All other members in an eligible position or as a substitute
10 teacher shall receive service credit as follows:

11 (A) A service credit month is earned in those calendar months where
12 earnable compensation is earned for ninety or more hours;

13 (B) A half-service credit month is earned in those calendar months
14 where earnable compensation is earned for at least seventy hours but
15 less than ninety hours; and

16 (C) A quarter-service credit month is earned in those calendar
17 months where earnable compensation is earned for less than seventy
18 hours.

19 Any person who is a member of the teachers' retirement system and
20 who is elected or appointed to a state elective position may continue
21 to be a member of the retirement system and continue to receive a
22 service credit month for each of the months in a state elective
23 position by making the required member contributions.

24 When an individual is employed by two or more employers the
25 individual shall only receive one month's service credit during any
26 calendar month in which multiple service for ninety or more hours is
27 rendered.

28 The department shall adopt rules implementing this subsection.

29 (27) "Service credit year" means an accumulation of months of
30 service credit which is equal to one when divided by twelve.

31 (28) "Service credit month" means a full service credit month or an
32 accumulation of partial service credit months that are equal to one.

33 (29) "Teacher" means any person qualified to teach who is engaged
34 by a public school in an instructional, administrative, or supervisory
35 capacity. The term includes state, educational service district, and
36 school district superintendents and their assistants and all employees
37 certificated by the superintendent of public instruction; and in
38 addition thereto any full time school doctor who is employed by a

1 public school and renders service of an instructional or educational
2 nature.

3 (30) "Average final compensation" for plan II members, means the
4 member's average earnable compensation of the highest consecutive sixty
5 service credit months prior to such member's retirement, termination,
6 or death. Periods constituting authorized leaves of absence may not be
7 used in the calculation of average final compensation except under RCW
8 41.32.810(2).

9 (31) "Retiree" means any member in receipt of a retirement
10 allowance or other benefit provided by this chapter resulting from
11 service rendered to an employer by such member.

12 (32) "Department" means the department of retirement systems
13 created in chapter 41.50 RCW.

14 (33) "Director" means the director of the department.

15 (34) "State elective position" means any position held by any
16 person elected or appointed to state-wide office or elected or
17 appointed as a member of the legislature.

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

20 (36) "Substitute teacher" means:

21 (a) A teacher who is hired by an employer to work as a temporary
22 teacher, except for teachers who are annual contract employees of an
23 employer and are guaranteed a minimum number of hours; or

24 (b) Teachers who either (i) work in ineligible positions for more
25 than one employer or (ii) work in an ineligible position or positions
26 together with an eligible position.

27 (37)(a) "Eligible position" for plan II members from June 7, 1990,
28 through September 1, 1991, means a position which normally requires two
29 or more uninterrupted months of creditable service during September
30 through August of the following year.

31 (b) "Eligible position" for plan II on and after September 1, 1991,
32 means a position that, as defined by the employer, normally requires
33 five or more months of at least seventy hours of earnable compensation
34 during September through August of the following year.

35 (c) For purposes of this chapter an employer shall not define
36 "position" in such a manner that an employee's monthly work for that
37 employer is divided into more than one position.

38 (d) The elected position of the superintendent of public
39 instruction is an eligible position.

1 (38) "Plan I" means the teachers' retirement system, plan I
2 providing the benefits and funding provisions covering persons who
3 first became members of the system prior to October 1, 1977.

4 (39) "Plan II" means the teachers' retirement system, plan II
5 providing the benefits and funding provisions covering persons who
6 first became members of the system on and after October 1, 1977.

7 (40) "Index" means, for any calendar year, that year's annual
8 average consumer price index, Seattle, Washington area, for urban wage
9 earners and clerical workers, all items compiled by the bureau of labor
10 statistics, United States department of labor.

11 (41) "Index A" means the index for the year prior to the
12 determination of a postretirement adjustment.

13 (42) "Index B" means the index for the year prior to index A.

14 (43) "Index year" means the earliest calendar year in which the
15 index is more than sixty percent of index A.

16 (44) "Adjustment ratio" means the value of index A divided by index
17 B.

18 **Sec. 3.** RCW 41.32.575 and 1989 c 272 s 3 are each amended to read
19 as follows:

20 ~~(1) ((Beginning July 1, 1989, and every year thereafter, the~~
21 ~~department shall determine the following information for each retired~~
22 ~~member or beneficiary who is over the age of sixty five:~~

23 ~~(a) The dollar amount of the retirement allowance received by the~~
24 ~~retiree at age sixty five, to be known for the purposes of this section~~
25 ~~as the "age sixty five allowance";~~

26 ~~(b) The index for the calendar year prior to the year that the~~
27 ~~retiree reached age sixty five, to be known for purposes of this~~
28 ~~section as "index A";~~

29 ~~(c) The index for the calendar year prior to the date of~~
30 ~~determination, to be known for purposes of this section as "index B";~~

31 ~~(d) The ratio obtained when index B is divided by index A, to be~~
32 ~~known for the purposes of this section as the "full purchasing power~~
33 ~~ratio"; and~~

34 ~~(e) The value obtained when the retiree's age sixty five allowance~~
35 ~~is multiplied by sixty percent of the retiree's full purchasing power~~
36 ~~ratio, to be known for the purposes of this section as the "target~~
37 ~~benefit.")) Beginning April 1, 1995, and each April 1st thereafter, the
38 office of the state actuary shall notify the department of:~~

1 (a) The index year; and
2 (b) The adjustment ratio except the adjustment ratio may not be
3 greater than one and three one-hundredths or less than one.

4 (2) Beginning with the July 1, 1995, payment, and annually
5 thereafter the ~~((retiree's age sixty-five))~~ retirement allowance of a
6 retiree who attained age sixty-five on or before the index year shall
7 be ((adjusted to be equal to the retiree's target benefit)) multiplied
8 by the adjustment ratio except the adjustment ratio may not exceed one
9 and three one-hundredths or be less than one. ((In no event, however,
10 shall the adjusted allowance:

11 ~~(a) Be smaller than the retirement allowance received without the~~
12 ~~adjustment; nor~~

13 ~~(b) Differ from the previous year's allowance by more than three~~
14 ~~percent.~~

15 ~~(3) For members who retire after age sixty five, the age sixty five~~
16 ~~allowance shall be the initial retirement allowance received by the~~
17 ~~member.~~

18 ~~(4) For beneficiaries of members who die prior to age sixty five:~~

19 ~~(a) The age sixty five allowance shall be the allowance received by the~~
20 ~~beneficiary on the date the member would have turned age sixty five;~~
21 ~~and (b) index A shall be the index for the calendar year prior to the~~
22 ~~year the member would have turned age sixty five.~~

23 ~~(5)) (3) Where the pension payable to a beneficiary was adjusted~~
24 ~~at the time the benefit commenced, the benefit provided by this section~~
25 ~~shall be adjusted in a manner consistent with the adjustment made to~~
26 ~~the beneficiary's pension.~~

27 ~~((6)) (4) For the purposes of this section((:~~

28 ~~(a) "Index" means, for any calendar year, that year's average~~
29 ~~consumer price index—Seattle, Washington area for urban wage earners~~
30 ~~and clerical workers, all items, compiled by the bureau of labor~~
31 ~~statistics, United States department of labor;~~

32 ~~(b)) "retired member" or "retiree" means any member who has~~
33 ~~retired for service or because of duty or nonduty disability, or the~~
34 ~~surviving beneficiary of such a member.~~

35 NEW SECTION. Sec. 4. A new section is added to chapter 41.40 RCW
36 under the subchapter heading "Plan I" to read as follows:

37 The dollar amount of the temporary postretirement allowance
38 adjustment granted by section 1, chapter 519, Laws of 1993 shall be

1 provided as a permanent retirement allowance adjustment as of July 1,
2 1995.

3 **Sec. 5.** RCW 41.40.010 and 1993 c 95 s 8 are each amended to read
4 as follows:

5 As used in this chapter, unless a different meaning is plainly
6 required by the context:

7 (1) "Retirement system" means the public employees' retirement
8 system provided for in this chapter.

9 (2) "Department" means the department of retirement systems created
10 in chapter 41.50 RCW.

11 (3) "State treasurer" means the treasurer of the state of
12 Washington.

13 (4)(a) "Employer" for plan I members, means every branch,
14 department, agency, commission, board, and office of the state, any
15 political subdivision or association of political subdivisions of the
16 state admitted into the retirement system, and legal entities
17 authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW as now
18 or hereafter amended; and the term shall also include any labor guild,
19 association, or organization the membership of a local lodge or
20 division of which is comprised of at least forty percent employees of
21 an employer (other than such labor guild, association, or organization)
22 within this chapter. The term may also include any city of the first
23 class that has its own retirement system.

24 (b) "Employer" for plan II members, means every branch, department,
25 agency, commission, board, and office of the state, and any political
26 subdivision and municipal corporation of the state admitted into the
27 retirement system, including public agencies created pursuant to RCW
28 35.63.070, 36.70.060, and 39.34.030.

29 (5) "Member" means any employee included in the membership of the
30 retirement system, as provided for in RCW 41.40.023.

31 (6) "Original member" of this retirement system means:

32 (a) Any person who became a member of the system prior to April 1,
33 1949;

34 (b) Any person who becomes a member through the admission of an
35 employer into the retirement system on and after April 1, 1949, and
36 prior to April 1, 1951;

37 (c) Any person who first becomes a member by securing employment
38 with an employer prior to April 1, 1951, provided the member has

1 rendered at least one or more years of service to any employer prior to
2 October 1, 1947;

3 (d) Any person who first becomes a member through the admission of
4 an employer into the retirement system on or after April 1, 1951,
5 provided, such person has been in the regular employ of the employer
6 for at least six months of the twelve-month period preceding the said
7 admission date;

8 (e) Any member who has restored all contributions that may have
9 been withdrawn as provided by RCW 41.40.150 and who on the effective
10 date of the individual's retirement becomes entitled to be credited
11 with ten years or more of membership service except that the provisions
12 relating to the minimum amount of retirement allowance for the member
13 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
14 apply to the member;

15 (f) Any member who has been a contributor under the system for two
16 or more years and who has restored all contributions that may have been
17 withdrawn as provided by RCW 41.40.150 and who on the effective date of
18 the individual's retirement has rendered five or more years of service
19 for the state or any political subdivision prior to the time of the
20 admission of the employer into the system; except that the provisions
21 relating to the minimum amount of retirement allowance for the member
22 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
23 apply to the member.

24 (7) "New member" means a person who becomes a member on or after
25 April 1, 1949, except as otherwise provided in this section.

26 (8)(a) "Compensation earnable" for plan I members, means salaries
27 or wages earned during a payroll period for personal services and where
28 the compensation is not all paid in money, maintenance compensation
29 shall be included upon the basis of the schedules established by the
30 member's employer: PROVIDED, That retroactive payments to an
31 individual by an employer on reinstatement of the employee in a
32 position, or payments by an employer to an individual in lieu of
33 reinstatement in a position which are awarded or granted as the
34 equivalent of the salary or wage which the individual would have earned
35 during a payroll period shall be considered compensation earnable and
36 the individual shall receive the equivalent service credit: PROVIDED
37 FURTHER, That if a leave of absence is taken by an individual for the
38 purpose of serving in the state legislature, the salary which would
39 have been received for the position from which the leave of absence was

1 taken, shall be considered as compensation earnable if the employee's
2 contribution is paid by the employee and the employer's contribution is
3 paid by the employer or employee.

4 (b) "Compensation earnable" for plan II members, means salaries or
5 wages earned by a member during a payroll period for personal services,
6 including overtime payments, and shall include wages and salaries
7 deferred under provisions established pursuant to sections 403(b),
8 414(h), and 457 of the United States Internal Revenue Code, but shall
9 exclude nonmoney maintenance compensation and lump sum payments for
10 deferred annual sick leave, unused accumulated vacation, unused
11 accumulated annual leave, or any form of severance pay: PROVIDED, That
12 retroactive payments to an individual by an employer on reinstatement
13 of the employee in a position, or payments by an employer to an
14 individual in lieu of reinstatement in a position which are awarded or
15 granted as the equivalent of the salary or wage which the individual
16 would have earned during a payroll period shall be considered
17 compensation earnable to the extent provided above, and the individual
18 shall receive the equivalent service credit: PROVIDED FURTHER, That in
19 any year in which a member serves in the legislature, the member shall
20 have the option of having such member's compensation earnable be the
21 greater of:

22 (i) The compensation earnable the member would have received had
23 such member not served in the legislature; or

24 (ii) Such member's actual compensation earnable received for
25 nonlegislative public employment and legislative service combined. Any
26 additional contributions to the retirement system required because
27 compensation earnable under subparagraph (i) of this subsection is
28 greater than compensation earnable under subparagraph (ii) of this
29 subsection shall be paid by the member for both member and employer
30 contributions.

31 (9)(a) "Service" for plan I members, except as provided in RCW
32 41.40.088, means periods of employment in an eligible position or
33 positions for one or more employers rendered to any employer for which
34 compensation is paid, and includes time spent in office as an elected
35 or appointed official of an employer. Compensation earnable earned in
36 full time work for seventy hours or more in any given calendar month
37 shall constitute one service credit month except as provided in RCW
38 41.40.088. Compensation earnable earned for less than seventy hours in
39 any calendar month shall constitute one-quarter service credit month of

1 service except as provided in RCW 41.40.088. Only service credit
2 months and one-quarter service credit months shall be counted in the
3 computation of any retirement allowance or other benefit provided for
4 in this chapter. Any fraction of a year of service shall be taken into
5 account in the computation of such retirement allowance or benefits.

6 Service by a state employee officially assigned by the state on a
7 temporary basis to assist another public agency, shall be considered as
8 service as a state employee: PROVIDED, That service to any other
9 public agency shall not be considered service as a state employee if
10 such service has been used to establish benefits in any other public
11 retirement system: PROVIDED FURTHER, That an individual shall receive
12 no more than a total of twelve service credit months of service during
13 any calendar year: PROVIDED FURTHER, That where an individual is
14 employed in an eligible position by one or more employers the
15 individual shall receive no more than one service credit month during
16 any calendar month in which multiple service for seventy or more hours
17 is rendered.

18 (b) "Service" for plan II members, means periods of employment by
19 a member in an eligible position or positions for one or more employers
20 for which compensation earnable is paid. Compensation earnable earned
21 for ninety or more hours in any calendar month shall constitute one
22 service credit month except as provided in RCW 41.40.088. Compensation
23 earnable earned for at least seventy hours but less than ninety hours
24 in any calendar month shall constitute one-half service credit month of
25 service. Compensation earnable earned for less than seventy hours in
26 any calendar month shall constitute one-quarter service credit month of
27 service.

28 Any fraction of a year of service shall be taken into account in
29 the computation of such retirement allowance or benefits.

30 Service in any state elective position shall be deemed to be full
31 time service, except that persons serving in state elective positions
32 who are members of the teachers' retirement system or law enforcement
33 officers' and fire fighters' retirement system at the time of election
34 or appointment to such position may elect to continue membership in the
35 teachers' retirement system or law enforcement officers' and fire
36 fighters' retirement system.

37 A member shall receive a total of not more than twelve service
38 credit months of service for such calendar year: PROVIDED, That when
39 an individual is employed in an eligible position by one or more

1 employers the individual shall receive no more than one service credit
2 month during any calendar month in which multiple service for ninety or
3 more hours is rendered.

4 (10) "Service credit year" means an accumulation of months of
5 service credit which is equal to one when divided by twelve.

6 (11) "Service credit month" means a month or an accumulation of
7 months of service credit which is equal to one.

8 (12) "Prior service" means all service of an original member
9 rendered to any employer prior to October 1, 1947.

10 (13) "Membership service" means:

11 (a) All service rendered, as a member, after October 1, 1947;

12 (b) All service after October 1, 1947, to any employer prior to the
13 time of its admission into the retirement system: PROVIDED, That an
14 amount equal to the employer and employee contributions which would
15 have been paid to the retirement system on account of such service
16 shall have been paid to the retirement system with interest (as
17 computed by the department) on the employee's portion prior to
18 retirement of such person, by the employee or his employer, except as
19 qualified by RCW 41.40.023: PROVIDED FURTHER, That employer
20 contributions plus employee contributions with interest submitted by
21 the employee under this subsection shall be placed in the employee's
22 individual account in the employees' savings fund and be treated as any
23 other contribution made by the employee, with the exception that the
24 contributions submitted by the employee in payment of the employer's
25 obligation, together with the interest the director may apply to the
26 employer's contribution, shall be excluded from the calculation of the
27 member's annuity in the event the member selects a benefit with an
28 annuity option;

29 (c) Service not to exceed six consecutive months of probationary
30 service rendered after April 1, 1949, and prior to becoming a member,
31 in the case of any member, upon payment in full by such member of the
32 total amount of the employer's contribution to the retirement fund
33 which would have been required under the law in effect when such
34 probationary service was rendered if the member had been a member
35 during such period, except that the amount of the employer's
36 contribution shall be calculated by the director based on the first
37 month's compensation earnable as a member;

38 (d) Service not to exceed six consecutive months of probationary
39 service, rendered after October 1, 1947, and before April 1, 1949, and

1 prior to becoming a member, in the case of any member, upon payment in
2 full by such member of five percent of such member's salary during said
3 period of probationary service, except that the amount of the
4 employer's contribution shall be calculated by the director based on
5 the first month's compensation earnable as a member.

6 (14)(a) "Beneficiary" for plan I members, means any person in
7 receipt of a retirement allowance, pension or other benefit provided by
8 this chapter.

9 (b) "Beneficiary" for plan II members, means any person in receipt
10 of a retirement allowance or other benefit provided by this chapter
11 resulting from service rendered to an employer by another person.

12 (15) "Regular interest" means such rate as the director may
13 determine.

14 (16) "Accumulated contributions" means the sum of all contributions
15 standing to the credit of a member in the member's individual account
16 together with the regular interest thereon.

17 (17)(a) "Average final compensation" for plan I members, means the
18 annual average of the greatest compensation earnable by a member during
19 any consecutive two year period of service credit months for which
20 service credit is allowed; or if the member has less than two years of
21 service credit months then the annual average compensation earnable
22 during the total years of service for which service credit is allowed.

23 (b) "Average final compensation" for plan II members, means the
24 member's average compensation earnable of the highest consecutive sixty
25 months of service credit months prior to such member's retirement,
26 termination, or death. Periods constituting authorized leaves of
27 absence may not be used in the calculation of average final
28 compensation except under RCW 41.40.710(2).

29 (18) "Final compensation" means the annual rate of compensation
30 earnable by a member at the time of termination of employment.

31 (19) "Annuity" means payments for life derived from accumulated
32 contributions of a member. All annuities shall be paid in monthly
33 installments.

34 (20) "Pension" means payments for life derived from contributions
35 made by the employer. All pensions shall be paid in monthly
36 installments.

37 (21) "Retirement allowance" means the sum of the annuity and the
38 pension.

1 (22) "Employee" means any person who may become eligible for
2 membership under this chapter, as set forth in RCW 41.40.023.

3 (23) "Actuarial equivalent" means a benefit of equal value when
4 computed upon the basis of such mortality and other tables as may be
5 adopted by the director.

6 (24) "Retirement" means withdrawal from active service with a
7 retirement allowance as provided by this chapter.

8 (25) "Eligible position" means:

9 (a) Any position that, as defined by the employer, normally
10 requires five or more months of service a year for which regular
11 compensation for at least seventy hours is earned by the occupant
12 thereof. For purposes of this chapter an employer shall not define
13 "position" in such a manner that an employee's monthly work for that
14 employer is divided into more than one position;

15 (b) Any position occupied by an elected official or person
16 appointed directly by the governor for which compensation is paid.

17 (26) "Ineligible position" means any position which does not
18 conform with the requirements set forth in subsection (25) of this
19 section.

20 (27) "Leave of absence" means the period of time a member is
21 authorized by the employer to be absent from service without being
22 separated from membership.

23 (28) "Totally incapacitated for duty" means total inability to
24 perform the duties of a member's employment or office or any other work
25 for which the member is qualified by training or experience.

26 (29) "Retiree" means any member in receipt of a retirement
27 allowance or other benefit provided by this chapter resulting from
28 service rendered to an employer by such member.

29 (30) "Director" means the director of the department.

30 (31) "State elective position" means any position held by any
31 person elected or appointed to state-wide office or elected or
32 appointed as a member of the legislature.

33 (32) "State actuary" or "actuary" means the person appointed
34 pursuant to RCW 44.44.010(2).

35 (33) "Plan I" means the public employees' retirement system, plan
36 I providing the benefits and funding provisions covering persons who
37 first became members of the system prior to October 1, 1977.

1 (34) "Plan II" means the public employees' retirement system, plan
2 II providing the benefits and funding provisions covering persons who
3 first became members of the system on and after October 1, 1977.

4 (35) "Index" means, for any calendar year, that year's annual
5 average consumer price index, Seattle, Washington area, for urban wage
6 earners and clerical workers, all items, compiled by the bureau of
7 labor statistics, United States department of labor.

8 (36) "Index A" means the index for the year prior to the
9 determination of a postretirement adjustment.

10 (37) "Index B" means the index for the year prior to index A.

11 (38) "Index year" means the earliest calendar year in which the
12 index is more than sixty percent of index A.

13 (39) "Adjustment ratio" means the value of index A divided by index
14 B.

15 **Sec. 6.** RCW 41.40.325 and 1989 c 272 s 2 are each amended to read
16 as follows:

17 (1) ~~Beginning ((July 1, 1989, and every year thereafter, the~~
18 ~~department shall determine the following information for each retired~~
19 ~~member or beneficiary who is over the age of sixty five:~~

20 (a) ~~The dollar amount of the retirement allowance received by the~~
21 ~~retiree at age sixty five, to be known for the purposes of this section~~
22 ~~as the "age sixty five allowance";~~

23 (b) ~~The index for the calendar year prior to the year that the~~
24 ~~retiree reached age sixty five, to be known for purposes of this~~
25 ~~section as "index A";~~

26 (c) ~~The index for the calendar year prior to the date of~~
27 ~~determination, to be known for purposes of this section as "index B";~~

28 (d) ~~The ratio obtained when index B is divided by index A, to be~~
29 ~~known for the purposes of this section as the "full purchasing power~~
30 ~~ratio"; and~~

31 (e) ~~The value obtained when the retiree's age sixty five allowance~~
32 ~~is multiplied by sixty percent of the retiree's full purchasing power~~
33 ~~ratio, to be known for the purposes of this section as the "target~~
34 ~~benefit.")) April 1, 1995, and each April 1st thereafter, the office of
35 the state actuary shall notify the department of:~~

36 (a) The index year; and

37 (b) The adjustment ratio except the adjustment ratio may not be
38 greater than one and three one-hundredths or less than one.

1 (2) Beginning with the July 1, 1995, payment, and annually
2 thereafter the ~~((retiree's age sixty-five))~~ retirement allowance of a
3 retiree who attained age sixty-five on or before the index year shall
4 be ~~((adjusted to be equal to the retiree's target benefit))~~ multiplied
5 by the adjustment ratio except the adjustment ratio may not exceed one
6 and three one-hundredths or be less than one. ~~((In no event, however,~~
7 ~~shall the adjusted allowance:~~

8 (a) ~~Be smaller than the retirement allowance received without the~~
9 ~~adjustment; nor~~

10 (b) ~~Differ from the previous year's allowance by more than three~~
11 ~~percent.~~

12 (3) ~~For members who retire after age sixty five, the age sixty five~~
13 ~~allowance shall be the initial retirement allowance received by the~~
14 ~~member.~~

15 (4) ~~For beneficiaries of members who die prior to age sixty five:~~

16 (a) ~~The age sixty five allowance shall be the allowance received by the~~
17 ~~beneficiary on the date the member would have turned age sixty five;~~
18 and (b) ~~index A shall be the index for the calendar year prior to the~~
19 ~~year the member would have turned age sixty five.~~

20 (5)) (3) Where the pension payable to a beneficiary was adjusted
21 at the time the benefit commenced, the benefit provided by this section
22 shall be adjusted in a manner consistent with the adjustment made to
23 the beneficiary's pension.

24 ((+6)) (4) For the purposes of this section((:

25 (a) ~~"Index" means, for any calendar year, that year's average~~
26 ~~consumer price index—Seattle, Washington area for urban wage earners~~
27 ~~and clerical workers, all items, compiled by the bureau of labor~~
28 ~~statistics, United States department of labor;~~

29 (b)) ~~"retired member" or "retiree" means any member who has~~
30 ~~retired for service or because of duty or nonduty disability, or the~~
31 ~~surviving beneficiary of such a member.~~

32 **Sec. 7.** RCW 43.88.030 and 1991 c 358 s 1 and 1991 c 284 s 1 are
33 each reenacted and amended to read as follows:

34 (1) The director of financial management shall provide all agencies
35 with a complete set of instructions for submitting biennial budget
36 requests to the director at least three months before agency budget
37 documents are due into the office of financial management. The
38 director shall provide agencies that are required under RCW 44.40.070

1 to develop comprehensive six-year program and financial plans with a
2 complete set of instructions for submitting these program and financial
3 plans at the same time that instructions for submitting other budget
4 requests are provided. The budget document or documents shall consist
5 of the governor's budget message which shall be explanatory of the
6 budget and shall contain an outline of the proposed financial policies
7 of the state for the ensuing fiscal period, as well as an outline of
8 the proposed six-year financial policies where applicable, and shall
9 describe in connection therewith the important features of the budget.
10 The message shall set forth the reasons for salient changes from the
11 previous fiscal period in expenditure and revenue items and shall
12 explain any major changes in financial policy. Attached to the budget
13 message shall be such supporting schedules, exhibits and other
14 explanatory material in respect to both current operations and capital
15 improvements as the governor shall deem to be useful to the
16 legislature. The budget document or documents shall set forth a
17 proposal for expenditures in the ensuing fiscal period, or six-year
18 period where applicable, based upon the estimated revenues as approved
19 by the economic and revenue forecast council or upon the estimated
20 revenues of the office of financial management for those funds,
21 accounts, and sources for which the office of the economic and revenue
22 forecast council does not prepare an official forecast, including those
23 revenues anticipated to support the six-year programs and financial
24 plans under RCW 44.40.070. In estimating revenues to support financial
25 plans under RCW 44.40.070, the office of financial management shall
26 rely on information and advice from the interagency revenue task force.
27 Revenues shall be estimated for such fiscal period from the source and
28 at the rates existing by law at the time of submission of the budget
29 document, including the supplemental budgets submitted in the even-
30 numbered years of a biennium. However, the estimated revenues for use
31 in the governor's budget document may be adjusted to reflect budgetary
32 revenue transfers and revenue estimates dependent upon budgetary
33 assumptions of enrollments, workloads, and caseloads. All adjustments
34 to the approved estimated revenues must be set forth in the budget
35 document. The governor may additionally submit, as an appendix to each
36 supplemental, biennial, or six-year agency budget or to the budget
37 document or documents, a proposal for expenditures in the ensuing
38 fiscal period from revenue sources derived from proposed changes in
39 existing statutes.

1 Supplemental and biennial documents shall reflect a six-year
2 expenditure plan consistent with estimated revenues from existing
3 sources and at existing rates for those agencies required to submit
4 six-year program and financial plans under RCW 44.40.070. Any
5 additional revenue resulting from proposed changes to existing statutes
6 shall be separately identified within the document as well as related
7 expenditures for the six-year period.

8 The budget document or documents shall also contain:

9 (a) Revenues classified by fund and source for the immediately past
10 fiscal period, those received or anticipated for the current fiscal
11 period, those anticipated for the ensuing biennium, and those
12 anticipated for the ensuing six-year period to support the six-year
13 programs and financial plans required under RCW 44.40.070;

14 (b) The undesignated fund balance or deficit, by fund;

15 (c) Such additional information dealing with expenditures,
16 revenues, workload, performance, and personnel as the legislature may
17 direct by law or concurrent resolution;

18 (d) Such additional information dealing with revenues and
19 expenditures as the governor shall deem pertinent and useful to the
20 legislature;

21 (e) Tabulations showing expenditures classified by fund, function,
22 activity and object;

23 (f) A delineation of each agency's activities, including those
24 activities funded from nonbudgeted, nonappropriated sources, including
25 funds maintained outside the state treasury; (~~and~~)

26 (g) Identification of all proposed direct expenditures to implement
27 the Puget Sound water quality plan under chapter 90.70 RCW, shown by
28 agency and in total; and

29 (h) Tabulations showing each postretirement adjustment by
30 retirement system established after fiscal year 1991, to include, but
31 not be limited to, estimated total payments made to the end of the
32 previous biennial period, estimated payments for the present biennium,
33 and estimated payments for the ensuing biennium.

34 (2) The budget document or documents shall include detailed
35 estimates of all anticipated revenues applicable to proposed operating
36 or capital expenditures and shall also include all proposed operating
37 or capital expenditures. The total of beginning undesignated fund
38 balance and estimated revenues less working capital and other reserves

1 shall equal or exceed the total of proposed applicable expenditures.

2 The budget document or documents shall further include:

3 (a) Interest, amortization and redemption charges on the state
4 debt;

5 (b) Payments of all reliefs, judgments and claims;

6 (c) Other statutory expenditures;

7 (d) Expenditures incident to the operation for each agency;

8 (e) Revenues derived from agency operations;

9 (f) Expenditures and revenues shall be given in comparative form
10 showing those incurred or received for the immediately past fiscal
11 period and those anticipated for the current biennium and next ensuing
12 biennium, as well as those required to support the six-year programs
13 and financial plans required under RCW 44.40.070;

14 (g) A showing and explanation of amounts of general fund and other
15 funds obligations for debt service and any transfers of moneys that
16 otherwise would have been available for appropriation;

17 (h) Common school expenditures on a fiscal-year basis;

18 (i) A showing, by agency, of the value and purpose of financing
19 contracts for the lease/purchase or acquisition of personal or real
20 property for the current and ensuing fiscal periods; and

21 (j) A showing and explanation of anticipated amounts of general
22 fund and other funds required to amortize the unfunded actuarial
23 accrued liability of the retirement system specified under chapter
24 41.45 RCW, and the contributions to meet such amortization, stated in
25 total dollars and as a level percentage of total compensation.

26 (3) A separate capital budget document or schedule shall be
27 submitted that will contain the following:

28 (a) A capital plan consisting of proposed capital spending for at
29 least four fiscal periods succeeding the next fiscal period;

30 (b) A capital program consisting of proposed capital projects for
31 at least the two fiscal periods succeeding the next fiscal period;

32 (c) A capital plan consisting of proposed capital spending for at
33 least four fiscal periods succeeding the next fiscal period;

34 (d) A statement of the reason or purpose for a project;

35 (e) Verification that a project is consistent with the provisions
36 set forth in chapter 36.70A RCW;

37 (f) A statement about the proposed site, size, and estimated life
38 of the project, if applicable;

39 (g) Estimated total project cost;

- 1 (h) Estimated total project cost for each phase of the project as
2 defined by the office of financial management;
- 3 (i) Estimated ensuing biennium costs;
- 4 (j) Estimated costs beyond the ensuing biennium;
- 5 (k) Estimated construction start and completion dates;
- 6 (l) Source and type of funds proposed;
- 7 (m) Such other information bearing upon capital projects as the
8 governor deems to be useful;
- 9 (n) Standard terms, including a standard and uniform definition of
10 maintenance for all capital projects;
- 11 (o) Such other information as the legislature may direct by law or
12 concurrent resolution.

13 For purposes of this subsection (3), the term "capital project"
14 shall be defined subsequent to the analysis, findings, and
15 recommendations of a joint committee comprised of representatives from
16 the house capital appropriations committee, senate ways and means
17 committee, legislative transportation committee, legislative evaluation
18 and accountability program committee, and office of financial
19 management.

20 (4) No change affecting the comparability of agency or program
21 information relating to expenditures, revenues, workload, performance
22 and personnel shall be made in the format of any budget document or
23 report presented to the legislature under this section or RCW
24 43.88.160(1) relative to the format of the budget document or report
25 which was presented to the previous regular session of the legislature
26 during an odd-numbered year without prior legislative concurrence.
27 Prior legislative concurrence shall consist of (a) a favorable majority
28 vote on the proposal by the standing committees on ways and means of
29 both houses if the legislature is in session or (b) a favorable
30 majority vote on the proposal by members of the legislative evaluation
31 and accountability program committee if the legislature is not in
32 session.

33 NEW SECTION. **Sec. 8.** This act shall take effect August 1, 1994.

Passed the House March 7, 1994.

Passed the Senate March 4, 1994.

Approved by the Governor April 1, 1994.

Filed in Office of Secretary of State April 1, 1994.