
SUBSTITUTE SENATE BILL 6155

State of Washington

54th Legislature

1996 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Bauer, Long, Fraser, Winsley and Roach; by request of Joint Committee on Pension Policy)

Read first time 01/25/96.

1 AN ACT Relating to the Washington state teachers' retirement
2 system; amending RCW 41.32.817, 41.32.818, 41.32.840, 41.32.855,
3 41.32.875, 41.32.895, 41.32.831, 41.34.020, 41.34.040, 41.34.060,
4 41.50.075, 41.50.110, 41.50.670, 41.54.030, 2.14.080, 41.05.011, and
5 41.05.080; amending 1995 c 239 s 327 (uncodified); reenacting and
6 amending RCW 41.32.010; adding new sections to chapter 41.32 RCW;
7 adding a new section to chapter 41.34 RCW; repealing RCW 41.32.890,
8 41.32.885, and 41.54.035; providing an effective date; and declaring an
9 emergency.

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

11 **Sec. 1.** RCW 41.32.010 and 1995 c 345 s 9 and 1995 c 239 s 102 are
12 each reenacted and amended to read as follows:

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

15 (1)(a) "Accumulated contributions" for plan I members, means the
16 sum of all regular annuity contributions and, except for the purpose of
17 withdrawal at the time of retirement, any amount paid under RCW
18 41.50.165(2) 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, including any amount paid under RCW 41.50.165(2),
4 together with the regular interest thereon.

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

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

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

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

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

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

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

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

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

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

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

34 (ii) "Earnable compensation" for plan I members also includes the
35 following actual or imputed payments, which are not paid for personal
36 services:

37 (A) Retroactive payments to an individual by an employer on
38 reinstatement of the employee in a position, or payments by an employer
39 to an individual in lieu of reinstatement in a position which are

1 awarded or granted as the equivalent of the salary or wages which the
2 individual would have earned during a payroll period shall be
3 considered earnable compensation and the individual shall receive the
4 equivalent service credit.

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

17 (iii) For members employed less than full time under written
18 contract with a school district, or community college district, in an
19 instructional position, for which the member receives service credit of
20 less than one year in all of the years used to determine the earnable
21 compensation used for computing benefits due under RCW 41.32.497,
22 41.32.498, and 41.32.520, the member may elect to have earnable
23 compensation defined as provided in RCW 41.32.345. For the purposes of
24 this subsection, the term "instructional position" means a position in
25 which more than seventy-five percent of the member's time is spent as
26 a classroom instructor (including office hours), a librarian, or a
27 counselor. Earnable compensation shall be so defined only for the
28 purpose of the calculation of retirement benefits and only as necessary
29 to insure that members who receive fractional service credit under RCW
30 41.32.270 receive benefits proportional to those received by members
31 who have received full-time service credit.

32 (iv) "Earnable compensation" does not include:

33 (A) Remuneration for unused sick leave authorized under RCW
34 41.04.340, 28A.400.210, or 28A.310.490;

35 (B) Remuneration for unused annual leave in excess of thirty days
36 as authorized by RCW 43.01.044 and 43.01.041.

37 (b) "Earnable compensation" for plan II and plan III members, means
38 salaries or wages earned by a member during a payroll period for
39 personal services, including overtime payments, and shall include wages

1 and salaries deferred under provisions established pursuant to sections
2 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
3 shall exclude lump sum payments for deferred annual sick leave, unused
4 accumulated vacation, unused accumulated annual leave, or any form of
5 severance pay.

6 "Earnable compensation" for plan II and plan III members also
7 includes the following actual or imputed payments which, except in the
8 case of (b)(ii)(B) of this subsection, are not paid for personal
9 services:

10 (i) Retroactive payments to an individual by an employer on
11 reinstatement of the employee in a position or payments by an employer
12 to an individual in lieu of reinstatement in a position which are
13 awarded or granted as the equivalent of the salary or wages which the
14 individual would have earned during a payroll period shall be
15 considered earnable compensation, to the extent provided above, and the
16 individual shall receive the equivalent service credit.

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

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

22 (B) Such member's actual earnable compensation received for
23 teaching and legislative service combined. Any additional
24 contributions to the retirement system required because compensation
25 earnable under (b)(ii)(A) of this subsection is greater than
26 compensation earnable under (b)(ii)(B) of this subsection shall be paid
27 by the member for both member and employer contributions.

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

30 (12) "Fiscal year" means a year which begins July 1st and ends June
31 30th of the following year.

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

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

37 (15) "Member" means any teacher included in the membership of the
38 retirement system. Also, any other employee of the public schools who,
39 on July 1, 1947, had not elected to be exempt from membership and who,

1 prior to that date, had by an authorized payroll deduction, contributed
2 to the member reserve.

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

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

11 (18) "Pension reserve" is a fund in which shall be accumulated an
12 actuarial reserve adequate to meet present and future pension
13 liabilities of the system and from which all pension obligations are to
14 be paid.

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

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

22 (21) "Public school" means any institution or activity operated by
23 the state of Washington or any instrumentality or political subdivision
24 thereof employing teachers, except the University of Washington and
25 Washington State University.

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

30 (23) "Regular interest" means such rate as the director may
31 determine.

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

35 (b) "Retirement allowance" for plan II and plan III members, means
36 monthly payments to a retiree or beneficiary as provided in this
37 chapter.

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

1 (26)(a) "Service" for plan I members means the time during which a
2 member has been employed by an employer for compensation.

3 (i) If a member is employed by two or more employers the individual
4 shall receive no more than one service credit month during any calendar
5 month in which multiple service is rendered.

6 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
7 sick leave may be creditable as service solely for the purpose of
8 determining eligibility to retire under RCW 41.32.470.

9 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
10 state retirement system that covers teachers in public schools may be
11 applied solely for the purpose of determining eligibility to retire
12 under RCW 41.32.470.

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

16 (i) A member employed in an eligible position or as a substitute
17 shall receive one service credit month for each month of September
18 through August of the following year if he or she earns earnable
19 compensation for eight hundred ten or more hours during that period and
20 is employed during nine of those months, except that a member may not
21 receive credit for any period prior to the member's employment in an
22 eligible position except as provided in RCW 41.32.812 and 41.50.132;

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

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

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

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

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

1 (iv) Any person who is a member of the teachers' retirement system
2 and who is elected or appointed to a state elective position may
3 continue to be a member of the retirement system and continue to
4 receive a service credit month for each of the months in a state
5 elective position by making the required member contributions.

6 (v) When an individual is employed by two or more employers the
7 individual shall only receive one month's service credit during any
8 calendar month in which multiple service for ninety or more hours is
9 rendered.

10 (vi) As authorized by RCW 28A.400.300, up to forty-five days of
11 sick leave may be creditable as service solely for the purpose of
12 determining eligibility to retire under RCW 41.32.470. For purposes of
13 plan II and plan III "forty-five days" as used in RCW 28A.400.300 is
14 equal to two service credit months. Use of less than forty-five days
15 of sick leave is creditable as allowed under this subsection as
16 follows:

17 (A) Less than eleven days equals one-quarter service credit month;

18 (B) Eleven or more days but less than twenty-two days equals one-
19 half service credit month;

20 (C) Twenty-two days equals one service credit month;

21 (D) More than twenty-two days but less than thirty-three days
22 equals one and one-quarter service credit month;

23 (E) Thirty-three or more days but less than forty-five days equals
24 one and one-half service credit month.

25 (vii) As authorized in RCW 41.32.065, service earned in an out-of-
26 state retirement system that covers teachers in public schools may be
27 applied solely for the purpose of determining eligibility to retire
28 under RCW 41.32.470.

29 (viii) The department shall adopt rules implementing this
30 subsection.

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

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

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

1 addition thereto any full time school doctor who is employed by a
2 public school and renders service of an instructional or educational
3 nature.

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

10 (31) "Retiree" means any person in receipt of a retirement
11 allowance or other benefit provided by this chapter resulting from
12 service rendered to an employer while a member. A person is in receipt
13 of a retirement allowance as defined in subsection (24) of this section
14 or other benefit as provided by this chapter when the department mails,
15 causes to be mailed, or otherwise transmits the retirement allowance
16 warrant.

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

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

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

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

25 (36) "Substitute teacher" means:

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

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

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

36 (b) "Eligible position" for plan II and plan III on and after
37 September 1, 1991, means a position that, as defined by the employer,
38 normally requires five or more months of at least seventy hours of

1 earnable compensation during September through August of the following
2 year.

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

6 (d) The elected position of the superintendent of public
7 instruction is an eligible position.

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

11 (39) "Plan II" means the teachers' retirement system, plan II
12 providing the benefits and funding provisions covering persons who
13 first became members of the system on and after October 1, 1977, and
14 prior to July 1, 1996.

15 (40) "Plan III" means the teachers' retirement system, plan III
16 providing the benefits and funding provisions covering persons who
17 first become members of the system on and after July 1, 1996, or who
18 transfer under RCW 41.32.817.

19 (~~(41) ("Education association" means an association organized to~~
20 ~~carry out collective bargaining activities, the majority of whose~~
21 ~~members are employees covered by chapter 41.59 RCW or academic~~
22 ~~employees covered by chapter 28B.52 RCW.~~

23 ~~(42))~~ (42) "Index" means, for any calendar year, that year's annual
24 average consumer price index, Seattle, Washington area, for urban wage
25 earners and clerical workers, all items compiled by the bureau of labor
26 statistics, United States department of labor.

27 (~~(43))~~ (42) "Index A" means the index for the year prior to the
28 determination of a postretirement adjustment.

29 (~~(44))~~ (43) "Index B" means the index for the year prior to index
30 A.

31 (~~(45))~~ (44) "Index year" means the earliest calendar year in
32 which the index is more than sixty percent of index A.

33 (~~(46))~~ (45) "Adjustment ratio" means the value of index A divided
34 by index B.

35 (~~(47))~~ (46) "Annual increase" means, initially, fifty-nine cents
36 per month per year of service which amount shall be increased each July
37 1st by three percent, rounded to the nearest cent.

1 (47) "Member account" or "member's account" for purposes of plan
2 III means the sum of the contributions and earnings on behalf of the
3 member in the defined contribution portion of plan III.

4 **Sec. 2.** RCW 41.32.817 and 1995 c 239 s 303 are each amended to
5 read as follows:

6 (1) Every plan II member employed by an employer in an eligible
7 position may make an irrevocable option to transfer to plan III. (~~For~~
8 ~~those who elect to transfer:~~

9 ~~(a))~~ (2) Any plan II member who is a substitute teacher may make
10 an irrevocable option to transfer to plan III at the time the member
11 purchases substitute service credit pursuant to RCW 41.32.013, pursuant
12 to time lines and procedures established by the department.

13 (3) Any plan II member, other than a substitute teacher, who wishes
14 to transfer to plan III after December 31, 1997, may transfer during
15 the month of January in any following year, provided that the member
16 earns service credit for that month.

17 (4) All service credit in plan II shall be transferred to the
18 defined benefit portion of plan III.

19 ~~((b))~~ (5) The accumulated contributions in plan II less fifty
20 percent of any contributions made pursuant to RCW 41.50.165(2) shall be
21 transferred to the member's account in the defined contribution portion
22 established in chapter 41.34 RCW, pursuant to procedures developed by
23 the department and subject to RCW 41.34.090. Contributions made
24 pursuant to RCW 41.50.165(2) that are not transferred to the member's
25 account shall be transferred to the fund created in RCW 41.50.075(2),
26 except that interest earned on all such contributions shall be
27 transferred to the member's account.

28 ~~((c) A member vested on July 1, 1996, under plan II shall be~~
29 ~~automatically vested in plan III upon transfer.~~

30 ~~(d) Members employed by an employer in an eligible position on~~
31 ~~January 1, 1998, who request to transfer to plan III by January 1,~~
32 ~~1998, shall have their account in the defined contribution portion of~~
33 ~~plan III, other than those accumulated contributions attributable to~~
34 ~~restorations made under RCW 41.50.165(2), increased by twenty percent~~
35 ~~of their plan II accumulated contributions as of January 1, 1996. If~~
36 ~~the member who requests to transfer dies before January 1, 1998, the~~
37 ~~additional payment provided by this subsection shall be paid to the~~
38 ~~member's estate, or such person or persons, trust, or organization as~~

1 ~~the member shall have nominated by written designation duly executed~~
2 ~~and filed with the department.~~

3 ~~(e)) (6) The legislature reserves the right to discontinue the~~
4 ~~right to transfer under this section.~~

5 ~~((2) This subsection shall also apply to dual members as provided~~
6 ~~in RCW 41.54.035.~~

7 ~~(3) Any member who elects to transfer to plan III and has eligible~~
8 ~~unrestored withdrawn contributions in plan II, may subsequently restore~~
9 ~~such contributions under the provisions of RCW 41.32.825. The restored~~
10 ~~plan II service credit will be automatically transferred to plan III.~~
11 ~~Contributions restored will be transferred to the member's account in~~
12 ~~plan III.~~

13 ~~(4)) (7) Anyone previously retired from plan II is prohibited from~~
14 ~~transferring to plan III.~~

15 **Sec. 3.** RCW 41.32.818 and 1995 c 239 s 304 are each amended to
16 read as follows:

17 Any ~~(person))~~ member of the public employees' retirement system
18 plan II who is employed in an eligible position as an educational staff
19 associate and who elected pursuant to RCW 41.32.032(2)(a) to remain a
20 member of the public employees' retirement system under chapter 41.40
21 RCW may make an irrevocable option before January 1, 1998, to transfer
22 to plan III pursuant to RCW 41.32.817, PROVIDED THAT:

23 (1) Only service credit for previous periods of employment in a
24 position covered by RCW 41.32.010 is transferred to plan III;

25 (2) Equivalent accumulated employee and employer contributions
26 attributable to service covered by subsection (1) of this section are
27 transferred to plan III;

28 (3) Employer contributions transferred under this section shall be
29 paid into the teachers' retirement system combined plan II and III
30 fund.

31 ~~((Any person, not employed as an educational staff associate on~~
32 ~~July 1, 1996, may choose, within one year of the person's return to~~
33 ~~employment as a teacher, to transfer to plan III under this section.))~~

34 **Sec. 4.** RCW 41.32.840 and 1995 c 239 s 106 are each amended to
35 read as follows:

1 (1) A member of the retirement system shall receive a retirement
2 allowance equal to one percent of such member's average final
3 compensation for each service credit year.

4 (2) The retirement allowance payable under RCW 41.32.875 to a
5 member who separates after having completed at least twenty service
6 credit years shall be increased by twenty-five one-hundredths of one
7 percent, compounded for each month from the date of separation to the
8 date that the retirement allowance commences.

9 **Sec. 5.** RCW 41.32.855 and 1995 c 239 s 109 are each amended to
10 read as follows:

11 Any member or beneficiary eligible to receive a retirement
12 allowance under the provisions of RCW 41.32.875, 41.32.880, or
13 41.32.895 shall be eligible to commence receiving a retirement
14 allowance after having filed written application with the department.

15 (1) Retirement allowances paid to members shall accrue from the
16 first day of the calendar month immediately following such member's
17 separation from employment.

18 (2) Retirement allowances (~~paid~~) payable to (~~vested~~) eligible
19 members no longer in service, but qualifying for such an allowance
20 pursuant to RCW (~~41.32.870~~) 41.32.875 shall accrue from the first day
21 of the calendar month immediately following such qualification.

22 (3) Disability allowances paid to disabled members shall accrue
23 from the first day of the calendar month immediately following such
24 member's separation from employment for disability.

25 (4) Retirement allowances paid as death benefits shall accrue from
26 the first day of the calendar month immediately following the member's
27 death.

28 **Sec. 6.** RCW 41.32.875 and 1995 c 239 s 113 are each amended to
29 read as follows:

30 (1) NORMAL RETIREMENT. Any member who (~~has vested and attained~~)
31 is at least age sixty-five and who has:

32 (a) Completed ten service credit years; or

33 (b) Completed five service credit years, including twelve service
34 credit months after attaining age fifty-four; or

35 (c) Completed five service credit years by July 1, 1996, under plan
36 II and who transferred to plan III under RCW 41.32.817;

1 shall be eligible to retire and to receive a retirement allowance
2 computed according to the provisions of RCW 41.32.840.

3 (2) EARLY RETIREMENT. Any member who has attained at least age
4 fifty-five and has completed at least ten years of service shall be
5 eligible to retire and to receive a retirement allowance computed
6 according to the provisions of RCW 41.32.840, except that a member
7 retiring pursuant to this subsection shall have the retirement
8 allowance actuarially reduced to reflect the difference in the number
9 of years between age at retirement and the attainment of age sixty-
10 five.

11 **Sec. 7.** RCW 41.32.895 and 1995 c 239 s 117 are each amended to
12 read as follows:

13 If a member (~~(who is vested)~~) dies prior to retirement, the
14 surviving spouse or eligible child or children shall receive a
15 retirement allowance computed as provided in RCW 41.32.851 actuarially
16 reduced to reflect a joint and one hundred percent survivor option and
17 if the member was not eligible for normal retirement at the date of
18 death a further reduction as described in RCW 41.32.875(2).

19 If the surviving spouse who is receiving the retirement allowance
20 dies leaving a child or children under the age of majority, then such
21 child or children shall continue to receive an allowance in an amount
22 equal to that which was being received by the surviving spouse, share
23 and share alike, until such child or children reach the age of
24 majority.

25 If there is no surviving spouse eligible to receive an allowance at
26 the time of the member's death, such member's child or children under
27 the age of majority shall receive an allowance, share and share alike.
28 The allowance shall be calculated with the assumption that the age of
29 the spouse and member were equal at the time of the member's death.

30 NEW SECTION. **Sec. 8.** A new section is added to chapter 41.32 RCW
31 under the subchapter heading "provisions applicable to plan III" to
32 read as follows:

33 (1) Anyone who requests to transfer under RCW 41.32.817 before
34 January 1, 1998, and establishes service credit for January 1998, shall
35 have their member account increased by twenty percent of:

36 (a) Plan II accumulated contributions as of January 1, 1996, less
37 fifty percent of any payments made pursuant to RCW 41.50.165(2); or

1 (b) All amounts withdrawn after January 1, 1996, which are
2 completely restored before January 1, 1998.

3 (2) Substitute teachers shall receive the additional payment
4 provided in subsection (1) of this section if they:

5 (a) Establish service credit for January 1998; and

6 (b) Establish any service credit from July 1996 through December
7 1997; and

8 (c) Elect to transfer on or before March 1, 1999.

9 (3) If a member who requests to transfer dies before January 1,
10 1998, the additional payment provided by this section shall be paid to
11 the member's estate, or the person or persons, trust, or organization
12 the member nominated by written designation duly executed and filed
13 with the department.

14 (4) The legislature reserves the right to modify or discontinue the
15 right to an incentive payment under this section for any plan II
16 members who have not previously transferred to plan III.

17 NEW SECTION. **Sec. 9.** A new section is added to chapter 41.32 RCW
18 under the subchapter heading "provisions applicable to plan III" to
19 read as follows:

20 (1) Any member who elects to transfer to plan III and has eligible
21 unrestored withdrawn contributions in plan II, may restore such
22 contributions under the provisions of RCW 41.32.825(1) with interest as
23 determined by the department. The restored plan II service credit will
24 be automatically transferred to plan III. Restoration payments will be
25 transferred to the member account in plan III. If the member fails to
26 meet the time limitations of RCW 41.32.825(1), they may restore such
27 contributions under the provisions of RCW 41.50.165(2). The restored
28 plan II service credit will be automatically transferred to plan III.
29 One-half of the restoration payments under RCW 41.50.165(2) plus
30 interest shall be allocated to the member's account.

31 (2) Any member who elects to transfer to plan III may purchase plan
32 II service credit under RCW 41.32.810(3). Purchased plan II service
33 credit will be automatically transferred to plan III. Contributions on
34 behalf of the employer paid by the employee shall be allocated to the
35 defined benefit portion of plan III and shall not be refundable when
36 paid to the fund described in RCW 41.50.075(2). Contributions on
37 behalf of the employee shall be allocated to the member account. If the
38 member fails to meet the time limitations of RCW 41.32.810(3), they may

1 subsequently restore such contributions under the provisions of RCW
2 41.50.165(2). Purchased plan II service credit will be automatically
3 transferred to plan III. One-half of the payments under RCW
4 41.50.165(2), plus interest, shall be allocated to the member's
5 account.

6 **Sec. 10.** RCW 41.32.831 and 1995 c 239 s 104 are each amended to
7 read as follows:

8 (1) RCW 41.32.831 through 41.32.895 shall apply only to plan III
9 members.

10 (2) Plan III shall consist of two separate elements: (a) A defined
11 benefit portion covered under this subchapter; and (b) a defined
12 contribution portion covered under chapter 41.34 RCW. (~~All~~
13 ~~contributions on behalf of the employer paid by an employee shall be~~
14 ~~made to the defined benefit portion of plan III and shall be~~
15 ~~nonrefundable when paid to the fund described in RCW 41.50.075(3).)~~)

16 (3) Unless otherwise specified, all references to "plan III" in
17 this subchapter refer to the defined benefit portion of plan III.

18 NEW SECTION. **Sec. 11.** A new section is added to chapter 41.32 RCW
19 under the subchapter heading "provisions applicable to plan III" to
20 read as follows:

21 (1) Contributions on behalf of the employer paid by the employee to
22 purchase plan III service credit shall be allocated to the defined
23 benefit portion of plan III and shall not be refundable when paid to
24 the fund described in RCW 41.50.075(2). Contributions on behalf of the
25 employee shall be allocated to the member account. If the member fails
26 to meet the statutory time limitations to purchase plan III service
27 credit, it may be purchased under the provisions of RCW 41.50.165(2).
28 One-half of the purchase payments under RCW 41.50.165(2), plus
29 interest, shall be allocated to the member's account.

30 (2) No purchased plan III membership service will be credited until
31 all payments required of the member are made, with interest. Upon
32 receipt of all payments owed by the member, the department shall bill
33 the employer for any contributions, plus interest, required to purchase
34 membership service.

35 NEW SECTION. **Sec. 12.** A new section is added to chapter 41.34 RCW
36 to read as follows:

1 A member who separates from service and then reestablishes
2 membership may restore contributions to the member account.

3 **Sec. 13.** RCW 41.34.020 and 1995 c 239 s 202 are each amended to
4 read as follows:

5 As used in this chapter, the following terms have the meanings
6 indicated:

7 (1) "Actuary" means the state actuary or the office of the state
8 actuary.

9 (2) "Board" means the employee retirement benefits board authorized
10 in chapter 41.50 RCW.

11 (3) "Department" means the department of retirement systems.

12 (4) "Compensation" for purposes of this chapter is the same as
13 "earnable compensation" for plan III in chapter 41.32 RCW, except that
14 the compensation may be reported when paid, rather than when earned.

15 (5) "Employer" means the same as "employer" for plan III in chapter
16 41.32 RCW.

17 (6) "Member" means any employee included in the membership of a
18 retirement system as provided for (~~plan III~~) in chapter 41.32 RCW of
19 plan III.

20 (~~(6)~~) (7) "Member account" or "member's account" means the sum of
21 the contributions and earnings on behalf of the member.

22 (~~(7)~~) (8) "Retiree" means any member in receipt of an allowance
23 or other benefit provided by this chapter resulting from service
24 rendered to an employer by such member.

25 **Sec. 14.** RCW 41.34.040 and 1995 c 239 s 204 are each amended to
26 read as follows:

27 (1) A member shall contribute from his or her compensation
28 according to one of the following rate structures:

<u>Option A</u>	<u>Contribution Rate</u>
All Ages	5.0% fixed
<u>Option B</u>	
Up to Age 35	5.0%
Age 35 to 44	6.0%
Age 45 and above	7.5%
<u>Option C</u>	
Up to Age 35	6.0%
Age 35 to 44	7.5%

1 provisions of this chapter and chapter 41.26 RCW, whether such moneys
2 take the form of cash, securities, or other assets. The plan I fund
3 shall consist of all moneys paid to finance the benefits provided to
4 members of the law enforcement officers' and fire fighters' retirement
5 system plan I, and the plan II fund shall consist of all moneys paid to
6 finance the benefits provided to members of the law enforcement
7 officers' and fire fighters' retirement system plan II.

8 (2) All of the assets of the Washington state teachers' retirement
9 system shall be credited according to the purposes for which they are
10 held, to two funds to be maintained in the state treasury, namely, the
11 teachers' retirement system plan I fund and the teachers' retirement
12 system combined plan II and III fund. The plan I fund shall consist of
13 all moneys paid to finance the benefits provided to members of the
14 Washington state teachers' retirement system plan I, and the combined
15 plan II and III fund shall consist of all moneys paid to finance the
16 benefits provided to members of the Washington state teachers'
17 retirement system plan II and III.

18 (3) There is hereby established in the state treasury two separate
19 funds, namely the public employees' retirement system plan I fund and
20 the public employees' retirement system plan II fund. The plan I fund
21 shall consist of all moneys paid to finance the benefits provided to
22 members of the public employees' retirement system plan I, and the plan
23 II fund shall consist of all moneys paid to finance the benefits
24 provided to members of the public employees' retirement system plan II.

25 ~~((4) There is hereby established in the state treasury the plan
26 III defined contribution fund which shall consist of all contributions
27 and earnings paid on behalf of members, except as otherwise provided.))~~

28 **Sec. 17.** RCW 41.50.110 and 1995 c 239 s 313 are each amended to
29 read as follows:

30 ~~((Notwithstanding any provision of law to the contrary, the
31 retirement system expense fund is hereby redesignated as the department
32 of retirement systems expense fund from which shall be paid the))~~
33 Except as provided by RCW 41.50.255 and subsection (6) of this section,
34 all expenses of the administration of the department and the expenses
35 of administration of the retirement systems created in chapters 2.10,
36 2.12, 41.26, 41.32, 41.40, 41.34, and 43.43 RCW shall be paid from the
37 department of retirement systems expense fund.

1 (2) In order to reimburse the department of retirement systems
2 expense fund on an equitable basis the department shall ascertain and
3 report to each employer, as defined in RCW 41.26.030, 41.32.010, or
4 41.40.010, the sum necessary to defray its proportional share of the
5 entire expense of the administration of the retirement system that the
6 employer participates in during the ensuing biennium or fiscal year
7 whichever may be required. Such sum is to be computed in an amount
8 directly proportional to the estimated entire expense of the
9 administration as the ratio of monthly salaries of the employer's
10 members bears to the total salaries of all members in the entire
11 system. It shall then be the duty of all such employers to include in
12 their budgets or otherwise provide the amounts so required.

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

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

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

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

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

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

38 (6) Expenses (~~incurred pursuant to RCW 41.34.060 shall be deducted~~
39 ~~from the defined contribution fund in accordance with rules established~~

1 by the board under RCW 41.50.088)) other than those under RCW
2 41.34.060(2) shall be paid pursuant to subsection (1) of this section.

3 **Sec. 18.** RCW 41.50.670 and 1991 c 365 s 13 are each amended to
4 read as follows:

5 (1) Nothing in this chapter regarding mandatory assignment of
6 benefits to enforce a spousal maintenance obligation shall abridge the
7 right of an obligee to direct payments of retirement benefits to
8 satisfy a property division obligation ordered pursuant to a court
9 decree of dissolution or legal separation or any court order or court-
10 approved property settlement agreement incident to any court decree of
11 dissolution or legal separation as provided in RCW 2.10.180, 2.12.090,
12 41.04.310, 41.04.320, 41.04.330, ((41.26.180)) 41.26.053, 41.32.052,
13 41.34.070(3), 41.40.052, 43.43.310, or 26.09.138, as those statutes
14 existed before July 1, 1987, and as those statutes exist on and after
15 July 28, 1991. The department shall pay benefits under this chapter in
16 a lump sum or as a portion of periodic retirement payments as expressly
17 provided by the dissolution order. A dissolution order may not order
18 the department to pay a periodic retirement payment or lump sum unless
19 that payment is specifically authorized under the provisions of chapter
20 2.10, 2.12, 41.26, 41.32, 41.34, 41.40, or 43.43 RCW, as applicable.

21 (2) The department shall pay directly to an obligee the amount of
22 periodic retirement payments or lump sum payment, as appropriate,
23 specified in the dissolution order if the dissolution order filed with
24 the department pursuant to subsection (1) of this section includes a
25 provision that states in the following form:

26 If (the obligor) receives periodic retirement payments
27 as defined in RCW 41.50.500, the department of retirement systems shall
28 pay to (the obligee) dollars from such payments
29 or . . . percent of such payments. If the obligor's debt is expressed
30 as a percentage of his or her periodic retirement payment and the
31 obligee does not have a survivorship interest in the obligor's benefit,
32 the amount received by the obligee shall be the percentage of the
33 periodic retirement payment that the obligor would have received had he
34 or she selected a standard allowance.

35 If (the obligor) requests or has requested a withdrawal
36 of accumulated contributions as defined in RCW 41.50.500, or becomes
37 eligible for a lump sum death benefit, the department of retirement
38 systems shall pay to (the obligee) dollars plus

1 interest at the rate paid by the department of retirement systems on
2 member contributions. Such interest to accrue from the date of this
3 order's entry with the court of record.

4 (3) This section does not require a member to select a standard
5 allowance upon retirement nor does it require the department to
6 recalculate the amount of a retiree's periodic retirement payment based
7 on a change in survivor option.

8 (4) A court order under this section may not order the department
9 to pay more than seventy-five percent of an obligor's periodic
10 retirement payment to an obligee.

11 (5) Persons whose court decrees were entered between July 1, 1987,
12 and July 28, 1991, shall also be entitled to receive direct payments of
13 retirement benefits to satisfy court-ordered property divisions if the
14 dissolution orders comply or are modified to comply with this section
15 and RCW 41.50.680 through 41.50.720 and, as applicable, RCW 2.10.180,
16 2.12.090, (~~41.26.180~~) 41.26.053, 41.32.052, 41.34.070, 41.40.052,
17 43.43.310, and 26.09.138.

18 (6) The obligee must file a copy of the dissolution order with the
19 department within ninety days of that order's entry with the court of
20 record.

21 (7) A division of benefits pursuant to a dissolution order under
22 this section shall be based upon the obligor's gross benefit prior to
23 any deductions. If the department is required to withhold a portion of
24 the member's benefit pursuant to 26 U.S.C. Sec. 3402 and the sum of
25 that amount plus the amount owed to the obligee exceeds the total
26 benefit, the department shall satisfy the withholding requirements
27 under 26 U.S.C. Sec. 3402 and then pay the remainder to the obligee.
28 The provisions of this subsection do not apply to amounts withheld
29 pursuant to 26 U.S.C. Sec. 3402(i).

30 **Sec. 19.** RCW 41.54.030 and 1995 c 239 s 319 are each amended to
31 read as follows:

32 (1) A dual member may combine service in all systems for the
33 purpose of:

34 (a) Determining the member's eligibility to receive a service
35 retirement allowance; and

36 (b) Qualifying for a benefit under RCW (~~41.32.885(3)~~)
37 41.32.840(2).

1 (2) A dual member who is eligible to retire under any system may
2 elect to retire from all the member's systems and to receive service
3 retirement allowances calculated as provided in this section. Each
4 system shall calculate the allowance using its own criteria except that
5 the member shall be allowed to substitute the member's base salary from
6 any system as the compensation used in calculating the allowance.

7 (3) The service retirement allowances from a system which, but for
8 this section, would not be allowed to be paid at this date based on the
9 dual member's age shall be either actuarially adjusted from the
10 earliest age upon which the combined service would have made such dual
11 member eligible in that system, or the dual member may choose to defer
12 the benefit until fully eligible.

13 **Sec. 20.** RCW 2.14.080 and 1991 sp.s. c 13 s 103 are each amended
14 to read as follows:

15 (1) The administrator for the courts shall:

16 (a) Deposit or invest the contributions under RCW 2.14.090 in a
17 credit union, savings and loan association, bank, or mutual savings
18 bank;

19 (b) Purchase life insurance, shares of an investment company, or
20 fixed and/or variable annuity contracts from any insurance company or
21 investment company licensed to contract business in this state; or

22 (c) Invest in any of the class of investments described in RCW
23 43.84.150.

24 (2) The state investment board or the (~~committee for deferred~~
25 ~~compensation~~) department of retirement systems, at the request of the
26 administrator for the courts, may invest moneys in the principal
27 account. Moneys invested by the investment board shall be invested in
28 accordance with RCW 43.84.150. Moneys invested by the (~~committee for~~
29 ~~deferred compensation~~) department of retirement systems shall be
30 invested in accordance with (~~RCW 41.04.250~~) applicable law. Except
31 as provided in RCW 43.33A.160 or as necessary to pay a pro rata share
32 of expenses incurred by the (~~committee for deferred compensation~~)
33 department of retirement systems, one hundred percent of all earnings
34 from these investments, exclusive of investment income pursuant to RCW
35 43.84.080, shall accrue directly to the principal account.

36 **Sec. 21.** RCW 41.05.011 and 1995 1st sp.s. c 6 s 2 are each amended
37 to read as follows:

1 Unless the context clearly requires otherwise, the definitions in
2 this section shall apply throughout this chapter.

3 (1) "Administrator" means the administrator of the authority.

4 (2) "State purchased health care" or "health care" means medical
5 and health care, pharmaceuticals, and medical equipment purchased with
6 state and federal funds by the department of social and health
7 services, the department of health, the basic health plan, the state
8 health care authority, the department of labor and industries, the
9 department of corrections, the department of veterans affairs, and
10 local school districts.

11 (3) "Authority" means the Washington state health care authority.

12 (4) "Insuring entity" means an insurer as defined in chapter 48.01
13 RCW, a health care service contractor as defined in chapter 48.44 RCW,
14 or a health maintenance organization as defined in chapter 48.46 RCW.

15 (5) "Flexible benefit plan" means a benefit plan that allows
16 employees to choose the level of health care coverage provided and the
17 amount of employee contributions from among a range of choices offered
18 by the authority.

19 (6) "Employee" includes all full-time and career seasonal employees
20 of the state, whether or not covered by civil service; elected and
21 appointed officials of the executive branch of government, including
22 full-time members of boards, commissions, or committees; and includes
23 any or all part-time and temporary employees under the terms and
24 conditions established under this chapter by the authority; justices of
25 the supreme court and judges of the court of appeals and the superior
26 courts; and members of the state legislature or of the legislative
27 authority of any county, city, or town who are elected to office after
28 February 20, 1970. "Employee" also includes: (a) Employees of a
29 county, municipality, or other political subdivision of the state if
30 the legislative authority of the county, municipality, or other
31 political subdivision of the state seeks and receives the approval of
32 the authority to provide any of its insurance programs by contract with
33 the authority, as provided in RCW 41.04.205; (b) employees of employee
34 organizations representing state civil service employees, at the option
35 of each such employee organization, and, effective October 1, 1995,
36 employees of employee organizations currently pooled with employees of
37 school districts for the purpose of purchasing insurance benefits, at
38 the option of each such employee organization; and (c) employees of a
39 school district if the authority agrees to provide any of the school

1 districts' insurance programs by contract with the authority as
2 provided in RCW 28A.400.350.

3 (7) "Board" means the public employees' benefits board established
4 under RCW 41.05.055.

5 (8) "Retired or disabled school employee" means:

6 (a) Persons who separated from employment with a school district or
7 educational service district and are receiving a retirement allowance
8 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

9 (b) Persons who separate from employment with a school district or
10 educational service district on or after October 1, 1993, and
11 immediately upon separation receive a retirement allowance under
12 chapter 41.32 or 41.40 RCW;

13 (c) Persons who separate from employment with a school district or
14 educational service district due to a total and permanent disability,
15 and are eligible to receive a deferred retirement allowance under
16 chapter 41.32 or 41.40 RCW.

17 (9) "Benefits contribution plan" means a premium only contribution
18 plan, a medical flexible spending arrangement, or a cafeteria plan
19 whereby state and public employees may agree to a contribution to
20 benefit costs which will allow the employee to participate in benefits
21 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
22 internal revenue code.

23 (10) "Salary" means a state employee's monthly salary or wages.

24 (11) "Participant" means an individual who fulfills the eligibility
25 and enrollment requirements under the benefits contribution plan.

26 (12) "Plan year" means the time period established by the
27 authority.

28 (13) "Separated school employees" means persons who separate from
29 employment with a school district or educational service district on or
30 after July 1, 1996, and who are at least age fifty-five and have at
31 least ten years of service under the teachers' retirement system plan
32 III as defined in RCW 41.32.010(40).

33 **Sec. 22.** RCW 41.05.080 and 1994 c 153 s 7 are each amended to read
34 as follows:

35 (1) Under the qualifications, terms, conditions, and benefits set
36 by the board:

37 (a) Retired or disabled state employees, retired or disabled school
38 employees, or employees of county, municipal, or other political

1 subdivisions covered by this chapter who are retired may continue their
2 participation in insurance plans and contracts after retirement or
3 disablement(~~(, under the qualifications, terms, conditions, and~~
4 ~~benefits set by the board: PROVIDED, That the))i~~

5 (b) Separated school employees may continue their participation in
6 insurance plans and contracts if participation is selected immediately
7 upon separation from employment;

8 (c) Separated school employees, who upon separation did not
9 continue their participation in insurance plans and contracts under (b)
10 of this subsection, may participate in insurance plans and contracts
11 only if participation is selected immediately upon receiving a
12 retirement allowance under RCW 41.32.875.

13 (2) Rates charged retired or disabled employees, separated school
14 employees, spouses, or dependent children who are not eligible for
15 parts A and B of medicare shall be based on the experience of the
16 community rated risk pool established under RCW 41.05.022(~~(: PROVIDED~~
17 FURTHER, That)).

18 (3) Rates charged to retired or disabled employees, separated
19 school employees, spouses, or children who are eligible for parts A and
20 B of medicare shall be calculated from a separate experience risk pool
21 comprised only of individuals eligible for parts A and B of medicare;
22 however, the premiums charged to medicare-eligible retirees and
23 disabled employees shall be reduced by the amount of the subsidy
24 provided under RCW 41.05.085(~~(: PROVIDED FURTHER, That)).~~

25 (4) Retired or disabled and separated school employees shall be
26 responsible for payment of premium rates developed by the authority
27 which shall include the cost to the authority of providing insurance
28 coverage including any amounts necessary for reserves and
29 administration in accordance with this chapter(~~(: PROVIDED FURTHER,~~
30 That such)). These self pay rates will be established based on a
31 separate rate for the employee, the spouse, and the children.

32 (5) The term "retired state employees" for the purpose of this
33 section shall include but not be limited to members of the legislature
34 whether voluntarily or involuntarily leaving state office.

35 **Sec. 23.** 1995 c 239 s 327 (uncodified) is amended to read as
36 follows:

37 This act shall take effect July 1, 1996, except that sections 301
38 and 302 of this act shall take effect immediately.

1 NEW SECTION. **Sec. 24.** The following acts or parts of acts are
2 each repealed:

3 (1) RCW 41.32.890 and 1995 c 239 s 116;

4 (2) RCW 41.32.885 and 1995 c 239 s 115; and

5 (3) RCW 41.54.035 and 1995 c 239 s 320.

6 NEW SECTION. **Sec. 25.** This act is necessary for the immediate
7 preservation of the public peace, health, or safety, or support of the
8 state government and its existing public institutions, and shall take
9 effect July 1, 1996, with the exception of section 23 of this act,
10 which shall take effect immediately.

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