
SENATE BILL 6155

State of Washington

54th Legislature

1996 Regular Session

By Senators Bauer, Long, Fraser, Winsley and Roach; by request of Joint Committee on Pension Policy

Read first time 01/08/96. Referred to Committee on Ways & Means.

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 41.50.110, 41.50.670, 41.54.030, and 2.14.080; amending 1995 c 239 s
5 327 (uncodified); reenacting and amending RCW 41.32.010; adding new
6 sections to chapter 41.32 RCW; adding a new section to chapter 41.34
7 RCW; repealing RCW 41.32.890, 41.32.885, and 41.54.035; and declaring
8 an emergency.

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

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

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

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

18 (b) "Accumulated contributions" for plan II members, means the sum
19 of all contributions standing to the credit of a member in the member's

1 individual account, including any amount paid under RCW 41.50.165(2),
2 together with the regular interest thereon.

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

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

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

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

13 (b) "Beneficiary" for plan II and plan III members, means any
14 person in receipt of a retirement allowance or other benefit provided
15 by this chapter resulting from service rendered to an employer by
16 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 (ii) "Earnable compensation" for plan I members also includes the
33 following actual or imputed payments, which are not paid for personal
34 services:

35 (A) Retroactive payments to an individual by an employer on
36 reinstatement of the employee in a position, or payments by an employer
37 to an individual in lieu of reinstatement in a position which are
38 awarded or granted as the equivalent of the salary or wages which the
39 individual would have earned during a payroll period shall be

1 considered earnable compensation and the individual shall receive the
2 equivalent service credit.

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

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

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

31 (A) Remuneration for unused sick leave authorized under RCW
32 41.04.340, 28A.400.210, or 28A.310.490;

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

35 (b) "Earnable compensation" for plan II and plan III members, means
36 salaries or wages earned by a member during a payroll period for
37 personal services, including overtime payments, and shall include wages
38 and salaries deferred under provisions established pursuant to sections
39 403(b), 414(h), and 457 of the United States Internal Revenue Code, but

1 shall exclude lump sum payments for deferred annual sick leave, unused
2 accumulated vacation, unused accumulated annual leave, or any form of
3 severance pay.

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

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

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

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

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

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

28 (12) "Fiscal year" means a year which begins July 1st and ends June
29 30th of the following year.

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

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

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

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

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

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

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

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

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

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

28 (23) "Regular interest" means such rate as the director may
29 determine.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 (iv) Any person who is a member of the teachers' retirement system
38 and who is elected or appointed to a state elective position may
39 continue to be a member of the retirement system and continue to

1 receive a service credit month for each of the months in a state
2 elective position by making the required member contributions.

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

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

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

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

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

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

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

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

26 (viii) The department shall adopt rules implementing this
27 subsection.

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

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

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

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

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

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

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

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

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

22 (36) "Substitute teacher" means:

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

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

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

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

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

4 (d) The elected position of the superintendent of public
5 instruction is an eligible position.

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

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

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

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

21 ~~(42))~~ (42) "Index" means, for any calendar year, that year's annual
22 average consumer price index, Seattle, Washington area, for urban wage
23 earners and clerical workers, all items compiled by the bureau of labor
24 statistics, United States department of labor.

25 (~~(43))~~ (42) "Index A" means the index for the year prior to the
26 determination of a postretirement adjustment.

27 (~~(44))~~ (43) "Index B" means the index for the year prior to index
28 A.

29 (~~(45))~~ (44) "Index year" means the earliest calendar year in
30 which the index is more than sixty percent of index A.

31 (~~(46))~~ (45) "Adjustment ratio" means the value of index A divided
32 by index B.

33 (~~(47))~~ (46) "Annual increase" means, initially, fifty-nine cents
34 per month per year of service which amount shall be increased each July
35 1st by three percent, rounded to the nearest cent.

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

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

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

6 ~~(a))~~ (2) Any plan II member who is a substitute teacher may make
7 an irrevocable option to transfer to plan III at the time the member
8 purchases substitute service credit pursuant to RCW 41.32.032, pursuant
9 to time lines and procedures established by the department.

10 (3) Any plan II member who wishes to transfer to plan III after
11 December 31, 1997, may transfer during the month of January in any
12 following year, provided that the member earns service credit for that
13 month.

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

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

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

27 ~~(d) Members employed by an employer in an eligible position on~~
28 ~~January 1, 1998, who request to transfer to plan III by January 1,~~
29 ~~1998, shall have their account in the defined contribution portion of~~
30 ~~plan III, other than those accumulated contributions attributable to~~
31 ~~restorations made under RCW 41.50.165(2), increased by twenty percent~~
32 ~~of their plan II accumulated contributions as of January 1, 1996. If~~
33 ~~the member who requests to transfer dies before January 1, 1998, the~~
34 ~~additional payment provided by this subsection shall be paid to the~~
35 ~~member's estate, or such person or persons, trust, or organization as~~
36 ~~the member shall have nominated by written designation duly executed~~
37 ~~and filed with the department.~~

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

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

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

9 ~~(4))~~ (7) Anyone previously retired from plan II is prohibited from
10 transferring to plan III.

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

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

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

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

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

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

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

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

35 (2) The retirement allowance payable under RCW 41.32.875 to a
36 member who separates after having completed at least twenty service
37 credit years shall be increased by twenty-five one-hundredths of one

1 percent, compounded for each month from the date of separation to the
2 date that the retirement allowance commences.

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

5 Any member or beneficiary eligible to receive a retirement
6 allowance under the provisions of RCW 41.32.875, 41.32.880, or
7 41.32.895 shall be eligible to commence receiving a retirement
8 allowance after having filed written application with the department.

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

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

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

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

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

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

26 (a) Completed ten service credit years; or

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

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

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

33 (2) EARLY RETIREMENT. Any member who has attained at least age
34 fifty-five and has completed at least ten years of service shall be
35 eligible to retire and to receive a retirement allowance computed
36 according to the provisions of RCW 41.32.840, except that a member
37 retiring pursuant to this subsection shall have the retirement

1 allowance actuarially reduced to reflect the difference in the number
2 of years between age at retirement and the attainment of age sixty-
3 five.

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

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

12 If the surviving spouse who is receiving the retirement allowance
13 dies leaving a child or children under the age of majority, then such
14 child or children shall continue to receive an allowance in an amount
15 equal to that which was being received by the surviving spouse, share
16 and share alike, until such child or children reach the age of
17 majority.

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

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

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

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

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

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

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

36 (b) Establish any service credit from July 1996 through December
37 1997; and

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

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

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

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

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

24 (2) Any member who elects to transfer to plan III may purchase plan
25 II service credit under RCW 41.32.810(3). Purchased plan II service
26 credit will be automatically transferred to plan III. Contributions on
27 behalf of the employer paid by the employee shall be allocated to the
28 defined benefit portion of plan III and shall not be refundable when
29 paid to the fund described in RCW 41.50.075(2). Contributions on
30 behalf of the employee shall be allocated to the member account. If the
31 member fails to meet the time limitations of RCW 41.32.810(3), they may
32 subsequently restore such contributions under the provisions of RCW
33 41.50.165(2). Purchased plan II service credit will be automatically
34 transferred to plan III. One-half of the payments under RCW
35 41.50.165(2), plus interest, shall be allocated to the member's
36 account.

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

3 (1) RCW 41.32.831 through 41.32.895 shall apply only to plan III
4 members.

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

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

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

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

25 (2) No purchased plan III membership service will be credited until
26 all payments required of the member are made, with interest. Upon
27 receipt of all payments owed by the member, the department shall bill
28 the employer for any contributions, plus interest, required to purchase
29 membership service.

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

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

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

1 As used in this chapter, the following terms have the meanings
2 indicated:

3 (1) "Actuary" means the state actuary or the office of the state
4 actuary.

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

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

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

11 (5) "Employer" means the same as "employer" for plan III in chapter
12 41.32 RCW.

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

16 (~~((+6))~~) (7) "Member account" or "member's account" means the sum of
17 the contributions and earnings on behalf of the member.

18 (~~((+7))~~) (8) "Retiree" means any member in receipt of an allowance
19 or other benefit provided by this chapter resulting from service
20 rendered to an employer by such member.

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

23 (1) A member shall contribute from his or her compensation
24 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%
Age 45 and above	8.5%

35 (2) The board shall have the right to offer contribution rate
36 options in addition to those listed in subsection (1) of this section,
37 provided that no significant additional administrative costs are

1 created. All options offered by the board shall conform to the
2 requirements stated in subsections (3) and (4) of this section.

3 (3) Within ninety days of the date that an employee becomes a
4 member of plan III or changes employers, he or she has an irrevocable
5 option to choose one of the above contribution rate structures. If the
6 member does not select an option within this ninety-day period, he or
7 she shall be assigned option A. Such assignment shall be irrevocable.

8 (4) Contributions shall begin the first day of the ~~((month~~
9 ~~immediately following the earlier of the selection of an option or the~~
10 ~~end of the ninety day period))~~ pay cycle in which the rate option is
11 made, or the first day of the pay cycle in which the end of the ninety-
12 day period occurs.

13 **Sec. 15.** RCW 41.34.060 and 1995 c 239 s 206 are each amended to
14 read as follows:

15 (1) Except as provided in subsection (2) of this section, the
16 member's account shall be invested by the state investment board
17 ((unless the member elects to self direct investments as authorized by
18 the board)). Expenses charged against the member's account or earnings
19 under this subsection shall not exceed the average of all retirement
20 funds invested by the state investment board.

21 (2) Members ((who make this election shall pay the expenses for
22 self-directed investment)) may elect to self direct their investments
23 as authorized by the board, other than as provided in subsection (1) of
24 this section. Expenses caused by self-directed investment shall be
25 paid by the member in accordance with rules established by the board
26 under RCW 41.50.088.

27 **Sec. 16.** RCW 41.50.110 and 1995 c 239 s 313 are each amended to
28 read as follows:

29 (1) Notwithstanding any provision of law to the contrary, the
30 retirement system expense fund is hereby redesignated as the department
31 of retirement systems expense fund from which shall be paid, without
32 exception, the expenses of the administration of the department and the
33 expenses of administration of the retirement systems created in
34 chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, and 43.43 RCW.

35 (2) In order to reimburse the department of retirement systems
36 expense fund on an equitable basis the department shall ascertain and
37 report to each employer, as defined in RCW 41.26.030, 41.32.010, or

1 41.40.010, the sum necessary to defray its proportional share of the
2 entire expense of the administration of the retirement system that the
3 employer participates in during the ensuing biennium or fiscal year
4 whichever may be required. Such sum is to be computed in an amount
5 directly proportional to the estimated entire expense of the
6 administration as the ratio of monthly salaries of the employer's
7 members bears to the total salaries of all members in the entire
8 system. It shall then be the duty of all such employers to include in
9 their budgets or otherwise provide the amounts so required.

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

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

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

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

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

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

35 (6) Expenses (~~incurred pursuant to RCW 41.34.060 shall be deducted~~
36 ~~from the defined contribution fund in accordance with rules established~~
37 ~~by the board under RCW 41.50.088)) other than those under RCW
38 41.34.060(2) shall be paid pursuant to subsection (1) of this section.~~

1 **Sec. 17.** RCW 41.50.670 and 1991 c 365 s 13 are each amended to
2 read as follows:

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

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

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

33 If (the obligor) requests or has requested a withdrawal
34 of accumulated contributions as defined in RCW 41.50.500, or becomes
35 eligible for a lump sum death benefit, the department of retirement
36 systems shall pay to (the obligee) dollars plus
37 interest at the rate paid by the department of retirement systems on
38 member contributions. Such interest to accrue from the date of this
39 order's entry with the court of record.

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

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

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

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

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

27 **Sec. 18.** RCW 41.54.030 and 1995 c 239 s 319 are each amended to
28 read as follows:

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

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

33 (b) Qualifying for a benefit under RCW (~~41.32.885(3)~~)
34 41.32.840(2).

35 (2) A dual member who is eligible to retire under any system may
36 elect to retire from all the member's systems and to receive service
37 retirement allowances calculated as provided in this section. Each
38 system shall calculate the allowance using its own criteria except that

1 the member shall be allowed to substitute the member's base salary from
2 any system as the compensation used in calculating the allowance.

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

9 **Sec. 19.** RCW 2.14.080 and 1991 sp.s. c 13 s 103 are each amended
10 to read as follows:

11 (1) The administrator for the courts shall:

12 (a) Deposit or invest the contributions under RCW 2.14.090 in a
13 credit union, savings and loan association, bank, or mutual savings
14 bank;

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

18 (c) Invest in any of the class of investments described in RCW
19 43.84.150.

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

32 **Sec. 20.** 1995 c 239 s 327 (uncodified) is amended to read as
33 follows:

34 This act shall take effect July 1, 1996, except that sections 106,
35 109, 113, 117, 301 and 302 of this act shall take effect on the
36 effective date of chapter . . . , Laws of 1996 (this act).

1 NEW SECTION. **Sec. 21.** 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. 22.** 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 immediately.

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