

CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE HOUSE BILL 1981

Chapter 47, Laws of 2011

62nd Legislature
2011 1st Special Session

PUBLIC AND HIGHER EDUCATION EMPLOYEES--RETIREMENT AND ANNUITY
PROGRAMS

EFFECTIVE DATE: 07/01/11 - Except sections 10 and 19, which become
effective 01/01/12.

Passed by the House May 24, 2011
Yeas 94 Nays 2

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate May 21, 2011
Yeas 42 Nays 0

BRAD OWEN

President of the Senate

Approved June 15, 2011, 3:34 p.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of
the House of Representatives of
the State of Washington, do hereby
certify that the attached is
certify that the attached is
**ENGROSSED SUBSTITUTE HOUSE BILL
1981** as passed by the House of
Representatives and the Senate on
the dates hereon set forth.

BARBARA BAKER

Chief Clerk

FILED

June 15, 2011

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 1981

AS AMENDED BY THE SENATE

Passed Legislature - 2011 1st Special Session

State of Washington 62nd Legislature 2011 1st Special Session

By House Ways & Means (originally sponsored by Representatives Bailey and Carlyle)

READ FIRST TIME 04/19/11.

1 AN ACT Relating to public employee postretirement employment and
2 higher education employees' annuities and retirement income plans;
3 amending RCW 28B.10.400, 28B.10.405, 28B.10.410, 28B.10.415,
4 28B.10.417, 28B.10.423, 28B.10.430, 41.32.570, 41.32.800, 41.32.802,
5 41.32.860, 41.32.862, 41.35.060, 41.35.230, 41.37.050, 41.40.037,
6 41.50.030, 41.50.080, and 41.50.110; adding a new section to chapter
7 41.32 RCW; adding a new section to chapter 41.40 RCW; creating a new
8 section; providing effective dates; and declaring an emergency.

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

10 NEW SECTION. **Sec. 1.** The legislature intends that the retirement
11 and annuity programs of the state's institutions of higher education be
12 revised for future participants to reflect changes that have already
13 occurred in state pension plans. The legislature intends also that
14 newly hired employees who are eligible for participation in an annuity
15 or retirement income plan offered by a higher education institution
16 have an opportunity to participate in either (1) that plan without a
17 supplemental benefit under RCW 28B.10.400(1)(c), or (2) the public
18 employees' retirement system plan 3 or the teachers' retirement system
19 plan 3. Plan 3 provides a combination of defined contribution and

1 defined benefit pension, which will be available for newly hired
2 employees. Further, the legislature intends that effective July 1,
3 2011, state funding for annuity or retirement income plans under RCW
4 28B.10.400 will not exceed six percent of salary. The legislature also
5 intends to reduce the expanded postretirement employment provisions for
6 members of the public employees' retirement system plan 1 and the
7 teachers' retirement system plan 1 that were temporarily expanded due
8 to the shortage of qualified workers in particular teaching and public
9 employment categories, and eliminate postretirement employment
10 exceptions that existed for annuity or retirement income plan-covered
11 positions that have been the subject of abuse.

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

14 (1) The boards of regents of the state universities, the boards of
15 trustees of the regional universities and of The Evergreen State
16 College, ~~((and))~~ the state board for community and technical colleges,
17 and the higher education coordinating board are authorized and
18 empowered:

19 ~~((+1))~~ (a) To assist the faculties and such other employees exempt
20 from civil service pursuant to RCW 41.06.070 (1)(cc) and (2) as any
21 such board may designate in the purchase of old age annuities or
22 retirement income plans under such rules as any such board may
23 prescribe, subject to the restrictions in subsection (2) of this
24 section. County agricultural agents, home demonstration agents, 4-H
25 club agents, and assistant county agricultural agents paid jointly by
26 the Washington State University and the several counties shall be
27 deemed to be full-time employees of the Washington State University for
28 the purposes ~~((hereof))~~ of this section;

29 ~~((+2))~~ (b) To provide, under such rules ~~((and regulations))~~ as any
30 such board may prescribe for the faculty members or other employees
31 exempt from civil service pursuant to RCW 41.06.070 (1)(cc) and (2)
32 under its supervision, for the retirement of any such faculty member or
33 other exempt employee on account of age or condition of health,
34 retirement on account of age to be not earlier than the sixty-fifth
35 birthday: PROVIDED, That such faculty member or such other exempt
36 employee may elect to retire at the earliest age specified for
37 retirement by federal social security law: PROVIDED FURTHER, That any

1 supplemental payment authorized by (c) of this subsection (~~((3) of this~~
2 ~~section))~~ and paid as a result of retirement earlier than age sixty-
3 five shall be at an actuarially reduced rate; and shall be provided
4 only to those persons who participate in an annuity or retirement
5 income plan under (a) of this subsection prior to July 1, 2011;

6 ~~((3))~~ (c) To pay (~~to any such retired person~~) only to those
7 persons who participate in an annuity or retirement income plan under
8 (a) of this subsection prior to July 1, 2011, or to his or her
9 designated beneficiary(s), each year after his or her retirement, a
10 supplemental amount which, when added to the amount of such annuity or
11 retirement income plan, or retirement income benefit pursuant to RCW
12 28B.10.415, received by the retired person or the retired person's
13 designated beneficiary(s) in such year, will not exceed fifty percent
14 of the average annual salary paid to such retired person for his or her
15 highest two consecutive years of full-time service under an annuity or
16 retirement income plan established pursuant to (a) of this subsection
17 (~~((1) of this section))~~ at an institution of higher education:
18 PROVIDED, HOWEVER, That if such retired person prior to retirement
19 elected a supplemental payment survivors option, any such supplemental
20 payments to such retired person or the retired person's designated
21 beneficiary(s) shall be at actuarially reduced rates: PROVIDED
22 FURTHER, That if a faculty member or other employee of an institution
23 of higher education who is a participant in a retirement plan
24 authorized by this section dies, or has died before retirement but
25 after becoming eligible for retirement on account of age, the
26 designated beneficiary(s) shall be entitled to receive the supplemental
27 payment authorized by this subsection to which such designated
28 beneficiary(s) would have been entitled had said deceased faculty
29 member or other employee retired on the date of death after electing a
30 supplemental payment survivors option: PROVIDED FURTHER, That for the
31 purpose of this subsection, the designated beneficiary(s) shall be
32 ~~((a))~~ (i) the surviving spouse of the retiree; or, ~~((b))~~ (ii) with
33 the written consent of such spouse, if any, such other person or
34 persons as shall have an insurable interest in the retiree's life and
35 shall have been nominated by written designation duly executed and
36 filed with the retiree's institution of higher education(~~(+)~~).

37 ~~((4))~~ (2) Boards are prohibited from offering a purchased annuity
38 or retirement income plan authorized under this section to employees

1 hired on or after July 1, 2011, who have retired or are eligible to
2 retire from a public employees' retirement system described in RCW
3 41.50.030. The higher education coordinating board (~~is—also~~
4 ~~authorized and empowered as described in this section, subject to the~~
5 ~~following:—The board~~)) shall only offer participation in a purchased
6 annuity or retirement income plan authorized under this section to
7 employees who have previously contributed premiums to a similar
8 qualified plan(~~, and the board is prohibited from offering or funding~~
9 ~~such a plan authorized under this section for the benefit of any~~
10 ~~retiree who is receiving or accruing a retirement allowance from a~~
11 ~~public employees' retirement system under Title 41 RCW or chapter 43.43~~
12 ~~RCW~~)).

13 (3) During the 2011 legislative interim, the select committee on
14 pension policy shall evaluate the suitability and necessity of the
15 annuity and retirement plans authorized under this chapter for
16 employees in various positions within higher education institutions.
17 The select committee shall report its findings, including any
18 recommendations for restrictions on future plan membership, to the ways
19 and means committees of the house of representatives and the senate no
20 later than December 31, 2011.

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

23 Members of the faculties and such other employees exempt from civil
24 service pursuant to RCW 41.06.070 (1)(cc) and (2) as are designated by
25 the boards of regents of the state universities, the boards of trustees
26 of the regional universities and of The Evergreen State College, the
27 higher education coordinating board, or the state board for community
28 and technical colleges (~~education~~) who do not opt to become members
29 of the teachers' retirement system or the public employees' retirement
30 system under section 9 or 18 of this act, or who are not prevented from
31 participation in an annuity or retirement plan under RCW 28B.10.400(2)
32 shall be required to contribute not less than five percent of their
33 salaries during each year of full-time service after the first two
34 years of such service toward the purchase of such annuity or retirement
35 income plan; such contributions may be in addition to federal social
36 security tax contributions, if any.

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

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

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

15 The boards of regents of the state universities, the boards of
16 trustees of the regional universities and of The Evergreen State
17 College, the higher education coordinating board, or the state board
18 for community and technical colleges (~~(education)~~) shall not pay any
19 amount to be added to the annuity or retirement income plan of any
20 retired person who was first hired on or after July 1, 2011, or who has
21 served for less than ten years in one or more of the state institutions
22 of higher education. In the case of persons who have served more than
23 ten years but less than twenty-five years no amount shall be paid in
24 excess of four percent of the amount authorized in (~~(subdivision (3)~~
25 ~~of)~~) RCW 28B.10.400 (~~(as now or hereafter amended)~~) (1)(c), multiplied
26 by the number of years of full-time service rendered by such person:
27 PROVIDED, That credit for years of service at an institution of higher
28 education shall be limited to those years in which contributions were
29 made by a faculty member or other employee designated pursuant to RCW
30 28B.10.400(1)(a) and the institution or the state as a result of which
31 a benefit is being received by a retired person from any Washington
32 state public retirement plan: PROVIDED FURTHER, That all such benefits
33 that a retired person is eligible to receive shall reduce any
34 supplementation payments provided for in RCW 28B.10.400 (~~(as now or~~
35 ~~hereafter amended)~~).

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

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

7 (2) A faculty member or other employee exempt from civil service
8 pursuant to RCW 41.06.070 (1)(cc) and (2) designated by the board of
9 trustees of the applicable regional university or of The Evergreen
10 State College as being subject to an annuity or retirement income plan
11 and who, at the time of such designation, is a member of the Washington
12 state teachers' retirement system, shall retain credit for such service
13 in the Washington state teachers' retirement system and, except as
14 provided in subsection ((+2)) (3) of this section, shall leave his or
15 her accumulated contributions in the teachers' retirement fund. Upon
16 his or her attaining eligibility for retirement under the Washington
17 state teachers' retirement system, such faculty member or other
18 employee shall receive from the Washington state teachers' retirement
19 system a retirement allowance consisting of an annuity which shall be
20 the actuarial equivalent of his or her accumulated contributions at his
21 or her age when becoming eligible for such retirement and a pension for
22 each year of creditable service established and retained at the time of
23 said designation as provided in RCW 41.32.497 (~~as now or hereafter~~
24 ~~amended~~). Anyone who on July 1, 1967, was receiving pension payments
25 from the teachers' retirement system based on thirty-five years of
26 creditable service shall thereafter receive a pension based on the
27 total years of creditable service established with the retirement
28 system: PROVIDED, HOWEVER, That any such faculty member or other
29 employee exempt from civil service pursuant to RCW 41.06.070 (1)(cc)
30 and (2) who, upon attainment of eligibility for retirement under the
31 Washington state teachers' retirement system, is still engaged in
32 public educational employment, shall not be eligible to receive
33 benefits under the Washington state teachers' retirement system until
34 he or she ceases such public educational employment. Any retired
35 faculty member or other employee who enters service in any public
36 educational institution shall cease to receive pension payments while
37 engaged in such service: PROVIDED FURTHER, That such service may be

1 rendered up to seventy-five days in a school year without reduction of
2 pension.

3 ((+2)) (3) A faculty member or other exempt employee designated by
4 the board of trustees of the applicable regional university or of The
5 Evergreen State College as being subject to the annuity and retirement
6 income plan and who, at the time of such designation, is a member of
7 the Washington state teachers' retirement system may, at his or her
8 election and at any time, on and after midnight June 10, 1959,
9 terminate his or her membership in the Washington state teachers'
10 retirement system and withdraw his or her accumulated contributions and
11 interest in the teachers' retirement fund upon written application to
12 the board of trustees of the Washington state teachers' retirement
13 system. Faculty members or other employees who withdraw their
14 accumulated contributions, on and after the date of withdrawal of
15 contributions, shall no longer be members of the Washington state
16 teachers' retirement system and shall forfeit all rights of membership,
17 including pension benefits, theretofore acquired under the Washington
18 state teachers' retirement system.

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

21 (1) For employees who are first employed by an institution of
22 higher education in a position eligible for participation in an old age
23 annuities or retirement income plan under this chapter prior to July 1,
24 2011, it is the intent of RCW 28B.10.400, 28B.10.405, 28B.10.410,
25 28B.10.415, 28B.10.420, and 28B.10.423 ((and-83.20.030)) that the
26 retirement income resulting from the contributions described herein
27 from the state of Washington and the employee shall be projected
28 actuarially so that it shall not exceed sixty percent of the average of
29 the highest two consecutive years salary. Periodic review of the
30 retirement systems established pursuant to RCW 28B.10.400, 28B.10.405,
31 28B.10.410, 28B.10.415, 28B.10.420, and 28B.10.423 ((and-83.20.030))
32 will be undertaken at such time and in such manner as determined by the
33 committees on ways and means of the senate and of the house of
34 representatives ((and-the-public-pension-commission)), the select
35 committee on pension policy, and the pension funding council, and joint
36 contribution rates will be adjusted if necessary to accomplish this
37 intent.

1 (2) Beginning July 1, 2011, state funding for annuity or retirement
2 income plans under RCW 28B.10.400 shall not exceed six percent of
3 salary. The state board for community and technical colleges and the
4 higher education coordinating board are exempt from the provisions of
5 this subsection (2).

6 (3) By June 30, 2013, and every two years thereafter, each
7 institution of higher education that is responsible for payment of
8 supplemental amounts under RCW 28B.10.400(1)(c) shall contract with the
9 state actuary under chapter 41.44 RCW for an actuarial valuation of
10 their supplemental benefit plan. By June 30, 2013, and at least once
11 every six years thereafter, each institution shall also contract with
12 the state actuary under chapter 41.44 RCW for an actuarial experience
13 study of the mortality, service, compensation, and other experience of
14 the annuity or retirement income plans created in this chapter, and
15 into the financial condition of each system. At the discretion of the
16 state actuary, the valuation or experience study may be performed by
17 the state actuary or by an outside actuarial firm under contract to the
18 office of the state actuary. Each institution of higher education is
19 required to provide the data and information required for the
20 performance of the valuation or experience study to the office of the
21 state actuary or to the actuary performing the study on behalf of the
22 state actuary. The state actuary may charge each institution for the
23 actual cost of the valuation or experience study through an interagency
24 agreement. Upon completion of the valuation or experience study, the
25 state actuary shall provide copies of the study to the institution of
26 higher education and to the select committee on pension policy and the
27 pension funding council.

28 (4)(a) A higher education retirement plan supplemental benefit fund
29 is created in the custody of the state treasurer for the purpose of
30 funding future benefit obligations of higher education retirement plan
31 supplemental benefits. The state investment board has the full power
32 to invest, reinvest, manage, contract, sell, or exchange investment
33 money in the fund.

34 (b) From January 1, 2012, through June 30, 2013, an employer
35 contribution rate of one-quarter of one percent of salary is
36 established to begin prefunding the unfunded future obligations of the
37 supplemental benefit established in RCW 28B.10.400.

1 (c) Beginning July 1, 2013, an employer contribution rate of one-
2 half of one percent of salary is established to prefund the unfunded
3 future obligations of the supplemental benefit established in RCW
4 28B.10.400.

5 (d) Consistent with chapter 41.50 RCW, the department of retirement
6 systems shall collect the employer contribution rates established in
7 this section from each state institution of higher education, and
8 deposit those contributions into the higher education retirement plan
9 supplemental benefit fund. The contributions made by each employer
10 into the higher education retirement plan supplemental benefit fund and
11 the earnings on those contributions shall be accounted for separately
12 within the fund.

13 (e) Following the completion and review of the initial actuarial
14 valuations and experience study conducted pursuant to subsection (3) of
15 this section, the pension funding council may:

16 (i) Adopt and make changes to the employer contribution rates
17 established in this subsection consistent with the procedures
18 established in chapter 41.45 RCW. If the actuarial valuations of the
19 higher education retirement plans of each institution contributing to
20 the higher education retirement plan supplemental benefit fund suggest
21 that different contribution rates are appropriate for each institution,
22 different rates may be adopted. Rates adopted by the pension funding
23 council are subject to revision by the legislature;

24 (ii) Recommend legislation that will, upon accumulation of
25 sufficient funding in the higher education retirement plan supplemental
26 benefit fund, transfer the responsibility for making supplemental
27 benefit payments to the department of retirement systems, and adjust
28 employer contribution rates to reflect the transfer of responsibility.

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

31 (1) This section applies only to those persons who are first
32 employed by an institution of higher education in a position eligible
33 for participation in an old age annuities or retirement income plan
34 under this chapter prior to July 1, 2011.

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

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

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

5 (~~(+2)~~) (3) Notwithstanding any provision of law to the contrary,
6 effective July 1, 1979, no person receiving a monthly benefit pursuant
7 to RCW 28B.10.400 shall receive, as the pension portion of that
8 benefit, less than ten dollars per month for each year of service
9 creditable to the person whose service is the basis of the benefit.
10 Portions of a year shall be treated as fractions of a year and the
11 decimal equivalent shall be multiplied by ten dollars. Where the
12 benefit was adjusted at the time benefit payments to the beneficiary
13 commenced, the minimum pension provided in this section shall be
14 adjusted in a manner consistent with that adjustment.

15 (~~(+3)~~) (4) Notwithstanding any provision of law to the contrary,
16 effective July 1, 1979, the monthly benefit of each person who
17 commenced receiving a monthly benefit under this chapter as of a date
18 no later than July 1, 1974, shall be permanently increased by a post-
19 retirement adjustment. Such adjustment shall be calculated as follows:

20 (a) Monthly benefits to which this subsection and subsection
21 (~~(+2)~~) (3) of this section are both applicable shall be determined by
22 first applying subsection (~~(+2)~~) (3) of this section and then applying
23 this subsection. The (~~department~~) institution shall determine the
24 total years of creditable service and the total dollar benefit base
25 accrued as of December 31, 1978, except that this determination shall
26 take into account only those persons to whom this subsection applies;

27 (b) The (~~department~~) institution shall multiply the total
28 benefits determined in (a) of this subsection by six percent and divide
29 the dollar value thus determined by the total service determined in (a)
30 of this subsection. The resultant figure shall then be a post-
31 retirement increase factor which shall be applied as specified in (c)
32 of this subsection;

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

36 NEW SECTION. **Sec. 9.** A new section is added to chapter 41.32 RCW

1 to be codified under the subchapter heading "plan 3" to read as
2 follows:

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

8 (a) Become a member of the teachers' retirement system plan 3 under
9 this chapter; or

10 (b) Participate in the annuities or retirement income plan provided
11 by the institution.

12 (2) At the end of thirty days, if the member has not made a choice
13 to become a member of the teachers' retirement system, he or she
14 becomes a participant in the institution's plan under RCW 28B.10.400,
15 but does not become eligible for any supplemental benefit under RCW
16 28B.10.400(1)(c).

17 **Sec. 10.** RCW 41.32.570 and 2007 c 50 s 3 are each amended to read
18 as follows:

19 (1)(a) If a retiree enters employment with an employer sooner than
20 one calendar month after his or her accrual date, the retiree's monthly
21 retirement allowance will be reduced by five and one-half percent for
22 every seven hours worked during that month. This reduction will be
23 applied each month until the retiree remains absent from employment
24 with an employer for one full calendar month.

25 (b) The benefit reduction provided in (a) of this subsection will
26 accrue for a maximum of one hundred forty hours per month. Any monthly
27 benefit reduction over one hundred percent will be applied to the
28 benefit the retiree is eligible to receive in subsequent months.

29 (2) (~~Except under subsection (3) of this section,~~) Any retired
30 teacher or retired administrator who enters service in any public
31 educational institution in Washington state at least one calendar month
32 after his or her accrual date shall cease to receive pension payments
33 while engaged in such service, after the retiree has rendered service
34 for more than eight hundred sixty-seven hours in a school year.

35 (3) (~~Any retired teacher or retired administrator who enters
36 service in any public educational institution in Washington state one
37 and one half calendar months or more after his or her accrual date and:~~

1 ~~(a) Is hired pursuant to a written policy into a position for which~~
2 ~~the school board has documented a justifiable need to hire a retiree~~
3 ~~into the position;~~

4 ~~(b) Is hired through the established process for the position with~~
5 ~~the approval of the school board or other highest decision-making~~
6 ~~authority of the prospective employer;~~

7 ~~(c) Whose employer retains records of the procedures followed and~~
8 ~~the decisions made in hiring the retired teacher or retired~~
9 ~~administrator and provides those records in the event of an audit; and~~

10 ~~(d) The employee has not already rendered a cumulative total of~~
11 ~~more than one thousand nine hundred hours of service while in receipt~~
12 ~~of pension payments beyond an annual threshold of eight hundred sixty-~~
13 ~~seven hours;~~

14 ~~shall cease to receive pension payments while engaged in that service~~
15 ~~after the retiree has rendered service for more than one thousand five~~
16 ~~hundred hours in a school year. The one thousand nine hundred hour~~
17 ~~cumulative total limitation under this section applies prospectively~~
18 ~~after July 22, 2007.~~

19 ~~(4) When a retired teacher or administrator renders service beyond~~
20 ~~eight hundred sixty seven hours, the department shall collect from the~~
21 ~~employer the applicable employer retirement contributions for the~~
22 ~~entire duration of the member's employment during that fiscal year.~~

23 ~~(5))~~ The department shall collect and provide the state actuary
24 with information relevant to the use of this section for the select
25 committee on pension policy.

26 ~~((6))~~ (4) The legislature reserves the right to amend or repeal
27 this section in the future and no member or beneficiary has a
28 contractual right to be employed for more than five hundred twenty-five
29 hours per year without a reduction of his or her pension.

30 **Sec. 11.** RCW 41.32.800 and 2004 c 242 s 55 are each amended to
31 read as follows:

32 (1) Except as provided in RCW 41.32.802, no retiree under the
33 provisions of plan 2 shall be eligible to receive such retiree's
34 monthly retirement allowance if he or she is employed in an eligible
35 position as defined in RCW 41.40.010, 41.32.010, 41.37.010, or
36 41.35.010, or as a law enforcement officer or firefighter as defined in

1 RCW 41.26.030, or in a position covered by annuity and retirement
2 income plans offered by institutions of higher education pursuant to
3 RCW 28B.10.400.

4 If a retiree's benefits have been suspended under this section, his
5 or her benefits shall be reinstated when the retiree terminates the
6 employment that caused his or her benefits to be suspended. Upon
7 reinstatement, the retiree's benefits shall be actuarially recomputed
8 pursuant to the rules adopted by the department.

9 (2) The department shall adopt rules implementing this section.

10 **Sec. 12.** RCW 41.32.802 and 2004 c 242 s 61 are each amended to
11 read as follows:

12 (1)(a) If a retiree enters employment with an employer sooner than
13 one calendar month after his or her accrual date, the retiree's monthly
14 retirement allowance will be reduced by five and one-half percent for
15 every seven hours worked during that month. This reduction will be
16 applied each month until the retiree remains absent from employment
17 with an employer for one full calendar month.

18 (b) The benefit reduction provided in (a) of this subsection will
19 accrue for a maximum of one hundred forty hours per month. Any benefit
20 reduction over one hundred percent will be applied to the benefit the
21 retiree is eligible to receive in subsequent months.

22 (2) A retiree who has satisfied the break in employment requirement
23 of subsection (1) of this section, may work up to eight hundred sixty-
24 seven hours per calendar year in an eligible position, as defined in
25 RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter
26 or law enforcement officer, as defined in RCW 41.26.030, or in a
27 position covered by annuity and retirement income plans offered by
28 institutions of higher education pursuant to RCW 28B.10.400, without
29 suspension of his or her benefit.

30 (3) If the retiree opts to reestablish membership under RCW
31 41.32.044, he or she terminates his or her retirement status and
32 immediately becomes a member. Retirement benefits shall not accrue
33 during the period of membership and the individual shall make
34 contributions and receive membership credit. Such a member shall have
35 the right to again retire if eligible.

1 **Sec. 13.** RCW 41.32.860 and 2005 c 327 s 2 are each amended to read
2 as follows:

3 (1) Except under RCW 41.32.862, no retiree shall be eligible to
4 receive such retiree's monthly retirement allowance if he or she is
5 employed in an eligible position as defined in RCW 41.40.010,
6 41.32.010, 41.35.010, or 41.37.010, or as a law enforcement officer or
7 firefighter as defined in RCW 41.26.030, or in a position covered by
8 annuity and retirement income plans offered by institutions of higher
9 education pursuant to RCW 28B.10.400.

10 (2) If a retiree's benefits have been suspended under this section,
11 his or her benefits shall be reinstated when the retiree terminates the
12 employment that caused the suspension of benefits. Upon reinstatement,
13 the retiree's benefits shall be actuarially recomputed pursuant to the
14 rules adopted by the department.

15 **Sec. 14.** RCW 41.32.862 and 2004 c 242 s 62 are each amended to
16 read as follows:

17 (1)(a) If a retiree enters employment with an employer sooner than
18 one calendar month after his or her accrual date, the retiree's monthly
19 retirement allowance will be reduced by five and one-half percent for
20 every seven hours worked during that month. This reduction will be
21 applied each month until the retiree remains absent from employment
22 with an employer for one full calendar month.

23 (b) The benefit reduction provided in (a) of this subsection will
24 accrue for a maximum of one hundred forty hours per month. Any benefit
25 reduction over one hundred percent will be applied to the benefit the
26 retiree is eligible to receive in subsequent months.

27 (2) A retiree who has satisfied the break in employment requirement
28 of subsection (1) of this section, may work up to eight hundred sixty-
29 seven hours per calendar year in an eligible position, as defined in
30 RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter
31 or law enforcement officer, as defined in RCW 41.26.030, or in a
32 position covered by annuity and retirement income plans offered by
33 institutions of higher education pursuant to RCW 28B.10.400, without
34 suspension of his or her benefit.

35 (3) If the retiree opts to reestablish membership under RCW
36 41.32.044, he or she terminates his or her retirement status and
37 immediately becomes a member. Retirement benefits shall not accrue

1 during the period of membership and the individual shall make
2 contributions and receive membership credit. Such a member shall have
3 the right to again retire if eligible.

4 **Sec. 15.** RCW 41.35.060 and 2004 c 242 s 64 are each amended to
5 read as follows:

6 (1)(a) If a retiree enters employment with an employer sooner than
7 one calendar month after his or her accrual date, the retiree's monthly
8 retirement allowance will be reduced by five and one-half percent for
9 every eight hours worked during that month. This reduction will be
10 applied each month until the retiree remains absent from employment
11 with an employer for one full calendar month.

12 (b) The benefit reduction provided in (a) of this subsection will
13 accrue for a maximum of one hundred sixty hours per month. Any benefit
14 reduction over one hundred percent will be applied to the benefit the
15 retiree is eligible to receive in subsequent months.

16 (2) A retiree who has satisfied the break in employment requirement
17 of subsection (1) of this section may work up to eight hundred sixty-
18 seven hours per calendar year in an eligible position, as defined in
19 RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter
20 or law enforcement officer, as defined in RCW 41.26.030, or in a
21 position covered by annuity and retirement income plans offered by
22 institutions of higher education pursuant to RCW 28B.10.400, without
23 suspension of his or her benefit.

24 (3) If the retiree opts to reestablish membership under RCW
25 41.35.030, he or she terminates his or her retirement status and
26 becomes a member. Retirement benefits shall not accrue during the
27 period of membership and the individual shall make contributions and
28 receive membership credit. Such a member shall have the right to again
29 retire if eligible in accordance with RCW 41.35.420 or 41.35.680.
30 However, if the right to retire is exercised to become effective before
31 the member has rendered two uninterrupted years of service, the
32 retirement formula and survivor options the member had at the time of
33 the member's previous retirement shall be reinstated.

34 **Sec. 16.** RCW 41.35.230 and 2004 c 242 s 56 are each amended to
35 read as follows:

36 (1) Except as provided in RCW 41.35.060, no retiree under the

1 provisions of plan 2 shall be eligible to receive such retiree's
2 monthly retirement allowance if he or she is employed in an eligible
3 position as defined in RCW 41.35.010, 41.40.010, 41.37.010, or
4 41.32.010, or as a law enforcement officer or firefighter as defined in
5 RCW 41.26.030, or in a position covered by annuity and retirement
6 income plans offered by institutions of higher education pursuant to
7 RCW 28B.10.400, except that a retiree who ends his or her membership in
8 the retirement system pursuant to RCW 41.40.023(3)(b) is not subject to
9 this section if the retiree's only employment is as an elective
10 official.

11 (2) If a retiree's benefits have been suspended under this section,
12 his or her benefits shall be reinstated when the retiree terminates the
13 employment that caused his or her benefits to be suspended. Upon
14 reinstatement, the retiree's benefits shall be actuarially recomputed
15 pursuant to the rules adopted by the department.

16 (3) The department shall adopt rules implementing this section.

17 **Sec. 17.** RCW 41.37.050 and 2005 c 327 s 6 are each amended to read
18 as follows:

19 (1)(a) If a retiree enters employment in an eligible position with
20 an employer as defined in this chapter sooner than one calendar month
21 after his or her accrual date, the retiree's monthly retirement
22 allowance will be reduced by five and one-half percent for every eight
23 hours worked during that month. This reduction will be applied each
24 month until the retiree remains absent from employment with an employer
25 for one full calendar month.

26 (b) If a retiree enters employment in an eligible position with an
27 employer as defined in chapter 41.32, 41.35, or 41.40 RCW sooner than
28 one calendar month after his or her accrual date, the retiree's monthly
29 retirement allowance will be reduced by five and one-half percent for
30 every eight hours worked during that month. This reduction will be
31 applied each month until the retiree remains absent from employment
32 with an employer for one full calendar month.

33 (c) The benefit reduction provided in (a) and (b) of this
34 subsection will accrue for a maximum of one hundred sixty hours per
35 month. Any benefit reduction over one hundred percent will be applied
36 to the benefit the retiree is eligible to receive in subsequent months.

1 (2) A retiree who has satisfied the break in employment requirement
2 of subsection (1) of this section may work up to eight hundred sixty-
3 seven hours per calendar year in an eligible position as defined in RCW
4 41.32.010, 41.35.010, or 41.40.010, or as a law enforcement officer or
5 firefighter as defined in RCW 41.26.030, or in a position covered by
6 annuity and retirement income plans offered by institutions of higher
7 education pursuant to RCW 28B.10.400, without suspension of his or her
8 benefit.

9 (3) If the retiree opts to reestablish membership under this
10 chapter, he or she terminates his or her retirement status and becomes
11 a member. Retirement benefits shall not accrue during the period of
12 membership and the individual shall make contributions and receive
13 membership credit. Such a member shall have the right to again retire
14 if eligible in accordance with this chapter. However, if the right to
15 retire is exercised to become effective before the member has rendered
16 two uninterrupted years of service, the retirement formula and survivor
17 options the member had at the time of the member's previous retirement
18 shall be reinstated.

19 (4) The department shall collect and provide the state actuary with
20 information relevant to the use of this section for the select
21 committee on pension policy.

22 NEW SECTION. Sec. 18. A new section is added to chapter 41.40 RCW
23 to be codified under the subchapter heading "plan 3" to read as
24 follows:

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

30 (a) Become a member of the public employees' retirement system plan
31 3 under this chapter; or

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

34 (2) At the end of thirty days, if the member has not made a choice
35 to become a member of the public employees' retirement system, he or
36 she becomes a participant in the institution's plan under RCW

1 28B.10.400, but does not become eligible for any supplemental benefit
2 under RCW 28B.10.400(1)(c).

3 **Sec. 19.** RCW 41.40.037 and 2007 c 50 s 5 are each amended to read
4 as follows:

5 (1)(a) If a retiree enters employment with an employer sooner than
6 one calendar month after his or her accrual date, the retiree's monthly
7 retirement allowance will be reduced by five and one-half percent for
8 every eight hours worked during that month. This reduction will be
9 applied each month until the retiree remains absent from employment
10 with an employer for one full calendar month.

11 (b) The benefit reduction provided in (a) of this subsection will
12 accrue for a maximum of one hundred sixty hours per month. Any benefit
13 reduction over one hundred percent will be applied to the benefit the
14 retiree is eligible to receive in subsequent months.

15 (2)(~~((a) Except as provided in (b) of this subsection,~~) A retiree
16 from plan 1, plan 2, or plan 3 who enters employment with an employer
17 at least one calendar month after his or her accrual date may continue
18 to receive pension payments while engaged in such service for up to
19 eight hundred sixty-seven hours of service in a calendar year without
20 a reduction of pension. For purposes of this section, employment
21 includes positions covered by annuity and retirement income plans
22 offered by institutions of higher education pursuant to RCW 28B.10.400.

23 (~~((b) A retiree from plan 1 who enters employment with an employer~~
24 ~~at least three calendar months after his or her accrual date and:~~

25 (~~(i) Is hired pursuant to a written policy into a position for which~~
26 ~~the employer has documented a justifiable need to hire a retiree into~~
27 ~~the position;~~

28 (~~(ii) Is hired through the established process for the position with~~
29 ~~the approval of: A school board for a school district; the chief~~
30 ~~executive officer of a state agency employer; the secretary of the~~
31 ~~senate for the senate; the chief clerk of the house of representatives~~
32 ~~for the house of representatives; the secretary of the senate and the~~
33 ~~chief clerk of the house of representatives jointly for the joint~~
34 ~~legislative audit and review committee, the select committee on pension~~
35 ~~policy, the legislative evaluation and accountability program, the~~
36 ~~legislative systems committee, and the statute law committee; or~~

1 according to rules adopted for the rehiring of retired plan 1 members
2 for a local government employer;

3 (iii) ~~The employer retains records of the procedures followed and
4 decisions made in hiring the retiree, and provides those records in the
5 event of an audit; and~~

6 (iv) ~~The employee has not already rendered a cumulative total of
7 more than one thousand nine hundred hours of service while in receipt
8 of pension payments beyond an annual threshold of eight hundred sixty-
9 seven hours;~~

10 shall cease to receive pension payments while engaged in that service
11 after the retiree has rendered service for more than one thousand five
12 hundred hours in a calendar year. The one thousand nine hundred hour
13 cumulative total under this subsection applies prospectively to those
14 retiring after July 27, 2003, and retroactively to those who retired
15 prior to July 27, 2003, and shall be calculated from the date of
16 retirement.

17 (c) ~~When a plan 1 member renders service beyond eight hundred
18 sixty seven hours, the department shall collect from the employer the
19 applicable employer retirement contributions for the entire duration of
20 the member's employment during that calendar year.~~

21 (d) ~~A retiree from plan 2 or plan 3 who has satisfied the break in
22 employment requirement of subsection (1) of this section may work up to
23 eight hundred sixty seven hours in a calendar year in an eligible
24 position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or
25 41.40.010, or as a firefighter or law enforcement officer, as defined
26 in RCW 41.26.030, without suspension of his or her benefit.))~~

27 (3) If the retiree opts to reestablish membership under RCW
28 41.40.023(12), he or she terminates his or her retirement status and
29 becomes a member. Retirement benefits shall not accrue during the
30 period of membership and the individual shall make contributions and
31 receive membership credit. Such a member shall have the right to again
32 retire if eligible in accordance with RCW 41.40.180. However, if the
33 right to retire is exercised to become effective before the member has
34 rendered two uninterrupted years of service, the retirement formula and
35 survivor options the member had at the time of the member's previous
36 retirement shall be reinstated.

37 (4) The department shall collect and provide the state actuary with

1 information relevant to the use of this section for the select
2 committee on pension policy.

3 (5) The legislature reserves the right to amend or repeal this
4 section in the future and no member or beneficiary has a contractual
5 right to be employed for more than five months in a calendar year
6 without a reduction of his or her pension.

7 **Sec. 20.** RCW 41.50.030 and 2004 c 242 s 42 are each amended to
8 read as follows:

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

- 13 (a) The Washington public employees' retirement system;
- 14 (b) The Washington state teachers' retirement system;
- 15 (c) The Washington law enforcement officers' and firefighters'
16 retirement system;
- 17 (d) The Washington state patrol retirement system;
- 18 (e) The Washington judicial retirement system; and
- 19 (f) The state treasurer with respect to the administration of the
20 judges' retirement fund imposed pursuant to chapter 2.12 RCW.

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

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

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

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

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

32 **Sec. 21.** RCW 41.50.080 and 2004 c 242 s 45 are each amended to
33 read as follows:

34 The state investment board shall provide for the investment of all
35 funds of the Washington public employees' retirement system, the
36 teachers' retirement system, the school employees' retirement system,

1 the Washington law enforcement officers' and firefighters' retirement
2 system, the Washington state patrol retirement system, the Washington
3 judicial retirement system, the Washington public safety employees'
4 retirement system, the higher education retirement plan supplemental
5 benefit fund, and the judges' retirement fund, pursuant to RCW
6 43.84.150, and may sell or exchange investments acquired in the
7 exercise of that authority.

8 **Sec. 22.** RCW 41.50.110 and 2009 c 564 s 924 are each amended to
9 read as follows:

10 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
11 section, all expenses of the administration of the department, the
12 expenses of administration of the retirement systems, and the expenses
13 of the administration of the office of the state actuary created in
14 chapters 2.10, 2.12, 28B.10, 41.26, 41.32, 41.40, 41.34, 41.35, 41.37,
15 43.43, and 44.44 RCW shall be paid from the department of retirement
16 systems expense fund.

17 (2) In order to reimburse the department of retirement systems
18 expense fund on an equitable basis the department shall ascertain and
19 report to each employer, as defined in RCW 28B.10.400, 41.26.030,
20 41.32.010, 41.35.010, 41.37.010, or 41.40.010, the sum necessary to
21 defray its proportional share of the entire expense of the
22 administration of the retirement system that the employer participates
23 in during the ensuing biennium or fiscal year whichever may be
24 required. Such sum is to be computed in an amount directly
25 proportional to the estimated entire expense of the administration as
26 the ratio of monthly salaries of the employer's members bears to the
27 total salaries of all members in the entire system. It shall then be
28 the duty of all such employers to include in their budgets or otherwise
29 provide the amounts so required.

30 (3) The department shall compute and bill each employer, as defined
31 in RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, or
32 41.40.010, at the end of each month for the amount due for that month
33 to the department of retirement systems expense fund and the same shall
34 be paid as are its other obligations. Such computation as to each
35 employer shall be made on a percentage rate of salary established by
36 the department. However, the department may at its discretion

1 establish a system of billing based upon calendar year quarters in
2 which event the said billing shall be at the end of each such quarter.

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

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

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

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

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

19 (6) Expenses other than those under RCW 41.34.060(3) shall be paid
20 pursuant to subsection (1) of this section.

21 (7) During the 2007-2009 and 2009-2011 fiscal biennia, the
22 legislature may transfer from the department of retirement systems'
23 expense fund to the state general fund such amounts as reflect the
24 excess fund balance of the fund.

25 NEW SECTION. **Sec. 23.** Except for sections 10 and 19 of this act
26 which take effect January 1, 2012, this act is necessary for the
27 immediate preservation of the public peace, health, or safety, or
28 support of the state government and its existing public institutions,
29 and takes effect July 1, 2011.

Passed by the House May 24, 2011.

Passed by the Senate May 21, 2011.

Approved by the Governor June 15, 2011.

Filed in Office of Secretary of State June 15, 2011.