
SENATE BILL 6020

State of Washington 52nd Legislature 1992 Regular Session

By Senators Nelson, Niemi, Bauer, Saling, Rasmussen and Johnson; by request of Joint Committee on Pension Policy

Read first time 01/13/92. Referred to Committee on Ways & Means.

1 AN ACT Relating to simplification of the designation of funds
2 established for use by the teachers' retirement system and the public
3 employees' retirement system; amending RCW 41.50.200, 41.32.540,
4 41.32.522, 41.32.523, 41.50.215, 41.32.260, 41.32.042, 41.32.380,
5 41.50.260, 41.33.020, 41.32.067, 41.32.300, 41.04.445, 41.32.013,
6 41.32.032, 41.32.345, and 41.32.812; reenacting and amending RCW
7 41.32.010 and 41.32.520; and repealing RCW 41.50.225.

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

9 **Sec. 1.** RCW 41.32.010 and 1991 c 343 s 3 and 1991 c 35 s 31 are
10 each reenacted and amended to read as follows:

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

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

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

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

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

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

11 (5) ~~(("Annuity reserve fund" means the fund to which all~~
12 ~~accumulated contributions are transferred upon retirement.~~

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

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

19 ~~((+7))~~ (6) "Contract" means any agreement for service and
20 compensation between a member and an employer.

21 ~~((+8))~~ (7) "Creditable service" means membership service plus
22 prior service for which credit is allowable. This subsection shall
23 apply only to plan I members.

24 ~~((+9))~~ (8) "Dependent" means receiving one-half or more of support
25 from a member.

26 ~~((+10))~~ (9) "Disability allowance" means monthly payments during
27 disability. This subsection shall apply only to plan I members.

28 ~~((+11))~~ (10)(a) "Earnable compensation" for plan I members, means:

29 (i) All salaries and wages paid by an employer to an employee
30 member of the retirement system for personal services rendered during

1 a fiscal year. In all cases where compensation includes maintenance
2 the employer shall fix the value of that part of the compensation not
3 paid in money.

4 (A) Retroactive payments to an individual by an employer on
5 reinstatement of the employee in a position, or payments by an employer
6 to an individual in lieu of reinstatement in a position which are
7 awarded or granted as the equivalent of the salary or wages which the
8 individual would have earned during a payroll period shall be
9 considered earnable compensation and the individual shall receive the
10 equivalent service credit.

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

23 (ii) For members employed less than full time under written
24 contract with a school district, or community college district, in an
25 instructional position, for which the member receives service credit of
26 less than one year in all of the years used to determine the earnable
27 compensation used for computing benefits due under RCW 41.32.497,
28 41.32.498, and 41.32.520, the member may elect to have earnable
29 compensation defined as provided in RCW (~~41.32.011~~) 41.32.345. For
30 the purposes of this subsection, the term "instructional position"

1 means a position in which more than seventy-five percent of the
2 member's time is spent as a classroom instructor (including office
3 hours), a librarian, or a counselor. Earnable compensation shall be so
4 defined only for the purpose of the calculation of retirement benefits
5 and only as necessary to insure that members who receive fractional
6 service credit under RCW 41.32.270 receive benefits proportional to
7 those received by members who have received full-time service credit.

8 (b) "Earnable compensation" for plan II members, means salaries or
9 wages earned by a member during a payroll period for personal services,
10 including overtime payments, and shall include wages and salaries
11 deferred under provisions established pursuant to sections 403(b),
12 414(h), and 457 of the United States Internal Revenue Code, but shall
13 exclude lump sum payments for deferred annual sick leave, unused
14 accumulated vacation, unused accumulated annual leave, or any form of
15 severance pay.

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

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

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

28 (B) Such member's actual earnable compensation received for
29 teaching and legislative service combined. Any additional
30 contributions to the retirement system required because compensation

1 earnable under (b)(ii)(A) of this subsection is greater than
2 compensation earnable under (b)(ii)(B) of this subsection shall be paid
3 by the member for both member and employer contributions.

4 ~~((12))~~ (11) "Employer" means the state of Washington, the school
5 district, or any agency of the state of Washington by which the member
6 is paid.

7 ~~((13))~~ (12) "Fiscal year" means a year which begins July 1st and
8 ends June 30th of the following year.

9 ~~((14))~~ (13) "Former state fund" means the state retirement fund
10 in operation for teachers under chapter 187, Laws of 1923, as amended.

11 ~~((15))~~ (14) "Local fund" means any of the local retirement funds
12 for teachers operated in any school district in accordance with the
13 provisions of chapter 163, Laws of 1917 as amended.

14 ~~((16))~~ (15) "Member" means any teacher included in the membership
15 of the retirement system. Also, any other employee of the public
16 schools who, on July 1, 1947, had not elected to be exempt from
17 membership and who, prior to that date, had by an authorized payroll
18 deduction, contributed to the ~~((annuity fund))~~ member reserve.

19 ~~((17))~~ (16) "Membership service" means service rendered
20 subsequent to the first day of eligibility of a person to membership in
21 the retirement system: PROVIDED, That where a member is employed by
22 two or more employers the individual shall receive no more than one
23 service credit month during any calendar month in which multiple
24 service is rendered. The provisions of this subsection shall apply
25 only to plan I members.

26 ~~((18))~~ (17) "Pension" means the moneys payable per year during
27 life from the pension reserve ~~((fund))~~.

28 ~~((19))~~ (18) "Pension reserve ~~((fund))~~" is a fund in which shall
29 be accumulated an actuarial reserve adequate to meet present and future

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

3 ~~((+20))~~ (19) "Prior service" means service rendered prior to the
4 first date of eligibility to membership in the retirement system for
5 which credit is allowable. The provisions of this subsection shall
6 apply only to plan I members.

7 ~~((+21))~~ (20) "Prior service contributions" means contributions
8 made by a member to secure credit for prior service. The provisions of
9 this subsection shall apply only to plan I members.

10 ~~((+22))~~ (21) "Public school" means any institution or activity
11 operated by the state of Washington or any instrumentality or political
12 subdivision thereof employing teachers, except the University of
13 Washington and Washington State University.

14 ~~((+23))~~ (22) "Regular contributions" means the amounts required to
15 be deducted from the compensation of a member and credited to the
16 member's individual account in the ~~((annuity fund))~~ member reserve.
17 This subsection shall apply only to plan I members.

18 ~~((+24))~~ (23) "Regular interest" means such rate as the director
19 may determine.

20 ~~((+25))~~ (24)(a) "Retirement allowance" for plan I members, means
21 monthly payments based on the sum of annuity and pension, or any
22 optional benefits payable in lieu thereof.

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

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

27 ~~((+27))~~ (26)(a) "Service" means the time during which a member has
28 been employed by an employer for compensation: PROVIDED, That where a
29 member is employed by two or more employers the individual shall

1 receive no more than one service credit month during any calendar month
2 in which multiple service is rendered.

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

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

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

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

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

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

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

29 Any person who is a member of the teachers' retirement system and
30 who is elected or appointed to a state elective position may continue

1 to be a member of the retirement system and continue to receive a
2 service credit month for each of the months in a state elective
3 position by making the required member contributions.

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

8 The department shall adopt rules implementing this subsection.

9 ~~((+28+))~~ (27) "Service credit year" means an accumulation of months
10 of service credit which is equal to one when divided by twelve.

11 ~~((+29+))~~ (28) "Service credit month" means a full service credit
12 month or an accumulation of partial service credit months that are
13 equal to one.

14 ~~((+30) "Survivors' benefit fund" means the fund from which survivor
15 benefits are paid to dependents of deceased members. This subsection
16 shall apply only to plan I members.~~

17 ~~(+31+))~~ (29) "Teacher" means any person qualified to teach who is
18 engaged by a public school in an instructional, administrative, or
19 supervisory capacity. The term includes state, educational service
20 district, and school district superintendents and their assistants and
21 all employees certificated by the superintendent of public instruction;
22 and in addition thereto any full time school doctor who is employed by
23 a public school and renders service of an instructional or educational
24 nature.

25 ~~((+32+))~~ (30) "Average final compensation" for plan II members,
26 means the member's average earnable compensation of the highest
27 consecutive sixty service credit months prior to such member's
28 retirement, termination, or death. Periods constituting authorized
29 leaves of absence may not be used in the calculation of average final
30 compensation.

1 (~~(33)~~) (31) "Retiree" means any member in receipt of a retirement
2 allowance or other benefit provided by this chapter resulting from
3 service rendered to an employer by such member.

4 (~~(34)~~) (32) "Department" means the department of retirement
5 systems created in chapter 41.50 RCW.

6 (~~(35)~~) (33) "Director" means the director of the department.

7 (~~(36)~~) (34) "State elective position" means any position held by
8 any person elected or appointed to state-wide office or elected or
9 appointed as a member of the legislature.

10 (~~(37)~~) (35) "State actuary" or "actuary" means the person
11 appointed pursuant to RCW 44.44.010(2).

12 (~~(38)~~) (36) "Substitute teacher" means:

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

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

19 (~~(39)~~) (37)(a) "Eligible position" for plan II members from June
20 7, 1990, through September 1, 1991, means a position which normally
21 requires two or more uninterrupted months of creditable service during
22 September through August of the following year.

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

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

1 (d) The elected position of the superintendent of public
2 instruction is an eligible position.

3 (~~(40)~~) (38) "Plan I" means the teachers' retirement system, plan
4 I providing the benefits and funding provisions covering persons who
5 first became members of the system prior to October 1, 1977.

6 (~~(41)~~) (39) "Plan II" means the teachers' retirement system, plan
7 II providing the benefits and funding provisions covering persons who
8 first became members of the system on and after October 1, 1977.

9 **Sec. 2.** RCW 41.50.200 and 1991 c 35 s 32 are each amended to read
10 as follows:

11 In the records of the teachers' retirement system the teachers'
12 retirement (~~(fund)~~) system plan I fund shall be subdivided into the
13 (~~(annuity fund, the annuity reserve fund, the survivors' benefit fund)~~)
14 member reserve, the pension reserve (~~(fund, the disability reserve~~
15 ~~fund, the death benefit fund, the income fund, the expense fund)~~), and
16 other funds as may from time to time be created by the director for the
17 purpose of the internal accounting record. The director may adopt
18 rules creating or deleting funds as he or she deems necessary.

19 **Sec. 3.** RCW 41.32.540 and 1991 c 35 s 61 are each amended to read
20 as follows:

21 Upon application of a member in service or of his or her employer
22 or of his or her legal guardian or of the legal representative of a
23 deceased member who was eligible to apply for a temporary disability
24 allowance based on the final illness a member shall be granted a
25 temporary disability allowance by the department if the medical
26 director, after a medical examination of the member, certifies that the
27 member is mentally or physically incapacitated for the further
28 performance of duty. Any member receiving a temporary disability

1 allowance on July 1, 1964 or who qualifies for a temporary disability
2 allowance effective on or after July 1, 1964 shall receive a temporary
3 disability allowance of one hundred eighty dollars per month (~~payable~~
4 ~~from the disability reserve fund~~) for a period not to exceed two
5 years, but no payments shall be made for a disability period of less
6 than sixty days: PROVIDED, That a member who is not employed full time
7 in Washington public school service for consecutive fiscal years shall
8 have been employed for at least fifty consecutive days during the
9 fiscal year in which he or she returns to full time Washington public
10 school service before he or she may qualify for temporary disability
11 benefits: PROVIDED FURTHER, That no temporary disability benefits
12 shall be paid on the basis of an application received more than four
13 calendar years after a member became eligible to apply for such
14 benefits.

15 **Sec. 4.** RCW 41.32.522 and 1991 c 35 s 59 are each amended to read
16 as follows:

17 (1) The department shall pay a death benefit of six hundred dollars
18 ~~((shall be paid from the death benefit fund))~~ to a member's estate or
19 to the persons the member nominates by written designation duly
20 executed and filed with the department or to the persons as may
21 otherwise qualify as the beneficiary pursuant to RCW 41.32.520 upon
22 receipt of proper proof of death of the member if he or she:

23 (a) Was employed on a full time basis (~~and who contributed to the~~
24 ~~death benefit fund~~) during the fiscal year in which his or her death
25 occurs;

26 (b) Was under contract for full time employment in a Washington
27 public school (~~for the fiscal year immediately following the year in~~
28 ~~which such contribution to the death fund was made~~);

1 (c) Submits an application for a retirement allowance to be
2 approved by the department immediately following termination of his or
3 her full-time Washington public school service and who dies before the
4 first installment of his or her retirement allowance becomes due;

5 (d) Is receiving or is entitled to receive temporary disability
6 payments; or

7 (e) Upon becoming eligible for a disability retirement allowance
8 submits an application for an allowance to be approved by the
9 department immediately following the date of his or her eligibility for
10 a disability retirement allowance and dies before the first installment
11 of such allowance becomes due.

12 (2) In order to receive a death benefit under this section a
13 deceased member:

14 (a) Must have established at least one year of credit with the
15 retirement system for full time Washington membership service(~~(.—A~~
16 ~~member's contribution to the death benefit fund for a given fiscal year~~
17 ~~qualifies the member for the death benefit in the event his or her~~
18 ~~death occurs before the beginning of the ensuing school year));~~

19 (b) Who was not employed full time in Washington public school
20 service during the fiscal year immediately preceding the year of his or
21 her death must have been employed full time in Washington public school
22 service for at least fifty consecutive days during the fiscal year of
23 his or her death.

24 **Sec. 5.** RCW 41.32.523 and 1991 c 35 s 60 are each amended to read
25 as follows:

26 Upon receipt of proper proof of death of a member who does not
27 qualify for the death benefit of six hundred dollars under RCW
28 41.32.522, or a former member who was retired for age, service, or
29 disability, a death benefit of four hundred dollars shall be paid

1 ((~~from the death benefit fund~~)) to the member's estate or to the
2 persons as he or she shall have nominated by written designation duly
3 executed and filed with the department or to the persons as may
4 otherwise qualify as the beneficiary pursuant to RCW 41.32.520:
5 PROVIDED, That the member or the retired former member had established
6 not less than ten years of credit with the retirement system for full
7 time Washington membership service.

8 **Sec. 6.** RCW 41.50.215 and 1991 c 35 s 36 are each amended to read
9 as follows:

10 From interest and other earnings on the moneys of the Washington
11 state teachers' retirement system, and except as otherwise provided in
12 RCW ((~~41.32.405 and~~)) 41.32.499, at the close of each fiscal year the
13 department shall make an allowance of regular interest on the balance
14 which was on hand at the beginning of the fiscal year in each of the
15 teachers' retirement system funds as they may deem advisable; however,
16 no interest shall be credited to the expense fund ((~~or the pension~~
17 ~~fund~~)).

18 **Sec. 7.** RCW 41.32.520 and 1991 c 365 s 29 and 1991 c 35 s 58 are
19 each reenacted and amended to read as follows:

20 (1) Upon receipt of proper proofs of death of any member before
21 retirement or before the first installment of his or her retirement
22 allowance shall become due his or her accumulated contributions, less
23 any amount identified as owing to an obligee upon withdrawal of
24 accumulated contributions pursuant to a court order filed under RCW
25 41.50.670, and/or other benefits payable upon his or her death shall be
26 paid to his or her estate or to such persons as he or she shall have
27 nominated by written designation duly executed and filed with the
28 department. If a member fails to file a new beneficiary designation

1 subsequent to marriage, divorce, or reestablishment of membership
2 following termination by withdrawal, lapsation, or retirement, payment
3 of his or her accumulated contributions, less any amount identified as
4 owing to an obligee upon withdrawal of accumulated contributions
5 pursuant to a court order filed under RCW 41.50.670, and/or other
6 benefits upon death before retirement shall be made to the surviving
7 spouse, if any; otherwise, to his or her estate. If a member had
8 established ten or more years of Washington membership service credit
9 or was eligible for retirement, the beneficiary or the surviving spouse
10 if otherwise eligible may elect, in lieu of a cash refund of the
11 member's accumulated contributions, the following survivor benefit plan
12 actuarially reduced by the amount of any lump sum benefit identified as
13 owing to an obligee upon withdrawal of accumulated contributions
14 pursuant to a court order filed under RCW 41.50.670:

15 (a) A widow or widower, without a child or children under eighteen
16 years of age, may elect a monthly payment of fifty dollars to become
17 effective at age fifty, provided the member had fifteen or more years
18 of Washington membership service credit. A benefit paid under this
19 subsection (1)(a) shall terminate at the marriage of the beneficiary.

20 (b) The beneficiary, if a surviving spouse or a dependent (as that
21 term is used in computing the dependent exemption for federal internal
22 revenue purposes) may elect to receive a joint and one hundred percent
23 retirement allowance under RCW 41.32.530.

24 (i) In the case of a dependent child the allowance shall continue
25 until attainment of majority or so long as the department judges that
26 the circumstances which created his or her dependent status continue to
27 exist. In any case, if at the time dependent status ceases, an amount
28 equal to the amount of accumulated contributions of the deceased member
29 has not been paid to the beneficiary, the remainder shall then be paid
30 in a lump sum to the beneficiary.

1 (ii) If at the time of death, the member was not then qualified for
2 a service retirement allowance, the benefit shall be based upon the
3 actuarial equivalent of the sum necessary to pay the accrued regular
4 retirement allowance commencing when the deceased member would have
5 first qualified for a service retirement allowance.

6 (2) If no qualified beneficiary survives a member, at his or her
7 death his or her accumulated contributions, less any amount identified
8 as owing to an obligee upon withdrawal of accumulated contributions
9 pursuant to a court order filed under RCW 41.50.670, shall be paid to
10 his or her estate, or his or her dependents may qualify for survivor
11 benefits under benefit plan (1)(b) in lieu of a cash refund of the
12 members accumulated contributions in the following order: Widow or
13 widower, guardian of a dependent child or children under age eighteen,
14 or dependent parent or parents.

15 ~~((3) Under survivors' benefit plan (1)(a) the department shall
16 transfer to the survivors' benefit fund the accumulated contributions
17 of the deceased member together with an amount from the pension fund
18 determined by actuarial tables to be sufficient to fully fund the
19 liability. Benefits shall be paid from the survivors' benefit fund
20 monthly and terminated at the marriage of the beneficiary.))~~

21 **Sec. 8.** RCW 41.32.260 and 1991 c 35 s 40 are each amended to read
22 as follows:

23 Any member whose public school service is interrupted by active
24 service to the United States as a member of its military, naval or air
25 service, or to the state of Washington, as a member of the legislature,
26 may upon becoming reemployed in the public schools, receive credit for
27 that service upon presenting satisfactory proof, and contributing to
28 the ~~((annuity fund))~~ member reserve, either in a lump sum or
29 installments, amounts determined by the director. Except that no

1 military service credit in excess of five years shall be established or
2 reestablished after July 1, 1961, unless the service was actually
3 rendered during time of war.

4 **Sec. 9.** RCW 41.32.042 and 1982 1st ex.s. c 52 s 13 are each
5 amended to read as follows:

6 The deductions from salaries of members of the retirement system
7 for their contributions to the system are not considered diminution of
8 pay and every member is conclusively presumed to consent thereto as a
9 condition of employment. All contributions to the ~~((annuity fund))~~
10 member reserve shall be credited to the individual for whose account
11 the deductions from salary were made. Regular interest shall be
12 credited to each member's account at least annually.

13 **Sec. 10.** RCW 41.32.380 and 1982 1st ex.s. c 52 s 8 are each
14 amended to read as follows:

15 There shall be placed in the pension reserve ~~((fund))~~ all
16 appropriations made by the legislature for the purpose of paying
17 pensions and survivors' benefits and of establishing and maintaining an
18 actuarial reserve and all gifts and bequests to the pension reserve
19 ~~((fund))~~, and contributions of persons entering the retirement system
20 who have established prior service credit. Members establishing prior
21 service credit shall contribute to the pension reserve ~~((fund))~~ as
22 follows:

23 For the first ten years of prior service fifteen dollars per year;

24 For the second ten years of prior service thirty dollars per year;

25 For the third ten years of prior service forty-five dollars per
26 year.

1 **Sec. 11.** RCW 41.50.260 and 1991 c 35 s 74 are each amended to read
2 as follows:

3 For the purpose of the internal accounting record of the public
4 employees' retirement system and not the segregation of moneys on
5 deposit with the state treasurer there are hereby created the
6 employees' savings fund, the benefit account fund, (~~the public~~
7 ~~employees' income fund~~) and such other funds as the director may from
8 time to time (~~be required~~) create.

9 (1) The employees' savings fund shall be the fund in which shall be
10 accumulated the contributions from the compensation of public
11 employees' retirement system members. The director shall provide for
12 the maintenance of an individual account for each member of the public
13 employees' retirement system showing the amount of the member's
14 contributions together with interest accumulations thereon. The
15 contributions of a member returned to the former employee upon the
16 individual's withdrawal from service, or paid in event of the
17 employee's or former employee's death, as provided in chapter 41.40
18 RCW, shall be paid from the employees' savings fund. The accumulated
19 contributions of a member, upon the commencement of the individual's
20 retirement, shall be transferred from the employees' savings fund to
21 the benefit account fund.

22 (2) The benefit account fund shall be the fund in which shall be
23 accumulated the reserves for the payment of all public employees'
24 retirement system retirement allowances and death benefits, if any, in
25 respect of any beneficiary. The amounts contributed by all public
26 employees' retirement system employers to provide pension benefits
27 shall be credited to the benefit account fund. The benefit account
28 fund shall be the fund from which shall be paid all public employees'
29 retirement system retirement allowances, or benefits in lieu thereof
30 because of which reserves have been transferred from the employees'

1 savings fund to the benefit account fund. At the time a recipient of
2 a retirement allowance again becomes a member of the public employees'
3 retirement system, the department shall transfer from the benefit
4 account fund to the employees' savings fund and credit to the
5 individual account of such a member a sum equal to the excess, if any,
6 of the individual's account at the date of the member's retirement over
7 any service retirement allowance received since that date.

8 ~~((3) A public employees' income fund is hereby created for the~~
9 ~~purpose of crediting interest on the amounts in the various other~~
10 ~~public employees' retirement system funds with the exception of the~~
11 ~~department of retirement systems expense fund, and to provide a~~
12 ~~contingent fund out of which special requirements of any of the other~~
13 ~~such funds may be covered. The director shall determine when a~~
14 ~~distribution of interest and other earnings of the public employees'~~
15 ~~retirement system shall take place. The amounts to be credited and the~~
16 ~~methods for distribution to each of the funds enumerated in subsections~~
17 ~~(1) and (2) of this section and for special requirements previously~~
18 ~~mentioned in this subsection shall be at the director's discretion.~~

19 ~~All accumulated contributions standing to the account of a~~
20 ~~terminated member of the public employees' retirement system except as~~
21 ~~provided in RCW 41.40.150(4), 41.40.170, 41.40.710, and 41.40.720 shall~~
22 ~~be transferred from the employees' savings fund to the public~~
23 ~~employees' income fund. If the former employee, the former employee's~~
24 ~~beneficiary, or the former employee's estate at a future date requests~~
25 ~~the unclaimed contributions or reinstatement of the rights previously~~
26 ~~provided thereunder, the former employee's contributions shall be~~
27 ~~transferred from the public employees' income fund to the savings fund~~
28 ~~and the former employee's account reestablished with all the rights~~
29 ~~which would have been due the former employee, the former employee's~~
30 ~~beneficiary, or the former employee's estate as if in fact the transfer~~

1 to the public employees' income fund had not occurred. All income,
2 interest, and dividends derived from the deposits and investments
3 authorized by chapter 41.40 RCW shall be paid into the public
4 employees' income fund with the exception of interest derived from sums
5 deposited in the department of retirement systems expense fund. The
6 director on behalf of the retirement system is hereby authorized to
7 accept gifts and bequests. Any funds that may come into the possession
8 of the public employees' retirement system in such manner, or any funds
9 which may be transferred from the employees' savings fund by reason of
10 lack of claimant, or because of a surplus in any fund created by
11 chapter 41.40 RCW, or any other moneys the disposition of which is not
12 otherwise provided for, shall be credited to the public employees'
13 income fund.))

14 **Sec. 12.** RCW 41.33.020 and 1973 1st ex.s. c 154 s 77 are each
15 amended to read as follows:

16 The terms and provisions of the plan are as follows:

17 (1) Each political subdivision of the state employing members of
18 the teachers' retirement system and the members of the teachers'
19 retirement system, after the approval of this plan by the legislature,
20 and by the eligible employees through a referendum as provided in RCW
21 41.48.030 (3) and (4), shall be deemed to have accepted and agreed to
22 be bound by the following terms and conditions in consideration of
23 extension of the existing agreement between the secretary of health,
24 education and welfare and the governor to make the protection of the
25 federal old age and survivors insurance program available and
26 applicable to such employees.

27 (2) As used in this plan the terms quoted below shall have the
28 meanings assigned thereto in this section.

1 "Political subdivision" means any political subdivision, or
2 instrumentality of one or more subdivisions, or proprietary enterprise
3 acquired, purchased or originated by one or more such subdivisions
4 after December, 1950, which employs members of the teachers' retirement
5 system. The state, its agencies, instrumentalities and institutions of
6 higher learning shall be grouped and considered as a single political
7 subdivision.

8 "Employee" means any person who is a member of the teachers'
9 retirement system and is employed by a political subdivision.

10 "Wages" shall have the meaning given in RCW 41.48.020(1) and
11 section 209 of the social security act (42 U.S.C.A. Sec. 409).

12 "State" where not otherwise clearly indicated by the context, means
13 the commissioner of employment security or other officer designated by
14 the governor to administer the plan at the state level for all
15 participating political subdivisions.

16 (3) The terms and conditions of this plan are intended and shall be
17 construed to be in conformity with the requirements of the federal
18 social security act as amended and with the requirements of chapter
19 41.48 RCW, and particularly RCW 41.48.050, as amended by chapter 4,
20 Laws of 1955 extraordinary session.

21 (4) The rights and benefits accruing to employees from membership
22 in the teachers' retirement system shall in no way be altered or
23 impaired by this plan or by the additional and supplementary OASI
24 coverage which such employees may receive hereunder, other than the
25 elimination of (1), (2) and (3) of section 52, chapter 80, Laws of 1947
26 and RCW 41.32.520 as each are amended, with the exception of that part
27 of (1) which permits a widow or widower without a child or children
28 under age eighteen to receive a monthly payment of fifty dollars at age
29 fifty, provided that the member had fifteen or more years of Washington
30 membership service credit at date of death.

1 (5) There shall be no additional cost to or involvement of the
2 state or a political subdivision with respect to OASI coverage of
3 members of the teachers' retirement system until this plan has been
4 approved by the legislature.

5 (6) Each employee to whom OASI coverage is made applicable under
6 this plan pursuant to an extension or modification under RCW 41.48.030
7 of the existing agreement between the secretary of health, education
8 and welfare and the governor shall be required to pay into the OASI
9 contribution fund established by RCW 41.48.060 during the period of
10 such coverage contributions with respect to his wages in an amount
11 equal to the employee tax imposed by the federal insurance
12 contributions act (section 3101, Internal Revenue Code of 1954), in
13 consideration of the employee's retention in service by the political
14 subdivision. The subdivision shall withhold such contributions from
15 the wages paid to the employee; and shall remit the contributions so
16 withheld in each calendar quarter to the state for deposit in the
17 contribution fund not later than the twentieth calendar day of the
18 month following that quarter.

19 (7) Each political subdivision shall pay into the contribution fund
20 with respect to the wages of its employees during the period of their
21 OASI coverage pursuant to this plan contributions in an amount equal to
22 the employer tax imposed by the federal insurance contributions act
23 (section 3111, Internal Revenue Code of 1954), from the fund of the
24 subdivision from which such employees' wages are paid. The subdivision
25 shall remit such contributions to the state for deposit in the
26 contribution fund on a quarterly basis, not later than the twentieth
27 calendar day of the month following each calendar quarter.

28 (8) If any political subdivision other than that comprising the
29 state, its agencies, instrumentalities and institutions of higher
30 learning fails to remit as provided herein employer contributions or

1 employee contributions, or any part of either, such delinquent
2 contributions may be recovered with interest at the rate of six percent
3 per annum by action in a court of competent jurisdiction against the
4 political subdivision; or such delinquent contributions may at the
5 request of the governor be deducted from any moneys payable to such
6 subdivision by the state.

7 (9) Each political subdivision shall be charged with a share of the
8 cost of administration of this plan by the state, to be computed as
9 that proportion of the overall cost of administration which its total
10 annual contributions bear to the total annual contributions paid by all
11 subdivisions on behalf of employees covered by the plan. The state
12 shall compute the share of cost allocable to each subdivision and bill
13 the subdivision therefor at the end of each fiscal year. The
14 subdivision shall within ninety days thereafter remit its share of the
15 cost to the state for deposit in the general fund of the state.

16 (10) Each political subdivision shall submit to the state, through
17 the employment security department, P.O. Box 367, Olympia, Washington,
18 or such other officer or agency as the governor may subsequently
19 designate, on forms furnished by the state, not later than the
20 twentieth calendar day of the month following the end of each calendar
21 quarter, the following information:

- 22 A. The social security account number of each employee;
- 23 B. the name of each employee;
- 24 C. the amount of wages subject to contributions as required
25 hereunder paid to each employee during the quarter;
- 26 D. the total amount of wages subject to contributions paid to all
27 employees during the quarter;
- 28 E. the total amount of employee contributions withheld and
29 remitted for the quarter; and

1 F. the total amount of employer contributions paid by the
2 subdivision for the quarter.

3 (11) Each political subdivision shall furnish in the same manner as
4 provided in subsection (10) of this section, upon reasonable notice,
5 such other and further reports or information as the governor may from
6 time to time require. Each subdivision shall comply with such
7 requirements as the secretary of health, education and welfare or the
8 governor may from time to time establish with respect to any or all of
9 the reports or information which are or may be provided for under
10 subsection (10) of this section or this subsection in order to assure
11 the correctness and verification thereof.

12 (12) The governing body of each political subdivision shall
13 designate an officer of the subdivision to administer such accounting,
14 reporting and other functions as will be required for the effective
15 operation of this plan within the subdivision, as provided herein. The
16 commissioner of employment security or such other officer as the
17 governor may designate, shall perform or supervise those functions with
18 respect to employees of the subdivision comprising the state, its
19 agencies, instrumentalities and institutions of higher learning; and
20 shall serve as the representative of the participating political
21 subdivisions in the administration of this plan with the secretary of
22 health, education and welfare.

23 (13) The legislature shall designate the first day of any month
24 beginning with January, 1956, as the effective date of OASI coverage
25 for such employees, except that after January 1, 1958, the effective
26 date may not be prior to the first day of the current year.

27 The employer's contribution for any retroactive coverage shall be
28 transferred by the board of trustees from the teachers' retirement
29 pension reserve (~~fund~~) to the official designated by the governor to
30 administer the plan at the state level.

1 Each employee's contributions for any retroactive coverage shall be
2 transferred by the board of trustees from his accumulated contributions
3 in the teachers' retirement fund, to the official designated above.
4 Each employee, if he so desires, may, within one year from the date of
5 transfer, reimburse his accumulated contributions for the amount so
6 transferred.

7 (14) The governor may terminate the operation of this plan in its
8 entirety with respect to any political subdivision, in his discretion,
9 if he finds that the subdivision has failed to comply substantially
10 with any requirement or provision of this plan. The plan shall not be
11 so terminated until reasonable notice and opportunity for hearing
12 thereon have been given to the subdivision under such conditions,
13 consistent with the provisions of the social security act, as shall
14 have been established in regulations by the governor.

15 **Sec. 13.** RCW 41.32.067 and 1991 c 278 s 2 are each amended to read
16 as follows:

17 A member may purchase additional benefits subject to the following:

18 (1) The member shall pay all reasonable administrative and clerical
19 costs; and

20 (2) The member shall make ((~~an annuity fund~~)) a member reserve
21 contribution to be actuarially converted to a monthly benefit at the
22 time of retirement.

23 **Sec. 14.** RCW 41.32.300 and 1991 c 35 s 42 are each amended to read
24 as follows:

25 (1) Henceforth a total of not more than four years of service
26 outside of the state shall be credited to a member who establishes or
27 reestablishes credit for out-of-state public school employment in this

1 state subsequent to July 1, 1961. Foreign public school teaching
2 service shall be creditable as out-of-state service.

3 (2) No out-of-state service credit shall be established or
4 reestablished subsequent to July 1, 1964, except that a member who has
5 been granted official leave of absence by his or her employer may, upon
6 return to public school service in this state, establish out-of-state
7 membership service credit, within the limitations of this section and
8 conditioned upon satisfactory proof and upon contributions to the
9 (~~annuity fund~~) member reserve, for public school service rendered in
10 another state or in another country.

11 (3) No member who establishes out-of-state service credit after
12 July 1, 1947, shall at retirement for pension payment purposes be
13 allowed credit for out-of-state service in excess of the number of
14 years credit which he or she shall have earned in the public schools of
15 the state of Washington.

16 **Sec. 15.** RCW 41.04.445 and 1990 c 274 s 6 are each amended to read
17 as follows:

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

19 (a) Judges under the retirement system established under chapter
20 2.10, 2.12, or 2.14 RCW;

21 (b) Employees of the state under the retirement system established
22 by chapter 41.32, 41.40, or 43.43 RCW;

23 (c) Employees of school districts under the retirement system
24 established by chapter 41.32 or 41.40 RCW, except for substitute
25 teachers as defined by RCW 41.32.010(~~(-37)~~);

26 (d) Employees of educational service districts under the retirement
27 system established by chapter 41.32 or 41.40 RCW; or

28 (e) Employees of community college districts under the retirement
29 system established by chapter 41.32 or 41.40 RCW.

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

6 (a) RCW 2.10.090(1);

7 (b) RCW 2.12.060;

8 (c) RCW 2.14.090;

9 (d) RCW ((~~41.32.260(2)~~) 41.32.263);

10 (e) RCW 41.32.350;

11 (f) RCW 41.32.775;

12 (g) RCW 41.40.330 (1) and (3);

13 (h) RCW 41.40.650; and

14 (i) RCW 43.43.300.

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

18 (4) All member contributions to the respective retirement system
19 picked up by the employer as provided by this section, plus the accrued
20 interest earned thereon, shall be paid to the member upon the
21 withdrawal of funds or lump-sum payment of accumulated contributions as
22 provided under the provisions of the retirement systems.

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

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

27 (b) Notification of such implementation to the director of the
28 department of retirement systems.

1 **Sec. 16.** RCW 41.32.013 and 1991 c 343 s 4 are each amended to read
2 as follows:

3 Substitute teachers may apply to the department to receive service
4 credit or credit for earnable compensation or both after the end of the
5 last day of instruction of the school year during which the service was
6 performed.

7 (1) The application must:

8 (a) Include a list of the employers the substitute teacher has
9 worked for;

10 (b) Include proof of hours worked and compensation earned; and

11 (c) Be made prior to retirement.

12 (2) If the department accepts the substitute teacher's application
13 for service credit, the substitute teacher may obtain service credit by
14 paying the required contribution to the retirement system. The
15 employer must pay the required employer contribution upon notice from
16 the department that the substitute teacher has made contributions under
17 this section.

18 (3) The department shall charge interest prospectively on employee
19 contributions that are submitted under this section more than six
20 months after the end of the school year, as defined in RCW 28A.150.040,
21 for which the substitute teacher is seeking service credit. The
22 interest rate charged to the employee shall take into account interest
23 lost on employer contributions delayed for more than six months after
24 the end of the school year.

25 (4) Each employer shall quarterly notify each substitute teacher it
26 has employed during the school year of the number of hours worked by,
27 and the compensation paid to, the substitute teacher.

28 (5) The department shall adopt rules implementing this section.

29 (6) If a substitute teacher as defined in RCW
30 (~~41.32.010(39)(b)(ii)~~) 41.32.010(36)(b)(ii) applies to the department

1 under this section for credit for earnable compensation earned from an
2 employer the substitute teacher must make contributions for all periods
3 of service for that employer.

4 **Sec. 17.** RCW 41.32.032 and 1991 c 35 s 39 are each amended to read
5 as follows:

6 (1) Any teacher, as defined under RCW 41.32.010(~~((+29))~~), who is
7 first employed by a public school on or after June 7, 1984, shall
8 become a member of the retirement system as directed under RCW
9 41.32.780 if otherwise eligible.

10 (2) Any person who before June 7, 1984, has established service
11 credit under chapter 41.40 RCW while employed in an educational staff
12 associate position and who is employed in such a position on or after
13 June 7, 1984 has the following options:

14 (a) To remain a member of the public employees' retirement system
15 notwithstanding the provisions of RCW 41.32.240 or 41.32.780; or

16 (b) To irrevocably elect to join the retirement system under this
17 chapter and to receive service credit for previous periods of
18 employment in any position included under RCW 41.32.010(~~((+29))~~). This
19 service credit and corresponding employee contribution shall be
20 computed as though the person had then been a member of the retirement
21 system under this chapter. All employee contributions credited to a
22 member under chapter 41.40 RCW for service now to be credited to the
23 retirement system under this chapter shall be transferred to the system
24 and the member shall not receive any credit nor enjoy any rights under
25 chapter 41.40 RCW for those periods of service. The member shall pay
26 any difference between the employee contributions made under chapter
27 41.40 RCW and transferred under this subsection and what would have
28 been required under this chapter, including interest as set by the
29 director. The member shall be given until July 1, 1989, to make the

1 irrevocable election permitted under this section. The election shall
2 be made by submitting written notification as required by the
3 department requesting credit under this section and by remitting any
4 necessary proof of service or payments within the time set by the
5 department.

6 Any person, not employed as an educational staff associate on June
7 7, 1984, may, before June 30 of the fifth school year after that
8 person's return to employment as a teacher, request and establish
9 membership and credit under this subsection.

10 **Sec. 18.** RCW 41.32.345 and 1990 c 33 s 570 are each amended to
11 read as follows:

12 (1) Subject to the limitations contained in this section, for the
13 purposes of RCW (~~(41.32.010(11)(a)(ii))~~) 41.32.010(10)(a)(ii), earnable
14 compensation means the compensation the member would have received in
15 the same position if employed on a regular full-time basis for the same
16 contract period.

17 (2) In order to ensure that the benefit provided by this section is
18 not used to unfairly inflate a member's retirement allowance, the
19 department shall adopt rules having the force of law to govern the
20 application of this section.

21 (3)(a) In adopting rules which apply to a member employed by a
22 school district, the department may consult the district's salary
23 schedule and related workload provisions, if any, adopted pursuant to
24 RCW 28A.405.200. The rules may require that, in order to be eligible
25 for this benefit, a member's position must either be included on the
26 district's schedule, or the position must have duties,
27 responsibilities, and method of pay which are similar to those found on
28 the district's schedule.

1 (b) In adopting rules which apply to a member employed by a
2 community college district, the department may consult the district's
3 salary schedule and workload provisions contained in an agreement
4 negotiated pursuant to chapter 28B.52 RCW, or similar documents. The
5 rules may require that, in order to be eligible for this benefit, a
6 member's position must either be included on the district's agreement,
7 or the position must have duties, responsibilities, and method of pay
8 which are similar to those found on the district's agreement. The
9 maximum full-time work week used in calculating the benefit for
10 community college employees paid on an hourly rate shall in no case
11 exceed fifteen credit hours, twenty classroom contact hours, or thirty-
12 five assigned hours.

13 (4) If the legislature amends or revokes the benefit provided by
14 this section, no affected employee who thereafter retires is entitled
15 to receive the benefit as a matter of contractual right.

16 **Sec. 19.** RCW 41.32.812 and 1991 c 343 s 12 are each amended to
17 read as follows:

18 The department of retirement systems shall credit at least one-half
19 service credit month for each month of each school year, as defined by
20 RCW 28A.150.040, from October 1, 1977, through December 31, 1986, to a
21 member of the teachers' retirement system plan II who was employed by
22 an employer, as defined by RCW 41.32.010(~~(+12)~~), under a contract for
23 half-time employment as determined by the department for such school
24 year and from whose compensation contributions were paid by the
25 employee or picked up by the employer. Any withdrawn contributions
26 shall be restored under RCW 41.32.500(1) prior to crediting any
27 service.

1 NEW SECTION. **Sec. 20.** RCW 41.50.225 and 1991 c 35 s 50, 1984
2 c 236 s 2, 1982 1st ex.s. c 52 s 11, 1973 1st ex.s. c 189 s 8, & 1969
3 ex.s. c 150 s 12 are each repealed.