



1 the need for public employers and taxpayers to have consistent and  
2 predictable pension funding obligations in support of employee  
3 retirement benefits. Therefore, it is the intent of the legislature to  
4 provide a defined contribution retirement plan option for new public  
5 employees, teachers, and school employees that uses best practices of  
6 defined contribution plans to provide opportunity and flexibility to  
7 accrue a viable retirement benefit, while providing stable funding  
8 requirements for public employers and taxpayers. These best practices  
9 include minimizing the investment risk borne by the participants,  
10 whether through lack of investment knowledge or lack of access to the  
11 full variety of investment classes, and providing a distribution option  
12 that would ensure participants do not outlive their savings.

13 **PART II**  
14 **RETIREMENT SYSTEM**

15 NEW SECTION. **Sec. 201.** This chapter applies only to members of  
16 the Washington public employees' savings plan created under this  
17 chapter.

18 NEW SECTION. **Sec. 202.** The definitions in this section apply  
19 throughout this chapter unless the context clearly requires otherwise.

20 (1) "Accumulated contributions" means the sum of all contributions  
21 standing to the credit of a member in the member's individual account,  
22 together with the earnings thereon.

23 (2)(a) "Compensation earnable" means salaries or wages earned by a  
24 member during a payroll period for personal services, including  
25 overtime payments, and shall include wages and salaries deferred under  
26 provisions established pursuant to sections 403(b), 414(h), and 457 of  
27 the internal revenue code, but excludes nonmoney maintenance  
28 compensation and lump sum or other payments for deferred annual sick  
29 leave, unused accumulated vacation leave, unused accumulated annual  
30 leave, or any form of severance pay.

31 (b) "Compensation earnable" also includes the following actual or  
32 imputed payments, which are not paid for personal services:

33 (i) Retroactive payments to an individual by an employer on  
34 reinstatement of the employee in a position, or payments by an employer  
35 to an individual in lieu of reinstatement in a position which are

1 awarded or granted as the equivalent of the salary or wage which the  
2 individual would have earned during a payroll period is considered  
3 compensation earnable to the extent provided in this subsection (2),  
4 and the individual shall receive the equivalent service credit;

5 (ii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,  
6 and 72.09.240;

7 (iii) Compensation that a member would have received but for a  
8 disability occurring in the line of duty only as authorized by RCW  
9 41.40.038;

10 (iv) Compensation that a member receives due to participation in  
11 the leave sharing program only as authorized by RCW 41.04.650 through  
12 41.04.670; and

13 (v) Compensation that a member receives for being in standby  
14 status. For the purposes of this section, a member is in standby  
15 status when not being paid for time actually worked and the employer  
16 requires the member to be prepared to report immediately for work, if  
17 the need arises, although the need may not arise.

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

20 (4) "Director" means the director of the department.

21 (5) "Eligible position" means:

22 (a) Any position that, as defined by the employer, normally  
23 requires five or more months of service a year for which regular  
24 compensation for at least seventy hours is earned by the occupant  
25 thereof. For purposes of this chapter, an employer may not define  
26 "position" in such a manner that an employee's monthly work for that  
27 employer is divided into more than one position; and

28 (b) Any position occupied by an elected official or person  
29 appointed directly by the governor, or appointed by the chief justice  
30 of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which  
31 compensation is paid.

32 (6) "Employee" or "employed" means a person who is providing  
33 services for compensation to an employer, unless the person is free  
34 from the employer's direction and control over the performance of work.  
35 The department shall adopt rules and interpret this subsection  
36 consistent with common law.

37 (7)(a) "Employer" means every branch, department, agency,  
38 commission, board, and office of the state, and any political

1 subdivision and municipal corporation of the state admitted into the  
2 retirement system, including public agencies created pursuant to RCW  
3 35.63.070, 36.70.060, and 39.34.030.

4 (b) Except as otherwise specifically provided in this chapter,  
5 "employer" does not include a government contractor. For purposes of  
6 this subsection, a "government contractor" is any entity, including a  
7 partnership, limited liability company, for-profit or nonprofit  
8 corporation, or person, that provides services pursuant to a contract  
9 with an employer. The determination whether an employer-employee  
10 relationship has been established is not based on the relationship  
11 between a government contractor and an employer, but is based solely on  
12 the relationship between a government contractor's employee and an  
13 employer under this chapter.

14 (8) "Ineligible position" means any position that does not conform  
15 with the requirements set forth in subsection (7) of this section.

16 (9) "Leave of absence" means the period of time a member is  
17 authorized by the employer to be absent from service without being  
18 separated from membership.

19 (10) "Member" means any employee included in the membership of the  
20 retirement system, as provided for in section 204 of this act.

21 (11) "Member account" or "member's account" means the sum of the  
22 contributions and earnings on behalf of the member.

23 (12) "Regular interest" means the rate the director determines.

24 (13) "Retirement system" means the Washington public employees'  
25 savings plan created in this chapter.

26 (14) "Separation from service" occurs when a person has terminated  
27 all employment with an employer. Separation from service or employment  
28 does not occur, and if claimed by an employer or employee may be a  
29 violation of RCW 41.40.055, when an employee and employer have a  
30 written or oral agreement to resume employment with the same employer  
31 following termination. Mere expressions or inquiries about  
32 postretirement employment by an employer or employee that do not  
33 constitute a commitment to reemploy the employee after retirement are  
34 not an agreement under this subsection.

35 (15)(a) "Service" means periods of employment by a member in an  
36 eligible position or positions for one or more employers for which  
37 compensation earnable is paid. Time spent in standby status, whether  
38 compensated or not, is not service.

1 (b) Service in any state elective position is service.

2 (16) "State actuary" or "actuary" means the person appointed  
3 pursuant to RCW 44.44.010(2).

4 (17) "State elective position" means any position held by any  
5 person elected or appointed to statewide office or elected or appointed  
6 as a member of the legislature.

7 (18) "State treasurer" means the treasurer of the state of  
8 Washington.

9 (19) "Transferable plan" means the plans 2 and plans 3 of the  
10 retirement systems established under chapters 41.32, 41.34, 41.35,  
11 41.37, and 41.40 RCW.

12 NEW SECTION. **Sec. 203.** A public employees' savings plan is hereby  
13 created for the employees of the state of Washington and its political  
14 subdivisions. The administration and management of the savings plan,  
15 the responsibility for making effective the provisions of this chapter,  
16 and the authority to make all rules and regulations necessary therefor  
17 are hereby vested in the department. All such rules and regulations  
18 shall be governed by the provisions of chapter 34.05 RCW. The  
19 retirement system created in this chapter shall be known as the  
20 Washington public employees' savings plan.

21 NEW SECTION. **Sec. 204.** Membership in the retirement system  
22 consists of:

23 (1) All regularly compensated employees and appointive and elective  
24 officials who first become employed by an employer on or after July 1,  
25 2014, and who make an irrevocable choice to become a member of the  
26 system as provided in subsection (3) of this section, except for  
27 persons excluded from membership under section 205 of this act.

28 (2) All regularly compensated employees and appointive and elective  
29 officials employed by an employer who first established service in a  
30 transferable plan prior to July 1, 2014, and who made an irrevocable  
31 choice to transfer into the system as provided in section 206 of this  
32 act.

33 (3)(a) All regularly compensated employees and appointive and  
34 elective officials who first become employed by an employer on or after  
35 July 1, 2014, and who are not otherwise excluded from membership in the  
36 system, have a period of ninety days to make an irrevocable choice to

1 become a member of the public employees' savings plan in lieu of  
2 membership in a state defined benefit retirement system established  
3 under chapters 41.32, 41.35, 41.37, and 41.40 RCW. If the member does  
4 not make a choice to join the public employees' savings plan, he or she  
5 becomes a member of the state defined benefit retirement system for  
6 which he or she is eligible under the rules of that system.

7 (b) For administrative efficiency, until a member elects to become  
8 a member of the public employees' savings plan or another state defined  
9 benefit retirement system as provided in (a) of this subsection, the  
10 member shall be reported to the department in plan 2 of the state  
11 defined benefit retirement system listed in (a) of this subsection for  
12 which they are eligible, with member and employer contributions. Upon  
13 becoming a member of the public employees' savings plan, all member  
14 accumulated contributions will be credited to the member's account in  
15 the public employees' savings plan, subject to the vesting requirements  
16 in section 207 of this act.

17 NEW SECTION. **Sec. 205.** The following persons are excluded from  
18 membership in the retirement system:

19 (1) Persons in ineligible positions;

20 (2) Employees of the legislature except the officers thereof  
21 elected by the members of the senate and the house of representatives  
22 and legislative committees, unless membership of the employees is  
23 authorized by the committee;

24 (3) Persons holding elective offices or persons appointed directly  
25 by the governor. However, these persons have the option of applying  
26 for membership during periods of employment. Persons holding or who  
27 have held elective offices or persons appointed by the governor who are  
28 members in the retirement system and who have, prior to becoming  
29 members, previously held an elective office, and did not at the start  
30 of their initial or successive terms of office exercise their option to  
31 become members, may apply for membership to be effective during their  
32 term or terms of office;

33 (4) Employees holding membership in, or receiving pension benefits  
34 under, any retirement plan operated wholly or in part by an agency of  
35 the state or political subdivision thereof, or who are by reason of  
36 their current employment contributing to or otherwise establishing the

1 right to receive benefits from such a retirement plan, except as  
2 follows:

3 (a) An employee is allowed membership if otherwise eligible while  
4 receiving survivor's benefits;

5 (b) An employee may not be excluded from membership pursuant to  
6 this subsection solely on account of: (i) Membership in the plan  
7 created under chapter 2.14 RCW; or (ii) enrollment under the relief and  
8 compensation provisions or the pension provisions of the volunteer  
9 firefighters' and reserve officers' relief and pension fund under  
10 chapter 41.24 RCW;

11 (c) Except as provided in RCW 41.40.109, an employee may not be  
12 excluded from membership pursuant to this subsection solely on account  
13 of participation in a defined contribution pension plan qualified under  
14 section 401 of the internal revenue code;

15 (5) Patient and inmate help in state charitable, penal, and  
16 correctional institutions;

17 (6) Members of a state veterans' home or state soldiers' home;

18 (7) Persons employed by an institution of higher education or  
19 community college, primarily as an incident to and in furtherance of  
20 their education or training, or the education or training of a spouse;

21 (8) Employees of an institution of higher education or community  
22 college during the period of service necessary to establish eligibility  
23 for membership in the retirement plans operated by that institution;

24 (9) Persons rendering professional services to an employer on a  
25 fee, retainer, or contract basis or when the income from these services  
26 is less than fifty percent of the gross income received from the  
27 person's practice of a profession;

28 (10) Employees of a labor guild, association, or organization;

29 (11) Persons employed by or appointed or elected as an official of  
30 a first-class city that has its own retirement system, but any member  
31 elected or appointed to an elective office has the option of continuing  
32 as a member of the retirement system under this chapter in lieu of  
33 becoming a member of the city system. A member who elects to continue  
34 as a member of the retirement system under this chapter shall pay the  
35 appropriate member contributions and the city shall pay the employer  
36 contributions at the rates prescribed by this chapter. Any city that  
37 becomes an employer as defined in RCW 41.40.010 as the result of an  
38 individual's election under this subsection is not required to have all

1 employees covered for retirement under this chapter. Nothing in this  
2 subsection prohibits a city of the first class with its own retirement  
3 system from allowing newly hired employees the option of continuing  
4 coverage under the retirement system established by this chapter;

5 (12) Employees who (a) are not citizens of the United States, (b)  
6 do not reside in the United States, and (c) perform duties outside of  
7 the United States;

8 (13) Employees who (a) are not citizens of the United States, (b)  
9 are not covered by chapter 41.48 RCW, (c) are not excluded from  
10 membership under this chapter or chapter 41.04 RCW, (d) are residents  
11 of this state, and (e) make an irrevocable election to be excluded from  
12 membership, in writing, which is submitted to the director within  
13 thirty days after employment in an eligible position;

14 (14) Employees who are citizens of the United States and who reside  
15 and perform duties for an employer outside of the United States;

16 (15) The city manager or chief administrative officer of a city or  
17 town, other than a retiree, who serves at the pleasure of an appointing  
18 authority. These persons have the option of applying for membership  
19 within thirty days from the date of appointment to their positions;

20 (16) Persons serving as: (a) The chief administrative officer of  
21 a public utility district as defined in RCW 54.16.100; (b) the chief  
22 administrative officer of a port district formed under chapter 53.04  
23 RCW; or (c) the chief administrative officer of a county who serves at  
24 the pleasure of an appointing authority. These persons have the option  
25 of applying for membership within thirty days from the date of  
26 appointment to their positions;

27 (17) Persons enrolled in state-approved apprenticeship programs,  
28 authorized under chapter 49.04 RCW, and who are employed by local  
29 governments to earn hours to complete the apprenticeship programs, if  
30 the employee is a member of a union-sponsored retirement plan and is  
31 making contributions to such a retirement plan or if the employee is a  
32 member of a Taft-Hartley retirement plan;

33 (18) Persons employed exclusively as trainers or trainees in  
34 resident apprentice training programs operated by housing authorities  
35 authorized under chapter 35.82 RCW, if (a) the trainer or trainee is a  
36 member of a union-sponsored retirement plan and is making contributions  
37 to such a retirement plan, or (b) the trainer or trainee is a member of  
38 a Taft-Hartley retirement plan;



1 (19) Persons who have previously established membership in, or  
2 retired from, another public employees' retirement system described in  
3 RCW 41.50.030, except for members transferring into the system under  
4 section 206 of this act; and

5 (20) Persons who are eligible for membership in the law enforcement  
6 officers' and firefighters' retirement system established under chapter  
7 41.26 RCW or the Washington state patrol retirement system established  
8 under chapter 43.43 RCW.

9 NEW SECTION. **Sec. 206.** (1) Between January 1, 2015, and July 1,  
10 2015, every member of a transferable plan employed by an employer in an  
11 eligible position has a one-time and irrevocable option to transfer to  
12 the public employees' savings plan. Members electing this option must  
13 transfer service from each transferable plan in which the member has  
14 established service credit.

15 (2) Service in each transferable plan for which a transferring  
16 member has established service credit will be transferred to the public  
17 employees' savings plan on July 1, 2015. This service applies to the  
18 eligibility for vesting in employer matching contributions as provided  
19 in section 207 of this act.

20 (3) Retirement benefits in each transferable plan for which a  
21 transferring member has established service credit will be transferred  
22 to the public employees' savings plan and credited to member accounts  
23 in the public employees' savings plan as follows:

24 (a) Plan 2 members' accumulated contributions from each  
25 transferable plan 2 will be transferred on July 1, 2015, including all  
26 accrued interest as of the transfer date;

27 (b) Plan 3 members' member accounts from each transferable plan 3  
28 will be transferred on July 1, 2015;

29 (c) An additional transfer payment from each transferable plan will  
30 be credited to qualified members' accounts in the public employees'  
31 savings plan on July 1, 2017. The transfer payment represents the  
32 employer provided portion of the member's accrued retirement benefit  
33 and is equal to the actuarial equivalent value of the member's accrued  
34 retirement benefit on June 30, 2015, as determined by the director in  
35 consultation with the state actuary, less any amounts transferred under

36 (a) of this subsection. In no event may the additional transfer  
37 payment result in a decrease in the value of a member's account;

1 (d) For purposes of determining the actuarial equivalent value of  
2 the accrued benefit transferred under (c) of this subsection, the  
3 department shall include both expected future salary increases and  
4 expected future service credit for benefit eligibility purposes.  
5 However, only service credit earned as of June 30, 2015, shall be used  
6 to determine the portion of the present value of future benefits that  
7 the transferring member has accrued at the date of the transfer;

8 (e) The additional transfer payment provided under (c) of this  
9 subsection must be increased with regular interest, as determined by  
10 the director, for the period of time between the transfer date and the  
11 date of the additional transfer payment;

12 (f) To qualify for the transfer payment provided under (c) of this  
13 subsection, a transferring member must remain employed by an employer  
14 in an eligible position through July 1, 2017;

15 (g) Members are fully vested in each amount transferred under (a),  
16 (b), (c), and (e) of this subsection when the amount is credited to the  
17 member's account in the public employees' savings plan.

18 (4) Members transferring to the public employees' savings plan  
19 forfeit all service and benefits from all transferable plans and may  
20 not reestablish membership in any transferable plan.

21 (5) The department shall notify potentially eligible members of  
22 their option to transfer to the public employees' savings plan and  
23 shall provide estimates of the amounts potentially available for  
24 transfer to their member accounts.

25 NEW SECTION. **Sec. 207.** (1) A member shall contribute five percent  
26 of his or her compensation earnable until age thirty-five, and seven  
27 and one-half percent thereafter.

28 (2) The employer of a member shall contribute an amount equal to  
29 eighty percent of the contributions made by a member.

30 (3) Members with less than five years of service are not vested in  
31 employer contributions to member accounts and the earnings on those  
32 contributions. Once members have attained five years of service, they  
33 become fully vested in the employer contributions and the earnings on  
34 those contributions. Members do not have any right to receive employer  
35 contributions or the earnings on those contributions in which they are  
36 not vested.

1 (4) Contributions shall begin the first day of the pay cycle in  
2 which the employee becomes a member.

3 NEW SECTION. **Sec. 208.** In addition to contributions made to  
4 members' accounts, employers shall make contributions to the unfunded  
5 actuarial accrued liability in plan 1 of the teachers' retirement  
6 system and plan 1 of the public employees' retirement system as  
7 follows:

8 (1) School districts and educational service districts shall  
9 contribute to plan 1 of the teachers' retirement system the amounts  
10 specified in RCW 41.45.060(8) (b) and (c) on earnable compensation paid  
11 to teachers as defined in RCW 41.32.010.

12 (2) School districts and educational service districts shall  
13 contribute to plan 1 of the public employees' retirement system the  
14 amounts specified in RCW 41.45.060(6) (b) and (c) on earnable  
15 compensation paid to classified employees as defined in RCW 41.35.010.

16 (3) Employers other than school districts and educational service  
17 districts shall contribute to plan 1 of the public employees'  
18 retirement system the amounts specified in RCW 41.45.060(6) (b) and  
19 (c).

20 NEW SECTION. **Sec. 209.** (1) Members may self-direct their  
21 investments as set forth in section 211 of this act and RCW 43.33A.190.  
22 If a member does not select investments, the member's account shall be  
23 invested in the default investment option of the retirement strategy  
24 fund that is closest to the retirement target date of the member.  
25 "Retirement strategy fund" means one of several diversified asset  
26 allocation portfolios managed by investment advisors under contract to  
27 the state investment board. The asset mix of the portfolios adjusts  
28 over time depending on a target retirement date.

29 (2) The department shall adopt rules that will allow members the  
30 option to roll over moneys from other tax qualified accounts into their  
31 public employees' savings plan member account. This option is subject  
32 to internal revenue service requirements for favorable tax  
33 qualification. The department is not required to allow all roll-overs  
34 that may be permitted under internal revenue service regulations.

1        NEW SECTION.    **Sec. 210.**    (1) The state investment board has the  
2 full authority to invest all self-directed investment moneys in  
3 accordance with RCW 43.84.150 and 43.33A.140, and cumulative investment  
4 directions received pursuant to section 209 of this act and this  
5 section. In carrying out this authority the state investment board,  
6 after consultation with the department, shall provide a set of options  
7 for members to choose from for self-directed investment.

8        (2) All investment and operating costs of the state investment  
9 board associated with making self-directed investments shall be paid by  
10 members and recovered under procedures agreed to by the department and  
11 the state investment board pursuant to the principles set forth in RCW  
12 43.33A.160 and 43.84.160. All other expenses caused by self-directed  
13 investment shall be paid by the member in accordance with rules  
14 established by the department. With the exception of these expenses,  
15 all earnings from self-directed investments shall accrue to the  
16 member's account.

17        (3)(a)(i) The department shall keep or cause to be kept full and  
18 adequate accounts and records of each individual member's account. The  
19 department shall account for and report on the investment of defined  
20 contribution assets or may enter into an agreement with the state  
21 investment board for such accounting and reporting under this chapter.

22        (ii) The department's duties related to individual participant  
23 accounts include conducting the activities of trade instruction,  
24 settlement activities, and direction of cash movement and related wire  
25 transfers with the custodian bank and outside investment firms.

26        (iii) The department has sole responsibility for contracting with  
27 any recordkeepers for individual participant accounts and shall manage  
28 the performance of recordkeepers under those contracts.

29        (b)(i) The department's duties under (a)(ii) of this subsection do  
30 not limit the authority of the state investment board to conduct its  
31 responsibilities for asset management and balancing of the deferred  
32 compensation funds.

33        (ii) The state investment board has sole responsibility for  
34 contracting with outside investment firms to provide investment  
35 management for the deferred compensation funds and shall manage the  
36 performance of investment managers under those contracts.

37        (c) The state treasurer shall designate and define the terms of  
38 engagement for the custodial banks.

1        NEW SECTION.    **Sec. 211.**    (1) If the member terminates employment,  
2 the balance in the member's account may be distributed in accordance  
3 with an option selected by the member either as a lump sum or pursuant  
4 to other options authorized by the department.

5        (2) If the member dies while in service, the balance of the  
6 member's account may be distributed in accordance with an option  
7 selected by the member either as a lump sum or pursuant to other  
8 options authorized by the department. The distribution is as follows:

9        (a) The distribution shall be made to the person or persons the  
10 member nominated by written designation duly executed and filed with  
11 the department;

12        (b) If there is no designated person or persons still living at the  
13 time of the member's death, the balance of the member's account in the  
14 retirement system shall be paid to the member's surviving spouse as if  
15 in fact the spouse had been nominated by written designation;

16        (c) If there is no surviving spouse, then to the person or persons,  
17 trust, or organization as the member has nominated by written  
18 designation duly executed and filed with the department; or

19        (d) If there is no designated person or persons still living at the  
20 time of the member's death, then to the member's legal representatives.

21        (3) If a member has a terminal illness and terminates from  
22 employment, the member may choose to have the balance in the member's  
23 account distributed as a lump sum payment based on the most recent  
24 valuation in order to expedite the distribution. The department shall  
25 make this payment within ten working days after receipt of notice of  
26 termination of employment, documentation verifying the terminal  
27 illness, and an application for payment.

28        (4) The distribution under subsections (1) through (3) of this  
29 section is less:

30        (a) Any amount identified as owing to an obligee upon withdrawal  
31 pursuant to a court order filed under RCW 41.50.670; and

32        (b) Any employer contributions and the earnings on those  
33 contributions in which the member is not vested as provided for in  
34 section 207 of this act.

35        (5) Upon any distribution from a member account under this section,  
36 any employer contributions and the earnings on those contributions in  
37 which the member is not vested as provided for in section 207 of this

1 act are forfeited by the member. Amounts forfeited under this  
2 subsection will be credited, under rules developed by the department,  
3 to the employer who made the contributions.

4 (6) The department shall adopt rules providing members and  
5 survivors an option to purchase, using funds in the member's account,  
6 an annuity from a state-administered fund. The offering of this option  
7 is subject to favorable tax determination by the internal revenue  
8 service.

9 NEW SECTION. **Sec. 212.** (1) Subject to subsections (2) and (3) of  
10 this section, the right of a person to an annuity or any other right  
11 accrued or accruing to any person under the provisions of this chapter,  
12 the various funds created by this chapter, and all moneys and  
13 investments and income thereof, are hereby exempt from any state,  
14 county, municipal, or other local tax, and is not subject to execution,  
15 garnishment, attachment, the operation of bankruptcy or insolvency  
16 laws, or other process of law whatsoever, whether the same be in actual  
17 possession of the person or be deposited or loaned and shall be  
18 unassignable.

19 (2)(a) This section does not prohibit a beneficiary of an annuity  
20 from authorizing deductions therefrom for payment of premiums due on  
21 any group insurance policy or plan issued for the benefit of a group  
22 comprised of public employees of the state of Washington or its  
23 political subdivisions and which has been approved for deduction in  
24 accordance with rules that may be adopted by the state health care  
25 authority and/or the department. This section does not prohibit a  
26 beneficiary of an annuity from authorizing deductions therefrom for  
27 payment of dues and other membership fees to any retirement association  
28 or organization the membership of which is composed of retired public  
29 employees, if a total of three hundred or more of such retired  
30 employees have authorized such deduction for payment to the same  
31 retirement association or organization.

32 (b) This section does not prohibit a beneficiary of an annuity from  
33 authorizing deductions from that allowance for charitable purposes on  
34 the same terms as employees and public officers under RCW 41.04.035 and  
35 41.04.036.

36 (3) Subsection (1) of this section does not prohibit the department  
37 from complying with (a) a wage assignment order for child support

1 issued pursuant to chapter 26.18 RCW, (b) an order to withhold and  
2 deliver issued pursuant to chapter 74.20A RCW, (c) a notice of payroll  
3 deduction issued pursuant to RCW 26.23.060, (d) a mandatory benefits  
4 assignment order issued by the department, (e) a court order directing  
5 the department of retirement systems to pay benefits directly to an  
6 obligee under a dissolution order as defined in RCW 41.50.500(3) which  
7 fully complies with RCW 41.50.670 and 41.50.700, or (f) any  
8 administrative or court order expressly authorized by federal law.

9 NEW SECTION. **Sec. 213.** (1) The retirement plan created by this  
10 chapter must be administered so as to comply with the internal revenue  
11 code, Title 26 U.S.C., and specifically with plan qualification  
12 requirements imposed on governmental plans by section 401(a) of the  
13 internal revenue code.

14 (2) Any section or provision of this chapter which is susceptible  
15 to more than one construction must be interpreted in favor of the  
16 construction most likely to satisfy requirements imposed by section  
17 401(a) of the internal revenue code.

18 (3) If any section or provision of this chapter is found to be in  
19 conflict with the plan qualification requirements for governmental  
20 plans in section 401(a) of the internal revenue code, the conflicting  
21 part of this chapter is hereby inoperative solely to the extent of the  
22 conflict, and such finding does not affect the operation of the  
23 remainder of this chapter.

24 NEW SECTION. **Sec. 214.** (1) A state board, commission, or agency,  
25 or any officer, employee, or member thereof, is not liable for any loss  
26 or deficiency resulting from member investments selected or required  
27 pursuant to section 210 (1) or (3) of this act.

28 (2) Neither the department, nor director or any employee, nor the  
29 state investment board, nor any officer, employee, or member thereof,  
30 is liable for any loss or deficiency resulting from reasonable efforts  
31 to implement investment directions pursuant to section 210 (1) or (3)  
32 of this act.

33 (3) The state investment board, or any officer, employee, or member  
34 thereof, is not liable with respect to any declared monthly unit  
35 valuations or crediting of rates of return, or any other exercise of

1 powers or duties, including discretion, under section 210(2) of this  
2 act.

3 (4) The department, or any officer or employee thereof, is not  
4 liable for crediting rates of return which are consistent with the  
5 state investment board's declaration of monthly unit valuations  
6 pursuant to section 210(2) of this act.

7 NEW SECTION. **Sec. 215.** For the purposes of this chapter, the  
8 terms spouse, marriage, marital, husband, wife, widow, widower, next of  
9 kin, and family apply equally to state registered domestic partnerships  
10 or individuals in state registered domestic partnerships as well as to  
11 marital relationships and married persons, and references to  
12 dissolution of marriage apply equally to state registered domestic  
13 partnerships that have been terminated, dissolved, or invalidated, to  
14 the extent that such interpretation does not conflict with federal law.  
15 When necessary to implement chapter 521, Laws of 2009, gender-specific  
16 terms such as husband and wife used in any statute, rule, or other law  
17 are gender neutral, and applicable to individuals in state registered  
18 domestic partnerships.

19 NEW SECTION. **Sec. 216.** Sections 201 through 215 of this act  
20 constitute a new chapter in Title 41 RCW.

### 21 **PART III**

#### 22 **CHANGES TO EXISTING RETIREMENT SYSTEMS**

23 **Sec. 301.** RCW 41.04.440 and 2007 c 492 s 3 are each amended to  
24 read as follows:

25 (1) The sole purpose of RCW 41.04.445 and 41.04.450 is to allow the  
26 members of the retirement systems created in chapters 2.10, 2.12,  
27 41.26, 41.32, 41.35, 41.37, 41.40, 41.34, 41.--- (the new chapter  
28 created in section 216 of this act), and 43.43 RCW to enjoy the tax  
29 deferral benefits allowed under 26 U.S.C. 414(h). Chapter 227, Laws of  
30 1984 does not alter in any manner the provisions of RCW 41.45.060,  
31 41.45.061, and 41.45.067 which require that the member contribution  
32 rates shall be set so as to provide fifty percent of the cost of the  
33 respective retirement plans.



1 (2) Should the legislature revoke any benefit allowed under 26  
2 U.S.C. 414(h), no affected employee shall be entitled thereafter to  
3 receive such benefit as a matter of contractual right.

4 **Sec. 302.** RCW 41.04.445 and 2007 c 492 s 4 are each amended to  
5 read as follows:

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

7 (a) Judges under the retirement system established under chapter  
8 2.10, 2.12, or 2.14 RCW;

9 (b) Employees of the state under the retirement system established  
10 by chapter 41.32, 41.37, 41.40, 41.--- (the new chapter created in  
11 section 216 of this act), or 43.43 RCW;

12 (c) Employees of school districts under the retirement system  
13 established by chapter 41.32 (~~(or)~~), 41.40, or 41.--- (the new chapter  
14 created in section 216 of this act) RCW, except for substitute teachers  
15 as defined by RCW 41.32.010;

16 (d) Employees of educational service districts under the retirement  
17 system established by chapter 41.32 (~~(or)~~), 41.40, or 41.--- (the new  
18 chapter created in section 216 of this act) RCW; or

19 (e) Employees of community college districts under the retirement  
20 system established by chapter 41.32 (~~(or)~~), 41.40, or 41.--- (the new  
21 chapter created in section 216 of this act) RCW.

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

27 (a) RCW 2.10.090(1);

28 (b) RCW 2.12.060;

29 (c) RCW 2.14.090;

30 (d) RCW 41.32.263;

31 (e) RCW 41.32.350;

32 (f) RCW 41.40.330 (1) and (3);

33 (g) RCW 41.45.061 and 41.45.067;

34 (h) RCW 41.34.070; and

35 (i) (~~RCW 43.43.300; and~~

36 ~~(j)~~) RCW 41.34.040.

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

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

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

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

13 (b) Notification of such implementation to the director of the  
14 department of retirement systems.

15 **Sec. 303.** RCW 41.04.450 and 2007 c 492 s 5 are each amended to  
16 read as follows:

17 (1) Employers of those members under chapters 41.26, 41.34, 41.35,  
18 41.37, 41.--- (the new chapter created in section 216 of this act), and  
19 41.40 RCW who are not specified in RCW 41.04.445 may choose to  
20 implement the employer pick up of all member contributions without  
21 exception under RCW 41.26.080(1)(a), 41.26.450, 41.40.330(1),  
22 41.45.060, 41.45.061, and 41.45.067 and chapters 41.34, and 41.--- (the  
23 new chapter created in section 216 of this act) RCW. If the employer  
24 does so choose, the employer and members shall be subject to the  
25 conditions and limitations of RCW 41.04.445 (3), (4), and (5) and  
26 41.04.455.

27 (2) An employer exercising the option under this section may later  
28 choose to withdraw from and/or reestablish the employer pick up of  
29 member contributions only once in a calendar year following forty-five  
30 days prior notice to the director of the department of retirement  
31 systems.

32 NEW SECTION. **Sec. 304.** A new section is added to chapter 41.32  
33 RCW under the subchapter heading "plan 3" to read as follows:

34 (1) All teachers who first become employed by an employer in an  
35 eligible position on or after July 1, 2014, must make an irrevocable  
36 choice to become a member of either the teacher's retirement system, or

1 the public employees' savings plan established under chapter 41.--- RCW  
2 (the new chapter created in section 216 of this act). If the employee  
3 does not make a choice to join the public employees' savings plan, he  
4 or she becomes a member of the teachers' retirement system.

5 (2) The system choice provided in this section only applies to  
6 employees who are eligible for membership in both retirement systems  
7 under the rules of the systems. This section does not confer  
8 retirement system membership on an employee who is not otherwise  
9 eligible.

10 NEW SECTION. **Sec. 305.** A new section is added to chapter 41.35  
11 RCW under the subchapter heading "plan 3" to read as follows:

12 (1) All classified employees who first become employed by an  
13 employer in an eligible position on or after July 1, 2014, must make an  
14 irrevocable choice to become a member of either the school employees'  
15 retirement system, or the public employees' savings plan established  
16 under chapter 41.--- RCW (the new chapter created in section 216 of  
17 this act). If the employee does not make a choice to join the public  
18 employees' savings plan, he or she becomes a member of the school  
19 employees' retirement system.

20 (2) The system choice provided in this section only applies to  
21 employees who are eligible for membership in both retirement systems  
22 under the rules of the systems. This section does not confer  
23 retirement system membership on an employee who is not otherwise  
24 eligible.

25 NEW SECTION. **Sec. 306.** A new section is added to chapter 41.37  
26 RCW to read as follows:

27 (1) All public safety employees who first become employed by an  
28 employer in an eligible position on or after July 1, 2014, must make an  
29 irrevocable choice to become a member of either the public safety  
30 employees' retirement system, or the public employees' savings plan  
31 established under chapter 41.--- RCW (the new chapter created in  
32 section 216 of this act). If the employee does not make a choice to  
33 join the public employees' savings plan, he or she becomes a member of  
34 the school employees' retirement system.

35 (2) The system choice provided in this section only applies to  
36 employees who are eligible for membership in both retirement systems

1 under the rules of the systems. This section does not confer  
2 retirement system membership on an employee who is not otherwise  
3 eligible.

4 NEW SECTION. **Sec. 307.** A new section is added to chapter 41.40  
5 RCW under the subchapter heading "plan 3" to read as follows:

6 (1) All employees who first become employed by an employer in an  
7 eligible position on or after July 1, 2014, must make an irrevocable  
8 choice to become a member of either the public employees' retirement  
9 system, or the public employees' savings plan established under chapter  
10 41.--- RCW (the new chapter created in section 216 of this act). If  
11 the employee does not make a choice to join the public employees'  
12 savings plan, he or she becomes a member of the public employees'  
13 retirement system.

14 (2) The system choice provided in this section only applies to  
15 employees who are eligible for membership in both retirement systems  
16 under the rules of the systems. This section does not confer  
17 retirement system membership on an employee who is not otherwise  
18 eligible.

19 **Sec. 308.** RCW 41.50.030 and 2011 1st sp.s. c 47 s 20 are each  
20 amended to read as follows:

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

- 25 (a) The Washington public employees' retirement system;
- 26 (b) The Washington state teachers' retirement system;
- 27 (c) The Washington law enforcement officers' and firefighters'  
28 retirement system;
- 29 (d) The Washington state patrol retirement system;
- 30 (e) The Washington judicial retirement system; and
- 31 (f) The state treasurer with respect to the administration of the  
32 judges' retirement fund imposed pursuant to chapter 2.12 RCW.

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

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

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

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

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

9 (7) The department shall administer the Washington public  
10 employees' savings plan created in chapter 41.--- RCW (the new chapter  
11 created in section 216 of this act).

12 **Sec. 309.** RCW 41.50.110 and 2011 1st sp.s. c 50 s 936 and 2011 1st  
13 sp.s. c 47 s 22 are each reenacted and amended to read as follows:

14 (1) Except as provided by RCW 41.50.255 and subsection (6) of this  
15 section, all expenses of the administration of the department, the  
16 expenses of administration of the retirement systems, and the expenses  
17 of the administration of the office of the state actuary created in  
18 chapters 2.10, 2.12, 28B.10, 41.26, 41.32, 41.40, 41.34, 41.35, 41.37,  
19 41.--- (the new chapter created in section 216 of this act), 43.43, and  
20 44.44 RCW shall be paid from the department of retirement systems  
21 expense fund.

22 (2) In order to reimburse the department of retirement systems  
23 expense fund on an equitable basis the department shall ascertain and  
24 report to each employer, as defined in RCW 28B.10.400, 41.26.030,  
25 41.32.010, 41.35.010, 41.37.010, section 202 of this act, or 41.40.010,  
26 the sum necessary to defray its proportional share of the entire  
27 expense of the administration of the retirement system that the  
28 employer participates in during the ensuing biennium or fiscal year  
29 whichever may be required. Such sum is to be computed in an amount  
30 directly proportional to the estimated entire expense of the  
31 administration as the ratio of monthly salaries of the employer's  
32 members bears to the total salaries of all members in the entire  
33 system. It shall then be the duty of all such employers to include in  
34 their budgets or otherwise provide the amounts so required.

35 (3) The department shall compute and bill each employer, as defined  
36 in RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, section  
37 202 of this act, or 41.40.010, at the end of each month for the amount

1 due for that month to the department of retirement systems expense fund  
2 and the same shall be paid as are its other obligations. Such  
3 computation as to each employer shall be made on a percentage rate of  
4 salary established by the department. However, the department may at  
5 its discretion establish a system of billing based upon calendar year  
6 quarters in which event the said billing shall be at the end of each  
7 such quarter.

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

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

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

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

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

24 (6) Expenses other than those under RCW 41.34.060(~~(+3)~~) (4) shall  
25 be paid pursuant to subsection (1) of this section.

26 (7) During the 2009-2011 and 2011-2013 fiscal biennia, the  
27 legislature may transfer from the department of retirement systems'  
28 expense fund to the state general fund such amounts as reflect the  
29 excess fund balance of the fund.

30 **Sec. 310.** RCW 43.33A.190 and 2000 c 247 s 701 are each amended to  
31 read as follows:

32 Pursuant to RCW 41.34.130 and section 210 of this act, the state  
33 investment board shall invest all self-directed investment moneys under  
34 the public employees' savings plan, the teachers' retirement system  
35 plan 3, the school employees' retirement system plan 3, and the public  
36 employees' retirement system plan 3 with full power to establish

1 investment policy, develop investment options, and manage self-directed  
2 investment funds.

3 **PART IV**  
4 **ADDITIONAL PROVISIONS**

5 NEW SECTION. **Sec. 401.** This act takes effect July 1, 2014.

6 NEW SECTION. **Sec. 402.** The benefits provided pursuant to this act  
7 are not provided to employees as a matter of contractual right prior to  
8 July 1, 2014. The legislature retains the right to alter or abolish  
9 these benefits at any time prior to July 1, 2014.

--- END ---