

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 5888

Chapter 519, Laws of 1993
(partial veto)

53rd Legislature
1993 Regular Session

RETIREMENT SYSTEMS--BENEFITS IMPROVEMENTS

EFFECTIVE DATE: 5/18/93

Passed by the Senate April 13, 1993
YEAS 47 NAYS 0

JOEL PRITCHARD

President of the Senate

Passed by the House April 20, 1993
YEAS 94 NAYS 3

BRIAN EBERSOLE

**Speaker of the
House of Representatives**

Approved May 18, 1993, with the
exception of sections 22 and 23, which
are vetoed.

MIKE LOWRY

Governor of the State of Washington

CERTIFICATE

I, Marty Brown, Secretary of the
Senate of the State of Washington, do
hereby certify that the attached is
ENGROSSED SUBSTITUTE SENATE BILL 5888
as passed by the Senate and the House
of Representatives on the dates hereon
set forth.

MARTY BROWN

Secretary

FILED

May 18, 1993 - 10:46 p.m.

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 5888

Passed Legislature - 1993 Regular Session

State of Washington

53rd Legislature

1993 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Gaspard, Rinehart, Bauer, Snyder and Anderson)

Read first time 04/09/93.

1 AN ACT Relating to improvement of retirement system benefits;
2 amending RCW 43.01.170, 28A.400.212, 41.54.061, 41.54.040, 41.45.030,
3 41.45.040, 41.45.060, 41.45.0601, 43.33A.020, and 43.33A.040; adding a
4 new section to chapter 41.32 RCW; adding a new section to chapter 41.40
5 RCW; adding a new section to chapter 41.50 RCW; creating new sections;
6 and declaring an emergency.

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

8 **PART I - COST-OF-LIVING ADJUSTMENT EXTENSION**

9 NEW SECTION. **Sec. 1.** The benefit adjustment granted by sections
10 711(1) and 712(1), chapter 232, Laws of 1992 (uncodified) being
11 received by plan I beneficiaries as of June 30, 1993, unless otherwise
12 improper, shall be continued through June 30, 1995.

13 **PART II - NEW TEMPORARY COST-OF-LIVING ADJUSTMENT**

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.32 RCW
15 under the subchapter heading "Plan I" to read as follows:

1 (1) Effective July 1, 1993, through June 30, 1995, the monthly
2 benefit of each plan I beneficiary under this chapter is increased
3 three dollars per month per year of creditable service established by
4 the member, reflecting any actuarial reduction made or survivor option
5 taken, if the beneficiary:

6 (a) Is not receiving a minimum benefit under RCW 41.32.487 or cost-
7 of-living adjustment under RCW 41.32.575; and

8 (b) Is at least age seventy as of July 1, 1993; and

9 (c) Was receiving benefits as of July 1, 1988; and

10 (d) Is not a recipient of the temporary disability under RCW
11 41.32.540.

12 (2) Any fraction of a year is counted in the computation of this
13 adjustment.

14 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.40 RCW
15 under the subchapter heading "Plan I" to read as follows:

16 (1) Effective July 1, 1993, through June 30, 1995, the monthly
17 benefit of each plan I beneficiary under this chapter is increased
18 three dollars per month per year of creditable service established by
19 the member, reflecting any actuarial reduction made or survivor option
20 taken, if the beneficiary:

21 (a) Is not receiving a minimum benefit under RCW 41.40.198 or cost-
22 of-living adjustment under RCW 41.40.325; and

23 (b) Is at least age seventy as of July 1, 1993; and

24 (c) Was receiving benefits as of July 1, 1988.

25 (2) Any fraction of a year is counted in the computation of this
26 adjustment.

27 **PART III - EARLY RETIREMENT**

28 NEW SECTION. **Sec. 4.** (1) Subject to subsection (2) of this
29 section, in addition to members eligible to retire under RCW 41.40.180,
30 any member of the public employees' retirement system plan I who meets
31 the following criteria may retire after providing written notification
32 to the member's employer and submitting the required application to
33 the director on a form provided by the department:

34 (a) The member is employed by an employer in an eligible position
35 on March 1, 1993; and

1 (b) The member has: (i) Attained the age of fifty-five years and
2 completed five service credit years of service; (ii) completed twenty-
3 five service credit years of service; or (iii) attained the age of
4 fifty years and completed twenty service credit years of service.

5 (2) A member who wishes to apply for retirement under subsection
6 (1) of this section who is employed by a school district must submit
7 the required notification and application form no later than July 1,
8 1993, setting forth that the member shall be retired no later than
9 August 31, 1993. A member employed by any employer other than a school
10 district must submit the required notification and application no later
11 than August 31, 1993, setting forth that the member shall be retired no
12 later than December 31, 1993.

13 NEW SECTION. **Sec. 5.** Section 4 of this act is added to chapter
14 41.40 RCW, but because of its temporary nature, shall not be codified.

15 NEW SECTION. **Sec. 6.** (1) Subject to subsection (2) of this
16 section, in addition to members eligible to retire under RCW 41.32.480,
17 any member of the teachers' retirement system plan I who meets the
18 following criteria may retire after providing written notification to
19 the member's employer and submitting the required application to the
20 director on a form provided by the department:

21 (a) The member is employed by an employer on March 1, 1993, and is
22 not a substitute teacher; and

23 (b) The member has: (i) Attained the age of fifty-five years and
24 completed five service credit years of service; (ii) completed twenty-
25 five service credit years of service; or (iii) attained the age of
26 fifty years and completed twenty service credit years of service.

27 (2) A member who wishes to apply for retirement under subsection
28 (1) of this section must submit the required notification and
29 application form no later than July 1, 1993, setting forth that the
30 member shall be retired no later than August 31, 1993. A member
31 employed by any employer other than a school district must submit the
32 required notification and application no later than August 31, 1993,
33 setting forth that the member shall be retired no later than December
34 31, 1993.

35 NEW SECTION. **Sec. 7.** Section 6 of this act is added to chapter
36 41.32 RCW, but because of its temporary nature, shall not be codified.

1 NEW SECTION. **Sec. 8.** The office of the state actuary shall study
2 the actual utilization of the early retirement offered by this act, the
3 replacement of persons who utilized the early retirement, and the
4 fiscal and programmatic impact of early retirement on the state, local
5 governments, and school districts. The office of financial management
6 and the office of the superintendent of public instruction shall
7 provide technical assistance and information to the office of the state
8 actuary for the study required in this section. An initial report on
9 the study shall be submitted to the joint committee on pension policy
10 and the fiscal committees of the legislature by December 31, 1993, and
11 the final report on the study shall be submitted to the same committees
12 by October 1, 1994.

13 NEW SECTION. **Sec. 9.** In order to ensure that the state derives
14 the expected benefits from the early retirement provisions of this act,
15 no state agency may engage through personal service contracts persons
16 who retire from service under the provisions of this act. Exceptions
17 to this section may be granted by written approval from the director of
18 the office of financial management if the director finds that the
19 proposed contract is necessary to protect the public safety, protect
20 against the loss of federal certification or loss of critical federal
21 funds, or carry out functions so essential to the agency that even
22 temporary suspension or delay of services would have a significant
23 negative impact on the public. At the end of each three-month period
24 in which exceptions are approved, the director shall forward a copy of
25 any approvals, together with justification for the exceptions, to the
26 fiscal committees of the legislature. Each forwarded approval shall
27 include the name of the proposed contractor, the agency and division or
28 department requesting the contract, duration and cost of the proposed
29 contract, and specific functions and duties to be carried out under the
30 contract. This section shall expire June 30, 1995.

31 NEW SECTION. **Sec. 10.** Section 9 of this act is added to chapter
32 39.29 RCW, but because of its temporary nature, shall not be codified.

33 NEW SECTION. **Sec. 11.** In order to ensure that the state derives
34 the expected benefits from the early retirement provisions of this act,
35 no board of directors of a school district or educational service
36 district may engage through personal service contracts persons who

1 retire from service under the provisions of this act. Exceptions to
2 this section may be granted by written approval from the superintendent
3 of public instruction if the superintendent finds that the proposed
4 contract is necessary to protect student safety, protect against the
5 loss of school district certification or loss of federal funds, or
6 carry out functions so essential to the district that even temporary
7 suspension or delay of services would have a significant negative
8 impact on students. At the end of each three-month period in which
9 exceptions are approved, the superintendent shall forward a copy of any
10 approvals, together with justification for the exceptions, to the
11 office of financial management and the fiscal committees of the
12 legislature. Each forwarded approval shall include the name of the
13 proposed contractor, the district requesting the contract, duration and
14 cost of the proposed contract, and specific functions and duties to be
15 carried out under the contract. This section shall expire August 31,
16 1995.

17 NEW SECTION. **Sec. 12.** Section 11 of this act is added to chapter
18 28A.400 RCW, but because of its temporary nature, shall not be
19 codified.

20 **Sec. 13.** RCW 43.01.170 and 1992 c 234 s 11 are each amended to
21 read as follows:

22 In order to ensure that the state derives the expected benefits
23 from the early retirement provisions of chapter 234, Laws of 1992, and
24 chapter . . . , Laws of 1993 (this act), no state agency may hire
25 persons who retire from ((state)) service under the provisions of
26 chapter 234, Laws of 1992, or chapter . . . , Laws of 1993 (this act),
27 as temporary or project employees, as defined by the state personnel
28 board for employees covered under chapter 41.06 RCW ((and)), by the
29 higher education personnel board for employees covered under chapter
30 28B.16 RCW, and by the employer for persons not covered under chapter
31 28B.16 RCW who are employed by institutions of higher education or
32 community or technical colleges. Exceptions to this section may be
33 granted by written approval from the director of the office of
34 financial management if the director finds that the temporary or
35 project employment of a retiree is necessary to protect the public
36 safety, protect against the loss of federal certification or loss of
37 critical federal funds, or carry out functions so essential to the

1 agency that even temporary suspension or delay of services would have
2 a significant negative impact on the public. At the end of each three-
3 month period in which exceptions are approved, the director shall
4 forward a copy of any approvals, together with justification for the
5 exceptions, to the fiscal committees of the legislature. Each
6 forwarded approval shall include the name of the temporary or project
7 employee, the agency and division or department requesting the
8 employment, duration and cost of the proposed employment, and specific
9 functions and duties to be carried out during the employment. This
10 section shall expire June 30, 1995.

11 **Sec. 14.** RCW 28A.400.212 and 1992 c 234 s 13 are each amended to
12 read as follows:

13 An employee of a school district that has established an attendance
14 incentive program under RCW 28A.400.210 who retires under section 1 or
15 3, chapter 234, Laws of 1992, or section 4 or 6 of this act shall
16 receive, at the time of his or her separation from school district
17 employment, not less than one-half of the remuneration for accrued
18 leave for illness or injury payable to him or her under the district's
19 incentive program. The school district board of directors may, at its
20 discretion, pay the remainder of such an employee's remuneration for
21 accrued leave for illness or injury after the time of the employee's
22 separation from school district employment, but the employee or the
23 employee's estate is entitled to receive the remainder of the
24 remuneration no later than the date the employee would have been
25 eligible to retire under the provisions of RCW 41.40.180 or 41.32.480
26 had the employee continued to work for the district until eligible to
27 retire, or three years following the date of the employee's separation
28 from school district employment, whichever occurs first. A district
29 exercising its discretion under this section to pay the remainder of
30 the remuneration after the time of the employee's separation from
31 school district employment shall establish a policy and procedure for
32 paying the remaining remuneration that applies to all affected
33 employees equally and without discrimination. Any remuneration paid
34 shall be based on the number of days of leave the employee had accrued
35 and the compensation the employee received at the time he or she
36 retired under section 1 or 3, chapter 234, Laws of 1992, or section 4
37 or 6 of this act.

PART IV - CITIES' PORTABILITY

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Sec. 15. RCW 41.54.061 and 1990 c 192 s 3 are each amended to read as follows:

(1) The cities of Seattle, Spokane, and Tacoma shall each have the option of making an irrevocable election to have its employee retirement system included in the coverage of this chapter by adopting a resolution transmitting it to the director and the joint committee on pension policy prior to December ~~((1, 1990))~~ 31, 1993.

The resolution shall indicate the city's desire to be covered by this chapter and its willingness to pay for the additional cost it may incur as a result of the benefits provided by this chapter.

(2) This chapter shall become effective on January 1, ~~((1991))~~ 1994, for each city which adopts a resolution pursuant to subsection (1) of this section. ~~((However, if all three cities adopt such resolutions prior to June 1, 1990, the provisions of this chapter shall become effective for those systems on July 1, 1990.))~~

Sec. 16. RCW 41.54.040 and 1990 c 192 s 5 are each amended to read as follows:

(1) ~~((Except where subsection (4) of this section applies,))~~ The retirement allowances calculated under RCW 41.54.030 shall be paid separately by each respective current and prior system. Any deductions from such separate payments shall be according to the provisions of the respective systems.

(2) Postretirement adjustments, if any, shall be applied by the respective systems based on the payments made under subsection (1) of this section.

(3) If a dual member dies in service in any system, the surviving spouse shall receive the same benefit from each system that would have been received if the member were active in the system at the time of death based on service actually established in that system. However, this subsection does not make a surviving spouse eligible for the survivor benefits provided in RCW 43.43.270.

(4) The department shall adopt rules under chapter 34.05 RCW to ensure that where a dual member has service in a system established under chapter 41.32, 41.40, 41.44, or 43.43 RCW and service under the city employee retirement system for Seattle, Tacoma, or Spokane, the ~~((entire))~~ additional cost incurred as a result of the dual member

1 receiving a benefit under this chapter shall be borne by the ((city))
2 retirement system ((that the person is a member of)) incurring the
3 additional cost.

4 **PART V - RETIREMENT CONTRIBUTION RATES**

5 **Sec. 17.** RCW 41.45.030 and 1989 c 273 s 3 are each amended to read
6 as follows:

7 (1) ~~((The economic and revenue forecast council shall adopt the~~
8 ~~economic assumptions used by the state actuary in conducting valuation~~
9 ~~studies of the state retirement systems.~~

10 (2)) Beginning September 1, 1989, and every six years thereafter,
11 the state actuary shall submit to the council information regarding the
12 experience and financial condition of each state retirement system.

13 (2) The council shall review the information submitted by the state
14 actuary and shall ~~((recommend any adjustments which may be needed to~~
15 ~~the state or employer contribution rates contained in RCW 41.45.060 and~~
16 ~~41.45.070 for the public employees' retirement system; the teachers'~~
17 ~~retirement system; the law enforcement officers' and fire fighters'~~
18 ~~retirement system; and the Washington state patrol retirement system))~~
19 adopt the economic assumptions used by the state actuary in conducting
20 valuation studies of the state retirement systems.

21 (3) The council may utilize information provided by the state
22 actuary and such other information as it may request.

23 **Sec. 18.** RCW 41.45.040 and 1989 c 273 s 4 are each amended to read
24 as follows:

25 (1) The adoption of the economic assumptions and the
26 ~~((recommendation of changes in employer and state))~~ contribution rates
27 as provided in RCW 41.45.060 shall be by affirmative vote of at least
28 five members of the council.

29 (2) The employer and state contribution rates ~~((recommended))~~
30 adopted by the council shall be the level percentages of pay which are
31 needed:

32 (a) To fully amortize the total costs of the public employees'
33 retirement system plan I, the teachers' retirement system plan I, the
34 law enforcement officers' and fire fighters' retirement system plan I,
35 and the unfunded liability of the Washington state patrol retirement
36 system not later than June 30, 2024; and

1 (b) To also continue to fully fund the public employees' retirement
2 system plan II, the teachers' retirement system plan II, and the law
3 enforcement officers' and fire fighters' retirement system plan II in
4 accordance with the provisions of RCW 41.40.650, 41.32.775, and
5 41.26.450, respectively.

6 **Sec. 19.** RCW 41.45.060 and 1992 c 239 s 2 are each amended to read
7 as follows:

8 (~~Beginning July~~) (1) For the period of September 1, 1993, through
9 August 31, 1995, the basic state contribution rate for the law
10 enforcement officers' and fire fighters' retirement system, and the
11 basic employer contribution rates for the public employees' retirement
12 system, the teachers' retirement system, and the Washington state
13 patrol retirement system shall be as ~~((follows:~~

14 ~~(1) 7.47% for all members of the public employees' retirement~~
15 ~~system;~~

16 ~~(2) 12.60% for all members of the teachers' retirement system;~~

17 ~~(3) 16.44% for all members of the law enforcement officers' and~~
18 ~~fire fighters' retirement system; and~~

19 ~~(4) 15.53% for all members of the Washington state patrol~~
20 ~~retirement system)) determined in the 1991 valuations prepared by the~~
21 office of the state actuary.

22 (2) Not later than September 30, 1994, and every two years
23 thereafter:

24 (a) The council shall adopt the contributions to be used in the
25 ensuing biennial period for the systems specified in subsection (1) of
26 this section.

27 (b) The council shall immediately notify the directors of the
28 office of financial management and department of retirement systems of
29 the state and employer contribution rates adopted under (a) of this
30 subsection.

31 (c) The director of the department of retirement systems shall
32 collect those rates adopted by the council under this chapter.

33 **Sec. 20.** RCW 41.45.0601 and 1992 c 239 s 1 are each amended to
34 read as follows:

35 Beginning September 1, 1992, through ((June 30)) August 31, 1993,
36 the basic state contribution rate for the law enforcement officers' and
37 fire fighters' retirement system, and the basic employer contribution

1 rates for the public employees' retirement system, the teachers'
2 retirement system, and the Washington state patrol retirement system
3 shall be as follows:

4 (1) 7.27% for all members of the public employees' retirement
5 system;

6 (2) 12.08% for all members of the teachers' retirement system;

7 (3) 12.99% for all members of the law enforcement officers' and
8 fire fighters' retirement system; and

9 (4) 17.16% for all members of the Washington state patrol
10 retirement system.

11 NEW SECTION. **Sec. 21.** A new section is added to chapter 41.50 RCW
12 to read as follows:

13 The director shall inform all employers in writing as to the
14 employer rates adopted by the economic and revenue forecast council
15 upon the notification of the council as prescribed in RCW 41.45.060.

16 **PART VI - STATE INVESTMENT BOARD**

17 **Sec. 22. RCW 43.33A.020 and 1985 c 195 s 1 are each amended to*
18 *read as follows:*

19 *There is hereby created the state investment board to consist of*
20 *((fourteen)) sixteen members to be appointed as provided in this*
21 *section.*

22 *(1) One member who is an active member of the public employees'*
23 *retirement system and has been an active member for at least five*
24 *years. This member shall be appointed by the governor, subject to*
25 *confirmation by the senate, from a list of nominations submitted by*
26 *organizations representing active members of the system. The initial*
27 *term of appointment shall be one year.*

28 *(2) One member who is an active member of the law enforcement*
29 *officers' and fire fighters' retirement system and has been an active*
30 *member for at least five years. This member shall be appointed by the*
31 *governor, subject to confirmation by the senate, from a list of*
32 *nominations submitted by organizations representing active members of*
33 *the system. The initial term of appointment shall be two years.*

34 *(3) One member who is an active member of the teachers' retirement*
35 *system and has been an active member for at least five years. This*
36 *member shall be appointed by the superintendent of public instruction*

1 subject to confirmation by the senate. The initial term of appointment
2 shall be three years.

3 (4) The state treasurer or the assistant state treasurer if
4 designated by the state treasurer.

5 (5) ((A)) Two members of the state house of representatives(~~(-~~
6 ~~This member shall be~~)) appointed by the speaker of the house of
7 representatives, one from each of the majority and minority parties.

8 (6) ((A)) Two members of the state senate(~~(-~~
9 ~~This member shall be~~)) appointed by the president of the senate, one from each of the
10 majority and minority parties.

11 (7) One member who is a retired member of a state retirement system
12 shall be appointed by the governor, subject to confirmation by the
13 senate. The initial term of appointment shall be three years.

14 (8) The director of the department of labor and industries.

15 (9) The director of the department of retirement systems.

16 (10) Five nonvoting members appointed by the state investment board
17 who are considered experienced and qualified in the field of
18 investments.

19 The legislative members shall serve terms of two years. The
20 initial legislative members appointed to the board shall be appointed
21 no sooner than January 10, 1983. The position of a legislative member
22 on the board shall become vacant at the end of that member's term on
23 the board or whenever the member ceases to be a member of the senate or
24 house of representatives from which the member was appointed.

25 After the initial term of appointment, all other members of the
26 state investment board, except ex officio members, shall serve terms of
27 three years and shall hold office until successors are appointed.
28 Members' terms, except for ex officio members, shall commence on
29 January 1 of the year in which the appointments are made.

30 Members may be reappointed for additional terms. Appointments for
31 vacancies shall be made for the unexpired terms in the same manner as
32 the original appointments. Any member may be removed from the board
33 for cause by the member's respective appointing authority.

34 *Sec. 22 was vetoed, see message at end of chapter.

35 *Sec. 23. RCW 43.33A.040 and 1981 c 219 s 2 are each amended to
36 read as follows:

37 (1) A quorum to conduct the business of the state investment board
38 consists of at least (~~four voting members of the board before January~~

1 ~~10, 1983, and five~~) six voting members ((~~thereafter~~)). No action may
2 be taken by the board without the affirmative vote of ((~~four members~~
3 ~~before January 10, 1983, and five~~) at least six members
4 ((~~thereafter~~)).

5 (2) The state investment board shall meet at least quarterly at
6 such times as it may fix. The board shall elect a chairperson and vice
7 chairperson annually: PROVIDED, That the legislative members are not
8 eligible to serve as chairperson.

9 *Sec. 23 was vetoed, see message at end of chapter.

10

PART VII - MISCELLANEOUS

11 NEW SECTION. Sec. 24. Part headings as used in this act do not
12 constitute any part of the law.

13 NEW SECTION. Sec. 25. This act is necessary for the immediate
14 preservation of the public peace, health, or safety, or support of the
15 state government and its existing public institutions, and shall take
16 effect immediately.

Passed the Senate April 13, 1993.

Passed the House April 20, 1993.

Approved by the Governor May 18, 1993, with the exception of
certain items which were vetoed.

Filed in Office of Secretary of State May 18, 1993.

1 Note: Governor's explanation of partial veto is as follows:

2 "I am returning herewith, without my approval as to sections 22 and
3 23, Engrossed Substitute Senate Bill No. 5888, entitled:

4 "AN ACT Relating to improvement of retirement system benefits;"

5 Engrossed Substitute Senate Bill No. 5888 provides for improvements
6 to retirement system benefits. Sections 22 and 23 of the legislation
7 proposed adding two additional legislators to the existing membership
8 of the State Investment Board (SIB). While I acknowledge the extreme
9 importance of the SIB, the current membership of the board is a balance
10 between legislative and executive branch representatives and
11 representatives of the retirement system membership. In addition, the
12 SIB has new members that are attempting to fulfill this serious
13 responsibility to the State of Washington, and they should be allowed
14 to determine their new direction before the composition of membership
15 is altered.

16 With the exception of sections 22 and 23, Engrossed Substitute
17 Senate Bill No. 5888 is approved."