
SENATE BILL 5995

State of Washington

56th Legislature

1999 Regular Session

By Senators Fraser, Winsley, Prentice, Eide, Fairley, Gardner, Roach, Kohl-Welles, Haugen, Kline, Franklin and Rasmussen

Read first time 02/19/1999. Referred to Committee on Ways & Means.

1 AN ACT Relating to the public retirement systems; amending RCW
2 41.40.630, 41.40.670, 41.32.765, 41.32.790, 41.32.875, 41.32.880,
3 41.26.430, 41.26.470, 41.35.420, 41.35.440, 41.35.680, and 41.35.690;
4 adding a new chapter to Title 41 RCW; and providing an effective date.

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

6 **Sec. 1.** RCW 41.40.630 and 1991 c 343 s 11 are each amended to read
7 as follows:

8 (1) NORMAL RETIREMENT. Any member with at least five service
9 credit years who has attained at least age sixty-five shall be eligible
10 to retire and to receive a retirement allowance computed according to
11 the provisions of RCW 41.40.620.

12 (2) EARLY RETIREMENT. Any member who has completed at least twenty
13 service credit years and has attained age fifty-five shall be eligible
14 to retire and to receive a retirement allowance computed according to
15 the provisions of RCW 41.40.620, except that a member retiring pursuant
16 to this subsection shall have the retirement allowance ((actuarially))
17 reduced by three percent per year to reflect the difference in the
18 number of years between age at retirement and the attainment of age
19 sixty-five.

1 **Sec. 2.** RCW 41.40.670 and 1995 c 144 s 7 are each amended to read
2 as follows:

3 (1) A member of the retirement system who becomes totally
4 incapacitated for continued employment by an employer as determined by
5 the department upon recommendation of the department shall be eligible
6 to receive an allowance under the provisions of RCW 41.40.610 through
7 41.40.740. The member shall receive a monthly disability allowance
8 computed as provided for in RCW 41.40.620 and shall have this allowance
9 ((actuarially)) reduced by three percent per year to reflect the
10 difference in the number of years between age at disability and the
11 attainment of age sixty-five.

12 Any member who receives an allowance under the provisions of this
13 section shall be subject to comprehensive medical examinations as
14 required by the department. If these medical examinations reveal that
15 a member has recovered from the incapacitating disability and the
16 member is offered reemployment by an employer at a comparable
17 compensation, the member shall cease to be eligible for the allowance.

18 (2) The retirement for disability of a judge, who is a member of
19 the retirement system, by the supreme court under Article IV, section
20 31 of the Constitution of the state of Washington (Amendment 71), with
21 the concurrence of the department, shall be considered a retirement
22 under subsection (1) of this section.

23 (3)(a) If the recipient of a monthly retirement allowance under
24 this section dies before the total of the retirement allowance paid to
25 the recipient equals the amount of the accumulated contributions at the
26 date of retirement, then the balance shall be paid to the member's
27 estate, or the person or persons, trust, or organization as the
28 recipient has nominated by written designation duly executed and filed
29 with the director, or, if there is no designated person or persons
30 still living at the time of the recipient's death, then to the
31 surviving spouse, or, if there is no designated person or persons still
32 living at the time of his or her death nor a surviving spouse, then to
33 his or her legal representative.

34 (b) If a recipient of a monthly retirement allowance under this
35 section died before April 27, 1989, and before the total of the
36 retirement allowance paid to the recipient equaled the amount of his or
37 her accumulated contributions at the date of retirement, then the
38 department shall pay the balance of the accumulated contributions to
39 the member's surviving spouse or, if there is no surviving spouse, then

1 in equal shares to the member's children. If there is no surviving
2 spouse or children, the department shall retain the contributions.

3 **Sec. 3.** RCW 41.32.765 and 1991 c 343 s 5 are each amended to read
4 as follows:

5 (1) NORMAL RETIREMENT. Any member with at least five service
6 credit years of service who has attained at least age sixty-five shall
7 be eligible to retire and to receive a retirement allowance computed
8 according to the provisions of RCW 41.32.760.

9 (2) EARLY RETIREMENT. Any member who has completed at least twenty
10 service credit years of service who has attained at least age fifty-
11 five shall be eligible to retire and to receive a retirement allowance
12 computed according to the provisions of RCW 41.32.760, except that a
13 member retiring pursuant to this subsection shall have the retirement
14 allowance ((actuarially)) reduced by three percent per year to reflect
15 the difference in the number of years between age at retirement and the
16 attainment of age sixty-five.

17 **Sec. 4.** RCW 41.32.790 and 1995 c 144 s 15 are each amended to read
18 as follows:

19 (1) A member of the retirement system who becomes totally
20 incapacitated for continued employment by an employer as determined by
21 the department upon recommendation of the department shall be eligible
22 to receive an allowance under the provisions of RCW 41.32.755 through
23 41.32.825. The member shall receive a monthly disability allowance
24 computed as provided for in RCW 41.32.760 and shall have the allowance
25 ((actuarially)) reduced by three percent per year to reflect the
26 difference in the number of years between age at disability and the
27 attainment of age sixty-five.

28 Any member who receives an allowance under the provisions of this
29 section shall be subject to comprehensive medical examinations as
30 required by the department. If medical examinations reveal that a
31 member has recovered from the incapacitating disability and the member
32 is offered reemployment by an employer at a comparable compensation,
33 the member shall cease to be eligible for the allowance.

34 (2)(a) If the recipient of a monthly retirement allowance under
35 this section dies before the total of the retirement allowance paid to
36 the recipient equals the amount of the accumulated contributions at the
37 date of retirement, then the balance shall be paid to the member's

1 estate, or the person or persons, trust, or organization as the
2 recipient has nominated by written designation duly executed and filed
3 with the director, or, if there is no designated person or persons
4 still living at the time of the recipient's death, then to the
5 surviving spouse, or, if there is neither a designated person or
6 persons still living at the time of his or her death nor a surviving
7 spouse, then to his or her legal representative.

8 (b) If a recipient of a monthly retirement allowance under this
9 section died before April 27, 1989, and before the total of the
10 retirement allowance paid to the recipient equaled the amount of his or
11 her accumulated contributions at the date of retirement, then the
12 department shall pay the balance of the accumulated contributions to
13 the member's surviving spouse or, if there is no surviving spouse, then
14 in equal shares to the member's children. If there is no surviving
15 spouse or children, the department shall retain the contributions.

16 **Sec. 5.** RCW 41.32.875 and 1996 c 39 s 6 are each amended to read
17 as follows:

18 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
19 and who has:

20 (a) Completed ten service credit years; or

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

23 (c) Completed five service credit years by July 1, 1996, under plan
24 2 and who transferred to plan 3 under RCW 41.32.817;

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

27 (2) EARLY RETIREMENT. Any member who has attained at least age
28 fifty-five and has completed at least ten years of service shall be
29 eligible to retire and to receive a retirement allowance computed
30 according to the provisions of RCW 41.32.840, except that a member
31 retiring pursuant to this subsection shall have the retirement
32 allowance ((actuarially)) reduced by three percent per year to reflect
33 the difference in the number of years between age at retirement and the
34 attainment of age sixty-five.

35 **Sec. 6.** RCW 41.32.880 and 1995 c 239 s 114 are each amended to
36 read as follows:

1 (1) A member of the retirement system who becomes totally
2 incapacitated for continued employment by an employer as determined by
3 the department shall be eligible to receive an allowance under the
4 provisions of plan 3. The member shall receive a monthly disability
5 allowance computed as provided for in RCW 41.32.840 and shall have this
6 allowance ((actuarially)) reduced by three percent per year to reflect
7 the difference in the number of years between age at disability and the
8 attainment of age sixty-five.

9 Any member who receives an allowance under the provisions of this
10 section shall be subject to comprehensive medical examinations as
11 required by the department. If these medical examinations reveal that
12 a member has recovered from the incapacitating disability and the
13 member is offered reemployment by an employer at a comparable
14 compensation, the member shall cease to be eligible for the allowance.

15 (2) If the recipient of a monthly retirement allowance under this
16 section dies, any further benefit payments shall be conditioned by the
17 payment option selected by the retiree as provided in RCW 41.32.851.

18 **Sec. 7.** RCW 41.26.430 and 1993 c 517 s 3 are each amended to read
19 as follows:

20 (1) NORMAL RETIREMENT. Any member with at least five service
21 credit years of service who has attained at least age fifty-five shall
22 be eligible to retire and to receive a retirement allowance computed
23 according to the provisions of RCW 41.26.420.

24 (2) EARLY RETIREMENT. Any member who has completed at least twenty
25 service credit years of service and has attained age fifty shall be
26 eligible to retire and to receive a retirement allowance computed
27 according to the provisions of RCW 41.26.420, except that a member
28 retiring pursuant to this subsection shall have the retirement
29 allowance ((actuarially)) reduced by three percent per year to reflect
30 the difference in the number of years between age at retirement and the
31 attainment of age fifty-five.

32 **Sec. 8.** RCW 41.26.470 and 1995 c 144 s 18 are each amended to read
33 as follows:

34 (1) A member of the retirement system who becomes totally
35 incapacitated for continued employment by an employer as determined by
36 the director shall be eligible to receive an allowance under the
37 provisions of RCW 41.26.410 through 41.26.550. Such member shall

1 receive a monthly disability allowance computed as provided for in RCW
2 41.26.420 and shall have such allowance (~~(actuarially)~~) reduced by
3 three percent per year to reflect the difference in the number of years
4 between age at disability and the attainment of age fifty-five.

5 (2) Any member who receives an allowance under the provisions of
6 this section shall be subject to such comprehensive medical
7 examinations as required by the department. If such medical
8 examinations reveal that such a member has recovered from the
9 incapacitating disability and the member is no longer entitled to
10 benefits under Title 51 RCW, the retirement allowance shall be canceled
11 and the member shall be restored to duty in the same civil service
12 rank, if any, held by the member at the time of retirement or, if
13 unable to perform the duties of the rank, then, at the member's
14 request, in such other like or lesser rank as may be or become open and
15 available, the duties of which the member is then able to perform. In
16 no event shall a member previously drawing a disability allowance be
17 returned or be restored to duty at a salary or rate of pay less than
18 the current salary attached to the rank or position held by the member
19 at the date of the retirement for disability. If the department
20 determines that the member is able to return to service, the member is
21 entitled to notice and a hearing. Both the notice and the hearing
22 shall comply with the requirements of chapter 34.05 RCW, the
23 Administrative Procedure Act.

24 (3) Those members subject to this chapter who became disabled in
25 the line of duty on or after July 23, 1989, and who receive benefits
26 under RCW 41.04.500 through 41.04.530 or similar benefits under RCW
27 41.04.535 shall receive or continue to receive service credit subject
28 to the following:

29 (a) No member may receive more than one month's service credit in
30 a calendar month.

31 (b) No service credit under this section may be allowed after a
32 member separates or is separated without leave of absence.

33 (c) Employer contributions shall be paid by the employer at the
34 rate in effect for the period of the service credited.

35 (d) Employee contributions shall be collected by the employer and
36 paid to the department at the rate in effect for the period of service
37 credited.

38 (e) State contributions shall be as provided in RCW 41.26.450.

1 (f) Contributions shall be based on the regular compensation which
2 the member would have received had the disability not occurred.

3 (g) The service and compensation credit under this section shall be
4 granted for a period not to exceed six consecutive months.

5 (h) Should the legislature revoke the service credit authorized
6 under this section or repeal this section, no affected employee is
7 entitled to receive the credit as a matter of contractual right.

8 (4)(a) If the recipient of a monthly retirement allowance under
9 this section dies before the total of the retirement allowance paid to
10 the recipient equals the amount of the accumulated contributions at the
11 date of retirement, then the balance shall be paid to the member's
12 estate, or such person or persons, trust, or organization as the
13 recipient has nominated by written designation duly executed and filed
14 with the director, or, if there is no such designated person or persons
15 still living at the time of the recipient's death, then to the
16 surviving spouse, or, if there is neither such designated person or
17 persons still living at the time of his or her death nor a surviving
18 spouse, then to his or her legal representative.

19 (b) If a recipient of a monthly retirement allowance under this
20 section died before April 27, 1989, and before the total of the
21 retirement allowance paid to the recipient equaled the amount of his or
22 her accumulated contributions at the date of retirement, then the
23 department shall pay the balance of the accumulated contributions to
24 the member's surviving spouse or, if there is no surviving spouse, then
25 in equal shares to the member's children. If there is no surviving
26 spouse or children, the department shall retain the contributions.

27 **Sec. 9.** RCW 41.35.420 and 1998 c 341 s 103 are each amended to
28 read as follows:

29 (1) NORMAL RETIREMENT. Any member with at least five service
30 credit years who has attained at least age sixty-five shall be eligible
31 to retire and to receive a retirement allowance computed according to
32 the provisions of RCW 41.35.400.

33 (2) EARLY RETIREMENT. Any member who has completed at least twenty
34 service credit years and has attained age fifty-five shall be eligible
35 to retire and to receive a retirement allowance computed according to
36 the provisions of RCW 41.35.400, except that a member retiring pursuant
37 to this subsection shall have the retirement allowance ((actuarially))
38 reduced by three percent per year to reflect the difference in the

1 number of years between age at retirement and the attainment of age
2 sixty-five.

3 **Sec. 10.** RCW 41.35.440 and 1998 c 341 s 105 are each amended to
4 read as follows:

5 (1) A member of the retirement system who becomes totally
6 incapacitated for continued employment by an employer as determined by
7 the department upon recommendation of the department shall be eligible
8 to receive an allowance under the provisions of RCW 41.35.400 through
9 41.35.599. The member shall receive a monthly disability allowance
10 computed as provided for in RCW 41.35.400 and shall have this allowance
11 ((actuarially)) reduced by three percent per year to reflect the
12 difference in the number of years between age at disability and the
13 attainment of age sixty-five.

14 Any member who receives an allowance under the provisions of this
15 section shall be subject to comprehensive medical examinations as
16 required by the department. If these medical examinations reveal that
17 a member has recovered from the incapacitating disability and the
18 member is offered reemployment by an employer at a comparable
19 compensation, the member shall cease to be eligible for the allowance.

20 (2) If the recipient of a monthly retirement allowance under this
21 section dies before the total of the retirement allowance paid to the
22 recipient equals the amount of the accumulated contributions at the
23 date of retirement, then the balance shall be paid to the member's
24 estate, or the person or persons, trust, or organization as the
25 recipient has nominated by written designation duly executed and filed
26 with the director, or, if there is no designated person or persons
27 still living at the time of the recipient's death, then to the
28 surviving spouse, or, if there is no designated person or persons still
29 living at the time of his or her death nor a surviving spouse, then to
30 his or her legal representative.

31 **Sec. 11.** RCW 41.35.680 and 1998 c 341 s 209 are each amended to
32 read as follows:

33 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
34 and who has:

35 (a) Completed ten service credit years; or

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

1 (c) Completed five service credit years by September 1, 2000, under
2 the public employees' retirement system plan 2 and who transferred to
3 plan 3 under RCW 41.35.510;
4 shall be eligible to retire and to receive a retirement allowance
5 computed according to the provisions of RCW 41.35.620.

6 (2) EARLY RETIREMENT. Any member who has attained at least age
7 fifty-five and has completed at least ten years of service shall be
8 eligible to retire and to receive a retirement allowance computed
9 according to the provisions of RCW 41.35.620, except that a member
10 retiring pursuant to this subsection shall have the retirement
11 allowance ((actuarially)) reduced by three percent per year to reflect
12 the difference in the number of years between age at retirement and the
13 attainment of age sixty-five.

14 **Sec. 12.** RCW 41.35.690 and 1998 c 341 s 210 are each amended to
15 read as follows:

16 (1) A member of the retirement system who becomes totally
17 incapacitated for continued employment by an employer as determined by
18 the department shall be eligible to receive an allowance under the
19 provisions of plan 3. The member shall receive a monthly disability
20 allowance computed as provided for in RCW 41.35.620 and shall have this
21 allowance ((actuarially)) reduced by three percent per year to reflect
22 the difference in the number of years between age at disability and the
23 attainment of age sixty-five.

24 Any member who receives an allowance under the provisions of this
25 section shall be subject to comprehensive medical examinations as
26 required by the department. If these medical examinations reveal that
27 a member has recovered from the incapacitating disability and the
28 member is offered reemployment by an employer at a comparable
29 compensation, the member shall cease to be eligible for the allowance.

30 (2) If the recipient of a monthly retirement allowance under this
31 section dies, any further benefit payments shall be conditioned by the
32 payment option selected by the retiree as provided in RCW 41.35.220.

33 NEW SECTION. **Sec. 13.** The definitions in this section apply
34 throughout this chapter unless the context requires otherwise.

35 (1) "Actuary" means the state actuary or the office of the state
36 actuary.

37 (2) "Department" means the department of retirement systems.

1 (3) "Member" means any employee included in the membership of a
2 retirement system as provided for in chapter 41.26 RCW of plan 2,
3 chapter 41.32 RCW of plan 2, chapter 41.35 RCW of plan 2, or chapter
4 41.40 RCW of plan 2.

5 (4) "Member account" or "member's account" means the sum of any
6 contributions as provided for in this chapter and the earnings on
7 behalf of the member.

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

10 NEW SECTION. **Sec. 14.** (1) On January 1, 2002, and on January 1st
11 of even-numbered years thereafter, the member account of a person
12 meeting the requirements of this section shall be credited by the
13 extraordinary investment gain amount.

14 (2) The following persons shall be eligible for the benefit
15 provided in subsection (1) of this section:

16 (a) Any member who earned service credit during the twelve-month
17 period from September 1st to August 31st immediately preceding the
18 distribution;

19 (b) Any person in receipt of a benefit pursuant to RCW 41.26.430,
20 41.32.765, 41.35.420, or 41.40.630; or

21 (c) Any person who had a combined balance of at least one thousand
22 dollars in contributions and interest credited to their member account
23 or their member's individual account pursuant to chapter 41.26, 41.32,
24 41.35, or 41.40 RCW on August 31st of the year immediately preceding
25 the distribution and who completed five service credit years.

26 (3) The extraordinary investment gain amount shall be calculated as
27 follows:

28 (a) One-half of the sum of the value of the net assets held in
29 trust for pension benefits at the close of the previous state fiscal
30 year in the law enforcement officers' and fire fighters' plan 2 fund,
31 the teachers' retirement system combined plan 2 and 3 fund, the
32 Washington school employees' retirement system combined plan 2 and 3
33 fund, and the public employees' retirement system plan 2 fund; not
34 including the amount attributable to member accounts;

35 (b) Multiplied by the amount which the compound average of
36 investment returns on those assets over the previous four state fiscal
37 years exceeds ten percent;

38 (c) Multiplied by the proportion of:

1 (i) The sum of the service credit on August 31st of the previous
2 year of all persons eligible for the benefit provided in subsection (1)
3 of this section; to

4 (ii) The sum of the service credit on August 31st of the previous
5 year of:

6 (A) All persons eligible for the benefit provided in subsection (1)
7 of this section;

8 (B) Any person who earned service credit in the teachers'
9 retirement system plan 3 or the Washington school employees' retirement
10 system plan 3 during the twelve-month period from September 1st to
11 August 31st immediately preceding the distribution;

12 (C) Any person in receipt of a benefit pursuant to RCW 41.32.875 or
13 41.35.680; and

14 (D) Any person with five or more years of service in the teachers'
15 retirement system plan 3 or the Washington school employees' retirement
16 system plan 3;

17 (d) Divided proportionally among persons eligible for the benefit
18 provided in subsection (1) of this section on the basis of their
19 service credit total on August 31st of the previous year.

20 (4) The legislature reserves the right to amend or repeal this
21 section in the future and no member or beneficiary has a contractual
22 right to receive this distribution not granted prior to that time.

23 NEW SECTION. **Sec. 15.** (1) On January 1, 2002, the member account
24 of a person meeting the requirements of this section shall be credited
25 by the 1998 and 2000 retroactive extraordinary investment gain amounts.

26 (2) The following persons shall be eligible for the benefits
27 provided in subsection (1) of this section:

28 (a) Any member who earned service credit during the twelve-month
29 period from September 1st to August 31st immediately preceding the
30 distribution;

31 (b) Any person in receipt of a benefit pursuant to RCW 41.26.430,
32 41.32.765, 41.35.420, or 41.40.630; or

33 (c) Any person who had a combined balance of at least one thousand
34 dollars in contributions and interest credited to their member account
35 or their member's individual account pursuant to chapter 41.26, 41.32,
36 41.35, or 41.40 RCW on August 31st of the year immediately preceding
37 the distribution and who completed five service credit years by
38 September 1, 2001.

1 (3) The 1998 retroactive extraordinary investment gain amount shall
2 be calculated as follows:

3 (a) An amount equal to the average benefit per year of service paid
4 to members of the teachers' retirement system plan 3 pursuant to
5 section 309, chapter 341, Laws of 1998 in 1998;

6 (b) Distributed to persons eligible for the benefit provided in
7 subsection (1) of this section on the basis of their service credit
8 total on August 31, 1997.

9 (4) The 2000 retroactive extraordinary investment gain amount shall
10 be calculated as follows:

11 (a) An amount equal to the average benefit per year of service paid
12 to members of the teachers' retirement system plan 3 pursuant to
13 section 309, chapter 341, Laws of 1998 in 2000;

14 (b) Distributed to persons eligible for the benefit provided in
15 subsection (1) of this section on the basis of their service credit
16 total on August 31, 1999.

17 (5) The legislature reserves the right to amend or repeal this
18 section in the future and no member or beneficiary has a contractual
19 right to receive this distribution not granted prior to that time.

20 NEW SECTION. Sec. 16. (1) Except as provided in subsection (2) of
21 this section, the member's account shall be invested by the state
22 investment board. In order to reduce transaction costs and address
23 liquidity issues, based upon recommendations of the state investment
24 board, the department may require members to provide up to ninety days'
25 notice prior to moving funds from the state investment board portfolio
26 to self-directed investment options provided under subsection (2) of
27 this section.

28 (a) For members of the retirement system as provided for in chapter
29 41.26 RCW of plan 2, investment shall be in the same portfolio as that
30 of the law enforcement officers' and fire fighters' retirement system
31 plan 2 fund under RCW 41.50.075(1).

32 (b) For members of the retirement system as provided for in chapter
33 41.32 RCW of plan 2, investment shall be in the same portfolio as that
34 of the teachers' retirement system combined plan 2 and 3 fund under RCW
35 41.50.075(2).

36 (c) For members of the retirement system as provided for in chapter
37 41.35 RCW of plan 2, investment shall be in the same portfolio as that

1 of the school employees' retirement system combined plan 2 and 3 fund
2 under RCW 41.50.075(4).

3 (d) For members of the retirement system as provided for in chapter
4 41.40 RCW of plan 2, investment shall be in the same portfolio as that
5 of the public employees' retirement system plan 2 fund under RCW
6 41.50.075(3).

7 (2) Members may elect to self-direct their investments as set forth
8 in RCW 41.34.130 and 43.33A.190.

9 NEW SECTION. **Sec. 17.** (1) If the member retires, becomes
10 disabled, or otherwise terminates employment, the balance in the
11 member's account may be distributed in accordance with an option
12 selected by the member either as a lump sum or pursuant to other
13 options authorized by the board.

14 (2) If the member dies while in service, the balance of the
15 member's account may be distributed in accordance with an option
16 selected by the member either as a lump sum or pursuant to other
17 options authorized by the board. The distribution shall be made to
18 such person or persons as the member shall have nominated by written
19 designation duly executed and filed with the department. If there be
20 no such designated person or persons still living at the time of the
21 member's death, the balance of the member's account in the retirement
22 system, less any amount identified as owing to an obligee upon
23 withdrawal of such account balance pursuant to a court order filed
24 under RCW 41.50.670, shall be paid to the member's surviving spouse as
25 if in fact such spouse had been nominated by written designation, or if
26 there is no surviving spouse, then to such person or persons, trust, or
27 organization as the member shall have nominated by written designation
28 duly executed and filed with the department.

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

36 (4) The distribution under subsection (1), (2), or (3) of this
37 section shall be less any amount identified as owing to an obligee upon
38 withdrawal pursuant to a court order filed under RCW 41.50.670.

1 NEW SECTION. **Sec. 18.** (1) Subject to subsections (2) and (3) of
2 this section, the right of a person to a pension, an annuity, a
3 retirement allowance, any optional benefit, any other right accrued or
4 accruing to any person under the provisions of this chapter, and the
5 various funds created by this chapter and all moneys and investments
6 and income thereof, is hereby exempt from any state, county, municipal,
7 or other local tax, and shall not be subject to execution, garnishment,
8 attachment, the operation of bankruptcy or insolvency laws, or other
9 process of law whatsoever, and shall be unassignable.

10 (2) This section does not prohibit a beneficiary of a retirement
11 allowance from authorizing deductions therefrom for payment of premiums
12 due on any group insurance policy or plan issued for the benefit of a
13 group comprised of public employees of the state of Washington or its
14 political subdivisions and that has been approved for deduction in
15 accordance with rules that may be adopted by the state health care
16 authority, the department, or both. This section does not prohibit a
17 beneficiary of a retirement allowance from authorizing deductions
18 therefrom for payment of dues and other membership fees to any
19 retirement association or organization the membership of which is
20 composed of retired public employees, if a total of three hundred or
21 more of such retired employees have authorized such deduction for
22 payment to the same retirement association or organization.

23 (3) Subsection (1) of this section does not prohibit the department
24 from complying with (a) a wage assignment order for child support
25 issued pursuant to chapter 26.18 RCW, (b) an order to withhold and
26 deliver issued pursuant to chapter 74.20A RCW, (c) a notice of payroll
27 deduction issued pursuant to RCW 26.23.060, (d) a mandatory benefits
28 assignment order issued by the department, (e) a court order directing
29 the department to pay benefits directly to an obligee under a
30 dissolution order as defined in RCW 41.50.500(3) which fully complies
31 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
32 order expressly authorized by federal law.

33 NEW SECTION. **Sec. 19.** (1) The member accounts created by this
34 chapter shall be administered so as to comply with the federal Internal
35 Revenue Code, Title 26 U.S.C., and specifically with plan qualification
36 requirements imposed on governmental plans by section 401(a) of the
37 Internal Revenue Code.

1 (2) Any section or provision of this chapter which may be
2 susceptible to more than one construction shall be interpreted in favor
3 of the construction most likely to satisfy requirements imposed by
4 section 401(a) of the Internal Revenue Code.

5 (3) If any section or provision of this chapter is found to be in
6 conflict with the plan qualification requirements for governmental
7 plans in section 401(a) of the Internal Revenue Code, the conflicting
8 part of this chapter is hereby inoperative solely to the extent of the
9 conflict, and such finding shall not affect the operation of the
10 remainder of this chapter.

11 NEW SECTION. **Sec. 20.** Sections 13 through 19 of this act
12 constitute a new chapter in Title 41 RCW.

13 NEW SECTION. **Sec. 21.** Sections 9 through 12 of this act take
14 effect September 1, 2000.

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