
SENATE BILL 6530

State of Washington

56th Legislature

2000 Regular Session

By Senators Fraser, Long, Snyder, Franklin, Bauer, Honeyford, Jacobsen, Fairley, Haugen, Roach, Zarelli, Rasmussen, Goings, McAuliffe, Patterson, Eide, Winsley, Hale, Costa and Kohl-Welles; by request of Joint Committee on Pension Policy

Read first time . Referred to Committee on .

1 AN ACT Relating to plans 2 and 3 of the state retirement systems;
2 amending RCW 41.40.005, 41.40.010, 41.40.042, 41.40.054, 41.40.057,
3 41.40.062, 41.40.088, 41.40.092, 41.34.020, 41.34.030, 41.34.060,
4 41.34.080, 41.34.100, 41.31A.010, 41.31A.020, 41.45.010, 41.45.050,
5 41.45.061, 41.50.075, 41.50.500, 41.05.011, 43.33A.190, 41.26.005, and
6 41.26.450; reenacting and amending RCW 41.45.020, 41.45.060, 41.45.070,
7 41.50.088, 43.84.092, and 41.26.030; adding new sections to chapter
8 41.40 RCW; adding a new section to chapter 41.31A RCW; adding a new
9 section to chapter 41.45 RCW; adding new sections to chapter 41.26 RCW;
10 creating new sections; decodifying RCW 41.40.094; repealing RCW
11 41.40.650; and providing effective dates.

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

13 "PROVISIONS APPLICABLE TO PUBLIC EMPLOYEES'
14 RETIREMENT SYSTEM PLANS 2 AND 3"

15 **Sec. 101.** RCW 41.40.005 and 1992 c 72 s 8 are each amended to read
16 as follows:

17 RCW 41.40.010 through 41.40.112 shall apply to members of plan 1
18 (~~and~~), plan 2, and plan 3.

1 **Sec. 102.** RCW 41.40.010 and 1998 c 341 s 601 are each amended to
2 read as follows:

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

5 (1) "Retirement system" means the public employees' retirement
6 system provided for in this chapter.

7 (2) "Department" means the department of retirement systems created
8 in chapter 41.50 RCW.

9 (3) "State treasurer" means the treasurer of the state of
10 Washington.

11 (4)(a) "Employer" for plan 1 members, means every branch,
12 department, agency, commission, board, and office of the state, any
13 political subdivision or association of political subdivisions of the
14 state admitted into the retirement system, and legal entities
15 authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the
16 term shall also include any labor guild, association, or organization
17 the membership of a local lodge or division of which is comprised of at
18 least forty percent employees of an employer (other than such labor
19 guild, association, or organization) within this chapter. The term may
20 also include any city of the first class that has its own retirement
21 system.

22 (b) "Employer" for plan 2 and plan 3 members, means every branch,
23 department, agency, commission, board, and office of the state, and any
24 political subdivision and municipal corporation of the state admitted
25 into the retirement system, including public agencies created pursuant
26 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August
27 31, 2000, school districts and educational service districts will no
28 longer be employers for the public employees' retirement system plan 2.

29 (5) "Member" means any employee included in the membership of the
30 retirement system, as provided for in RCW 41.40.023. RCW 41.26.045
31 does not prohibit a person otherwise eligible for membership in the
32 retirement system from establishing such membership effective when he
33 or she first entered an eligible position.

34 (6) "Original member" of this retirement system means:

35 (a) Any person who became a member of the system prior to April 1,
36 1949;

37 (b) Any person who becomes a member through the admission of an
38 employer into the retirement system on and after April 1, 1949, and
39 prior to April 1, 1951;

1 (c) Any person who first becomes a member by securing employment
2 with an employer prior to April 1, 1951, provided the member has
3 rendered at least one or more years of service to any employer prior to
4 October 1, 1947;

5 (d) Any person who first becomes a member through the admission of
6 an employer into the retirement system on or after April 1, 1951,
7 provided, such person has been in the regular employ of the employer
8 for at least six months of the twelve-month period preceding the said
9 admission date;

10 (e) Any member who has restored all contributions that may have
11 been withdrawn as provided by RCW 41.40.150 and who on the effective
12 date of the individual's retirement becomes entitled to be credited
13 with ten years or more of membership service except that the provisions
14 relating to the minimum amount of retirement allowance for the member
15 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
16 apply to the member;

17 (f) Any member who has been a contributor under the system for two
18 or more years and who has restored all contributions that may have been
19 withdrawn as provided by RCW 41.40.150 and who on the effective date of
20 the individual's retirement has rendered five or more years of service
21 for the state or any political subdivision prior to the time of the
22 admission of the employer into the system; except that the provisions
23 relating to the minimum amount of retirement allowance for the member
24 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
25 apply to the member.

26 (7) "New member" means a person who becomes a member on or after
27 April 1, 1949, except as otherwise provided in this section.

28 (8)(a) "Compensation earnable" for plan 1 members, means salaries
29 or wages earned during a payroll period for personal services and where
30 the compensation is not all paid in money, maintenance compensation
31 shall be included upon the basis of the schedules established by the
32 member's employer.

33 (i) "Compensation earnable" for plan 1 members also includes the
34 following actual or imputed payments, which are not paid for personal
35 services:

36 (A) Retroactive payments to an individual by an employer on
37 reinstatement of the employee in a position, or payments by an employer
38 to an individual in lieu of reinstatement in a position which are
39 awarded or granted as the equivalent of the salary or wage which the

1 individual would have earned during a payroll period shall be
2 considered compensation earnable and the individual shall receive the
3 equivalent service credit;

4 (B) If a leave of absence is taken by an individual for the purpose
5 of serving in the state legislature, the salary which would have been
6 received for the position from which the leave of absence was taken,
7 shall be considered as compensation earnable if the employee's
8 contribution is paid by the employee and the employer's contribution is
9 paid by the employer or employee;

10 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and
11 72.09.240;

12 (D) Compensation that a member would have received but for a
13 disability occurring in the line of duty only as authorized by RCW
14 41.40.038;

15 (E) Compensation that a member receives due to participation in the
16 leave sharing program only as authorized by RCW 41.04.650 through
17 41.04.670; and

18 (F) Compensation that a member receives for being in standby
19 status. For the purposes of this section, a member is in standby
20 status when not being paid for time actually worked and the employer
21 requires the member to be prepared to report immediately for work, if
22 the need arises, although the need may not arise.

23 (ii) "Compensation earnable" does not include:

24 (A) Remuneration for unused sick leave authorized under RCW
25 41.04.340, 28A.400.210, or 28A.310.490;

26 (B) Remuneration for unused annual leave in excess of thirty days
27 as authorized by RCW 43.01.044 and 43.01.041.

28 (b) "Compensation earnable" for plan 2 and plan 3 members, means
29 salaries or wages earned by a member during a payroll period for
30 personal services, including overtime payments, and shall include wages
31 and salaries deferred under provisions established pursuant to sections
32 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
33 shall exclude nonmoney maintenance compensation and lump sum or other
34 payments for deferred annual sick leave, unused accumulated vacation,
35 unused accumulated annual leave, or any form of severance pay.

36 "Compensation earnable" for plan 2 and plan 3 members also includes
37 the following actual or imputed payments, which are not paid for
38 personal services:

1 (i) Retroactive payments to an individual by an employer on
2 reinstatement of the employee in a position, or payments by an employer
3 to an individual in lieu of reinstatement in a position which are
4 awarded or granted as the equivalent of the salary or wage which the
5 individual would have earned during a payroll period shall be
6 considered compensation earnable to the extent provided above, and the
7 individual shall receive the equivalent service credit;

8 (ii) In any year in which a member serves in the legislature, the
9 member shall have the option of having such member's compensation
10 earnable be the greater of:

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

13 (B) Such member's actual compensation earnable received for
14 nonlegislative public employment and legislative service combined. Any
15 additional contributions to the retirement system required because
16 compensation earnable under (b)(ii)(A) of this subsection is greater
17 than compensation earnable under (b)(ii)(B) of this subsection shall be
18 paid by the member for both member and employer contributions;

19 (iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,
20 and 72.09.240;

21 (iv) Compensation that a member would have received but for a
22 disability occurring in the line of duty only as authorized by RCW
23 41.40.038;

24 (v) Compensation that a member receives due to participation in the
25 leave sharing program only as authorized by RCW 41.04.650 through
26 41.04.670; and

27 (vi) Compensation that a member receives for being in standby
28 status. For the purposes of this section, a member is in standby
29 status when not being paid for time actually worked and the employer
30 requires the member to be prepared to report immediately for work, if
31 the need arises, although the need may not arise.

32 (9)(a) "Service" for plan 1 members, except as provided in RCW
33 41.40.088, means periods of employment in an eligible position or
34 positions for one or more employers rendered to any employer for which
35 compensation is paid, and includes time spent in office as an elected
36 or appointed official of an employer. Compensation earnable earned in
37 full time work for seventy hours or more in any given calendar month
38 shall constitute one service credit month except as provided in RCW
39 41.40.088. Compensation earnable earned for less than seventy hours in

1 any calendar month shall constitute one-quarter service credit month of
2 service except as provided in RCW 41.40.088. Only service credit
3 months and one-quarter service credit months shall be counted in the
4 computation of any retirement allowance or other benefit provided for
5 in this chapter. Any fraction of a year of service shall be taken into
6 account in the computation of such retirement allowance or benefits.
7 Time spent in standby status, whether compensated or not, is not
8 service.

9 (i) Service by a state employee officially assigned by the state on
10 a temporary basis to assist another public agency, shall be considered
11 as service as a state employee: PROVIDED, That service to any other
12 public agency shall not be considered service as a state employee if
13 such service has been used to establish benefits in any other public
14 retirement system.

15 (ii) An individual shall receive no more than a total of twelve
16 service credit months of service during any calendar year. If an
17 individual is employed in an eligible position by one or more employers
18 the individual shall receive no more than one service credit month
19 during any calendar month in which multiple service for seventy or more
20 hours is rendered.

21 (iii) A school district employee may count up to forty-five days of
22 sick leave as creditable service solely for the purpose of determining
23 eligibility to retire under RCW 41.40.180 as authorized by RCW
24 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW
25 28A.400.300 is equal to two service credit months. Use of less than
26 forty-five days of sick leave is creditable as allowed under this
27 subsection as follows:

28 (A) Less than twenty-two days equals one-quarter service credit
29 month;

30 (B) Twenty-two days equals one service credit month;

31 (C) More than twenty-two days but less than forty-five days equals
32 one and one-quarter service credit month.

33 (b) "Service" for plan 2 and plan 3 members, means periods of
34 employment by a member in an eligible position or positions for one or
35 more employers for which compensation earnable is paid. Compensation
36 earnable earned for ninety or more hours in any calendar month shall
37 constitute one service credit month except as provided in RCW
38 41.40.088. Compensation earnable earned for at least seventy hours but
39 less than ninety hours in any calendar month shall constitute one-half

1 service credit month of service. Compensation earnable earned for less
2 than seventy hours in any calendar month shall constitute one-quarter
3 service credit month of service. Time spent in standby status, whether
4 compensated or not, is not service.

5 Any fraction of a year of service shall be taken into account in
6 the computation of such retirement allowance or benefits.

7 (i) Service in any state elective position shall be deemed to be
8 full time service, except that persons serving in state elective
9 positions who are members of the Washington school employees'
10 retirement system, teachers' retirement system, or law enforcement
11 officers' and fire fighters' retirement system at the time of election
12 or appointment to such position may elect to continue membership in the
13 Washington school employees' retirement system, teachers' retirement
14 system, or law enforcement officers' and fire fighters' retirement
15 system.

16 (ii) A member shall receive a total of not more than twelve service
17 credit months of service for such calendar year. If an individual is
18 employed in an eligible position by one or more employers the
19 individual shall receive no more than one service credit month during
20 any calendar month in which multiple service for ninety or more hours
21 is rendered.

22 (iii) Up to forty-five days of sick leave may be creditable as
23 service solely for the purpose of determining eligibility to retire
24 under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of
25 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
26 to two service credit months. Use of less than forty-five days of sick
27 leave is creditable as allowed under this subsection as follows:

28 (A) Less than eleven days equals one-quarter service credit month;

29 (B) Eleven or more days but less than twenty-two days equals one-
30 half service credit month;

31 (C) Twenty-two days equals one service credit month;

32 (D) More than twenty-two days but less than thirty-three days
33 equals one and one-quarter service credit month;

34 (E) Thirty-three or more days but less than forty-five days equals
35 one and one-half service credit month.

36 (10) "Service credit year" means an accumulation of months of
37 service credit which is equal to one when divided by twelve.

38 (11) "Service credit month" means a month or an accumulation of
39 months of service credit which is equal to one.

1 (12) "Prior service" means all service of an original member
2 rendered to any employer prior to October 1, 1947.

3 (13) "Membership service" means:

4 (a) All service rendered, as a member, after October 1, 1947;

5 (b) All service after October 1, 1947, to any employer prior to the
6 time of its admission into the retirement system for which member and
7 employer contributions, plus interest as required by RCW 41.50.125,
8 have been paid under RCW 41.40.056 or 41.40.057;

9 (c) Service not to exceed six consecutive months of probationary
10 service rendered after April 1, 1949, and prior to becoming a member,
11 in the case of any member, upon payment in full by such member of the
12 total amount of the employer's contribution to the retirement fund
13 which would have been required under the law in effect when such
14 probationary service was rendered if the member had been a member
15 during such period, except that the amount of the employer's
16 contribution shall be calculated by the director based on the first
17 month's compensation earnable as a member;

18 (d) Service not to exceed six consecutive months of probationary
19 service, rendered after October 1, 1947, and before April 1, 1949, and
20 prior to becoming a member, in the case of any member, upon payment in
21 full by such member of five percent of such member's salary during said
22 period of probationary service, except that the amount of the
23 employer's contribution shall be calculated by the director based on
24 the first month's compensation earnable as a member.

25 (14)(a) "Beneficiary" for plan 1 members, means any person in
26 receipt of a retirement allowance, pension or other benefit provided by
27 this chapter.

28 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
29 in receipt of a retirement allowance or other benefit provided by this
30 chapter resulting from service rendered to an employer by another
31 person.

32 (15) "Regular interest" means such rate as the director may
33 determine.

34 (16) "Accumulated contributions" means the sum of all contributions
35 standing to the credit of a member in the member's individual account,
36 including any amount paid under RCW 41.50.165(2), together with the
37 regular interest thereon.

38 (17)(a) "Average final compensation" for plan 1 members, means the
39 annual average of the greatest compensation earnable by a member during

1 any consecutive two year period of service credit months for which
2 service credit is allowed; or if the member has less than two years of
3 service credit months then the annual average compensation earnable
4 during the total years of service for which service credit is allowed.

5 (b) "Average final compensation" for plan 2 and plan 3 members,
6 means the member's average compensation earnable of the highest
7 consecutive sixty months of service credit months prior to such
8 member's retirement, termination, or death. Periods constituting
9 authorized leaves of absence may not be used in the calculation of
10 average final compensation except under RCW 41.40.710(2).

11 (18) "Final compensation" means the annual rate of compensation
12 earnable by a member at the time of termination of employment.

13 (19) "Annuity" means payments for life derived from accumulated
14 contributions of a member. All annuities shall be paid in monthly
15 installments.

16 (20) "Pension" means payments for life derived from contributions
17 made by the employer. All pensions shall be paid in monthly
18 installments.

19 (21) "Retirement allowance" means the sum of the annuity and the
20 pension.

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

26 (23) "Actuarial equivalent" means a benefit of equal value when
27 computed upon the basis of such mortality and other tables as may be
28 adopted by the director.

29 (24) "Retirement" means withdrawal from active service with a
30 retirement allowance as provided by this chapter.

31 (25) "Eligible position" means:

32 (a) Any position that, as defined by the employer, normally
33 requires five or more months of service a year for which regular
34 compensation for at least seventy hours is earned by the occupant
35 thereof. For purposes of this chapter an employer shall not define
36 "position" in such a manner that an employee's monthly work for that
37 employer is divided into more than one position;

38 (b) Any position occupied by an elected official or person
39 appointed directly by the governor, or appointed by the chief justice

1 of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which
2 compensation is paid.

3 (26) "Ineligible position" means any position which does not
4 conform with the requirements set forth in subsection (25) of this
5 section.

6 (27) "Leave of absence" means the period of time a member is
7 authorized by the employer to be absent from service without being
8 separated from membership.

9 (28) "Totally incapacitated for duty" means total inability to
10 perform the duties of a member's employment or office or any other work
11 for which the member is qualified by training or experience.

12 (29) "Retiree" means any person who has begun accruing a retirement
13 allowance or other benefit provided by this chapter resulting from
14 service rendered to an employer while a member.

15 (30) "Director" means the director of the department.

16 (31) "State elective position" means any position held by any
17 person elected or appointed to state-wide office or elected or
18 appointed as a member of the legislature.

19 (32) "State actuary" or "actuary" means the person appointed
20 pursuant to RCW 44.44.010(2).

21 (33) "Plan 1" means the public employees' retirement system, plan
22 1 providing the benefits and funding provisions covering persons who
23 first became members of the system prior to October 1, 1977.

24 (34) "Plan 2" means the public employees' retirement system, plan
25 2 providing the benefits and funding provisions covering persons who
26 first became members of the system on and after October 1, 1977.

27 (35) "Plan 3" means the public employees' retirement system, plan
28 3 providing the benefits and funding provisions covering persons who
29 first became members of the system on and after September 1, 2001, and
30 choose to enter plan 3, or who transfer under section 202 of this act.

31 (36) "Index" means, for any calendar year, that year's annual
32 average consumer price index, Seattle, Washington area, for urban wage
33 earners and clerical workers, all items, compiled by the bureau of
34 labor statistics, United States department of labor.

35 (~~(36)~~) (37) "Index A" means the index for the year prior to the
36 determination of a postretirement adjustment.

37 (~~(37)~~) (38) "Index B" means the index for the year prior to index
38 A.

1 (~~(38)~~) (39) "Index year" means the earliest calendar year in
2 which the index is more than sixty percent of index A.

3 (~~(39)~~) (40) "Adjustment ratio" means the value of index A divided
4 by index B.

5 (~~(40)~~) (41) "Annual increase" means, initially, fifty-nine cents
6 per month per year of service which amount shall be increased each July
7 1st by three percent, rounded to the nearest cent.

8 (~~(41)~~) (42) "Separation from service" occurs when a person has
9 terminated all employment with an employer.

10 (43) "Member account" or "member's account" for purposes of plan 3
11 means the sum of the contributions and earnings on behalf of the member
12 in the defined contribution portion of plan 3.

13 **Sec. 103.** RCW 41.40.042 and 1991 c 35 s 89 are each amended to
14 read as follows:

15 The deductions from the compensation of members, provided for in
16 RCW 41.40.330 or (~~(41.40.650,)~~) 41.34.040, shall be made
17 notwithstanding that the minimum compensation provided for by law for
18 any member shall be reduced thereby. Every member shall be deemed to
19 consent and agree to the deductions made and provided for in this
20 chapter and receipt in full for his or her salary or compensation, and
21 payment less the deductions shall be a full and complete discharge and
22 acquittance of all claims and demands whatsoever for the services
23 rendered by the person during the period covered by the payment, except
24 as to benefits provided for under this chapter.

25 **Sec. 104.** RCW 41.40.054 and 1997 c 103 s 3 are each amended to
26 read as follows:

27 A member shall not receive a disability retirement benefit under
28 RCW 41.40.200, 41.40.220, 41.40.230, 41.40.235, 41.40.250, (~~(or)~~)
29 41.40.670, or section 310 of this act if the disability is the result
30 of criminal conduct by the member committed after April 21, 1997.

31 **Sec. 105.** RCW 41.40.057 and 1995 c 286 s 3 are each amended to
32 read as follows:

33 (1) This section applies to the establishment of membership service
34 with employers admitted to the retirement system after July 23, 1995.

35 (2) For current employees, membership service may be established
36 for periods of employment with an employer prior to the employer's

1 admission into the retirement system by making the payments required by
2 this section.

3 The employer must select one of the options in this subsection and
4 apply it uniformly, except as provided in subsection (3) of this
5 section. The required payment shall include the total member and
6 employer contributions that would have been required from the date of
7 each current member's hire.

8 (a) Option A: The employer makes all the required payments within
9 fifteen years from the date of the employer's admission.

10 (b) Option B: The employer makes a portion of the required
11 payments and the member pays the balance. The employer shall not be
12 required to make its payments until the member has made his or her
13 payments. Each member shall have the option to purchase the membership
14 service.

15 (c) Option C: The member makes all of the required payments. Each
16 member shall have the option to purchase the membership service.

17 All payments under options B and C of this subsection must be
18 completed within five years from the date of the employer's admission,
19 or prior to the retirement of the member, whichever occurs sooner. A
20 member may not receive membership service credit under option B or C of
21 this subsection until all required payments have been made.

22 (3) An employer shall not be required to purchase membership
23 service under option A or B for periods of employment for which the
24 employer made contributions to a qualified retirement plan as defined
25 by 26 U.S.C. Sec. 401(a), if the contributions plus interest accrued
26 cannot be transferred to the retirement system. If the employer does
27 not purchase the membership credit under this subsection, the member
28 may purchase the membership service under subsection (2)(c) of this
29 section.

30 (4) A former employee who is an active member of the system and is
31 not covered by subsection (2) of this section may establish membership
32 service by making the required payments under subsection (2)(c) of this
33 section prior to the retirement of the member.

34 (5) All payments made by the member under this section shall be
35 placed in the member's individual account in the members' savings fund
36 or the member's account for those members entering plan 3.

37 **Sec. 106.** RCW 41.40.062 and 1998 c 341 s 602 are each amended to
38 read as follows:

1 (1) The members and appointive and elective officials of any
2 political subdivision or association of political subdivisions of the
3 state may become members of the retirement system by the approval of
4 the local legislative authority.

5 (2) On and after September 1, 1965, every school district of the
6 state of Washington shall be an employer under this chapter. Every
7 member of each school district who is eligible for membership under RCW
8 41.40.023 shall be a member of the retirement system and participate on
9 the same basis as a person who first becomes a member through the
10 admission of any employer into the retirement system on and after April
11 1, 1949, except that after August 31, 2000, school districts will no
12 longer be employers for the public employees' retirement system plan 2
13 or plan 3.

14 **Sec. 107.** RCW 41.40.088 and 1998 c 341 s 603 are each amended to
15 read as follows:

16 (1) A plan 1 member who is employed by a school district or
17 districts, an educational service district, the state school for the
18 deaf, the state school for the blind, institutions of higher education,
19 or community colleges:

20 (a) Shall receive a service credit month for each month of the
21 period from September through August of the following year if he or she
22 is employed in an eligible position, earns compensation earnable for
23 six hundred thirty hours or more during that period, and is employed
24 during nine months of that period, except that a member may not receive
25 credit for any period prior to the member's employment in an eligible
26 position;

27 (b) If a member in an eligible position does not meet the
28 requirements of (a) of this subsection, the member is entitled to a
29 service credit month for each month of the period he or she earns
30 earnable compensation for seventy or more hours; and the member is
31 entitled to a one-quarter service credit month for those calendar
32 months during which he or she earned compensation for less than seventy
33 hours.

34 (2) Except for any period prior to the member's employment in an
35 eligible position, a plan 2 or plan 3 member who is employed by a
36 school district or districts, an educational service district, the
37 state school for the blind, the state school for the deaf, institutions
38 of higher education, or community colleges:

1 (a) Shall receive a service credit month for each month of the
2 period from September through August of the following year if he or she
3 is employed in an eligible position, earns compensation earnable for
4 eight hundred ten hours or more during that period, and is employed
5 during nine months of that period;

6 (b) If a member in an eligible position for each month of the
7 period from September through August of the following year does not
8 meet the hours requirements of (a) of this subsection, the member is
9 entitled to one-half service credit month for each month of the period
10 if he or she earns earnable compensation for at least six hundred
11 thirty hours but less than eight hundred ten hours during that period,
12 and is employed nine months of that period.

13 (c) In all other instances, a member in an eligible position is
14 entitled to service credit months as follows:

15 (i) One service credit month for each month in which compensation
16 is earned for ninety or more hours;

17 (ii) One-half service credit month for each month in which
18 compensation is earned for at least seventy hours but less than ninety
19 hours; and

20 (iii) One-quarter service credit month for each month in which
21 compensation is earned for less than seventy hours.

22 (d) After August 31, 2000, school districts and educational service
23 districts will no longer be employers for the public employees'
24 retirement system plan 2 or plan 3.

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

26 **Sec. 108.** RCW 41.40.092 and 1983 c 81 s 3 are each amended to read
27 as follows:

28 (1) Active members of the Washington state patrol retirement system
29 who have previously established service credit in the public employees'
30 retirement system, plan 1 or plan 2 while employed by the state patrol
31 as a cadet as defined in RCW 43.43.120(6)(b) may have such service
32 credit transferred to the state patrol retirement system subject to the
33 terms and conditions specified in chapter 43.43 RCW, including
34 reestablishment of such service for the sole purpose of transfer.
35 Service reestablishment shall be subject to the interest requirements
36 of RCW 41.40.150(2).

1 (2) Service credit established for employment other than that
2 specified in subsection (1) of this section is not eligible for
3 transfer.

4 NEW SECTION. **Sec. 109.** RCW 41.40.094 is decodified.

5 **"PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2"**

6 NEW SECTION. **Sec. 201.** RCW 41.40.650 (Employer and member
7 contributions) and 1989 c 273 s 24, 1986 c 268 s 6, 1984 c 184 s 12, &
8 1977 ex.s. c 295 s 6 are each repealed.

9 NEW SECTION. **Sec. 202.** (1) Every plan 2 member employed by an
10 employer in an eligible position has the option to make an irrevocable
11 transfer to plan 3.

12 (2) All service credit in plan 2 shall be transferred to the
13 defined benefit portion of plan 3.

14 (3) Any plan 2 member who wishes to transfer to plan 3 may transfer
15 according to the schedule provided in section 304(2) of this act.

16 (4) The accumulated contributions in plan 2, less fifty percent of
17 any contributions made pursuant to RCW 41.50.165(2) shall be
18 transferred to the member's account in the defined contribution portion
19 established in chapter 41.34 RCW, pursuant to procedures developed by
20 the department and subject to RCW 41.34.090. Contributions made
21 pursuant to RCW 41.50.165(2) that are not transferred to the member's
22 account shall be transferred to the fund created in RCW 41.50.075(2),
23 except that interest earned on all such contributions shall be
24 transferred to the member's account.

25 (5) The legislature reserves the right to discontinue the right to
26 transfer under this section.

27 (6) Anyone previously retired from plan 2 is prohibited from
28 transferring to plan 3.

29 **"PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 3"**

30 NEW SECTION. **Sec. 301.** (1) Sections 301 through 317 of this act
31 apply only to plan 3 members.

1 (2) Plan 3 consists of two separate elements: (a) A defined
2 benefit portion covered under this subchapter; and (b) a defined
3 contribution portion covered under chapter 41.34 RCW.

4 (3) Unless otherwise specified, all references to "plan 3" in this
5 subchapter refer to the defined benefit portion of plan 3.

6 NEW SECTION. **Sec. 302.** All employees who first become employed by
7 an employer in an eligible position on or after September 1, 2001,
8 shall have the irrevocable option of membership in plan 2 or plan 3.

9 NEW SECTION. **Sec. 303.** (1) A member of the retirement system
10 shall receive a retirement allowance equal to one percent of such
11 member's average final compensation for each service credit year.

12 (2) The retirement allowance payable under section 309 of this act
13 to a member who separates after having completed at least twenty
14 service credit years shall be increased by twenty-five one-hundredths
15 of one percent, compounded for each month from the date of separation
16 to the date that the retirement allowance commences.

17 NEW SECTION. **Sec. 304.** (1) As used in this subsection, unless a
18 different meaning is plainly required by the context:

19 (a) "Transfer period" means the time during which a member of one
20 of the groups of public employees' retirement system plan 2 members
21 identified in subsection (2) of this section may choose to irrevocably
22 transfer from plan 2 to plan 3.

23 (b) "Transfer amount" means the accumulated contributions present
24 in a member's savings fund on September 1, 2001, plus contributions
25 made thereafter until the actual date of transfer which is the basis
26 for calculation of the plan 2 to plan 3 transfer payment.

27 (c) "Transfer payment date" means the date that the transfer
28 payment will be made into a member's individual account as specified
29 for that member's transfer period.

30 (d) "Additional transfer payment date" means March 1, 2003, the
31 date of the additional transfer payment made according to subsection
32 (3) of this section.

33 (2) Members that did not have the option of choosing plan 2 or plan
34 3 upon entry into the retirement system, may irrevocably transfer to
35 plan 3 according to the following schedule:

1 (a) For those members employed by state agencies and institutions
2 of higher education the transfer period means the period between
3 September 1, 2001, and March 1, 2002, and the transfer payment date is
4 the end of the month of the member's actual date of transfer.

5 (b) For those members employed by other organizations the transfer
6 period means the period between March 1, 2002, and March 1, 2003, and
7 the transfer payment date is the end of the month of the member's
8 actual date of transfer.

9 (c) For those members employed by more than one employer within the
10 retirement system, and whose transfer period is different between one
11 employer and another, the member's transfer period will be the last
12 period that is available from any of that member's employers within the
13 retirement system.

14 (3) Members of plan 2 who are members of the retirement system
15 prior to September 1, 2001, and choose to irrevocably transfer to plan
16 3 during the transfer period shall have an additional payment made
17 equivalent to their transfer amount that is:

18 (a) Increased by one hundred ten percent;

19 (b) Increased by an annual rate of seven and one-half percent for
20 the months between September 1, 2001, and the actual month the member
21 transferred to plan 3; and

22 (c) Deposited into the member's individual account on the
23 additional transfer payment date.

24 (4) If a member who requests to transfer during their transfer
25 period dies before the additional transfer payment date, the additional
26 transfer payment provided in this section shall be paid to the member's
27 estate, or the person or persons, trust, or organization the member
28 nominated by written designation duly executed and filed with the
29 department.

30 (5) The legislature reserves the right to modify or discontinue the
31 right to an additional payment under this section for any plan 2
32 members who have not previously transferred to plan 3.

33 NEW SECTION. **Sec. 305.** Any member or beneficiary eligible to
34 receive a retirement allowance under the provisions of section 309,
35 310, or 312 of this act is eligible to commence receiving a retirement
36 allowance after having filed written application with the department.

1 (1) Retirement allowances paid to members shall accrue from the
2 first day of the calendar month immediately following such member's
3 separation from employment.

4 (2) Retirement allowances payable to eligible members no longer in
5 service, but qualifying for such an allowance pursuant to RCW 41.40.068
6 shall accrue from the first day of the calendar month immediately
7 following such qualification.

8 (3) Disability allowances paid to disabled members shall accrue
9 from the first day of the calendar month immediately following such
10 member's separation from employment for disability.

11 (4) Retirement allowances paid as death benefits shall accrue from
12 the first day of the calendar month immediately following the member's
13 death.

14 NEW SECTION. **Sec. 306.** (1) A member who is on a paid leave of
15 absence authorized by a member's employer shall continue to receive
16 service credit.

17 (2) A member who receives compensation from an employer while on an
18 authorized leave of absence to serve as an elected official of a labor
19 organization, and whose employer is reimbursed by the labor
20 organization for the compensation paid to the member during the period
21 of absence, may also be considered to be on a paid leave of absence.
22 This subsection shall only apply if the member's leave of absence is
23 authorized by a collective bargaining agreement that provides that the
24 member retains seniority rights with the employer during the period of
25 leave. The earnable compensation reported for a member who establishes
26 service credit under this subsection may not be greater than the salary
27 paid to the highest paid job class covered by the collective bargaining
28 agreement.

29 (3) Except as specified in subsection (4) of this section, a member
30 shall be eligible to receive a maximum of two years service credit
31 during a member's entire working career for those periods when a member
32 is on an unpaid leave of absence authorized by an employer. Such
33 credit may be obtained only if:

34 (a) The member makes the contribution on behalf of the employer,
35 plus interest, as determined by the department; and

36 (b) The member makes the employee contribution, plus interest, as
37 determined by the department, to the defined contribution portion.

1 The contributions required shall be based on the average of the
2 member's earnable compensation at both the time the authorized leave of
3 absence was granted and the time the member resumed employment.

4 (4) A member who leaves the employ of an employer to enter the
5 armed forces of the United States shall be entitled to retirement
6 system service credit for up to five years of military service if
7 within ninety days of the member's honorable discharge from the United
8 States armed forces, the member applies for reemployment with the
9 employer who employed the member immediately prior to the member
10 entering the United States armed forces. This subsection shall be
11 administered in a manner consistent with the requirements of the
12 federal uniformed services employment and reemployment rights act.

13 The department shall establish the member's service credit and
14 shall bill the employer for its contribution required under section 313
15 of this act for the period of military service, plus interest as
16 determined by the department. Service credit under this subsection may
17 be obtained only if the member makes the employee contribution to the
18 defined contribution portion as determined by the department.

19 The contributions required shall be based on the compensation the
20 member would have earned if not on leave, or if that cannot be
21 estimated with reasonable certainty, the compensation reported for the
22 member in the year prior to when the member went on military leave.

23 NEW SECTION. **Sec. 307.** (1) Contributions on behalf of the
24 employer paid by the employee to purchase plan 3 service credit shall
25 be allocated to the defined benefit portion of plan 3 and shall not be
26 refundable when paid to the fund described in RCW 41.50.075(4).
27 Contributions on behalf of the employee shall be allocated to the
28 member account. If the member fails to meet the statutory time
29 limitations to purchase plan 3 service credit, it may be purchased
30 under the provisions of RCW 41.50.165(2). One-half of the purchase
31 payments under RCW 41.50.165(2), plus interest, shall be allocated to
32 the member's account.

33 (2) No purchased plan 3 membership service may be credited until
34 all payments required of the member are made, with interest. Upon
35 receipt of all payments owed by the member, the department shall bill
36 the employer for any contributions, plus interest, required to purchase
37 membership service.

1 NEW SECTION. **Sec. 308.** (1) The director may pay a member eligible
2 to receive a retirement allowance or the member's beneficiary a lump
3 sum payment in lieu of a monthly benefit if the initial monthly benefit
4 would be less than one hundred dollars. The one hundred dollar limit
5 shall be increased annually as determined by the director. The lump
6 sum payment shall be the actuarial equivalent of the monthly benefit.

7 (2) Persons covered under the provisions of subsection (1) of this
8 section may upon returning to member status reinstate all previous
9 service by depositing the lump sum payment received, with interest as
10 computed by the director, within two years of returning to service or
11 prior to retiring again, whichever comes first. In computing the
12 amount due, the director shall exclude the accumulated value of the
13 normal payments the member would have received while in beneficiary
14 status if the lump sum payment had not occurred.

15 (3) Any member who receives a settlement under this section is
16 deemed to be retired from this system.

17 NEW SECTION. **Sec. 309.** (1) NORMAL RETIREMENT. Any member who is
18 at least age sixty-five and who has:

19 (a) Completed ten service credit years; or

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

22 (c) Completed five service credit years by the transfer payment
23 date specified in section 304 of this act, under the public employees'
24 retirement system plan 2 and who transferred to plan 3 under section
25 202 of this act;

26 shall be eligible to retire and to receive a retirement allowance
27 computed according to the provisions of section 303 of this act.

28 (2) EARLY RETIREMENT. Any member who has attained at least age
29 fifty-five and has completed at least ten years of service shall be
30 eligible to retire and to receive a retirement allowance computed
31 according to the provisions of section 303 of this act, except that a
32 member retiring pursuant to this subsection shall have the retirement
33 allowance actuarially reduced to reflect the difference in the number
34 of years between age at retirement and the attainment of age sixty-
35 five.

36 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
37 least thirty service credit years and has attained age fifty-five shall
38 be eligible to retire and to receive a retirement allowance computed

1 according to the provisions of RCW 41.40.620, except that a member
2 retiring pursuant to this subsection shall have the retirement
3 allowance reduced by three percent per year to reflect the difference
4 in the number of years between age at retirement and the attainment of
5 age sixty-five.

6 NEW SECTION. **Sec. 310.** (1) A member of the retirement system who
7 becomes totally incapacitated for continued employment by an employer
8 as determined by the department shall be eligible to receive an
9 allowance under the provisions of plan 3. The member shall receive a
10 monthly disability allowance computed as provided for in section 303 of
11 this act and shall have this allowance actuarially reduced to reflect
12 the 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, any further benefit payments shall be conditioned by the
22 payment option selected by the retiree as provided in section 315 of
23 this act.

24 NEW SECTION. **Sec. 311.** (1) Any member who elects to transfer to
25 plan 3 and has eligible unrestored withdrawn contributions in plan 2,
26 may restore such contributions under the provisions of RCW 41.40.740
27 with interest as determined by the department. The restored plan 2
28 service credit will be automatically transferred to plan 3.
29 Restoration payments will be transferred to the member account in plan
30 3. If the member fails to meet the time limitations of RCW 41.40.740,
31 they may restore such contributions under the provisions of RCW
32 41.50.165(2). The restored plan 2 service credit will be automatically
33 transferred to plan 3. One-half of the restoration payments under RCW
34 41.50.165(2) plus interest shall be allocated to the member's account.

35 (2) Any member who elects to transfer to plan 3 may purchase plan
36 2 service credit under RCW 41.40.740. Purchased plan 2 service credit
37 will be automatically transferred to plan 3. Contributions on behalf

1 of the employer paid by the employee shall be allocated to the defined
2 benefit portion of plan 3 and shall not be refundable when paid to the
3 fund described in RCW 41.50.075(3). Contributions on behalf of the
4 employee shall be allocated to the member account. If the member fails
5 to meet the time limitations of RCW 41.40.740, they may subsequently
6 restore such contributions under the provisions of RCW 41.50.165(2).
7 Purchased plan 2 service credit will be automatically transferred to
8 plan 3. One-half of the payments under RCW 41.50.165(2), plus
9 interest, shall be allocated to the member's account.

10 NEW SECTION. **Sec. 312.** If a member dies prior to retirement, the
11 surviving spouse or eligible child or children shall receive a
12 retirement allowance computed as provided in section 303 of this act
13 actuarially reduced to reflect a joint and one hundred percent survivor
14 option and if the member was not eligible for normal retirement at the
15 date of death a further reduction as described in section 309 of this
16 act.

17 If the surviving spouse who is receiving the retirement allowance
18 dies leaving a child or children under the age of majority, then such
19 child or children shall continue to receive an allowance in an amount
20 equal to that which was being received by the surviving spouse, share
21 and share alike, until such child or children reach the age of
22 majority.

23 If there is no surviving spouse eligible to receive an allowance at
24 the time of the member's death, such member's child or children under
25 the age of majority shall receive an allowance, share and share alike.
26 The allowance shall be calculated with the assumption that the age of
27 the spouse and member were equal at the time of the member's death.

28 NEW SECTION. **Sec. 313.** The required contribution rates to the
29 retirement system for employers shall be established by the director
30 from time to time as may be necessary upon the advice of the state
31 actuary. The state actuary shall use the aggregate actuarial cost
32 method to calculate contribution rates. The employer contribution rate
33 calculated under this section shall be used only for the purpose of
34 determining the amount of employer contributions to be deposited in the
35 combined plan 2 and plan 3 fund from the total employer contributions
36 collected under RCW 41.40.048.

1 Any increase in the contribution rate required as the result of a
2 failure of an employer to make any contribution required by this
3 section shall be borne in full by the employer not making the
4 contribution.

5 The director shall notify all employers of any pending adjustment
6 in the required contribution rate and such increase shall be announced
7 at least thirty days prior to the effective date of the change.

8 The employer's contribution shall be remitted directly to the
9 department within fifteen days following the end of the calendar month
10 during which the payroll period ends.

11 NEW SECTION. **Sec. 314.** Beginning July 1, 1979, and every year
12 thereafter, the department shall determine the following information
13 for each retired member or beneficiary whose retirement allowance has
14 been in effect for at least one year:

15 (1) The original dollar amount of the retirement allowance;

16 (2) The index for the calendar year prior to the effective date of
17 the retirement allowance, to be known as "index A";

18 (3) The index for the calendar year prior to the date of
19 determination, to be known as "index B"; and

20 (4) The ratio obtained when index B is divided by index A.

21 The value of the ratio obtained shall be the annual adjustment to
22 the original retirement allowance and shall be applied beginning with
23 the July payment. In no event, however, shall the annual adjustment:

24 (a) Produce a retirement allowance which is lower than the original
25 retirement allowance;

26 (b) Exceed three percent in the initial annual adjustment; or

27 (c) Differ from the previous year's annual adjustment by more than
28 three percent.

29 For the purposes of this section, "index" means, for any calendar
30 year, that year's average consumer price index--Seattle, Washington
31 area for urban wage earners and clerical workers, all items, compiled
32 by the bureau of labor statistics, United States department of labor.

33 NEW SECTION. **Sec. 315.** (1) Upon retirement for service as
34 prescribed in section 309 of this act or retirement for disability
35 under section 310 of this act, a member shall elect to have the
36 retirement allowance paid pursuant to one of the following options,
37 calculated so as to be actuarially equivalent to each other.

1 (a) Standard allowance. A member electing this option shall
2 receive a retirement allowance payable throughout such member's life.
3 However, if the retiree dies before the total of the retirement
4 allowance paid to such retiree equals the amount of such retiree's
5 accumulated contributions at the time of retirement, then the balance
6 shall be paid to the member's estate, or such person or persons, trust,
7 or organization as the retiree shall have nominated by written
8 designation duly executed and filed with the department; or if there be
9 no such designated person or persons still living at the time of the
10 retiree's death, then to the surviving spouse; or if there be neither
11 such designated person or persons still living at the time of death nor
12 a surviving spouse, then to the retiree's legal representative.

13 (b) The department shall adopt rules that allow a member to select
14 a retirement option that pays the member a reduced retirement allowance
15 and upon death, such portion of the member's reduced retirement
16 allowance as the department by rule designates shall be continued
17 throughout the life of and paid to a person nominated by the member by
18 written designation duly executed and filed with the department at the
19 time of retirement. The options adopted by the department shall
20 include, but are not limited to, a joint and one hundred percent
21 survivor option and a joint and fifty percent survivor option.

22 (2)(a) A member, if married, must provide the written consent of
23 his or her spouse to the option selected under this section, except as
24 provided in (b) of this subsection. If a member is married and both
25 the member and the member's spouse do not give written consent to an
26 option under this section, the department shall pay a joint and fifty
27 percent survivor benefit calculated to be actuarially equivalent to the
28 benefit options available under subsection (1) of this section unless
29 spousal consent is not required as provided in (b) of this subsection.

30 (b) If a copy of a dissolution order designating a survivor
31 beneficiary under RCW 41.50.790 has been filed with the department at
32 least thirty days prior to a member's retirement:

33 (i) The department shall honor the designation as if made by the
34 member under subsection (1) of this section; and

35 (ii) The spousal consent provisions of (a) of this subsection do
36 not apply.

37 (3)(a) Any member who retired before January 1, 1996, and who
38 elected to receive a reduced retirement allowance under subsection
39 (1)(b) or (2) of this section is entitled to receive a retirement

1 allowance adjusted in accordance with (b) of this subsection, if they
2 meet the following conditions:

3 (i) The retiree's designated beneficiary predeceases or has
4 predeceased the retiree; and

5 (ii) The retiree provides to the department proper proof of the
6 designated beneficiary's death.

7 (b) The retirement allowance payable to the retiree, as of July 1,
8 1998, or the date of the designated beneficiary's death, whichever
9 comes last, shall be increased by the percentage derived in (c) of this
10 subsection.

11 (c) The percentage increase shall be derived by the following:

12 (i) One hundred percent multiplied by the result of (c)(ii) of this
13 subsection converted to a percent;

14 (ii) Subtract one from the reciprocal of the appropriate joint and
15 survivor option factor;

16 (iii) The joint and survivor option factor shall be from the table
17 in effect as of July 1, 1998.

18 (d) The adjustment under (b) of this subsection shall accrue from
19 the beginning of the month following the date of the designated
20 beneficiary's death or from July 1, 1998, whichever comes last.

21 NEW SECTION. **Sec. 316.** (1) Except as provided in RCW 41.40.037,
22 no retiree under the provisions of plan 3 shall be eligible to receive
23 such retiree's monthly retirement allowance if he or she is employed in
24 an eligible position as defined in RCW 41.40.010, 41.32.010, or
25 41.35.010, or as a law enforcement officer or fire fighter as defined
26 in RCW 41.26.030, except that a retiree who ends his or her membership
27 in the retirement system pursuant to RCW 41.40.023(3)(b) is not subject
28 to this section if the retiree's only employment is as an elective
29 official of a city or town.

30 (2) If a retiree's benefits have been suspended under this section,
31 his or her benefits shall be reinstated when the retiree terminates the
32 employment that caused his or her benefits to be suspended. Upon
33 reinstatement, the retiree's benefits shall be actuarially recomputed
34 pursuant to the rules adopted by the department.

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

36 NEW SECTION. **Sec. 317.** The benefits provided pursuant to chapter
37 . . . , Laws of 2000 (this act) are not provided to employees as a

1 matter of contractual right prior to September 1, 2001. The
2 legislature retains the right to alter or abolish these benefits at any
3 time prior to September 1, 2001.

4 NEW SECTION. **Sec. 318.** Sections 301 through 317 of this act are
5 each added to chapter 41.40 RCW and codified with the subchapter
6 heading "PLAN 3."

7 **"DEFINED CONTRIBUTION"**

8 **Sec. 401.** RCW 41.34.020 and 1998 c 341 s 301 are each amended to
9 read as follows:

10 As used in this chapter, the following terms have the meanings
11 indicated:

12 (1) "Actuary" means the state actuary or the office of the state
13 actuary.

14 (2) "Board" means the employee retirement benefits board authorized
15 in chapter 41.50 RCW.

16 (3) "Department" means the department of retirement systems.

17 (4)(a) "Compensation" for teachers for purposes of this chapter is
18 the same as "earnable compensation" for plan 3 in chapter 41.32 RCW
19 except that the compensation may be reported when paid, rather than
20 when earned.

21 (b) "Compensation" for classified employees for purposes of this
22 chapter is the same as "compensation earnable" for plan 3 in RCW
23 41.35.010, except that the compensation may be reported when paid,
24 rather than when earned.

25 (c) "Compensation" for public employees for purposes of this
26 chapter is the same as "compensation earnable" for plan 3 in RCW
27 41.40.010, except that the compensation may be reported when paid,
28 rather than when earned.

29 (d) "Compensation" for law enforcement officers and fire fighters
30 for purposes of this chapter is the same as "basic salary" for plan 3
31 in RCW 41.26.030.

32 (5)(a) "Employer" for teachers for purposes of this chapter means
33 the same as "employer" for plan 3 in chapter 41.32 RCW.

34 (b) "Employer" for classified employees for purposes of this
35 chapter means the same as "employer" for plan 3 in RCW 41.35.010.

1 (c) "Employer" for public employees for purposes of this chapter
2 means the same as "employer" for plan 3 in RCW 41.40.010.

3 (d) "Employer" for law enforcement officers and fire fighters for
4 purposes of this chapter is the same as "employer" for plan 3 in RCW
5 41.26.030.

6 (6) "Member" means any employee included in the membership of a
7 retirement system as provided for in chapter 41.32 RCW of plan 3
8 ~~((or))~~, chapter 41.35 RCW of plan 3, chapter 41.40 RCW of plan 3, or
9 chapter 41.26 RCW of plan 3.

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

12 (8) "Retiree" means any member in receipt of an allowance or other
13 benefit provided by this chapter resulting from service rendered to an
14 employer by such member.

15 (9) "Teacher" means a member of the teachers' retirement system
16 plan 3 as defined in RCW 41.32.010(29).

17 (10) "Classified employee" means a member of the school employees'
18 retirement system plan 3 as defined in RCW 41.35.010.

19 (11) "Public employee" means a member of the public employees'
20 retirement system plan 3 as defined in RCW 41.40.010.

21 (12) "Law enforcement officer or fire fighter" means a member of
22 the law enforcement officers' and fire fighters' retirement system plan
23 3 as defined in RCW 41.26.030.

24 **Sec. 402.** RCW 41.34.030 and 1998 c 341 s 302 are each amended to
25 read as follows:

26 (1) This chapter applies only to members of plan 3 retirement
27 systems created under chapters 41.32 ~~((and))~~, 41.35, 41.40, and 41.26
28 RCW.

29 (2) Plan 3 consists of two separate elements:

30 (a) A defined benefit portion covered under:

31 (i) Sections 101 through 117, chapter 239, Laws of 1995; or

32 (ii) Sections 1 through 25 and 201 through 213, chapter 341, Laws
33 of 1998; or

34 (iii) Sections 101 through 317, chapter . . . , Laws of 2000
35 (sections 101 through 317 of this act); or sections 801 through 1017,

36 chapter . . . , Laws of 2000 (sections 801 through 1017 of this act);

37 and

1 (b) A defined contribution portion covered under this chapter.
2 Unless specified otherwise, all references to "plan 3" in this chapter
3 refer to the defined contribution portion of plan 3.

4 **Sec. 403.** RCW 41.34.060 and 1999 c 265 s 1 are each amended to
5 read as follows:

6 (1) Except as provided in subsection (3) of this section, the
7 member's account shall be invested by the state investment board. In
8 order to reduce transaction costs and address liquidity issues, based
9 upon recommendations of the state investment board, the department may
10 require members to provide up to ninety days' notice prior to moving
11 funds from the state investment board portfolio to self-directed
12 investment options provided under subsection (3) of this section.

13 (a) For members of the retirement system as provided for in chapter
14 41.32 RCW of plan 3, investment shall be in the same portfolio as that
15 of the teachers' retirement system combined plan 2 and 3 fund under RCW
16 41.50.075(2).

17 (b) For members of the retirement system as provided for in chapter
18 41.35 RCW of plan 3, investment shall be in the same portfolio as that
19 of the school employees' retirement system combined plan 2 and 3 fund
20 under RCW 41.50.075(4).

21 (c) For members of the retirement system as provided for in chapter
22 41.40 RCW of plan 3, investment shall be in the same portfolio as that
23 of the public employees' retirement system combined plan 2 and 3 fund
24 under RCW 41.50.075(3).

25 (d) For members of the retirement system as provided for in chapter
26 41.26 RCW of plan 3, investment shall be in the same portfolio as that
27 of the law enforcement officers' and fire fighters' system combined
28 plan 2 and 3 fund under RCW 41.50.075(1).

29 (2) The state investment board shall declare monthly unit values
30 for the portfolios or funds, or portions thereof, utilized under
31 subsection (1)(a) and (b) of this section. The declared values shall
32 be an approximation of portfolio or fund values, based on internal
33 procedures of the state investment board. Such declared unit values
34 and internal procedures shall be in the sole discretion of the state
35 investment board. The state investment board may delegate any of the
36 powers and duties under this subsection, including discretion, pursuant
37 to RCW 43.33A.030. Member accounts shall be credited by the department
38 with a rate of return based on changes to such unit values.

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

3 **Sec. 404.** RCW 41.34.080 and 1998 c 341 s 304 are each amended to
4 read as follows:

5 (1) Subject to subsections (2) and (3) of this section, the right
6 of a person to a pension, an annuity, a retirement allowance, any
7 optional benefit, any other right accrued or accruing to any person
8 under the provisions of this chapter, and the various funds created by
9 chapter 239, Laws of 1995(~~(, and))~~; chapter 341, Laws of 1998; and
10 chapter . . . , Laws of 2000 (this act) and all moneys and investments
11 and income thereof, is hereby exempt from any state, county, municipal,
12 or other local tax, and shall not be subject to execution, garnishment,
13 attachment, the operation of bankruptcy or insolvency laws, or other
14 process of law whatsoever, and shall be unassignable.

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

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

1 requirements of this section shall be credited by the extraordinary
2 investment gain amount.

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

5 (a) Any member of the teachers' retirement system plan 3 ~~((or))~~,
6 the Washington school employees' retirement system plan 3, the public
7 employees' retirement system plan 3, or the law enforcement officers'
8 and fire fighters' retirement system plan 3 who earned service credit
9 during the twelve-month period from September 1st to August 31st
10 immediately preceding the distribution and had a balance of at least
11 one thousand dollars in their member account on August 31st of the year
12 immediately preceding the distribution; or

13 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875
14 ~~((or))~~, 41.35.680, section 309 or 1008 of this act; or

15 (c) Any person who is a retiree pursuant to RCW 41.34.020(8) and
16 who:

17 (i) Completed ten service credit years; or

18 (ii) Completed five service credit years, including twelve service
19 months after attaining age fifty-four; or

20 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and
21 who has completed five service credit years by July 1, 1996, under plan
22 2 and who transferred to plan 3 under RCW 41.32.817; or

23 (e) Any classified employee who is a retiree pursuant to RCW
24 41.34.020(8) and who has completed five service credit years by
25 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;
26 or

27 (f) Any public employee who is a retiree pursuant to RCW
28 41.40.010(29) and who has completed five service credit years by
29 September 1, 2001, and who transferred to plan 3 under section 202 of
30 this act; or

31 (g) Any law enforcement officer or fire fighter who is a retiree
32 pursuant to RCW 41.26.030(24), and who has completed five service
33 credit years by September 1, 2001, and transferred to plan 3 under
34 section 901 of this act; or

35 (h) Any person who had a balance of at least one thousand dollars
36 in their member account on August 31st of the year immediately
37 preceding the distribution and who:

38 (i) Completed ten service credit years; or

1 (ii) Completed five service credit years, including twelve service
2 months after attaining age fifty-four; or

3 ~~((g))~~ (i) Any teacher who had a balance of at least one thousand
4 dollars in their member account on August 31st of the year immediately
5 preceding the distribution and who has completed five service credit
6 years by July 1, 1996, under plan 2 and who transferred to plan 3 under
7 RCW 41.32.817; or

8 ~~((h))~~ (j) Any classified employee who had a balance of at least
9 one thousand dollars in their member account on August 31st of the year
10 immediately preceding the distribution and who has completed five
11 service credit years by September 1, 2000, and who transferred to plan
12 3 under RCW 41.35.510; or

13 (k) Any public employee who had a balance of at least one thousand
14 dollars in their member account on August 31st of the year immediately
15 preceding the distribution and who has completed five service credit
16 years by September 1, 2001, and who transferred to plan 3 under section
17 202 of this act; or

18 (l) Any law enforcement officer or fire fighter who had a balance
19 of at least one thousand dollars in their member account on August 31st
20 of the year immediately preceding the distribution and who has
21 completed five service credit years by September 1, 2001, and who
22 transferred to plan 3 under section 901 of this act.

23 (3) The extraordinary investment gain amount shall be calculated as
24 follows:

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

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

36 (c) Multiplied by the proportion of:

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

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

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

5 (B) Any person who earned service credit in the teachers'
6 retirement system plan 2 ~~((or))~~, the Washington school employees'
7 retirement system plan 2, the public employees' retirement system plan
8 2, or the law enforcement officers' and fire fighters' retirement
9 system plan 2 during the twelve-month period from September 1st to
10 August 31st immediately preceding the distribution;

11 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765
12 ~~((or))~~, 41.35.420, 41.40.630, or 41.26.430; and

13 (D) Any person with five or more years of service in the teachers'
14 retirement system plan 2 ~~((or))~~, the Washington school employees'
15 retirement system plan 2, the public employees' retirement system plan
16 2, or the law enforcement officers' and fire fighters' retirement
17 system plan 2;

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

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

24 NEW SECTION. Sec. 408. A new section is added to chapter 41.31A
25 RCW to read as follows:

26 (1) On March 1, 2003, the member account of a person meeting the
27 requirements of this section shall be credited by the 2000 retroactive
28 extraordinary investment gain amount and the 2002 retroactive
29 extraordinary investment gain amount.

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

32 (a) Any public employee or law enforcement officer or fire fighter
33 who earned service credit during the twelve-month period from September
34 1st to August 1st immediately preceding the distribution and who
35 transferred to plan 3 under section 202 or 901 of this act; or

36 (b) Any public employee or law enforcement officer or fire fighter
37 in receipt of a benefit pursuant to section 309 of this act and who has

1 completed five service credit years by September 1, 2001, and who
2 transferred to plan 3 under section 202 or 901 of this act; or

3 (c) Any public employee or law enforcement officer or fire fighter
4 who is a retiree pursuant to RCW 41.34.020(8) and who has completed
5 five service credit years by September 1, 2001, and who transferred to
6 plan 3 under section 202 or 901 of this act; or

7 (d) Any public employee or law enforcement officer or fire fighter
8 who has a balance of at least one thousand dollars in his or her member
9 account and who has completed five service credit years by September 1,
10 2001, and who transferred to plan 3 under section 202 or 901 of this
11 act.

12 (3) The 2000 retroactive extraordinary investment gain amount shall
13 be calculated as follows:

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

17 (b) Distributed to persons eligible for the benefit in subsection
18 (1) of this section on the basis of their service credit total on July
19 1, 2001.

20 (4) The 2002 retroactive extraordinary investment gain amount shall
21 be calculated as follows:

22 (a) An amount equal to the average benefit per year of service paid
23 in 2002 to members of the teachers' retirement system plan 3 under
24 section 309, chapter 341, Laws of 1998;

25 (b) Distributed to persons eligible for the benefit provided in
26 subsection (1) of this section on the basis of their service credit
27 total on July 1, 2001.

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

31 **"ACTUARIAL FUNDING"**

32 **Sec. 501.** RCW 41.45.010 and 1998 c 341 s 401 are each amended to
33 read as follows:

34 It is the intent of the legislature to provide a dependable and
35 systematic process for funding the benefits provided to members and
36 retirees of the public employees' retirement system, chapter 41.40 RCW;
37 the teachers' retirement system, chapter 41.32 RCW; the law enforcement

1 officers' and fire fighters' retirement system, chapter 41.26 RCW; the
2 school employees' retirement system, chapter 41.35 RCW; and the
3 Washington state patrol retirement system, chapter 43.43 RCW.

4 The funding process established by this chapter is intended to
5 achieve the following goals:

6 (1) To continue to fully fund the public employees' retirement
7 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
8 the school employees' retirement system plans 2 and 3, and the law
9 enforcement officers' and fire fighters' retirement system plans 2 and
10 3 as provided by law;

11 (2) To fully amortize the total costs of the public employees'
12 retirement system plan 1, the teachers' retirement system plan 1, and
13 the law enforcement officers' and fire fighters' retirement system plan
14 1 not later than June 30, 2024;

15 (3) To establish predictable long-term employer contribution rates
16 which will remain a relatively constant proportion of the future state
17 budgets; and

18 (4) To fund, to the extent feasible, benefit increases for plan 1
19 members and all benefits for plan 2 and 3 members over the working
20 lives of those members so that the cost of those benefits are paid by
21 the taxpayers who receive the benefit of those members' service.

22 **Sec. 502.** RCW 41.45.020 and 1998 c 341 s 402 and 1998 c 283 s 1
23 are each reenacted and amended to read as follows:

24 As used in this chapter, the following terms have the meanings
25 indicated unless the context clearly requires otherwise.

26 (1) "Council" means the pension funding council created in RCW
27 41.45.100.

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

29 (3) "Law enforcement officers' and fire fighters' retirement system
30 plan 1," ((and)) "law enforcement officers' and fire fighters'
31 retirement system plan 2," and "law enforcement officers' and fire
32 fighters' retirement system plan 3" mean the benefits and funding
33 provisions under chapter 41.26 RCW.

34 (4) "Public employees' retirement system plan 1," ((and)) "public
35 employees' retirement system plan 2," and "public employees' retirement
36 system plan 3" mean the benefits and funding provisions under chapter
37 41.40 RCW.

1 (5) "Teachers' retirement system plan 1," "teachers' retirement
2 system plan 2," and "teachers' retirement system plan 3" mean the
3 benefits and funding provisions under chapter 41.32 RCW.

4 (6) "School employees' retirement system plan 2" and "school
5 employees' retirement system plan 3" mean the benefits and funding
6 provisions under chapter 41.35 RCW.

7 (7) "Washington state patrol retirement system" means the
8 retirement benefits provided under chapter 43.43 RCW.

9 (8) "Unfunded liability" means the unfunded actuarial accrued
10 liability of a retirement system.

11 (9) "Actuary" or "state actuary" means the state actuary employed
12 under chapter 44.44 RCW.

13 (10) "State retirement systems" means the retirement systems listed
14 in RCW 41.50.030.

15 (11) "Work group" means the pension funding work group created in
16 RCW 41.45.120.

17 (12) "Classified employee" means a member of the Washington school
18 employees' retirement system plan 2 or plan 3 as defined in RCW
19 41.35.010.

20 (13) "Teacher" means a member of the teachers' retirement system as
21 defined in RCW 41.32.010(15).

22 **Sec. 503.** RCW 41.45.050 and 1998 c 341 s 403 are each amended to
23 read as follows:

24 (1) Employers of members of the public employees' retirement
25 system, the teachers' retirement system, the school employees'
26 retirement system, and the Washington state patrol retirement system
27 shall make contributions to those systems based on the rates
28 established in RCW 41.45.060 and 41.45.070.

29 (2) The state shall make contributions to the law enforcement
30 officers' and fire fighters' retirement system based on the rates
31 established in RCW 41.45.060 and 41.45.070. The state treasurer shall
32 transfer the required contributions each month on the basis of salary
33 data provided by the department.

34 (3) The department shall bill employers, and the state shall make
35 contributions to the law enforcement officers' and fire fighters'
36 retirement system, using the combined rates established in RCW
37 41.45.060 and 41.45.070 regardless of the level of pension funding
38 provided in the biennial budget. Any member of an affected retirement

1 system may, by mandamus or other appropriate proceeding, require the
2 transfer and payment of funds as directed in this section.

3 (4) The contributions received for the public employees' retirement
4 system shall be allocated between the public employees' retirement
5 system plan 1 fund and the public employees' retirement system combined
6 plan 2 and plan 3 fund as follows: The contributions necessary to
7 fully fund the public employees' retirement system combined plan 2 and
8 plan 3 employer contribution (~~(required by RCW 41.40.650)~~) shall first
9 be deposited in the public employees' retirement system combined plan
10 2 and plan 3 fund. All remaining public employees' retirement system
11 employer contributions shall be deposited in the public employees'
12 retirement system plan 1 fund.

13 (5) The contributions received for the teachers' retirement system
14 shall be allocated between the plan 1 fund and the combined plan 2 and
15 plan 3 fund as follows: The contributions necessary to fully fund the
16 combined plan 2 and plan 3 employer contribution shall first be
17 deposited in the combined plan 2 and plan 3 fund. All remaining
18 teachers' retirement system employer contributions shall be deposited
19 in the plan 1 fund.

20 (6) The contributions received for the school employees' retirement
21 system shall be allocated between the public employees' retirement
22 system plan 1 fund and the school employees' retirement system combined
23 plan 2 and plan 3 fund as follows: The contributions necessary to
24 fully fund the combined plan 2 and plan 3 employer contribution shall
25 first be deposited in the combined plan 2 and plan 3 fund. All
26 remaining school employees' retirement system employer contributions
27 shall be deposited in the public employees' retirement system plan 1
28 fund.

29 (7) The contributions received under RCW 41.26.450 for the law
30 enforcement officers' and fire fighters' retirement system shall be
31 allocated between the law enforcement officers' and fire fighters'
32 retirement system plan 1 and the law enforcement officers' and fire
33 fighters' retirement system combined plan 2 and plan 3 fund as follows:
34 The contributions necessary to fully fund the law enforcement officers'
35 and fire fighters' retirement system combined plan 2 and plan 3
36 employer contributions shall be first deposited in the law enforcement
37 officers' and fire fighters' retirement system combined plan 2 and plan
38 3 fund. All remaining law enforcement officers' and fire fighters'

1 retirement system employer contributions shall be deposited in the law
2 enforcement officers' and fire fighters' retirement system plan 1 fund.

3 **Sec. 504.** RCW 41.45.060 and 1998 c 341 s 404, 1998 c 340 s 11, and
4 1998 c 283 s 6 are each reenacted and amended to read as follows:

5 (1) The state actuary shall provide actuarial valuation results
6 based on the assumptions adopted under RCW 41.45.030.

7 (2) Not later than September 30, 1998, and every two years
8 thereafter, consistent with the assumptions adopted under RCW
9 41.45.030, the council shall adopt and may make changes to:

10 (a) A basic state contribution rate for the law enforcement
11 officers' and fire fighters' retirement system;

12 (b) Basic employer contribution rates for the public employees'
13 retirement system (~~plan 1~~), the teachers' retirement system (~~plan~~
14 ~~1~~), and the Washington state patrol retirement system to be used in
15 the ensuing biennial period; and

16 (c) A basic employer contribution rate for the school employees'
17 retirement system for funding the public employees' retirement system
18 plan 1.

19 (3) The employer and state contribution rates adopted by the
20 council shall be the level percentages of pay that are needed:

21 (a) To fully amortize the total costs of the public employees'
22 retirement system plan 1, the teachers' retirement system plan 1, the
23 law enforcement officers' and fire fighters' retirement system plan 1,
24 and the unfunded liability of the Washington state patrol retirement
25 system not later than June 30, 2024, except as provided in subsection
26 (5) of this section; (~~and~~)

27 (b) To also continue to fully fund the public employees' retirement
28 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
29 the school employees' retirement system plans 2 and 3, and the law
30 enforcement officers' and fire fighters' retirement system plans 2 and
31 3 in accordance with RCW (~~41.40.650, 41.26.450,~~) 41.45.061, section
32 507 of this act, and this section; and

33 (c) For the law enforcement officers' and fire fighters' system
34 plans 2 and 3 the rate charged to employers shall be one and one-half
35 times the rate charged to the state.

36 (4) The aggregate actuarial cost method shall be used to calculate
37 a combined plan 2 and 3 employer contribution rate.

1 (5) An amount equal to the amount of extraordinary investment gains
2 as defined in RCW 41.31.020 shall be used to shorten the amortization
3 period for the public employees' retirement system plan 1 and the
4 teachers' retirement system plan 1.

5 (6) The council shall immediately notify the directors of the
6 office of financial management and department of retirement systems of
7 the state and employer contribution rates adopted.

8 (7) The director of the department of retirement systems shall
9 collect those rates adopted by the council.

10 **Sec. 505.** RCW 41.45.070 and 1998 c 341 s 406 and 1998 c 340 s 10
11 are each reenacted and amended to read as follows:

12 (1) In addition to the basic employer contribution rate established
13 in RCW 41.45.060, the department shall also charge employers of public
14 employees' retirement system, teachers' retirement system, school
15 employees' retirement system, or Washington state patrol retirement
16 system members an additional supplemental rate to pay for the cost of
17 additional benefits, if any, granted to members of those systems.
18 Except as provided in subsections (6) and (7) of this section, the
19 supplemental contribution rates required by this section shall be
20 calculated by the state actuary and shall be charged regardless of
21 language to the contrary contained in the statute which authorizes
22 additional benefits.

23 (2) In addition to the basic state contribution rate established in
24 RCW 41.45.060 for the law enforcement officers' and fire fighters'
25 retirement system the department shall also establish a supplemental
26 rate to pay for the cost of additional benefits, if any, granted to
27 members of the law enforcement officers' and fire fighters' retirement
28 system. Except as provided in subsection (6) of this section, this
29 supplemental rate shall be calculated by the state actuary and the
30 state treasurer shall transfer the additional required contributions
31 regardless of language to the contrary contained in the statute which
32 authorizes the additional benefits.

33 (3) The supplemental rate charged under this section to fund
34 benefit increases provided to active members of the public employees'
35 retirement system plan 1, the teachers' retirement system plan 1, the
36 law enforcement officers' and fire fighters' retirement system plan 1,
37 and Washington state patrol retirement system, shall be calculated as

1 the level percentage of all members' pay needed to fund the cost of the
2 benefit not later than June 30, 2024.

3 (4) The supplemental rate charged under this section to fund
4 benefit increases provided to active and retired members of the public
5 employees' retirement system plan 2 and plan 3, the teachers'
6 retirement system plan 2 and plan 3, the school employees' retirement
7 system plan 2 and plan 3, or the law enforcement officers' and fire
8 fighters' retirement system plan 2 and plan 3, shall be calculated as
9 the level percentage of all members' pay needed to fund the cost of the
10 benefit, as calculated under RCW 41.40.650 or 41.26.450, respectively.

11 (5) The supplemental rate charged under this section to fund
12 postretirement adjustments which are provided on a nonautomatic basis
13 to current retirees shall be calculated as the percentage of pay needed
14 to fund the adjustments as they are paid to the retirees. The
15 supplemental rate charged under this section to fund automatic
16 postretirement adjustments for active or retired members of the public
17 employees' retirement system plan 1 and the teachers' retirement system
18 plan 1 shall be calculated as the level percentage of pay needed to
19 fund the cost of the automatic adjustments not later than June 30,
20 2024.

21 (6) A supplemental rate shall not be charged to pay for the cost of
22 additional benefits granted to members pursuant to chapter 340, Laws of
23 1998.

24 (7) A supplemental rate shall not be charged to pay for the cost of
25 additional benefits granted to members pursuant to chapter 41.31A RCW;
26 section 309, chapter 341, Laws of 1998; or section 701, chapter 341,
27 Laws of 1998.

28 **Sec. 506.** RCW 41.45.061 and 1998 c 341 s 405 are each amended to
29 read as follows:

30 (1) The required contribution rate for members of the plan 2
31 teachers' retirement system shall be fixed at the rates in effect on
32 July 1, 1996, subject to the following:

33 (a) Beginning September 1, 1997, except as provided in (b) of this
34 subsection, the employee contribution rate shall not exceed the
35 employer plan 2 and 3 rates adopted under RCW 41.45.060 and 41.45.070
36 for the teachers' retirement system;

1 (b) In addition, the employee contribution rate for plan 2 shall be
2 increased by fifty percent of the contribution rate increase caused by
3 any plan 2 benefit increase passed after July 1, 1996;

4 (c) In addition, the employee contribution rate for plan 2 shall
5 not be increased as a result of any distributions pursuant to section
6 309, chapter 341, Laws of 1998 and RCW 41.31A.020.

7 (2) The required contribution rate for members of the school
8 employees' retirement system plan 2 shall be fixed at the rates in
9 effect on September 1, 2000, for members of the public employees'
10 retirement system plan 2, subject to the following:

11 (a) Except as provided in (b) of this subsection, the member
12 contribution rate shall not exceed the school employees' retirement
13 system employer plan 2 and 3 contribution rate adopted under RCW
14 41.45.060 and 41.45.070;

15 (b) The member contribution rate for the school employees'
16 retirement system plan 2 shall be increased by fifty percent of the
17 contribution rate increase caused by any plan 2 benefit increase passed
18 after September 1, 2000.

19 (3) The required contribution rate for members of the public
20 employees' retirement system plan 2 shall be set at the same rate as
21 the employer combined plan 2 and plan 3 rate.

22 (4) The required contribution rate for members of the law
23 enforcement officers' and fire fighters' retirement system plan 2 shall
24 be set at the sum of the employer and state rates for the combined plan
25 2 and plan 3.

26 (5) The employee contribution rates for plan 2 under subsections
27 (3) and (4) of this section shall not ((be increased)) include any
28 increase as a result of any distributions pursuant to RCW 41.31A.020
29 and 41.31A.030.

30 ~~((4))~~ (6) The required plan 2 and 3 contribution rates for
31 employers shall be adopted in the manner described in RCW 41.45.060.

32 NEW SECTION. Sec. 507. A new section is added to chapter 41.45
33 RCW to read as follows:

34 (1) Any increase in the contribution rate required as the result of
35 a failure of the state or of an employer to make any contribution
36 required by this section shall be borne in full by the state or by that
37 employer not making the contribution.

1 (2) The director shall notify all employers of any pending
2 adjustment in the required contribution rate and such pending
3 adjustment in the required contribution rate and any increase shall be
4 announced at least thirty days prior to the effective date of the
5 change.

6 (3) Members' contributions required by this section shall be
7 deducted from the members' compensation each payroll period. The
8 members' contribution and the employers' contribution shall be remitted
9 directly to the department within fifteen days following the end of the
10 calendar month during which the payroll period ends. The state's
11 contribution required by this section shall be transferred to the
12 appropriate fund from the total contributions transferred by the state
13 treasurer under RCW 41.45.060 and 41.45.070.

14 **"NECESSARY FOR IMPLEMENTATION"**

15 **Sec. 601.** RCW 41.50.075 and 1998 c 341 s 503 are each amended to
16 read as follows:

17 (1) Two funds are hereby created and established in the state
18 treasury to be known as the Washington law enforcement officers' and
19 fire fighters' system plan 1 retirement fund, and the Washington law
20 enforcement officers' and fire fighters' system combined plan 2 and
21 plan 3 retirement fund which shall consist of all moneys paid into them
22 in accordance with the provisions of this chapter and chapter 41.26
23 RCW, whether such moneys take the form of cash, securities, or other
24 assets. The plan 1 fund shall consist of all moneys paid to finance
25 the benefits provided to members of the law enforcement officers' and
26 fire fighters' retirement system plan 1, and the plan 2 fund shall
27 consist of all moneys paid to finance the benefits provided to members
28 of the law enforcement officers' and fire fighters' retirement system
29 plan 2.

30 (2) All of the assets of the Washington state teachers' retirement
31 system shall be credited according to the purposes for which they are
32 held, to two funds to be maintained in the state treasury, namely, the
33 teachers' retirement system plan 1 fund and the teachers' retirement
34 system combined plan 2 and 3 fund. The plan 1 fund shall consist of
35 all moneys paid to finance the benefits provided to members of the
36 Washington state teachers' retirement system plan 1, and the combined
37 plan 2 and 3 fund shall consist of all moneys paid to finance the

1 benefits provided to members of the Washington state teachers'
2 retirement system plan 2 and 3.

3 (3) There is hereby established in the state treasury two separate
4 funds, namely the public employees' retirement system plan 1 fund and
5 the public employees' retirement system combined plan 2 and plan 3
6 fund. The plan 1 fund shall consist of all moneys paid to finance the
7 benefits provided to members of the public employees' retirement system
8 plan 1, and the combined plan 2 and plan 3 fund shall consist of all
9 moneys paid to finance the benefits provided to members of the public
10 employees' retirement system plans 2 and 3.

11 (4) There is hereby established in the state treasury the school
12 employees' retirement system combined plan 2 and 3 fund. The combined
13 plan 2 and 3 fund shall consist of all moneys paid to finance the
14 benefits provided to members of the school employees' retirement system
15 plan 2 and plan 3.

16 **Sec. 602.** RCW 41.50.088 and 1998 c 341 s 507 and 1998 c 116 s 10
17 are each reenacted and amended to read as follows:

18 (1) The board shall adopt rules as necessary and exercise all the
19 powers and perform all duties prescribed by law with respect to:

20 (a) The board shall recommend to the state investment board types
21 of options for member self-directed investment in the teachers'
22 retirement system plan 3 (~~and~~), the school employees' retirement
23 system plan 3, the public employees' retirement system plan 3, and the
24 law enforcement officers' and fire fighters' retirement system plan 3
25 as deemed by the board to be reflective of the members' preferences;

26 (b) The selection of optional benefit payment schedules available
27 to members and survivors of members upon the death, disability,
28 retirement, or termination of the member. The optional benefit
29 payments (~~may~~) shall include but not be limited to: Fixed and
30 participating annuities, joint and survivor annuities, and payments
31 that bridge to social security or defined benefit plan payments;

32 (c) Approval of actuarially equivalent annuities that may be
33 purchased from the combined plan 2 and plan 3 funds under RCW 41.50.075

34 (2) or (3); and

35 (d) Determination of the basis for administrative charges to the
36 self-directed investment fund to offset self-directed account expenses;

37 (2) The board shall recommend to the state investment board types
38 of options for participant self-directed investment in the state

1 deferred compensation plan, as deemed by the board to be reflective of
2 the participants' preferences.

3 **Sec. 603.** RCW 41.50.500 and 1998 c 341 s 512 are each amended to
4 read as follows:

5 Unless the context clearly requires otherwise, the definitions in
6 this section apply throughout RCW 41.50.500 through 41.50.650,
7 41.50.670 through 41.50.720, and 26.09.138.

8 (1) "Benefits" means periodic retirement payments or a withdrawal
9 of accumulated contributions.

10 (2) "Disposable benefits" means that part of the benefits of an
11 individual remaining after the deduction from those benefits of any
12 amount required by law to be withheld. The term "required by law to be
13 withheld" does not include any deduction elective to the member.

14 (3) "Dissolution order" means any judgment, decree, or order of
15 spousal maintenance, property division, or court-approved property
16 settlement incident to a decree of divorce, dissolution, invalidity, or
17 legal separation issued by the superior court of the state of
18 Washington or a judgment, decree, or other order of spousal support
19 issued by a court of competent jurisdiction in another state or
20 country, that has been registered or otherwise made enforceable in this
21 state.

22 (4) "Mandatory benefits assignment order" means an order issued to
23 the department of retirement systems pursuant to RCW 41.50.570 to
24 withhold and deliver benefits payable to an obligor under chapter 2.10,
25 2.12, 41.26, 41.32, 41.40, 41.35, or 43.43 RCW.

26 (5) "Obligee" means an ex spouse or spouse to whom a duty of
27 spousal maintenance or property division obligation is owed.

28 (6) "Obligor" means the spouse or ex spouse owing a duty of spousal
29 maintenance or a property division obligation.

30 (7) "Periodic retirement payments" means periodic payments of
31 retirement allowances, including but not limited to service retirement
32 allowances, disability retirement allowances, and survivors'
33 allowances. The term does not include a withdrawal of accumulated
34 contributions.

35 (8) "Property division obligation" means any outstanding court-
36 ordered property division or court-approved property settlement
37 obligation incident to a decree of divorce, dissolution, or legal
38 separation.

1 (9) "Standard allowance" means a benefit payment option selected
2 under RCW 2.10.146(1)(a), 41.26.460(1)(a), section 1015(1)(a) of this
3 act, 41.32.785(1)(a), 41.40.188(1)(a), 41.40.660(1), section 315(1)(a)
4 of this act, or 41.35.220 that ceases upon the death of the retiree.
5 Standard allowance also means the benefit allowance provided under RCW
6 2.10.110, 2.10.130, 43.43.260, 41.26.100, 41.26.130(1)(a), or chapter
7 2.12 RCW. Standard allowance also means the maximum retirement
8 allowance available under RCW 41.32.530(1) following member withdrawal
9 of accumulated contributions, if any.

10 (10) "Withdrawal of accumulated contributions" means a lump sum
11 payment to a retirement system member of all or a part of the member's
12 accumulated contributions, including accrued interest, at the request
13 of the member including any lump sum amount paid upon the death of the
14 member.

15 **Sec. 604.** RCW 41.05.011 and 1998 c 341 s 706 are each amended to
16 read as follows:

17 Unless the context clearly requires otherwise, the definitions in
18 this section shall apply throughout this chapter.

19 (1) "Administrator" means the administrator of the authority.

20 (2) "State purchased health care" or "health care" means medical
21 and health care, pharmaceuticals, and medical equipment purchased with
22 state and federal funds by the department of social and health
23 services, the department of health, the basic health plan, the state
24 health care authority, the department of labor and industries, the
25 department of corrections, the department of veterans affairs, and
26 local school districts.

27 (3) "Authority" means the Washington state health care authority.

28 (4) "Insuring entity" means an insurer as defined in chapter 48.01
29 RCW, a health care service contractor as defined in chapter 48.44 RCW,
30 or a health maintenance organization as defined in chapter 48.46 RCW.

31 (5) "Flexible benefit plan" means a benefit plan that allows
32 employees to choose the level of health care coverage provided and the
33 amount of employee contributions from among a range of choices offered
34 by the authority.

35 (6) "Employee" includes all full-time and career seasonal employees
36 of the state, whether or not covered by civil service; elected and
37 appointed officials of the executive branch of government, including
38 full-time members of boards, commissions, or committees; and includes

1 any or all part-time and temporary employees under the terms and
2 conditions established under this chapter by the authority; justices of
3 the supreme court and judges of the court of appeals and the superior
4 courts; and members of the state legislature or of the legislative
5 authority of any county, city, or town who are elected to office after
6 February 20, 1970. "Employee" also includes: (a) Employees of a
7 county, municipality, or other political subdivision of the state if
8 the legislative authority of the county, municipality, or other
9 political subdivision of the state seeks and receives the approval of
10 the authority to provide any of its insurance programs by contract with
11 the authority, as provided in RCW 41.04.205; (b) employees of employee
12 organizations representing state civil service employees, at the option
13 of each such employee organization, and, effective October 1, 1995,
14 employees of employee organizations currently pooled with employees of
15 school districts for the purpose of purchasing insurance benefits, at
16 the option of each such employee organization; and (c) employees of a
17 school district if the authority agrees to provide any of the school
18 districts' insurance programs by contract with the authority as
19 provided in RCW 28A.400.350.

20 (7) "Board" means the public employees' benefits board established
21 under RCW 41.05.055.

22 (8) "Retired or disabled school employee" means:

23 (a) Persons who separated from employment with a school district or
24 educational service district and are receiving a retirement allowance
25 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

26 (b) Persons who separate from employment with a school district or
27 educational service district on or after October 1, 1993, and
28 immediately upon separation receive a retirement allowance under
29 chapter 41.32, 41.35, or 41.40 RCW;

30 (c) Persons who separate from employment with a school district or
31 educational service district due to a total and permanent disability,
32 and are eligible to receive a deferred retirement allowance under
33 chapter 41.32, 41.35, or 41.40 RCW.

34 (9) "Benefits contribution plan" means a premium only contribution
35 plan, a medical flexible spending arrangement, or a cafeteria plan
36 whereby state and public employees may agree to a contribution to
37 benefit costs which will allow the employee to participate in benefits
38 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
39 internal revenue code.

1 (10) "Salary" means a state employee's monthly salary or wages.

2 (11) "Participant" means an individual who fulfills the eligibility
3 and enrollment requirements under the benefits contribution plan.

4 (12) "Plan year" means the time period established by the
5 authority.

6 (13) "Separated employees" means persons who separate from
7 employment with an employer as defined in:

8 (a) RCW 41.32.010(11) on or after July 1, 1996; or

9 (b) RCW 41.35.010 on or after September 1, 2000; or

10 (c) RCW 41.40.010 on or after September 1, 2001;

11 and who are at least age fifty-five and have at least ten years of
12 service under the teachers' retirement system plan 3 as defined in RCW
13 41.32.010(40) ~~((or))~~, the Washington school employees' retirement
14 system plan 3 as defined in RCW 41.35.010, or the public employees'
15 retirement system plan 3 as defined in RCW 41.40.010.

16 **"FUND INVESTMENTS AND INTEREST EARNINGS"**

17 **Sec. 701.** RCW 43.33A.190 and 1998 c 341 s 707 are each amended to
18 read as follows:

19 Pursuant to RCW 41.34.130, the state investment board shall invest
20 all self-directed investment moneys under teachers' retirement system
21 plan 3 ~~((and))~~, the school employees' retirement system plan 3, the
22 public employees' retirement system plan 3, and the law enforcement
23 officers' and fire fighters' retirement system plan 3 with full power
24 to establish investment policy, develop investment options, and manage
25 self-directed investment funds.

26 **Sec. 702.** RCW 43.84.092 and 1999 c 380 s 9, 1999 c 309 s 929, 1999
27 c 268 s 5, and 1999 c 94 s 4 are each reenacted and amended to read as
28 follows:

29 (1) All earnings of investments of surplus balances in the state
30 treasury shall be deposited to the treasury income account, which
31 account is hereby established in the state treasury.

32 (2) The treasury income account shall be utilized to pay or receive
33 funds associated with federal programs as required by the federal cash
34 management improvement act of 1990. The treasury income account is
35 subject in all respects to chapter 43.88 RCW, but no appropriation is
36 required for refunds or allocations of interest earnings required by

1 the cash management improvement act. Refunds of interest to the
2 federal treasury required under the cash management improvement act
3 fall under RCW 43.88.180 and shall not require appropriation. The
4 office of financial management shall determine the amounts due to or
5 from the federal government pursuant to the cash management improvement
6 act. The office of financial management may direct transfers of funds
7 between accounts as deemed necessary to implement the provisions of the
8 cash management improvement act, and this subsection. Refunds or
9 allocations shall occur prior to the distributions of earnings set
10 forth in subsection (4) of this section.

11 (3) Except for the provisions of RCW 43.84.160, the treasury income
12 account may be utilized for the payment of purchased banking services
13 on behalf of treasury funds including, but not limited to, depository,
14 safekeeping, and disbursement functions for the state treasury and
15 affected state agencies. The treasury income account is subject in all
16 respects to chapter 43.88 RCW, but no appropriation is required for
17 payments to financial institutions. Payments shall occur prior to
18 distribution of earnings set forth in subsection (4) of this section.

19 (4) Monthly, the state treasurer shall distribute the earnings
20 credited to the treasury income account. The state treasurer shall
21 credit the general fund with all the earnings credited to the treasury
22 income account except:

23 (a) The following accounts and funds shall receive their
24 proportionate share of earnings based upon each account's and fund's
25 average daily balance for the period: The capitol building
26 construction account, the Cedar River channel construction and
27 operation account, the Central Washington University capital projects
28 account, the charitable, educational, penal and reformatory
29 institutions account, the common school construction fund, the county
30 criminal justice assistance account, the county sales and use tax
31 equalization account, the data processing building construction
32 account, the deferred compensation administrative account, the deferred
33 compensation principal account, the department of retirement systems
34 expense account, the drinking water assistance account, the Eastern
35 Washington University capital projects account, the education
36 construction fund, the emergency reserve fund, the federal forest
37 revolving account, the health services account, the public health
38 services account, the health system capacity account, the personal
39 health services account, the state higher education construction

1 account, the higher education construction account, the highway
2 infrastructure account, the industrial insurance premium refund
3 account, the judges' retirement account, the judicial retirement
4 administrative account, the judicial retirement principal account, the
5 local leasehold excise tax account, the local real estate excise tax
6 account, the local sales and use tax account, the medical aid account,
7 the mobile home park relocation fund, the municipal criminal justice
8 assistance account, the municipal sales and use tax equalization
9 account, the natural resources deposit account, the perpetual
10 surveillance and maintenance account, the public employees' retirement
11 system plan 1 account, the public employees' retirement system combined
12 plan 2 and plan 3 account, the Puyallup tribal settlement account, the
13 resource management cost account, the site closure account, the special
14 wildlife account, the state employees' insurance account, the state
15 employees' insurance reserve account, the state investment board
16 expense account, the state investment board commingled trust fund
17 accounts, the supplemental pension account, the teachers' retirement
18 system plan 1 account, the teachers' retirement system combined plan 2
19 and plan 3 account, the tobacco prevention and control account, the
20 tobacco settlement account, the transportation infrastructure account,
21 the tuition recovery trust fund, the University of Washington bond
22 retirement fund, the University of Washington building account, the
23 volunteer fire fighters' and reserve officers' relief and pension
24 principal ((~~account~~)) fund, the volunteer fire fighters' ((~~relief and~~
25 pension)) and reserve officers' administrative ((~~account~~)) fund, the
26 Washington judicial retirement system account, the Washington law
27 enforcement officers' and fire fighters' system plan 1 retirement
28 account, the Washington law enforcement officers' and fire fighters'
29 system combined plan 2 and plan 3 retirement account, the Washington
30 school employees' retirement system combined plan 2 and 3 account, the
31 Washington state patrol retirement account, the Washington State
32 University building account, the Washington State University bond
33 retirement fund, the water pollution control revolving fund, and the
34 Western Washington University capital projects account. Earnings
35 derived from investing balances of the agricultural permanent fund, the
36 normal school permanent fund, the permanent common school fund, the
37 scientific permanent fund, and the state university permanent fund
38 shall be allocated to their respective beneficiary accounts. All
39 earnings to be distributed under this subsection (4)(a) shall first be

1 reduced by the allocation to the state treasurer's service fund
2 pursuant to RCW 43.08.190.

3 (b) The following accounts and funds shall receive eighty percent
4 of their proportionate share of earnings based upon each account's or
5 fund's average daily balance for the period: The aeronautics account,
6 the aircraft search and rescue account, the county arterial
7 preservation account, the department of licensing services account, the
8 essential rail assistance account, the ferry bond retirement fund, the
9 grade crossing protective fund, the high capacity transportation
10 account, the highway bond retirement fund, the highway safety account,
11 the motor vehicle fund, the motorcycle safety education account, the
12 pilotage account, the public transportation systems account, the Puget
13 Sound capital construction account, the Puget Sound ferry operations
14 account, the recreational vehicle account, the rural arterial trust
15 account, the safety and education account, the special category C
16 account, the state patrol highway account, the transportation equipment
17 fund, the transportation fund, the transportation improvement account,
18 the transportation improvement board bond retirement account, and the
19 urban arterial trust account.

20 (5) In conformance with Article II, section 37 of the state
21 Constitution, no treasury accounts or funds shall be allocated earnings
22 without the specific affirmative directive of this section.

23 **"LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'**
24 **RETIREMENT SYSTEM PLANS 1, 2, AND 3"**

25 **Sec. 801.** RCW 41.26.005 and 1992 c 72 s 2 are each amended to read
26 as follows:

27 RCW 41.26.010 through 41.26.062 shall apply to members of plan 1
28 (~~and~~), plan 2, and plan 3.

29 **Sec. 802.** RCW 41.26.030 and 1996 c 178 s 11 and 1996 c 38 s 2 are
30 each reenacted and amended to read as follows:

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

33 (1) "Retirement system" means the "Washington law enforcement
34 officers' and fire fighters' retirement system" provided herein.

35 (2)(a) "Employer" for plan 1 members, means the legislative
36 authority of any city, town, county, or district or the elected

1 officials of any municipal corporation that employs any law enforcement
2 officer and/or fire fighter, any authorized association of such
3 municipalities, and, except for the purposes of RCW 41.26.150, any
4 labor guild, association, or organization, which represents the fire
5 fighters or law enforcement officers of at least seven cities of over
6 20,000 population and the membership of each local lodge or division of
7 which is composed of at least sixty percent law enforcement officers or
8 fire fighters as defined in this chapter.

9 (b) "Employer" for plan 2 and plan 3 members, means the following
10 entities to the extent that the entity employs any law enforcement
11 officer and/or fire fighter:

12 (i) The legislative authority of any city, town, county, or
13 district;

14 (ii) The elected officials of any municipal corporation;

15 (iii) The governing body of any other general authority law
16 enforcement agency; or

17 (iv) A four-year institution of higher education having a fully
18 operational fire department as of January 1, 1996.

19 (3) "Law enforcement officer" beginning January 1, 1994, means any
20 person who is commissioned and employed by an employer on a full time,
21 fully compensated basis to enforce the criminal laws of the state of
22 Washington generally, with the following qualifications:

23 (a) No person who is serving in a position that is basically
24 clerical or secretarial in nature, and who is not commissioned shall be
25 considered a law enforcement officer;

26 (b) Only those deputy sheriffs, including those serving under a
27 different title pursuant to county charter, who have successfully
28 completed a civil service examination for deputy sheriff or the
29 equivalent position, where a different title is used, and those persons
30 serving in unclassified positions authorized by RCW 41.14.070 except a
31 private secretary will be considered law enforcement officers;

32 (c) Only such full time commissioned law enforcement personnel as
33 have been appointed to offices, positions, or ranks in the police
34 department which have been specifically created or otherwise expressly
35 provided for and designated by city charter provision or by ordinance
36 enacted by the legislative body of the city shall be considered city
37 police officers;

38 (d) The term "law enforcement officer" also includes the executive
39 secretary of a labor guild, association or organization (which is an

1 employer under RCW 41.26.030(2)) if that individual has five years
2 previous membership in the retirement system established in chapter
3 41.20 RCW. The provisions of this subsection (3)(d) shall not apply to
4 plan 2 and plan 3 members; and

5 (e) The term "law enforcement officer" also includes a person
6 employed on or after January 1, 1993, as a public safety officer or
7 director of public safety, so long as the job duties substantially
8 involve only either police or fire duties, or both, and no other duties
9 in a city or town with a population of less than ten thousand. The
10 provisions of this subsection (3)(e) shall not apply to any public
11 safety officer or director of public safety who is receiving a
12 retirement allowance under this chapter as of May 12, 1993.

13 (4) "Fire fighter" means:

14 (a) Any person who is serving on a full time, fully compensated
15 basis as a member of a fire department of an employer and who is
16 serving in a position which requires passing a civil service
17 examination for fire fighter, and who is actively employed as such;

18 (b) Anyone who is actively employed as a full time fire fighter
19 where the fire department does not have a civil service examination;

20 (c) Supervisory fire fighter personnel;

21 (d) Any full time executive secretary of an association of fire
22 protection districts authorized under RCW 52.12.031. The provisions of
23 this subsection (4)(d) shall not apply to plan 2 and plan 3 members;

24 (e) The executive secretary of a labor guild, association or
25 organization (which is an employer under RCW 41.26.030(2) as now or
26 hereafter amended), if such individual has five years previous
27 membership in a retirement system established in chapter 41.16 or 41.18
28 RCW. The provisions of this subsection (4)(e) shall not apply to plan
29 2 and plan 3 members;

30 (f) Any person who is serving on a full time, fully compensated
31 basis for an employer, as a fire dispatcher, in a department in which,
32 on March 1, 1970, a dispatcher was required to have passed a civil
33 service examination for fire fighter; and

34 (g) Any person who on March 1, 1970, was employed on a full time,
35 fully compensated basis by an employer, and who on May 21, 1971, was
36 making retirement contributions under the provisions of chapter 41.16
37 or 41.18 RCW.

38 (5) "Department" means the department of retirement systems created
39 in chapter 41.50 RCW.

1 (6) "Surviving spouse" means the surviving widow or widower of a
2 member. "Surviving spouse" shall not include the divorced spouse of a
3 member except as provided in RCW 41.26.162.

4 (7)(a) "Child" or "children" means an unmarried person who is under
5 the age of eighteen or mentally or physically handicapped as determined
6 by the department, except a handicapped person in the full time care of
7 a state institution, who is:

8 (i) A natural born child;

9 (ii) A stepchild where that relationship was in existence prior to
10 the date benefits are payable under this chapter;

11 (iii) A posthumous child;

12 (iv) A child legally adopted or made a legal ward of a member prior
13 to the date benefits are payable under this chapter; or

14 (v) An illegitimate child legitimized prior to the date any
15 benefits are payable under this chapter.

16 (b) A person shall also be deemed to be a child up to and including
17 the age of twenty years and eleven months while attending any high
18 school, college, or vocational or other educational institution
19 accredited, licensed, or approved by the state, in which it is located,
20 including the summer vacation months and all other normal and regular
21 vacation periods at the particular educational institution after which
22 the child returns to school.

23 (8) "Member" means any fire fighter, law enforcement officer, or
24 other person as would apply under subsections (3) or (4) of this
25 section whose membership is transferred to the Washington law
26 enforcement officers' and fire fighters' retirement system on or after
27 March 1, 1970, and every law enforcement officer and fire fighter who
28 is employed in that capacity on or after such date.

29 (9) "Retirement fund" means the "Washington law enforcement
30 officers' and fire fighters' retirement system fund" as provided for
31 herein.

32 (10) "Employee" means any law enforcement officer or fire fighter
33 as defined in subsections (3) and (4) of this section.

34 (11)(a) "Beneficiary" for plan 1 members, means any person in
35 receipt of a retirement allowance, disability allowance, death benefit,
36 or any other benefit described herein.

37 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
38 in receipt of a retirement allowance or other benefit provided by this

1 chapter resulting from service rendered to an employer by another
2 person.

3 (12)(a) "Final average salary" for plan 1 members, means (i) for a
4 member holding the same position or rank for a minimum of twelve months
5 preceding the date of retirement, the basic salary attached to such
6 same position or rank at time of retirement; (ii) for any other member,
7 including a civil service member who has not served a minimum of twelve
8 months in the same position or rank preceding the date of retirement,
9 the average of the greatest basic salaries payable to such member
10 during any consecutive twenty-four month period within such member's
11 last ten years of service for which service credit is allowed, computed
12 by dividing the total basic salaries payable to such member during the
13 selected twenty-four month period by twenty-four; (iii) in the case of
14 disability of any member, the basic salary payable to such member at
15 the time of disability retirement; (iv) in the case of a member who
16 hereafter vests pursuant to RCW 41.26.090, the basic salary payable to
17 such member at the time of vesting.

18 (b) "Final average salary" for plan 2 and plan 3 members, means the
19 monthly average of the member's basic salary for the highest
20 consecutive sixty service credit months of service prior to such
21 member's retirement, termination, or death. Periods constituting
22 authorized unpaid leaves of absence may not be used in the calculation
23 of final average salary.

24 (13)(a) "Basic salary" for plan 1 members, means the basic monthly
25 rate of salary or wages, including longevity pay but not including
26 overtime earnings or special salary or wages, upon which pension or
27 retirement benefits will be computed and upon which employer
28 contributions and salary deductions will be based.

29 (b) "Basic salary" for plan 2 and plan 3 members, means salaries or
30 wages earned by a member during a payroll period for personal services,
31 including overtime payments, and shall include wages and salaries
32 deferred under provisions established pursuant to sections 403(b),
33 414(h), and 457 of the United States Internal Revenue Code, but shall
34 exclude lump sum payments for deferred annual sick leave, unused
35 accumulated vacation, unused accumulated annual leave, or any form of
36 severance pay. In any year in which a member serves in the legislature
37 the member shall have the option of having such member's basic salary
38 be the greater of:

1 (i) The basic salary the member would have received had such member
2 not served in the legislature; or

3 (ii) Such member's actual basic salary received for nonlegislative
4 public employment and legislative service combined. Any additional
5 contributions to the retirement system required because basic salary
6 under (b)(i) of this subsection is greater than basic salary under
7 (b)(ii) of this subsection shall be paid by the member for both member
8 and employer contributions.

9 (14)(a) "Service" for plan 1 members, means all periods of
10 employment for an employer as a fire fighter or law enforcement
11 officer, for which compensation is paid, together with periods of
12 suspension not exceeding thirty days in duration. For the purposes of
13 this chapter service shall also include service in the armed forces of
14 the United States as provided in RCW 41.26.190. Credit shall be
15 allowed for all service credit months of service rendered by a member
16 from and after the member's initial commencement of employment as a
17 fire fighter or law enforcement officer, during which the member worked
18 for seventy or more hours, or was on disability leave or disability
19 retirement. Only service credit months of service shall be counted in
20 the computation of any retirement allowance or other benefit provided
21 for in this chapter.

22 (i) For members retiring after May 21, 1971 who were employed under
23 the coverage of a prior pension act before March 1, 1970, "service"
24 shall also include (A) such military service not exceeding five years
25 as was creditable to the member as of March 1, 1970, under the member's
26 particular prior pension act, and (B) such other periods of service as
27 were then creditable to a particular member under the provisions of RCW
28 41.18.165, 41.20.160 or 41.20.170. However, in no event shall credit
29 be allowed for any service rendered prior to March 1, 1970, where the
30 member at the time of rendition of such service was employed in a
31 position covered by a prior pension act, unless such service, at the
32 time credit is claimed therefor, is also creditable under the
33 provisions of such prior act.

34 (ii) A member who is employed by two employers at the same time
35 shall only be credited with service to one such employer for any month
36 during which the member rendered such dual service.

37 (b) "Service" for plan 2 and plan 3 members, means periods of
38 employment by a member for one or more employers for which basic salary
39 is earned for ninety or more hours per calendar month which shall

1 constitute a service credit month. Periods of employment by a member
2 for one or more employers for which basic salary is earned for at least
3 seventy hours but less than ninety hours per calendar month shall
4 constitute one-half service credit month. Periods of employment by a
5 member for one or more employers for which basic salary is earned for
6 less than seventy hours shall constitute a one-quarter service credit
7 month.

8 Members of the retirement system who are elected or appointed to a
9 state elective position may elect to continue to be members of this
10 retirement system.

11 Service credit years of service shall be determined by dividing the
12 total number of service credit months of service by twelve. Any
13 fraction of a service credit year of service as so determined shall be
14 taken into account in the computation of such retirement allowance or
15 benefits.

16 If a member receives basic salary from two or more employers during
17 any calendar month, the individual shall receive one service credit
18 month's service credit during any calendar month in which multiple
19 service for ninety or more hours is rendered; or one-half service
20 credit month's service credit during any calendar month in which
21 multiple service for at least seventy hours but less than ninety hours
22 is rendered; or one-quarter service credit month during any calendar
23 month in which multiple service for less than seventy hours is
24 rendered.

25 (15) "Accumulated contributions" means the employee's contributions
26 made by a member, including any amount paid under RCW 41.50.165(2),
27 plus accrued interest credited thereon.

28 (16) "Actuarial reserve" means a method of financing a pension or
29 retirement plan wherein reserves are accumulated as the liabilities for
30 benefit payments are incurred in order that sufficient funds will be
31 available on the date of retirement of each member to pay the member's
32 future benefits during the period of retirement.

33 (17) "Actuarial valuation" means a mathematical determination of
34 the financial condition of a retirement plan. It includes the
35 computation of the present monetary value of benefits payable to
36 present members, and the present monetary value of future employer and
37 employee contributions, giving effect to mortality among active and
38 retired members and also to the rates of disability, retirement,
39 withdrawal from service, salary and interest earned on investments.

1 (18) "Disability board" for plan 1 members means either the county
2 disability board or the city disability board established in RCW
3 41.26.110.

4 (19) "Disability leave" means the period of six months or any
5 portion thereof during which a member is on leave at an allowance equal
6 to the member's full salary prior to the commencement of disability
7 retirement. The definition contained in this subsection shall apply
8 only to plan 1 members.

9 (20) "Disability retirement" for plan 1 members, means the period
10 following termination of a member's disability leave, during which the
11 member is in receipt of a disability retirement allowance.

12 (21) "Position" means the employment held at any particular time,
13 which may or may not be the same as civil service rank.

14 (22) "Medical services" for plan 1 members, shall include the
15 following as minimum services to be provided. Reasonable charges for
16 these services shall be paid in accordance with RCW 41.26.150.

17 (a) Hospital expenses: These are the charges made by a hospital,
18 in its own behalf, for

19 (i) Board and room not to exceed semiprivate room rate unless
20 private room is required by the attending physician due to the
21 condition of the patient.

22 (ii) Necessary hospital services, other than board and room,
23 furnished by the hospital.

24 (b) Other medical expenses: The following charges are considered
25 "other medical expenses", provided that they have not been considered
26 as "hospital expenses".

27 (i) The fees of the following:

28 (A) A physician or surgeon licensed under the provisions of chapter
29 18.71 RCW;

30 (B) An osteopathic physician and surgeon licensed under the
31 provisions of chapter 18.57 RCW;

32 (C) A chiropractor licensed under the provisions of chapter 18.25
33 RCW.

34 (ii) The charges of a registered graduate nurse other than a nurse
35 who ordinarily resides in the member's home, or is a member of the
36 family of either the member or the member's spouse.

37 (iii) The charges for the following medical services and supplies:

38 (A) Drugs and medicines upon a physician's prescription;

39 (B) Diagnostic x-ray and laboratory examinations;

1 (C) X-ray, radium, and radioactive isotopes therapy;
2 (D) Anesthesia and oxygen;
3 (E) Rental of iron lung and other durable medical and surgical
4 equipment;
5 (F) Artificial limbs and eyes, and casts, splints, and trusses;
6 (G) Professional ambulance service when used to transport the
7 member to or from a hospital when injured by an accident or stricken by
8 a disease;
9 (H) Dental charges incurred by a member who sustains an accidental
10 injury to his or her teeth and who commences treatment by a legally
11 licensed dentist within ninety days after the accident;
12 (I) Nursing home confinement or hospital extended care facility;
13 (J) Physical therapy by a registered physical therapist;
14 (K) Blood transfusions, including the cost of blood and blood
15 plasma not replaced by voluntary donors;
16 (L) An optometrist licensed under the provisions of chapter 18.53
17 RCW.
18 (23) "Regular interest" means such rate as the director may
19 determine.
20 (24) "Retiree" for persons who establish membership in the
21 retirement system on or after October 1, 1977, means any member in
22 receipt of a retirement allowance or other benefit provided by this
23 chapter resulting from service rendered to an employer by such member.
24 (25) "Director" means the director of the department.
25 (26) "State actuary" or "actuary" means the person appointed
26 pursuant to RCW 44.44.010(2).
27 (27) "State elective position" means any position held by any
28 person elected or appointed to state-wide office or elected or
29 appointed as a member of the legislature.
30 (28) "Plan 1" means the law enforcement officers' and fire
31 fighters' retirement system, plan 1 providing the benefits and funding
32 provisions covering persons who first became members of the system
33 prior to October 1, 1977.
34 (29) "Plan 2" means the law enforcement officers' and fire
35 fighters' retirement system, plan 2 providing the benefits and funding
36 provisions covering persons who first became members of the system on
37 and after October 1, 1977.
38 (30) "Plan 3" means the law enforcement officers' and fire
39 fighters' retirement system, plan 3 providing benefits and funding

1 provisions covering persons who first became members of the system on
2 and after March 1, 2002, and choose to enter plan 3, or who transfer
3 under section 901 of this act.

4 (31) "Service credit year" means an accumulation of months of
5 service credit which is equal to one when divided by twelve.

6 ~~((31))~~ (32) "Service credit month" means a full service credit
7 month or an accumulation of partial service credit months that are
8 equal to one.

9 ~~((32))~~ (33) "General authority law enforcement agency" means any
10 agency, department, or division of a municipal corporation, political
11 subdivision, or other unit of local government of this state, and any
12 agency, department, or division of state government, having as its
13 primary function the detection and apprehension of persons committing
14 infractions or violating the traffic or criminal laws in general, but
15 not including the Washington state patrol. Such an agency, department,
16 or division is distinguished from a limited authority law enforcement
17 agency having as one of its functions the apprehension or detection of
18 persons committing infractions or violating the traffic or criminal
19 laws relating to limited subject areas, including but not limited to,
20 the state departments of natural resources, fish and wildlife, and
21 social and health services, the state gambling commission, the state
22 lottery commission, the state parks and recreation commission, the
23 state utilities and transportation commission, the state liquor control
24 board, and the state department of corrections.

25 **"LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'**
26 **RETIREMENT SYSTEM PLAN 2"**

27 NEW SECTION. Sec. 901. A new section is added to chapter 41.26
28 RCW to read as follows:

29 (1) Every plan 2 member employed by an employer in an eligible
30 position has the option to make an irrevocable transfer to plan 3.

31 (2) All service credit in plan 2 shall be transferred to the
32 defined benefit portion of plan 3.

33 (3) Any plan 2 member who wishes to transfer to plan 3 may transfer
34 during any month during the period from March 1, 2002, to March 1,
35 2003, provided that the member earns service credit for that month.

36 (4) The accumulated contributions in plan 2, less fifty percent of
37 any contributions made pursuant to RCW 41.50.165(2) shall be

1 transferred to the member's account in the defined contribution portion
2 established in chapter 41.34 RCW, pursuant to procedures developed by
3 the department and subject to RCW 41.34.090. Contributions made
4 pursuant to RCW 41.50.165(2) that are not transferred to the member's
5 account shall be transferred to the fund created in RCW 41.50.075(2),
6 except that interest earned on all such contributions shall be
7 transferred to the member's account.

8 (5) The legislature reserves the right to discontinue the right to
9 transfer under this section.

10 (6) Anyone previously retired from plan 2 is prohibited from
11 transferring to plan 3.

12 **Sec. 902.** RCW 41.26.450 and 1996 c 38 s 3 are each amended to read
13 as follows:

14 ~~((1) The required contribution rates to the plan II system for~~
15 ~~members, employers, and the state of Washington shall be established by~~
16 ~~the director from time to time as may be necessary upon the advice of~~
17 ~~the state actuary. The state actuary shall use the aggregate actuarial~~
18 ~~cost method to calculate contribution rates.~~

19 ~~(2) Except as provided in subsection (3) of this section, the~~
20 ~~member, the employer and the state shall each contribute the following~~
21 ~~shares of the cost of the retirement system:~~

22	Member	50%
23	Employer	30%
24	State	20%

25 ~~(3))~~ Port districts established under Title 53 RCW and
26 institutions of higher education as defined in RCW 28B.10.016 shall
27 contribute both the employer and state shares of the cost of the
28 retirement system for any of their employees who are law enforcement
29 officers. Institutions of higher education shall contribute both the
30 employer and the state shares of the cost of the retirement system for
31 any of their employees who are fire fighters.

32 ~~((4) Effective January 1, 1987, however, no member or employer~~
33 ~~contributions are required for any calendar month in which the member~~
34 ~~is not granted service credit.~~

35 ~~(5) Any adjustments in contribution rates required from time to~~
36 ~~time for future costs shall likewise be shared proportionally by the~~
37 ~~members, employers, and the state.~~

1 ~~(6) Any increase in the contribution rate required as the result of~~
2 ~~a failure of the state or of an employer to make any contribution~~
3 ~~required by this section shall be borne in full by the state or by that~~
4 ~~employer not making the contribution.~~

5 ~~(7) The director shall notify all employers of any pending~~
6 ~~adjustment in the required contribution rate and such increase shall be~~
7 ~~announced at least thirty days prior to the effective date of the~~
8 ~~change.~~

9 ~~(8) Members' contributions required by this section shall be~~
10 ~~deducted from the members basic salary each payroll period. The~~
11 ~~members contribution and the employers contribution shall be remitted~~
12 ~~directly to the department within fifteen days following the end of the~~
13 ~~calendar month during which the payroll period ends. The state's~~
14 ~~contribution required by this section shall be transferred to the plan~~
15 ~~II fund from the total contributions transferred by the state treasurer~~
16 ~~under RCW 41.45.060 and 41.45.070.)~~

17 **"LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'**
18 **RETIREMENT SYSTEM PLAN 3"**

19 NEW SECTION. Sec. 1001. (1) Sections 1001 through 1017 apply only
20 to plan 3 members.

21 (2) Plan 3 consists of two separate elements: (a) A defined
22 benefit portion covered under this subchapter; and (b) a defined
23 contribution portion covered under chapter 41.34 RCW.

24 (3) Unless otherwise specified, all references to "plan 3" in this
25 subchapter refer to the defined benefit portion of plan 3.

26 NEW SECTION. Sec. 1002. All employees who first become employed
27 by an employer in an eligible position on or after March 1, 2002, shall
28 have the irrevocable option of membership in plan 2 or plan 3.

29 NEW SECTION. Sec. 1003. (1) A member of the retirement system
30 shall receive a retirement allowance equal to one percent of such
31 member's average final compensation for each service credit year.

32 (2) The retirement allowance payable under section 1008 of this act
33 to a member who separates after having completed at least twenty
34 service credit years shall be increased by twenty-five one-hundredths

1 of one percent, compounded for each month from the date of separation
2 to the date that the retirement allowance commences.

3 NEW SECTION. **Sec. 1004.** (1) As used in this section, unless a
4 different meaning is plainly required by the context:

5 (a) "Transfer period" means March 1, 2002, to March 1, 2003, the
6 time during which plan 2 members identified in subsection (2) of this
7 section may choose to irrevocably transfer from plan 2 to plan 3.

8 (b) "Transfer amount" means the accumulated contributions present
9 in a member's savings fund on March 1, 2002, plus contributions made
10 thereafter until the actual date of transfer which is the basis for
11 calculation of the plan 2 to plan 3 transfer payment.

12 (c) "Transfer payment date" means the date that the transfer
13 payment will be made into a member's individual account on the date
14 specified for that member's transfer period.

15 (d) "Additional transfer payment date" means March 1, 2003, the
16 date of the additional transfer payment made according to subsection
17 (3) of this section.

18 (2) Members that did not have the option of choosing plan 2 or plan
19 3 upon entry into the retirement system, may irrevocably transfer to
20 plan 3 during the transfer period.

21 (3) Members of plan 2 who are members of the retirement system
22 prior to March 1, 2002, and choose to irrevocably transfer to plan 3
23 during the transfer period shall have an additional payment made
24 equivalent to their transfer amount that is:

25 (a) Increased by seventy-seven percent;

26 (b) Increased by an annual rate of seven and one-half percent for
27 the months between March 1, 2002, and the actual month the member
28 transferred to plan 3; and

29 (c) Deposited into the member's individual account on the
30 additional transfer payment date.

31 (4) If a member who requests to transfer during their transfer
32 period dies before the additional transfer payment date, the additional
33 transfer payment provided in this section shall be paid to the member's
34 estate, or the person or persons, trust, or organization the member
35 nominated by written designation duly executed and filed with the
36 department.

1 (5) The legislature reserves the right to modify or discontinue the
2 right to an additional payment under this section for any plan 2
3 members who have not previously transferred to plan 3.

4 NEW SECTION. **Sec. 1005.** Any member or beneficiary eligible to
5 receive a retirement allowance under the provisions of sections 1008,
6 1009, or 1012 of this act shall be eligible to commence receiving a
7 retirement allowance after having filed written application with the
8 department.

9 (1) Retirement allowances paid to members under the provisions of
10 section 1008 of this act shall accrue from the first day of the
11 calendar month immediately following such member's separation from
12 service.

13 (2) Retirement allowances paid to vested members no longer in
14 service, but qualifying for such an allowance pursuant to section 1008
15 of this act, shall accrue from the first day of the calendar month
16 immediately following such qualification.

17 (3) Disability allowances paid to disabled members under the
18 provisions of section 1009 of this act shall accrue from the first day
19 of the calendar month immediately following such member's separation
20 from service for disability.

21 (4) Retirement allowances paid as death benefits under the
22 provisions of section 1012 of this act shall accrue from the first day
23 of the calendar month immediately following the member's death.

24 (5) A person is separated from service on the date a person has
25 terminated all employment with an employer.

26 NEW SECTION. **Sec. 1006.** (1) A member who is on a paid leave of
27 absence authorized by a member's employer shall continue to receive
28 service credit as provided for under the provisions of sections 1001
29 through 1017 of this act.

30 (2) A member who receives compensation from an employer while on an
31 authorized leave of absence to serve as an elected official of a labor
32 organization, and whose employer is reimbursed by the labor
33 organization for the compensation paid to the member during the period
34 of absence, may also be considered to be on a paid leave of absence.
35 This subsection shall only apply if the member's leave of absence is
36 authorized by a collective bargaining agreement that provides that the
37 member retains seniority rights with the employer during the period of

1 leave. The basic salary reported for a member who establishes service
2 credit under this subsection may not be greater than the salary paid to
3 the highest paid job class covered by the collective bargaining
4 agreement.

5 (3) Except as specified in subsection (6) of this section, a member
6 shall be eligible to receive a maximum of two years service credit
7 during a member's entire working career for those periods when a member
8 is on an unpaid leave of absence authorized by an employer. Such
9 credit may be obtained only if the member makes the employer, member,
10 and state contributions plus interest as determined by the department
11 for the period of the authorized leave of absence within five years of
12 resumption of service or prior to retirement whichever comes sooner.

13 (4) If a member fails to meet the time limitations of subsection
14 (3) of this section, the member may receive a maximum of two years of
15 service credit during a member's working career for those periods when
16 a member is on unpaid leave of absence authorized by an employer. This
17 may be done by paying the amount required under RCW 41.50.165(2) prior
18 to retirement.

19 (5) For the purpose of subsection (3) of this section the
20 contribution shall not include the contribution for the unfunded
21 supplemental present value as required by section 1013 of this act.
22 The contributions required shall be based on the average of the
23 member's basic salary at both the time the authorized leave of absence
24 was granted and the time the member resumed employment.

25 (6) A member who leaves the employ of an employer to enter the
26 armed forces of the United States shall be entitled to retirement
27 system service credit for up to five years of military service. This
28 subsection shall be administered in a manner consistent with the
29 requirements of the federal uniformed services employment and
30 reemployment rights act.

31 (a) The member qualifies for service credit under this subsection
32 if:

33 (i) Within ninety days of the member's honorable discharge from the
34 United States armed forces, the member applies for reemployment with
35 the employer who employed the member immediately prior to the member
36 entering the United States armed forces; and

37 (ii) The member makes the employee contributions required under
38 section 1013 of this act within five years of resumption of service or
39 prior to retirement, whichever comes sooner; or

1 (iii) Prior to retirement and not within ninety days of the
2 member's honorable discharge or five years of resumption of service the
3 member pays the amount required under RCW 41.50.165(2).

4 (b) Upon receipt of member contributions under (a)(ii) of this
5 subsection, the department shall establish the member's service credit
6 and shall bill the employer and the state for their respective
7 contributions required under section 1013 of this act for the period of
8 military service, plus interest as determined by the department.

9 (c) The contributions required under (a)(ii) of this subsection
10 shall be based on the compensation the member would have earned if not
11 on leave, or if that cannot be estimated with reasonable certainty, the
12 compensation reported for the member in the year prior to when the
13 member went on military leave.

14 (7) A member receiving benefits under Title 51 RCW who is not
15 receiving benefits under this chapter shall be deemed to be on unpaid,
16 authorized leave of absence.

17 NEW SECTION. **Sec. 1007.** (1) Contributions on behalf of the
18 employer paid by the employee to purchase plan 3 service credit shall
19 be allocated to the defined benefit portion of plan 3 and shall not be
20 refundable when paid to the fund described in RCW 41.50.075(4).
21 Contributions on behalf of the employee shall be allocated to the
22 member account. If the member fails to meet the statutory time
23 limitations to purchase plan 3 service credit, it may be purchased
24 under the provisions of RCW 41.50.165(2). One-half of the purchase
25 payments under RCW 41.50.165(2), plus interest, shall be allocated to
26 the member's account.

27 (2) No purchased plan 3 membership service may be credited until
28 all payments required of the member are made, with interest. Upon
29 receipt of all payments owed by the member, the department shall bill
30 the employer for any contributions, plus interest, required to purchase
31 membership service.

32 NEW SECTION. **Sec. 1008.** (1) NORMAL RETIREMENT. Any member with
33 at least five service credit years of service who has attained at least
34 age fifty-five shall be eligible to retire and to receive a retirement
35 allowance computed according to the provisions of section 1003 of this
36 act.

1 (2) EARLY RETIREMENT. Any member who has completed at least twenty
2 service credit years of service and has attained age fifty shall be
3 eligible to retire and to receive a retirement allowance computed
4 according to the provisions of section 1003 of this act, except that a
5 member retiring pursuant to this subsection shall have the retirement
6 allowance actuarially reduced to reflect the difference in the number
7 of years between age at retirement and the attainment of age fifty-
8 five.

9 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
10 least twenty service credit years and has attained age fifty shall be
11 eligible to retire and to receive a retirement allowance computed
12 according to the provisions of section 1003 of this act, except that a
13 member retiring pursuant to this subsection shall have the retirement
14 allowance reduced by three percent per year to reflect the difference
15 in the number of years between age at retirement and the attainment of
16 age fifty-five.

17 NEW SECTION. **Sec. 1009.** (1) A member of the retirement system who
18 becomes totally incapacitated for continued employment by an employer
19 as determined by the director shall be eligible to receive an allowance
20 under the provisions of sections 1001 through 1017 of this act. Such
21 member shall receive a monthly disability allowance computed as
22 provided for in section 1009 of this act and shall have such allowance
23 actuarially reduced to reflect the difference in the number of years
24 between age at disability and the attainment of age fifty-five.

25 (2) Any member who receives an allowance under the provisions of
26 this section shall be subject to such comprehensive medical
27 examinations as required by the department. If such medical
28 examinations reveal that such a member has recovered from the
29 incapacitating disability and the member is no longer entitled to
30 benefits under Title 51 RCW, the retirement allowance shall be canceled
31 and the member shall be restored to duty in the same civil service
32 rank, if any, held by the member at the time of retirement or, if
33 unable to perform the duties of the rank, then, at the member's
34 request, in such other like or lesser rank as may be or become open and
35 available, the duties of which the member is then able to perform. In
36 no event shall a member previously drawing a disability allowance be
37 returned or be restored to duty at a salary or rate of pay less than
38 the current salary attached to the rank or position held by the member

1 at the date of the retirement for disability. If the department
2 determines that the member is able to return to service, the member is
3 entitled to notice and a hearing. Both the notice and the hearing
4 shall comply with the requirements of chapter 34.05 RCW, the
5 Administrative Procedure Act.

6 (3) Those members subject to this chapter who became disabled in
7 the line of duty on or after July 23, 1989, and who receive benefits
8 under RCW 41.04.500 through 41.04.530 or similar benefits under RCW
9 41.04.535 shall receive or continue to receive service credit subject
10 to the following:

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

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

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

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

20 (e) State contributions shall be as provided in section 1013 of
21 this act.

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

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

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

29 (4)(a) If the recipient of a monthly retirement allowance under
30 this section dies before the total of the retirement allowance paid to
31 the recipient equals the amount of the accumulated contributions at the
32 date of retirement, then the balance shall be paid to the member's
33 estate, or such person or persons, trust, or organization as the
34 recipient has nominated by written designation duly executed and filed
35 with the director, or, if there is no such designated person or persons
36 still living at the time of the recipient's death, then to the
37 surviving spouse, or, if there is neither such designated person or
38 persons still living at the time of his or her death nor a surviving
39 spouse, then to his or her legal representative.

1 (b) If a recipient of a monthly retirement allowance under this
2 section died before April 27, 1989, and before the total of the
3 retirement allowance paid to the recipient equaled the amount of his or
4 her accumulated contributions at the date of retirement, then the
5 department shall pay the balance of the accumulated contributions to
6 the member's surviving spouse or, if there is no surviving spouse, then
7 in equal shares to the member's children. If there is no surviving
8 spouse or children, the department shall retain the contributions.

9 (5) Should the disability retirement allowance of any disability
10 beneficiary be canceled for any cause other than reentrance into
11 service or retirement for service, he or she shall be paid the excess,
12 if any, of the accumulated contributions at the time of retirement over
13 all payments made on his or her behalf under this chapter.

14 NEW SECTION. **Sec. 1010.** Notwithstanding any other provision of
15 law, members shall be eligible for industrial insurance as provided by
16 Title 51 RCW, and shall be included in the payroll of the employer for
17 such purpose.

18 NEW SECTION. **Sec. 1011.** (1) Any member who elects to transfer to
19 plan 3 and has eligible unrestored withdrawn contributions in plan 2,
20 may restore such contributions under the provisions of RCW 41.26.425
21 with interest as determined by the department. The restored plan 2
22 service credit shall be automatically transferred to plan 3.
23 Restoration payments shall be transferred to the member account in plan
24 3. If the member fails to meet the time limitations of RCW 41.26.425,
25 they may restore such contributions under the provisions of RCW
26 41.50.165(2). The restored plan 2 service credit shall be
27 automatically transferred to plan 3. One-half of the restoration
28 payments under RCW 41.50.165(2) plus interest shall be allocated to the
29 member's account.

30 (2) Any member who elects to transfer to plan 3 may purchase plan
31 2 service credit under RCW 41.26.425. Purchased plan 2 service credit
32 shall be automatically transferred to plan 3. Contributions on behalf
33 of the employer paid by the employee shall be allocated to the defined
34 benefit portion of plan 3 and shall not be refundable when paid to the
35 combined plan 2 and plan 3 fund described in RCW 41.50.075(1).
36 Contributions on behalf of the employee shall be allocated to the
37 member account. If the member fails to meet the time limitations of

1 RCW 41.26.425, they may subsequently restore such contributions under
2 the provisions of RCW 41.50.165(2). Purchased plan 2 service credit
3 shall be automatically transferred to plan 3. One-half of the payments
4 under RCW 41.50.165(2), plus interest, shall be allocated to the
5 member's account.

6 NEW SECTION. **Sec. 1012.** (1) Except as provided in RCW 11.07.010,
7 if a member or a vested member who has not completed at least ten years
8 of service dies, the amount of the accumulated contributions standing
9 to such member's credit in the retirement system at the time of such
10 member's death, less any amount identified as owing to an obligee upon
11 withdrawal of accumulated contributions pursuant to a court order filed
12 under RCW 41.50.670, shall be paid to the member's estate, or such
13 person or persons, trust, or organization as the member shall have
14 nominated by written designation duly executed and filed with the
15 department. If there be no such designated person or persons still
16 living at the time of the member's death, such member's accumulated
17 contributions standing to such member's credit in the retirement
18 system, less any amount identified as owing to an obligee upon
19 withdrawal of accumulated contributions pursuant to a court order filed
20 under RCW 41.50.670, shall be paid to the member's surviving spouse as
21 if in fact such spouse had been nominated by written designation, or if
22 there be no such surviving spouse, then to such member's legal
23 representatives.

24 (2) If a member who is eligible for retirement or a member who has
25 completed at least ten years of service dies, the surviving spouse or
26 eligible child or children shall elect to receive either:

27 (a) A retirement allowance computed as provided for in section 1008
28 of this act, actuarially reduced by the amount of any lump sum benefit
29 identified as owing to an obligee upon withdrawal of accumulated
30 contributions pursuant to a court order filed under RCW 41.50.670 and
31 actuarially adjusted to reflect a joint and one hundred percent
32 survivor option under section 1015 of this act and if the member was
33 not eligible for normal retirement at the date of death a further
34 reduction as described in section 1008(2) of this act; if a surviving
35 spouse who is receiving a retirement allowance dies leaving a child or
36 children of the member under the age of majority, then such child or
37 children shall continue to receive an allowance in an amount equal to
38 that which was being received by the surviving spouse, share and share

1 alike, until such child or children reach the age of majority; if there
2 is no surviving spouse eligible to receive an allowance at the time of
3 the member's death, such member's child or children under the age of
4 majority shall receive an allowance share and share alike calculated as
5 herein provided making the assumption that the ages of the spouse and
6 member were equal at the time of the member's death; or

7 (b)(i) The member's accumulated contributions, less any amount
8 identified as owing to an obligee upon withdrawal of accumulated
9 contributions pursuant to a court order filed under RCW 41.50.670; or

10 (ii) If the member dies on or after July 25, 1993, one hundred
11 fifty percent of the member's accumulated contributions, less any
12 amount identified as owing to an obligee upon withdrawal of accumulated
13 contributions pursuant to a court order filed under RCW 41.50.670. Any
14 accumulated contributions attributable to restorations made under RCW
15 41.50.165(2) shall be refunded at one hundred percent.

16 (3) If a member who is eligible for retirement or a member who has
17 completed at least ten years of service dies after October 1, 1977, and
18 is not survived by a spouse or an eligible child, then the accumulated
19 contributions standing to the member's credit, less any amount
20 identified as owing to an obligee upon withdrawal of accumulated
21 contributions pursuant to a court order filed under RCW 41.50.670,
22 shall be paid:

23 (a) To an estate, a person or persons, trust, or organization as
24 the member shall have nominated by written designation duly executed
25 and filed with the department; or

26 (b) If there is no such designated person or persons still living
27 at the time of the member's death, then to the member's legal
28 representatives.

29 NEW SECTION. **Sec. 1013.** Port districts established under Title 53
30 RCW and institutions of higher education as defined in RCW 28B.10.016
31 shall contribute both the employer and state shares of the cost of the
32 retirement system for any of their employees who are law enforcement
33 officers. Institutions of higher education shall contribute both the
34 employer and the state shares of the cost of the retirement system for
35 any of their employees who are fire fighters.

36 NEW SECTION. **Sec. 1014.** Beginning July 1, 1979, and every year
37 thereafter, the department shall determine the following information

1 for each retired member or beneficiary whose retirement allowance has
2 been in effect for at least one year:

3 (1) The original dollar amount of the retirement allowance;

4 (2) The index for the calendar year prior to the effective date of
5 the retirement allowance, to be known as "index A";

6 (3) The index for the calendar year prior to the date of
7 determination, to be known as "index B"; and

8 (4) The ratio obtained when index B is divided by index A.

9 The value of the ratio obtained shall be the annual adjustment to
10 the original retirement allowance and shall be applied beginning with
11 the July payment. In no event, however, shall the annual adjustment:

12 (a) Produce a retirement allowance which is lower than the original
13 retirement allowance;

14 (b) Exceed three percent in the initial annual adjustment; or

15 (c) Differ from the previous year's annual adjustment by more than
16 three percent.

17 For the purposes of this section, "index" means, for any calendar
18 year, that year's average consumer price index--Seattle, Washington
19 area for urban wage earners and clerical workers, all items, compiled
20 by the bureau of labor statistics, United States department of labor.

21 NEW SECTION. **Sec. 1015.** (1) Upon retirement for service as
22 prescribed in section 1008 of this act or disability retirement under
23 section 1009 of this act, a member shall elect to have the retirement
24 allowance paid pursuant to the following options, calculated so as to
25 be actuarially equivalent to each other.

26 (a) Standard allowance. A member electing this option shall
27 receive a retirement allowance payable throughout such member's life.
28 However, if the retiree dies before the total of the retirement
29 allowance paid to such retiree equals the amount of such retiree's
30 accumulated contributions at the time of retirement, then the balance
31 shall be paid to the member's estate, or such person or persons, trust,
32 or organization as the retiree shall have nominated by written
33 designation duly executed and filed with the department; or if there be
34 no such designated person or persons still living at the time of the
35 retiree's death, then to the surviving spouse; or if there be neither
36 such designated person or persons still living at the time of death nor
37 a surviving spouse, then to the retiree's legal representative.

1 (b) The department shall adopt rules that allow a member to select
2 a retirement option that pays the member a reduced retirement allowance
3 and upon death, such portion of the member's reduced retirement
4 allowance as the department by rule designates shall be continued
5 throughout the life of and paid to a designated person. Such person
6 shall be nominated by the member by written designation duly executed
7 and filed with the department at the time of retirement. The options
8 adopted by the department shall include, but are not limited to, a
9 joint and one hundred percent survivor option and a joint and fifty
10 percent survivor option.

11 (2)(a) A member, if married, must provide the written consent of
12 his or her spouse to the option selected under this section, except as
13 provided in (b) of this subsection. If a member is married and both
14 the member and member's spouse do not give written consent to an option
15 under this section, the department will pay the member a joint and
16 fifty percent survivor benefit and record the member's spouse as the
17 beneficiary. Such benefit shall be calculated to be actuarially
18 equivalent to the benefit options available under subsection (1) of
19 this section unless spousal consent is not required as provided in (b)
20 of this subsection.

21 (b) If a copy of a dissolution order designating a survivor
22 beneficiary under RCW 41.50.790 has been filed with the department at
23 least thirty days prior to a member's retirement:

24 (i) The department shall honor the designation as if made by the
25 member under subsection (1) of this section; and

26 (ii) The spousal consent provisions of (a) of this subsection do
27 not apply.

28 (3)(a) Any member who retired before January 1, 1996, and who
29 elected to receive a reduced retirement allowance under subsection
30 (1)(b) or (2) of this section is entitled to receive a retirement
31 allowance adjusted in accordance with (b) of this subsection, if they
32 meet the following conditions:

33 (i) The retiree's designated beneficiary predeceases or has
34 predeceased the retiree; and

35 (ii) The retiree provides to the department proper proof of the
36 designated beneficiary's death.

37 (b) The retirement allowance payable to the retiree, as of July 1,
38 1998, or the date of the designated beneficiary's death, whichever

1 comes last, shall be increased by the percentage derived in (c) of this
2 subsection.

3 (c) The percentage increase shall be derived by the following:

4 (i) One hundred percent multiplied by the result of (c)(ii) of this
5 subsection converted to a percent;

6 (ii) Subtract one from the reciprocal of the appropriate joint and
7 survivor option factor;

8 (iii) The joint and survivor option factor shall be from the table
9 in effect as of July 1, 1998.

10 (d) The adjustment under (b) of this subsection shall accrue from
11 the beginning of the month following the date of the designated
12 beneficiary's death or from July 1, 1998, whichever comes last.

13 NEW SECTION. **Sec. 1016.** (1) No retiree under the provisions of
14 plan 3 shall be eligible to receive such retiree's monthly retirement
15 allowance if he or she is employed in an eligible position as defined
16 in RCW 41.40.010 or 41.32.010, or as a law enforcement officer or fire
17 fighter as defined in RCW 41.26.030. If a retiree's benefits have been
18 suspended under this section, his or her benefits shall be reinstated
19 when the retiree terminates the employment that caused his or her
20 benefits to be suspended. Upon reinstatement, the retiree's benefits
21 shall be actuarially recomputed pursuant to the rules adopted by the
22 department.

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

24 NEW SECTION. **Sec. 1017.** (1) On or after June 10, 1982, the
25 director may pay a beneficiary, subject to the provisions of subsection
26 (5) of this section, a lump sum payment in lieu of a monthly benefit if
27 the initial monthly benefit computed in accordance with section 1003 of
28 this act would be less than fifty dollars. The lump sum payment shall
29 be the greater of the actuarial equivalent of such monthly benefits or
30 an amount equal to the individual's accumulated contributions plus
31 accrued interest.

32 (2) A beneficiary, subject to the provisions of subsection (5) of
33 this section, who is receiving a regular monthly benefit of less than
34 fifty dollars may request, in writing, to convert from a monthly
35 benefit to a lump sum payment. If the director approves the
36 conversion, the calculation of the actuarial equivalent of the total
37 estimated regular benefit will be computed based on the beneficiary's

1 age at the time the benefit initially accrued. The lump sum payment
2 will be reduced to reflect any payments received on or after the
3 initial benefit accrual date.

4 (3) Persons covered under the provisions of subsection (1) of this
5 section may upon returning to member status reinstate all previous
6 service by depositing the lump sum payment received, with interest as
7 computed by the director, within two years of returning to service or
8 prior to re-retiring, whichever comes first. In computing the amount
9 due, the director shall exclude the accumulated value of the normal
10 payments the member would have received while in beneficiary status if
11 the lump sum payment had not occurred.

12 (4) If a member fails to meet the time limitations set forth under
13 subsection (3) of this section, the member may reinstate all previous
14 service under RCW 41.50.165(2) prior to retirement. The sum deposited
15 shall exclude the accumulated value of the normal payments the member
16 would have received while in beneficiary status if the lump sum payment
17 had not occurred.

18 (5) Only persons entitled to or receiving a service retirement
19 allowance under section 1003 of this act or an earned disability
20 allowance under section 1009 of this act qualify for participation
21 under this section.

22 (6) It is the intent of the legislature that any member who
23 receives a settlement under this section shall be deemed to be retired
24 from this system.

25 NEW SECTION. **Sec. 1018.** The benefits provided pursuant to chapter
26 . . . , Laws of 2000 (this act) are not provided to employees as a
27 matter of contractual right prior to September 1, 2001. The
28 legislature retains the right to alter or abolish these benefits at any
29 time prior to September 1, 2001.

30 NEW SECTION. **Sec. 1019.** Sections 1001 through 1017 of this act
31 are each added to chapter 41.26 RCW.

32 **"EARLY RETIREMENT REDUCTION FACTORS"**

33 NEW SECTION. **Sec. 1101.** (1) NORMAL RETIREMENT. Any member with
34 at least five service credit years who has attained at least age sixty-

1 five shall be eligible to retire and to receive a retirement allowance
2 computed according to the provisions of RCW 41.40.620.

3 (2) EARLY RETIREMENT. Any member who has completed at least twenty
4 service credit years and has attained age fifty-five shall be eligible
5 to retire and to receive a retirement allowance computed according to
6 the provisions of RCW 41.40.620, except that a member retiring pursuant
7 to this subsection shall have the retirement allowance actuarially
8 reduced to reflect the difference in the number of years between age at
9 retirement and the attainment of age sixty-five.

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

18 NEW SECTION. **Sec. 1102.** (1) NORMAL RETIREMENT. Any member with
19 at least five service credit years of service who has attained at least
20 age sixty-five shall be eligible to retire and to receive a retirement
21 allowance computed according to the provisions of RCW 41.32.760.

22 (2) EARLY RETIREMENT. Any member who has completed at least twenty
23 service credit years of service who has attained at least age fifty-
24 five shall be eligible to retire and to receive a retirement allowance
25 computed according to the provisions of RCW 41.32.760, except that a
26 member retiring pursuant to this subsection shall have the retirement
27 allowance actuarially reduced to reflect the difference in the number
28 of years between age at retirement and the attainment of age sixty-
29 five.

30 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
31 least thirty service credit years and has attained age fifty-five shall
32 be eligible to retire and to receive a retirement allowance computed
33 according to the provisions of RCW 41.32.760, except that a member
34 retiring pursuant to this subsection shall have the retirement
35 allowance reduced by three percent per year to reflect the difference
36 in the number of years between age at retirement and the attainment of
37 age sixty-five.

1 NEW SECTION. Sec. 1103. (1) NORMAL RETIREMENT. Any member who is
2 at least age sixty-five and who has:

3 (a) Completed ten service credit years; or

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

6 (c) Completed five service credit years by July 1, 1996, under plan
7 2 and who transferred to plan 3 under RCW 41.32.817;

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

10 (2) EARLY RETIREMENT. Any member who has attained at least age
11 fifty-five and has completed at least ten years of service shall be
12 eligible to retire and to receive a retirement allowance computed
13 according to the provisions of RCW 41.32.840, except that a member
14 retiring pursuant to this subsection shall have the retirement
15 allowance actuarially reduced to reflect the difference in the number
16 of years between age at retirement and the attainment of age sixty-
17 five.

18 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
19 least thirty service credit years and has attained age fifty-five shall
20 be eligible to retire and to receive a retirement allowance computed
21 according to the provisions of RCW 41.32.840, except that a member
22 retiring pursuant to this subsection shall have the retirement
23 allowance reduced by three percent per year to reflect the difference
24 in the number of years between age at retirement and the attainment of
25 age sixty-five.

26 NEW SECTION. Sec. 1104. (1) NORMAL RETIREMENT. Any member with
27 at least five service credit years of service who has attained at least
28 age fifty-five shall be eligible to retire and to receive a retirement
29 allowance computed according to the provisions of RCW 41.26.420.

30 (2) EARLY RETIREMENT. Any member who has completed at least twenty
31 service credit years of service and has attained age fifty shall be
32 eligible to retire and to receive a retirement allowance computed
33 according to the provisions of RCW 41.26.420, except that a member
34 retiring pursuant to this subsection shall have the retirement
35 allowance actuarially reduced to reflect the difference in the number
36 of years between age at retirement and the attainment of age fifty-
37 five.

1 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
2 least twenty service credit years and has attained age fifty shall be
3 eligible to retire and to receive a retirement allowance computed
4 according to the provisions of RCW 41.26.420, except that a member
5 retiring pursuant to this subsection shall have the retirement
6 allowance reduced by three percent per year to reflect the difference
7 in the number of years between age at retirement and the attainment of
8 age fifty-five.

9 NEW SECTION. **Sec. 1105.** (1) NORMAL RETIREMENT. Any member with
10 at least five service credit years who has attained at least age sixty-
11 five shall be eligible to retire and to receive a retirement allowance
12 computed according to the provisions of RCW 41.35.400.

13 (2) EARLY RETIREMENT. Any member who has completed at least twenty
14 service credit years and has attained age fifty-five shall be eligible
15 to retire and to receive a retirement allowance computed according to
16 the provisions of RCW 41.35.400, except that a member retiring pursuant
17 to this subsection shall have the retirement allowance actuarially
18 reduced to reflect the difference in the number of years between age at
19 retirement and the attainment of age sixty-five.

20 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
21 least thirty service credit years and has attained age fifty-five shall
22 be eligible to retire and to receive a retirement allowance computed
23 according to the provisions of RCW 41.35.400, except that a member
24 retiring pursuant to this subsection shall have the retirement
25 allowance reduced by three percent per year to reflect the difference
26 in the number of years between age at retirement and the attainment of
27 age sixty-five.

28 NEW SECTION. **Sec. 1106.** (1) NORMAL RETIREMENT. Any member who is
29 at least age sixty-five and who has:

30 (a) Completed ten service credit years; or

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

33 (c) Completed five service credit years by September 1, 2000, under
34 the public employees' retirement system plan 2 and who transferred to
35 plan 3 under RCW 41.35.510;

36 shall be eligible to retire and to receive a retirement allowance
37 computed according to the provisions of RCW 41.35.620.

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

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

17 **"MISCELLANEOUS"**

18 NEW SECTION. **Sec. 1201.** (1) Except for sections 407 and 1101
19 through 1106 of this act, this act takes effect September 1, 2001.

20 (2) Section 407 of this act takes effect January 1, 2004.

21 (3) Sections 1101 through 1107 of this act take effect September 1,
22 2000.

23 NEW SECTION. **Sec. 1202.** Subchapter headings in this act are not
24 any part of the law.

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