
SENATE BILL 5888

State of Washington 58th Legislature 2003 Regular Session

By Senators Esser, Finkbeiner, Horn and Kline

Read first time 02/18/2003. Referred to Committee on Education.

1 AN ACT Relating to housing allowances for public school teachers;
2 amending RCW 28A.400.200, 84.52.0531, 41.32.010, 41.40.010, and
3 41.35.010; adding a new section to chapter 28A.400 RCW; adding a new
4 section to chapter 28A.500 RCW; adding a new section to chapter 84.52
5 RCW; and creating a new section.

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

7 NEW SECTION. **Sec. 1.** As the disparity in the cost-of-living
8 between school districts across the state has grown in recent years,
9 the purchasing power of equalized salaries has become more disparate
10 for K-12 employees. A major contributor to these costs is housing.
11 The purpose of this act is to authorize a housing allowance for public
12 school teachers in order to encourage these employees to live in the
13 districts in which they work.

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 28A.400
15 RCW to read as follows:

16 (1) School districts may provide a housing allowance for public
17 school teachers with revenues raised from a housing allowance levy
18 authorized under this section.

1 (2) The cost of the housing for each school district and the
2 statewide median shall be determined every four years based on a
3 standard set of housing specifications and on data reported for the
4 most recent annual period for which data are available. The collection
5 of data shall be done by a nationally recognized entity that collects
6 statistically valid housing cost data for federal government agencies
7 and businesses, selected by the superintendent of public instruction
8 and subject to approval by the legislative fiscal committees and the
9 office of financial management. The office of financial management
10 shall contract with the entity selected under this subsection (2) from
11 funds provided for this purpose. For the purposes of this section, the
12 "statewide median cost of housing" is the cost at which there is an
13 equal number of districts with higher housing costs and with lower
14 housing costs.

15 (3) The maximum housing allowance levy allowed for a school
16 district shall be the sum of the following: Each teacher's full-time
17 equivalence multiplied by the difference between the statewide median
18 cost of housing and the lesser of (a) the district's cost of housing or
19 (b) the cost of housing in the district in which each teacher resides.
20 For purposes of this calculation, the difference between the district's
21 cost of housing and the statewide median shall not exceed fifty percent
22 of the median.

23 (4) Individual payment of the housing allowance shall be paid only
24 to actively employed teachers using a formula that recognizes and is
25 responsive to the disproportionate housing assistance needs of new
26 teachers and teachers at the bottom end of a salary schedule or pay
27 scale. The housing allowance shall not be considered as within the
28 definition of basic education for the purposes of chapter 28A.150 RCW,
29 nor is it earnable compensation as defined in RCW 41.32.010 or
30 compensation earnable as defined in RCW 41.40.010 and 41.35.010.

31 (5) Local school districts may submit to voters an excess general
32 fund levy on real property to support up to and including the maximum
33 housing levy authority determined in subsection (3) of this section.
34 This levy is not subject to the limitations in RCW 84.52.0531. This
35 levy does not qualify a school district for local effort assistance
36 under chapter 28A.500 RCW.

37 (6) The office of the superintendent of public instruction shall

1 administer the housing allowance program and shall adopt rules for
2 implementation.

3 NEW SECTION. **Sec. 3.** A new section is added to chapter 28A.500
4 RCW to read as follows:

5 Levies authorized under section 2 of this act shall not be
6 considered in determining a school district's eligibility for local
7 effort assistance under this chapter.

8 **Sec. 4.** RCW 28A.400.200 and 2002 c 353 s 2 are each amended to
9 read as follows:

10 (1) Every school district board of directors shall fix, alter,
11 allow, and order paid salaries and compensation for all district
12 employees in conformance with this section.

13 (2)(a) Salaries for certificated instructional staff shall not be
14 less than the salary provided in the appropriations act in the
15 statewide salary allocation schedule for an employee with a
16 baccalaureate degree and zero years of service; and

17 (b) Salaries for certificated instructional staff with a masters
18 degree shall not be less than the salary provided in the appropriations
19 act in the statewide salary allocation schedule for an employee with a
20 masters degree and zero years of service;

21 (3)(a) The actual average salary paid to certificated instructional
22 staff shall not exceed the district's average certificated
23 instructional staff salary used for the state basic education
24 allocations for that school year as determined pursuant to RCW
25 28A.150.410.

26 (b) Fringe benefit contributions for certificated instructional
27 staff shall be included as salary under (a) of this subsection only to
28 the extent that the district's actual average benefit contribution
29 exceeds the amount of the insurance benefits allocation provided per
30 certificated instructional staff unit in the state operating
31 appropriations act in effect at the time the compensation is payable.
32 For purposes of this section, fringe benefits shall not include payment
33 for unused leave for illness or injury under RCW 28A.400.210; employer
34 contributions for old age survivors insurance, workers' compensation,
35 unemployment compensation, and retirement benefits under the Washington
36 state retirement system; or employer contributions for health benefits

1 in excess of the insurance benefits allocation provided per
2 certificated instructional staff unit in the state operating
3 appropriations act in effect at the time the compensation is payable.
4 A school district may not use state funds to provide employer
5 contributions for such excess health benefits.

6 (c) Salary and benefits for certificated instructional staff in
7 programs other than basic education shall be consistent with the salary
8 and benefits paid to certificated instructional staff in the basic
9 education program.

10 (4) Salaries and benefits for certificated instructional staff may
11 exceed the limitations in subsection (3) of this section only by
12 separate contract for additional time, additional responsibilities, or
13 incentives. Supplemental contracts shall not cause the state to incur
14 any present or future funding obligation. Supplemental contracts shall
15 be subject to the collective bargaining provisions of chapter 41.59 RCW
16 and the provisions of RCW 28A.405.240, shall not exceed one year, and
17 if not renewed shall not constitute adverse change in accordance with
18 RCW 28A.405.300 through 28A.405.380. No district may enter into a
19 supplemental contract under this subsection for the provision of
20 services which are a part of the basic education program required by
21 Article IX, section 3 of the state Constitution.

22 (5) Employee benefit plans offered by any district shall comply
23 with RCW 28A.400.350 and 28A.400.275 and 28A.400.280.

24 (6) Housing allowances authorized in section 2 of this act shall
25 not be included as salary under this section and shall not be included
26 in salary limitations.

27 **Sec. 5.** RCW 84.52.0531 and 1997 c 259 s 2 are each amended to read
28 as follows:

29 The maximum dollar amount which may be levied by or for any school
30 district for maintenance and operation support under the provisions of
31 RCW 84.52.053 shall be determined as follows:

32 (1) For excess levies for collection in calendar year 1997, the
33 maximum dollar amount shall be calculated pursuant to the laws and
34 rules in effect in November 1996.

35 (2) For excess levies for collection in calendar year 1998 and
36 thereafter, the maximum dollar amount shall be the sum of (a) plus or
37 minus (b) and (c) of this subsection minus (d) of this subsection:

1 (a) The district's levy base as defined in subsection (3) of this
2 section multiplied by the district's maximum levy percentage as defined
3 in subsection (4) of this section;

4 (b) For districts in a high/nonhigh relationship, the high school
5 district's maximum levy amount shall be reduced and the nonhigh school
6 district's maximum levy amount shall be increased by an amount equal to
7 the estimated amount of the nonhigh payment due to the high school
8 district under RCW 28A.545.030(3) and 28A.545.050 for the school year
9 commencing the year of the levy;

10 (c) For districts in an interdistrict cooperative agreement, the
11 nonresident school district's maximum levy amount shall be reduced and
12 the resident school district's maximum levy amount shall be increased
13 by an amount equal to the per pupil basic education allocation included
14 in the nonresident district's levy base under subsection (3) of this
15 section multiplied by:

16 (i) The number of full-time equivalent students served from the
17 resident district in the prior school year; multiplied by:

18 (ii) The serving district's maximum levy percentage determined
19 under subsection (4) of this section; increased by:

20 (iii) The percent increase per full-time equivalent student as
21 stated in the state basic education appropriation section of the
22 biennial budget between the prior school year and the current school
23 year divided by fifty-five percent;

24 (d) The district's maximum levy amount shall be reduced by the
25 maximum amount of state matching funds for which the district is
26 eligible under RCW 28A.500.010.

27 (3) For excess levies for collection in calendar year 1998 and
28 thereafter, a district's levy base shall be the sum of allocations in
29 (a) through (c) of this subsection received by the district for the
30 prior school year, including allocations for compensation increases,
31 plus the sum of such allocations multiplied by the percent increase per
32 full time equivalent student as stated in the state basic education
33 appropriation section of the biennial budget between the prior school
34 year and the current school year and divided by fifty-five percent. A
35 district's levy base shall not include local school district property
36 tax levies or other local revenues, or state and federal allocations
37 not identified in (a) through (c) of this subsection.

1 (a) The district's basic education allocation as determined
2 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

3 (b) State and federal categorical allocations for the following
4 programs:

5 (i) Pupil transportation;

6 (ii) Special education;

7 (iii) Education of highly capable students;

8 (iv) Compensatory education, including but not limited to learning
9 assistance, migrant education, Indian education, refugee programs, and
10 bilingual education;

11 (v) Food services; and

12 (vi) Statewide block grant programs; and

13 (c) Any other federal allocations for elementary and secondary
14 school programs, including direct grants, other than federal impact aid
15 funds and allocations in lieu of taxes.

16 (4) A district's maximum levy percentage shall be twenty-two
17 percent in 1998 and twenty-four percent in 1999 and every year
18 thereafter; plus, for qualifying districts, the grandfathered
19 percentage determined as follows:

20 (a) For 1997, the difference between the district's 1993 maximum
21 levy percentage and twenty percent; and

22 (b) For 1998 and thereafter, the percentage calculated as follows:

23 (i) Multiply the grandfathered percentage for the prior year times
24 the district's levy base determined under subsection (3) of this
25 section;

26 (ii) Reduce the result of (b)(i) of this subsection by any levy
27 reduction funds as defined in subsection (5) of this section that are
28 to be allocated to the district for the current school year;

29 (iii) Divide the result of (b)(ii) of this subsection by the
30 district's levy base; and

31 (iv) Take the greater of zero or the percentage calculated in
32 (b)(iii) of this subsection.

33 (5) "Levy reduction funds" shall mean increases in state funds from
34 the prior school year for programs included under subsection (3) of
35 this section: (a) That are not attributable to enrollment changes,
36 compensation increases, or inflationary adjustments; and (b) that are
37 or were specifically identified as levy reduction funds in the
38 appropriations act. If levy reduction funds are dependent on formula

1 factors which would not be finalized until after the start of the
2 current school year, the superintendent of public instruction shall
3 estimate the total amount of levy reduction funds by using prior school
4 year data in place of current school year data. Levy reduction funds
5 shall not include moneys received by school districts from cities or
6 counties.

7 (6) For the purposes of this section, "prior school year" means the
8 most recent school year completed prior to the year in which the levies
9 are to be collected.

10 (7) For the purposes of this section, "current school year" means
11 the year immediately following the prior school year.

12 (8) Funds collected from transportation vehicle fund tax levies
13 shall not be subject to the levy limitations in this section.

14 (9) The limitations in this section do not apply to excess general
15 fund levies for the support of the housing allowance provided for in
16 section 2 of this act.

17 (10) The superintendent of public instruction shall develop rules
18 (~~and regulations~~) and inform school districts of the pertinent data
19 necessary to carry out the provisions of this section.

20 NEW SECTION. Sec. 6. A new section is added to chapter 84.52 RCW
21 to read as follows:

22 A levy submitted to voters under section 2 of this act may be
23 submitted as a separate levy, or as part of a maintenance and operation
24 levy if the housing allowance levy is separately identified.

25 **Sec. 7.** RCW 41.32.010 and 1997 c 254 s 3 are each amended to read
26 as follows:

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

29 (1)(a) "Accumulated contributions" for plan 1 members, means the
30 sum of all regular annuity contributions and, except for the purpose of
31 withdrawal at the time of retirement, any amount paid under RCW
32 41.50.165(2) with regular interest thereon.

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

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

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

6 (4) "Member reserve" means the fund in which all of the accumulated
7 contributions of members are held.

8 (5)(a) "Beneficiary" for plan 1 members, means any person in
9 receipt of a retirement allowance or other benefit provided by this
10 chapter.

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

15 (6) "Contract" means any agreement for service and compensation
16 between a member and an employer.

17 (7) "Creditable service" means membership service plus prior
18 service for which credit is allowable. This subsection shall apply
19 only to plan 1 members.

20 (8) "Dependent" means receiving one-half or more of support from a
21 member.

22 (9) "Disability allowance" means monthly payments during
23 disability. This subsection shall apply only to plan 1 members.

24 (10)(a) "Earnable compensation" for plan 1 members, means:

25 (i) All salaries and wages paid by an employer to an employee
26 member of the retirement system for personal services rendered during
27 a fiscal year. In all cases where compensation includes maintenance
28 the employer shall fix the value of that part of the compensation not
29 paid in money.

30 (ii) "Earnable compensation" for plan 1 members also includes the
31 following actual or imputed payments, which are not paid for personal
32 services:

33 (A) Retroactive payments to an individual by an employer on
34 reinstatement of the employee in a position, or payments by an employer
35 to an individual in lieu of reinstatement in a position which are
36 awarded or granted as the equivalent of the salary or wages which the
37 individual would have earned during a payroll period shall be

1 considered earnable compensation and the individual shall receive the
2 equivalent service credit.

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

15 (iii) For members employed less than full time under written
16 contract with a school district, or community college district, in an
17 instructional position, for which the member receives service credit of
18 less than one year in all of the years used to determine the earnable
19 compensation used for computing benefits due under RCW 41.32.497,
20 41.32.498, and 41.32.520, the member may elect to have earnable
21 compensation defined as provided in RCW 41.32.345. For the purposes of
22 this subsection, the term "instructional position" means a position in
23 which more than seventy-five percent of the member's time is spent as
24 a classroom instructor (including office hours), a librarian, or a
25 counselor. Earnable compensation shall be so defined only for the
26 purpose of the calculation of retirement benefits and only as necessary
27 to insure that members who receive fractional service credit under RCW
28 41.32.270 receive benefits proportional to those received by members
29 who have received full-time service credit.

30 (iv) "Earnable compensation" does not include:

31 (A) Remuneration for unused sick leave authorized under RCW
32 41.04.340, 28A.400.210, or 28A.310.490;

33 (B) Remuneration for unused annual leave in excess of thirty days
34 as authorized by RCW 43.01.044 and 43.01.041;

35 (C) Housing allowances authorized in section 2 of this act.

36 (b) "Earnable compensation" for plan 2 and plan 3 members, means
37 salaries or wages earned by a member during a payroll period for
38 personal services, including overtime payments, and shall include wages

1 and salaries deferred under provisions established pursuant to sections
2 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
3 shall exclude lump sum payments for deferred annual sick leave, unused
4 accumulated vacation, unused accumulated annual leave, (~~(or)~~) any form
5 of severance pay, and housing allowances authorized in section 2 of
6 this act.

7 "Earnable compensation" for plan 2 and plan 3 members also includes
8 the following actual or imputed payments which, except in the case of
9 (b)(ii)(B) of this subsection, are not paid for personal services:

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

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

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

22 (B) Such member's actual earnable compensation received for
23 teaching and legislative service combined. Any additional
24 contributions to the retirement system required because compensation
25 earnable under (b)(ii)(A) of this subsection is greater than
26 compensation earnable under (b)(ii)(B) of this subsection shall be paid
27 by the member for both member and employer contributions.

28 (11) "Employer" means the state of Washington, the school district,
29 or any agency of the state of Washington by which the member is paid.

30 (12) "Fiscal year" means a year which begins July 1st and ends June
31 30th of the following year.

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

34 (14) "Local fund" means any of the local retirement funds for
35 teachers operated in any school district in accordance with the
36 provisions of chapter 163, Laws of 1917 as amended.

37 (15) "Member" means any teacher included in the membership of the
38 retirement system. Also, any other employee of the public schools who,

1 on July 1, 1947, had not elected to be exempt from membership and who,
2 prior to that date, had by an authorized payroll deduction, contributed
3 to the member reserve.

4 (16) "Membership service" means service rendered subsequent to the
5 first day of eligibility of a person to membership in the retirement
6 system: PROVIDED, That where a member is employed by two or more
7 employers the individual shall receive no more than one service credit
8 month during any calendar month in which multiple service is rendered.
9 The provisions of this subsection shall apply only to plan 1 members.

10 (17) "Pension" means the moneys payable per year during life from
11 the pension reserve.

12 (18) "Pension reserve" is a fund in which shall be accumulated an
13 actuarial reserve adequate to meet present and future pension
14 liabilities of the system and from which all pension obligations are to
15 be paid.

16 (19) "Prior service" means service rendered prior to the first date
17 of eligibility to membership in the retirement system for which credit
18 is allowable. The provisions of this subsection shall apply only to
19 plan 1 members.

20 (20) "Prior service contributions" means contributions made by a
21 member to secure credit for prior service. The provisions of this
22 subsection shall apply only to plan 1 members.

23 (21) "Public school" means any institution or activity operated by
24 the state of Washington or any instrumentality or political subdivision
25 thereof employing teachers, except the University of Washington and
26 Washington State University.

27 (22) "Regular contributions" means the amounts required to be
28 deducted from the compensation of a member and credited to the member's
29 individual account in the member reserve. This subsection shall apply
30 only to plan 1 members.

31 (23) "Regular interest" means such rate as the director may
32 determine.

33 (24)(a) "Retirement allowance" for plan 1 members, means monthly
34 payments based on the sum of annuity and pension, or any optional
35 benefits payable in lieu thereof.

36 (b) "Retirement allowance" for plan 2 and plan 3 members, means
37 monthly payments to a retiree or beneficiary as provided in this
38 chapter.

1 (25) "Retirement system" means the Washington state teachers'
2 retirement system.

3 (26)(a) "Service" for plan 1 members means the time during which a
4 member has been employed by an employer for compensation.

5 (i) If a member is employed by two or more employers the individual
6 shall receive no more than one service credit month during any calendar
7 month in which multiple service is rendered.

8 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
9 sick leave may be creditable as service solely for the purpose of
10 determining eligibility to retire under RCW 41.32.470.

11 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
12 state retirement system that covers teachers in public schools may be
13 applied solely for the purpose of determining eligibility to retire
14 under RCW 41.32.470.

15 (b) "Service" for plan 2 and plan 3 members, means periods of
16 employment by a member for one or more employers for which earnable
17 compensation is earned subject to the following conditions:

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

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

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

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

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

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

4 (iv) Any person who is a member of the teachers' retirement system
5 and who is elected or appointed to a state elective position may
6 continue to be a member of the retirement system and continue to
7 receive a service credit month for each of the months in a state
8 elective position by making the required member contributions.

9 (v) When an individual is employed by two or more employers the
10 individual shall only receive one month's service credit during any
11 calendar month in which multiple service for ninety or more hours is
12 rendered.

13 (vi) As authorized by RCW 28A.400.300, up to forty-five days of
14 sick leave may be creditable as service solely for the purpose of
15 determining eligibility to retire under RCW 41.32.470. For purposes of
16 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
17 to two service credit months. Use of less than forty-five days of sick
18 leave is creditable as allowed under this subsection as follows:

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

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

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

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

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

27 (vii) As authorized in RCW 41.32.065, service earned in an out-of-
28 state retirement system that covers teachers in public schools may be
29 applied solely for the purpose of determining eligibility to retire
30 under RCW 41.32.470.

31 (viii) The department shall adopt rules implementing this
32 subsection.

33 (27) "Service credit year" means an accumulation of months of
34 service credit which is equal to one when divided by twelve.

35 (28) "Service credit month" means a full service credit month or an
36 accumulation of partial service credit months that are equal to one.

37 (29) "Teacher" means any person qualified to teach who is engaged
38 by a public school in an instructional, administrative, or supervisory

1 capacity. The term includes state, educational service district, and
2 school district superintendents and their assistants and all employees
3 certificated by the superintendent of public instruction; and in
4 addition thereto any full time school doctor who is employed by a
5 public school and renders service of an instructional or educational
6 nature.

7 (30) "Average final compensation" for plan 2 and plan 3 members,
8 means the member's average earnable compensation of the highest
9 consecutive sixty service credit months prior to such member's
10 retirement, termination, or death. Periods constituting authorized
11 leaves of absence may not be used in the calculation of average final
12 compensation except under RCW 41.32.810(2).

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

16 (32) "Department" means the department of retirement systems
17 created in chapter 41.50 RCW.

18 (33) "Director" means the director of the department.

19 (34) "State elective position" means any position held by any
20 person elected or appointed to statewide office or elected or appointed
21 as a member of the legislature.

22 (35) "State actuary" or "actuary" means the person appointed
23 pursuant to RCW 44.44.010(2).

24 (36) "Substitute teacher" means:

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

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

31 (37)(a) "Eligible position" for plan 2 members from June 7, 1990,
32 through September 1, 1991, means a position which normally requires two
33 or more uninterrupted months of creditable service during September
34 through August of the following year.

35 (b) "Eligible position" for plan 2 and plan 3 on and after
36 September 1, 1991, means a position that, as defined by the employer,
37 normally requires five or more months of at least seventy hours of

1 earnable compensation during September through August of the following
2 year.

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

6 (d) The elected position of the superintendent of public
7 instruction is an eligible position.

8 (38) "Plan 1" means the teachers' retirement system, plan 1
9 providing the benefits and funding provisions covering persons who
10 first became members of the system prior to October 1, 1977.

11 (39) "Plan 2" means the teachers' retirement system, plan 2
12 providing the benefits and funding provisions covering persons who
13 first became members of the system on and after October 1, 1977, and
14 prior to July 1, 1996.

15 (40) "Plan 3" means the teachers' retirement system, plan 3
16 providing the benefits and funding provisions covering persons who
17 first become members of the system on and after July 1, 1996, or who
18 transfer under RCW 41.32.817.

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

23 (42) "Index A" means the index for the year prior to the
24 determination of a postretirement adjustment.

25 (43) "Index B" means the index for the year prior to index A.

26 (44) "Index year" means the earliest calendar year in which the
27 index is more than sixty percent of index A.

28 (45) "Adjustment ratio" means the value of index A divided by index
29 B.

30 (46) "Annual increase" means, initially, fifty-nine cents per month
31 per year of service which amount shall be increased each July 1st by
32 three percent, rounded to the nearest cent.

33 (47) "Member account" or "member's account" for purposes of plan 3
34 means the sum of the contributions and earnings on behalf of the member
35 in the defined contribution portion of plan 3.

36 (48) "Separation from service or employment" occurs when a person
37 has terminated all employment with an employer.

1 (49) "Employed" or "employee" means a person who is providing
2 services for compensation to an employer, unless the person is free
3 from the employer's direction and control over the performance of work.
4 The department shall adopt rules and interpret this subsection
5 consistent with common law.

6 **Sec. 8.** RCW 41.40.010 and 2000 c 247 s 102 are each amended to
7 read as follows:

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

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

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

14 (3) "State treasurer" means the treasurer of the state of
15 Washington.

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

27 (b) "Employer" for plan 2 and plan 3 members, means every branch,
28 department, agency, commission, board, and office of the state, and any
29 political subdivision and municipal corporation of the state admitted
30 into the retirement system, including public agencies created pursuant
31 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August
32 31, 2000, school districts and educational service districts will no
33 longer be employers for the public employees' retirement system plan 2.

34 (5) "Member" means any employee included in the membership of the
35 retirement system, as provided for in RCW 41.40.023. RCW 41.26.045
36 does not prohibit a person otherwise eligible for membership in the

1 retirement system from establishing such membership effective when he
2 or she first entered an eligible position.

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

4 (a) Any person who became a member of the system prior to April 1,
5 1949;

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

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

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

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

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

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

36 (8)(a) "Compensation earnable" for plan 1 members, means salaries
37 or wages earned during a payroll period for personal services and where

1 the compensation is not all paid in money, maintenance compensation
2 shall be included upon the basis of the schedules established by the
3 member's employer.

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

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

14 (B) If a leave of absence is taken by an individual for the purpose
15 of serving in the state legislature, the salary which would have been
16 received for the position from which the leave of absence was taken,
17 shall be considered as compensation earnable if the employee's
18 contribution is paid by the employee and the employer's contribution is
19 paid by the employer or employee;

20 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and
21 72.09.240;

22 (D) Compensation that a member would have received but for a
23 disability occurring in the line of duty only as authorized by RCW
24 41.40.038;

25 (E) Compensation that a member receives due to participation in the
26 leave sharing program only as authorized by RCW 41.04.650 through
27 41.04.670; and

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

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

34 (A) Remuneration for unused sick leave authorized under RCW
35 41.04.340, 28A.400.210, or 28A.310.490;

36 (B) Remuneration for unused annual leave in excess of thirty days
37 as authorized by RCW 43.01.044 and 43.01.041;

38 (C) Housing allowances authorized in section 2 of this act.

1 (b) "Compensation earnable" for plan 2 and plan 3 members, means
2 salaries or wages earned by a member during a payroll period for
3 personal services, including overtime payments, and shall include wages
4 and salaries deferred under provisions established pursuant to sections
5 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
6 shall exclude nonmoney maintenance compensation and lump sum or other
7 payments for deferred annual sick leave, unused accumulated vacation,
8 unused accumulated annual leave, ~~((or))~~ any form of severance pay, and
9 housing allowances authorized in section 2 of this act.

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

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

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

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

25 (B) Such member's actual compensation earnable received for
26 nonlegislative public employment and legislative service combined. Any
27 additional contributions to the retirement system required because
28 compensation earnable under (b)(ii)(A) of this subsection is greater
29 than compensation earnable under (b)(ii)(B) of this subsection shall be
30 paid by the member for both member and employer contributions;

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

33 (iv) Compensation that a member would have received but for a
34 disability occurring in the line of duty only as authorized by RCW
35 41.40.038;

36 (v) Compensation that a member receives due to participation in the
37 leave sharing program only as authorized by RCW 41.04.650 through
38 41.04.670; and

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

6 (9)(a) "Service" for plan 1 members, except as provided in RCW
7 41.40.088, means periods of employment in an eligible position or
8 positions for one or more employers rendered to any employer for which
9 compensation is paid, and includes time spent in office as an elected
10 or appointed official of an employer. Compensation earnable earned in
11 full time work for seventy hours or more in any given calendar month
12 shall constitute one service credit month except as provided in RCW
13 41.40.088. Compensation earnable earned for less than seventy hours in
14 any calendar month shall constitute one-quarter service credit month of
15 service except as provided in RCW 41.40.088. Only service credit
16 months and one-quarter service credit months shall be counted in the
17 computation of any retirement allowance or other benefit provided for
18 in this chapter. Any fraction of a year of service shall be taken into
19 account in the computation of such retirement allowance or benefits.
20 Time spent in standby status, whether compensated or not, is not
21 service.

22 (i) Service by a state employee officially assigned by the state on
23 a temporary basis to assist another public agency, shall be considered
24 as service as a state employee: PROVIDED, That service to any other
25 public agency shall not be considered service as a state employee if
26 such service has been used to establish benefits in any other public
27 retirement system.

28 (ii) An individual shall receive no more than a total of twelve
29 service credit months of service during any calendar year. If an
30 individual is employed in an eligible position by one or more employers
31 the individual shall receive no more than one service credit month
32 during any calendar month in which multiple service for seventy or more
33 hours is rendered.

34 (iii) A school district employee may count up to forty-five days of
35 sick leave as creditable service solely for the purpose of determining
36 eligibility to retire under RCW 41.40.180 as authorized by RCW
37 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW

1 28A.400.300 is equal to two service credit months. Use of less than
2 forty-five days of sick leave is creditable as allowed under this
3 subsection as follows:

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

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

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

9 (b) "Service" for plan 2 and plan 3 members, means periods of
10 employment by a member in an eligible position or positions for one or
11 more employers for which compensation earnable is paid. Compensation
12 earnable earned for ninety or more hours in any calendar month shall
13 constitute one service credit month except as provided in RCW
14 41.40.088. Compensation earnable earned for at least seventy hours but
15 less than ninety hours in any calendar month shall constitute one-half
16 service credit month of service. Compensation earnable earned for less
17 than seventy hours in any calendar month shall constitute one-quarter
18 service credit month of service. Time spent in standby status, whether
19 compensated or not, is not service.

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

22 (i) Service in any state elective position shall be deemed to be
23 full time service, except that persons serving in state elective
24 positions who are members of the Washington school employees'
25 retirement system, teachers' retirement system, or law enforcement
26 officers' and fire fighters' retirement system at the time of election
27 or appointment to such position may elect to continue membership in the
28 Washington school employees' retirement system, teachers' retirement
29 system, or law enforcement officers' and fire fighters' retirement
30 system.

31 (ii) A member shall receive a total of not more than twelve service
32 credit months of service for such calendar year. If an individual is
33 employed in an eligible position by one or more employers the
34 individual shall receive no more than one service credit month during
35 any calendar month in which multiple service for ninety or more hours
36 is rendered.

37 (iii) Up to forty-five days of sick leave may be creditable as
38 service solely for the purpose of determining eligibility to retire

1 under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of
2 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
3 to two service credit months. Use of less than forty-five days of sick
4 leave is creditable as allowed under this subsection as follows:

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

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

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

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

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

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

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

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

19 (13) "Membership service" means:

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

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

25 (c) Service not to exceed six consecutive months of probationary
26 service rendered after April 1, 1949, and prior to becoming a member,
27 in the case of any member, upon payment in full by such member of the
28 total amount of the employer's contribution to the retirement fund
29 which would have been required under the law in effect when such
30 probationary service was rendered if the member had been a member
31 during such period, except that the amount of the employer's
32 contribution shall be calculated by the director based on the first
33 month's compensation earnable as a member;

34 (d) Service not to exceed six consecutive months of probationary
35 service, rendered after October 1, 1947, and before April 1, 1949, and
36 prior to becoming a member, in the case of any member, upon payment in
37 full by such member of five percent of such member's salary during said

1 period of probationary service, except that the amount of the
2 employer's contribution shall be calculated by the director based on
3 the first month's compensation earnable as a member.

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

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

11 (15) "Regular interest" means such rate as the director may
12 determine.

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

17 (17)(a) "Average final compensation" for plan 1 members, means the
18 annual average of the greatest compensation earnable by a member during
19 any consecutive two year period of service credit months for which
20 service credit is allowed; or if the member has less than two years of
21 service credit months then the annual average compensation earnable
22 during the total years of service for which service credit is allowed.

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

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

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

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

37 (21) "Retirement allowance" means the sum of the annuity and the
38 pension.

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

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

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

11 (25) "Eligible position" means:

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

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

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

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

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

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

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

35 (31) "State elective position" means any position held by any
36 person elected or appointed to statewide office or elected or appointed
37 as a member of the legislature.

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

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

6 (34) "Plan 2" means the public employees' retirement system, plan
7 2 providing the benefits and funding provisions covering persons who
8 first became members of the system on and after October 1, 1977, and
9 are not included in plan 3.

10 (35) "Plan 3" means the public employees' retirement system, plan
11 3 providing the benefits and funding provisions covering persons who:
12 (a) First become a member on or after:
13 (i) March 1, 2002, and are employed by a state agency or institute
14 of higher education and who did not choose to enter plan 2; or
15 (ii) September 1, 2002, and are employed by other than a state
16 agency or institute of higher education and who did not choose to enter
17 plan 2; or
18 (b) Transferred to plan 3 under RCW 41.40.795.

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

23 (37) "Index A" means the index for the year prior to the
24 determination of a postretirement adjustment.

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

26 (39) "Index year" means the earliest calendar year in which the
27 index is more than sixty percent of index A.

28 (40) "Adjustment ratio" means the value of index A divided by index
29 B.

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

33 (42) "Separation from service" occurs when a person has terminated
34 all employment with an employer.

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

1 **Sec. 9.** RCW 41.35.010 and 2001 c 180 s 3 are each amended to read
2 as follows:

3 The definitions in this section apply throughout this chapter,
4 unless the context clearly requires otherwise:

5 (1) "Retirement system" means the Washington school employees'
6 retirement 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) "Employer," for plan 2 and plan 3 members, means a school
12 district or an educational service district.

13 (5) "Member" means any employee included in the membership of the
14 retirement system, as provided for in RCW 41.35.030.

15 (6)(a) "Compensation earnable" for plan 2 and plan 3 members, means
16 salaries or wages earned by a member during a payroll period for
17 personal services, including overtime payments, and shall include wages
18 and salaries deferred under provisions established pursuant to sections
19 403(b), 414(h), and 457 of the United States internal revenue code, but
20 shall exclude nonmoney maintenance compensation and lump sum or other
21 payments for deferred annual sick leave, unused accumulated vacation,
22 unused accumulated annual leave, ~~((or))~~ any form of severance pay, and
23 housing allowances authorized under section 2 of this act.

24 (b) "Compensation earnable" for plan 2 and plan 3 members also
25 includes the following actual or imputed payments, which are not paid
26 for personal services:

27 (i) Retroactive payments to an individual by an employer on
28 reinstatement of the employee in a position, or payments by an employer
29 to an individual in lieu of reinstatement, which are awarded or granted
30 as the equivalent of the salary or wage which the individual would have
31 earned during a payroll period shall be considered compensation
32 earnable to the extent provided in this subsection, and the individual
33 shall receive the equivalent service credit;

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

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

1 (B) Such member's actual compensation earnable received for
2 nonlegislative public employment and legislative service combined. Any
3 additional contributions to the retirement system required because
4 compensation earnable under (b)(ii)(A) of this subsection is greater
5 than compensation earnable under this (b)(ii)(B) of this subsection
6 shall be paid by the member for both member and employer contributions;

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

9 (iv) Compensation that a member would have received but for a
10 disability occurring in the line of duty only as authorized by RCW
11 41.40.038;

12 (v) Compensation that a member receives due to participation in the
13 leave sharing program only as authorized by RCW 41.04.650 through
14 41.04.670; and

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

20 (7) "Service" for plan 2 and plan 3 members means periods of
21 employment by a member in an eligible position or positions for one or
22 more employers for which compensation earnable is paid. Compensation
23 earnable earned for ninety or more hours in any calendar month shall
24 constitute one service credit month except as provided in RCW
25 41.35.180. Compensation earnable earned for at least seventy hours but
26 less than ninety hours in any calendar month shall constitute one-half
27 service credit month of service. Compensation earnable earned for less
28 than seventy hours in any calendar month shall constitute one-quarter
29 service credit month of service. Time spent in standby status, whether
30 compensated or not, is not service.

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

33 (a) Service in any state elective position shall be deemed to be
34 full-time service.

35 (b) A member shall receive a total of not more than twelve service
36 credit months of service for such calendar year. If an individual is
37 employed in an eligible position by one or more employers the

1 individual shall receive no more than one service credit month during
2 any calendar month in which multiple service for ninety or more hours
3 is rendered.

4 (c) For purposes of plan 2 and 3 "forty-five days" as used in RCW
5 28A.400.300 is equal to two service credit months. Use of less than
6 forty-five days of sick leave is creditable as allowed under this
7 subsection as follows:

8 (i) Less than eleven days equals one-quarter service credit month;

9 (ii) Eleven or more days but less than twenty-two days equals one-
10 half service credit month;

11 (iii) Twenty-two days equals one service credit month;

12 (iv) More than twenty-two days but less than thirty-three days
13 equals one and one-quarter service credit month; and

14 (v) Thirty-three or more days but less than forty-five days equals
15 one and one-half service credit month.

16 (8) "Service credit year" means an accumulation of months of
17 service credit which is equal to one when divided by twelve.

18 (9) "Service credit month" means a month or an accumulation of
19 months of service credit which is equal to one.

20 (10) "Membership service" means all service rendered as a member.

21 (11) "Beneficiary" for plan 2 and plan 3 members means any person
22 in receipt of a retirement allowance or other benefit provided by this
23 chapter resulting from service rendered to an employer by another
24 person.

25 (12) "Regular interest" means such rate as the director may
26 determine.

27 (13) "Accumulated contributions" means the sum of all contributions
28 standing to the credit of a member in the member's individual account,
29 including any amount paid under RCW 41.50.165(2), together with the
30 regular interest thereon.

31 (14) "Average final compensation" for plan 2 and plan 3 members
32 means the member's average compensation earnable of the highest
33 consecutive sixty months of service credit months prior to such
34 member's retirement, termination, or death. Periods constituting
35 authorized leaves of absence may not be used in the calculation of
36 average final compensation except under RCW 41.40.710(2).

37 (15) "Final compensation" means the annual rate of compensation
38 earnable by a member at the time of termination of employment.

1 (16) "Annuity" means payments for life derived from accumulated
2 contributions of a member. All annuities shall be paid in monthly
3 installments.

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

7 (18) "Retirement allowance" for plan 2 and plan 3 members means
8 monthly payments to a retiree or beneficiary as provided in this
9 chapter.

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

15 (20) "Actuarial equivalent" means a benefit of equal value when
16 computed upon the basis of such mortality and other tables as may be
17 adopted by the director.

18 (21) "Retirement" means withdrawal from active service with a
19 retirement allowance as provided by this chapter.

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

26 (23) "Ineligible position" means any position which does not
27 conform with the requirements set forth in subsection (22) of this
28 section.

29 (24) "Leave of absence" means the period of time a member is
30 authorized by the employer to be absent from service without being
31 separated from membership.

32 (25) "Retiree" means any person who has begun accruing a retirement
33 allowance or other benefit provided by this chapter resulting from
34 service rendered to an employer while a member.

35 (26) "Director" means the director of the department.

36 (27) "State elective position" means any position held by any
37 person elected or appointed to statewide office or elected or appointed
38 as a member of the legislature.

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

3 (29) "Plan 2" means the Washington school employees' retirement
4 system plan 2 providing the benefits and funding provisions covering
5 persons who first became members of the public employees' retirement
6 system on and after October 1, 1977, and transferred to the Washington
7 school employees' retirement system under RCW 41.40.750.

8 (30) "Plan 3" means the Washington school employees' retirement
9 system plan 3 providing the benefits and funding provisions covering
10 persons who first became members of the system on and after September
11 1, 2000, or who transfer from plan 2 under RCW 41.35.510.

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

16 (32) "Index A" means the index for the year prior to the
17 determination of a postretirement adjustment.

18 (33) "Index B" means the index for the year prior to index A.

19 (34) "Adjustment ratio" means the value of index A divided by index
20 B.

21 (35) "Separation from service" occurs when a person has terminated
22 all employment with an employer.

23 (36) "Member account" or "member's account" for purposes of plan 3
24 means the sum of the contributions and earnings on behalf of the member
25 in the defined contribution portion of plan 3.

26 (37) "Classified employee" means an employee of a school district
27 or an educational service district who is not eligible for membership
28 in the teachers' retirement system established under chapter 41.32 RCW.

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