

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 6530

Chapter 247, Laws of 2000

56th Legislature
2000 Regular Session

STATE RETIREMENT SYSTEM

EFFECTIVE DATE: 3/1/02 - Except section 408, which becomes effective 1/1/04; and sections 901 through 906, which become effective 9/1/00.

Passed by the Senate March 9, 2000
YEAS 47 NAYS 0

BRAD OWEN
President of the Senate

Passed by the House March 9, 2000
YEAS 98 NAYS 0

CLYDE BALLARD
**Speaker of the
House of Representatives**

FRANK CHOPP
**Speaker of the
House of Representatives**

Approved March 31, 2000

GARY F. LOCKE
Governor of the State of Washington

CERTIFICATE

I, Tony M. Cook, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 6530** as passed by the Senate and the House of Representatives on the dates hereon set forth.

TONY M. COOK
Secretary

FILED

March 31, 2000 - 3:41 p.m.

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 6530

AS AMENDED BY THE HOUSE

Passed Legislature - 2000 Regular Session

State of Washington

56th Legislature

2000 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Fraser, Long, Snyder, Franklin, Bauer, Honeyford, Jacobsen, Fairley, Haugen, Roach, Zarelli, Rasmussen, Goings, McAuliffe, Patterson, Eide, Winsley, Hale, Costa, Kohl-Welles, Stevens, B. Sheldon, Gardner and Spanel; by request of Joint Committee on Pension Policy)

Read first time 02/07/2000.

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, 41.40.610, 41.34.020, 41.34.030,
4 41.34.040, 41.34.060, 41.34.080, 41.34.100, 41.31A.010, 41.31A.020,
5 41.45.010, 41.45.050, 41.45.061, 41.50.075, 41.50.500, 41.05.011,
6 43.33A.190, 41.26.450, 41.40.630, 41.32.765, 41.32.875, 41.26.430,
7 41.35.420, 41.35.680, 41.32.805, 41.32.895, 41.40.700, 41.04.440,
8 41.04.445, 41.04.450, 41.26.470, 41.26.520, and 41.40.710; reenacting
9 and amending RCW 41.45.020, 41.45.060, 41.45.070, 41.50.088, 43.84.092,
10 and 41.26.510; adding new sections to chapter 41.40 RCW; adding a new
11 section to chapter 41.31A RCW; adding a new section to chapter 41.45
12 RCW; adding a new section to chapter 41.50 RCW; creating new sections;
13 decodifying RCW 41.40.094; repealing RCW 41.40.650; and providing
14 effective dates.

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

16 **"PROVISIONS APPLICABLE TO PUBLIC EMPLOYEES'**

17 **RETIREMENT SYSTEM PLANS 2 AND 3"**

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

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

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

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

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

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

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

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

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

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

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

1 (a) Any person who became a member of the system prior to April 1,
2 1949;

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

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

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

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

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

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

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

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

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

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

17 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and
18 72.09.240;

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

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

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

30 (ii) "Compensation earnable" 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 (b) "Compensation earnable" for plan 2 and plan 3 members, means
36 salaries or wages earned by a member during a payroll period for
37 personal services, including overtime payments, and shall include wages
38 and salaries deferred under provisions established pursuant to sections
39 403(b), 414(h), and 457 of the United States Internal Revenue Code, but

1 shall exclude nonmoney maintenance compensation and lump sum or other
2 payments for deferred annual sick leave, unused accumulated vacation,
3 unused accumulated annual leave, or any form of severance pay.

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

7 (i) 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 to the extent provided above, and the
13 individual shall receive the equivalent service credit;

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

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

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

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

27 (iv) Compensation that a member would have received but for a
28 disability occurring in the line of duty only as authorized by RCW
29 41.40.038;

30 (v) Compensation that a member receives due to participation in the
31 leave sharing program only as authorized by RCW 41.04.650 through
32 41.04.670; and

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

38 (9)(a) "Service" for plan 1 members, except as provided in RCW
39 41.40.088, means periods of employment in an eligible position or

1 positions for one or more employers rendered to any employer for which
2 compensation is paid, and includes time spent in office as an elected
3 or appointed official of an employer. Compensation earnable earned in
4 full time work for seventy hours or more in any given calendar month
5 shall constitute one service credit month except as provided in RCW
6 41.40.088. Compensation earnable earned for less than seventy hours in
7 any calendar month shall constitute one-quarter service credit month of
8 service except as provided in RCW 41.40.088. Only service credit
9 months and one-quarter service credit months shall be counted in the
10 computation of any retirement allowance or other benefit provided for
11 in this chapter. Any fraction of a year of service shall be taken into
12 account in the computation of such retirement allowance or benefits.
13 Time spent in standby status, whether compensated or not, is not
14 service.

15 (i) Service by a state employee officially assigned by the state on
16 a temporary basis to assist another public agency, shall be considered
17 as service as a state employee: PROVIDED, That service to any other
18 public agency shall not be considered service as a state employee if
19 such service has been used to establish benefits in any other public
20 retirement system.

21 (ii) An individual shall receive no more than a total of twelve
22 service credit months of service during any calendar year. If an
23 individual is employed in an eligible position by one or more employers
24 the individual shall receive no more than one service credit month
25 during any calendar month in which multiple service for seventy or more
26 hours is rendered.

27 (iii) A school district employee may count up to forty-five days of
28 sick leave as creditable service solely for the purpose of determining
29 eligibility to retire under RCW 41.40.180 as authorized by RCW
30 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW
31 28A.400.300 is equal to two service credit months. Use of less than
32 forty-five days of sick leave is creditable as allowed under this
33 subsection as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (13) "Membership service" means:

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

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

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

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

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

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

1 (15) "Regular interest" means such rate as the director may
2 determine.

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

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

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

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

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

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

27 (21) "Retirement allowance" means the sum of the annuity and the
28 pension.

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

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

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

39 (25) "Eligible position" means:

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

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

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

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

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

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

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

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

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

29 (33) "Plan 1" means the public employees' retirement system, plan
30 1 providing the benefits and funding provisions covering persons who
31 first became members of the system prior to October 1, 1977.

32 (34) "Plan 2" means the public employees' retirement system, plan
33 2 providing the benefits and funding provisions covering persons who
34 first became members of the system on and after October 1, 1977, and
35 are not included in plan 3.

36 (35) "Plan 3" means the public employees' retirement system, plan
37 3 providing the benefits and funding provisions covering persons who:

38 (a) First become a member on or after:

1 (i) March 1, 2002, and are employed by a state agency or institute
2 of higher education and who did not choose to enter plan 2; or

3 (ii) September 1, 2002, and are employed by other than a state
4 agency or institute of higher education and who did not choose to enter
5 plan 2; or

6 (b) Transferred to plan 3 under section 304 of this act.

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

11 ~~((+36+))~~ (37) "Index A" means the index for the year prior to the
12 determination of a postretirement adjustment.

13 ~~((+37+))~~ (38) "Index B" means the index for the year prior to index
14 A.

15 ~~((+38+))~~ (39) "Index year" means the earliest calendar year in
16 which the index is more than sixty percent of index A.

17 ~~((+39+))~~ (40) "Adjustment ratio" means the value of index A divided
18 by index B.

19 ~~((+40+))~~ (41) "Annual increase" means, initially, fifty-nine cents
20 per month per year of service which amount shall be increased each July
21 1st by three percent, rounded to the nearest cent.

22 ~~((+41+))~~ (42) "Separation from service" occurs when a person has
23 terminated all employment with an employer.

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

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

29 The deductions from the compensation of members, provided for in
30 RCW 41.40.330 ~~((or 41.40.650))~~, 41.45.060, 41.45.061, or section 507 of
31 this act, shall be made notwithstanding that the minimum compensation
32 provided for by law for any member shall be reduced thereby. Every
33 member shall be deemed to consent and agree to the deductions made and
34 provided for in this chapter and receipt in full for his or her salary
35 or compensation, and payment less the deductions shall be a full and
36 complete discharge and acquittance of all claims and demands whatsoever
37 for the services rendered by the person during the period covered by
38 the payment, except as to benefits provided for under this chapter.

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

3 A member shall not receive a disability retirement benefit under
4 RCW 41.40.200, 41.40.220, 41.40.230, 41.40.235, 41.40.250, ~~((or))~~
5 41.40.670, or section 310 of this act if the disability is the result
6 of criminal conduct by the member committed after April 21, 1997.

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

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

11 (2) For current employees, membership service may be established
12 for periods of employment with an employer prior to the employer's
13 admission into the retirement system by making the payments required by
14 this section.

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

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

22 (b) Option B: The employer makes a portion of the required
23 payments and the member pays the balance. The employer shall not be
24 required to make its payments until the member has made his or her
25 payments. Each member shall have the option to purchase the membership
26 service.

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

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

34 (3) An employer shall not be required to purchase membership
35 service under option A or B for periods of employment for which the
36 employer made contributions to a qualified retirement plan as defined
37 by 26 U.S.C. Sec. 401(a), if the contributions plus interest accrued
38 cannot be transferred to the retirement system. If the employer does

1 not purchase the membership credit under this subsection, the member
2 may purchase the membership service under subsection (2)(c) of this
3 section.

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

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

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

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

17 (2) On and after September 1, 1965, every school district of the
18 state of Washington shall be an employer under this chapter. Every
19 member of each school district who is eligible for membership under RCW
20 41.40.023 shall be a member of the retirement system and participate on
21 the same basis as a person who first becomes a member through the
22 admission of any employer into the retirement system on and after April
23 1, 1949, except that after August 31, 2000, school districts will no
24 longer be employers for the public employees' retirement system plan 2
25 or plan 3.

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

28 (1) A plan 1 member who is employed by a school district or
29 districts, an educational service district, the state school for the
30 deaf, the state school for the blind, institutions of higher education,
31 or community colleges:

32 (a) Shall receive a service credit month for each month of the
33 period from September through August of the following year if he or she
34 is employed in an eligible position, earns compensation earnable for
35 six hundred thirty hours or more during that period, and is employed
36 during nine months of that period, except that a member may not receive

1 credit for any period prior to the member's employment in an eligible
2 position;

3 (b) If a member in an eligible position does not meet the
4 requirements of (a) of this subsection, the member is entitled to a
5 service credit month for each month of the period he or she earns
6 earnable compensation for seventy or more hours; and the member is
7 entitled to a one-quarter service credit month for those calendar
8 months during which he or she earned compensation for less than seventy
9 hours.

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

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

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

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

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

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

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

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

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

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

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

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

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

"PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2"

Sec. 201. RCW 41.40.610 and 1991 c 35 s 97 are each amended to read as follows:

RCW 41.40.620 through ((41.40.740)) 41.40.750 shall apply only to plan 2 members.

NEW SECTION. **Sec. 202.** RCW 41.40.650 (Employer and member contributions) and 1989 c 273 s 24, 1986 c 268 s 6, 1984 c 184 s 12, & 1977 ex.s. c 295 s 6 are each repealed.

"PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 3"

NEW SECTION. **Sec. 301.** (1) Sections 301 through 316 of this act apply only to plan 3 members.

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

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

1 NEW SECTION. **Sec. 302.** (1) All employees who first become
2 employed by an employer in an eligible position on or after March 1,
3 2002, for state agencies or institutes of higher education, or
4 September 1, 2002, for other employers, shall have a period of ninety
5 days to make an irrevocable choice to become a member of plan 2 or plan
6 3. At the end of ninety days, if the member has not made a choice to
7 become a member of plan 2, he or she becomes a member of plan 3.

8 (2) For administrative efficiency, until a member elects to become
9 a member of plan 3, or becomes a member of plan 3 by default pursuant
10 to subsection (1) of this section, the member shall be reported to the
11 department in plan 2, with member and employer contributions. Upon
12 becoming a member of plan 3 by election or by default, all service
13 credit shall be transferred to the member's plan 3 defined benefit, and
14 all employee accumulated contributions shall be transferred to the
15 member's plan 3 defined contribution account.

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

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

24 NEW SECTION. **Sec. 304.** (1) As used in this section, unless the
25 context clearly requires otherwise:

26 (a) "Transfer period" means the time during which a member of one
27 of the groups of plan 2 members identified in subsection (2) of this
28 section may choose to irrevocably transfer from plan 2 to plan 3.

29 (b) "Transfer basis" means the accumulated contributions present in
30 a member's savings fund on March 1, 2002, less fifty percent of any
31 contributions made pursuant to RCW 41.50.165(2), which is the basis for
32 calculation of the plan 2 to plan 3 additional transfer payment.

33 (c) "Additional transfer payment date" means June 1, 2003, the date
34 of the additional transfer payment made according to subsection (6) of
35 this section.

(2) Every plan 2 member employed by an employer in an eligible position has the option during their transfer period to make an irrevocable transfer to plan 3 according to the following schedule:

(a) For those members employed by state agencies and institutes of higher education the transfer period means the period between March 1, 2002, and September 1, 2002.

(b) For those members employed by other organizations the transfer period means the period between September 1, 2002, and June 1, 2003.

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

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

(4)(a) Anyone who first became a state or higher education member of plan 2 before March 1, 2002, or a local government member of plan 2 before September 1, 2002, who wishes to transfer to plan 3 after their transfer period may transfer during the month of January in any following year, provided that the member earns service credit for that month.

(b) Anyone who chose to become a state or higher education member of plan 2 on or after March 1, 2002, or a local government member of plan 2 on or after September 1, 2002, is prohibited from transferring to plan 3 under (a) of this subsection.

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

(6) Anyone who requests to transfer under this section during their transfer period, and establishes service credit for February 2003, shall have their member account:

1 (a) If a member's transfer period is that described in subsection
2 (2)(a) of this section, increased by one hundred ten percent of the
3 transfer basis;

4 (b) If a member's transfer period is that described in subsection
5 (2)(b) of this section, increased by one hundred eleven percent of the
6 transfer basis; and

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

9 (7) If a member who requests to transfer dies before June 1, 2003,
10 the additional payment provided by this section shall be paid to the
11 member's estate, or the person or persons, trust, or organization the
12 member nominated by written designation duly executed and filed with
13 the department.

14 (8) Anyone previously retired from plan 2 is prohibited from
15 transferring to plan 3.

16 (9) The legislature reserves the right to discontinue the right to
17 transfer under this section and to modify and to discontinue the right
18 to an additional payment under this section for any plan 2 members who
19 have not previously transferred to plan 3.

20 NEW SECTION. **Sec. 305.** Any member or beneficiary eligible to
21 receive a retirement allowance under the provisions of section 309,
22 310, or 312 of this act is eligible to commence receiving a retirement
23 allowance after having filed written application with the department.

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

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

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

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

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

4 (2) A member who receives compensation from an employer while on an
5 authorized leave of absence to serve as an elected official of a labor
6 organization, and whose employer is reimbursed by the labor
7 organization for the compensation paid to the member during the period
8 of absence, may also be considered to be on a paid leave of absence.
9 This subsection shall only apply if the member's leave of absence is
10 authorized by a collective bargaining agreement that provides that the
11 member retains seniority rights with the employer during the period of
12 leave. The earnable compensation reported for a member who establishes
13 service credit under this subsection may not be greater than the salary
14 paid to the highest paid job class covered by the collective bargaining
15 agreement.

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

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

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

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

28 (4) A member who leaves the employ of an employer to enter the
29 armed forces of the United States shall be entitled to retirement
30 system service credit for up to five years of military service if
31 within ninety days of the member's honorable discharge from the United
32 States armed forces, the member applies for reemployment with the
33 employer who employed the member immediately prior to the member
34 entering the United States armed forces. This subsection shall be
35 administered in a manner consistent with the requirements of the
36 federal uniformed services employment and reemployment rights act.

37 The department shall establish the member's service credit and
38 shall bill the employer for its contribution required under RCW
39 41.45.060 and section 507 of this act for the period of military

1 service, plus interest as determined by the department. Service credit
2 under this subsection may be obtained only if the member makes the
3 employee contribution to the defined contribution portion as determined
4 by the department.

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

9 NEW SECTION. **Sec. 307.** (1) Contributions on behalf of the
10 employer paid by the employee to purchase plan 3 service credit shall
11 be allocated to the defined benefit portion of plan 3 and shall not be
12 refundable when paid to the fund described in RCW 41.50.075(3).
13 Contributions on behalf of the employee shall be allocated to the
14 member account. If the member fails to meet the statutory time
15 limitations to purchase plan 3 service credit, it may be purchased
16 under the provisions of RCW 41.50.165(2). One-half of the purchase
17 payments under RCW 41.50.165(2), plus interest, shall be allocated to
18 the member's account.

19 (2) No purchased plan 3 membership service may be credited until
20 all payments required of the member are made, with interest. Upon
21 receipt of all payments owed by the member, the department shall bill
22 the employer for any contributions, plus interest, required to purchase
23 membership service.

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

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

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

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

(a) Completed ten service credit years; or

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

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

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

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

(3) ALTERNATE EARLY RETIREMENT. Any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of section 303 of this act, except that a member retiring pursuant to this subsection shall have the retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

NEW SECTION. Sec. 310. (1) A member of the retirement system who becomes totally incapacitated for continued employment by an employer as determined by the department shall be eligible to receive an allowance under the provisions of plan 3. The member shall receive a monthly disability allowance computed as provided for in section 303 of this act and shall have this allowance actuarially reduced to reflect the difference in the number of years between age at disability and the attainment of age sixty-five.

1 Any member who receives an allowance under the provisions of this
2 section shall be subject to comprehensive medical examinations as
3 required by the department. If these medical examinations reveal that
4 a member has recovered from the incapacitating disability and the
5 member is offered reemployment by an employer at a comparable
6 compensation, the member shall cease to be eligible for the allowance.

7 (2) If the recipient of a monthly retirement allowance under this
8 section dies, any further benefit payments shall be conditioned by the
9 payment option selected by the retiree as provided in section 314 of
10 this act.

11 NEW SECTION. **Sec. 311.** (1) Any member who elects to transfer to
12 plan 3 and has eligible unrestored withdrawn contributions in plan 2,
13 may restore such contributions under the provisions of RCW 41.40.740
14 with interest as determined by the department. The restored plan 2
15 service credit will be automatically transferred to plan 3.
16 Restoration payments will be transferred to the member account in plan
17 3. If the member fails to meet the time limitations of RCW 41.40.740,
18 they may restore such contributions under the provisions of RCW
19 41.50.165(2). The restored plan 2 service credit will be automatically
20 transferred to plan 3. One-half of the restoration payments under RCW
21 41.50.165(2) plus interest shall be allocated to the member's account.

22 (2) Any member who elects to transfer to plan 3 may purchase plan
23 2 service credit under RCW 41.40.740. Purchased plan 2 service credit
24 will be automatically transferred to plan 3. Contributions on behalf
25 of the employer paid by the employee shall be allocated to the defined
26 benefit portion of plan 3 and shall not be refundable when paid to the
27 fund described in RCW 41.50.075(3). Contributions on behalf of the
28 employee shall be allocated to the member account. If the member fails
29 to meet the time limitations of RCW 41.40.740, they may subsequently
30 restore such contributions under the provisions of RCW 41.50.165(2).
31 Purchased plan 2 service credit will be automatically transferred to
32 plan 3. One-half of the payments under RCW 41.50.165(2), plus
33 interest, shall be allocated to the member's account.

34 NEW SECTION. **Sec. 312.** If a member dies prior to retirement, the
35 surviving spouse or eligible child or children shall receive a
36 retirement allowance computed as provided in section 303 of this act
37 actuarially reduced to reflect a joint and one hundred percent survivor

1 option and if the member was not eligible for normal retirement at the
2 date of death a further reduction as described in section 309 of this
3 act.

4 If the surviving spouse who is receiving the retirement allowance
5 dies leaving a child or children under the age of majority, then such
6 child or children shall continue to receive an allowance in an amount
7 equal to that which was being received by the surviving spouse, share
8 and share alike, until such child or children reach the age of
9 majority.

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

15 NEW SECTION. **Sec. 313.** Beginning July 1, 1979, and every year
16 thereafter, the department shall determine the following information
17 for each retired member or beneficiary whose retirement allowance has
18 been in effect for at least one year:

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

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

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

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

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

28 (a) Produce a retirement allowance which is lower than the original
29 retirement allowance;

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

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

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

1 NEW SECTION. **Sec. 314.** (1) Upon retirement for service as
2 prescribed in section 309 of this act or retirement for disability
3 under section 310 of this act, a member shall elect to have the
4 retirement allowance paid pursuant to one of the following options,
5 calculated so as to be actuarially equivalent to each other.

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

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

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

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

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

1 (ii) The spousal consent provisions of (a) of this subsection do
2 not apply.

3 NEW SECTION. **Sec. 315.** (1) Except as provided in RCW 41.40.037,
4 no retiree under the provisions of plan 3 shall be eligible to receive
5 such retiree's monthly retirement allowance if he or she is employed in
6 an eligible position as defined in RCW 41.40.010, 41.32.010, or
7 41.35.010, or as a law enforcement officer or fire fighter as defined
8 in RCW 41.26.030, except that a retiree who ends his or her membership
9 in the retirement system pursuant to RCW 41.40.023(3)(b) is not subject
10 to this section if the retiree's only employment is as an elective
11 official of a city or town.

12 (2) If a retiree's benefits have been suspended under this section,
13 his or her benefits shall be reinstated when the retiree terminates the
14 employment that caused his or her benefits to be suspended. Upon
15 reinstatement, the retiree's benefits shall be actuarially recomputed
16 pursuant to the rules adopted by the department.

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

18 NEW SECTION. **Sec. 316.** The benefits provided pursuant to chapter
19 . . . , Laws of 2000 (this act) are not provided to employees as a
20 matter of contractual right prior to March 1, 2002. The legislature
21 retains the right to alter or abolish these benefits at any time prior
22 to March 1, 2002.

23 NEW SECTION. **Sec. 317.** Sections 301 through 316 of this act are
24 each added to chapter 41.40 RCW and codified with the subchapter
25 heading "PLAN 3."

26 **"DEFINED CONTRIBUTION"**

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

29 As used in this chapter, the following terms have the meanings
30 indicated:

31 (1) "Actuary" means the state actuary or the office of the state
32 actuary.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Plan 3 consists of two separate elements:

1 (a) A defined benefit portion covered under:
2 (i) Sections 101 through 117, chapter 239, Laws of 1995; or
3 (ii) Sections 1 through 25 and 201 through 213, chapter 341, Laws
4 of 1998; or
5 (iii) Sections 101 through 316, chapter . . . , Laws of 2000
6 (sections 101 through 316 of this act); and
7 (b) A defined contribution portion covered under this chapter.
8 Unless specified otherwise, all references to "plan 3" in this chapter
9 refer to the defined contribution portion of plan 3.

10 **Sec. 403.** RCW 41.34.040 and 1996 c 39 s 14 are each amended to
11 read as follows:

12 (1) A member shall contribute from his or her compensation
13 according to one of the following rate structures:

14	<u>Option A</u>	<u>Contribution Rate</u>
15	All Ages	5.0% fixed
16	<u>Option B</u>	
17	Up to Age 35	5.0%
18	Age 35 to 44	6.0%
19	Age 45 and above	7.5%
20	<u>Option C</u>	
21	Up to Age 35	6.0%
22	Age 35 to 44	7.5%
23	Age 45 and above	8.5%

24 (2) The board shall have the right to offer contribution rate
25 options in addition to those listed in subsection (1) of this section,
26 provided that no significant additional administrative costs are
27 created. All options offered by the board shall conform to the
28 requirements stated in subsections (3) and (4) of this section.

29 (3)(a) For members of the teachers' retirement system entering plan
30 3 under RCW 41.32.835 or members of the school employees' retirement
31 system entering plan 3 under RCW 41.35.610, within ninety days of
32 becoming a member he or she has an irrevocable option to choose one of
33 the above contribution rate structures. If the member does not select
34 an option within the ninety-day period, he or she shall be assigned
35 option A. Such assignment shall be irrevocable.

36 (b) For members of the public employees' retirement system entering
37 plan 3 under section 302 of this act, within the ninety days described

1 in section 302 an employee who irrevocably chooses plan 3 shall select
2 one of the above contribution rate structures. If the member does not
3 select an option within the ninety-day period, he or she shall be
4 assigned option A. Such assignment shall be irrevocable.

5 (c) For members of the teachers' retirement system transferring to
6 plan 3 under RCW 41.32.817, members of the school employees' retirement
7 system transferring to plan 3 under RCW 41.35.510, or members of the
8 public employees' retirement system transferring to plan 3 under
9 section 304 of this act, upon election to plan 3 he or she must
10 irrevocably choose one of the above contribution rate structures.

11 (d) Within ninety days of the date that an employee ((becomes a
12 member of plan III or)) changes employers, he or she has an irrevocable
13 option to choose one of the above contribution rate structures. If the
14 member does not select an option within this ninety-day period, he or
15 she shall be assigned option A. Such assignment shall be irrevocable.

16 (4) Contributions shall begin the first day of the pay cycle in
17 which the rate option is made, or the first day of the pay cycle in
18 which the end of the ninety-day period occurs.

19 **Sec. 404.** RCW 41.34.060 and 1999 c 265 s 1 are each amended to
20 read as follows:

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

28 (a) For members of the retirement system as provided for in chapter
29 41.32 RCW of plan 3, investment shall be in the same portfolio as that
30 of the teachers' retirement system combined plan 2 and 3 fund under RCW
31 41.50.075(2).

32 (b) For members of the retirement system as provided for in chapter
33 41.35 RCW of plan 3, investment shall be in the same portfolio as that
34 of the school employees' retirement system combined plan 2 and 3 fund
35 under RCW 41.50.075(4).

36 (c) For members of the retirement system as provided for in chapter
37 41.40 RCW of plan 3, investment shall be in the same portfolio as that

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

3 (2) The state investment board shall declare monthly unit values
4 for the portfolios or funds, or portions thereof, utilized under
5 subsection (1)(a) and (b) of this section. The declared values shall
6 be an approximation of portfolio or fund values, based on internal
7 procedures of the state investment board. Such declared unit values
8 and internal procedures shall be in the sole discretion of the state
9 investment board. The state investment board may delegate any of the
10 powers and duties under this subsection, including discretion, pursuant
11 to RCW 43.33A.030. Member accounts shall be credited by the department
12 with a rate of return based on changes to such unit values.

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

15 **Sec. 405.** RCW 41.34.080 and 1998 c 341 s 304 are each amended to
16 read as follows:

17 (1) Subject to subsections (2) and (3) of this section, the right
18 of a person to a pension, an annuity, a retirement allowance, any
19 optional benefit, any other right accrued or accruing to any person
20 under the provisions of this chapter, and the various funds created by
21 chapter 239, Laws of 1995(~~(,—and))~~); chapter 341, Laws of 1998; and
22 chapter . . . , Laws of 2000 (this act) and all moneys and investments
23 and income thereof, is hereby exempt from any state, county, municipal,
24 or other local tax, and shall not be subject to execution, garnishment,
25 attachment, the operation of bankruptcy or insolvency laws, or other
26 process of law whatsoever, and shall be unassignable.

27 (2) This section shall not be deemed to prohibit a beneficiary of
28 a retirement allowance from authorizing deductions therefrom for
29 payment of premiums due on any group insurance policy or plan issued
30 for the benefit of a group comprised of public employees of the state
31 of Washington or its political subdivisions and that has been approved
32 for deduction in accordance with rules that may be adopted by the state
33 health care authority and/or the department. This section shall not be
34 deemed to prohibit a beneficiary of a retirement allowance from
35 authorizing deductions therefrom for payment of dues and other
36 membership fees to any retirement association or organization the
37 membership of which is composed of retired public employees, if a total
38 of three hundred or more of such retired employees have authorized such

1 deduction for payment to the same retirement association or
2 organization.

3 (3) Subsection (1) of this section shall not prohibit the
4 department from complying with (a) a wage assignment order for child
5 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold
6 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of
7 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory
8 benefits assignment order issued by the department, (e) a court order
9 directing the department to pay benefits directly to an obligee under
10 a dissolution order as defined in RCW 41.50.500(3) which fully complies
11 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
12 order expressly authorized by federal law.

13 **Sec. 406.** RCW 41.34.100 and 1998 c 341 s 305 are each amended to
14 read as follows:

15 (1) The benefits provided pursuant to chapter 239, Laws of 1995 are
16 not provided to employees as a matter of contractual right prior to
17 July 1, 1996. The legislature retains the right to alter or abolish
18 these benefits at any time prior to July 1, 1996.

19 (2) The benefits provided pursuant to chapter 341, Laws of 1998 are
20 not provided to employees as a matter of contractual right prior to
21 September 1, 2000. The legislature retains the right to alter or
22 abolish these benefits at any time prior to September 1, 2000.

23 (3) The benefits provided pursuant to chapter . . . , Laws of 2000
24 (this act) are not provided to employees as a matter of contractual
25 right prior to March 1, 2002. The legislature retains the right to
26 alter or abolish these benefits at any time prior to March 1, 2002.

27 **"GAIN SHARING"**

28 **Sec. 407.** RCW 41.31A.010 and 1998 c 341 s 311 are each amended to
29 read as follows:

30 The definitions in this section apply throughout this chapter
31 unless the context requires otherwise.

32 (1) "Actuary" means the state actuary or the office of the state
33 actuary.

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

35 (3) "Teacher" means any employee included in the membership of the
36 teachers' retirement system as provided for in chapter 41.32 RCW.

(4) "Member account" or "member's account" means the sum of any contributions as provided for in chapter 41.34 RCW and the earnings on behalf of the member.

(5) "Classified employee" means the same as in RCW 41.35.010.

(6) "Public employee" means the same as "member" as defined in RCW 41.40.010(5).

Sec. 408. RCW 41.31A.020 and 1998 c 341 s 312 are each amended to read as follows:

(1) On January 1, ~~((2002))~~ 2004, and on January 1st of even-numbered years thereafter, the member account of a person meeting the requirements of this section shall be credited by the extraordinary investment gain amount.

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

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

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

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

(i) Completed ten service credit years; or

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

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

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

(f) Any public employee who is a retiree pursuant to RCW 41.40.010(29) and who has completed five service credit years by March

1 1, 2002, and who transferred to plan 3 under section 304 of this act;
2 or

3 (g) Any person who had a balance of at least one thousand dollars
4 in their member account on August 31st of the year immediately
5 preceding the distribution and who:

6 (i) Completed ten service credit years; or

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

9 ((+g+)) (h) Any teacher who had a balance of at least one thousand
10 dollars in their member account on August 31st of the year immediately
11 preceding the distribution and who has completed five service credit
12 years by July 1, 1996, under plan 2 and who transferred to plan 3 under
13 RCW 41.32.817; or

14 ((+h+)) (i) Any classified employee who had a balance of at least
15 one thousand dollars in their member account on August 31st of the year
16 immediately preceding the distribution and who has completed five
17 service credit years by September 1, 2000, and who transferred to plan
18 3 under RCW 41.35.510; or

19 (j) Any public employee who had a balance of at least one thousand
20 dollars in their member account on August 31st of the year immediately
21 preceding the distribution and who has completed five service credit
22 years by March 1, 2002, and who transferred to plan 3 under section 304
23 of this act.

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

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

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

35 (c) Multiplied by the proportion of:

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

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

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

(B) Any person who earned service credit in the teachers' retirement system plan 2 ~~((or))~~, the Washington school employees' retirement system plan 2, or the public employees' retirement system plan 2 during the twelve-month period from September 1st to August 31st immediately preceding the distribution;

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

(D) Any person with five or more years of service in the teachers' retirement system plan 2 ~~((or))~~, the Washington school employees' retirement system plan 2, or the public employees' retirement system plan 2;

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

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

NEW SECTION. **Sec. 409.** A new section is added to chapter 41.31A RCW to read as follows:

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

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

(a) Any public employee who earned service credit during the twelve-month period from September 1st to August 31st immediately preceding the distribution and who transferred to plan 3 under section 304 of this act; or

(b) Any public employee in receipt of a benefit pursuant to section 309 of this act and who has completed five service credit years by September 1, 2002, and who transferred to plan 3 under section 304 of this act; or

1 (c) Any public employee who is a retiree pursuant to RCW
2 41.34.020(8) and who has completed five service credit years by
3 September 1, 2002, and who transferred to plan 3 under section 304 of
4 this act; or

5 (d) Any public employee who has a balance of at least one thousand
6 dollars in either his or her member account or in plan 2 accumulated
7 contributions and who has completed five service credit years by
8 September 1, 2002, and who transferred to plan 3 under section 304 of
9 this act.

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

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

15 (b) Distributed to persons eligible for the benefit in subsection
16 (1) of this section on the basis of their service credit total on July
17 1, 1999.

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

20 (a) An amount equal to the average benefit per year of service paid
21 in 2002 to members of the teachers' retirement system plan 3 and the
22 school employees' retirement system plan 3 under RCW 41.31A.020;

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

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

29 "ACTUARIAL FUNDING"

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

32 It is the intent of the legislature to provide a dependable and
33 systematic process for funding the benefits provided to members and
34 retirees of the public employees' retirement system, chapter 41.40 RCW;
35 the teachers' retirement system, chapter 41.32 RCW; the law enforcement
36 officers' and fire fighters' retirement system, chapter 41.26 RCW; the

1 school employees' retirement system, chapter 41.35 RCW; and the
2 Washington state patrol retirement system, chapter 43.43 RCW.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) The department shall bill employers, and the state shall make contributions to the law enforcement officers' and fire fighters' retirement system, using the combined rates established in RCW 41.45.060 and 41.45.070 regardless of the level of pension funding provided in the biennial budget. Any member of an affected retirement system may, by mandamus or other appropriate proceeding, require the transfer and payment of funds as directed in this section.

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

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

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

(7) The contributions received under RCW (~~((41.26.450))~~) 41.45.060, 41.45.061, and section 507 of this act for the law enforcement officers' and fire fighters' retirement system shall be allocated between the law enforcement officers' and fire fighters' retirement system plan 1 and the law enforcement officers' and fire fighters' retirement system plan 2 fund as follows: The contributions necessary to fully fund the law enforcement officers' and fire fighters' retirement system plan 2 employer contributions shall be first deposited in the law enforcement officers' and fire fighters' retirement system plan 2 fund. All remaining law enforcement officers' and fire fighters' retirement system employer contributions shall be deposited in the law enforcement officers' and fire fighters' retirement system plan 1 fund.

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

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

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

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

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

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

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

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

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

(c) For the law enforcement officers' and fire fighters' system plan 2 the rate charged to employers, except as provided in RCW 41.26.450, shall be thirty percent of the cost of the retirement system and the rate charged to the state shall be twenty percent of the cost of the retirement system.

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

(5) An amount equal to the amount of extraordinary investment gains as defined in RCW 41.31.020 shall be used to shorten the amortization

1 period for the public employees' retirement system plan 1 and the
2 teachers' retirement system plan 1.

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

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

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

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

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

31 (3) The supplemental rate charged under this section to fund
32 benefit increases provided to active members of the public employees'
33 retirement system plan 1, the teachers' retirement system plan 1, the
34 law enforcement officers' and fire fighters' retirement system plan 1,
35 and Washington state patrol retirement system, shall be calculated as
36 the level percentage of all members' pay needed to fund the cost of the
37 benefit not later than June 30, 2024.

(4) The supplemental rate charged under this section to fund benefit increases provided to active and retired members of the public employees' retirement system plan 2 and plan 3, the teachers' retirement system plan 2 and plan 3, the school employees' retirement system plan 2 and plan 3, or the law enforcement officers' and fire fighters' retirement system plan 2, shall be calculated as the level percentage of all members' pay needed to fund the cost of the benefit, as calculated under RCW ((~~41.40.650 or 41.26.450, respectively~~)) 41.45.060, 41.45.061, or section 507 of this act.

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

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

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

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

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

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

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

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

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

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

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

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

(4) The required contribution rate for members of the law enforcement officers' and fire fighters' retirement system plan 2 shall be set at fifty percent of the cost of the retirement system.

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

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

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

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

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

(3) Members' contributions required by RCW 41.45.060 and 41.45.061 shall be deducted from the members' compensation each payroll period. The members' contribution and the employers' contribution shall be remitted directly to the department within fifteen days following the end of the calendar month during which the payroll period ends.

(4) The state's contribution required for the law enforcement officers' and fire fighters' retirement system plan 2 shall be transferred to the appropriate fund from the total contributions transferred by the state treasurer under RCW 41.45.060 and 41.45.070.

"NECESSARY FOR IMPLEMENTATION"

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

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

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

(3) There is hereby established in the state treasury two separate funds, namely the public employees' retirement system plan 1 fund and the public employees' retirement system combined plan 2 and plan 3

1 fund. The plan 1 fund shall consist of all moneys paid to finance the
2 benefits provided to members of the public employees' retirement system
3 plan 1, and the combined plan 2 and plan 3 fund shall consist of all
4 moneys paid to finance the benefits provided to members of the public
5 employees' retirement system plans 2 and 3.

6 (4) There is hereby established in the state treasury the school
7 employees' retirement system combined plan 2 and 3 fund. The combined
8 plan 2 and 3 fund shall consist of all moneys paid to finance the
9 benefits provided to members of the school employees' retirement system
10 plan 2 and plan 3.

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

13 (1) The board shall adopt rules as necessary and exercise ~~((all))~~
14 the following powers and ~~((perform all))~~ duties ~~((prescribed by law~~
15 ~~with respect to))~~:

16 (a) The board shall recommend to the state investment board types
17 of options for member self-directed investment in the teachers'
18 retirement system plan 3 ~~((and))~~, the school employees' retirement
19 system plan 3, and the public employees' retirement system plan 3 as
20 deemed by the board to be reflective of the members' preferences;

21 ~~((The selection of optional benefit payment schedules available~~
22 ~~to members and survivors of members upon the death, disability,~~
23 ~~retirement, or termination of the member. The optional benefit~~
24 ~~payments may include but not be limited to: Fixed and participating~~
25 ~~annuities, joint and survivor annuities, and payments that bridge to~~
26 ~~social security or defined benefit plan payments;~~

27 ~~((c) Approval of actuarially equivalent annuities))~~ By July 1, 2005,
28 the board shall make optional actuarially equivalent life annuity
29 benefit payment schedules available to members and survivors that may
30 be purchased from the combined plan 2 and plan 3 funds under RCW
31 41.50.075 ~~((+2) or (+3)))~~; and

32 ~~((+d))~~ (c) Determination of the basis for administrative charges
33 to the self-directed investment fund to offset self-directed account
34 expenses;

35 (2) The board shall recommend to the state investment board types
36 of options for participant self-directed investment in the state
37 deferred compensation plan, as deemed by the board to be reflective of
38 the participants' preferences.

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

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

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

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

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

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

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

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

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

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

37 (9) "Standard allowance" means a benefit payment option selected
38 under RCW 2.10.146(1)(a), 41.26.460(1)(a), 41.32.785(1)(a),
39 41.40.188(1)(a), 41.40.660(1), section 314(1)(a) of this act, or

1 41.35.220 that ceases upon the death of the retiree. Standard
2 allowance also means the benefit allowance provided under RCW 2.10.110,
3 2.10.130, 43.43.260, 41.26.100, 41.26.130(1)(a), or chapter 2.12 RCW.
4 Standard allowance also means the maximum retirement allowance
5 available under RCW 41.32.530(1) following member withdrawal of
6 accumulated contributions, if any.

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

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

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

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

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

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

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

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

32 (6) "Employee" includes all full-time and career seasonal employees
33 of the state, whether or not covered by civil service; elected and
34 appointed officials of the executive branch of government, including
35 full-time members of boards, commissions, or committees; and includes
36 any or all part-time and temporary employees under the terms and
37 conditions established under this chapter by the authority; justices of
38 the supreme court and judges of the court of appeals and the superior

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) RCW 41.40.010 on or after March 1, 2002;

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

"FUND INVESTMENTS AND INTEREST EARNINGS"

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

Pursuant to RCW 41.34.130, the state investment board shall invest all self-directed investment moneys under teachers' retirement system plan 3 ~~((and))~~, the school employees' retirement system plan 3, and the public employees' retirement system plan 3 with full power to establish investment policy, develop investment options, and manage self-directed investment funds.

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

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

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or

1 from the federal government pursuant to the cash management improvement
2 act. The office of financial management may direct transfers of funds
3 between accounts as deemed necessary to implement the provisions of the
4 cash management improvement act, and this subsection. Refunds or
5 allocations shall occur prior to the distributions of earnings set
6 forth in subsection (4) of this section.

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

15 (4) Monthly, the state treasurer shall distribute the earnings
16 credited to the treasury income account. The state treasurer shall
17 credit the general fund with all the earnings credited to the treasury
18 income account except:

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

1 local leasehold excise tax account, the local real estate excise tax
2 account, the local sales and use tax account, the medical aid account,
3 the mobile home park relocation fund, the municipal criminal justice
4 assistance account, the municipal sales and use tax equalization
5 account, the natural resources deposit account, the perpetual
6 surveillance and maintenance account, the public employees' retirement
7 system plan 1 account, the public employees' retirement system combined
8 plan 2 and plan 3 account, the Puyallup tribal settlement account, the
9 resource management cost account, the site closure account, the special
10 wildlife account, the state employees' insurance account, the state
11 employees' insurance reserve account, the state investment board
12 expense account, the state investment board commingled trust fund
13 accounts, the supplemental pension account, the teachers' retirement
14 system plan 1 account, the teachers' retirement system combined plan 2
15 and plan 3 account, the tobacco prevention and control account, the
16 tobacco settlement account, the transportation infrastructure account,
17 the tuition recovery trust fund, the University of Washington bond
18 retirement fund, the University of Washington building account, the
19 volunteer fire fighters' and reserve officers' relief and pension
20 principal ~~((account))~~ fund, the volunteer fire fighters' ~~((relief and~~
21 ~~pension))~~ and reserve officers' administrative ~~((account))~~ fund, the
22 Washington judicial retirement system account, the Washington law
23 enforcement officers' and fire fighters' system plan 1 retirement
24 account, the Washington law enforcement officers' and fire fighters'
25 system plan 2 retirement account, the Washington school employees'
26 retirement system combined plan 2 and 3 account, the Washington state
27 patrol retirement account, the Washington State University building
28 account, the Washington State University bond retirement fund, the
29 water pollution control revolving fund, and the Western Washington
30 University capital projects account. Earnings derived from investing
31 balances of the agricultural permanent fund, the normal school
32 permanent fund, the permanent common school fund, the scientific
33 permanent fund, and the state university permanent fund shall be
34 allocated to their respective beneficiary accounts. All earnings to be
35 distributed under this subsection (4)(a) shall first be reduced by the
36 allocation to the state treasurer's service fund pursuant to RCW
37 43.08.190.

38 (b) The following accounts and funds shall receive eighty percent
39 of their proportionate share of earnings based upon each account's or

fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the county arterial preservation account, the department of licensing services account, the essential rail assistance account, the ferry bond retirement fund, the grade crossing protective fund, the high capacity transportation account, the highway bond retirement fund, the highway safety account, the motor vehicle fund, the motorcycle safety education account, the pilotage account, the public transportation systems account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the recreational vehicle account, the rural arterial trust account, the safety and education account, the special category C account, the state patrol highway account, the transportation equipment fund, the transportation fund, the transportation improvement account, the transportation improvement board bond retirement account, and the urban arterial trust account.

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

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

Sec. 801. RCW 41.26.450 and 1996 c 38 s 3 are each amended to read as follows:

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

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

Member	50%
Employer	30%
State	20%

~~(3))~~ Port districts established under Title 53 RCW and institutions of higher education as defined in RCW 28B.10.016 shall contribute both the employer and state shares of the cost of the

1 retirement system for any of their employees who are law enforcement
2 officers. Institutions of higher education shall contribute both the
3 employer and the state shares of the cost of the retirement system for
4 any of their employees who are fire fighters.

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

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

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

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

19 ~~(8) Members' contributions required by this section shall be~~
20 ~~deducted from the members basic salary each payroll period. The~~
21 ~~members contribution and the employers contribution shall be remitted~~
22 ~~directly to the department within fifteen days following the end of the~~
23 ~~calendar month during which the payroll period ends. The state's~~
24 ~~contribution required by this section shall be transferred to the plan~~
25 ~~II fund from the total contributions transferred by the state treasurer~~
26 ~~under RCW 41.45.060 and 41.45.070.))~~

27 "EARLY RETIREMENT REDUCTION FACTORS"

28 **Sec. 901.** RCW 41.40.630 and 1991 c 343 s 11 are each amended to
29 read as follows:

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

34 (2) EARLY RETIREMENT. Any member who has completed at least twenty
35 service credit years and has attained age fifty-five shall be eligible
36 to retire and to receive a retirement allowance computed according to
37 the provisions of RCW 41.40.620, except that a member retiring pursuant

1 to this subsection shall have the retirement allowance actuarially
2 reduced to reflect the difference in the number of years between age at
3 retirement and the attainment of age sixty-five.

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

12 **Sec. 902.** RCW 41.32.765 and 1991 c 343 s 5 are each amended to
13 read as follows:

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

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

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

34 **Sec. 903.** RCW 41.32.875 and 1996 c 39 s 6 are each amended to read
35 as follows:

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

1 (a) Completed ten service credit years; or
2 (b) Completed five service credit years, including twelve service
3 credit months after attaining age fifty-four; or
4 (c) Completed five service credit years by July 1, 1996, under plan
5 2 and who transferred to plan 3 under RCW 41.32.817;
6 shall be eligible to retire and to receive a retirement allowance
7 computed according to the provisions of RCW 41.32.840.

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

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

24 **Sec. 904.** RCW 41.26.430 and 1993 c 517 s 3 are each amended to
25 read as follows:

26 (1) NORMAL RETIREMENT. Any member with at least five service
27 credit years of service who has attained at least age ((fifty-five))
28 fifty-three 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)) fifty-three.

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-three.

9 **Sec. 905.** RCW 41.35.420 and 1998 c 341 s 103 are each amended to
10 read as follows:

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

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

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

30 **Sec. 906.** RCW 41.35.680 and 1998 c 341 s 209 are each amended to
31 read as follows:

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

34 (a) Completed ten service credit years; or

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

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

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

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

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

"DEATH BENEFITS"

Sec. 1001. RCW 41.26.510 and 1995 c 245 s 1 and 1995 c 144 s 19 are each reenacted and amended to read as follows:

(1) Except as provided in RCW 11.07.010, if a member or a vested member who has not completed at least ten years of service dies, the amount of the accumulated contributions standing to such member's credit in the retirement system at the time of such member's death, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to the member's estate, or such person or persons, trust, or organization as the member shall have nominated by written designation duly executed and filed with the department. If there be no such designated person or persons still living at the time of the member's death, such member's accumulated contributions standing to such member's credit in the retirement system, less any amount identified as owing to an obligee upon withdrawal of accumulated

1 contributions pursuant to a court order filed under RCW 41.50.670,
2 shall be paid to the member's surviving spouse as if in fact such
3 spouse had been nominated by written designation, or if there be no
4 such surviving spouse, then to such member's legal representatives.

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

8 (a) A retirement allowance computed as provided for in RCW
9 41.26.430(~~((+1))~~), actuarially reduced by the amount of any lump sum
10 benefit identified as owing to an obligee upon withdrawal of
11 accumulated contributions pursuant to a court order filed under RCW
12 41.50.670 and actuarially adjusted to reflect a joint and one hundred
13 percent survivor option under RCW 41.26.460 and if the member was not
14 eligible for normal retirement at the date of death a further reduction
15 as described in RCW 41.26.430(~~((+2))~~); if a surviving spouse who is
16 receiving a retirement allowance dies leaving a child or children of
17 the member under the age of majority, then such child or children shall
18 continue to receive an allowance in an amount equal to that which was
19 being received by the surviving spouse, share and share alike, until
20 such child or children reach the age of majority; if there is no
21 surviving spouse eligible to receive an allowance at the time of the
22 member's death, such member's child or children under the age of
23 majority shall receive an allowance share and share alike calculated as
24 herein provided making the assumption that the ages of the spouse and
25 member were equal at the time of the member's death; or

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

29 (ii) If the member dies on or after July 25, 1993, one hundred
30 fifty percent of the member's accumulated contributions, less any
31 amount identified as owing to an obligee upon withdrawal of accumulated
32 contributions pursuant to a court order filed under RCW 41.50.670. Any
33 accumulated contributions attributable to restorations made under RCW
34 41.50.165(2) shall be refunded at one hundred percent.

35 (3) If a member who is eligible for retirement or a member who has
36 completed at least ten years of service dies after October 1, 1977, and
37 is not survived by a spouse or an eligible child, then the accumulated
38 contributions standing to the member's credit, less any amount
39 identified as owing to an obligee upon withdrawal of accumulated

1 contributions pursuant to a court order filed under RCW 41.50.670,
2 shall be paid:

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

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

9 **Sec. 1002.** RCW 41.32.805 and 1995 c 144 s 16 are each amended to
10 read as follows:

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

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

31 (a) A retirement allowance computed as provided for in RCW
32 41.32.765(~~((+1))~~), actuarially reduced by the amount of any lump sum
33 benefit identified as owing to an obligee upon withdrawal of
34 accumulated contributions pursuant to a court order filed under RCW
35 41.50.670 and actuarially adjusted to reflect a joint and one hundred
36 percent survivor option under RCW 41.32.785 and if the member was not
37 eligible for normal retirement at the date of death a further reduction
38 as described in RCW 41.32.765(~~((+2))~~); if a surviving spouse who is

1 receiving a retirement allowance dies leaving a child or children of
2 the member under the age of majority, then such child or children shall
3 continue to receive an allowance in an amount equal to that which was
4 being received by the surviving spouse, share and share alike, until
5 such child or children reach the age of majority; if there is no
6 surviving spouse eligible to receive an allowance at the time of the
7 member's death, such member's child or children under the age of
8 majority shall receive an allowance share and share alike calculated as
9 herein provided making the assumption that the ages of the spouse and
10 member were equal at the time of the member's death; or

11 (b) The member's accumulated contributions, less any amount
12 identified as owing to an obligee upon withdrawal of accumulated
13 contributions pursuant to a court order filed under RCW 41.50.670.

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

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

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

27 **Sec. 1003.** RCW 41.32.895 and 1996 c 39 s 7 are each amended to
28 read as follows:

29 If a member dies prior to retirement, the surviving spouse or
30 eligible child or children shall receive a retirement allowance
31 computed as provided in RCW 41.32.851 actuarially reduced to reflect a
32 joint and one hundred percent survivor option and if the member was not
33 eligible for normal retirement at the date of death a further reduction
34 as described in RCW 41.32.875((+2)).

35 If the surviving spouse who is receiving the retirement allowance
36 dies leaving a child or children under the age of majority, then such
37 child or children shall continue to receive an allowance in an amount
38 equal to that which was being received by the surviving spouse, share

1 and share alike, until such child or children reach the age of
2 majority.

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

8 **Sec. 1004.** RCW 41.40.700 and 1995 c 144 s 8 are each amended to
9 read as follows:

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

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

30 (a) A retirement allowance computed as provided for in RCW
31 41.40.630(~~((+1))~~), actuarially reduced by the amount of any lump sum
32 benefit identified as owing to an obligee upon withdrawal of
33 accumulated contributions pursuant to a court order filed under RCW
34 41.50.670 and actuarially adjusted to reflect a joint and one hundred
35 percent survivor option under RCW 41.40.660 and if the member was not
36 eligible for normal retirement at the date of death a further reduction
37 as described in RCW 41.40.630(~~((+2))~~); if a surviving spouse who is
38 receiving a retirement allowance dies leaving a child or children of

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

10 (b) The member's accumulated contributions, less any amount
11 identified as owing to an obligee upon withdrawal of accumulated
12 contributions pursuant to a court order filed under RCW 41.50.670.

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

20 (a) To a person or persons, estate, trust, or organization as the
21 member shall have nominated by written designation duly executed and
22 filed with the department; or

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

26 "CONFORMING AMENDMENTS"

27 **Sec. 1101.** RCW 41.04.440 and 1995 c 239 s 322 are each amended to
28 read as follows:

29 (1) The sole purpose of RCW 41.04.445 and 41.04.450 is to allow the
30 members of the retirement systems created in chapters 2.10, 2.12,
31 41.26, 41.32, 41.40, 41.34, and 43.43 RCW to enjoy the tax deferral
32 benefits allowed under 26 U.S.C. 414(h). Chapter 227, Laws of 1984
33 does not alter in any manner the provisions of RCW (~~41.26.450 and~~
34 ~~41.40.650~~) 41.45.060, 41.45.061, and section 507 of this act which
35 require that the member contribution rates shall be set so as to
36 provide fifty percent of the cost of the respective retirement plans.

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

Sec. 1102. RCW 41.04.445 and 1995 c 239 s 323 are each amended to read as follows:

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

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

(b) Employees of the state under the retirement system established by chapter 41.32, 41.40, or 43.43 RCW;

(c) Employees of school districts under the retirement system established by chapter 41.32 or 41.40 RCW, except for substitute teachers as defined by RCW 41.32.010;

(d) Employees of educational service districts under the retirement system established by chapter 41.32 or 41.40 RCW; or

(e) Employees of community college districts under the retirement system established by chapter 41.32 or 41.40 RCW.

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

(a) RCW 2.10.090(1);

(b) RCW 2.12.060;

(c) RCW 2.14.090;

(d) RCW 41.32.263;

(e) RCW 41.32.350;

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

(g) RCW ((~~41.40.650~~)) 41.45.061 and section 507 of this act;

(h) RCW 41.34.070;

(i) RCW 43.43.300; and

(j) RCW 41.34.040.

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

(4) All member contributions to the respective retirement system picked up by the employer as provided by this section, plus the accrued interest earned thereon, shall be paid to the member upon the

1 withdrawal of funds or lump-sum payment of accumulated contributions as
2 provided under the provisions of the retirement systems.

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

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

7 (b) Notification of such implementation to the director of the
8 department of retirement systems.

9 **Sec. 1103.** RCW 41.04.450 and 1995 c 239 s 324 are each amended to
10 read as follows:

11 (1) Employers of those members under chapters 41.26, 41.40, and
12 41.34 RCW who are not specified in RCW 41.04.445 may choose to
13 implement the employer pick up of all member contributions without
14 exception under RCW 41.26.080(1), 41.26.450, 41.40.330(1),
15 (~~((41.40.650-7))~~) 41.45.060, 41.45.061, and section 507 of this act and
16 chapter 41.34 RCW. If the employer does so choose, the employer and
17 members shall be subject to the conditions and limitations of RCW
18 41.04.445 (3), (4), and (5) and RCW 41.04.455.

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

24 **Sec. 1104.** RCW 41.26.470 and 1999 c 135 s 1 are each amended to
25 read as follows:

26 (1) A member of the retirement system who becomes totally
27 incapacitated for continued employment by an employer as determined by
28 the director shall be eligible to receive an allowance under the
29 provisions of RCW 41.26.410 through 41.26.550. Such member shall
30 receive a monthly disability allowance computed as provided for in RCW
31 41.26.420 and shall have such allowance actuarially reduced to reflect
32 the difference in the number of years between age at disability and the
33 attainment of age fifty-five.

34 (2) Any member who receives an allowance under the provisions of
35 this section shall be subject to such comprehensive medical
36 examinations as required by the department. If such medical
37 examinations reveal that such a member has recovered from the

1 incapacitating disability and the member is no longer entitled to
2 benefits under Title 51 RCW, the retirement allowance shall be canceled
3 and the member shall be restored to duty in the same civil service
4 rank, if any, held by the member at the time of retirement or, if
5 unable to perform the duties of the rank, then, at the member's
6 request, in such other like or lesser rank as may be or become open and
7 available, the duties of which the member is then able to perform. In
8 no event shall a member previously drawing a disability allowance be
9 returned or be restored to duty at a salary or rate of pay less than
10 the current salary attached to the rank or position held by the member
11 at the date of the retirement for disability. If the department
12 determines that the member is able to return to service, the member is
13 entitled to notice and a hearing. Both the notice and the hearing
14 shall comply with the requirements of chapter 34.05 RCW, the
15 Administrative Procedure Act.

16 (3) Those members subject to this chapter who became disabled in
17 the line of duty on or after July 23, 1989, and who receive benefits
18 under RCW 41.04.500 through 41.04.530 or similar benefits under RCW
19 41.04.535 shall receive or continue to receive service credit subject
20 to the following:

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

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

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

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

30 (e) State contributions shall be as provided in RCW ((41.26.450))
31 41.45.060 and section 507 of this act.

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

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

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

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

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

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

25 **Sec. 1105.** RCW 41.26.520 and 1996 c 61 s 1 are each amended to
26 read as follows:

27 (1) A member who is on a paid leave of absence authorized by a
28 member's employer shall continue to receive service credit as provided
29 for under the provisions of RCW 41.26.410 through 41.26.550.

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
38 leave. The basic salary reported for a member who establishes service

1 credit under this subsection may not be greater than the salary paid to
2 the highest paid job class covered by the collective bargaining
3 agreement.

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

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

18 (5) For the purpose of subsection (3) of this section the
19 contribution shall not include the contribution for the unfunded
20 supplemental present value as required by RCW ((41.26.450)) 41.45.060,
21 41.45.061, and section 507 of this act. The contributions required
22 shall be based on the average of the member's basic salary at both the
23 time the authorized leave of absence was granted and the time the
24 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 RCW
38 ((41.26.450)) 41.45.060, 41.45.061, and section 507 of this act within

1 five years of resumption of service or prior to retirement, whichever
2 comes sooner; or

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

6 (b) Upon receipt of member contributions under (a)(ii) of this
7 subsection, the department shall establish the member's service credit
8 and shall bill the employer and the state for their respective
9 contributions required under RCW 41.26.450 for the period of military
10 service, plus interest as determined by the department.

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

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

19 **Sec. 1106.** RCW 41.40.710 and 1996 c 61 s 4 are each amended to
20 read as follows:

21 (1) A member who is on a paid leave of absence authorized by a
22 member's employer shall continue to receive service credit as provided
23 for under the provisions of RCW 41.40.610 through 41.40.740.

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

36 (3) Except as specified in subsection (4) of this section, a member
37 shall be eligible to receive a maximum of two years service credit
38 during a member's entire working career for those periods when a member

1 is on an unpaid leave of absence authorized by an employer. Such
2 credit may be obtained only if:

3 (a) The member makes both the plan 2 employer and member
4 contributions plus interest as determined by the department for the
5 period of the authorized leave of absence within five years of
6 resumption of service or prior to retirement whichever comes sooner; or

7 (b) If not within five years of resumption of service but prior to
8 retirement, pay the amount required under RCW 41.50.165(2).

9 The contributions required under (a) of this subsection shall be
10 based on the average of the member's compensation earnable at both the
11 time the authorized leave of absence was granted and the time the
12 member resumed employment.

13 (4) A member who leaves the employ of an employer to enter the
14 armed forces of the United States shall be entitled to retirement
15 system service credit for up to five years of military service. This
16 subsection shall be administered in a manner consistent with the
17 requirements of the federal uniformed services employment and
18 reemployment rights act.

19 (a) The member qualifies for service credit under this subsection
20 if:

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

25 (ii) The member makes the employee contributions required under RCW
26 (~~((41.40.650))~~ 41.45.061 and section 507 of this act within five years
27 of resumption of service or prior to retirement, whichever comes
28 sooner; or

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

32 (b) Upon receipt of member contributions under (a)(ii) of this
33 subsection, the department shall establish the member's service credit
34 and shall bill the employer for its contribution required under RCW
35 (~~((41.40.650))~~ 41.45.060, 41.45.061, and section 507 of this act for the
36 period of military service, plus interest as determined by the
37 department.

38 (c) The contributions required under (a)(ii) of this subsection
39 shall be based on the compensation the member would have earned if not

1 on leave, or if that cannot be estimated with reasonable certainty, the
2 compensation reported for the member in the year prior to when the
3 member went on military leave.

4 NEW SECTION. **Sec. 1107.** A new section is added to chapter 41.50
5 RCW to read as follows:

6 Employers, as defined in RCW 41.26.030, 41.32.010, 41.34.020,
7 41.35.010, and 41.40.010, must report all member data to the department
8 in a format designed and communicated by the department. Employers
9 failing to comply with this reporting requirement shall be assessed an
10 additional fee as defined under RCW 41.50.110(5).

11 **"MISCELLANEOUS"**

12 NEW SECTION. **Sec. 1201.** (1) Except for sections 408 and 901
13 through 906 of this act, this act takes effect March 1, 2002.

14 (2) Section 408 of this act takes effect January 1, 2004.

15 (3) Sections 901 through 906 of this act take effect September 1,
16 2000.

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

Passed the Senate March 9, 2000.

Passed the House March 9, 2000.

Approved by the Governor March 31, 2000.

Filed in Office of Secretary of State March 31, 2000.