

CHAPTER 97.

[S. B. 41.]

STATE TEACHERS' RETIREMENT SYSTEM.

AN ACT relating to the operation of the State Teachers' Retirement System; amending section 1 of chapter 86 of the Laws of 1939 (section 4995-1 of Remington's Revised Statutes), section 3 of chapter 221 of the Laws of 1937 (section 4995-3 of Remington's Revised Statutes), and sections 4, 5, 6, 7, and 8 of chapter 86 of the Laws of 1939 (sections 4995-4, 4995-5, 4995-6, 4995-7, and 4995-8 of Remington's Revised Statutes); and repealing chapter 40 of the Laws of 1939 (section 4995-4b of Remington's Revised Statutes) and section 3 of chapter 86 of the Laws of 1939 (section 4995-4a of Remington's Revised Statutes).

Be it enacted by the Legislature of the State of Washington:

SECTION 1. That section 1 of chapter 86 of the Laws of 1939 (section 4995-1 of Remington's Revised Statutes) be amended to read as follows: Amendments.

Section 1. The following words and phrases as used in this act unless a different meaning is plainly required by the context shall have the following meaning: Definitions.

(1) "Accumulated Contributions" shall mean the sum of all regular contributions and prior service contributions, together with regular interest thereon;

(2) "Actuarial Equivalent" shall mean a benefit of equal value when computed upon the basis of such mortality tables as shall be adopted by the board of trustees, and regular interest;

(3a) "Annuity" shall mean annual payments for life derived from the accumulated contributions of a member;

(3b) "Disability Allowance" shall mean monthly payments during disability as provided in section 8, paragraph 7;

(4) "Annuity Guarantee Allowance" shall mean funds taken from the pension fund to make up the

Definitions.

difference between forty dollars (\$40) per month and the sum of the pension allowance and annuity earned;

(5) "Beneficiary" shall mean any person in receipt of a pension, an annuity, a retirement allowance or other benefit as provided by this act;

(6) "Board of Trustees" shall mean the board provided for in section 3 of this act to administer the retirement system;

(7) "Contract" shall mean any agreement to render service as a teacher or non-certificated employee, between a teacher or non-certificated employee and a Board of Directors or Superintendent or other employer authorized to employ teachers or non-certificated employees for and in the public schools of this state or of its educational institutions;

(8) "Creditable Service" shall mean prior service plus membership service for which credit is allowed as provided in section 5 of this act;

(9) "Earnable Compensation" shall mean the full rate of compensation that would be payable to a teacher or non-certificated employee if he worked the full normal working time during a school year, except that any part of any salary in excess of two thousand dollars (\$2,000) per annum shall be excluded in determining the earnable compensation of a member. In all cases where compensation includes maintenance the board of trustees shall fix the value of that part of the compensation not paid in money;

(10) "Fiscal year" shall mean a calendar year which shall begin July 1 and end June 30 of the following year;

(11) "Employer" shall mean the State of Washington, the school district, or other agency of and within the state by which a teacher or non-certificated employee is paid;

(12) "Former State Fund" shall mean the state retirement fund in operation for teachers prior to the enactment of this act under the provisions of chapter 187 of the Laws of 1923 as amended; Definitions.

(13) "Local Fund" shall mean any of the local retirement funds for teachers operated in any school district in accordance with the provisions of chapter 163 of the Laws of 1917 as amended;

(14) "Medical Director" shall mean the physician provided for in section 3 of this act;

(15) "Member" shall mean any teacher or non-certificated employee included in the membership of the retirement system as provided in section 4 of this act;

(16) "Membership Service" shall mean service as a teacher or non-certificated employee rendered while a member of the retirement system;

(17) "Pensions" shall mean annual payments for life derived from money appropriated by the Legislature, and from gifts and bequests, and any other funds hereafter set over to the pension fund, and money derived from contributions of members as provided in paragraph 4, subdivision (b) of section 6. All pensions shall be payable in equal quarterly installments;

(17a) "Pension Reserve" shall mean the fund established by appropriations made by the Legislature to the pension fund of the retirement system to liquidate the accrued liabilities of the retirement system on the date it became effective, and to establish and maintain a reserve fund for payment of pensions under this act;

(18) "Prior Service" shall mean service rendered prior to the date of membership in the retirement system for which credit is allowable under section 5 of this act;

(19) "Prior Service Contribution" shall mean contribution made by Class B members as members

Definitions. of any local fund or of the former state fund, credited as provided in paragraph 6 of section 7; or contribution of Class A members, Class B members or Class C members payable to secure credit as if prior service had been rendered and credited as a member in a local fund or the former state fund as provided in paragraph 4, subdivision (b) of section 6;

(20) "Public School" shall mean any school conducted within this state under the authority and supervision of a duly elected board of directors of a regularly designated school district, the Eastern Washington College of Education, Central Washington College of Education, Western Washington College of Education, State School for the Blind, State School for the Deaf, Washington State Training School, State School for Girls, State Custodial School at Medical Lake, Western Washington State Custodial School at Buckley, and the Washington State Reformatory at Monroe;

(21) "Regular Contribution" shall mean the amounts required to be deducted from the compensation of a member subsequent to the date the retirement system becomes operative and credited to his individual account in the annuity fund as provided in section 6 of this act;

(22) "Regular Interest" shall mean the interest actually earned throughout the current school year;

(23) "Retirement" shall mean withdrawal from active service with a retirement allowance granted under the provision of this act;

(24) "Retirement Allowance" shall mean the sum of the annuity and the pension or any optional benefits payable in lieu thereof;

(25) "Retirement System" shall mean the Washington State Teachers' Retirement System, provided for in this act;

(26) "Service" shall mean service as a teacher or non-certificated employee as described in sub-

division (27) of this section, and paid for by the State of Washington or by a regularly designated school district of the state or other employer as hereinbefore defined; Definitions.

(27a) The word "teacher" wherever used in this act shall be held and construed to mean and include any person regularly employed and qualified as a teacher, instructor, principal, supervisor, state, county or city superintendent in the public schools of this state, or as assistant to any such teacher, instructor, principal, supervisor or superintendent: *Provided*, That an assistant shall mean such person only as is engaged in educational work and is qualified as a teacher: *Provided, further*, That in all cases of doubt the Board of Trustees hereinbefore defined shall determine whether any person is a teacher as defined by this act;

(27b) The words "non-certificated employee" used in this act shall be held and construed to mean and include any person employed in the public schools of the state holding a position not requiring a teaching certificate for such position: *Provided*, That Clerks of school districts shall be considered employees for the purpose of this act;

(28) The masculine pronoun shall include both sexes.

SEC. 2. That section 3 of chapter 221 of the Laws of 1937 (section 4995-3 of Remington's Revised Statutes) be amended to read as follows:

Amend-
ments.

Sec. 3. (1) The general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of this act are hereby vested in a Board of Trustees; the members of the Board of Trustees shall be the State Superintendent of Public Instruction, ex officio, the State Insurance Commissioner, ex officio, and five (5) members of the retirement system to be chosen by the State Board of Educa-

Administra-
tion by
board.

Personnel
of board.

Terms of
appointive
members.

tion for a term of three (3) years, and at least two (2) of said members shall be classroom teachers. Upon the expiration of the term of office of a trustee of the retirement system a successor shall be appointed by the State Board of Education for a term of three (3) years: *Provided*, That when the terms of the present members have expired the vacancies shall be filled by the State Board of Education for terms of three (3) years: *Provided, further*, That on or before July 1, 1941, a fourth member shall be appointed by the State Board of Education, such member to be a classroom teacher, and such term to end July 1, 1943, and thereafter the State Board of Education shall fill the vacancy for a term of three (3) years; and that a fifth member shall be appointed by the State Board of Education on or before July 1, 1941, for a term to end July 1, 1944; and thereafter the State Board of Education shall fill the vacancy for a term of three (3) years;

Appointment
of successors.

Method of
appointment
and
rotation.

Vacancies.

(2) Any vacancy in the Board of Trustees shall be filled by the State Board of Education by the appointment of a member for the unexpired term, except in the case of an ex-officio member;

No compen-
sation for
board ex-
cept
expenses.

(3) The members of the Board of Trustees shall serve without compensation, but they shall be reimbursed from the expense fund for all necessary expenses which they may incur through services on the board;

Members to
take oath
of office.

(4) Each member of the Board of Trustees shall within ten (10) days after his appointment or election take an oath of office that so far as it devolves upon him he will diligently and honestly administer the affairs of said board, and that he will not knowingly violate or willingly permit to be violated any provisions of the law applicable to the retirement system. Such oath shall be subscribed to by the members making it and certified by the officer before

whom it is taken and immediately filed in the office of the Secretary of State;

(5) Each trustee shall be entitled to one (1) vote in the board. Four (4) favorable votes shall be necessary for a decision by the trustees at any meeting of the board;

Majority of four necessary for decision.

(6) Subject to the limitations of this act the Board of Trustees shall, from time to time, establish rules and regulations for the administration of the funds created by this act and for the transaction of its business;

Board to make rules.

(7) The Board of Trustees shall elect from its membership a chairman and shall by a majority vote of all of its members appoint a Secretary-Manager who shall not be a member of the board. It shall engage such acturial [actuarial], legal and medical services as are needed. The Secretary-Manager shall engage, upon authorization of the Board of Trustees, such clerical and technical services as shall be required to transact the business of the retirement system. The compensation of all persons engaged or authorized by the Board of Trustees and all other expenses of the board necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the Board of Trustees shall approve;

Organization of board.

Appointment of Secretary.

Duties.

Compensation of employees to be fixed by board.

(8) The Board of Trustees shall keep in convenient form such data as shall be necessary for actuarial valuation of the various funds of the retirement system and for checking the experience of the retirement system;

Board to keep statistics.

(9) The Board of Trustees shall keep a record of all its proceedings which shall be open to public inspection. It shall publish on or before the first day of January a report showing the fiscal transactions of the retirement system for the preceding school year; the amount of the accumulated cash and securities of the system, and the last balance

Keep record of proceedings.

Publish report.

sheet showing the financial condition of the system by means of an actuarial valuation of the assets and liabilities of the retirement system;

Ex-officio officers.

(10) The State Treasurer, the State Auditor, and the State Attorney General shall be ex officio treasurer, auditor and legal advisor, respectively, of the Board of Trustees and shall be liable respectively upon their official bonds for the faithful performance of their duties under the provisions of this act, and shall serve without compensation: *Provided*, That in case of emergency or whenever they shall deem it for the best interests of the retirement system the Board of Trustees may employ attorneys and pay reasonable fees for the services rendered;

Emergency employment.

Medical Director.

(11) The Board of Trustees shall designate a Medical Director. If required, other physicians may be employed to report on special cases. The Medical Director shall arrange for and pass upon all medical examinations required under the provisions of this act; shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement, and shall report in writing to the Board of Trustees his conclusions and recommendations upon all such matters referred to him;

Duties.

Actuary.

(12) The Board of Trustees shall designate an actuary who shall be the technical advisor of the Board of Trustees on matters regarding the operation of the funds created by the provisions of this act and shall perform such other duties as are required in connection therewith;

Duties.

(13) Immediately after the establishment of the retirement system the actuary shall make such investigations of the mortality, service and compensation experience of the members of the system as he shall recommend and the Board of Trustees shall authorize, and on the basis of such investigations he shall recommend for adoption by the Board of

Trustees, such tables and such rates as are required by subdivision (14) of this section. The Board of Trustees shall adopt tables and certify rates, and as soon as practicable thereafter, the actuary shall make an actuarial valuation based on such tables and rates, of the assets and liabilities of the funds created by this act;

Board to adopt tables and certify rates.

(14) In the year 1938, and at least once in each five (5) year period thereafter, the actuary shall make an actuarial investigation into the mortality, earnable interest, service and compensation experience of the members and beneficiaries of the retirement system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of such investigation and valuation the Board of Trustees shall adopt for the retirement system such mortality tables, service tables, and other tables as shall be deemed necessary and shall certify the rate of contribution payable by members under the provisions of this act.

Rate to be determined from mortality tables.

SEC. 3. That section 4 of chapter 86 of the Laws of 1939 (section 4995-4 of Remington's Revised Statutes) be amended to read as follows:

Amendments.

Section 4. The membership of the retirement system shall be composed of all teachers and non-certificated employees in the public schools of the State of Washington, the Eastern Washington College of Education, Central Washington College of Education, Western Washington College of Education, State School for the Blind, State School for the Deaf, Washington State Training School, State School for Girls, State Custodial School at Medical Lake, Western Washington State Custodial School at Buckley, and the Washington State Reformatory at Monroe: *Provided*, That any teacher who held a valid teacher's contract for the year ending June 30, 1938, entitling him to teach within the State of Washington and who filed a written statement declaring his

Membership. Teachers and non-certificated employees. Public schools.

Public colleges.

State institutions.

Exception.

May declare
not to
become
member.

desire not to become a member of the retirement system, in accordance with the provisions of section 4 of chapter 221, Laws of 1937, and has never cancelled or withdrawn such written declaration not to become a member as provided in said section, shall not be included as a member hereof: *Provided, further,* That all non-certificated employees of the public schools of the State of Washington, the Colleges of Education, and the schools for correction or special instruction conducted by the State of Washington, who are employed when this act takes effect or employed subsequent thereto may file a written statement declaring their desire not to become members of the retirement system. Such declaration must be filed within one year after this act takes effect, or within one year after a new non-certificated employee becomes employed subsequent to the date this act becomes effective. When such written statement is approved by the Board of Trustees, such non-certificated employee shall thereafter be excluded from membership in the retirement system.

Declaration
to be made
within one
year.

Approval
by board.

Membership
classification.

Members who have not served in a public school of the State of Washington or the institutions enumerated in subdivision (20), section 1, prior to the date the law permitting them to become members became operative, shall be Class A members.

Class A.

Members who were members of a local fund or of the former state fund on the date this law becomes operative shall be Class B members.

Class B.

Class C.

All other members shall be Class C members.

Non-
certificated
employee
same as
teacher.

A non-certificated employee shall be entitled to prior service credit on the same basis as a Class C teacher who was eligible under a local fund or the former state fund, as provided in paragraph (4), subdivision (b), of section 6; and before such member shall be entitled to retire on a retirement allowance he shall comply with the same requirements as provided in the act for Class C teachers, excepting

the requirements in respect to the character of the service rendered.

Should any member in a period of six (6) consecutive years after last becoming a member, be unemployed as a teacher or non-certificated employee more than five (5) years or should he withdraw his accumulated contribution or should he become a beneficiary, he shall thereupon cease to be a member: *Provided*, That a member who has served thirty (30) years prior to age sixty (60) and is absent more than five (5) years prior to age sixty (60) may retain his membership by leaving his contributions in the annuity fund: *Provided, further*, That when membership ceases, for any reason except for retirement, interest on accumulated contributions shall cease: *Provided, further*, That all unclaimed accumulated contributions of teachers or non-certificated employees whose memberships have ceased shall, after the expiration of ten (10) years thereafter remain in the annuity reserve fund and become an integral part thereof.

Membership may cease.

Conditions.

Thirty year service retains membership.

Interest ceases with non-membership.

Unclaimed funds to escheat after ten years.

SEC. 4. That section 5 of chapter 86 of the Laws of 1939 (section 4995-5 of Remington's Revised Statutes) be amended to read as follows:

Amendments.

Section 5. (1) Under such rules and regulations as the Board of Trustees shall adopt, each teacher or non-certificated employee, upon becoming a member of the retirement system shall file with the Board of Trustees a detailed statement of all services as a teacher or non-certificated employee rendered by him, in this state and elsewhere under the jurisdiction of the government of the United States, prior to becoming a member, together with a statement of such other facts as the board shall require: *Provided*, That the Board of Trustees may, at the option of a member, accept the service record of a member of a local fund or the former state fund in lieu of such detailed statement, and issue a prior

Member to file statement of status.

Military or
defense
member to
get credit
for time.

service certificate to the applicant for such prior service: *Provided, further,* That any member who serves the United States as a member of its military, naval or air service, or in any capacity under the Federal Defense Service, may receive credit for such service upon presenting satisfactory proof and contributing to the annuity fund, either in a lump sum or installments, such amounts as shall be determined by the Board of Trustees;

Credit for
school term.

(2) Service rendered for the entire school term in any district or public educational institution shall be credited as a year's service regardless of the length of such school term, but in no case shall more than one (1) year of service be creditable for service rendered in one (1) fiscal year: *Provided,* That service shall be credited for the fraction of the year served where service has not been rendered throughout the school term: *Provided, further,* That any service equal to or larger than four-fifths ($4/5$) of the entire school term shall be credited as a full year;

Construction.

Board to
issue prior
service
certificate.

As soon as practicable after the filing of such statements of service the Board of Trustees shall determine the number of years of service with which an applicant shall be credited under this act, and shall issue a prior service certificate to the applicant for such prior service: *However,* No credit shall be given for service rendered in a district which was under the jurisdiction of a local fund or the former state fund at the time such service was rendered, unless contributions were made to such local fund or the former state fund, during such time: *Provided, however,* That credit shall be given as provided under paragraph (4) subdivision (b) of section 6: *Provided, further,* That not more than ten (10) years of service outside this state shall be credited to a Class A member, and not more than

Maximum
service
outside state.

fifteen (15) years of such service shall be credited to a Class B member, or to a Class C member;

Provided, still further, That any member who leaves the State of Washington after becoming a member of the retirement system may, upon being reemployed in the public schools of this state, be credited with membership service in an amount which, when added to the out-state credit for prior service, shall not exceed the total amount of out-state service credit provided for above: *Provided, also,* That satisfactory proof of such service rendered elsewhere during the interim period, as a teacher or non-certificated employee, as defined in this act, shall be furnished to the Board of Trustees, and contributions to the annuity fund shall be made for such credit in the same amount, either in a lump sum or in installments approved by the Board of Trustees, as would have been made had the member rendered such service in the State of Washington during the interim period.

Contributions to be made for interim period.

Provided, still further, That the Board of Trustees may, at its discretion, allow credit for leave of absence for professional preparation to a member taking such leave of absence subsequent to last becoming a member, upon satisfactory proof of such leave of absence and the payment of contributions to the annuity fund in such an amount, either in a lump sum or in installments approved by the Board of Trustees, as would have been paid had such member been employed regularly in the public schools of this state: *Provided, also,* That not more than two such leaves of absence may be granted to any member, and not more than one such leave may be granted in any ten-year period of service;

Allow credit for leave of absence.

Contributions.

Limit of leaves.

(3) So long as membership continues, a prior service certificate shall be final and conclusive evidence for retirement purposes as to such service: *Provided, however,* That any member may within

Certificate conclusive evidence.

May
modify.

one (1) year of the date of the issuance of modification of such certificate request the Board of Trustees to modify or correct his prior service certificate.

Certificate
void when
membership
ceases.

When membership ceases, such prior service certificate shall become void. Should membership cease, a teacher or non-certificated employee, when

May regain
status.

he again becomes a member, shall enter the retirement system as provided in paragraph (3) subdivision (d) of section 6, and shall be entitled to credit for all former creditable service, and his prior service certificate shall again be in full force and effect;

Creditable
service.

(4) Creditable service of a member at retirement shall consist of the membership service rendered by him for which credit has been allowed, and also, if he has a prior service certificate that is in full force and effect, the amount of the service certified on his prior service certificate.

Amend-
ments.

SEC. 5. That section 6 of chapter 86 of the Laws of 1939 (section 4995-6 of Remington's Revised Statutes) be amended to read as follows:

Assets to be
credited
to funds.

SECTION 6. All the assets of the retirement system shall be credited according to the purpose for which they are held to one of five funds, namely, the annuity fund, the pension fund, the pension reserve fund, the disability reserve fund, and the expense fund;

Office to be
provided by
State.

(1) Suitable office quarters shall be provided by the State of Washington for the operation of the retirement system; such office to be located at the state capital;

Board to
make
estimate of
pension
fund.

(2) It shall be the duty of the Board of Trustees at its regular meeting in July of each year preceding the regular session of the Legislature to prepare an estimate of the total disbursements from the pension fund of the retirement system for the period included in the ensuing biennium beginning on April first following the date of the submission of

said report. Said estimate shall include payments for retirement pensions as provided for herein, also all disbursements provided for in subsection (7) of section 7 as herein set forth, and an amount calculated upon accepted tables for the purpose of establishing and maintaining a pension reserve fund as provided in subsection (17a) of section 1, above. The secretary of the board shall submit all of the same to the Governor with a showing of the total amount needed for the biennium to insure the full satisfaction of the aforesaid awards and compensations. Said amount shall be appropriated by the Legislature to the pension fund of the retirement system. After this appropriation has been made to the pension fund of the retirement system, the Board of Trustees shall transfer to the pension reserve fund the amount provided for such transfer.

Contents of estimate.

To submit to Governor.

Legislature to make appropriation.

(3) (a) The annuity fund shall be the fund in which shall be accumulated the contributions from the compensation of members to provide for their annuities. Upon the basis of such tables as the Board of Trustees shall adopt, and regular interest, the actuary of the retirement system shall determine the proportion of the compensation of a member whose salary every year from the time said member began service under the provisions of this act to age sixty (60) years is twelve hundred dollars (\$1,200), which, when deducted from each payment of his prospective earnable compensation prior to the attainment of age sixty (60) and accumulated with regular interest until his attainment of such age shall be computed to provide at that time an annuity of twenty-five dollars (\$25) per month for the remainder of his life; such proportion shall be the basis of contribution of all members regardless of salary.

Annuity fund.

Contents.

Actuary to determine contribution.

Basis.

(b) It shall be the duty of the County Superintendent of Schools of each county in the state, the

Duty of
School
Superintend-
ents.

Notice to
board of all
teachers.

Contents.

To notify
employee
of this law.

Board to
notify
County
Auditor of
rate of con-
tribution.

Maximum
rate of con-
tribution.

Proviso.

City Superintendent of each district of the first class and any other employer in the state, on or before the first day of September of each year, to file with the Board of Trustees of the retirement system a notice in writing on forms provided for that purpose, stating the number of the district or the name of the institution or department of the state or county, the full name of each qualified teacher and non-certificated employee employed in each district in his county or city or institution or department, the address of each teacher or non-certificated employee, the date when the employment begins, the number of contracted months, the length of the regular school term, and the annual salary of each employee; and each employer shall report to the Board of Trustees on the fifth day of each succeeding month during the school year, any change in the personnel under his employ; and shall notify each employee in writing of the provisions of this act with reference to membership in the retirement system and that an application for credit for former or prior service, on a form to be furnished for that purpose, may be filed with the Board of Trustees of the retirement system;

The Board of Trustees, at such intervals as they may determine, shall certify to the County Auditor or other officer authorized to issue salary warrants to teachers and non-certificated employees, the rate or amount of each member's contribution to the annuity fund, and such officer shall cause to be deducted from the salary of each member of the retirement system the rate or amount so certified at the designated intervals: *Provided*, That not more than eight per cent (8%) of the annual earnable compensation of a member may be deducted for the annuity fund: *Provided, further*, That any member who shall accept the actuarial equivalent in lieu of the full amount provided in the last proviso of

section 8, paragraph (1), subdivision (a), shall have his rate of deduction reduced to 5% of his annual earnable compensation.

It shall be the duty of the officer authorized to issue salary warrants to teachers or non-certificated employees, on or before the tenth day of such months as are designated by the Board of Trustees to be deduction months, to draw warrants payable out of the appropriate funds in favor of the State Treasurer, covering the amounts of deductions made from the salaries of members of the retirement system and forthwith remit said warrants to the Board of Trustees of the retirement system, accompanied by a report giving the names of the members from whose salaries deductions have been made, the amount of each deduction, the total amount of each warrant, and the number and date of each warrant. Such warrants shall be registered in the office of the state teachers retirement system and forthwith remitted to the State Treasurer, together with a detailed report segregating cash and registered warrants. Upon the presentation of such warrants the State Treasurer and County Treasurer shall transfer the amount thereof from the appropriate funds of the state, county and several districts to the State Treasurer, who shall place the amounts so received to the credit of the retirement system, and shall, by order of the Board of Trustees, disburse the same upon warrants issued and signed by the State Auditor;

(c) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made as provided herein, and shall receipt for his full compensation, and payment of salaries or compensation, less said deduction, shall be a full and complete dis-

Contributions to be deducted from salaries.

Pay to State Treasurer.

Report.

State Treasurer to credit system.

Deductions to be made without qualification.

Deductions to be credited to members account.

charge and acquittance of all claims and demands whatsoever for the services rendered by such member during the period covered by such payment, except as to the benefits provided under this act. Upon receiving the report of deductions each of said amounts shall be paid into said annuity fund and shall be credited to the individual account of the member from whose compensation said deductions were made: *Provided*, That at the close of each fiscal year pro rata deductions on account of the expense fund shall be made from the annuity contributions of each member, in accordance with paragraph (10), section 7. At the same time the Board of Trustees shall allow regular interest on each member's balance in the annuity fund at the beginning of the last fiscal year: *Provided, further*, That no interest shall be allowed on any accumulated contributions withdrawn during that fiscal year;

Pro rata deductions made for expense.

Interest to be allowed.

Member to deposit contribution upon re-entry.

(d) In addition to the contributions deducted from compensation as hereinbefore provided, a member who re-enters the retirement system, and who previously withdrew his accumulated contributions shall re-deposit in the annuity fund by a single payment, or by an increased rate of contribution in such amounts as shall be approved by the board, an amount equal to the amount which he previously withdrew therefrom, and regular interest before he shall be restored to his former status;

Pension fund.

Purpose.

Appropriations.

Gifts.

(4) (a) The pension fund shall be the fund in which shall be deposited the appropriations made by the Legislature for the purpose of creating, establishing and maintaining a fund from which pensions may be paid to members of the retirement system in accordance with the terms and provisions of this act and in the manner set out herein, and all gifts and bequests intended for the benefit of such pension fund, and any other funds hereinafter set over to

the pension fund and contributions from members as provided in this act;

(b) Any person entering the retirement system as a Class C member under the provisions of section 4, who wishes credit for prior service as provided in section 5, shall pay to the pension fund the contributions accumulated at four per cent (4%) compound interest, which he would have paid on account of service as a teacher or non-certificated employee rendered prior to the establishment of the retirement system had he been a member of a local fund or of the former state fund from his first date of eligibility for membership in either a local fund or the former state fund, with full credit for all former service. Any Class C member who complies with the foregoing requirements shall have all the rights and privileges of a Class B member. Any Class B member who was a member of a local fund or the former state fund who desires credit for service rendered as a teacher or non-certificated employee for which no credit has been given in the said local or former state fund, shall pay to the pension fund the contributions with four per cent (4%) compound interest which he would have paid to the local fund or the former state fund on account of such service had such service been credited: *Provided*, That the Board of Trustees shall transfer the same proportion of such payments to the individual account of the member in the annuity fund as would have been transferred to his account if he had made such payments as regular contributions to a local fund or the former state fund. Amounts payable under this paragraph shall be made in a lump sum or in such installments as shall be approved by the Board of Trustees with the provision that the initial payment made at the time of application for prior service credits shall be at least equal to the amount of the interest due on the prior service contribu-

Contributions by Class C members.

Interest.

Compliance plus member in Class B.

Contributions by Class B members.

Interest.

Payments to be credited to members account.

Lump sum or installments.

Amount of initial payment.

tions and that any unpaid installments at the time the member or his estate or other legal representative may become eligible for any benefit shall constitute a first, prior and paramount lien against the benefit: *Provided further*, That any Class A member who wishes credit for prior service shall pay to the pension fund the contributions with four per cent (4%) compound interest which he would have paid to the former State Teachers' Retirement Fund of Washington, had he been a member of said fund when said service was rendered;

Payments to be made by Class A for credit.

Interest.

Disability reserve fund.

(5) The disability reserve fund shall be the fund in which shall be accumulated the contributions from the compensation of members to provide for their disability allowances. Upon the basis of such tables as the Board of Trustees shall adopt, and regular interest, the actuary of the retirement system shall determine for each member the proportion of compensation which, when deducted from each payment of his prospective earnable compensation for that year, will provide for a disability allowance as provided in section 8 to all members of the retirement system who shall become disabled as defined in this act during that year. The Board of Trustees shall cause to be made at the same time and in the same manner and in addition to deductions made as provided in subdivision (b) of paragraph (3) of this section, deductions on account of the disability reserve fund, and when so made they shall be placed in the disability reserve fund: *Provided*, That no deduction shall be made for the disability reserve fund from the salary of a member who has thirty (30) years or more of creditable service and has attained age sixty (60) years.

Actuary to determine disability benefits.

Deductions for disability fund.

Expense fund.

(6) The expense fund shall be the fund from which shall be paid all necessary expenses incurred in the operation of the retirement system.

SEC. 6. That section 7 of chapter 86 of the Laws of 1939 (section 4995-7 of Remington's Revised Statutes) be amended to read as follows:

Section 7. (1) The Board of Trustees shall hold regular meetings on the first Monday of January, April, July and October of each year, and may hold as many other meetings as may be found necessary to properly transact the business of the retirement system. Special meetings may be called by the chairman of the board either on his own initiative or at the request in writing of four (4) other members of the Board of Trustees. At each regular meeting the Board of Trustees shall authorize payment of retirement allowances, disability allowances, salaries and other regular disbursements to be made during the succeeding three (3) months. At the first regular meeting in each fiscal year, the board shall designate two (2) of its members whose signatures shall appear upon its vouchers, as provided in paragraph (3) of this section. Retirement allowances shall be paid quarterly, and disability allowances shall be paid monthly;

(2) The Board of Trustees at the close of each fiscal year shall allow regular interest on the balance at the beginning of the current fiscal year in each of the funds with the exception of the expense fund and the pension fund. The amounts so allowed shall be payable from interest and other earnings on the monies of the retirement system.

(3) The Treasurer of the State of Washington shall be the custodian for all monies received by him for the retirement system. All payments from the several funds of the retirement system shall be made only upon vouchers signed by two (2) members of the Board of Trustees, as provided in paragraph (1) of this section. A duly attested copy of a resolution by the Board of Trustees designating such members and bearing on its face speci-

Amendments.

Meetings of Board.

Special meetings, how called.

Duties at meetings.

Two members to sign vouchers.

Payment of allowances.

Interest to be allowed.

Exceptions.

State Treasurer to be custodian of all funds.

Voucher to authorize warrants.

men signatures of such members shall be filed with the State Auditor as his authority for issuing warrants upon such vouchers. No voucher shall be drawn unless it has previously been authorized by resolutions of the Board of Trustees;

No trustee or employee shall have interest in profits of funds.

(5) Except as otherwise herein provided, no trustee and no employee of the Board of Trustees shall have any direct interest in the gain or profits of any investment made by the Board of Trustees. No trustee or employee of the board shall, directly or indirectly for himself or as an agent in any manner use any of the assets of the retirement system, except to make such current and necessary payments as are authorized by the Board of Trustees; nor shall any trustee or employee of the Board of Trustees become an endorser or surety, or in any manner an obligor for monies loaned or borrowed from the Board of Trustees;

Board to transfer existing assets.

(6) When this law becomes operative the Board of Trustees shall transfer the assets of each of the local funds and the assets of the former state fund to the annuity fund of the retirement system. The Boards of Trustees shall appraise the assets of each fund and determine the proportion of the contributions of each member of each of the local funds and the former state fund that is on hand in the respective funds, and shall credit to each member of each of such local funds and the former state fund his pro rata share of the assets of the fund of which he was formerly a member to his individual account in the annuity fund: *Provided*, That any member of the former state fund or a local fund who shall withdraw from the retirement system as provided in section 4 shall be entitled to receive in cash his pro rata share of the assets of the fund of which he was a member;

Appraisal.

Credit to member accounts.

Member may withdraw existing credits.

Use of pension fund.

(7) The Board of Trustees shall use the assets of the pension fund as follows:

To pay allowances, both on account of retirement and disability, to retirement and disability annuitants of the local funds and the former state fund on the date this law becomes operative, as provided in sections 4995 to 5020-29, Remington's Revised Statutes, inclusive, to pay allowances as provided in paragraph (a) of subsection (1) of section 8; to pay pensions to retirement annuitants who retire under the provisions of the retirement system; to pay the difference, if any there be, between forty dollars (\$40) per month and the sum of the pension paid by the retirement system to retirement annuitants, and the annuity earned by the retired member;

To pay allowances.

Pensions.

(8) The Board of Trustees shall use the assets of the annuity fund to pay annuities to the retirement annuitants who retire under the provisions of this act, and to pay withdrawals as provided in this act;

Annuities.

Withdrawals.

(9) The Board of Trustees shall use the assets of the disability reserve fund to pay disability allowances under the provisions of this act;

Disability.

(10) At the close of each fiscal year the Board of Trustees shall estimate the expenses of the retirement system for the ensuing year and allocate said expenses to the annuity fund, disability reserve fund, and the pension fund on the basis of the cost of operating and transacting the business of those funds for that year, and shall deduct from said funds sufficient amounts to defray such expenses, and shall deposit the same in the expense fund: *Provided*, That the deductions from the annuity fund shall be made pro rata from the annuity contributions of the members of the retirement system during the year just closed;

Expenses.

(11) The Board of Trustees shall be the trustees of the several funds created by this act as provided in section 6, and shall authorize the State Finance

Board to be trustee of funds.

To invest funds.

Committee to invest and reinvest such funds, subject to all the terms, conditions, limitations and restrictions imposed by the law of the State of Washington for the investment of permanent school funds; and subject to said terms, conditions, limitations and restrictions, said State Finance Committee shall have full power to hold, purchase, sell, assign, transfer and dispose of any of the securities and investments in which any of the funds created herein shall have been invested, as well as the proceeds of said investments and any monies belonging to said funds: *Provided, however,* That the State Finance Committee shall have power to invest such funds in school warrants.

Restrictions.

Amendments.

SEC. 7. That section 8 of chapter 86 of the Laws of 1939 (section 4995-8 of Remington's Revised Statutes) be amended to read as follows:

Minimum membership for benefits.

Section 8. (1) With the provision that no member of the retirement system can retire and receive a retirement allowance until he shall have been a member of the former state or a local fund, or of the retirement system, or both together, for a period of at least five (5) years, and with the further provision that separation from service subsequent to the filing of the application shall not render the application invalid;

Retirement age and service.

(a) Any member having attained age sixty (60) years and having completed thirty (30) years of creditable service may retire upon written application to the Board of Trustees setting forth at which time he desires to be retired. Upon retirement such member shall receive a service retirement allowance consisting of: An annuity which shall be the actuarial equivalent of his accumulated contribution at the time of retirement; and a pension of twenty dollars (\$20.00) per month to be paid from the pension fund as hereinbefore provided: *Provided,* That if the annuity earned by the mem-

Annuity and pension.

ber's contributions together with the pension here-
 inbefore mentioned, does not amount to forty dollars
 (\$40.00) per month, then funds shall be taken from
 the pension fund in amounts sufficient to make such
 payments forty dollars (\$40.00) per month: *Pro-*
vided, further, That any member who shall accept
 the reduced rate of deduction mentioned in section
 6, paragraph (3), subdivision (b), shall receive the
 actuarial equivalent of the full amount provided
 in the foregoing proviso;

Minimum
benefits.

Proviso.

(b) Any Class B or Class C member having
 thirty (30) years of service credits shall be entitled
 to retire and, upon retirement, shall receive a re-
 tirement allowance consisting of: An annuity which
 shall be the actuarial equivalent of his accumulated
 contributions at his age of retirement and a pension
 consisting of as many thirtieths, (not to exceed
 thirty-thirtieths) of forty dollars (\$40.00) per month
 as he has years of prior service credits: *Provided,*
 That such member shall first pay into the pension
 fund an amount which, together with his former
 contributions in the state fund or a local fund, or
 in the pension fund, shall equal as many thirtieths
 (not to exceed thirty-thirtieths) of seven hundred
 and twenty dollars (\$720.00) as he has years of
 prior service credits;

Retirement
allowance
for Class B
and C.

Maximum.

Contribu-
tions.

(c) Any member who has attained age sixty
 (60) years may retire on a retirement allowance
 consisting of an annuity which shall be the actuarial
 equivalent of his accumulated contributions at re-
 tirement and a pension consisting of as many thir-
 tieths (not to exceed thirty-thirtieths) of twenty
 dollars (\$20.00) per month as he has years of cred-
 ited service;

Members
may retire
at age 60.Retirement
allowances.

(d) Any member who completes all other re-
 quirements for retirement on a retirement allowance
 but who has not attained age sixty (60) years, may
 retire on a retirement allowance which is the ac-

Members
may retire
before 60 by
meeting all
require-
ments.

tuarial equivalent at his age of a retirement allowance at age sixty (60) years;

Upon death, accumulation to be paid estate.

(2) Upon receipt of proper proofs of death of any member before retirement his accumulated contributions in the annuity fund shall be paid to his estate or to such person as he shall have nominated by written designation duly executed and filed with the Board of Trustees;

Member may withdraw annuity accumulation.

(3) Should a member cease to be a teacher or non-certificated employee except by death or retirement under the provisions of this act, he shall be paid upon request filed on a form provided by the Board of Trustees, the amount of the accumulated contributions standing to the credit of his individual account in the annuity fund;

Member may elect method of receiving benefits.

(4) With the provision that no optional selection shall be effective in case a beneficiary dies before he has received his first retirement allowance installment and that such beneficiary shall be considered as an active member at the time of death; any member prior to the time the first payment of any benefit becomes normally due, may elect to receive his benefit in the form of a retirement allowance payable throughout life, or he may elect to receive the actuarial equivalent at the time of retirement of his retirement allowance in a reduced retirement allowance payable throughout life with the provision that:

Annuity to be paid estate in case of death.

Option 1. If he dies before he has received in annuity payments the present value of his annuity as it was at the time of his retirement, the balance, upon application duly made and filed with the board, shall be paid to his estate or to such person as he shall have nominated by written designation duly acknowledged and filed with the Board of Trustees; or

Option 2. Upon his death his reduced retirement annuity shall be continued throughout the

life of and paid to such person as he shall have nominated by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

May be paid to person designated.

Option 3. Upon his death one half of his reduced retirement annuity shall be continued through the life of and paid to such person as he shall have nominated by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

May designate one-half annuity to person nominated.

Option 4. Some other benefit or benefits shall be paid either to the member or to such person or persons as he shall have nominated: *Provided*, That such other benefit or benefits together with the reduced retirement annuity shall be certified by the actuary to be of equivalent actuarial value to his retirement allowance and approved by the Board of Trustees: *Provided, further*, That the Board of Trustees shall limit withdrawals of accumulated contributions to such sums as will not reduce the member's retirement allowance below forty dollars (\$40) per month;

Other methods.

Withdrawal limitations.

(5) All retirement and disability allowances being paid to former members of any local fund or the former state fund who shall have been retired prior to the date the retirement system became operative shall be continued in the same amount, and shall be paid out of the pension fund: *Provided*, That the Board of Trustees may continue such disability allowances only upon recommendation of the medical director, as provided in paragraph (6) of this section: *Provided, further*, That if the Board of Trustees shall determine at the beginning of any fiscal year that there will not be sufficient funds to pay the aforesaid allowances as provided in this paragraph, such allowances shall be pro rated.

Former members retired to receive same amount as before.

Disability allowances upon medical report.

Partial payments in case of insufficiency.

(6) Upon application of a member in service or of the employer any member may be retired by

Member
may be
retired for
disability
upon
application.

90 day
proviso.

Benefits
for 20 year
members.

Limit.

Option upon
continued
disability.

Transfer of
funds.

Statutes
repealed.

the Board of Trustees on a disability allowance, if the medical director, after a medical examination of such member, shall certify that the member is mentally or physically incapacitated for the further performance of duty, and that such member be retired: *Provided*, That no disability benefit shall be payable for the first ninety (90) days of disability;

(7) (a) If a member has less than twenty (20) years of service credit, he shall receive a disability allowance of thirty dollars (\$30) per month during disability for a period not to exceed two (2) years;

(b) If he has twenty (20) years or more of service credit he shall receive a disability allowance of thirty dollars (\$30) per month during disability for a period not to exceed two (2) years: *Provided*, That if at the expiration of such period the Board of Trustees determines upon the report of the medical director that such disability is permanent he shall be given the option of receiving his accumulated contributions in a lump sum and cancel his membership or of accepting a continued disability allowance of thirty dollars (\$30) per month during the period of disability. If the option to receive a permanent disability allowance is exercised the accumulated contributions of such member in the annuity fund shall be transferred to the disability reserve fund.

SEC. 8. That chapter 40 of the Laws of 1939 (section 4995-4b of Remington's Revised Statutes) and section 3 of chapter 86 of the Laws of 1939 (section 4995-4a of Remington's Revised Statutes) be and the same are hereby repealed.

Passed the Senate February 13, 1941.

Passed the House March 10, 1941.

Approved by the Governor March 19, 1941.