

PROVIDED, That agencies or departments of the state shall provide a method whereby all accumulated vacation leave may be taken as vacation leave.

Sec. 3. Section 43.01.041, chapter 8, Laws of 1965 and RCW 43.01.041 are each amended to read as follows:

Officers and employees referred to in RCW 43.01.040 whose employment is terminated by their death (~~(, reduction in force, resignation, dismissal, or by retirement)~~) and who have accrued vacation leave as specified in RCW 43.01.040, shall ((be)) have such accrued vacation leave paid ((therefor under their contract of employment, or)) to their estate ((if they are deceased, or if the employee in case of voluntary resignation has provided adequate notice of termination)).

NEW SECTION. Sec. 4. This act shall not have the effect of terminating or modifying any rights acquired under a contract in existence prior to the effective date of this act.

NEW SECTION. Sec. 5. This act shall take effect July 1, 1982.

NEW SECTION. Sec. 6. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

Passed the Senate April 10, 1982.

Passed the House April 10, 1982.

Approved by the Governor April 20, 1982.

Filed in Office of Secretary of State April 20, 1982.

CHAPTER 52

[Engrossed Senate Bill No. 4640]

PUBLIC EMPLOYMENT—RETIREMENT SYSTEMS REVISIONS

AN ACT Relating to retirement from public service; amending section 18, chapter 267, Laws of 1971 ex. sess. as amended by section 1, chapter 205, Laws of 1979 ex. sess. and RCW 2.10.180; amending section 1, chapter 229, Laws of 1937 as last amended by section 4, chapter 106, Laws of 1973 and RCW 2.12.010; amending section 2, chapter 229, Laws of 1937 as last amended by section 2, chapter 18, Laws of 1982 and RCW 2.12.020; amending section 5, chapter 229, Laws of 1937 as last amended by section 1, chapter 75, Laws of 1977 and RCW 2.12.050; amending section 15, chapter 294, Laws of 1977 ex. sess. and RCW 41.26.540; amending section 1, chapter 80, Laws of 1947 as last amended by section 5, chapter 256, Laws of 1981 and RCW 41.32.010; amending section 3, chapter 80, Laws of 1947 as last amended by section 1, chapter 150, Laws of 1969 ex. sess. and RCW 41.32.030; amending section 38, chapter 80, Laws of 1947 and RCW 41.32.380; amending section 11, chapter 14, Laws of 1963 ex. sess. as amended by section 15, chapter 87, Laws of 1980 and RCW 41.32.401; amending section 12, chapter 150, Laws of 1969 ex. sess. as amended by section 8, chapter 189, Laws of 1973 1st ex. sess. and RCW 41.32.405; amending section 41, chapter 80, Laws of 1947 as last amended by section 13, chapter 150, Laws of 1969 ex. sess. and RCW 41.32.410; amending section 46, chapter 80, Laws of 1947 and RCW 41.32.460; amending section 7, chapter 35, Laws of 1970 ex. sess. as last amended by section 1, chapter 148, Laws of 1975 1st ex. sess. and RCW 41.32.493; amending section 51, chapter 80, Laws of 1947 as last amended by section 17,

chapter 150, Laws of 1969 ex. sess. and RCW 41.32.510; amending section 8, chapter 193, Laws of 1974 ex. sess. and RCW 41.32.567; amending section 15, chapter 293, Laws of 1977 ex. sess. and RCW 41.32.820; amending section 11, chapter 274, Laws of 1947 as last amended by section 4, chapter 190, Laws of 1973 1st ex. sess. and RCW 41.40.100; amending section 13, chapter 274, Laws of 1947 as last amended by section 6, chapter 33, Laws of 1975 and RCW 41.40.120; amending section 16, chapter 274, Laws of 1947 as last amended by section 10, chapter 249, Laws of 1979 ex. sess. and RCW 41.40.150; amending section 19, chapter 274, Laws of 1947 as last amended by section 7, chapter 190, Laws of 1973 1st ex. sess. and RCW 41.40.180; amending section 38, chapter 274, Laws of 1947 as last amended by section 63, chapter 151, Laws of 1979 and RCW 41.40.370; amending section 14, chapter 295, Laws of 1977 ex. sess. and RCW 41.40.730; amending section 43.43.120, chapter 8, Laws of 1965 as last amended by section 1, chapter 77, Laws of 1980 and RCW 43.43.120; amending section 43.43.230, chapter 8, Laws of 1965 and RCW 43.43.230; amending section 43.43.250, chapter 8, Laws of 1965 as last amended by section 1, chapter 116, Laws of 1975-'76 2nd ex. sess. and RCW 43.43.250; amending section 43.43.260, chapter 8, Laws of 1965 as last amended by section 3, chapter 180, Laws of 1973 1st ex. sess. and RCW 43.43.260; amending section 4, chapter 180, Laws of 1973 1st ex. sess. as amended by section 3, chapter 14, Laws of 1973 2nd ex. sess. and RCW 43.43.270; amending section 43.43.280, chapter 8, Laws of 1965 as last amended by section 5, chapter 180, Laws of 1973 1st ex. sess. and RCW 43.43.280; amending section 43.43.290, chapter 8, Laws of 1965 and RCW 43.43.290; amending section 43.43.310, chapter 8, Laws of 1965 as last amended by section 8, chapter 205, Laws of 1979 ex. sess. and RCW 43.43.310; adding a new section to chapter 2.12 RCW; adding a new section to chapter 41.40 RCW; adding a new section to chapter 41.50 RCW; creating new sections; repealing section 21, chapter 200, Laws of 1953 and RCW 41.40.125; repealing section 43.43.150, chapter 8, Laws of 1965 and RCW 43.43.150; repealing section 43.43.265, chapter 8, Laws of 1965 and RCW 43.43.265; repealing section 43.43.266, chapter 8, Laws of 1965 and RCW 43.43.266; repealing section 5, chapter 12, Laws of 1969 and RCW 43.43.267; providing an effective date; and declaring an emergency.

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

Section 1. Section 18, chapter 267, Laws of 1971 ex. sess. as amended by section 1, chapter 205, Laws of 1979 ex. sess. and RCW 2.10.180 are each amended to read as follows:

(1) The right of a person to a retirement allowance, disability allowance, or death benefit, the retirement, disability or death allowance itself, any optional benefit, any other right accrued or accruing to any person under the provisions of this chapter, and the moneys in the fund created under this chapter, are hereby exempt from any state, county, municipal, or other local tax and shall not be subject to execution, garnishment, or any other process of law whatsoever: PROVIDED, That benefits under this chapter shall be payable to a spouse or ex-spouse to the extent expressly provided for in any court decree of dissolution or legal separation or in any court order or court-approved property settlement agreement incident to any court decree of dissolution or legal separation.

(2) Subsection (1) of this section shall not be deemed to prohibit a beneficiary of a retirement allowance from authorizing deductions therefrom for payment of premiums due on any group insurance policy or plan issued for the benefit of a group comprised of public employees of the state of Washington.

(3) Deductions made in the past from retirement benefits are hereby expressly recognized, ratified, and affirmed. Future deductions may only be made in accordance with this section.

Sec. 2. Section 1, chapter 229, Laws of 1937 as last amended by section 4, chapter 106, Laws of 1973 and RCW 2.12.010 are each amended to read as follows:

Any judge of the supreme court, court of appeals, or superior court of the state of Washington who heretofore and/or hereafter shall have served as a judge of any such courts for eighteen years in the aggregate or who shall have served ten years in the aggregate and shall have attained the age of seventy years or more may, during or at the expiration of his term of office, in accordance with the provisions of this chapter, be retired and receive the retirement pay herein provided for. In computing such term of service, there shall be counted the time spent by such judge in active service in the armed forces of the United States of America, under leave of absence from his judicial duties as provided for under chapter 201, Laws of 1941 (~~{chapter 73.16 RCW}~~): PROVIDED, HOWEVER, That in computing such credit for such service in the armed forces of the United States of America no allowance shall be made for service beyond the date of the expiration of the term for which such judge was elected. Any judge desiring to retire under the provisions of this section shall file with the (~~(state treasurer, who is hereby created treasurer, ex officio, of the fund hereinafter established, and who is hereinafter referred to as "the treasurer,"~~) director of retirement systems, a notice in duplicate in writing, verified by his affidavit, fixing a date when he desires his retirement to commence, one copy of which the (~~(treasurer)~~) director shall forthwith file with the administrator for the courts. The notice shall state his name, the court or courts of which he has served as judge, the period of service thereon and the dates of such service. (~~(No retirement shall be made within a period of less than thirty days after such statement is filed, and no retirement after separation from office by expiration of term shall be allowed unless the statement be filed within thirty days thereafter.)~~)

Sec. 3. Section 2, chapter 229, Laws of 1937 as last amended by section 2, chapter 18, Laws of 1982 and RCW 2.12.020 are each amended to read as follows:

(1) Any judge of the supreme court, court of appeals, or superior court of the state of Washington, who heretofore and/or hereafter shall have served as a judge of any such courts for a period of ten years in the aggregate, and who shall believe he has become physically or otherwise permanently incapacitated for the full and efficient performance of the duties of his office, may file with the (~~(treasurer)~~) director of retirement systems an application in duplicate in writing, asking for retirement, which application shall be signed and verified by the affidavit of the applicant or by someone in his behalf and which shall set forth his name, the office then held, the

court or courts of which he has served as judge, the period of service thereon, the dates of such service and the reasons why he believes himself to be, or why they believe him to be incapacitated. Upon filing of such application the ((treasurer)) director shall forthwith transmit a copy thereof to the governor who shall appoint three physicians of skill and repute, duly licensed to practice their professions in the state of Washington, who shall, within fifteen days thereafter, for such compensation as may be fixed by the governor, to be paid out of the fund hereinafter created, examine said judge and report, in writing, to the governor their findings in the matter. If a majority of such physicians shall report that in their opinion said judge has become permanently incapacitated for the full and efficient performance of the duties of his office, and if the governor shall approve such report, he shall file the report, with his approval endorsed thereon, in the office of the ((treasurer)) director and a duplicate copy thereof with the administrator for the courts, and from the date of such filing the applicant shall be deemed to have retired from office and be entitled to the benefits of this chapter to the same extent as if he had retired under the provisions of RCW 2.12.010.

(2) The retirement for disability of a judge, who has served as a judge of the supreme court, court of appeals, or superior court of the state of Washington for a period of ten years in the aggregate, by the supreme court under Article IV, section 31 of the Constitution of the state of Washington (House Joint Resolution No. 37, approved by the voters November 4, 1980), with the concurrence of the retirement board, shall be considered a retirement under subsection (1) of this section.

Sec. 4. Section 5, chapter 229, Laws of 1937 as last amended by section 1, chapter 75, Laws of 1977 and RCW 2.12.050 are each amended to read as follows:

There is hereby created a fund in the state treasury to be known as "The Judges' Retirement Fund" which shall consist of the moneys appropriated from the general fund in the state treasury, as hereinafter provided; the deductions from salaries of judges, as hereinafter provided, all gifts, donations, bequests and devises made for the benefit of said fund, and the rents, issues and profits thereof, or proceeds of sales of assets thereof. The state treasurer shall be treasurer, ex officio, of this fund. The treasurer shall be custodian of the moneys in said judges' retirement fund. The department of retirement systems shall receive all moneys payable into said fund and make disbursements therefrom as provided in this chapter. The department shall keep written permanent records showing all receipts and disbursements of said fund.

Sec. 5. Section 15, chapter 294, Laws of 1977 ex. sess. and RCW 41-.26.540 are each amended to read as follows:

A member who ceases to be an employee of an employer except by service or disability retirement may request a refund of the member's accumulated contributions. The refund shall be made within ninety days following the receipt of the request and notification of termination through the contribution reporting system by the employer; except that in the case of death, an initial payment shall be made within thirty days of receipt of request for such payment and notification of termination through the contribution reporting system by the employer. A member who files a request for refund and subsequently enters into employment with another employer prior to the refund being made shall not be eligible for a refund. The refund of accumulated contributions shall terminate all rights to benefits under RCW 41.26.410 through 41.26.550.

Sec. 6. Section 1, chapter 80, Laws of 1947 as last amended by section 5, chapter 256, Laws of 1981 and RCW 41.32.010 are each amended to read as follows:

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

(1) (a) "Accumulated contributions" for persons who establish membership in the retirement system on or before September 30, 1977, means the sum of all regular annuity contributions with regular interest thereon.

(b) "Accumulated contributions" for persons who establish membership in the retirement system on or after October 1, 1977, means the sum of all contributions standing to the credit of a member in the member's individual account together with the regular interest thereon.

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

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

(4) "Annuity fund" means the fund in which all of the accumulated contributions of members are held.

(5) "Annuity reserve fund" means the fund to which all accumulated contributions are transferred upon retirement.

(6) (a) "Beneficiary" for persons who establish membership in the retirement system on or before September 30, 1977, means any person in receipt of a retirement allowance or other benefit provided by this chapter.

(b) "Beneficiary" for persons who establish membership in the retirement system on or after October 1, 1977, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

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

(8) "Creditable service" means membership service plus prior service for which credit is allowable. This subsection shall apply only to persons who

establish membership in the retirement system on or before September 30, 1977.

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

(10) "Disability allowance" means monthly payments during disability. This subsection shall apply only to persons who establish membership in the retirement system on or before September 30, 1977.

(11) (a) "Earnable compensation" for persons who establish membership in the retirement system on or before September 30, 1977, means all salaries and wages paid by an employer to an employee member of the retirement system for personal services rendered during a fiscal year. In all cases where compensation includes maintenance the employer shall fix the value of that part of the compensation not paid in money: PROVIDED, That retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation and the individual shall receive the equivalent service credit: PROVIDED FURTHER, That if a leave of absence, without pay, is taken by a member for the purpose of serving as a member of the state legislature, and such member has served in the legislature five or more years, the salary which would have been received for the position from which the leave of absence was taken shall be considered as compensation earnable if the employee's contribution thereon is paid by the employee. In addition, where a member has been a member of the state legislature for five or more years, earnable compensation for the member's two highest compensated consecutive years of service shall include a sum not to exceed thirty-six hundred dollars for each of such two consecutive years, regardless of whether or not legislative service was rendered during those two years.

(b) "Earnable compensation" for persons who establish membership in the retirement system on or after October 1, 1977, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, as reported by the employer on the wage and tax statement submitted to the federal internal revenue service, but shall exclude lump sum payments for deferred annual sick leave, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b) and 457 of the United States Internal Revenue Code, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay: PROVIDED, That retroactive payments to an individual by an employer on reinstatement of the employee in a position or payments by an employer to an individual in lieu of reinstatement in a position which are

awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation, to the extent provided above, and the individual shall receive the equivalent service credit: PROVIDED FURTHER, That in any year in which a member serves in the legislature the member shall have the option of having such member's earnable compensation be the greater of:

(i) the earnable compensation the member would have received had such member not served in the legislature; or

(ii) such member's actual earnable compensation received for teaching and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under subparagraph (i) of this subsection is greater than compensation earnable under subparagraph (ii) of this subsection shall be paid by the member for both member and employer contributions.

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

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

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

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

(16) "Member" means any teacher included in the membership of the retirement system. Also, any other employee of the public schools who, on July 1, 1947, had not elected to be exempt from membership and who, prior to that date, had by an authorized payroll deduction, contributed to the annuity fund.

(17) "Membership service" means service rendered subsequent to the first day of eligibility of a person to membership in the retirement system: PROVIDED, That where a member is employed by two or more employers the individual shall only receive one month's service credit during any calendar month in which multiple service is rendered. The provisions of this subsection shall apply only to persons who establish membership in the retirement system on or before September 30, 1977.

(18) "Pension" means the moneys payable per year during life from the pension reserve fund.

(19) (~~"Pension fund" means a fund from which all pension obligations are to be paid.~~

~~(20))~~ "Pension reserve fund" is a fund (~~(in the state treasury)~~) in which shall be accumulated an actuarial reserve adequate to meet present and future pension liabilities of the system and from which all pension obligations are to be paid.

~~((21))~~ (20) "Prior service" means service rendered prior to the first date of eligibility to membership in the retirement system for which credit is allowable. The provisions of this subsection shall apply only to persons who establish membership in the retirement system on or before September 30, 1977.

~~((22))~~ (21) "Prior service contributions" means contributions made by a member to secure credit for prior service. The provisions of this subsection shall apply only to persons who establish membership in the retirement system on or before September 30, 1977.

~~((23))~~ (22) "Public school" means any institution or activity operated by the state of Washington or any instrumentality or political subdivision thereof employing teachers, except the University of Washington and Washington State University.

~~((24))~~ (23) "Regular contributions" means the amounts required to be deducted from the compensation of a member and credited to the member's individual account in the annuity fund. This subsection shall apply only to persons establishing membership in the retirement system on or before September 30, 1977.

~~((25))~~ (24) "Regular interest" means such rate as the director may determine.

~~((26))~~ (25) (a) "Retirement allowance" for persons who establish membership in the retirement system on or before September 30, 1977, means the sum of annuity and pension or any optional benefits payable in lieu thereof.

(b) "Retirement allowance" for persons who establish membership in the retirement system on or after October 1, 1977, means monthly payments to a retiree or beneficiary as provided in this chapter.

~~((27))~~ (26) "Retirement system" means the Washington state teachers' retirement system.

~~((28))~~ (27) (a) "Service" means the time during which a member has been employed by an employer for compensation: PROVIDED, That where a member is employed by two or more employers the individual shall only receive one month's service credit during any calendar month in which multiple service is rendered.

(b) "Service" for persons who establish membership in the retirement system on or after October 1, 1977, means periods of employment by a member for one or more employers for which earnable compensation is earned for ninety or more hours per calendar month. Members shall receive twelve months of service for each contract year or school year of employment.

Any person who is a member of the teachers' retirement system and who is elected or appointed to a state elective position may continue to be a member of the retirement system and continue to receive service credit for

the time spent in a state elective position by making the required member contributions.

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

Notwithstanding RCW 41.32.240, teachers covered by RCW 41.32.755 through 41.32.825, who render service need not serve for ninety days to obtain membership so long as the required contribution is submitted for such ninety-day period. Where a member did not receive service credit under RCW 41.32.775 through 41.32.825 due to the ninety-day period in RCW 41.32.240 the member may receive service credit for that period so long as the required contribution is submitted for the period. Anyone entering membership on or after October 1, 1977, and prior to July 1, 1979, shall have until June 30, 1980, to make the required contribution in one lump sum.

~~((29))~~ (28) "Survivors' benefit fund" means the fund from which survivor benefits are paid to dependents of deceased members. This subsection shall apply only to persons establishing membership in the retirement system on or before September 30, 1977.

~~((30))~~; (29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity, including state, educational service district, city superintendents and their assistants and certificated employees; and in addition thereto any qualified school librarian, any registered nurse or any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

~~((31))~~ (30) "Average final compensation" for persons who establish membership in the retirement system on or after October 1, 1977, means the member's average earnable compensation of the highest consecutive sixty months of service prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation.

~~((32))~~ (31) "Retiree" for persons who establish membership in the retirement system on or after October 1, 1977, means any member in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by such member.

~~((33))~~ (32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

~~((34))~~ (33) "Director" means the director of the department.

~~((35))~~ (34) "State elective position" means any position held by any person elected or appointed to state-wide office or elected or appointed as a member of the legislature.

~~((36))~~ (35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

~~((37))~~ (36) "Retirement board" means the board of trustees provided for in RCW 41.32.040.

Sec. 7. Section 3, chapter 80, Laws of 1947 as last amended by section 1, chapter 150, Laws of 1969 ex. sess. and RCW 41.32.030 are each amended to read as follows:

All of the assets of the retirement system shall be credited according to the purposes for which they are held, to ~~((one of two))~~ a fund(s) to be maintained in the state treasury, namely, ~~((the teachers' retirement pension reserve fund and))~~ the teachers' retirement fund. In the records of the teachers' retirement system the teachers' retirement fund shall be subdivided into the annuity fund, the annuity reserve fund, the survivors' benefit fund, the pension reserve fund, the disability reserve fund, the death benefit fund, the income fund, the expense fund, and such other funds as may from time to time be created by the ~~((board of trustees))~~ director for the purpose of the internal accounting record.

Sec. 8. Section 38, chapter 80, Laws of 1947 and RCW 41.32.380 are each amended to read as follows:

There shall be placed in the pension reserve fund all appropriations made by the legislature for the purpose of paying pensions and survivors' benefits and of establishing and maintaining an actuarial reserve and all gifts and bequests to the pension reserve fund, and contributions of persons entering the retirement system who have established prior service credit. Members establishing prior service credit shall contribute to the pension reserve fund as follows:

For the first ten years of prior service fifteen dollars per year;

For the second ten years of prior service thirty dollars per year;

For the third ten years of prior service forty-five dollars per year.

Sec. 9. Section 11, chapter 14, Laws of 1963 ex. sess. as amended by section 15, chapter 87, Laws of 1980 and RCW 41.32.401 are each amended to read as follows:

For the purpose of establishing and maintaining an actuarial reserve adequate to meet present and future pension liabilities of the system and to pay for one-half of the operating expenses of the system, the ~~((board of trustees at each regular July meeting next preceding a regular session of the legislature during an odd-numbered year))~~ director shall compute the amount necessary to be appropriated during the next legislative session for transfer from the state general fund to the teachers' retirement system during the next biennium. Such computation shall provide for amortization of unfunded pension liabilities over a period of not more than fifty years from July 1, 1964. The amount thus computed as necessary shall be reported to the governor by the ~~((secretary-manager of the retirement system))~~ director for inclusion in the budget. The legislature shall make the necessary appropriation from the state general fund to the teachers' retirement system after

considering the estimates as prepared and submitted, and shall appropriate from the teachers' retirement fund the amount to be expended during the next biennium for operating expenses. The transfer of funds from the state general fund to the retirement system shall be at a rate determined by the ~~((board of trustees))~~ director on the basis of the latest valuation prepared by the state actuary ~~((employed by the board))~~, and shall include a percentage contribution of the total earnable compensation of the members for the biennium for which the appropriation is to be made, to be known as the "normal contribution," and an additional percentage contribution of such earnable compensation, to be known as the "unfunded liability contribution." Such transfers from the general fund shall be made before the end of each calendar quarter ~~((at the rate determined by the board of trustees and shall be computed on the basis of the members' total earnable compensation received for the quarter. The members' total contributions to the teachers' retirement fund for each quarter shall serve as the basis for determining the members' total earnable compensation for the quarter))~~, except for the 1981-83 biennium such transfers from the general fund shall be made as provided in an act making an appropriation for the retirement system or as directed by rules promulgated under RCW 43.41.110(13). When payments are made less often than quarterly, the legislature shall appropriate additional amounts equal to the interest that would have been earned under a quarterly payment basis. The amounts transferred shall be distributed ((first)) to the teachers' retirement fund for the payment of pensions, survivors' benefits and the state's share of the operating expenses for the system((, and the balance shall be credited to the teachers' retirement pension reserve fund)). The total amount of such transfers for a biennium shall not exceed the total amount appropriated by the legislature.

NEW SECTION. Sec. 10. All funds in the teachers' retirement pension reserve fund are transferred to the teachers' retirement fund.

Sec. 11. Section 12, chapter 150, Laws of 1969 ex. sess. as amended by section 8, chapter 189, Laws of 1973 1st ex. sess. and RCW 41.32.405 are each amended to read as follows:

An income fund is hereby created for the purpose of crediting regular interest and such other income as may be derived from the deposits and investments of the various funds of the teachers' retirement fund. All accumulated contributions in the account of a terminated ~~((member which remain unclaimed after the expiration of ten years from the date of termination))~~ employee except as provided for in RCW 41.32.500(1) through (3), 41.32.510, 41.32.810, and 41.32.815 shall ((thereafter)) be transferred to the income fund ((as provided in RCW 41.32.510)). If the former employee, the former employee's beneficiary, or the former employee's estate at a future date requests the unclaimed contributions or reinstatement of the rights previously provided thereunder, the former employee's contributions shall be transferred from the income fund to the annuity fund and the

former employee's account reestablished with all the rights which would have been due the former employee, the former employee's beneficiary, or the former employee's estate as if in fact the transfer to the income fund had not occurred. Any moneys that may come into the possession of the retirement system in the form of gifts or bequests which are not allocated to a specific fund, or any other moneys the disposition of which is not otherwise provided herein, shall be credited to the income fund. The moneys accumulated in the income fund shall be available for transfer, upon ~~((board))~~ the director's authorization, to the department of retirement systems expense fund toward payment of the members' share of the operating costs of the system as provided in RCW 41.32.410, and for regular interest allowance to the various funds of the teachers' retirement fund ~~((as provided in RCW 41.32.190 and 41.32.460))~~; however, no interest may be credited to the pension fund: PROVIDED, That from such accumulated moneys the ~~((board))~~ director shall have sole discretion to determine an amount thereof to be credited to the annuity fund which will thereupon be credited as regular interest to the individual members' accounts~~((: PROVIDED FURTHER, That from interest and other earnings on the moneys in the annuity fund the board may specifically allocate up to one percent per annum of such interest and other earnings for the purpose of making sufficient funds available to facilitate the adjustment in the retirement allowance provided in RCW 41.32.499))~~ except that any accrued interest shall be credited at least annually to the individual members' accounts.

Sec. 12. Section 41, chapter 80, Laws of 1947 as last amended by section 13, chapter 150, Laws of 1969 ex. sess. and RCW 41.32.410 are each amended to read as follows:

~~((At the beginning of each fiscal year the board of trustees))~~ The director shall transfer from the pension fund and the income fund to the department of retirement systems expense fund amounts sufficient to defray the expenses of the retirement system ~~((estimated by them for that year))~~: PROVIDED, That the amounts transferred to the expense fund shall result in the state and the members of the system sharing equally in the operating costs of the system. The ~~((board of trustees))~~ director shall have authority to assess a withdrawal fee and such other service charges as may be necessary to assist in providing for the members' contributions to the department of retirement systems expense fund. Any such withdrawal fee or other service charges shall be deducted from the member's annuity fund account during the year in which the assessment is made and all money received from such assessments shall be credited to the department of retirement systems expense fund toward payment of the members' share of the operating costs of the system.

Sec. 13. Section 46, chapter 80, Laws of 1947 and RCW 41.32.460 are each amended to read as follows:

The deductions from salaries of members of the retirement system for their contributions to the system are not considered diminution of pay and every member is conclusively presumed to consent thereto as a condition of ((his)) employment. All contributions to the annuity fund shall be credited to the individual for whose account the deductions from salary were made. ~~((Regular interest shall be credited to each member's account at the end only of each fiscal year, based upon the balance in his account at the beginning of the year.))~~ Regular interest shall be credited to each member's account at least annually.

Sec. 14. Section 7, chapter 35, Laws of 1970 ex. sess. as last amended by section 1, chapter 148, Laws of 1975 1st ex. sess. and RCW 41.32.4943 are each amended to read as follows:

The funds necessary for the payment of benefits under subsections (4), (5), (6) and (7) of RCW 41.32.4932, 41.32.493, 41.32.4931, 41.32.494, 41.32.561 and the funds required for the payment of benefits under RCW 41.32.480, 41.32.497, 41.32.498, ~~((and))~~ 41.32.550, and 41.32.567 shall be provided in accordance with RCW 41.32.401.

Sec. 15. Section 51, chapter 80, Laws of 1947 as last amended by section 17, chapter 150, Laws of 1969 ex. sess. and RCW 41.32.510 are each amended to read as follows:

Should a member cease to be employed ~~((in the public schools of this state))~~ by an employer and request upon a form provided by the ~~((board of trustees))~~ department a refund of ~~((his))~~ the member's accumulated contributions with interest ~~((to the June 30th next preceding))~~, this amount shall be paid to ~~((him))~~ the individual less any withdrawal fee which may be assessed by the ~~((board of trustees))~~ director which shall be deposited ~~((to))~~ in the department of retirement systems expense fund. The amount withdrawn, together with interest as determined by the director must be paid if ~~((he))~~ the member desires to reestablish ~~((his))~~ the former service credits. ~~((Upon termination of membership, interest on accumulated contributions in the annuity fund shall cease and all accumulated contributions unclaimed after the expiration of ten years thereafter become an integral part of the income fund.))~~ Termination of employment with one employer for the specific purpose of accepting employment with another employer or termination with one employer and reemployment with the same employer, whether for the same school year or for the ensuing school year, shall not qualify a member for a refund of ~~((his))~~ the member's accumulated contributions. A member who files an application for a refund of ~~((his))~~ the member's accumulated contributions and subsequently enters into a contract for or resumes public school employment before a refund payment has been made shall not be eligible for such payment.

Sec. 16. Section 8, chapter 193, Laws of 1974 ex. sess. and RCW 41.32.567 are each amended to read as follows:

(1) Effective July 1, 1974, the pension portion of the retirement allowance being paid to all retirees who retired on or before June 30, 1970, shall be increased in an amount equal to 11.9 percent of that portion.

(2) Effective July 1, 1974, the pension portion of the retirement allowance being paid to all retirees who retired on or after July 1, 1970 through and including June 30, 1973, shall be increased in an amount equal to 2.9 percent of that portion.

(3) Solely for the purposes of RCW 41.32.499, the initial date of payment of the pension portion of the retirement allowance which is increased by this section shall be deemed to be July 1, 1973.

~~((4) The funds necessary for the payment of benefits provided by subsections (1) and (2) of this section shall constitute a separate biennial appropriation transfer by the legislature from the state general fund to the teachers' retirement fund:))~~

Sec. 17. Section 15, chapter 293, Laws of 1977 ex. sess. and RCW 41.32.820 are each amended to read as follows:

A member who ceases to be an employee of an employer except by service or disability retirement may request a refund of the members accumulated contributions. The refund shall be made within ninety days following the receipt of the request and notification of termination through the contribution reporting system by the employer; except that in the case of death, an initial payment shall be made within thirty days of receipt of request for such payment and notification of termination through the contribution reporting system by the employer. A member who files a request for refund and subsequently enters into employment with another employer prior to the refund being made shall not be eligible for a refund. The refund of accumulated contributions shall terminate all benefits under the provisions of RCW 41.32.755 through 41.32.825.

Sec. 18. Section 11, chapter 274, Laws of 1947 as last amended by section 4, chapter 190, Laws of 1973 1st ex. sess. and RCW 41.40.100 are each amended to read as follows:

For the purpose of the internal accounting record of the retirement ~~((board))~~ system and not the segregation of moneys on deposit with the state treasurer there are hereby created the employees' savings fund, the benefit account fund, the income fund and such other funds as may from time to time be required.

(1) The employees' savings fund shall be the fund in which shall be accumulated the contributions from the compensation of members. The ~~((retirement board))~~ director shall provide for the maintenance of an individual account ~~((with))~~ for each member of the retirement system showing the amount of the member's contributions together with interest accumulations thereon. The contributions of a member returned to ~~((him))~~ the former employee upon ~~((his))~~ the individual's withdrawal from service, or paid in event of ~~((his))~~ the employee's or former employee's death, as provided in

this chapter, shall be paid from the employees' savings fund. (~~Any accumulated contributions forfeited by failure of a member, or his estate, to claim the same as provided for in this chapter shall be transferred from the employees' savings fund to the income fund.))~~ The accumulated contributions of a member, upon the commencement of ~~((his))~~ the individual's retirement, shall be transferred from the employees' savings fund to the benefit account fund.

(2) The benefit account fund shall be the fund in which shall be accumulated the reserves for the payment of all retirement allowances and death benefits, if any, in respect of any beneficiary. The amounts contributed by ~~((the))~~ all employers to provide pension benefits shall be credited to the benefit account fund. The benefit account fund shall be the fund from which shall be paid all retirement allowances, or benefits in lieu thereof because of which reserves have been transferred from the employees' savings fund to the benefit account fund. At the time a recipient of a retirement allowance again becomes a member there shall be transferred from the benefit account fund to the employees' savings fund and credited to the individual account of such a member a sum that shall be equal to the excess, if any, of ~~((his))~~ the individual's account at the date of ~~((his))~~ the member's retirement over any service retirement allowance received since that date.

(3) An income fund is hereby created for the purpose of crediting interest on the amounts in the various other funds with the exception of the department of retirement systems expense fund, and to provide a contingent fund out of which special requirements of any of the other funds may be covered. (~~Transfers for such special requirements shall be made only when the amount in the income fund exceeds the ordinary requirements of such fund as evidenced by a resolution of the retirement board recorded in its minutes. The retirement board shall quarterly allow interest to each of the funds enumerated in subdivisions (1) and (2) of this section, and the amount so allowed shall be due and payable to said funds and shall be quarterly credited on the previous quarterly balance by the retirement board and paid from the income fund.))~~ The director shall determine when a distribution of interest and other earnings of the retirement system shall take place. The amounts to be credited and the methods for distribution to each of the funds enumerated in subsections (1) and (2) of this section and for special requirements previously mentioned in this subsection shall be at the director's discretion.

All accumulated contributions standing to the account of a terminated member (~~and unclaimed after the expiration of fifteen years from the date of such termination~~) except as provided in RCW 41.40.150(3) and (5), 41.40.170, 41.40.710, and 41.40.720 shall (~~thereafter become an integral part of the income fund~~) be transferred from the employees' savings fund

to the income fund. If the former employee, the former employee's beneficiary, or the former employee's estate at a future date requests the unclaimed contributions or reinstatement of the rights previously provided thereunder, the former employee's contributions shall be transferred from the income fund to the savings fund and the former employee's account re-established with all the rights which would have been due the former employee, the former employee's beneficiary, or the former employee's estate as if in fact the transfer to the income fund had not occurred. All income, interest, and dividends derived from the deposits and investments authorized by this chapter shall be paid into the income fund with the exception of interest derived from sums deposited in the department of retirement systems expense fund. The ~~((retirement board))~~ director on behalf of the retirement system is hereby authorized to accept gifts and bequests. Any funds that may come into the possession of the retirement system in such manner, or any funds which may be transferred from the employees' savings fund by reason of lack of claimant, or because of a surplus in any fund created by this chapter, or any other moneys the disposition of which is not otherwise provided for ~~((herein))~~, shall be credited to the income fund.

~~((The board shall have sole discretion to determine the amount of interest to be credited to the employees' savings fund which will thereupon be credited as regular interest to the individual members' accounts. The board may specifically allocate not more than one percent per annum of the investment earnings for the purpose of making sufficient funds available to facilitate the adjustment in service retirement allowances provided by RCW 41.40.195 as now or hereafter amended.))~~

Sec. 19. Section 13, chapter 274, Laws of 1947 as last amended by section 6, chapter 33, Laws of 1975 and RCW 41.40.120 are each amended to read as follows:

Membership in the retirement system shall consist of all regularly compensated employees and appointive and elective officials of employers, as defined in this chapter ~~((who have served at least six months without interruption or who are employed, appointed or elected on or after July 1, 1965))~~, with the following exceptions:

- (1) Persons in ineligible positions;
- (2) Employees of the legislature except the officers thereof elected by the members of the senate and the house and legislative committees, unless membership of such employees be authorized by the said committee;
- (3) Persons holding elective offices or persons appointed directly by the governor: PROVIDED, That such persons shall have the option of applying for membership and to be accepted by the action of the ~~((retirement board))~~ director, such application for those taking elective office for the first time after May 21, 1971, shall be submitted within eight years of the beginning of their initial term of office: AND PROVIDED FURTHER, That any such persons previously denied service credit because of any prior laws

excluding membership which have subsequently been repealed, shall nevertheless be allowed to recover or regain such service credit denied or lost because of the previous lack of authority: AND PROVIDED FURTHER, That any persons holding elective offices or persons appointed by the governor who are members in the retirement system and who have, prior to becoming such members, previously held an elective office, and did not at the start of such initial or successive terms of office exercise their option to become members, may apply for membership and be accepted by action of the ~~((retirement board))~~ director, to be effective during such term or terms of office, and shall be allowed to recover or regain the service credit applicable to such term or terms of office upon payment of the employee contributions therefor by the employee and employer contributions therefor by the employer or employee: AND PROVIDED FURTHER, That any person who was an elected official eligible to apply for membership pursuant to this subsection, who failed to exercise that option while holding such elected office and who is now a member of the retirement system, shall have the option to recover service credit for such elected service upon payment to the retirement system of the employee and employer contributions which would have been made had the person been a member during the period of such elective service;

(4) Employees holding membership in, or receiving pension benefits under, any retirement plan operated wholly or in part by an agency of the state or political subdivision thereof, or who are by reason of their current employment contributing to or otherwise establishing the right to receive benefits from any such retirement plan: PROVIDED, HOWEVER, In any case where the ~~((state employees'))~~ retirement system has in existence an agreement with another retirement system in connection with exchange of service credit or an agreement whereby members can retain service credit in more than one system, such an employee shall be allowed membership rights should the agreement so provide: AND PROVIDED FURTHER, That an employee shall be allowed membership if otherwise eligible while receiving survivor's benefits ~~((as secondary payee under the optional retirement allowances as provided by RCW 41.40.190 or 41.40.185))~~;

(5) Patient and inmate help in state charitable, penal, and correctional institutions;

(6) "Members" of a state veterans' home or state soldiers' home;

(7) Persons employed by an institution of higher learning or community college, primarily as an incident to and in furtherance of their education or training, or the education or training of a spouse;

(8) Employees of an institution of higher learning or community college during the period of service necessary to establish eligibility for membership in the retirement plans operated by such institutions;

(9) Persons rendering professional services to an employer on a fee, retainer, or contract basis or ~~((as an incident to the private))~~ when the income

from these services is less than fifty percent of the gross income received from the person's practice of a profession;

(10) Persons appointed after April 1, 1963₂ by the liquor control board as agency vendors~~((:))~~;

(11) Employees of a labor guild, association, or organization: PROVIDED, That elective officials and employees of a labor guild, association, or organization which qualifies as an employer within this chapter shall have the option of applying for membership ~~((and to be accepted by the action of the retirement board:))~~;

(12) Persons hired in eligible positions on a temporary basis for a period not to exceed six months: PROVIDED, That if such employees are employed for more than six months in an eligible position they shall become members of the system~~((:))~~;

(13) Persons employed by or appointed or elected as an official of a first class city that has its own retirement system: PROVIDED, That any member elected or appointed to an elective office on or after April 1, 1971₂ shall have the option of continuing ~~((his membership in))~~ as a member of this system in lieu of becoming a member of the city system. A member who ~~((so))~~ elects to ~~((maintain his membership))~~ continue as a member of this system shall ~~((make his))~~ pay the appropriate member contributions and the city shall pay the employer contributions at the rates prescribed by this chapter. The city shall also transfer to this system all of such member's accumulated contributions together with such further amounts as necessary to equal all employee and employer contributions which would have been paid into this system on account of such service with the city and thereupon the member shall be granted credit for all such service. Any city that becomes an employer as defined in RCW 41.40.010(4) as the result of an individual's election under the first proviso of this subsection shall not be required to have all employees covered for retirement under the provisions of this chapter. Nothing in this subsection shall prohibit a city of the first class with its own retirement system from transferring all of its current employees to the retirement system established under this chapter. Notwithstanding any other provision of this chapter, persons transferring from employment with a first class city of over four hundred thousand population that has its own retirement system to employment with the state department of agriculture may elect to remain within the retirement system of such city and the state shall pay the employer contributions for such persons at like rates as prescribed for employers of other members of such system;

(14) Employees who (a) are not citizens of the United States, (b) do not reside in the United States, and (c) perform duties outside of the United States;

(15) Employees who (a) are not citizens of the United States, (b) are not covered by chapter 41.48 RCW, (c) are not excluded from membership under this chapter or chapter 41.04 RCW, (d) are residents of this state,

and (e) make an irrevocable election to be excluded from membership, in writing, which is submitted to the director within thirty days after employment in an eligible position;

(16) Employees who are citizens of the United States and who reside and perform duties for an employer outside of the United States: PROVIDED, That unless otherwise excluded under this chapter or chapter 41.04 RCW, the employee may apply for membership (a) within thirty days after employment in an eligible position and membership service credit shall be granted from the first day of membership service, and (b) after this thirty-day period, but membership service credit shall be granted only from the date of application.

Sec. 20. Section 16, chapter 274, Laws of 1947 as last amended by section 10, chapter 249, Laws of 1979 ex. sess. and RCW 41.40.150 are each amended to read as follows:

Should any member die, or should the individual separate or be separated from service without leave of absence before attaining age sixty years, or should the individual become a beneficiary, except a beneficiary of an optional retirement allowance as provided by RCW 41.40.185 or 41.40.190, the individual shall thereupon cease to be a member except;

(1) As provided in RCW 41.40.170.

(2) An employee not previously retired who reenters service shall upon completion of six months of continuous service and upon the restoration of all withdrawn contributions with interest as computed by the director, which restoration must be completed within a total period of five years of membership service following ~~((his))~~ the member's first resumption of employment, be returned to the status, either as an original member or new member which ~~((he))~~ the member held at time of separation~~((~~PROVIDED, That any member who reentered service outside the ten-year period formerly provided by this subsection, and by reason of the former language of this section was not allowed to restore withdrawn contributions, shall have two years from April 25, 1973 to restore said contributions. AND PROVIDED FURTHER, That any member who reentered service within the ten-year period formerly provided by this section, and who failed to restore withdrawn contributions within the three or five years previously allowed, shall now have two years from April 25, 1973 to restore said contributions, with interest as determined by the director))~~)).~~

(3) A member who separates or has separated after having completed at least five years of service shall remain a member during the period of ~~((his))~~ absence from service for the exclusive purpose ~~((only))~~ of receiving a retirement allowance to begin at attainment of age sixty-five, however, such a member may ~~((upon thirty days))~~ on written notice to the director elect to receive a reduced retirement allowance on or after age sixty which allowance shall be the actuarial equivalent of the sum necessary to pay regular retirement benefits as of age sixty-five: PROVIDED, That if such member

should withdraw all or part of ~~((his))~~ the member's accumulated contributions except those additional contributions made pursuant to RCW 41.40.330(2), ~~((he))~~ the individual shall thereupon cease to be a member and this section shall not apply.

(4) (a) The recipient of a retirement allowance who ~~((has not yet reached the compulsory retirement age of seventy and who shall be))~~ is employed in an eligible position other than under RCW 41.40.120(12) shall be considered to have terminated his or her retirement status and ~~((he))~~ shall immediately become a member of the retirement system with the status of membership ~~((he had))~~ the member held as of the date of ~~((his))~~ retirement. Retirement benefits shall be suspended during the period of ~~((his))~~ eligible employment and ~~((he))~~ the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.40.180: PROVIDED, That where any such right to retire is exercised to become effective before the member has rendered two uninterrupted years of service the type of retirement allowance ~~((he))~~ the member had at the time of ~~((his))~~ the member's previous retirement shall be reinstated, but no additional service credit shall be ~~((available))~~ allowed;

(b) The recipient of a retirement allowance ~~((who has not yet reached the compulsory retirement age of seventy, following his election))~~ elected to office or ~~((appointment))~~ appointed to office directly by the governor, and who shall apply for and be accepted in membership as provided in RCW 41.40.120(3) shall be considered to have terminated his or her retirement status and ~~((he))~~ shall become a member of the retirement system with the status of membership ~~((he had))~~ the member held as of the date of ~~((his))~~ retirement. Retirement benefits shall be suspended from the date of ~~((his))~~ return to membership until the date when ~~((he))~~ the member again retires and ~~((he))~~ the member shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.40.180: PROVIDED, That where any such right to retire is exercised to become effective before the member has rendered six uninterrupted months of service the type of retirement allowance ~~((he))~~ the member had at the time of ~~((his))~~ the member's previous retirement shall be reinstated, but no additional service credit shall be ~~((available))~~ allowed: AND PROVIDED FURTHER, That if such a recipient of a retirement allowance does not elect to apply for reentry into membership as provided in RCW 41.40.120(3), ~~((or should he have reached the age of seventy and be ineligible to apply as provided in RCW 41.40.125, he))~~ the member shall be considered to remain in a retirement status and ~~((his))~~ the individual's retirement benefits shall continue without interruption.

(5) ~~((Subject to the provisions of RCW 41.04.070, 41.04.080 and 41.04.100;))~~ Any member who leaves the employment of an employer and enters the employ of a public agency or agencies of the state of Washington,

other than those within the jurisdiction of the ~~((state))~~ Washington public employees' retirement system, and who establishes membership in a retirement system or a pension fund operated by such agency or agencies and who shall continue ~~((his))~~ membership therein until attaining age sixty, shall remain a member for the exclusive purpose ~~((only))~~ of receiving a retirement allowance without the limitation found in RCW 41.40.180(1) to begin on attainment of age sixty-five, however, such a member may ~~((upon thirty days))~~ on written notice to the director elect to receive a reduced retirement allowance on or after age sixty which allowance shall be the actuarial equivalent of the sum necessary to pay regular retirement benefits commencing at age sixty-five: PROVIDED, That if such member should withdraw all or part of ~~((his))~~ the member's accumulated contributions except those additional contributions made pursuant to RCW 41.40.330(2), ~~((he))~~ the individual shall thereupon cease to be a member and this section shall not apply.

Sec. 21. Section 19, chapter 274, Laws of 1947 as last amended by section 7, chapter 190, Laws of 1973 1st ex. sess. and RCW 41.40.180 are each amended to read as follows:

(1) ~~((On and after April 1, 1949;))~~ Any member with five years of creditable service who has attained age sixty and any original member who has attained age sixty may retire ~~((upon his))~~ on written application to the ~~((retirement board))~~ director, setting forth at what time~~((, not less than thirty days, nor more than ninety days subsequent to the execution and filing thereof, he))~~ the member desires to be retired: PROVIDED, That in the national interest, during time of war engaged in by the United States, the ~~((retirement board))~~ director may extend beyond age sixty, subject to the provisions of subsection (2) of this section, the age at which any member may be eligible to retire.

(2) ~~((On and after April 1, 1949, any member who has attained age seventy shall be retired forthwith on the first day of the calendar month next succeeding that in which the said member shall have attained the age of seventy. PROVIDED, That a member who has attained the age of seventy is possessed of special skill in the performance of particular duties, the retirement board shall continue such member in service for such period or periods as may be applied for by the governing body of the political subdivision where the member is employed or the head of the department, agency, commission, board and offices of the state. PROVIDED FURTHER, That any member holding elective office, having a fixed term to which he has been elected, who has attained age seventy may continue to serve as an elective official and to receive retirement credit for such service.~~

(3) ~~On and after April 1, 1953;))~~ Any member who has completed thirty years of service may retire on ~~((his))~~ written application to the ~~((retirement board))~~ director setting forth at what time~~((, not less than thirty days;~~

~~nor more than ninety days subsequent to the execution and filing thereof; he))~~ the member desires to be retired, subject to war measures.

~~((4) On and after May 21, 1971))~~ (3) Any member who has completed twenty-five years of service and attained age fifty-five may retire on ((his)) written application to the ~~((retirement board))~~ director setting forth at ((which)) what time(~~(, not less than thirty days, nor more than ninety days subsequent to the execution and filing thereof, he))~~) the member desires to be retired, subject to war measures.

~~((5))~~ (4) Any individual who is eligible to retire pursuant to subsections (1) through ~~((4))~~ (3) of this section shall be allowed to retire while on any authorized leave of absence not in excess of one hundred and twenty days.

~~((6) The retirement board is authorized to waive advance notice of retirement upon good cause shown:))~~

Sec. 22. Section 38, chapter 274, Laws of 1947 as last amended by section 63, chapter 151, Laws of 1979 and RCW 41.40.370 are each amended to read as follows:

(1) The ~~((department))~~ director shall ascertain and report to each employer the ~~((amount it shall provide for pension benefits))~~ contribution rates necessary to meet present and future pension liabilities of the system for the ensuing biennium or fiscal year, whichever is applicable ~~((to the said employer's operations))~~. The amount to be so provided shall be computed by applying the rates of contribution as established by RCW 41.40.361 or 41.40.650 to an estimate of the total compensation earnable of all the said employer's members during the period for which provision is to be made.

(2) Beginning April 1, 1949, or October 1, 1977, as the case may be, the amount to be collected as the employer's contribution ~~((for pension benefits))~~ shall be computed by applying the applicable rates established by RCW 41.40.361 or 41.40.650 to the total compensation earnable of employer's members as shown on the current payrolls of the said employer. ~~((The department shall bill))~~ Each said employer shall compute at the end of each month ~~((for))~~ the amount due for that month and the same shall be paid as are its other obligations ~~((: PROVIDED, That the department may, at its discretion, establish a system of billing based upon calendar year quarters in which event the said billing shall be at the end of each such quarter and shall be based upon the employer's payrolls for that quarter))~~.

(3) In the event of failure, for any reason, of an employer other than a political subdivision of the state to have remitted amounts due for membership service of any of the employer's members rendered during a prior biennium, the ~~((department))~~ director shall bill such employer through the director of financial management for such employer's contribution together with such charges as the director deems appropriate in accordance with RCW 41.50.120. Such billing shall be paid by the employer as, and the

same shall be, a proper charge against any moneys available or appropriated to such employer for payment of current biennial payrolls. (~~If any such employer shall fail or refuse to honor such a billing, the director of financial management shall cause the same to be paid from any funds appropriated to the director of financial management for such purposes.~~)

Sec. 23. Section 14, chapter 295, Laws of 1977 ex. sess. and RCW 41.40.730 are each amended to read as follows:

A member who ceases to be an employee of an employer except by service or disability retirement may request a refund of the member's accumulated contributions. The refund shall be made within ninety days following the receipt of the request and notification of termination through the contribution reporting system by the employer; except that in the case of death, an initial payment shall be made within thirty days of receipt of request for such payment and notification of termination through the contribution reporting system by the employer. A member who files a request for refund and subsequently enters into employment with another employer prior to the refund being made shall not be eligible for a refund. The refund of accumulated contributions shall terminate all rights to benefits under RCW 41.40.610 through 41.40.740.

Sec. 24. Section 43.43.120, chapter 8, Laws of 1965 as last amended by section 1, chapter 77, Laws of 1980 and RCW 43.43.120 are each amended to read as follows:

As used in the following sections, unless a different meaning is plainly required by the context:

(1) "Retirement system" means the Washington state patrol retirement system.

(2) "Retirement fund" means the Washington state patrol retirement fund.

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

(4) "Member" means any person included in the membership of the retirement fund.

(5) "Employee" means any commissioned employee of the Washington state patrol.

(6) "Cadet" is a person who has passed the Washington state patrol's entry-level oral, written, physical performance, and background examinations and is, thereby, appointed by the chief as a candidate to be a commissioned officer of the Washington state patrol.

(7) "Beneficiary" means any person in receipt of retirement allowance or any other benefit allowed by this chapter.

(8) "Regular interest" means interest compounded annually at such rates as may be determined by the ~~((retirement board))~~ director.

(9) "Retirement board" means the board provided for in this chapter.

(10) "Insurance commissioner" means the insurance commissioner of the state of Washington.

(11) "Lieutenant governor" means the lieutenant governor of the state of Washington.

(12) "Service" shall mean services rendered to the state of Washington or any political subdivisions thereof for which compensation has been paid. Full time employment for ~~((ten days))~~ seventy or more hours in any given calendar month shall constitute one month of service. An employee who is reinstated in accordance with RCW 43.43.110 shall suffer no loss of service for the period reinstated subject to the contribution requirements of this chapter. Only months of service shall be counted in the computation of any retirement allowance or other benefit provided for herein. Years of service shall be determined by dividing the total number of months of service by twelve. Any fraction of a year of service as so determined shall be taken into account in the computation of such retirement allowance or benefit.

(13) "Prior service" shall mean all services rendered by a member to the state of Washington, or any of its political subdivisions prior to August 1, 1947, unless such service has been credited in another public retirement or pension system operating in the state of Washington.

(14) "Current service" shall mean all service as a member rendered on or after August 1, 1947.

(15) "Average final salary" shall mean the average monthly salary received by a member during ~~((his))~~ the member's last two years of service or any consecutive two-year period of service, whichever is the greater, as an employee of the Washington state patrol; or if ~~((he))~~ the member has less than two years of service, then the average monthly salary received by ~~((him))~~ the member during ~~((his))~~ the member's total years of service.

(16) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the basis of such mortality table as may be adopted and such interest rate as may be determined by the ~~((board))~~ director.

(17) Unless the context expressly indicates otherwise, words importing the masculine gender shall be extended to include the feminine gender and words importing the feminine gender shall be extended to include the masculine gender.

(18) "Director" means the director of the department of retirement systems.

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

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

(21) "Contributions" means the deduction from the compensation of each member in accordance with the contribution rates established under RCW 43.43.300.

Sec. 25. Section 43.43.230, chapter 8, Laws of 1965 and RCW 43.43-.230 are each amended to read as follows:

Subject to the provisions of RCW 43.43.260, at retirement, the total service credited to a member shall consist of all ~~((his))~~ the member's current service and ~~((certified))~~ accredited prior service.

Sec. 26. Section 43.43.250, chapter 8, Laws of 1965 as last amended by section 1, chapter 116, Laws of 1975-'76 2nd ex. sess. and RCW 43.43.250 are each amended to read as follows:

(1) Any member who has attained the age of sixty years shall be retired on the first day of the calendar month next succeeding that in which said member shall have attained the age of sixty: PROVIDED, That the requirement to retire at age sixty shall not apply to a member serving as chief of the Washington state patrol.

(2) Any member who has completed twenty-five years of credited service or has attained the age of fifty-five may apply to retire as provided in RCW 43.43.260, ~~((on his retirement))~~ by completing and submitting an application form to the ~~((retirement board))~~ department, setting forth at what time~~((, not less than thirty days subsequent to the execution and filing thereof, he))~~ the member desires to be retired.

~~((3)) Any member who has ceased making contributions to the retirement fund because of having reached the maximum percentage of average final salary provided by a previous act may repay to the retirement fund those contributions which he would normally have made, if such restriction on service credit had not existed, by making these payments prior to retirement. The payment of these contributions will entitle the member to service credit as provided in RCW 43.43.260(2):)~~

Sec. 27. Section 43.43.260, chapter 8, Laws of 1965 as last amended by section 3, chapter 180, Laws of 1973 1st ex. sess. and RCW 43.43.260 are each amended to read as follows:

Upon retirement from service as provided in RCW 43.43.250, a member shall be granted a retirement allowance which shall consist of:

(1) A prior service ~~((annuity))~~ allowance which shall be equal to two percent of the member's average final salary multiplied by the number of years of prior service rendered by the member.

(2) A current service ~~((annuity))~~ allowance which shall be equal to two percent of the member's average final salary multiplied by the number of years of service rendered while a member of the retirement system.

(3) Any member with twenty-five years service in the Washington state patrol may have ~~((his))~~ the member's service in the armed forces credited ~~((to him))~~ as a member whether or not ~~((he))~~ the individual left the employ of the Washington state patrol to enter such armed forces: PROVIDED, That in no instance shall military service in excess of five years be credited: AND PROVIDED FURTHER, That in each instance, a member must restore all withdrawn accumulated contributions, which restoration must be completed on the date of ~~((his))~~ the member's retirement, or within five years of membership service following ~~((his))~~ the member's first resumption

of employment, whichever occurs first: AND PROVIDED FURTHER, That this section shall not apply to any individual, not a veteran within the meaning of RCW 41.06.150, as now or hereafter amended: AND PROVIDED FURTHER, That in no instance shall military service be credited to any member who is receiving full military retirement benefits pursuant to Title 10 United States Code, as now or hereafter amended.

(4) In no event shall the total retirement benefits from subsections (1), (2), and (3) of this section, of any member exceed seventy-five percent of the member's average final salary.

(5) A yearly increase in retirement allowance which shall amount to two percent of the retirement allowance computed at the time of retirement. This yearly increase shall be added to the retirement allowance on July 1st of each calendar year.

The provisions of this section shall apply to all members presently retired and to all members who shall retire in the future. ~~((The retirement allowance of all members presently retired shall be recomputed and shall in the future be paid in accordance with the benefits provided in this section:))~~

Sec. 28. Section 4, chapter 180, Laws of 1973 1st ex. sess. as amended by section 3, chapter 14, Laws of 1973 2nd ex. sess. and RCW 43.43.270 are each amended to read as follows:

(1) The normal form of retirement allowance shall be an ~~((annuity))~~ allowance which shall continue as long as the member lives.

(2) If a member should die while in service ~~((his))~~ the member's lawful spouse shall be paid an ~~((annuity))~~ allowance which shall be equal to fifty percent of the average final salary of the member. If the member should die after retirement ~~((his))~~ the member's lawful spouse shall be paid an ~~((annuity))~~ allowance which shall be equal to the retirement allowance then payable to the member or fifty percent of the final average salary used in computing ~~((his))~~ the member's retirement allowance, whichever is less. The ~~((annuity))~~ allowance paid to the lawful spouse shall continue as long as ~~((she))~~ the spouse lives or until ~~((she))~~ the spouse remarries. To be eligible for an ~~((annuity))~~ allowance the lawful surviving spouse of a retired member shall have been married to the member prior to ~~((his))~~ the member's retirement and continuously thereafter until the date of ~~((his))~~ the member's death or shall have been married to the retired member at least two years prior to ~~((his))~~ the member's death.

(3) If a member should die, either while in service or after retirement, ~~((his))~~ the member's surviving children under the age of eighteen years shall be provided for in the following manner:

~~((a))~~ Each unmarried child under eighteen years of age shall be entitled to a benefit equal to five percent of the final average salary of the member or retired member. The combined benefits to the surviving spouse and all children shall not exceed sixty percent of the final average salary of the member or retired member.

(4) If a member should (~~((lose or has lost his life))~~) die in the line of duty while employed by the Washington state patrol, (~~((his))~~) the member's surviving children under the age of twenty years and eleven months if attending any high school, college, university, or vocational or other educational institution accredited or approved by the state of Washington shall hereafter be entitled to a benefit equal to five percent of the final average salary of the member. The combined benefits to the surviving spouse and all children shall not exceed sixty percent of the final average salary of the member: PROVIDED, That if a beneficiary under this section shall reach the age of twenty-one years during the middle of a term of enrollment the benefit shall continue until the end of said term.

(5) The provisions of this section shall apply to members who have been retired on disability as provided in RCW 43.43.040 if the officer was a member of the Washington state patrol retirement system at the time of such disability retirement and if all contributions paid to the retirement fund have been left in the retirement fund. In the event that contributions have been refunded to a member on disability retirement, he may regain eligibility for survivor's benefits by repaying to the retirement fund the total amount refunded to him plus two and one-half percent interest, compounded annually, covering the period during which the refund was held by him.

Sec. 29. Section 43.43.280, chapter 8, Laws of 1965 as last amended by section 5, chapter 180, Laws of 1973 1st ex. sess. and RCW 43.43.280 are each amended to read as follows:

(1) If a member dies before retirement, and has no surviving spouse or children under the age of eighteen years, all contributions made by (~~((him))~~) the member with interest at two and one-half percent compounded annually shall be paid to such person or persons as (~~((he))~~) the member shall have nominated by written designation duly executed and filed with the (~~((retirement board))~~) department, or if there be no such designated person or persons, then to (~~((his))~~) the member's legal representative.

(2) If a member should cease to be an employee before attaining age sixty for reasons other than (~~((his))~~) the member's death, or retirement, (~~((he))~~) the individual shall thereupon cease to be a member except as provided under RCW 43.43.130 (2) and (3) and, (~~((he))~~) the individual may withdraw (~~((his))~~) the member's contributions to the retirement fund, with interest at two and one-half percent compounded annually, by making application therefor to the (~~((retirement board))~~) department, except that: A member who ceases to be an employee after having completed at least five years of service shall remain a member during the period of (~~((his))~~) the member's absence from employment for the exclusive purpose only of receiving a retirement allowance to begin at attainment of age sixty, however such a member may upon (~~((thirty days))~~) written notice to the (~~((board))~~) department elect to receive a reduced retirement allowance on or after age

fifty-five which allowance shall be the actuarial equivalent of the sum necessary to pay regular retirement benefits as of age sixty: PROVIDED, That if such member should withdraw all or part of ((his)) the member's accumulated contributions, ((he)) the individual shall thereupon cease to be a member and this subsection shall not apply.

Sec. 30. Section 43.43.290, chapter 8, Laws of 1965 and RCW 43.43.290 are each amended to read as follows:

~~((Should a member become permanently and totally disabled, as a direct and proximate result of injury received in the course of employment he shall receive))~~ A person receiving benefits under RCW 43.43.040 ((and during such period)) will be a nonactive member. ((If any nonactive member returns to active duty with the Washington state patrol, he shall be eligible to become an active member by paying into the retirement fund all contributions accumulated during the period of his disability)) If any person who is or has been receiving benefits under RCW 43.43.040 returns or has returned to active duty with the Washington state patrol, the person shall become an active member of the retirement system on the first day of re-employment. The person may acquire service credit for the period of disablement by paying into the retirement fund all contributions required based on the compensation which would have been received had the person not been disabled. To acquire service credit, the person shall complete the required payment within five years of return to active service or prior to retirement, whichever occurs first. Persons who return to active service prior to the effective date of this amendatory section shall complete the required payment within five years of the effective date of this amendatory section or prior to retirement, whichever occurs first. No service credit for the disability period may be allowed unless full payment is made. Interest shall be charged at the rate set by the director of retirement systems from the date of return to active duty or from the effective date of this amendatory section, whichever is later, until the date of payment. The Washington state patrol shall pay into the retirement system the amount which it would have contributed had the person not been disabled. The payment shall become due and payable, in total, when the person makes the first payment. If the person fails to complete the full payment required within the time period specified, any payments made to the retirement fund under this section shall be refunded with interest and any payment by the Washington state patrol to the retirement fund for this purpose shall be refunded.

Sec. 31. Section 43.43.310, chapter 8, Laws of 1965 as last amended by section 8, chapter 205, Laws of 1979 ex. sess. and RCW 43.43.310 are each amended to read as follows:

(1) The right of any person to a retirement allowance or optional retirement allowance under the provisions hereof and all moneys and investments and income thereof are exempt from any state, county, municipal, or other local tax and shall not be subject to execution, garnishment, attachment, the

operation of bankruptcy or the insolvency laws, or other processes of law whatsoever and shall be unassignable except as herein specifically provided.

(2) Benefits under this chapter shall be payable to a spouse or ex-spouse to the extent expressly provided for in any court decree of dissolution or legal separation or in any court order or court-approved property settlement agreement incident to any court decree of dissolution or legal separation.

(3) Subsection (1) of this section shall not be deemed to prohibit a beneficiary of a retirement allowance from authorizing deductions therefrom for payment of premiums due on any group insurance policy or plan issued for the benefit of a group comprised of members of the Washington state patrol or other public employees of the state of Washington.

~~((4) Deductions made in the past from retirement benefits are hereby expressly recognized, ratified and affirmed. Future deductions may only be made in accordance with this section.))~~

NEW SECTION. Sec. 32. There is added to chapter 2.12 RCW a new section to read as follows:

(1) The right of any person to a retirement allowance or optional retirement allowance under the provisions of this chapter and all moneys and investments and income thereof are exempt from any state, county, municipal, or other local tax and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or the insolvency laws, or other processes of law whatsoever and shall be unassignable except as herein specifically provided.

(2) Benefits under this chapter shall be payable to a spouse or ex-spouse to the extent expressly provided for in any court decree of dissolution or legal separation or in any court order or court-approved property settlement agreement incident to any court decree of dissolution or legal separation.

(3) Subsection (1) of this section shall not be deemed to prohibit a beneficiary of a retirement allowance from authorizing deductions therefrom for payment of premiums due on any group insurance policy or plan issued for the benefit of a group comprised of public employees of the state of Washington.

(4) Deductions made in the past from retirement benefits are hereby expressly recognized, ratified, and affirmed. Future deductions may only be made in accordance with this section.

NEW SECTION. Sec. 33. There is added to chapter 41.50 RCW a new section to read as follows:

(1) Every employer participating in one or more of the retirement systems listed in RCW 41.50.030 shall fully cooperate in the administration of the systems in which its employees participate, including the distribution of information to employees, and shall accept and carry out all other duties as required by law, regulation, or administrative instruction.

(2) If an employee is entitled to retroactive service credit which was not previously established through no fault of the employee, or through an employer error which has caused a member's compensation or contributions to be understated or overstated so as to cause a loss to the retirement funds, the director may bill the employer for the loss, to include interest, if applicable. The employer contributions, with interest thereon, will be treated as if in fact the interest was part of the normal employer contribution and no distribution of interest received shall be required.

(3) Employer-paid employee contributions will not be credited to a member's account until the employer notifies the director in writing that the employer has been reimbursed by the employee or beneficiary for the payment. The employer shall have the right to collect from the employee the amount of the employee's obligation. Failure on the part of the employer to collect all or any part of the sums which may be due from the employee or beneficiary shall in no way cause the employer obligation for the total liability to be lessened.

NEW SECTION. Sec. 34. There is added to chapter 41.40 RCW a new section to read as follows:

The department of retirement systems shall make a review of each member employed by an employer being retired on and after July 1, 1982, and whose benefits are determined by RCW 41.40.185. The purpose of the review is to identify any retiree whose average compensation earnable for purposes of determining retirement benefits exceeds the average annual compensation during the two-year period immediately preceding the years used in computing retirement benefits by more than the percentage increase determined in subsection (1) of this section.

(1) For the retiree's average final compensation period, the basis for making the comparison required by this section shall be a percentage increase equal to one percentage point in excess of each of the average percentage general salary increases granted during such average final compensation period to all employees of that employer who are members of the retirement system under this chapter, adjusted for incremental increases for seniority and/or performance, and staff position changes.

(2) For all retirees identified in this section, the department shall calculate the increase in the basic retirement benefit which results from any increase in salary granted an employee in excess of the authorized salary increase. The department will then, utilizing tables developed by the state actuary, determine the extra pension cost attributable to exceeding such average and shall bill the retiree's employer, who shall remit the entire amount determined to the retirement system within thirty days, except that the director is empowered to omit billing for an amount less than fifty dollars.

(3) Any post-retirement increases resulting from the excess benefit identified in subsection (2) of this section shall be billed to the last employer as they occur on the basis set forth in subsection (2) of this section.

NEW SECTION. Sec. 35. There is hereby created a select committee which shall review the law enforcement officers' and fire fighters' (LEOFF) retirement system. The committee shall be made up of the following individuals: Four members of the Washington senate, two from each caucus, chosen by the president of the senate; four members of the house of representatives, two from each caucus, chosen by the speaker of the house; three members chosen by the governor, at least one of whom shall be a member of the LEOFF II system. Each member of the committee shall have an equal vote.

The legislature shall provide such staffing, technical assistance and support services as may be required to carry out committee business. All state, local and private agencies shall cooperate fully in the committee's work.

The committee's purposes shall include, but not be limited to, a review of the following issues regarding LEOFF: (1) The adequacy of retirement benefits; (2) the actuarial soundness of the system; (3) the method of financing the system; (4) the membership eligibility requirements; (5) review of the administrative procedures within the system; and (6) review of the adequacy of labor and industries benefits for law enforcement officers and fire fighters and other high-risk professions.

The committee shall prepare a report, including any recommendations, for the January, 1983 session of the legislature. The committee shall cease to exist upon presentation of its report.

NEW SECTION. Sec. 36. The following acts or parts of acts are each repealed:

- (1) Section 21, chapter 200, Laws of 1953 and RCW 41.40.125;
- (2) Section 43.43.150, chapter 8, Laws of 1965 and RCW 43.43.150;
- (3) Section 43.43.265, chapter 8, Laws of 1965 and RCW 43.43.265;
- (4) Section 43.43.266, chapter 8, Laws of 1965 and RCW 43.43.266;

and

- (5) Section 5, chapter 12, Laws of 1969 and RCW 43.43.267.

NEW SECTION. Sec. 37. (1) Sections 9 and 34 of this act are necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

- (2) The remainder of this act shall take effect July 1, 1982.

Passed the Senate April 5, 1982.

Passed the House March 31, 1982.

Approved by the Governor April 20, 1982.

Filed in Office of Secretary of State April 20, 1982.