

# Select Committee on Pension Policy

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## Regular Executive Committee Meeting

September 19, 2006

1:00 PM - 3:00 PM  
House Hearing Room C  
Olympia

### AGENDA

- 1:00 PM (A) **Approval of Minutes**
- 1:05 PM (B) **Direction on Day's Agenda**
- 1:40 PM (C) **Post-retirement employment**, Laura Harper, Senior Research Analyst - Legal
- 2:00 PM (D) **October Committee Meeting**
- Dual Membership
  - Gain-sharing
  - Plan 1 funding method, Subgroup recommendation
  - Post-retirement employment
- 2:40 PM (E) **State Actuary Evaluation/State Actuary Appointment Committee**, Kelly Burkhart, Executive Assistant
- 2:55 PM (F) **Constituent Correspondence**, Kelly Burkhart
- 3:00 PM (G) **Adjourn**

**\*Elaine M. Banks**  
*TRS Retirees*

**Representative Barbara Bailey**

**Lois Clement**  
*PERS Retirees*

**Representative Steve Conway**

**Representative Larry Crouse**

**Senator Karen Fraser**

**\*Representative Bill Fromhold**,  
Vice-Chair

**Vacant**  
*TRS and SERS Employers*

**Robert Keller**  
*PERS Actives*

**\*Sandra J. Matheson**, Director  
*Department of Retirement Systems*

**Corky Mattingly**  
*PERS Employers*

**Doug Miller**  
*PERS Employers*

**Victor Moore**, Director  
*Office of Financial Management*

**Senator Joyce Mulliken**

**\*Glenn Olson**  
*PERS Employers*

**\*Senator Craig Pridemore**,  
Chair

**Diane Rae**  
*TRS Actives*

**\*J. Pat Thompson**  
*PERS Actives*

**Senator Mark Schoesler**

**David Westberg**  
*SERS Actives*

**\* Executive Committee**

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# Select Committee on Pension Policy

## 2006 Interim Work Plan

(July 28, 2006)

### May 16, 2006

WSIB update  
Update on other states' pensions  
Pension funding / accounting reforms

### September 19, 2006

Recommendation to PFC  
\$150,000 death benefit  
Service credit purchase due to injury  
Judges benefit multiplier

### June 20, 2006

Dual membership  
\$150,000 death benefit  
Service credit purchase due to injury

### October 17, 2006

Dual membership  
Gain-sharing  
Plan 1 funding method  
Post-retirement employment

### July 18, 2006

Post retirement employment  
Plan 1 funding method  
Gain-sharing

### November 21, 2006

2005 actuarial valuation report  
PSERS membership report  
Gain-sharing

### August 22, 2006

Gain-sharing

### December 12, 2006

2007 legislative proposals

### Subgroup

#### Plan 1 Funding Method

August 21, 2006

September 18, 2006

#### Members

Senator Pridemore, Chair  
Representative Fromhold  
Representative Bailey  
Representative Crouse  
Representative Conway  
Victor Moore  
Sandra Matheson  
Elaine Banks

# Select Committee on Pension Policy

## REGULAR EXECUTIVE COMMITTEE MEETING DRAFT MINUTES

July 18, 2006

The Select Committee on Pension Policy met in House Hearing Room C, Olympia, Washington on July 18, 2006.

### Executive Committee members attending:

Senator Pridemore, Chair	Sandra Matheson
Representative Fromhold, Vice Chair	J. Pat Thompson
Elaine Banks	

### Other Committee members attending:

Representative Bailey	Leland Goeke
Lois Clement	Robert Keller
Representative Conway	Corky Mattingly
Representative Crouse	

Senator Pridemore, Chair, called the meeting to order at 1:30 p.m.

### (A) Approval of Minutes

*It was moved to approve the June 20, 2006 Executive Committee Draft Minutes. Seconded.*

**MOTION CARRIED**

### (B) Direction on Day's Agenda

#### Post-Retirement Employment

Laura Harper, Senior Research Analyst, Legal, reviewed the "Post-Retirement" issue. Discussion followed.

#### Plan 1 Funding Method

Matt Smith, State Actuary, reviewed the "Plan 1 Funding Method" issue. Discussion followed. A Plan 1 Funding Method subgroup was formed consisting of Senator Pridemore, Representative Bailey, Representative Conway, Representative Crouse, Representative Fromhold, Elaine Banks, Sandra Matheson and Victor Moore. A Subgroup meeting is scheduled for August 21, 2006.

**\*Elaine M. Banks**  
*TRS Retirees*

**Representative Barbara Bailey**

**Lois Clement**  
*PERS Retirees*

**Representative Steve Conway**

**Representative Larry Crouse**

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*Office of Financial Management*

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*PERS Employers*

**\*Senator Craig Pridemore,**  
*Chair*

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*TRS Actives*

**\*J. Pat Thompson**  
*PERS Actives*

**Senator Mark Schoesler**

**David Westberg**  
*SERS Actives*

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**Gain Sharing**

Robert Baker, Senior Research Analyst, reviewed the "Gain-sharing" issue. Discussion followed. Gain Sharing will be reported on at the August 22, 2006 Regular Full Committee meeting.

**(C) Constituent Correspondence**

Kelly Burkhart, Executive Assistant, reported on the "Constituent Correspondence."

The meeting adjourned at 2:40 p.m.

Select Committee on Pension Policy  
**Direction on Today's Agenda**  
(September 8, 2006)

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<b>Item #</b>	<b>Next Scheduled Hearing</b>
(3) \$150,000 death benefit	<u>None</u>
<hr/> <ol style="list-style-type: none"><li data-bbox="302 716 1443 793">1. Should the benefit be indexed for inflation? Are the options presented sufficient? If so, which option is preferred?</li><li data-bbox="302 810 1443 932">2. Does the committee wish to address the issue of eligibility differences for death from duty-related illness? Should options and pricing be prepared?</li></ol> <hr/>	
(4) Service credit purchase due to injury	<u>None</u>
<hr/> <ol style="list-style-type: none"><li data-bbox="302 1146 1443 1182">1. Does the exec. committee want to study other options and pricing?</li><li data-bbox="302 1199 1443 1276">2. If not, which option would the exec. committee want to forward to the full committee?</li><li data-bbox="302 1293 1443 1329">3. Should TRS be included in any legislative proposal?</li><li data-bbox="302 1346 1443 1377">4. Coordination with LEOFF Plan 2 retirement Board.</li></ol> <hr/>	
(5) Judges benefit multiplier	<u>None</u>
<hr/> <ol style="list-style-type: none"><li data-bbox="302 1585 1443 1619">1. Does the exec. committee want to study this issue this interim?</li></ol> <hr/>	

## In Brief

### ISSUE

*Last year's SCPP bill proposed to refine the current retire-rehire program by:*

- *Discouraging abuse*
- *Creating parity between PERS 1 and TRS 1*

*The bill passed the House and Senate Ways and Means with amendments.*

*Should the SCPP submit the same proposal, a variation of the proposal, a new proposal, or no proposal?*

Laura Harper  
Senior Research Analyst,  
Legal  
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# Post-Retirement Employment

## SCPP's 2006 Bill

- Added the requirement of a written policy to PERS 1 and TRS 1
- Made the TRS 1 penalty provision consistent with PERS 1 (misdemeanor, not felony)
- Added procedural safeguards to TRS 1 that were already in PERS 1: prohibition of prior agreements, documentation of need, documentation of hiring process with prescribed approvals
- Did not propose to address waiting periods or hour limits

## SHB 2689 (2006)

- Added the requirement of a written policy to PERS 1 and TRS 1
- Made the TRS 1 penalty provision consistent with PERS 1
- Added procedural safeguards to TRS 1 that were already in PERS 1: prohibition of prior agreements, documentation of need, documentation of hiring process
- Increased the TRS 1 waiting period for working 1,500 hours from one to one and one-half months (already three months in PERS 1)
- Created a cumulative lifetime limit in TRS 1 of 1900 hours worked in excess of 867 annually (already in PERS 1)

## Keller Proposal

- Would add the requirement of a written policy to PERS 1 and TRS 1
- Would make the TRS 1 penalty provision consistent with PERS 1

- Would add procedural safeguards to TRS 1 that are already in PERS 1: prohibition of prior agreements, documentation of need, and documentation of hiring process
- Would not change the waiting periods for persons working 1,500 hours
- Would eliminate the 1900-hour cumulative lifetime limit in PERS 1 (not currently present in TRS 1) for those returning to work with a different employer

**Comparison of Retire-Rehire Restrictions**

Restriction	Current Law	SCPP 2006	SHB 2689 2006	Keller 2007
Written policy	Neither plan	Both plans	Both plans	Both plans
No prior agreements	PERS only	Both plans	Both plans	Both plans
Document need	PERS only	Both plans	Both plans	Both plans
Follow hiring policy / procedure	PERS only	Both plans	Both plans	Both plans
Wait 3 months to work 1500 hours	PERS only (one month in TRS)	PERS only (one month in TRS)	PERS only (1 ½ months in TRS)	PERS only (one month in TRS)
1900-hour cumulative limit	PERS only (no cumulative limit in TRS)	PERS only (no cumulative limit in TRS)	Both plans	PERS only, and only if returning to same employer
Misdemeanor	PERS only	Both plans	Both plans	Both plans

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**SUBSTITUTE HOUSE BILL 2689**

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**State of Washington**

**59th Legislature**

**2006 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Bailey, Conway, Fromhold, Lovick, Quall, Simpson and Ormsby; by request of Select Committee on Pension Policy)

READ FIRST TIME 01/30/06.

1 AN ACT Relating to the public employment of retirees from the  
2 teachers' retirement system plan 1 and the public employees' retirement  
3 system plan 1; amending RCW 41.32.055, 41.32.570, 41.40.010, and  
4 41.40.037; reenacting and amending RCW 41.32.010; prescribing  
5 penalties; and providing an effective date.

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

7 **Sec. 1.** RCW 41.32.010 and 2005 c 131 s 8 and 2005 c 23 s 1 are  
8 each reenacted and amended to read as follows:

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

11 (1)(a) "Accumulated contributions" for plan 1 members, means the  
12 sum of all regular annuity contributions and, except for the purpose of  
13 withdrawal at the time of retirement, any amount paid under RCW  
14 41.50.165(2) with regular interest thereon.

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

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

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

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

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

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

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

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

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

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

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

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

30 (ii) For an employee member of the retirement system teaching in an  
31 extended school year program, two consecutive extended school years, as  
32 defined by the employer school district, may be used as the annual  
33 period for determining earnable compensation in lieu of the two fiscal  
34 years.

35 (iii) "Earnable compensation" for plan 1 members also includes the  
36 following actual or imputed payments, which are not paid for personal  
37 services:

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

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

20 (iv) For members employed less than full time under written  
21 contract with a school district, or community college district, in an  
22 instructional position, for which the member receives service credit of  
23 less than one year in all of the years used to determine the earnable  
24 compensation used for computing benefits due under RCW 41.32.497,  
25 41.32.498, and 41.32.520, the member may elect to have earnable  
26 compensation defined as provided in RCW 41.32.345. For the purposes of  
27 this subsection, the term "instructional position" means a position in  
28 which more than seventy-five percent of the member's time is spent as  
29 a classroom instructor (including office hours), a librarian, a  
30 psychologist, a social worker, a nurse, a physical therapist, an  
31 occupational therapist, a speech language pathologist or audiologist,  
32 or a counselor. Earnable compensation shall be so defined only for the  
33 purpose of the calculation of retirement benefits and only as necessary  
34 to insure that members who receive fractional service credit under RCW  
35 41.32.270 receive benefits proportional to those received by members  
36 who have received full-time service credit.

37 (v) "Earnable compensation" does not include:

1 (A) Remuneration for unused sick leave authorized under RCW  
2 41.04.340, 28A.400.210, or 28A.310.490;

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

5 (b) "Earnable compensation" for plan 2 and plan 3 members, means  
6 salaries or wages earned by a member during a payroll period for  
7 personal services, including overtime payments, and shall include wages  
8 and salaries deferred under provisions established pursuant to sections  
9 403(b), 414(h), and 457 of the United States Internal Revenue Code, but  
10 shall exclude lump sum payments for deferred annual sick leave, unused  
11 accumulated vacation, unused accumulated annual leave, or any form of  
12 severance pay.

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

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

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

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

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

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

36 (12) "Fiscal year" means a year which begins July 1st and ends June  
37 30th of the following year.

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

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

6 (15) "Member" means any teacher included in the membership of the  
7 retirement system who has not been removed from membership under RCW  
8 41.32.878 or 41.32.768. Also, any other employee of the public schools  
9 who, on July 1, 1947, had not elected to be exempt from membership and  
10 who, prior to that date, had by an authorized payroll deduction,  
11 contributed to the member reserve.

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

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

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

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

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

31 (21) "Public school" means any institution or activity operated by  
32 the state of Washington or any instrumentality or political subdivision  
33 thereof employing teachers, except the University of Washington and  
34 Washington State University.

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

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

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

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

9 (25) "Retirement system" means the Washington state teachers'  
10 retirement system.

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

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

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

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

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

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

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

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

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

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

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

11 (iv) Any person who is a member of the teachers' retirement system  
12 and who is elected or appointed to a state elective position may  
13 continue to be a member of the retirement system and continue to  
14 receive a service credit month for each of the months in a state  
15 elective position by making the required member contributions.

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

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

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

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

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

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

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

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

1 (viii) The department shall adopt rules implementing this  
2 subsection.

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

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

7 (29) "Teacher" means any person qualified to teach who is engaged  
8 by a public school in an instructional, administrative, or supervisory  
9 capacity. The term includes state, educational service district, and  
10 school district superintendents and their assistants and all employees  
11 certificated by the superintendent of public instruction; and in  
12 addition thereto any full time school doctor who is employed by a  
13 public school and renders service of an instructional or educational  
14 nature.

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

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

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

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

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

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

32 (36) "Substitute teacher" means:

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

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

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

5 (b) "Eligible position" for plan 2 and plan 3 on and after  
6 September 1, 1991, means a position that, as defined by the employer,  
7 normally requires five or more months of at least seventy hours of  
8 earnable compensation during September through August of the following  
9 year.

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

13 (d) The elected position of the superintendent of public  
14 instruction is an eligible position.

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

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

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

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

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

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

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

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

37 (46) "Annual increase" means, initially, fifty-nine cents per month

1 per year of service which amount shall be increased each July 1st by  
2 three percent, rounded to the nearest cent.

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

6 (48) "Separation from service or employment" occurs when a person  
7 has terminated all employment with an employer. Separation from  
8 service or employment does not occur, and if claimed by an employer or  
9 employee may be a violation of RCW 41.32.055, when an employee and  
10 employer have a written or oral agreement to resume employment with the  
11 same employer following termination. Mere expressions or inquiries  
12 about postretirement employment by an employer or employee that do not  
13 constitute a commitment to reemploy the employee after retirement are  
14 not an agreement under this section.

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

20 **Sec. 2.** RCW 41.32.055 and 2003 c 53 s 218 are each amended to read  
21 as follows:

22 (1) Any person who shall knowingly make false statements or shall  
23 falsify or permit to be falsified any record or records of the  
24 retirement system, except under subsection (2) of this section, in any  
25 attempt to defraud such system as a result of such act, is guilty of a  
26 class B felony punishable according to chapter 9A.20 RCW.

27 (2) Any person who shall knowingly make false statements or shall  
28 falsify or permit to be falsified any record or records of the  
29 retirement systems related to a member's separation from service and  
30 qualification for a retirement allowance under RCW 41.32.480 in any  
31 attempt to defraud that system as a result of such an act, is guilty of  
32 a gross misdemeanor.

33 **Sec. 3.** RCW 41.32.570 and 2003 c 295 s 6 are each amended to read  
34 as follows:

35 (1)(a) If a retiree enters employment with an employer sooner than  
36 one calendar month after his or her accrual date, the retiree's monthly

1 retirement allowance will be reduced by five and one-half percent for  
2 every seven hours worked during that month. This reduction will be  
3 applied each month until the retiree remains absent from employment  
4 with an employer for one full calendar month.

5 (b) The benefit reduction provided in (a) of this subsection will  
6 accrue for a maximum of one hundred forty hours per month. Any monthly  
7 benefit reduction over one hundred percent will be applied to the  
8 benefit the retiree is eligible to receive in subsequent months.

9 (2) Except under subsection (3) of this section, any retired  
10 teacher or retired administrator who enters service in any public  
11 educational institution in Washington state (~~and who has satisfied the~~  
12 ~~break in employment requirement of subsection (1) of this section~~) at  
13 least one calendar month after his or her accrual date shall cease to  
14 receive pension payments while engaged in such service, after the  
15 retiree has rendered service for more than (~~one thousand five~~  
16 ~~hundred~~) eight hundred sixty-seven hours in a school year.

17 (3) Any retired teacher or retired administrator who enters service  
18 in any public educational institution in Washington state one and one-  
19 half calendar months or more after his or her accrual date and:

20 (a) Is hired pursuant to a written policy into a position for which  
21 the school board has documented a justifiable need to hire a retiree  
22 into the position;

23 (b) Is hired through the established process for the position with  
24 the approval of the school board or other highest decision-making  
25 authority of the prospective employer;

26 (c) Whose employer retains records of the procedures followed and  
27 the decisions made in hiring the retired teacher or retired  
28 administrator and provides those records in the event of an audit; and

29 (d) The employee has not already rendered a cumulative total of  
30 more than one thousand nine hundred hours of service while in receipt  
31 of pension payments beyond an annual threshold of eight hundred sixty-  
32 seven hours;

33 shall cease to receive pension payments while engaged in that service  
34 after the retiree has rendered service for more than one thousand five  
35 hundred hours in a school year. The one thousand nine hundred hour  
36 cumulative total limitation under this section applies prospectively  
37 after the effective date of this act.

1        (4) When a retired teacher or administrator renders service beyond  
2 eight hundred sixty-seven hours, the department shall collect from the  
3 employer the applicable employer retirement contributions for the  
4 entire duration of the member's employment during that fiscal year.

5        ~~((3))~~ (5) The department shall collect and provide the state  
6 actuary with information relevant to the use of this section for the  
7 select committee on pension policy.

8        ~~((4))~~ (6) The legislature reserves the right to amend or repeal  
9 this section in the future and no member or beneficiary has a  
10 contractual right to be employed for more than five hundred twenty-five  
11 hours per year without a reduction of his or her pension.

12        **Sec. 4.** RCW 41.40.010 and 2004 c 242 s 53 are each amended to read  
13 as follows:

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

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

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

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

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

33        (b) "Employer" for plan 2 and plan 3 members, means every branch,  
34 department, agency, commission, board, and office of the state, and any  
35 political subdivision and municipal corporation of the state admitted  
36 into the retirement system, including public agencies created pursuant

1 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August  
2 31, 2000, school districts and educational service districts will no  
3 longer be employers for the public employees' retirement system plan 2.

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

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

10 (a) Any person who became a member of the system prior to April 1,  
11 1949;

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

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

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

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

31 (f) Any member who has been a contributor under the system for two  
32 or more years and who has restored all contributions that may have been  
33 withdrawn as provided by RCW 41.40.150 and who on the effective date of  
34 the individual's retirement has rendered five or more years of service  
35 for the state or any political subdivision prior to the time of the  
36 admission of the employer into the system; except that the provisions  
37 relating to the minimum amount of retirement allowance for the member

1 upon retirement at age seventy as found in RCW 41.40.190(4) shall not  
2 apply to the member.

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

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

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

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

20 (B) If a leave of absence is taken by an individual for the purpose  
21 of serving in the state legislature, the salary which would have been  
22 received for the position from which the leave of absence was taken,  
23 shall be considered as compensation earnable if the employee's  
24 contribution is paid by the employee and the employer's contribution is  
25 paid by the employer or employee;

26 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and  
27 72.09.240;

28 (D) Compensation that a member would have received but for a  
29 disability occurring in the line of duty only as authorized by RCW  
30 41.40.038;

31 (E) Compensation that a member receives due to participation in the  
32 leave sharing program only as authorized by RCW 41.04.650 through  
33 41.04.670; and

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

1 (ii) "Compensation earnable" does not include:  
2 (A) Remuneration for unused sick leave authorized under RCW  
3 41.04.340, 28A.400.210, or 28A.310.490;  
4 (B) Remuneration for unused annual leave in excess of thirty days  
5 as authorized by RCW 43.01.044 and 43.01.041.  
6 (b) "Compensation earnable" for plan 2 and plan 3 members, means  
7 salaries or wages earned by a member during a payroll period for  
8 personal services, including overtime payments, and shall include wages  
9 and salaries deferred under provisions established pursuant to sections  
10 403(b), 414(h), and 457 of the United States Internal Revenue Code, but  
11 shall exclude nonmoney maintenance compensation and lump sum or other  
12 payments for deferred annual sick leave, unused accumulated vacation,  
13 unused accumulated annual leave, or any form of severance pay.  
14 "Compensation earnable" for plan 2 and plan 3 members also includes  
15 the following actual or imputed payments, which are not paid for  
16 personal services:  
17 (i) Retroactive payments to an individual by an employer on  
18 reinstatement of the employee in a position, or payments by an employer  
19 to an individual in lieu of reinstatement in a position which are  
20 awarded or granted as the equivalent of the salary or wage which the  
21 individual would have earned during a payroll period shall be  
22 considered compensation earnable to the extent provided above, and the  
23 individual shall receive the equivalent service credit;  
24 (ii) In any year in which a member serves in the legislature, the  
25 member shall have the option of having such member's compensation  
26 earnable be the greater of:  
27 (A) The compensation earnable the member would have received had  
28 such member not served in the legislature; or  
29 (B) Such member's actual compensation earnable received for  
30 nonlegislative public employment and legislative service combined. Any  
31 additional contributions to the retirement system required because  
32 compensation earnable under (b)(ii)(A) of this subsection is greater  
33 than compensation earnable under (b)(ii)(B) of this subsection shall be  
34 paid by the member for both member and employer contributions;  
35 (iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,  
36 and 72.09.240;  
37 (iv) Compensation that a member would have received but for a

1 disability occurring in the line of duty only as authorized by RCW  
2 41.40.038;

3 (v) Compensation that a member receives due to participation in the  
4 leave sharing program only as authorized by RCW 41.04.650 through  
5 41.04.670; and

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

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

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

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

1 (iii) A school district employee may count up to forty-five days of  
2 sick leave as creditable service solely for the purpose of determining  
3 eligibility to retire under RCW 41.40.180 as authorized by RCW  
4 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW  
5 28A.400.300 is equal to two service credit months. Use of less than  
6 forty-five days of sick leave is creditable as allowed under this  
7 subsection as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (13) "Membership service" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

4 (21) "Retirement allowance" means the sum of the annuity and the  
5 pension.

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

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

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

16 (25) "Eligible position" means:

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

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

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

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

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

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

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

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

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

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

10 (34) "Plan 2" means the public employees' retirement system, plan  
11 2 providing the benefits and funding provisions covering persons who  
12 first became members of the system on and after October 1, 1977, and  
13 are not included in plan 3.

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

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

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

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

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

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

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

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

1 does not occur, and if claimed by an employer or employee may be a  
2 violation of RCW 41.40.055, when an employee and employer have a  
3 written or oral agreement to resume employment with the same employer  
4 following termination. Mere expressions or inquiries about  
5 postretirement employment by an employer or employee that do not  
6 constitute a commitment to reemploy the employee after retirement are  
7 not an agreement under this subsection.

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

11 **Sec. 5.** RCW 41.40.037 and 2005 c 319 s 103 are each amended to  
12 read as follows:

13 (1)(a) If a retiree enters employment with an employer sooner than  
14 one calendar month after his or her accrual date, the retiree's monthly  
15 retirement allowance will be reduced by five and one-half percent for  
16 every eight hours worked during that month. This reduction will be  
17 applied each month until the retiree remains absent from employment  
18 with an employer for one full calendar month.

19 (b) The benefit reduction provided in (a) of this subsection will  
20 accrue for a maximum of one hundred sixty hours per month. Any benefit  
21 reduction over one hundred percent will be applied to the benefit the  
22 retiree is eligible to receive in subsequent months.

23 (2)(a) Except as provided in (b) of this subsection, a retiree from  
24 plan 1 who enters employment with an employer at least one calendar  
25 month after his or her accrual date may continue to receive pension  
26 payments while engaged in such service for up to eight hundred sixty-  
27 seven hours of service in a calendar year without a reduction of  
28 pension.

29 (b) A retiree from plan 1 who enters employment with an employer at  
30 least three calendar months after his or her accrual date and:

31 (i) Is hired pursuant to a written policy into a position for which  
32 the employer has documented a justifiable need to hire a retiree into  
33 the position;

34 (ii) Is hired through the established process for the position with  
35 the approval of: A school board for a school district; the chief  
36 executive officer of a state agency employer; the secretary of the  
37 senate for the senate; the chief clerk of the house of representatives

1 for the house of representatives; the secretary of the senate and the  
2 chief clerk of the house of representatives jointly for the joint  
3 legislative audit and review committee, the (~~joint~~) select committee  
4 on pension policy, the legislative evaluation and accountability  
5 program, the legislative systems committee, and the statute law  
6 committee; or according to rules adopted for the rehiring of retired  
7 plan 1 members for a local government employer;

8 (iii) The employer retains records of the procedures followed and  
9 decisions made in hiring the retiree, and provides those records in the  
10 event of an audit; and

11 (iv) The employee has not already rendered a cumulative total of  
12 more than one thousand nine hundred hours of service while in receipt  
13 of pension payments beyond an annual threshold of eight hundred sixty-  
14 seven hours;

15 shall cease to receive pension payments while engaged in that service  
16 after the retiree has rendered service for more than one thousand five  
17 hundred hours in a calendar year. The one thousand nine hundred hour  
18 cumulative total under this subsection applies prospectively to those  
19 retiring after July 27, 2003, and retroactively to those who retired  
20 prior to July 27, 2003, and shall be calculated from the date of  
21 retirement.

22 (c) When a plan 1 member renders service beyond eight hundred  
23 sixty-seven hours, the department shall collect from the employer the  
24 applicable employer retirement contributions for the entire duration of  
25 the member's employment during that calendar year.

26 (d) A retiree from plan 2 or plan 3 who has satisfied the break in  
27 employment requirement of subsection (1) of this section may work up to  
28 eight hundred sixty-seven hours in a calendar year in an eligible  
29 position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or  
30 41.40.010, or as a fire fighter or law enforcement officer, as defined  
31 in RCW 41.26.030, without suspension of his or her benefit.

32 (3) If the retiree opts to reestablish membership under RCW  
33 41.40.023(12), he or she terminates his or her retirement status and  
34 becomes a member. Retirement benefits shall not accrue during the  
35 period of membership and the individual shall make contributions and  
36 receive membership credit. Such a member shall have the right to again  
37 retire if eligible in accordance with RCW 41.40.180. However, if the  
38 right to retire is exercised to become effective before the member has

1 rendered two uninterrupted years of service, the retirement formula and  
2 survivor options the member had at the time of the member's previous  
3 retirement shall be reinstated.

4 (4) The department shall collect and provide the state actuary with  
5 information relevant to the use of this section for the select  
6 committee on pension policy.

7 (5) The legislature reserves the right to amend or repeal this  
8 section in the future and no member or beneficiary has a contractual  
9 right to be employed for more than five months in a calendar year  
10 without a reduction of his or her pension.

11 NEW SECTION. **Sec. 6.** This act takes effect July 1, 2006.

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**BILL REQUEST - Bob Keller**

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BILL DRAFT DATE: August 23, 2006

BRIEF DESCRIPTION: Addressing the public employment of retirees from the teachers' retirement system plan 1 and the public employees' retirement system plan 1.

AN ACT Relating to the public employment of retirees from the teachers' retirement system plan 1 and the public employees' retirement system plan 1; amending RCW 41.32.055, 41.32.570, 41.40.010, and 41.40.037; reenacting and amending RCW 41.32.010; prescribing penalties; providing an effective date; and declaring an emergency.

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

**Sec. 1.** RCW 41.32.010 and 2005 c 131 s 8 and 2005 c 23 s 1 are each reenacted and 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 plan 1 members, means the sum of all regular annuity contributions and, except for the purpose of withdrawal at the time of retirement, any amount paid under RCW 41.50.165(2) with regular interest thereon.

(b) "Accumulated contributions" for plan 2 members, means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), 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) "Member reserve" means the fund in which all of the accumulated contributions of members are held.

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

(b) "Beneficiary" for plan 2 and plan 3 members, 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.

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

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

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

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

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

(i) 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.

(ii) For an employee member of the retirement system teaching in an extended school year program, two consecutive extended school years, as defined by the employer school district, may be used as the annual period for determining earnable compensation in lieu of the two fiscal years.

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

(A) 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.

(B) 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.

(iv) For members employed less than full time under written contract with a school district, or community college district, in an instructional position, for which the member receives service credit of less than one year in all of the years used to determine the earnable compensation used for computing benefits due under RCW 41.32.497, 41.32.498, and 41.32.520, the member may elect to have earnable compensation defined as provided in RCW 41.32.345. For the purposes of this subsection, the term "instructional position" means a position in which more than seventy-five percent of the member's time is spent as a classroom instructor (including office hours), a librarian, a psychologist, a social worker, a nurse, a physical therapist, an occupational therapist, a speech language pathologist or audiologist, or a counselor. Earnable compensation shall be so defined only for the purpose of the calculation of retirement benefits and only as necessary to insure that members who receive fractional service credit under RCW 41.32.270 receive benefits proportional to those received by members who have received full-time service credit.

(v) "Earnable compensation" does not include:

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

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

(b) "Earnable compensation" for plan 2 and plan 3 members, means

salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

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

(i) 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.

(ii) 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:

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

(B) 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 (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions.

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

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

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

(14) "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.

(15) "Member" means any teacher included in the membership of the retirement system who has not been removed from membership under RCW

41.32.878 or 41.32.768. 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 member reserve.

(16) "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 receive no more than one service credit month during any calendar month in which multiple service is rendered. The provisions of this subsection shall apply only to plan 1 members.

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

(18) "Pension reserve" is a fund 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.

(19) "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 plan 1 members.

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

(21) "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.

(22) "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 member reserve. This subsection shall apply only to plan 1 members.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

hours.

(iv) 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 a service credit month for each of the months in a state elective position by making the required member contributions.

(v) 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.

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

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

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

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

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

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

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

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

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

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

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in

addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months 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 except under RCW 41.32.810(2).

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

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

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

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

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

(36) "Substitute teacher" means:

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

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

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

(b) "Eligible position" for plan 2 and plan 3 on and after September 1, 1991, means a position that, as defined by the employer, normally requires five or more months of at least seventy hours of earnable compensation during September through August of the following year.

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

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

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

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

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

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

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

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

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

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

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

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

(48) "Separation from service or employment" occurs when a person has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.32.055, when an employer and employee have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this section.

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

**Sec. 2.** RCW 41.32.055 and 2003 c 53 s 218 are each amended to read as follows:

(1) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement system, except under subsection (2) of this section, in any attempt to defraud such system as a result of such act, is guilty of a class B felony punishable according to chapter 9A.20 RCW.

(2) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement systems related to a member's separation from service and qualification for a retirement allowance under RCW 41.32.480 in any attempt to defraud that system as a result of such an act, is guilty of a gross misdemeanor.

**Sec. 3.** RCW 41.32.570 and 2003 c 295 s 6 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every seven hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred forty hours per month. Any monthly benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) Except under subsection (3) of this section, any ( Any ) retired teacher or retired administrator who enters service in any public educational institution in Washington state ~~((and who has satisfied the break in employment requirement of subsection (1) of this section))~~ at least one calendar month after his or her accrual date shall cease to receive pension payments while engaged in such service, after the retiree has rendered service for more than ~~((one thousand~~

five hundred)) eight hundred sixty-seven hours in a school year.

(3) Any retired teacher or retired administrator who enters service in any public educational institution in Washington state one month or more after his or her accrual date and:

(a) Is hired pursuant to a written policy into a position for which the school board has documented a justifiable need to hire a retiree into the position;

(b) Is hired through the established process for the position with the approval of the school board or other highest decision-making authority of the prospective employer; and

(c) Whose employer retains records of the procedures followed and the decisions made in hiring the retired teacher or retired administrator and provides those records in the event of an audit; shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a school year.

(4) When a retired teacher or administrator renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that fiscal year.

~~((3))~~ (5) The department shall collect and provide the state actuary with information relevant to the use of this section for the select committee on pension policy.

~~((4))~~ (6) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five hundred twenty-five hours per year without a reduction of his or her pension.

**Sec. 4.** RCW 41.40.010 and 2004 c 242 s 53 are each amended to read as follows:

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

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

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

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

(4)(a) "Employer" for plan 1 members, means every branch,

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

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

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

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

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

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

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

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

(e) Any member who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective

date of the individual's retirement becomes entitled to be credited with ten years or more of membership service except that the provisions relating to the minimum amount of retirement allowance for the member upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member;

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

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

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

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

(A) 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 wage which the individual would have earned during a payroll period shall be considered compensation earnable and the individual shall receive the equivalent service credit;

(B) If a leave of absence is taken by an individual for the purpose of serving in the state legislature, 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 is paid by the employee and the employer's contribution is paid by the employer or employee;

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

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

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

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

(ii) "Compensation earnable" does not include:

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

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

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

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

(i) 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 wage which the individual would have earned during a payroll period shall be considered compensation earnable to the extent provided above, and the individual shall receive the equivalent service credit;

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

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

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

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

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

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

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

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

(i) Service by a state employee officially assigned by the state on a temporary basis to assist another public agency, shall be considered as service as a state employee: PROVIDED, That service to any other public agency shall not be considered service as a state employee if

such service has been used to establish benefits in any other public retirement system.

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

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

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

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

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

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

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

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

such position may elect to continue membership in the Washington school employees' retirement system, teachers' retirement system, public safety employees' retirement system, or law enforcement officers' and fire fighters' retirement system.

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

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

- (A) Less than eleven days equals one-quarter service credit month;
- (B) Eleven or more days but less than twenty-two days equals one-half service credit month;
- (C) Twenty-two days equals one service credit month;
- (D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;
- (E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

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

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

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

(13) "Membership service" means:

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

(c) Service not to exceed six consecutive months of probationary service rendered after April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of the

total amount of the employer's contribution to the retirement fund which would have been required under the law in effect when such probationary service was rendered if the member had been a member during such period, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member;

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

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

(b) "Beneficiary" for plan 2 and plan 3 members, 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.

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

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

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

(b) "Average final compensation" for plan 2 and plan 3 members, means the member's average compensation earnable of the highest consecutive sixty months of service credit months 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 except under RCW 41.40.710(2).

(18) "Final compensation" means the annual rate of compensation

earnable by a member at the time of termination of employment.

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

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

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

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

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

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

(25) "Eligible position" means:

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

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

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

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

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

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

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

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

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

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

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

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

(a) First become a member on or after:

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

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

(b) Transferred to plan 3 under RCW 41.40.795.

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

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

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

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

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

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

(42) "Separation from service" occurs when a person has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.40.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this subsection.

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

**Sec. 5.** RCW 41.40.037 and 2005 c 319 s 103 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred sixty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2)(a) Except as provided in (b) or (c) of this subsection, a retiree from plan 1 who enters employment with an employer at least one calendar month after his or her accrual date may continue to receive pension payments while engaged in such service for up to eight hundred sixty-seven hours of service in a calendar year without a reduction of pension.

(b) A retiree from plan 1 who enters employment with ~~((an))~~ the same employer at least three calendar months after his or her accrual date and:

(i) Is hired pursuant to a written policy into a position for which the employer has documented a justifiable need to hire a retiree into the position;

(ii) Is hired through the established process for the position with the approval of: A school board for a school district; the chief

executive officer of a state agency employer; the secretary of the senate for the senate; the chief clerk of the house of representatives for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the ((joint)) select committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members for a local government employer;

(iii) The employer retains records of the procedures followed and decisions made in hiring the retiree, and provides those records in the event of an audit; and

(iv) The employee has not already rendered a cumulative total of more than one thousand nine hundred hours of service while in receipt of pension payments beyond an annual threshold of eight hundred sixty-seven hours;

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a calendar year. The one thousand nine hundred hour cumulative total under this subsection applies prospectively to those retiring after July 27, 2003, and retroactively to those who retired prior to July 27, 2003, and shall be calculated from the date of retirement.

(c) A retiree from plan 1 who enters employment with (( an)) a different employer as determined by the department, at least three calendar months after his or her accrual date, and:

(i) Is hired pursuant to a written policy into a position for which the employer has documented a justifiable need to hire a retiree into the position;

(ii) Is hired through the established process for the position with the approval of: A school board for a school district; the chief executive officer of a state agency employer; the secretary of the senate for the senate; the chief clerk of the house of representatives for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the select committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members

for a local government employer; and

(iii) The employer retains records of the procedures followed and decisions made in hiring the retiree, and provides those records in the event of an audit;

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a calendar year.

~~((c))~~ (d) When a plan 1 member renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that calendar year.

~~((d))~~ (e) A retiree from plan 2 or plan 3 who has satisfied the break in employment requirement of subsection (1) of this section may work up to eight hundred sixty-seven hours in a calendar year in an eligible position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030, without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.40.023(12), he or she terminates his or her retirement status and becomes a member. Retirement benefits shall not accrue during the period of membership and 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. However, if the right to retire is exercised to become effective before the member has rendered two uninterrupted years of service, the retirement formula and survivor options the member had at the time of the member's previous retirement shall be reinstated.

(4) The department shall collect and provide the state actuary with information relevant to the use of this section for the select committee on pension policy.

(5) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five months in a calendar year without a reduction of his or her pension.

NEW SECTION. **Sec. 6.** This act takes effect July 1, 2007.

*Select Committee on Pension Policy*  
**October 17<sup>th</sup> – Meeting Planner**  
*(July 17, 2006)*

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**FULL COMMITTEE AGENDA**

- (1) Dual Membership
- (2) Gain-sharing
- (3) Plan 1 funding method, subgroup recommendation
- (4) Post-retirement employment
- (5) Adjourn

**EXECUTIVE COMMITTEE AGENDA**

- (A) Direction on day's agenda
- (B) November committee meeting
  - 2005 actuarial valuation report
  - PSERS membership report
  - Gain-sharing
- (C) Constituent correspondence
- (D) State Actuary evaluation
- (E) Adjourn

# Select Committee on Pension Policy

## **Actuary Performance Evaluation**

*(November 12, 2003)*

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The State Actuary Appointment Committee has the statutory authority to review the performance and make adjustments to the pay of the State Actuary. The State Actuary Appointment Committee consists of:

- Chairs and ranking minority members of the Senate Ways and Means Committee and the House Appropriations Committee; plus
- Four members of the Select Committee on Pension Policy (SCPP) appointed jointly by the Chair and Vice Chair of the SCPP.

The SCPP Executive Committee will conduct a review of the State Actuary's performance and relay it to the State Actuary Appointment Committee with recommendations for pay adjustments, as deemed appropriate. The review will take place at least once every two employment anniversaries of the State Actuary or as requested by the Chair of the SCPP.

In conducting the review, the Executive Committee of the SCPP or their designee will:

- Review the statutory responsibilities of the Office of the State Actuary (OSA);
- Request a self-performance evaluation, including future goals and development activities from the State Actuary;
- Develop a list of feedback sources which may include OSA staff, SCPP members, Directors of the Department of Retirement Systems and Office of Financial Management, Chairs and/or staff of the legislative fiscal committees and the Executive Director of the LEOFF 2 Board;
- Solicit written feedback from feedback sources;
- Meet with the State Actuary to share feedback and overall performance evaluation.
- Relay the results of the performance evaluation and any recommendations regarding performance and/or pay adjustments to the members of the State Actuary Appointment Committee.



## Washington State Legislature

January 17, 2006

To: Tom Hoemann, Secretary of the Senate  
Rich Nafziger, Chief Clerk

For: Senator Harriet Spanel, Facilities & Operations Committee  
Representative Lynn Kessler, House Employment Committee  
Representative Mike Armstrong, House Employment Committee  
Representative Helen Sommers, House Employment Committee  
Representative Gary Alexander, House Employment Committee

Senator Joe Zarelli, Member, State Actuary Appointment Committee  
Senator Margarita Prentice, State Actuary Appointment Committee

Re: Compensation Schedule, State Actuary

The SCPP Executive Committee has completed its third performance review of Matt Smith, State Actuary. The Committee has consistently rated Matt Smith as outstanding in his leadership, administration, and personal competency as State Actuary. These ratings result from Matt's direct support to the SCPP, as well as input from all major clients to include Chair, Senate Ways and Means Committee, Chair, House Appropriations Committee, Director, OFM, Director, DRS. and Executive Director, LEOFF 2 Board.

Currently, Matt Smith is at the top of the Senate Salary Grid at \$10,849 per month, \$130,188 per annum (Range 31, Step 21). The Department of Personnel (DOP) conducted a compensation review in 2004 of the position of State Actuary and concluded that the position of State Actuary was no longer competitive in compensation to other comparable internal and external positions. DOP recommended that the position be removed from the Senate Salary Grid and granted an initial increase of 10.5%.

The SCPP Executive Committee finds the DOP recommendation excessive given current economic realities. Alternatively, we note that the salary schedule for Senior Actuary in state agencies ranges up to \$140,200. The SCPP therefore recommends that a new range (Range 32) be added to the Senate Salary Grid with the same five percent (5%) increment that separates existing ranges. This would provide a top step of \$11,391 per month, \$136,692 per annum and would be an appropriate placement for Matt Smith.

Your consideration of the above request is appreciated.

Sincerely,

A handwritten signature in black ink that reads "Bill Fromhold". The signature is written in a cursive style with a large, prominent "B" and "F".

Representative Bill Fromhold  
Chair

A handwritten signature in black ink that reads "Karen Fraser". The signature is written in a cursive style with a large, prominent "K" and "F".

Senator Karen Fraser  
Vice Chair

# State Actuary Evaluation Process

*August 8, 2006*

As part of the State Actuary Evaluation the following contact information is needed in this process.

Please address any correspondence in c/o Secretary of the Senate and the Chief Clerk, as they are the staff coordinators for below mentioned committees.

## **Tom Hoemann, Secretary of the Senate**

[hoemann.tom@leg.wa.gov](mailto:hoemann.tom@leg.wa.gov)

Leg 309A

P.O. Box 40482

Olympia, WA 98504-0482

360-786-7355

## **Rich Nafziger, Chief Clerk**

[nafziger.rich@leg.wa.gov](mailto:nafziger.rich@leg.wa.gov)

Leg 338 B

P.O. Box 40600

Olympia, WA 98504-0600

360-786-7750

## **Facilities and Operations Committee**

Senator Harriet Spanel, Majority Caucus Chair - [spanel.harriet@leg.wa.gov](mailto:spanel.harriet@leg.wa.gov)

## **House Employment Committee** *(this committee has no chair, they act by consensus)*

Representative Lynn Kessler - [kessler.lynn@leg.wa.gov](mailto:kessler.lynn@leg.wa.gov)

Representative Mike Armstrong - [armstrong.mike@leg.wa.gov](mailto:armstrong.mike@leg.wa.gov)

Representative Helen Sommers - [sommers.helen@leg.wa.gov](mailto:sommers.helen@leg.wa.gov)

Representative Gary Alexander - [alexander.gary@leg.wa.gov](mailto:alexander.gary@leg.wa.gov)

# Select Committee on Pension Policy

P.O. Box 40914  
Olympia, WA 98504-0914  
actuary.state@leg.wa.gov

August 2, 2006

**TO:** Senator Margarita Prentice  
Senator Joseph Zarelli  
Representative Helen Sommers  
Representative Gary Alexander  
Senator Karen Fraser  
Leland A. Goeke  
J. Pat Thompson

**FROM:** Senator Craig Pridemore, Chair  
Representative Bill Fromhold, Vice Chair

**RE: STATE ACTUARY APPOINTMENT COMMITTEE**

According to RCW 44.44.013(1), the Chair and Vice Chair of the Select Committee on Pension Policy (SCPP) shall jointly appoint four SCPP members to serve on the State Actuary Appointment Committee, at least one of which shall represent state retirement systems active or retired members, and one member representing retirement system employers. It has been the past practice of the SCPP for the Chair and Vice Chair to appoint themselves to the State Actuary Appointment Committee in addition to two other SCPP members.

As a result of the June reorganization, Chair Pridemore has been appointed to the State Actuary Appointment Committee and replaces former Vice Chair Fraser on the appointment committee. Vice Chair Fromhold, Mr. Goeke and Mr. Thompson remain members of the appointment committee.

cc: Matt Smith, State Actuary

O:\SCPP\SAAC\2006\Appointment Letter.wpd

**\*Elaine M. Banks**  
*TRS Retirees*

**Representative Barbara Bailey**

**Lois Clement**  
*PERS Retirees*

**Representative Steve Conway**

**Representative Larry Crouse**

**Senator Karen Fraser**

**\*Representative Bill Fromhold,**  
*Vice-Chair*

**Leland A. Goeke**  
*TRS and SERS Employers*

**Robert Keller**  
*PERS Actives*

**\*Sandra J. Matheson,** Director  
*Department of Retirement Systems*

**Corky Mattingly**  
*PERS Employers*

**Doug Miller**  
*PERS Employers*

**Victor Moore,** Director  
*Office of Financial Management*

**Senator Joyce Mulliken**

**\*Glenn Olson**  
*PERS Employers*

**\*Senator Craig Pridemore,**  
*Chair*

**Diane Rae**  
*TRS Actives*

**\*J. Pat Thompson**  
*PERS Actives*

**Senator Mark Schoesler**

**David Westberg**  
*SERS Actives*

**\* Executive Committee**

(360) 786-6140  
Fax: (360) 586-8135  
TDD: 1-800-635-9993

# 2006

## State Actuary Appointment Committee

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**Senator Margarita Prentice**  
JAC 419  
P.O. Box 40411  
Olympia, WA 98504-0411  
(360) 786-7616

**Senator Craig Pridemore**  
MOD 1 111  
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**Senator Joseph Zarelli**  
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(360) 786-7608

**Representative Bill Fromhold**  
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P.O. Box 40600  
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(360) 786-7924

**Representative Gary Alexander**  
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Olympia, WA 98504-0600  
(360) 786-7814

**Leland A. Goeke**  
Vancouver School District  
2901 Falk Rd.  
Vancouver, WA 98683  
(360) 313-1093

**Representative Helen Sommers**  
JLOB 204  
P.O. Box 40600  
Olympia, WA 98504-0600  
(360) 786-7814

**J. Pat Thompson**  
Washington State Council of City  
and County Employees  
3305 Oakes Avenue  
Everett, WA 98201  
(425) 303-8818



**Washington State  
School Retirees Association**

4726 Pacific Ave. SE

Lacey, WA 98503-1216

• PHONE (360) 413-5496

**MEMORANDUM**

TO: Select Committee on Pension Policy (SCPP)  
FROM: Leslie Main, WSSRA Legislative Coordinator  
DATE: July 19, 2006  
RE: Correction to 7/18/06 Printed Testimony

**RECEIVED**

JUL 24 2006

Office of  
The State Actuary

Thank you once again for the opportunity to testify before you on July 18<sup>th</sup> regarding the important issues of Gain Sharing and the Plan 1 Unfunded Liability. Upon further review of the various methods employed by the Legislature to artificially reduce pension contribution rates, I discovered that WSSRA's 7/18/06 printed testimony incorrectly referenced two bill numbers:

- ◆ **ESSB 6167** was the 2001 legislation which moved the amortization date back from 12-31-16 to 6-30-24 (not HB 2236 as previously indicated).
- ◆ **EHB 2254** was the 2003 legislation suspended payment on the Unfunded Liability for the 2003-05 biennium (not SB 6029 as previously indicated).

Please accept my apologies for any inconvenience or confusion this may have caused.

The discussions regarding Gain Sharing and the Plan 1 Unfunded Liability during both the meetings of the full SCPP and the SCPP's Executive Committee highlighted many principals that continue to influence the direction of pension policy. One important principle is "Whose money is it?" Many retirees view employee and employer pension contributions as deferred compensation. Accordingly, they feel entitled to a share of "extra-ordinary" earnings on pension fund investments.

When Gain Sharing was being negotiated in 1998, Plan 1 members initially lobbied for 100% of investment returns beyond 10%. However, retirees compromised in order to support the honorable goal of paying down the Plan 1 Unfunded Liability. Consequently, TRS/PERS 1 Gain Sharing was enacted with half of the "extra-ordinary" gains going toward improvement of the Uniform COLA and half of the "extra-ordinary" gains going toward reduction of the amortization date of the Plan 1 Unfunded Liability. The '98 and '00 Gain Sharing distributions resulted in the amortization date being brought down from 2024 to 2016. Unfortunately, in 2001 the Legislature abandoned the responsible goal of reducing the amortization period and enacted ESSB 6167 (noted above) which, in effect, refinanced the Plan 1 Unfunded Liability back out to 2024. Current and future retirees are now legitimately concerned that the Legislature may yet again look to sidestep employer pension obligations this time via a "take away" of Gain Sharing benefits.

Long before private and public pensions were at the forefront of public debate, TRS/PERS 1 retirees struggled as their Plan 1 pension benefits declined in value. School retirees ask that Washington State be a leader in creative pension solutions which honor not only the service of current and future school and public retirees, but also the State as an employer which values and fulfills its responsibilities to its employees/retirees. WSSRA supported the 2005 and 2006 proposals put forth by the SCPP regarding Gain Sharing benefits and looks forward to working with the SCPP to develop a new proposal to resolve this issue prior to the next projected Gain Sharing distribution.

Please contact me at WSSRA, 1-800-544-5219 or 360-413-5496, if you have any questions or if I can be of assistance to you. Thank you.



## Washington State School Retirees Association

4726 Pacific Ave. SE

Lacey, WA 98503-1216

PHONE (360) 413-5496

### Testimony before the Select Committee on Pension Policy

#### Re: Gain Sharing & Plan 1 Pension Funding

July 18, 2006

Honorable Chair and Committee members, the Washington State School Retirees' Association (WSSRA) appreciates the perseverance the Select Committee on Pension Policy continues to demonstrate in its attempts to address the issue of Gain Sharing. WSSRA once again looks forward to joining with the SCPP to develop a proposal which will meet the needs of all concerned. In renewing the efforts to address Gain Sharing, WSSRA asks that SCPP members consider the following points:

- ◆ Gain Sharing in only one component of the TRS/PERS Plan 1 Unfunded Liability. WSSRA acknowledges that generally, when pension fund investment returns are high pension contributions rates are reduced and when returns are low contribution rates increase. However, WSSRA contends that the intentional Legislative actions to artificially manipulate accepted actuarial practices regarding pension funding have had the most detrimental impact on the TRS/PERS 1 pension funds. For example:
  - ◇ 2006 ~ ESSB 6896 established a phased-in resumption of payments toward the Plan 1 Unfunded Liability but failed to include recognition of the cost of future Gain Sharing distributions.
  - ◇ 2005 ~ ESHB 1044 suspended payments to the Unfunded Liability and delayed recognition during the 2005-07 biennium of the cost of future Gain Sharing distributions.
  - ◇ 2003~ SB 6029 suspended payment on the Unfunded Liability for the 2003-05 biennium, generating savings comparable to that projected for 2005-07.
  - ◇ 2001 ~ HB 2236 moved the amortization date back from 12-31-16 to 6-30-24, generating savings of approximately \$1 billion.

In prior years there were also a number of statutory manipulations of actuarial assumptions and methods, all done in order to generate short-term savings for non-pension priorities. Current and future school and public retirees are now faced with the prospect of "paying the tab" for these non-pension priorities by having an important benefit – Gain Sharing - taken away. The pension funds should not be balanced on the backs of current and future school and public retirees.

- ◆ In addressing the fiscal impact of Gain Sharing, the Office of State Actuary's (OSA) 1998 Fiscal Note alluded to the fluctuation of pension contribution rates:

*"The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate compared to what would have occurred had no gain sharing occurred. If the bill were not passed the extra-ordinary investment return gains would result in lower contribution rates than those assumed. However, due to the nature of the bill and the definition of extra-ordinary gains, the resulting contribution rate would be no higher than if the extra-ordinary gain had not occurred at all."*

Source: OSA Fiscal Note – HB 2491/SB 6307 (2/3/98).

WSSRA contends that if the pension funds had not been subjected to the artificial funding manipulations noted above, TRS/PERS 1 and TRS/SERS/PERS 3 members would not now be facing a possible total "take away" of the important Gain Sharing benefit. Steps taken by the Governor and the Legislature toward responsible pension funding should not be made to the exclusion of, and at the expense of, pension improvements for current and future retirees!

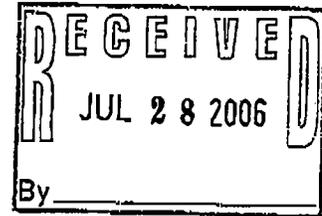
- ◆ For TRS/PERS 1, Gain Sharing was legitimately viewed in 1998, and continues today, as a way to:
  - ◇ Partially address recovery of lost purchasing power for current TRS/PERS 1 retirees and prevent erosion of purchasing power for future TRS/PERS 1 retirees, and also
  - ◇ Support the principle of providing a benefit to retirement system members from "extra-ordinary" investment returns on employer and employee pension contributions, which many retirement system members view as deferred compensation.
- ◆ With respect to TRS/SERS/PERS 3, Gain Sharing was legitimately viewed in 1998, and continues today, as a way to:
  - ◇ Augment the value of Plan 3 members defined contribution accounts, and
  - ◇ Lend to cost neutrality with the benefits of Plan 2, which was an original goal in the development of Plan 3.

The Governor and Legislature need to face their pension responsibilities to school and public employees and retirees:

1. Provide benefits, such as Gain Sharing, which help recover/maintain the value of the Plan 1 pension benefit throughout the retirement years of Plan 1 members,
2. Honor its implied commitment to members of TRS/SERS/PERS 3 who entered Plan 3 with the understanding that Gain Sharing is an integral part of the Plan's benefits, and
3. Fully fund all pension plans in a stable and adequate manner, even if this means putting issues which reap greater political mileage aside until the state fulfills its goal of becoming a "good employer." The irony is not lost on many school/public employees and retirees of how many of the non-pension priorities which have, in effect, been funded at the expense of the pension system are administered by the very public/school employees and retirees who are now at risk of losing a significant pension benefit – Gain Sharing.

**RESPONSIBLE PENSION FUNDING AND PROVISION OF ADEQUATE PENSION BENEFITS ARE EQUALLY ESSENTIAL...A REPEAL OF GAIN SHARING WITHOUT ESTABLISHMENT OF SIGNIFICANT REPLACEMENT BENEFITS IS UNACCEPTABLE...HONOR CURRENT AND FUTURE RETIREES BY PROTECTING THE VALUE OF GAIN SHARING!**

Thank you for this opportunity to address these important issues. Please contact WSSRA Executive Director, Ed Gonion, or Legislative Coordinator, Leslie Main at 1-800-544-5219 if you would like to discuss these issues further or have any questions regarding WSSRA's positions.



July 24, 2006

Governor Christine Gregoire  
Office of the Governor  
P.O. Box 40002  
Olympia, WA 98504-0002

Dear Governor Gregoire:

Please accept this letter of resignation from my appointment as the K-12 employer representative to the Select Committee on Pension Policy (SCPP) effective August 31, 2006.

I have very much appreciated the opportunity to serve the people of Washington State in the SCPP capacity. Unfortunately, family health considerations will prevent me from dedicating sufficient, quality time to successfully fulfill the Committee role.

Respectfully, I would like to nominate Charles E. Cuzzetto, 2614 88<sup>th</sup> Street Court NW, Gig Harbor, WA 98332, to serve as the K-12 employer representative to the Committee. Mr. Cuzzetto currently serves Washington public schools as Assistant Superintendent, Peninsula School District. His human resource and financial management experience, combined with his standing as a certified public accountant, provides an excellent combination of skills to represent public school employers in the critical area of public pension policy. Mr. Cuzzetto is a past president and an active member of the Washington School Personnel Association which represents the employment interest of school districts throughout Washington State.

Thank you for your trust and confidence in having appointed me to the Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Leland A. Goeke, Jr.".

Leland A. Goeke, Jr.  
Associate Superintendent  
Human Resources and Management

cc:

Senator Craig Pridemore, Chair, SCPP, PO Box 40449, Olympia, WA, 98504-0449  
Representative Bill Fromhold, Vice Chair, SCPP, PO Box 40600, Olympia, WA, 98504-0600

# Superior Court Judges' Association

**Michael Cooper, President** (06-07)  
Kittitas County Superior Court  
205 W 5<sup>th</sup> Avenue, Suite 207  
Ellensburg, WA 98926-2887  
(509) 962-7533 FAX: (509) 933-8223

**Vickie Churchill, President-Elect** (06-07)  
Island/San Juan Counties Superior Courts  
PO Box 5000  
Coupeville, WA 98239-5000  
(360) 679-7361 FAX: (360) 679-7383

**Michael Trickey, Immed. Past President** (06-07)  
King County Superior Court  
516 Third Avenue, Room C-203  
Seattle, WA 98104-2361  
(206) 296-9265 FAX: (206) 296-0986

**Gordon Godfrey, Secretary** (06-07)  
Grays Harbor County Superior Court  
102 Broadway Avenue W  
Montesano, WA 98563-3621  
(360) 249-6363 FAX: (360) 249-6381

**Chris Washington, Treasurer** (06-07)  
King County Regional Justice Center  
401 4<sup>th</sup> Avenue N, Room 2D  
Kent, WA 98032-4429  
(206) 296-9111 FAX: (206) 205-2585

**Suzanne Barnett, District One Trustee** (06-09)  
King County Superior Court  
516 Third Avenue, Room C-203  
Seattle, WA 98104-2361  
(206) 296-9213 FAX: (206) 296-0986

**Jay White, District One Trustee** (04-07)  
King County Regional Justice Center  
401 4<sup>th</sup> Avenue N, Room 2D  
Kent, WA 98032-4429  
(206) 296-9251 FAX: (206) 205-2585

**Ronald E. Culpepper, District Two Trustee** (05-08)  
Pierce County Superior Court  
930 Tacoma Avenue S, Room 534  
Tacoma, WA 98402-2108  
(253) 798-6640 FAX: (253) 798-7214

**Alan Hancock, District Three Trustee** (06-09)  
Island/San Juan Counties Superior Courts  
PO Box 5000  
Coupeville, WA 98239-5000  
(360) 679-7361 FAX: (360) 679-7383

**Richard Brosey, District Four Trustee** (06-09)  
Lewis County Superior Court  
345 W Main, 4<sup>th</sup> Floor  
Chehalis, WA 98532-4802  
(360) 740-1172 FAX: (360) 740-2603

**Donald W. Schacht, District Five Trustee** (05-08)  
Walla Walla County Superior Court  
PO Box 836  
Walla Walla, WA 99362-0259  
(509) 527-3229 FAX: (509) 527-3214

**T. W. Small, District Six Trustee** (04-07)  
Chelan County Superior Court  
PO Box 880  
Wenatchee, WA 98807-0880  
(509) 667-6210 FAX: (509) 667-6588

August 29, 2006

The Honorable Craig Pridemore  
Washington State Senate  
PO Box 40482  
Olympia WA 98504-0482

Dear Senator Pridemore:

The judges at all levels of court very much appreciate the efforts of the Select Committee on Pension Policy and the Office of the State Actuary leading up to the 2006 legislative session in working with us to develop and to pass an improved retirement benefit multiplier for judges.

As you know, judges come to this public service as a second career – the average age of judges taking the Superior Court bench is 47. Through the work of the Select Committee, the State Actuary and the Legislature, the retirement benefit multiplier for new judges starting in 2007 has been restored to the pre-1988 level making the defined benefit far more comparable to such benefits for judges in other states. Our goal, consistent with the Select Committee's Goal #2, was to restore this benefit multiplier for past and future service to aid in both the recruitment and retention of highly qualified judges. This new legislation will foster that goal for newly appointed judges, with the cost borne by the judges alone. We are very grateful to the members of the Select Committee, as well as the State Actuary and the Legislature for this significant improvement.

Under the bill passed by the Legislature, current judges also have the opportunity to opt into this improved benefit on a going forward basis by shouldering the entire cost of the new benefit. The difficulty for many of the seasoned judges relates to the issue of the buy back of past service credit. The judges understood that we would have the opportunity to "buy back" past service credit as a judge at a cost per year reflected on the proposal approved by the Select Committee. We did not understand that the legislation required a "buy forward" or annuity purchase methodology to be used to purchase past service credit. Unfortunately, the annuity methodology results

The Honorable Craig Pridemore

August 29, 2006

Page 2

in a cost that is prohibitive for the most highly experienced judges currently serving in Washington. This situation creates a vast disparity in retirement benefits for most of the judges currently serving when compared to the judges who took the bench before 1988 and those that will take the bench in 2007 and thereafter.

I am writing to ask for your help in addressing this issue. We appreciate you including this subject for the full Committee agenda on September 19. We believe that there are several other methods that can be used to calculate the cost to purchase past service credit that are fair, both to the state and to the judges. We are very interested in achieving such a change and are focused on identifying a method that will not impact the rates. We are confident that, with the help of the Office of the State Actuary if you were to so direct, we could identify several options for the Select Committee's consideration.

As an example, one option is to utilize the average group cost as reflected on the proposal that the Select Committee approved, with the Actuary determining the assumption for "anti-selection," that is, a number reflecting the fact that some judges will not elect to buy back. That figure could be analyzed in terms of the rounding factor to determine if the cost fell below .005% and thus not impact the rates. If it was somewhat higher, the Actuary could determine what amount, such as 105% of the average group cost figure, would bring the cost below the rounding factor.

Another option is to require the employee-judge to pay what he or she would have paid in a given year of service based on that year's rates and the judge's salary for that year, and also require the employee-judge to pay what the employer would have paid, plus the assumed 8% interest rate. The Actuary could then determine if this payment, taking into account the anti-selection factor, would fall below the rounding factor and therefore not impact the rates. Again, if it was above .005%, some premium (for example, 105%) could be utilized to bring it below the rounding factor. Although this would be a substantially higher cost for the judges with the most experience, we believe it is still fair and would be a good resolution. Either of these options, and perhaps others, would allow currently sitting judges to achieve the same retirement benefits for their service as those judges beginning service before 1988 and after 2007. This is a significant issue of fairness and parity for the judges currently serving in the state of Washington.

We would truly appreciate your help in resolving this issue. We are very interested in meeting with Mr. Smith and his staff to discuss these and other options and understand that he requires your direction to do so.

Sincerely,

Michael E. Cooper  
President

SCJA\President's Correspondence\Cooper\ltr Pridemore re pension.doc  
cc: Regina McDougall



STATE OF WASHINGTON  
DEPARTMENT OF RETIREMENT SYSTEMS

PO Box 48380 • Olympia WA 98504-8380 • (360) 664-7000 • Toll Free 1-800-547-6657

August 28, 2006

**RECEIVED**

**AUG 30 2006**

Office of  
The State Actuary

TO: Kelly Burkhart  
Executive Assistant

FROM: Wilma Eby   
Executive Assistant

SUBJECT: Gain Sharing Letters

Attached are copies of more of the gain sharing letters sent to the Governor's Office. DRS responded to the individuals using the response I mentioned earlier – acknowledging the writers' concern about the increasing cost of living, noting that DRS has received similar comments from other Plan I and Plan 3 retirees and members about the plans' provisions for maintaining purchasing power and explaining that the SCPP is still discussing the issue.

Please contact me at 664-7311 if you have any questions.

Attachments



**RECEIVED**

AUG 24 2006

OFFICE OF THE GOVERNOR

August 22, 2006

Dear Governor Gregoire:

I am a retired State employee on PERS 1 and am very concerned about the lack of funding for Gain Sharing. If this will not be part of your budget, I hope you can fund a permanent replacement benefit in your budget.

We cannot afford to lose this benefit. I hope you will find a way to accomodate us on this critical issue for the many State Retired people.

Thank you for your consideration, I could not get your email address to accept my letter, so I am sending it by regular mail.

Thank you for your attention,



Ruth A. Sinton  
747 N 135th St #728  
Seattle, WA 98133  
206-361-6924  
whizras@juno.com

Dear Governor Gregoire,  
We Plan 3 members need a fair  
trade dollar-to-dollar benefit. Taking  
away Gain Sharing will hurt my  
family as I have counted on it  
to generate income in my  
retirement. Thank you,  
Kelly Frederick

August 23, 2006

RECEIVED  
AUG 25 2006  
OFFICE OF THE GOVERNOR

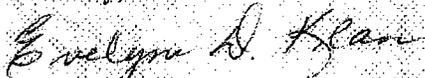
Governor Christine Gregoire  
Office of the Governor  
PO Box 40002  
Olympia, WA 98504-0002

Dear Madam:

Please don't ignore gain sharing in your budget. Gain sharing for Plan I retirees must be kept or exchanged for a suitable replacement benefit. Benefit helps Plan I retirees in a small but important way to regain lost purchasing power of their pensions.

Thank you.

Sincerely,



Evelyne D. Klan  
12501 Greenwood Ave. N. #C211  
Seattle, WA 98133



**RECEIVED**

**AUG 10 2006**

OFFICE OF THE GOVERNOR

August 5, 2006

Governor Christine Gregoire  
State of Washington  
P. O. Box 40002  
Olympia, WA 98504

Dear Governor Gregoire:

We share (between the two of us) almost sixty years of teaching in the State of Washington, as well as Kamehama Schools in Hawaii, and with the Department of Defense in Germany.

In all of those years and with every group of children we taught, one word seemed to crop up more than any other—the word FAIR! Students seem to value FAIRNESS above all other traits.

As teachers, we too always valued FAIRNESS. As long time retired members of TRS Plan 1, our pensions have lost more than half of their value due to inflation. We are concerned with the possible loss of the Gain Sharing benefit as well.

In FAIRNESS, we ask you to make sure an acceptable replacement benefit is passed, if Gain Sharing is taken away.

Thank You!

Bill & Eloise Stendal  
1035 Fidalgo Drive  
Burlington, WA 98233

Rosemarie Gregoire

Please don't ignore gain sharing in your budget. Gain sharing for Plan 1 retirees must be kept or exchanged for a suitable replacement benefit. This benefit helps Plan 1 retirees in a small but important way to regain lost purchasing power of their pensions. Thanks Richard Mitchell, Plan 2 retiree and member of REPC

Richard J. Mitchell

Richard Mitchell

Gains sharing repeal without a dollar for dollar exchange will hurt me financially. This is my benefit I have used to plan my retirement income.

Julie Madden

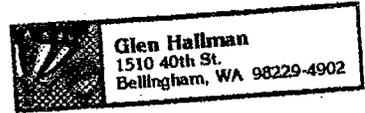
Amy Weber  
PO Box 7902  
Corvington, WA 98042

Repealing Gainsharing without a fair trade will affect my future. I may need to find a second job to fund my retirement so I can take care of myself when I am old.

RECEIVED

AUG 21 2006

OFFICE OF THE GOVERNOR



Aug 18, 2006

Governor Christine Gregoire

Office of the Governor

P.O. Box 40002

Olympia, WA 98504 -0002

Dear Governor:

Subject State Retirement Plan I  
Gain-sharing.

I have been retired for 20 years  
under PERS Plan I. My  
retirement payment certainly  
don't go as far these days (over)

The gain-sharing plan has helped a little but no where near equals the rate of inflation.

I urge you to keep the gain-sharing plan financing in your budget you will be submitting to the legislature

I would be willing to consider an alternate plan provided it was at least equal or better than the current gain-sharing plan.

Sincerely,  
Gen F. Halman  
Glen Hallman

**Hyde, Elizabeth**

---

**From:** Randy Plain [plain@harbornet.com]  
**Sent:** Sunday, September 10, 2006 7:22 PM  
**To:** Office State Actuary, WA  
**Subject:** Fw: LEOFF 1 Disability 'Penalty'

Washington State Actuary

Ref: Disability Pension Penalty on members hired after 1970

I am a 2 year retiree of the LEOFF 1 System. I was hired in 1973 and served nearly 31 years.

The term 'disability penalty' is used to refer to the current situation that 'Caps' the benefit of those hired after 1970 at 50% regardless of the number of years served. The state removes at the rate of 2% benefit per year of service for anyone working beyond 25 years that find themselves eligible for and choose to accept the Federal benefit of an On the Job Disability Pension. The state is obligated to reimburse at the continued rate of 2% a year for working beyond 25 years for a Service Pension; but the 50% 'Cap' on a disability affectively reverses partially to completely an entitled Federal benefit by imposing the 50% limit.

Last Legislative Session the Select Committee on Pensions, the Legislature and the Governor in their wisdom lifted (near unanimously) an arbitrary and similarly unjust service 60% Cap. Just as those hired in 1974 and later were unjustly subjected to that Cap those hired after 1970 are today unnecessarily and unjustly subjected to a 50% disability cap.

I believe in 'one year of benefit for one year of service' as a basic fair benchmark (limited and not to exceed the 60% disability benefit enjoyed by the Prior Act folks -- as parity).

I believe in correcting bad law and I think this injustice is just that. I think it is only fair and just that a member be rewarded for service rendered at the rate of one year of benefit for one year of work. Why should an on the job disability result in a state penalty?

I think the arguments for a change are strong including all those used successfully last year to overwhelmingly lift the 60% Service Cap. Another recent one comes to mind -- the new up to 5 year service credit "buy in" at retirement.....many of us have already "bought - in" by having paid into the retirement system years longer than the 25 years benefit we are now being limited to -- that is paying into but not benefiting from! This doesn't even take into consideration working those years and deferring years of pension payments.

Please find attached a letter I sent to Sandi Matheson in January. I received a call from Robert Baker on the 29th of March and he wanted to know more about the concerns I raised. He was most cordial and said he would do the research and pass his findings on to the Select Committee. I talked to Mr. Roberts on 08 Sept. and he suggested I write to the Actuary Dept in an effort to further my interest.

I would prefer to see the 50% 'Cap' completely removed (not to exceed Prior Act benefits). However, any reasonable compromise, (i.e. taxable service credit beyond 25 years disability benefit) that would move toward that end would be appreciated.

I thank you in advance for any time you might spend considering my concerns.

Regards,

Randy Plain (ret. Tacoma Fire 2004)  
 1741 N Jackson Ave.  
 Tacoma, WA. 98406

9/11/2006

253-752-3703  
[plain@harbornet.com](mailto:plain@harbornet.com)

Sandra J. Matheson  
Director DRS

27JAN2006

I attended the Select Committee on Pensions Policy meeting on 06 DEC. and had the opportunity to hear your responses to various questions and that has prompted me to write with one of my own.

I have had numerous communications with Marilyn, your LEOFF I employee that apparently fields inquiries from the group of retirees that includes the letter 'P'. I have been very satisfied with her and all DRS interactions I have had, but this question I want to direct to you.

I am a LEOFF I retiree and I realize that compared to other pensions I am fortunate to be covered by LEOFF I, but that is not the issue. Within LEOFF I there are differences, inequities and room for positive change consistent with sound fiscal policy. Two recent examples are the survivor benefit coverage option for retired members who have lost their spouse to death or divorce and the proposed lifting of the 60% cap imposed on those hired from 1974 - 1977.

I am a two year retiree from the Tacoma Fire Dept. I was hired in May of 1973 and served just shy of 31 years. I loved my job and would still be there today if I was able to perform at an acceptable level - alas I cannot. I was retired on a disability pension of 50% in FEB of 2004. Had I retired on a service pension I would have been entitled to a 60% (or so) pension amount. I was disabled on the job and qualified for a Federal Government benefit of a disability pension. The state then imposed a penalty on my disability and reduced my benefit back to a 50% level. The state was prepared to honor my service with 60% if I had denied the Federal benefit and retired with service pension; so I assume the actuaries have calculated for the higher distribution. To say the least I think this affectively neutralizing by the state of a Federal benefit is grossly unfair.

I have raised this issue with the Retired Firefighters of Washington and the Washington Council of Firefighters and both agree that it is an injustice and that it should be changed. Both organizations have been pretty tied up the last two sessions to bring this issue to the forefront. I consulted the opinion of the Americans with Disabilities Act folks; they also thought this sounded like an injustice that they would inquire further if it was not a pension issue that places it outside their mandate.

Also I communicated with Mr. Steve Nelson, a board member of the LEOFF II Pension Fund. He also agreed with my position, but had concerns about federal rules limiting a disability pension. He suggested positively perhaps a 50% disability benefit and the remainder in service as a possible compromise solution.

I am not prepared to let this go until it has had a full and fair airing; however I am not sure of how to continue. I thank you in advance for any thoughts or positive suggestions that you might have to bring this issue to the forefront and move it forward.

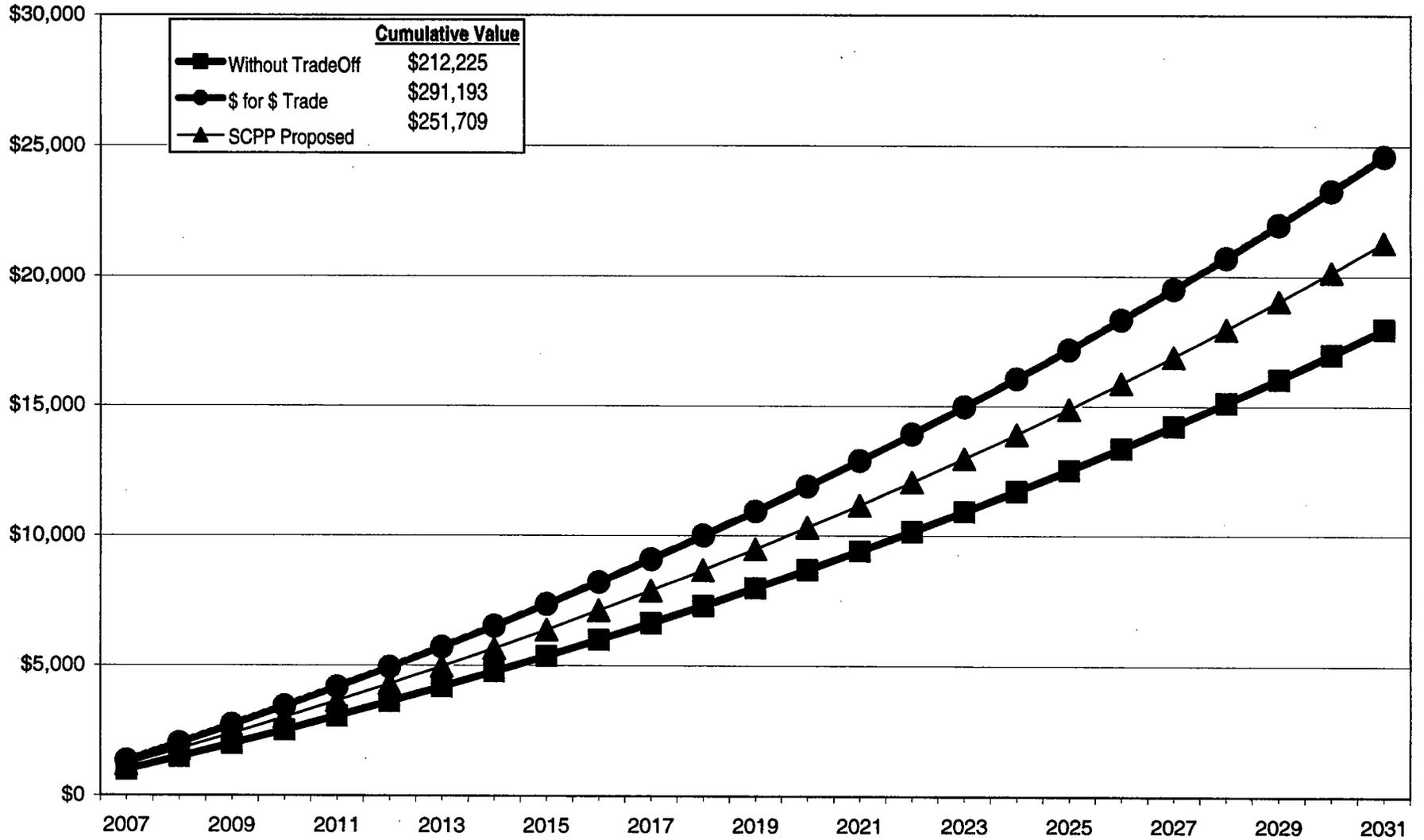
Respectfully,  
Randy L. Plain  
533441903  
3703

1741 N Jackson Ave.  
Tacoma, WA. 98406  
253-752-

9/11/2006

## Cumulative Benefit to Plan 1 Members of Gain Sharing Trade-off

Assumes Gain Sharing Trade-off Valued Equal to \$0.48 in Year 1 of UnCola



	Cumulative Value
Without TradeOff	\$212,225
\$ for \$ Trade	\$291,193
SCPP Proposed	\$251,709

## Gain sharing Trade-Off Proposal

### Background:

- The total employer saving over the 2007-09 biennium is \$403 M by repealing gain sharing. The General Fund saving is \$186 M. 2006's HB 3183 fiscal note lists the total employer savings for 2006-2031 to be \$7.8 billion or \$3.5 billion General Fund if gain sharing is repealed.
- By the end of 2007 the average earnings of the retirement funds within the state investment accounts over a four year period could very well be over 10% since earnings were 16.7% for 2004, 13.3% for 2005 and 15.6% through March of 2006. If the four- year average earning exceeds the 10% gain sharing threshold, a payment is due to members of TRS, SERS, and PERS Plan 1 and 3.
- The State Attorney General's opinion regarding gain sharing reports that the Legislature can repeal this program. However there appears to be some evidence that the attraction of gain sharing played a "role" in Plan 2 members making the choice to opt into Plan 3. Legal questions would quickly arise if the Legislature took this action.

### Some Options:

1. Increase the TRS, SERS, PERS Plan 1 COLA by 24 cents at a cost of \$39.1M General Fund for the 2007-09 biennium.
2. Give TRS and SERS new members the choice of being in Plan 2 or 3. This option would cost \$2.4M General Fund during the 2007-09 biennium.
3. Provide SERS Plan 3 members \$12 per year of service at a cost of \$7.1M General Fund during the 2007-09 biennium
4. Start implementing the "Rule of 90" by initiating a modified version with an age 60 requirement with no prospective element. HB 1325 from the 2005 session had a modified "Rule of 90" that had an age 60 requirement with counting only prospective years of service from the date of passage of the bill. The HB 1325 plan's cost was \$27.8M General Fund.

\$39.1M -option 1  
2.4M -option 2  
7.1M - option 3  
27.8M - option 4  
\$76.4M - subtotal

Half of the \$186m (General Fund cost of prefunding gain sharing) is \$93M.  
The cost of dropping the prospective years aspect of HB 1325 is unknown, however it probably is in the \$40M range. If \$40M were the cost, it would put this proposal at about \$23.4M over half the cost of Prefunding gain sharing.

WASA & AWSP propose rolling these trade-off issues into a SPCP recommended gain sharing trade-off bill for the 2007 legislative session.

John Kvamme, WASA & AWSP Consultant

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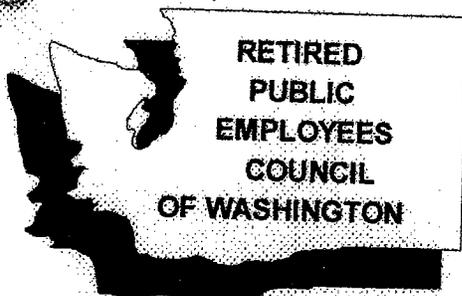
SEP 14 2006

Office of  
The State Actuary

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AUG 29 2006

OFFICE OF THE GOVERNOR



**Retired Public Employees Council  
of Washington  
Chapter 6 Everett Area  
Ruth Moffatt, Secretary  
3401 Oakes Ave. #2  
Everett, WA 98201  
Phone (425) 257-1044**

August 25, 2006

Governor Christine Gregoire  
Office of the Governor  
P. O. Box 40002  
Olympia, Wa. 98504-0002

Dear Ms. Gregoire:

In the midst of the summer it is very hard to reach all of our 500 members of Retired Public Employees Chapter 6.

I have been requested by our Executive Board of Chapter 6 to request of you to withhold removing the gain-sharing from your 2007 budget.

Please do not ignore gain sharing for Plan 1 retirees. This benefit helps retirees in a small way, but is an important way to regain the lost purchasing power of their pensions.

With the small pensions that a good many of us receive we need every other help we can get.

This is so important so I am writing for 500 members PLEASE DO NOT TOUCH THIS FUND, LEAVE IT FOR WE THE RETIREES WHO NEED IT.

Thank you

Sincerely

A handwritten signature in cursive script that reads "E. Ruth Moffatt".

E. Ruth Moffatt, secretary, treasurer  
Chapter 6 RPEC



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SEP 14 2006

Office of  
The State Actuary

4409 4<sup>th</sup> Avenue NW  
Seattle, WA 98107  
August 27, 2006

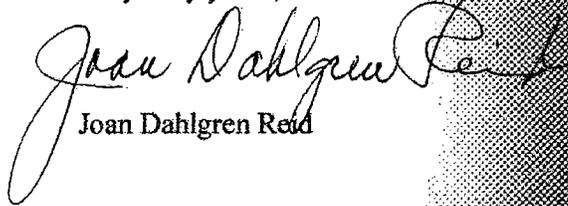
RECEIVED  
AUG 27 2006  
OFFICE OF THE STATE ACTUARY

Governor Christine Gregoire  
Office of the Governor  
PO Box 40002  
Olympia, WA 98504-0002

Please don't ignore gain sharing in your budget. Gain Sharing for Plan I retirees must be kept or exchanged for a suitable replacement benefit. Benefit helps Plan I retirees in a small but important way to regain lost purchasing power of their pensions.

Thank you for affording us this consideration.

Very truly yours,

  
Joan Dahlgren Reid

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Page 1 of 1

SEP 14 2006

Office of  
The State Actuary

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AUG 29 2006

OFFICE OF THE GOVERNOR

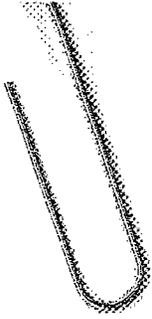
Lee Bomberger

**From:** "Lee Bomberger" <lbomberger@comcast.net>  
**To:** <<http://www.governor.wa.gov/contact/government.htm>>  
**Cc:** <Cassandra de la Rosa>; <fandshel@comcast.net>  
**Sent:** Sunday, August 27, 2006 4:53 PM  
**Subject:** Gain sharing

I am writing to express my concern about PERS ! gain sharing. To my knowledge this is the only thing that comes close to being a COLA for us retirees. I recognize that gain sharing has its problems, and it may be the time to look at alternatives. The Select Committee on Pension Policy has spent considerable time and effort in developing a viable alternative. While I have not seen their final proposal, the committee members made a genuine effort to find a solution to the problem. In my opinion, this proposal or a sound alternative should be taken up by the Legislature at the upcoming session.

*Lee Bomberger*  
Lee Bomberger  
2004 Harbor View Drive  
Olympia, WA 98502  
Ph. (360) 357-9948

8/27/2006



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SEP 14 2006

Office of  
The State Actuary

RECEIVED

AUG 30 2006

OFFICE OF THE GOVERNOR

August 29, 2006

Governor Christine Gregoire  
Office of Governor  
P. Box 4002  
Olympia, Wa 98504 0002

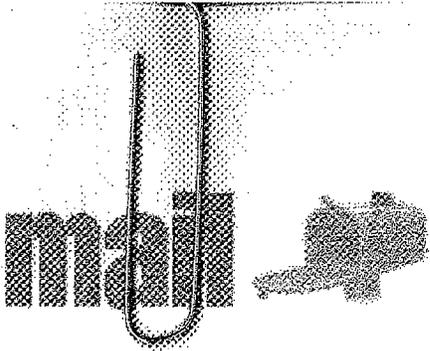
Dear Governor:

Please Governor do not ignore gain sharing in your budget, Gain sharing for Plan I retirees.

Thank you.

Sincerely

George M Barlow  
Chapter 2 Retired Public Employees Council  
Of Washington  
817 Rogers St N W  
Olympia, Wa 98502



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SEP 14 2006

Office of  
The State Actuary

RECEIVED

AUG 3

OFFICE OF THE

**Write an e-mail message**

From: bernardbrandt@webtv.net.  
(bernard brandt)

To: <http://www.governor.wa.gov/contact/govemail.htm>

Cc:

Subject: Gain Sharing Plan 1 for Retirees

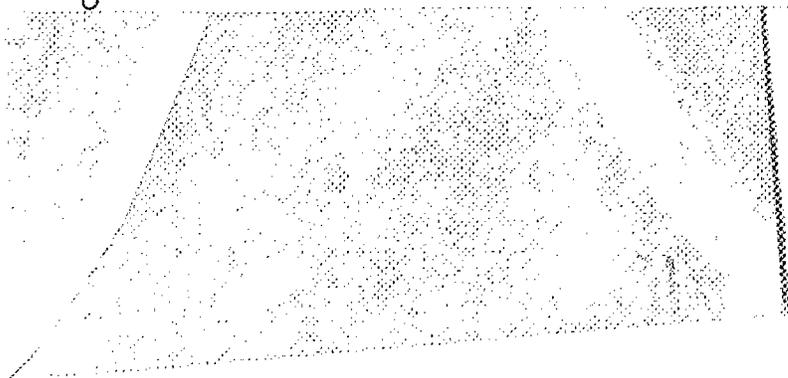
I am a Retired Public Employee, and I would like you to not ignore gain sharing in your budget. It must be kept or exchanged for a suitable replacement benefit. This benefit helps Plan 1 retirees in a small but important way to regain the lost purchasing power of their pensions.

Thank you for your consideration.

Sincerely,

*Bernard F. Brandt*  
Bernard F. Brandt  
695 S. 2nd Ave.  
Othello, Wa. 99344

*Aug. 28, 2006*





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SEP 14 2006

Office of  
The State Actuary

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SEP 01 2006

OFFICE OF THE GOVERNOR

August 29, 2006

Governor Christine Gregoire  
Office of the Governor  
PO Box 40002  
Olympia, WA 98504-0002

Dear Governor Gregoire:

I am writing to urge you to include funding for gain sharing in your budget for 2007. I am a retiree of Snohomish County Government and moved to Tacoma where I am a member of Retired Public Employees Council Chapter 12.

Over the years state government retirees have been ignored or side-stepped in their efforts to have funding borrowed by State Government during the Evans administration returned back to the retirement fund. Over the past few years we and currently employed workers have brought to the attention of state and political leaders the fact that the state, does not pay into the retirement fund their fair share of contributions. It pays a smaller percentage into the funds, than workers. Over the last few years we have had many discussions with state legislators and government representatives regarding the issue of gain sharing. Several alternative ideas have been proposed to keep gain sharing. The benefit for Plan I retirees helps them in a small but important way to regain the lost purchasing power of our pensions. I urge you to include this item in your budget.

Sincerely yours,

Rene M. Tillman  
4502 N. 31st St.  
Tacoma, WA 98407  
253-756-8033

Anne Matthews  
1506 Columbia Street S.W.  
Olympia, Washington 98501

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OFFICE OF THE GOVERNOR

The Honorable Christine Gregoire

Governor of Washington  
Office of the Governor  
P O Box 40002  
Olympia WA 98504-0002

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SEP 14 2006

Office of  
The State Actuary

Dear Governor Gregoire:

Please include funding for gain-sharing or a benefit that would be equally helpful to retirees in your next biennial budget. I retired in 1992; I have not yet received a cost of living increase but the cost of my health insurance premiums has increased dramatically.

Thank you for your consideration.

Respectfully,

*Anne Matthews*

Anne Matthews

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SEP 14 2006

Office of  
The State Actuary

813 Sycamore  
Moses Lake, Washington 98837  
August 27, 2006

Governor Christine Gregoire  
Office of the Governor  
P.O. Box 4002  
Olympia, WA. 98504-0002

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SEP 06 2006

OFFICE OF THE GOVERNOR

Honorable Governor Christine Gregoire:

My wife and I have two requests.

Please include or provide some gain sharing for Retired Public Employees in your budget that you prepare for the legislative consideration in 2007 or some other permanent solution.

Thank you for supplementing funds for this years cost of living increase from your emergency funds this spring.

Secondly: Please contact some good Democratic Representative or Senator to campaign for requiring Foreign federal contractors & consultants to pay U.S. prevailing wages, collect social security, withholding taxes on all labor and material used on the contracts. This includes the foreign sub-contractors shall pay federal income tax on their profits as prime contractors.

An example: Haliburton, aircraft manufacturers, and others who produce foreign parts and materials for contractors with manpower produced outside U.S. jurisdictions.

You have been a wonderful public servant for many years. Thank you for your dedication.

Respectfully submitted,

*M.G. & Sally McLanahan*  
*Sally S. McLanahan*  
M.G. & Sally McLanahan

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SEP 14 2006

Office of  
The State Actuary

Yakima Wa.

Aug. 31, 2006

Governor Christine Gregoire,

Your Honor,

It has been called to my attention that you are in the process of preparing your future budget. Please consider including a suitable plan to benefit retirees on Plan 1, who have lost purchasing power over the years.

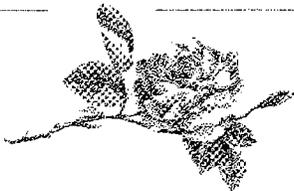
Sincerely,

Bessie Sines

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SEP 05 2006

OFFICE OF THE GOVERNOR





STATE OF WASHINGTON  
**DEPARTMENT OF CORRECTIONS**  
HUMAN RESOURCES - ADMINISTRATIVE SERVICES DIVISION  
PO BOX 41102 • Tumwater, Washington 98504-1102

September 18, 2006

TO: Pension Policy Stakeholders

FROM: Donna Haley, Human Resources Administrator  
Department of Corrections

SUBJECT: PUBLIC SAFETY EMPLOYEES RETIREMENT SYSTEM (PSERS)  
RETIREMENT BILL REVISION

The Department of Corrections (DOC) is seeking comments on proposed legislation amending the eligibility requirements for membership in PSERS as set forth in RCW 41.37.010 and 2006 c 309 s 2.

A revision to the Public Safety Employees' Retirement System (PSERS) retirement bill would allow employees to:

- a) Remain in PSERS if they subsequently choose to accept a position into an otherwise ineligible position.
- b) Choose to remain in their current retirement system when moving from an ineligible, to PSERS eligible, position.

The proposed changes would ensure that PSERS is not a disincentive to promote or change careers in the DOC from a purely custody-related position (an eligibility criteria for PSERS) to a non-custody position (such as counselor). A career employee may make many job changes over a long period of time. We strongly believe our employees should have choices that benefit them financially. These changes will help the Department in our recruitment and retention efforts, a challenge with which we continue to struggle.

Please review the attached proposal, and share it with other interested parties as you see fit. We welcome comments of support, as well as concerns, submitted as specific detailed comments which we can address as we pursue this important piece of legislation for our employees.

I would appreciate receiving your comments on the proposed language no later than close of business on Monday, September 25, 2006 by email to [dhaley@doc1.wa.gov](mailto:dhaley@doc1.wa.gov).

Thank you for your assistance. I look forward to hearing from you.

Enclosure

**"Working Together for SAFE Communities"**



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**BILL REQUEST - CODE REVISER'S OFFICE**

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BILL REQ. #: Z-0181.1/07

ATTY/TYPIST: LL:rmh

BRIEF DESCRIPTION: Determining membership in the Washington public safety employees' retirement system.

1 AN ACT Relating to the Washington public safety employees'  
2 retirement system; and amending RCW 41.37.010 and 41.37.020.

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

4 **Sec. 1.** RCW 41.37.010 and 2006 c 309 s 2 are each amended to read  
5 as follows:

6 The definitions in this section apply throughout this chapter,  
7 unless the context clearly requires otherwise.

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

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

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

14 (4) "Employer" means the Washington state department of  
15 corrections, the Washington state parks and recreation commission, the  
16 Washington state gambling commission, the Washington state patrol, and  
17 the Washington state liquor control board; any county corrections  
18 department; any city corrections department not covered under chapter  
19 41.28 RCW; or other employers employing statewide elective officials.

1 (5) "Member" means any employee employed by an employer on a full-  
2 time basis:

3 (a) Who is in a position that requires completion of a certified  
4 criminal justice training course and is authorized by their employer to  
5 arrest, conduct criminal investigations, enforce the criminal laws of  
6 the state of Washington, and carry a firearm as part of the job;

7 (b) Whose primary responsibility is to ensure the custody and  
8 security of incarcerated or probationary individuals as a corrections  
9 officer, probation officer, or jailer;

10 (c) Who is a limited authority Washington peace officer, as defined  
11 in RCW 10.93.020, for an employer; (~~(e)~~)

12 (d) Whose primary responsibility is to supervise members eligible  
13 under this subsection; or

14 (e) Who, on or after July 1, 2006, worked in any position requiring  
15 performance of the qualifying duties and responsibilities set forth in  
16 (a) through (d) of this subsection, and participated in the Washington  
17 public safety employees' retirement system provided for in this  
18 chapter.

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

27 (b) "Compensation earnable" for members also includes the following  
28 actual or imputed payments, which are not paid for personal services:

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

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

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

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

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

11 (iv) Compensation that a member would have received but for a  
12 disability occurring in the line of duty only as authorized by RCW  
13 41.37.070;

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

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

22 (7) "Service" means periods of employment by a member on or after  
23 July 1, 2006, for one or more employers for which compensation earnable  
24 is paid. Compensation earnable earned for ninety or more hours in any  
25 calendar month shall constitute one service credit month. Compensation  
26 earnable earned for at least seventy hours but less than ninety hours  
27 in any calendar month shall constitute one-half service credit month of  
28 service. Compensation earnable earned for less than seventy hours in  
29 any calendar month shall constitute one-quarter service credit month of  
30 service. Time spent in standby status, whether compensated or not, is  
31 not service.

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

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

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

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

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

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

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

9 (11) "Beneficiary" means any person in receipt of a retirement  
10 allowance or other benefit provided by this chapter resulting from  
11 service rendered to an employer by another person.

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

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

18 (14) "Average final compensation" means the member's average  
19 compensation earnable of the highest consecutive sixty months of  
20 service credit months prior to such member's retirement, termination,  
21 or death. Periods constituting authorized leaves of absence may not be  
22 used in the calculation of average final compensation except under RCW  
23 41.37.290.

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

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

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

32 (18) "Retirement allowance" means monthly payments to a retiree or  
33 beneficiary as provided in this chapter.

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

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

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

6 (22) "Eligible position" means any permanent, full-time, fully  
7 compensated position included in subsection (5) of this section.

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

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

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

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

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

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

23 (29) "Plan" means the Washington public safety employees'  
24 retirement system plan 2.

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

29 (31) "Index A" means the index for the year prior to the  
30 determination of a postretirement adjustment.

31 (32) "Index B" means the index for the year prior to index A.

32 (33) "Adjustment ratio" means the value of index A divided by index  
33 B.

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

36 **Sec. 2.** RCW 41.37.020 and 2005 c 327 s 5 are each amended to read  
37 as follows:

1 Membership in the retirement system shall consist of all regularly  
2 compensated public safety employees who are members as defined in RCW  
3 41.37.010(5), with the following exceptions:

4 (1) Persons in ineligible positions;

5 (2)(a) Persons holding elective offices or persons appointed  
6 directly by the governor to statewide elective offices: PROVIDED, That  
7 such persons shall have the option of continuing membership during such  
8 periods of employment: AND PROVIDED FURTHER, That any persons holding  
9 or who have held elective offices or persons appointed by the governor  
10 who are members in the retirement system and who have, prior to  
11 becoming such members, previously held an elective office, and did not  
12 at the start of such initial or successive terms of office exercise  
13 their option to become members, may apply for membership to be  
14 effective during such term or terms of office, and shall be allowed to  
15 establish the service credit applicable to such term or terms of office  
16 upon payment of the employee contributions therefor by the employee  
17 with interest as determined by the director and employer contributions  
18 therefor by the employer or employee with interest as determined by the  
19 director: AND PROVIDED FURTHER, That all contributions with interest  
20 submitted by the employee under this subsection shall be placed in the  
21 employee's individual account in the employee's savings fund and be  
22 treated as any other contribution made by the employee, with the  
23 exception that any contributions submitted by the employee in payment  
24 of the employer's obligation, together with the interest the director  
25 may apply to the employer's contribution, shall not be considered part  
26 of the member's annuity for any purpose except withdrawal of  
27 contributions;

28 (b) A member holding elective office who has elected to apply for  
29 membership pursuant to (a) of this subsection and who later wishes to  
30 be eligible for a retirement allowance shall have the option of ending  
31 his or her membership in the retirement system. A member wishing to  
32 end his or her membership under this subsection must file on a form  
33 supplied by the department a statement indicating that the member  
34 agrees to irrevocably abandon any claim for service for future periods  
35 served as an elected official. A member who receives more than fifteen  
36 thousand dollars per year in compensation for his or her elective  
37 service, adjusted annually for inflation by the director, is not  
38 eligible for the option provided by this subsection (2)(b);

1 (3) Retirement system retirees: PROVIDED, That following  
2 reemployment in an eligible position, a retiree may elect to  
3 prospectively become a member of the retirement system if otherwise  
4 eligible;

5 (4) Persons enrolled in state-approved apprenticeship programs,  
6 authorized under chapter 49.04 RCW, and who are employed by employers  
7 to earn hours to complete such apprenticeship programs, if the employee  
8 is a member of a union-sponsored retirement plan and is making  
9 contributions to such a retirement plan or if the employee is a member  
10 of a Taft-Hartley retirement plan;

11 (5) Persons rendering professional services to an employer on a  
12 fee, retainer, or contract basis or when the income from these services  
13 is less than fifty percent of the gross income received from the  
14 person's practice of a profession; (~~and~~)

15 (6) Employees who (a) are not citizens of the United States, (b)  
16 are not covered by chapter 41.48 RCW, (c) are not excluded from  
17 membership under this chapter or chapter 41.04 RCW, (d) are residents  
18 of this state, and (e) make an irrevocable election to be excluded from  
19 membership, in writing, which is submitted to the director within  
20 thirty days after employment in an eligible position; and

21 (7) Employees participating in the Washington public employees'  
22 retirement system under chapter 41.40 RCW, who (a) on or after the  
23 effective date of this section, accept a position with an employer  
24 requiring them to perform the qualifying duties and responsibilities as  
25 defined in RCW 41.37.010(5) (a) through (d), and (b) at the time of the  
26 appointment, make an irrevocable election to remain in the Washington  
27 public employees' retirement system.

--- END ---