

CHAPTER 221.

[H. B. 222.]

WASHINGTON STATE TEACHERS' RETIREMENT
SYSTEM.

AN ACT relating to an [and] providing for the creation and operation of a teachers' retirement system; providing for the creation of a Board of Trustees to manage and operate such system, and providing for contributions from teachers and appropriations from the state general fund for the operation and maintenance of such system; appropriating monies for said system, and providing for the dissolution of certain local retirement funds, and repealing sections 4995 to 5020-29, inclusive, Remington's Revised Statutes.

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

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

- (1) "Accumulated Contributions" shall mean the sum of all regular contributions and prior service contributions, together with regular interest thereon; "Accumulated contributions."
- (2) "Actuarial Equivalent" shall mean a benefit of equal value when computed upon the basis of such mortality tables as shall be adopted by the Board of Trustees, and regular interest; "Actuarial equivalent."
- (3) "Annuity" shall mean annual payments for life or during disability derived from the accumulated contributions of a member; "Annuity."
- (4) "Annuity Guarantee Allowance" shall mean funds taken from the pension fund to make up the difference between forty dollars (\$40) per month and the sum of the pension allowance and annuity earned; "Annuity guarantee allowance."
- (5) "Beneficiary" shall mean any person in receipt of a pension, an annuity, a retirement allowance or other benefit as provided by this act; "Beneficiary."
- (6) "Board of Trustees" shall mean the board provided for in section 3 of this act to administer the retirement system; "Board of trustees."

- "Contract." (7) "Contract" shall mean any agreement to render service as a teacher, between a teacher and a board of directors or superintendent or other employer or authority authorized to employ teachers for and in the public schools of this state;
- "Creditable service." (8) "Creditable Service" shall mean prior service plus membership service for which credit is allowed as provided in section 5 of this act;
- "Earnable compensation." (9) "Earnable Compensation" shall mean the full rate of compensation that would be payable to a teacher if he worked the full normal working time during a school year, except that any part of any salary in excess of two thousand dollars (\$2000) per annum shall be excluded in determining the earnable compensation of a member. In all cases where compensation includes maintenance the board of trustees shall fix the value of that part of the compensation not paid in money;
- "Fiscal year." (10) "Fiscal year" shall mean a calendar year which shall begin July 1 and end June 30 of the following year;
- "Employer." (11) "Employer" shall mean the State of Washington, the school district, or other agency of and within the state by which a teacher is paid;
- "Former state fund." (12) "Former State Fund" shall mean the state retirement fund in operation for teachers prior to the enactment of this act under the provisions of chapter 187 of the Laws of 1923 as amended;
- "Local fund." (13) "Local Fund" shall mean any of the local retirement funds for teachers operated in any school district in accordance with the provisions of chapter 163 of the Laws of 1917 as amended;
- "Medical director." (14) "Medical Director" shall mean the physician provided for in section 3 of this act;
- "Member." (15) "Member" shall mean any teacher included in the membership of the retirement system as provided in section 4 of this act;

(16) "Membership Service" shall mean service as a teacher rendered while a member of the retirement system; "Member-ship service."

(17) "Pensions" shall mean annual payments for life derived from money by allocation from the revenue act of 1935 and money derived from contributions of members as provided in paragraph 4, subdivision (b) of section 6. All pensions shall [be] payable in equal quarterly installments; "Pensions."

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

(19) "Prior Service Contribution" shall mean contribution made by Class B members as members of any local fund or of the former state fund, credited as provided in paragraph 6 of section 7; or contribution of Class B members or Class C members payable to secure credit as if prior service had been rendered and credited as a member in a local fund or the former state fund as provided in paragraph 4, subdivision (b) of section 6; "Prior service contribution."

(20) "Public School" shall mean any school conducted within this state under the authority and supervision of a duly elected board of directors of a regularly designated school district or of the State Board of Education; "Public school."

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

(22) "Regular Interest" shall mean interest at the rate of three and one half per cent (3½%) per annum compounded annually; "Regular interest."

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

"Retirement allowance."

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

"Retirement system."

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

"Service."

(26) "Service" shall mean service as a teacher as described in subdivision (27) of this section, and paid for by the State of Washington or by a regularly designated school district of the state or other employer as hereinbefore defined;

"Teacher."

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

(28) The masculine pronoun shall include both sexes.

Title designated.

SEC. 2. The name of the retirement system provided for in this act shall be the "Washington State Teachers' Retirement System" and by this name all of its business shall be transacted and all of its funds invested and all of its cash, securities and other property held.

Administration of act.

SEC. 3. (1) The general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of this act are hereby vested in a board of trustees; the members of such board shall originally be the members of the board of trustees of the former state

Board of trustees, members.

fund as it exists immediately prior to the date the retirement system becomes effective, and they shall hold office until the expiration of their current term;

Thereafter, the members of the board of trustees shall be the State Superintendent of Public Instruction, ex officio, the State Insurance Commissioner, ex officio, and three (3) members of the retirement system to be chosen by the State Board of Education for a term of three (3) years, and at least one (1) of said members shall be a classroom teacher. Upon the expiration of the term of office of a trustee of the retirement system a successor shall be appointed by the State Board of Education for a term of three (3) years;

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

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

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

(5) Each trustee shall be entitled to one (1) vote in the board. Three (3) votes shall be necessary for a decision by the trustees at any meeting of the board; Quorum.

Rules and regulations.

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

Chairman.

(7) The board of trustees shall elect from its membership a chairman and shall by a majority vote of all its members appoint a secretary who shall not be a member of the board. It shall engage such actuarial, legal, medical and other technical services and such clerical and other services as shall be required to transact the business of the retirement system. The compensation of all persons engaged by the board of trustees and all other expenses of the board necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the board of trustees shall approve;

Personnel.

Data for actuarial valuation.

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

Record of proceedings.

(9) The board of trustees shall keep a record of all its proceedings which shall be open to public inspection. It shall publish on or before the first day of January a report showing the fiscal transactions of the retirement system for the preceding school year; the amount of the accumulated cash and securities of the system, and the last balance sheet showing the financial condition of the system by means of an actuarial valuation of the assets and liabilities of the retirement system;

Annual report.

Ex-officio officers.

(10) The state treasurer, the state auditor, and the state attorney general shall be ex officio treasurer, auditor and legal advisor, respectively, of the board of trustees and shall be liable respectively upon their official bonds for the faithful performance of their duties under the provisions of this act, and

Liable on bond.

shall serve without compensation: *Provided*, That in case of emergency or whenever they shall deem it for the best interests of the retirement system the board of trustees may employ attorneys and pay reasonable fees for the services rendered;

Attorneys.

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

Medical director.

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

Actuary.

(13) Immediately after the establishment of the retirement system the actuary shall make such investigations of the mortality, service and compensation experience of the members of the system as he shall recommend and the board of trustees shall authorize, and on the basis of such investigations he shall recommend for adoption by the board of trustees, such tables and such rates as are required by subdivision (14) of this section. The board of trustees shall adopt tables and certify rates, and as soon as practicable thereafter, the actuary shall make an actuarial valuation based on such tables and rates, of the assets and liabilities of the funds created by this act;

Tables and rates adopted.

(14) In the year 1938, and at least once in each five (5) year period thereafter, the actuary shall

Actuarial valuation.

make an actuarial investigation into the mortality, earnable interest, service and compensation experience of the members and beneficiaries of the retirement system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of such investigation and valuation the board of trustees shall adopt for the retirement system such mortality tables, service tables, and other tables as shall be deemed necessary and shall certify the rate of contribution payable by members under the provisions of this act.

Membership
by virtue of
employment.

SEC. 4. The membership of the retirement system shall be composed of all teachers in the public schools of the State of Washington at the time this act shall become effective: *Provided*, Any teacher holding a valid contract during the school year beginning July 1, 1937, and ending June 30, 1938, may be exempted from membership by filing with the board of trustees prior to July 1, 1938, a written declaration, verified upon oath, declaring his desire not to become a member of the retirement system: *Provided, further*, That any teacher having filed such written declaration of his desire not to become a member may withdraw such declaration within one year from date thereof, and unless such written declaration is withdrawn prior to said date, said teacher subsequently shall be ineligible to membership.

Exemptions.

Class A
members.

Members who have not served in a public school of the State of Washington prior to the date this law becomes operative shall be Class A members.

Class B
members.

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

Class C
members.

All other members shall be Class C members.

Termination
of member-
ship.

Should any member in a period of six (6) consecutive years after last becoming a member, be unemployed as a teacher more than five (5) years or should he withdraw his accumulated contribution or

should he become a beneficiary, he shall thereupon cease to be a member: *Provided*, That a member who has served thirty (30) years prior to age sixty (60) and is absent more than five (5) years prior to age sixty (60) may retain his membership by leaving his contributions in the annuity fund: *Provided, further*, That when membership ceases, interest on accumulated contributions shall cease: *Provided, further*, That all unclaimed accumulated contributions of teachers whose memberships have ceased shall be paid to the pension fund within one year after membership has ceased.

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

Service
record.

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

As soon as practicable after the filing of such statements of service the board of trustees shall de-

Service
certificate.

termine the number of years of service with which a teacher applicant shall be credited under this act, and shall issue a prior service certificate to the applicant for such prior service: *However*, No credit shall be given for teaching service rendered in a district which was under the jurisdiction of a local fund or the former state fund at the time such service was rendered, unless contributions were made to such local fund or the former state fund, during such time: *Provided, however*, That credit shall be given as provided under paragraph (4) subdivision (b) of section 6: *Provided, further*, That not more than ten (10) years of service outside this state shall be credited to a Class A member, and not more than fifteen (15) years of such service shall be credited to a Class B member, or to a Class C member;

(3) So long as membership continues, a prior service certificate shall be final and conclusive evidence for retirement purposes as to such service: *Provided, however*, That any member may within one (1) year of the date of the issuance or modification of such certificate request the board of trustees to modify or correct his prior service certificate. When membership ceases, such prior service certificate shall become void. Should the membership of a teacher cease and the teacher again become a member he shall enter the retirement system as provided in paragraph (3) subdivision (d) of section 6, and shall be entitled to credit for all former creditable service, and his prior service certificate shall again be in full force and effect;

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

Creditable
service of
member at
retirement.

SEC. 6. All the assets of the retirement system shall be credited according to the purpose for which

Assets of
retirement
system.

they are held to one of four funds, namely, the annuity fund, the pension fund, the disability reserve fund, and the expense fund:

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

Office at state capitol.

(2) There shall be appropriated from the state general fund the sum of one hundred fifty thousand dollars (\$150,000.00) to insure the full payment of disability and retirement annuities as provided by sections 5020-17 and 5020-18 and 5020-18A of Remington's Revised Statutes, for the period of the biennium beginning April 1, 1937, and ending March 31, 1938, and there shall also be appropriated from the state general fund the sum of five hundred thousand dollars (\$500,000.00) for the operation of this act for the period beginning April 1, 1938, and ending March 31, 1939;

Appropriation.

(3) (a) The annuity fund shall be the fund in which shall be accumulated the contributions from the compensation of members to provide for their annuities. Upon the basis of such tables as the board of trustees shall adopt, and regular interest, the actuary of the retirement system shall determine the proportion of the compensation of a teacher whose annual salary every year for a period of thirty (30) years is twelve hundred dollars (\$1200), which, when deducted from each payment of his prospective earnable compensation prior to the attainment of thirty (30) years of service and age sixty (60) and accumulated with regular interest until his attainment of such age and service shall be computed to provide at that time an annuity of twenty-five dollars (\$25) per month for the remainder of his life;

Annuity fund.

Actuarial computation of assessment required for annuity.

(b) It shall be the duty of the county superintendent of schools of each county in the state and the city superintendent of each district of the first-class

County and city superintendents to file data.

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

Salary
deductions.

The board of trustees shall certify to the employer by which the member is employed, or to the county auditor or other officer authorized to issue warrants to teachers, and such employer or auditor or other officer shall cause to be deducted from the salary of each member on each and every payroll of such employer for each and every payroll period, the same proportion of his salary as was computed in subdivision (a) of paragraph (3) of this section. In determining the amount earnable by a member in a payroll period the board of trustees may consider the rate of annual compensation payable to such member on the first day of the payroll period as continuing throughout such payroll period, and it may omit deduction from compensation for any period less than a full payroll period if a teacher was not a member on the first day of the payroll period, and to facilitate the making of deductions it may modify the

deductions required of any member by such an Amount.
amount as shall not exceed one tenth of one per cent (1/10 of 1%) of the annual earnable compensation upon the basis of which such deduction is to be made: *Provided, however,* That not more than eight per cent (8%) of the annual compensation of a member may be deducted for the annuity fund: *Provided, further,* That any member who shall accept the actuarial equivalent in lieu of the full amount provided in the last proviso of section 8, paragraph (1), subdivision (a), shall have his rate of deduction reduced to 5% of his annual compensation.

It shall be the duty of the state auditor and the county auditor of each county of the state and the secretary of each district of the first-class, on or before the tenth day of each month of the school term, to draw warrants payable out of the general funds of the state, county or several districts, respectively, and in favor of the state treasurer, covering the amounts of deductions made from the salaries of teachers employed. The state auditor, county auditor or secretary of a first-class district shall forthwith remit said warrants to the state treasurer, accompanied by a report giving the names of the teachers of each district, county or state institution or department from whose salaries deductions have been made, the amount of each deduction, the total amount of each warrant, and the number and date of each warrant. A duplicate copy of said report shall simultaneously be sent to the board of trustees of the retirement system. Upon the presentation of such warrants the state treasurer and county treasurer shall transfer the amount thereof from the general funds of the state, county and several districts to the state treasurer, who shall place the amounts so received to the credit of the retirement system, and shall, by order of the board of trustees, disburse the same upon warrants issued and signed by the state auditor;

Deductions
credited to
retirement
system.

State
treasurer
to credit.

Minimum compensation law not to prevent deductions.

(c) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made as provided herein, and shall receipt for his full compensation, and payment of salaries or compensation, less said deduction, shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such member during the period covered by such payment, except as to the benefits provided under this act. Upon receiving the report of deductions from the state auditor, the county auditor and secretary of a district of the first-class, each of said amounts shall be paid into said annuity fund and shall be credited, together with regular interest thereon, to the individual account of the member from whose compensation said deductions were made: *Provided*, That at the beginning of each fiscal year pro rata deductions on account of the expense fund shall be made from the annuity contributions of each member, in accordance with paragraph (10), section 7;

Reentering retirement system.

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

Pension fund.

(4) (a) The pension fund shall be the fund in which shall be deposited the allocations from the revenue act of 1935 and contributions from teachers as provided in paragraph (b) of this section, and paragraph (b) of subsection 1, of section 8;

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

Class C members, credit for prior service.

Class B members, credit for prior service.

Disability
reserve fund.

Actuarial
computation
of deduction
required for
disability
allowance.

(5) The disability reserve fund shall be the fund in which shall be accumulated the contributions from the compensation of members to provide for their disability allowances. Upon the basis of such tables as the board of trustees shall adopt, and regular interest, the actuary of the retirement system shall determine for each member the proportion of compensation which, when deducted from each payment of his prospective earnable compensation for that year, will provide for a disability allowance as provided in section 8 to all members of the retirement system who shall become disabled as defined in this act during that year. The board of trustees shall cause to be made at the same time and in the same manner and in addition to deductions made as provided in subdivision (b) of paragraph (3) of this section, deductions on account of the disability reserve fund, and when so made they shall be placed in the disability reserve fund;

Expense
fund.

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

Regular
board
meetings.

SEC. 7. (1) The board of trustees shall hold regular meetings on the first Saturday of January, April, July and October of each year, and may hold as many other meetings as may be found necessary to properly transact the business of the retirement system. Special meetings may be called by the chairman of the board either on his own initiative or at the request in writing of three (3) other members of the board of trustees. At each regular meeting the board of trustees shall authorize, as provided in this act, payment of retirement annuities. The board shall authorize payment of disability annuities, salaries and other regular disbursements to be made during the succeeding three (3) months. At the first regular meeting in each fiscal year, the board shall designate two (2) of its members whose signatures shall

appear upon its vouchers, as provided in paragraph (3) of this section. Retirement annuities shall be paid quarterly, and disability allowances shall be paid monthly;

Annuities paid quarterly.
Disability allowances paid monthly.

(2) The board of trustees annually shall allow regular interest on the mean amount for the preceding year in each of the funds with the exception of the expense fund. The amounts so allowed shall be due and payable to said funds, and shall be annually credited thereto by the board of trustees from interest and other earnings on the monies of the retirement system. Any additional amount required to meet the interest on the funds of the retirement system shall be collected from the members as provided in paragraph (3) subdivision (a) section 6, and any excess earnings over such amount required shall be deductible from the amounts payable by the members;

Interest on funds.

(3) The treasurer of the State of Washington shall be the custodian for all monies received by him for the retirement system. All payments from the several funds of the retirement system shall be made only upon vouchers signed by two (2) members of the board of trustees, as provided in paragraph (1) of this section. A duly attested copy of a resolution by the board of trustees designating such members and bearing on its face specimen signatures of such members shall be filed with the state auditor as his authority for issuing warrants upon such vouchers. No voucher shall be drawn unless it has previously been authorized by resolutions of the board of trustees;

State treasurer custodian of monies.

Payments from funds.

(4) For the purpose of meeting disbursements for pensions, annuities and other payments there may be kept available cash on deposit in such sums as the board of trustees may direct in one or more banks or trust companies of the State of Washington organized under the laws of the State of Washington or of the United States;

Cash on deposit.

Beneficial interest in investments by officers or employees prohibited.

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

Transfer of funds.

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

Withdrawal of member.

Expenditures from pension fund.

(7) The board of trustees shall use the assets of the pension fund as follows:

To pay allowances, both on account of retirement and disability, to retirement and disability annuitants of the local funds and the former state funds on the date this law becomes operative, as provided in sections 4995 to 5020-29 Remington's Revised Statutes, inclusive, to pay allowances as provided in paragraph (a) of subsection (1) of section 8; to pay pensions to

retirement annuitants who retire under the provisions of the retirement system; to pay the difference, if any there be, between forty dollars (\$40) per month and the sum of the pension paid by the retirement system to retirement annuitants, and the annuity earned by the retired member;

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

Expenditures from annuity fund.

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

Expenditures from disability reserve fund.

(10) At the beginning of the second fiscal year of the operation of this system, and at the beginning of each fiscal year thereafter the board of trustees shall deduct pro rata from the annuity contributions of the members of the retirement system during the previous fiscal year sufficient funds to defray the expenses of this system during that year, and shall deposit the same in the expense fund;

Deduction for expenses.

(11) The board of trustees shall be the trustees of the several funds created by this act as provided in section 6, and shall authorize the state finance committee to invest and reinvest such funds, subject to all the terms, conditions, limitations and restrictions imposed by the law of the State of Washington for the investment of permanent school funds; and subject to said terms, conditions, limitations and restrictions, said state finance committee shall have full power to hold, purchase, sell, assign, transfer and dispose of any of the securities and investments in which any of the funds created herein shall have been invested, as well as the proceeds of said investments and any monies belonging to said funds: *Provided, however,* That the state finance committee shall have power to invest such funds in school warrants.

Board shall be trustees of funds.

Retirement
restrictions.

SEC. 8. (1) With the provision that no member of the retirement system can retire and receive a retirement allowance until he has had either five (5) years of membership credit or an amount of credit from the former state fund or a local fund, which, when added to his membership credit, shall equal five (5) years, and with the further provisions that separation from service subsequent to the filing of the application shall not render the application invalid;

Retirement
annuity, age
and service
requirements.

(a) Any member having attained age sixty (60) years and having completed thirty (30) years of creditable service may retire upon written application to the board of trustees setting forth at which time he desires to be retired. Upon retirement such member shall receive a service retirement allowance consisting of: An annuity which shall be the actuarial equivalent of his accumulated contribution at the time of retirement; and a pension of twenty dollars (\$20.00) per month to be paid from the pension fund as hereinbefore provided: *Provided*, That if the annuity earned by the member's contributions together with the pension hereinbefore mentioned, does not amount to forty dollars (\$40.00) per month, then funds shall be taken from the pension fund in amounts sufficient to make such payments forty dollars (\$40.00) per month: *Provided, further*, That any member who shall accept the reduced rate of deduction mentioned in section 6, paragraph (3), subdivision (b), shall receive the actuarial equivalent of the full amount provided in the foregoing proviso;

(b) Any Class B or Class C member having thirty (30) years of service credits shall be entitled to retire and, upon retirement, shall receive a retirement allowance consisting of: An annuity which shall be the actuarial equivalent of his accumulated contributions at his age of retirement and a pension consisting of as many thirtieths (not to exceed thirty-thirtieths) of forty dollars (\$40.00) per month as he

has years of prior service credits: *Provided*, That such member shall first pay into the pension fund an amount which, together with his former contributions in the state fund or a local fund, or in the pension fund, shall equal as many thirtieths (not to exceed thirty-thirtieths) of seven hundred and twenty dollars (\$720.00) as he has years of prior service credits;

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

(d) Any member who completes all other requirements for retirement on a retirement allowance but who has not attained age sixty (60) years, may retire on a retirement allowance which is the actuarial equivalent at his age of a retirement allowance at age sixty (60) years;

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

Death of member before retirement.

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

Employment terminated, payments returned.

(4) With the provision that no optional selection shall be effective in case a beneficiary dies within thirty (30) days after retirement and that such beneficiary shall be considered as an active mem-

Optional selection.

ber at the time of death; any member prior to the time the first payment of any benefit becomes normally due, may elect to receive his benefit in the form of a retirement allowance payable throughout life, or he may elect to receive the actuarial equivalent at the time of retirement of his retirement allowance in a reduced retirement allowance payable throughout life with the provision that:

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

Option 2. Upon his death his reduced retirement annuity shall be continued throughout the life of and paid to such person as he shall have nominated by written designation duly acknowledged and filed with the board of trustees at the time of his retirement; or

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

Option 4. Some other benefit or benefits shall be paid either to the member or to such person or persons as he shall have nominated: *Provided*, That such other benefit or benefits together with the reduced retirement annuity shall be certified by the actuary to be of equivalent actuarial value to his retirement allowance and approved by the board of trustees;

(5) All retirement and disability allowances being paid to former members of any local fund or the former state fund who shall have been retired

prior to the date (of) the retirement system becomes operative shall be continued in the same amount, and shall be paid out of the pension fund: *Provided*, That the board of trustees may continue such disability allowances only upon recommendation of the medical director, as provided in paragraph (6) of this section: *Provided, further*, That if the board of trustees shall determine at the beginning of any fiscal year that there will not be sufficient funds to pay the aforesaid allowances as provided in this paragraph, they shall be pro rated as provided in paragraph (b) of subsection (4) of section 6;

(6) Upon application of a member in service or of the employer any member may be retired by the board of trustees on a disability allowance, if the medical director, after a medical examination of such member, shall certify that the member is mentally or physically incapacitated for the further performance of duty, and that such member be retired: *Provided*, That no disability benefit shall be payable for the first ninety (90) days of disability: *Provided, further*, That for the purpose of paying disability allowances to Class B and Class C members, three (3) years of creditable service shall be considered as membership service;

Application
for disability
allowance.

(7) Upon retirement for disability a member shall receive a service retirement allowance if he has attained age sixty (60) years and has completed thirty (30) years of creditable service: *Provided*, That a member who accepts a service retirement allowance because of disability as defined in paragraph (6) of this section shall not forfeit his membership in the retirement system as provided in section 4 of this act. Otherwise, he shall receive a disability allowance in an amount and for a period indicated in the following schedule:

Service
retirement
allowance.

(a) If he has less than ten (10) years of service credit he shall receive a disability allowance of

Disability
allowance
schedule.

twenty dollars (\$20) per month during disability for a period not to exceed one (1) year;

(b) If he has more than ten (10) years but less than fifteen (15) years of service credit, he shall receive a disability allowance of twenty dollars (\$20) per month during disability for a period not to exceed two (2) years;

(c) If he has more than fifteen (15) years but less than twenty (20) years of service credit, he shall receive a disability allowance of twenty-five dollars (\$25) per month during disability for a period not to exceed two (2) years;

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

Benefits not
assignable.

SEC. 9. The right of a person to a pension, an annuity, a retirement allowance, or disability allowance, to the return of contributions, any optional benefit or death benefit, any other right accrued or accruing to any person under the provisions of this act, and the monies in the various funds created by this act shall be unassignable. The benefits provided for in this act shall be exempt from taxation, and shall be exempt from execution.

SEC. 10. Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement system in any attempt to defraud such system as a result of such act, shall be guilty of a misdemeanor, and shall be punishable therefor under the laws of the State of Washington. Should any change or error in the records result in any member or beneficiary receiving from the retirement system more or less than he would have been entitled to receive had the records been correct, the board of trustees shall correct such error, and as far as practicable, shall adjust the payments in such manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid.

Fraud.

Errors.

SEC. 11. Any claimant feeling aggrieved by the action of the board in reference to a claim, or any five (5) members aggrieved by the action of the board may, within ten (10) days from the date of such action appeal therefrom to the superior court of Thurston county by filing with the secretary a notice of appeal in writing signed by the appellant or appellants, and giving bond to the retirement system with sufficient security to be approved by the secretary in the sum of fifty dollars (\$50) conditioned to pay all costs which may be adjudged against the appellant or appellants in the superior court, and in case the appeal is taken by members, a copy of the notice of appeal shall be served upon the claimant, if the appeal involves a claimant. Upon the taking of an appeal involving a claimant the secretary shall certify to the clerk of the superior court all papers and documents filed in the matter of the claim, together with a transcript of the record of the action of the board thereon, the notice of appeal and the appeal bond and the matter shall be set down for hearing *de novo* before the court without a jury and heard in the manner provided by law for

Right of
appeal.

setting and hearing appeals from justices of the peace, except as hereinabove provided. Appeals from the decisions of the superior court may be taken to the supreme court of this state in the manner provided by law for taking appeals in equity cases. The time for taking an appeal does not begin to run against a claimant until he has received written notice of the action of the board.

Appropriations from funds.

SEC. 12. Any and all monies in the annuity fund, the pension fund, the disability reserve fund and the expense fund, or as much thereof as may be required, are hereby appropriated to the payment of the retirement annuities, pensions, and disability allowances provided for by this act and for the expenses of the retirement system respectively for the next biennium, the same to be paid out upon vouchers signed as in this act provided.

Partial invalidity.

SEC. 13. If any part of this act shall be adjudged to be invalid or unconstitutional, such adjudication of invalidity or unconstitutionality shall not affect the validity or constitutionality of the act as a whole, or any part thereof not adjudged invalid or unconstitutional.

Statutes repealed.

SEC. 14. Sections 4995 to 5020-29, Remington's Revised Statutes, inclusive, are hereby repealed as of the date the retirement system created by this act becomes operative.

Effective date.

SEC. 15. Except as provided in Sec. 6, subsection (2), this act shall take effect on the first day of April, 1938.

Passed the House March 9, 1937.

Passed the Senate March 8, 1937.

Approved by the Governor March 23, 1937.