

CHAPTER 274.

[S. B. 16.]

STATE EMPLOYEES' RETIREMENT SYSTEM.

AN Act providing for a State Employees' Retirement System; creating a State Employees' Retirement Board, and prescribing its powers and duties; making an appropriation therefor; establishing certain funds in connection therewith; requiring contributions thereto by state employees and by the state; incorporating an enabling clause providing for the participation in the Retirement System of all political subdivisions of the state; and declaring penalties for violations of the act.

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

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

"Retirement System." (a) "Retirement System" shall mean the State Employees' Retirement System provided for in this act.

"Retirement Board." (b) "Retirement Board" shall mean the board provided for in this act to administer said Retirement System.

"State Treasurer." (c) "State Treasurer" shall mean the Treasurer of the State of Washington.

"Employer." (d) "Employer" for the purpose of this act shall mean the State of Washington.

"Member." (e) "Member" shall mean any state employee included in the membership of the Retirement System, as provided for in section 13 of this act.

"Original member." (f) "Original member" of this Retirement System shall mean a person who became a member of this Retirement System prior to April 1, 1949.

"New member." (g) "New member" of this Retirement System shall mean a person who becomes a member of this Retirement System on or after April 1, 1949.

"Appointing authority." (h) "Appointing authority" shall mean the departmental officer charged with the responsibility

of making appointments and handling all other personnel transactions affecting the employees in the agency which he represents.

(i) "Service" shall be defined by appropriate rules and regulations of the Retirement Board, but in no case shall less than ten (10) days' service in a calendar month constitute a month of service; nor shall less than six (6) months' service in a calendar year constitute one (1) year of service; nor shall more than one (1) year of service be creditable for all service in one (1) calendar year. The Retirement Board shall not allow credit as service for any period of more than one (1) month's duration, in any one (1) calendar year, during which the employee was absent without pay. "Service."

(j) "Prior service" shall mean all service as a state employee rendered prior to October 1, 1947. 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. "Prior service."

(k) "Membership service" shall mean all service, as a member, rendered after October 1, 1947. "Membership service."

(l) "Beneficiary" shall mean any person in receipt of a retirement allowance, pension or other benefit provided by this act. "Beneficiary."

(m) "Regular interest" shall mean such rate as the Retirement Board may determine, such rate not to be lower than one per cent (1%) per annum nor more than four per cent (4%) per annum compounded annually. "Regular interest."

(n) "Accumulated contributions" shall mean the sum of all amounts deducted from the compensation of a member and credited to his individual account in the Employees' Savings Fund, together with regular interest thereon. "Accumulated contributions."

(o) "Average final compensation" shall mean the average annual pay, salary, or compensation received by a member during his last five (5) years "Average final compensation."

of service as a state employee, or for any consecutive five (5) year period of service, whichever is the greater; or if he has less than five (5) years of service, then the average annual pay, salary, or compensation received by him during his total years of service. In cases where compensation is not all paid in money, the Retirement Board shall employ the maintenance compensation schedules established by the Retirement Board.

"Final compensation."

(p) "Final compensation" shall mean the annual rate of compensation, pay, or salary, earned by a member at the time of termination of his employment.

"Annuity."

(q) "Annuity" shall mean annual payments for life derived from accumulated contributions of a member and paid from the Annuity Reserve Fund as provided in this act. All annuities shall be paid in twelve (12) monthly installments.

"Pension."

(r) "Pension" shall mean annual payments for life derived from appropriations made by the employer and paid from the Employer's Accumulation Fund or the Pension Reserve Fund as provided in this act. All pensions shall be paid in twelve (12) monthly installments.

"Retirement allowance."

(s) "Retirement allowance" shall mean the sum of the annuity and the pension.

"Annuity reserve."

(t) "Annuity reserve" shall mean the present value, computed upon the basis of such mortality, and other tables, as shall be adopted by the Retirement Board, of all payments to be made on account of any annuity or benefits in lieu of any annuity, granted to a member under the provisions of this act.

"Pension reserve."

(u) "Pension reserve" shall mean the present value, computed upon the basis of such mortality, and other tables, as shall be adopted by the Retirement Board, of all payments to be made on account of any pension, or benefits in lieu of any pension,

granted to a member under the provisions of this act.

(v) "Employee" shall mean any person who may become eligible for membership under this act as set forth in section 13 hereof. "Employee."

SEC. 2. *Administration.* A State Employees' Retirement System is hereby created for the employees of the State of Washington. The administration and management of the Retirement System, the responsibility for making effective the provisions of this act, and the authority to make all rules and regulations necessary therefor are hereby vested in a Retirement Board. Administration.
Retirement system created.

SEC. 3. *Retirement Board.* The Retirement Board shall consist of seven (7) members, as follows: The Insurance Commissioner, the Attorney General, the State Treasurer, the State Auditor, and three (3) state employees who shall be members of the Retirement System, and who shall be appointed by the other members of the Retirement Board in the following fashion: The original appointments shall be one (1) for a term of one (1) year, one (1) for a term of two (2) years, and one (1) for a term of three (3) years; and thereafter as the respective terms expire, each appointment shall be for a term of three (3) years: *Provided*, That not more than one (1) employee member of the Retirement Board shall be an employee of the same state department, bureau or agency. Retirement Board.
Terms of first appointees.
Terms at three years.

SEC. 4. (a) *Vacancy on Board—How Filled.* Any vacancy occurring ninety (90) days or more before the expiration of the term of any employee member of the Retirement Board shall be filled by appointment by the other members of the Retirement Board. The person thus appointed shall serve for the balance of the unexpired term. Vacancy on Board—how filled.

(b) *Failure of Board Members to Attend Meetings.* Any employee member of the Retirement Failure of Board members to attend meetings.

Board who fails to attend the scheduled meetings of the Retirement Board for three (3) consecutive months or longer, without valid excuse, shall be considered as having resigned from board membership and the Retirement Board shall declare his office vacated as of the adoption of a proper resolution, and proceed to fill the vacancy as herein provided.

Board—
oath of
office—
quorum.

SEC. 5. (a) *Board—Oath of Office—Quorum.* Each member of the Retirement Board, created by this act, upon his election or appointment, shall take an oath of office which shall be immediately filed in the office of the Secretary of State. A majority of the Retirement Board shall constitute a quorum for the transaction of any business at any meetings of the Board.

Board
members
serve with-
out compen-
sation.

(b) *Board Members Serve Without Compensation.* The members of the Retirement Board shall serve without compensation, but shall suffer no loss because of absence from their regular employment, and shall be reimbursed for all actual necessary expense incurred in performance of their duties in accordance with the statutes of the State of Washington.

Expenses.

Board
Chairman,
Secretary,
Actuary,
Medical
Adviser.

SEC. 6. *Board Chairman, Secretary, Actuary, Medical Adviser.* The Retirement Board shall elect from its membership a chairman and a vice-chairman, and shall appoint an executive secretary, and shall employ such other actuarial, medical, clerical, technical, and administrative employees as may be necessary for the proper operation of the Retirement System. The compensation of all persons so appointed and employed shall be fixed in accordance with the official compensation schedules.

Compensation.

Mortality,
service,
and other
tables.

SEC. 7. *Mortality, Service, and Other Tables.* The Retirement Board shall collect and keep in convenient form such data as shall be necessary for an actuarial valuation of the assets and liabilities of the Retirement System; and for making an actuarial

investigation into the mortality, service, compensation, and other experience of the members and beneficiaries of the Retirement System. At least once in each five (5) year period, the Retirement Board shall cause an actuarial investigation to be made into the mortality, service, compensation, and other experience of the members and beneficiaries of the Retirement System. Upon the basis of such actuarial investigation the Retirement Board shall adopt such tables as are deemed necessary for the proper operation of the Retirement System and for making effective the provisions of this act.

Actuarial investigation.

SEC. 8. (a) *Investment of Funds.* The members of the Retirement Board shall be the trustees of the several funds created by this act and the Retirement Board shall have full power to invest same in bonds or other obligations of the United States, the State of Washington or of any county, city, village, or school district of the state, or of any other legally constituted taxing subdivision within the state, or in revenue bonds secured by property within the State of Washington, or in mortgage bonds or notes insured by the Federal Housing Administrator, or debentures issued by such administrator or in bonds, notes, debentures, or other obligations in which both principal and interest are insured or guaranteed by the Federal government, or obligations of national mortgage associations created under the National Housing Act, or amendments thereto. All such bonds, or other obligations, shall be purchased at current market price and all such purchases shall be authorized by a resolution adopted by the Retirement Board. The Retirement Board may purchase out of the several funds hereinbefore created, appropriate contracts of life insurance or annuity from insurers duly authorized to do business in the State of Washington, if and when such purchase or purchases shall in the judgment of said Retirement

Investment of funds.

Bonds, obligations, mortgages, notes, etc.

Contracts of life insurance or annuities.

Board be appropriate or necessary to carry out the purposes of this act.

Bank deposits.

(b) *Bank Deposits.* For the purpose of meeting disbursements for annuities and other payments in excess of the receipts, there shall be kept available by the Retirement Board an amount, not exceeding ten per cent (10%) of the total amount in the funds provided for by this act, on deposit in the State Treasury.

State Treasurer custodian of funds.

SEC. 9. (a) *State Treasurer Custodian of Funds.* All bonds or other obligations purchased according to section 8 shall be forthwith placed in the hands of the State Treasurer, who is hereby designated as custodian thereof, and it shall be his duty to collect the principal thereof and the interest thereon as the same becomes due and payable, and place the same when so collected into the Retirement System's Funds herein provided for bonds or other obligations. The Retirement Board may sell any of said bonds, or other obligations upon like resolution, and the proceeds thereof shall be paid by the purchaser to the State Treasurer upon delivery to him of such bonds or other obligations by the State Treasurer.

Board may sell bonds or obligations.

Disbursements on voucher.

(b) The State Treasurer shall be the custodian of all other funds of the Retirement System and all disbursements therefrom shall be paid by the State Auditor upon vouchers duly authorized by the Retirement Board and bearing the signature of the duly authorized officer of the Retirement Board.

Deposit by Treasurer in accordance with law for state deposits.

(c) The State Treasurer is hereby authorized and directed to deposit any portion of the funds of the Retirement System not needed for immediate use in the same manner and subject to all the provisions of law with respect to the deposit of state funds by such Treasurer, and all interest earned by such portion of the said Retirement System's funds as may be deposited by the State Treasurer in pursuance of

authority herewith given shall be collected by him and placed to the credit of the Retirement Fund.

Interest credited to Retirement Fund.

SEC. 10. *No Employee Shall Gain From Investments.* Except as provided herein, no member or employee of the Retirement Board shall have any interest direct or indirect in the gains or profits of any investment made by the Retirement Board nor as such directly or indirectly receive any pay or emolument for his services. And no member or person connected with the said Retirement Board, directly or indirectly, for himself or as an agent or partner of others, shall borrow any of its funds or deposits or in any manner use the same except to make such current and necessary payments as are authorized by the Retirement Board; nor shall any member or employee of the Retirement Board become an endorser or surety or become in any manner an obligor for moneys loaned or borrowed of the Retirement Board.

No employee shall gain from investments.

Not to borrow funds or become endorser or surety.

SEC. 11. *Funds of Retirement System.* The funds hereby created are the Employees' Savings Fund, the Employer's Accumulation Fund, the Annuity Reserve Fund, the Pension Reserve Fund, the Income Fund, and the Expense Fund.

Funds of retirement system.

(a) *Employees' Savings Fund.* The Employees' Savings Fund shall be the fund in which shall be accumulated the contributions from the compensation of members for the purchase of annuities. The Retirement Board shall provide for the maintenance of an individual account with each member of the Retirement System showing the amount of the member's contributions together with interest accumulations thereon. The contributions of a member returned to him upon his withdrawal from service, or paid to his estate, or designated beneficiary in event of his death, as provided in this act, shall be paid from the Employees' Savings Fund. Any accumulated contributions forfeited by failure of a

Employees' savings fund.

Individual accounts to be kept.

Contributions paid from fund.

Transfers to
Income and
Annuity Re-
serve Funds.

member, or his estate, to claim the same as provided for in this act shall be transferred from the Employees' Savings Fund to the Income Fund. The accumulated contributions of a member, upon his retirement, shall be transferred from the Employees' Savings Fund to the Annuity Reserve Fund.

Employer's
Accumula-
tion Fund.

Accumulated
reserves
for payment
of pensions.

(b) *Employer's Accumulation Fund.* The Employer's Accumulation Fund shall be the fund in which shall be accumulated the reserves for the payment of all pensions payable as provided in this act. The amounts paid by the state because of its normal contributions and deficiency contributions shall be credited to the Employer's Accumulation Fund. The pension reserves covering pensions payable to a new member, upon his retirement, or to the beneficiaries of a new member, shall be transferred from the Employer's Accumulation Fund to the Pension Reserve Fund. Until the deficiency contributions shall have been discontinued, upon retirement of an original member, pension benefits shall be paid from the Employer's Accumulation Fund as provided in section 39. After the deficiency contributions have been paid in full, upon retirement of an original member, an amount equal to his pension reserve shall be transferred from the Employer's Accumulation Fund to the Pension Reserve Fund.

Employers'
contribu-
tions.

Transfers.

Annuity re-
serve fund.

(c) *Annuity Reserve Fund.* The Annuity Reserve Fund shall be the fund from which shall be paid all annuities, or benefits in lieu thereof, because of which reserves have been transferred from the Employees' Savings Fund to the Annuity Reserve Fund.

Pension re-
serve fund.

(d) *Pension Reserve Fund.* The Pension Reserve Fund shall be the fund from which shall be paid all pensions for new members, and benefits in lieu thereof; and when the deficiency contributions have been paid in full, all pensions for original members, and benefits in lieu thereof, shall be paid from the Pension Reserve Fund.

(e) *Income Fund.* An Income Fund is hereby created for the purpose of crediting regular interest on the amounts in the various other funds with the exception of the Expense Fund, and to provide a contingent fund out of which special requirements of any of the other funds may be covered. Transfers for such special requirements shall be made only when the amount in the Income Fund exceeds the ordinary requirements of such fund as evidenced by a resolution of the Retirement Board recorded in its minutes. The Retirement Board shall annually allow regular interest for the preceding year to each of the funds enumerated in subsection (a), (b), (c) and (d) of this section, and the amount so allowed shall be due and payable to said funds and shall be annually credited thereto by the Retirement Board and paid from the Income Fund: *Provided, however,* That interest on contributions from members within any one (1) calendar year shall begin on the first day of the calendar year next following, and shall be computed at the end of the calendar year. All income, interest, and dividends derived from the deposits and investments authorized by this act shall be paid into the Income Fund. The Retirement Board is hereby authorized to accept gifts and bequests. Any funds that may come into the possession of the Retirement System in such manner, or any funds which may be transferred from the Employees' Savings Fund by reason of lack of claimant, or because of a surplus in any fund created by this act, or any other moneys the disposition of which is not otherwise provided for herein, shall be credited to the Income Fund.

Income fund.
Interest on other funds.

Contingencies.

Transfers.

Interest to be credited annually to other funds.

Income, interest and dividends.

Gifts and unclaimed funds.

(f) *Expense Fund.* The Expense Fund shall be the fund from which shall be paid the expenses of the administration of this act, exclusive of amounts payable as retirement allowances and other benefits provided for in this act. The Retirement Board shall ascertain and shall request from the Legislature

Expense fund.

Expenses of administration of the act.

Board to request appropriation.

an appropriation equal to the amount necessary to defray and cover the expenses of administering this act during the ensuing biennium. The description of the various funds in this section shall be interpreted to refer to accounting records and not to the segregation of moneys in the State Treasury.

Report of the State Treasurer.

Statement of account in employees' savings fund furnished member.

SEC. 12. *Report of the State Treasurer—Statement of Account in Employees' Savings Fund Furnished Member.* The State Treasurer shall furnish annually to the Retirement Board a statement of the amount of the funds in his custody belonging to the Retirement System. Copies of this annual report shall be available to members upon request. The records of the Retirement Board shall be open to public inspection. Any member of the Retirement System shall be furnished with a statement of the amount to the credit of his individual account in the Employees' Savings Fund upon his written request, *provided* that the Retirement Board shall not be required to answer more than one (1) such request of any member in any one (1) year.

Membership of retirement system.

SEC. 13. *Membership of Retirement System.* Membership in the Retirement System shall consist of all monthly salaried employees and appointed and elective officials of the various departments, commissions, institutions and other agencies of the state, with the following exceptions:

Exceptions.

1. Persons in positions requiring less than one thousand (1,000) hours service a year;
2. Members of the State Legislature;
3. Persons appointed by the Governor: *Provided*, That such persons shall have the option of applying for membership and to be accepted by action of the Retirement Board;
4. Employees eligible for retirement under any existing retirement plans;

5. No employee shall be eligible for membership until he has served at least six (6) months in the employ of the state.

Qualifica-
tion.

SEC. 14. *Information Furnished By Members.* Within three (3) months after this act becomes effective, each original member, and within thirty (30) days after his employment each new member, shall submit to the Retirement Board a statement showing his name, sex, title, compensation, duties, date of birth, and length of service as a state employee, and such other information as the Retirement Board shall require. Each state employee, upon becoming a member, shall file a detailed statement of all his prior service as an employee and shall furnish such other facts as the Retirement Board may require for the proper operation of the Retirement System.

Information
furnished
by members.

SEC. 15. *Prior Service Certificate.* Subject to such rules and regulations as the Retirement Board shall adopt, the Retirement Board shall issue to each original member of the Retirement System a certificate certifying to the aggregate length of all his prior service as defined in this act. Such certificate shall be final and conclusive for retirement purposes as to such service, unless modified by the Retirement Board upon application made by the member.

Prior ser-
vice cer-
tificate.

Certificate
conclusive.

SEC. 16. *Membership Ceases.* Should any member become a beneficiary, or die, or should he separate or be separated from state service without leave of absence before attaining age sixty (60) years, except as provided in section 18, he shall thereupon cease to be a member: *Provided,* That any member who would have attained sixty (60) years or more by April 1, 1949, who shall be involuntarily separated from the state service prior to that date, with ten (10) years or more state service, shall not thereby lose his right to benefits under this act. Should he again become employed by the state he shall enter the Retirement System as a new member and his

Membership
ceases.

Reemploy-
ment.

membership service shall be computed from the date he last became a member.

Service creditable.

SEC. 17. *Service Creditable.* At retirement the total service credited to a member shall consist of all his service as such employee since he last became a member, and, if he has a prior service certificate which is in full force and effect, all service certified on such prior service certificate.

Credit for war service.

SEC. 18. *Credit for War Service.* A member of the Retirement System who has served or shall serve on active Federal service in the military or naval forces of the United States in time of war or emergency, declared by competent Federal authority, who within one (1) year from termination of such active Federal service, shall resume employment as a state employee, shall have his service in such armed forces credited to him as a member of the Retirement System. During the period of such service of a member, his contributions to the employees' savings fund shall be suspended and the balance in the employees' savings fund standing to his credit as of the last payroll date preceding his leave of absence from the service of his department shall be accumulated at regular interest.

Resumption of service.

Contributions suspended during service.

Optional retirement.

SEC. 19. (a) *Optional Retirement.* On and after April 1, 1949, any member who has attained age sixty (60) or over may retire upon his written application to the Retirement Board, setting forth at what time, not less than thirty (30) days, nor more than ninety (90) days subsequent to the execution and filing thereof, he desires to be retired: *Provided*, That in the national interest, during time of war engaged in by the United States, the Retirement Board may extend beyond age sixty (60), subject to the provisions of subsection (b) of this section, the age at which any member may be eligible to retire.

Time of war.

Compulsory retirement.

(b) *Compulsory Retirement.* On and after April 1, 1949, any member who has attained age sixty-five

(65) shall be retired forthwith or on the first day of the calendar month next succeeding that in which the said member shall have attained the age of sixty-five (65): *Provided*, That upon application of a member who has attained age sixty-five (65), the retirement board may continue such member in service for such periods as the Retirement Board may determine to be necessary.

May be continued in service by Board.

(c) *Service Retirement*. Includes prior service and membership service. On and after April 1, 1949, any member who has completed thirty-five (35) years of service may retire on his written application to the Retirement Board, if he so desires, subject to war measures.

Service retirement.

May retire after thirty-five years' service.

SEC. 20. *Service Retirement Allowance*. Upon retirement from service, as provided for in section 19, a member shall receive a service retirement allowance which shall consist of:

Service retirement allowance.

(a) *Annuity*. An annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and

Annuity.

(b) *Basic Service Pension*. A basic service pension, subject to the provisions of paragraph (e) of this section, of one hundred dollars (\$100) per annum; and

Basic service pension.

(c) *Membership Service Pension*. A membership service pension, subject to the provisions of paragraph (e) of this section, which shall be equal to one one-hundred fortieth of his average final compensation for each year of membership service credited to his service account, not to exceed thirty-five (35) years: *Provided*, That the membership service pension when added to the basic service pension, provided for in paragraph (b) of this section, shall not exceed nine hundred dollars (\$900) per annum; and

Membership service pension.

Maximum.

(d) *Prior Service Pension*. A prior service pension which shall be equal to one-seventieth of his average final compensation for each year of prior

Prior service pension.

Total service not to exceed thirty-five years.

service not to exceed fifteen (15) years credited to his service accounts: *Provided*, That if the membership service when added to the prior service exceeds thirty-five (35) years, then the membership service shall be reduced so that the total of membership service and prior service is not greater than thirty-five (35) years: *Provided further*, That the total pension portions, provided by the employer under paragraphs (a), (b), (c) and (d) of this section, shall not exceed eighteen hundred dollars (\$1800) per annum.

Total pension portions not to exceed \$1800.00 annually.

Minimum years service of new member for pension.

(e) *Minimum Years Service of New Member for Pension.* To be eligible to receive the pension portions provided by the employer under paragraphs (b) and (c) of this section, a new member must have at least ten (10) years of membership service credited to his service account, unless he, or his dependents as defined in this act, becomes eligible for benefits provided for herein under sections 21, 22 and 23.

Duty disability.

SEC. 21. *Duty Disability.* Subject to the provisions of sections 33 and 34, upon application of a member, or his department head, a member who becomes totally incapacitated for duty as the natural and proximate result of the actual performance of duty, while in the service of the State of Washington, without wilful negligence on his part, shall be retired: *Provided*, The Medical Adviser after a medical examination of such member shall certify in writing that such member is mentally or physically totally incapacitated for the further performance of his duty to the state and that such member should be retired: *And Provided Further*, That the Retirement Board concurs in the recommendation of the Medical Adviser.

Certification by medical examiner.

Board to concur.

Duty disability retirement allowance for disability after age sixty (60).

SEC. 22. *Duty Disability Retirement Allowance for Disability After Age Sixty (60).* Upon retirement for disability, as provided in section 21, a member

who has attained age sixty (60) shall receive a service retirement allowance as provided for in section 20.

SEC. 23. *Duty Disability Pension for Disability Before Age Sixty (60)*. Upon retirement for disability, as provided in section 21, a member who has not attained age sixty (60) shall receive the following benefits, subject to the provisions of sections 32 and 33.

Duty disability pension for disability before age sixty (60).

(a) *Benefits to Age Sixty (60)*. A disability retirement pension of two-thirds of his average final compensation from the date of his application for disability benefits to his attainment of age sixty (60), subject to the provisions of section 32. The disability retirement pension provided by the employer shall not exceed eighteen hundred dollars (\$1800) per annum; and

Benefits to age sixty (60).

Maximum.

(b) *Benefits After Age Sixty (60)*. Upon attaining age sixty (60), the disabled member shall receive a pension, as provided for in section 20, paragraphs (b), (c), (d) and (e), together with an annuity which shall be the equivalent of the annuity he would have received had he continued contributions to the Employees' Savings Fund; said contribution to be based upon his final compensation at the time of his disability.

Benefits after age sixty (60).

(c) *Contributions to and Balance in Employees' Savings Fund*. During the period a disabled member is receiving a disability pension, as provided for in paragraph (a) of this section, his contributions to the Employees' Savings Fund shall be suspended and his balance in the Employees' Fund, standing to his credit as of the date his disability pension is to begin, shall remain in the Employees' Savings Fund: *Provided*, That if the disabled member should die before attaining age sixty (60), while a disability beneficiary, his accumulated contributions standing to his credit in the Employees' Savings Fund, shall be paid

Contributions to and balance in employees' savings fund.

Contribution suspended during disability.

Accumulated contributions paid on death.

to such person or persons, having an insurable interest in his life, as he shall have nominated by written designation duly executed and filed with the Retirement Board, or if there be no such designated person or persons, then to his legal representative.

Non-duty disability.

SEC. 24. *Non-Duty Disability.* Subject to the provisions of sections 33 and 34, upon application of a member, or his department head, a member who has been a state employee at least fifteen (15) years becomes totally and permanently incapacitated for duty as the result of causes occurring not in the performance of duty to the state, may be retired by the Retirement Board: *Provided*, The Medical Adviser, after a medical examination of such member, shall certify that such member is mentally or physically incapacitated for the further performance of duty, and such incapacity is likely to be permanent and that such member should be retired.

Fifteen years service.

Certification by medical examiner.

Non-duty disability retirement allowance for disability after age sixty (60).

SEC. 25. *Non-Duty Disability Retirement Allowance for Disability After Age Sixty (60).* Upon retirement for disability, as provided in section 24, a member who has attained age sixty (60) shall receive a service retirement allowance as provided in section 20.

Non-duty disability retirement allowance for disability before age sixty (60).

SEC. 26. *Non-Duty Disability Retirement Allowance for Disability Before Age Sixty (60).* Upon retirement for disability, as provided in section 24, a member who has not attained age sixty (60) shall receive a disability retirement allowance, subject to the provisions of sections 32 and 33, from the date of his application for disability benefits to his attainment of age sixty (60). Upon attaining age sixty (60) he shall receive a service retirement allowance as provided for in section 20. His disability retirement allowance prior to age sixty (60) shall consist of:

Before reaching 60 years of age.

After reaching 60 years of age.

(a) *Annuity.* An annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and

Annuity.

(b) *Pension.* A pension, in addition to the annuity, equal to one one-hundred fortieth of his average final compensation for each year of service as a state employee not to exceed thirty-five (35) years. The pension provided by the employer under this paragraph shall not exceed fifteen hundred dollars (\$1500) per annum; and the total disability retirement allowance, consisting of paragraphs (a) and (b) of this section, shall not exceed eighteen hundred dollars (\$1800) per annum, or one-half of the retiring member's average final compensation whichever is the smaller.

Pension.

Maximums.

SEC. 27. *Refund of Contributions on Withdrawal from Service Before Retirement.* Should a member cease to be an employee before attaining age sixty (60), or after such age but before becoming eligible for benefits, for reasons other than his disability or death as provided in sections 21, 22, 23, 24, 25, 26 and 28, he shall be paid all or part of the contributions standing to his credit in the Employees' Savings Fund, with regular interest additions, as he shall demand in writing upon forms furnished by the Retirement Board, subject to the provisions of section 30. Any person who has withdrawn his contributions from the Employees' Savings Fund, as provided for in this section, and who again becomes a member, may restore to the Employees' Savings Fund all or part of such contributions previously withdrawn by him.

Refund of contributions on withdrawal from service before retirement.

To be paid all or part on demand.

Interest to be added.

Restoration on reemployment.

SEC. 28. *Refund of Contributions on Death Before Retirement.* Subject to the provisions of sections 21, 22, 23, 24, 25 and 26, should a member die before his service retirement becomes effective, as provided in sections 19, 20 and 21, the amount of the accumulated contributions standing to his credit in the Employees'

Refund of contributions on death before retirement.

Savings Fund, at the time of his death, shall be paid to such person or persons, having an insurable interest in his life, as he shall have nominated by written designation duly executed and filed with the Retirement Board, or if there be no such designated person or persons, then to his legal representatives.

Board may withhold refunds of contributions.

Not over six months.

Optional allowances.

SEC. 29. *Board May Withhold Refunds of Contributions.* The Retirement Board may, in its discretion, withhold payment of all or part of a member's contributions for not more than six (6) months after a member has ceased to be an employee.

SEC. 30. *Optional Allowances.* No option election shall be effective in case a member dies within thirty (30) days after the date his retirement becomes effective; such a member shall be considered an active member at the time of his death. Prior to the effective date of his retirement, any member may elect to receive his benefit in a retirement allowance payable throughout life (to be known as a regular retirement allowance); or he may elect to receive the actuarial equivalent at the time of his regular retirement allowance in reduced retirement allowance payable throughout life in accordance with the provisions of options I, II, and III, as hereinafter set forth:

Option I. Cash refund annuity.

Option I. *Cash Refund Annuity.* If he dies before the total of the annuity portions of the retirement allowance paid to him equals the amount of his accumulated contributions at the time of retirement, then the balance shall be paid to such person or persons having an insurable interest in his life, as he shall have nominated by written designation duly executed and filed with the Retirement Board, or if there be no such designated person or persons, then to his legal representatives; or

Option II. Joint and last survivorship allowance.

Option II. *Joint and Last Survivorship Allowance.* Upon his death his reduced retirement allowance shall be continued throughout the life of

and paid to such person, having an insurable interest in his life, as he shall have nominated by written designation duly executed and filed with the Retirement Board at the time of his retirement; or

Option III. *Modified Joint and Last Survivorship Allowance.* Upon his death, one-half of his reduced retirement allowance shall be continued throughout the life of and paid to such person, having an insurable interest in his life, as he shall have nominated by written designation duly executed and filed with the Retirement Board at the time of his retirement.

Option III.
Modified
joint and
last surviv-
orship al-
lowance.

SEC. 31. *Benefits Offset by Workmen's Compensation or Similar Benefits.* Any amounts which may be paid or payable under the provisions of any workmen's compensation, or pension, or similar law to a member, or to the dependents of a member on account of any disability or death, shall be offset against and payable in lieu of any benefits payable from funds provided by the employer under the provisions of this act on account of the same disability or death. In case the present value of the total benefits under said workmen's compensation, pension, or similar law, is less than the pension reserve for the benefit otherwise payable from funds provided by the employer under the provisions of this act, then the present value of such payments shall be deducted from the pension reserve and such benefits as may be provided by the pension reserve so reduced, shall be payable under the provisions of this act.

Benefits off-
set by work-
men's com-
pensation or
similar
benefits.

Deductions
from pension
reserve.

SEC. 32. (a) *Reexamination of Disability Beneficiaries.* Once each year during the first five (5) years following the retirement of a member on a disability pension or retirement allowance, and at least once in every three (3) year period thereafter the Retirement Board may, and upon the member's

Reexamina-
tion of dis-
ability bene-
ficiaries.

Periodic
medical
examination.

Discontinu-
ance of pen-
sion on re-
fusal to
submit.

If capable of
resuming
employment
member to
be restored
to service
and allow-
ances cease.

Benefits off-
set by earn-
ings of dis-
ability
beneficiary.

Dependent
upon
amount
earned.

Disability
beneficiary
restored to
service
again
becomes
member.

application shall, require any disability beneficiary, who has not attained age sixty (60) years, to undergo a medical examination; such examination to be made by or under the direction of the medical adviser at the place of residence of said beneficiary, or other place mutually agreed upon. Should any disability beneficiary, who has not attained age sixty (60) years, refuse to submit to such medical examination in any such period, his disability pension or retirement allowance may be discontinued until his withdrawal of such refusal, and should such refusal continue for one (1) year, all his rights in and to his disability pension, or retirement allowance, may be revoked by the Retirement Board. If upon such medical examination of a disability beneficiary, the medical adviser reports and his report is concurred in by the Retirement Board, that the disability beneficiary is physically able and capable of resuming employment, he shall be restored to active service with the state and his disability pension or retirement allowance shall cease.

(b) *Benefits Offset by Earnings of Disability Beneficiary.* Should the secretary report and certify to the Retirement Board that such disability beneficiary is engaged in a gainful occupation paying more than the difference between his disability retirement allowance and his final compensation, and should the Retirement Board concur in such report, then the amount of his pension shall be reduced to an amount which, together with his annuity, if he has an annuity, and the amount earned by him shall equal the amount of his final compensation. Should the earnings of such disability beneficiary be later changed, the amount of his pension shall be further modified in like manner.

SEC. 33. *Disability Beneficiary Restored to Service Again Becomes Member.* A disability beneficiary who has been or shall be reinstated to active

service, as provided in section 32, shall from the date of such restoration again become a member of the Retirement System; and he shall contribute to the Retirement System in the same manner as prior to his disability retirement. Upon restoration of such disability beneficiary to active service, his annuity reserve, at the time of such restoration to active service, shall be transferred from the Annuity Reserve Fund to the Employees' Savings Fund and credited to his individual account in the Employees' Savings Fund. Any prior service and membership service, on the basis of which his retirement allowances were computed at the time of his retirement, shall be restored to full force and effect, and, except in the case of retirement for non-duty disability as provided in section 24, he shall be given membership service for the period of time he was out of service due to such disability.

SEC. 34. *Members' Deductions.* Beginning October 1, 1947, each state employee who is a member of the Retirement System shall contribute five per cent (5%) of that part of his compensation earnable, not in excess of thirty-six hundred dollars (\$3600) per annum, to the Employees' Savings Fund, and shall contribute one dollar and fifty cents (\$1.50) per annum to the Expense Fund; compensation earnable, as herein used, shall mean salary or wages received during a payroll period for personal services. The officer responsible for making up the payroll shall deduct from the compensation of each member, on each and every payroll of such member for each and every payroll period subsequent to the date which he became a member of the Retirement System, an amount equal to five per cent (5%) of such member's compensation earnable, provided that the amount of a member's compensation earnable in excess of thirty-six hundred dollars (\$3600) per annum shall not be considered.

Deductions to cease when \$180.00 has been paid during year.

Determination of amount earnable.

Members agree to deductions.

Deemed to agree.

Transmittal of total of members' deductions.

The Retirement Board may accept contributions provided for in this act on any salary or salaries earned during any payroll period or periods without regard to the maximum salary provisions, provided deductions cease entirely for the remainder of the calendar year if and when the total contributions deducted from a member's salary for the Employees' Savings Fund for such calendar year equal one hundred eighty dollars (\$180). In determining the amount earnable by a member in a payroll period, the Retirement Board and the department head may consider the rate of compensation payable to such member on the first day of the payroll period as continuing through such payroll period, and deductions may be omitted from such compensation for any period less than a full payroll period, if an employee was not a member on the first day of the payroll period.

SEC. 35. *Members Agree to Deductions.* The deductions from the compensation of members, provided for in section 34 of this act, 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 and provided for in this act and shall receipt in full for his salary or compensation, and payment less said deductions shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment, except as to benefits provided for under this act.

SEC. 36. *Transmittal of Total of Members' Deductions.* The officer responsible for making up the payroll shall transmit promptly to the Retirement Board at the end of each and every payroll period a copy of the original payroll voucher or such other payroll report as the Retirement Board may require

showing thereon all deductions for the Retirement System made from the salary earnable of each member, together with warrants or checks covering the total of such deductions. The Retirement Board after making a record of all such receipts shall pay them to the State Treasurer for use according to the provisions of this act.

SEC. 37. *Employer's Accumulation Fund for New Members.* Upon the basis of such mortality tables, regular interest, and other tables, as the Retirement Board shall adopt, the actuary shall compute the amount of contributions which if paid annually during the entire prospective state service of a new member, would be sufficient to provide for the pension reserve required, at the time of his discontinuance of a state service, to cover the pensions to which he might be entitled, or which might be payable because of his state service as a member, and for the amount of cash benefits payable on his account by the state. The aggregate amount due to the Employer's Accumulation Fund shall be the sum of all such contributions for all new members who were in the Retirement System during the preceding fiscal year. The Retirement Board shall ascertain and shall report to the head of each department, agency, commission and office whose employees are subject to the Retirement System created by this act the amount necessary to defray the state's part of the costs of this act for employees in their respective departments, agencies, commissions and offices for the ensuing biennium. It shall be the duty of each such department, agency, commission and office to include in their budgets and requests for legislative appropriations the amount so ascertained. The Retirement Board shall voucher each department, agency, commission and office at the end of each month for the amount due for the current month, and the vouchers shall be approved

Employer's accumulation fund for new members.

Actuary to ascertain necessary contributions.

Reports to Departmental heads.

Inclusion in budget for appropriation.

Voucher to Departmental head.

Transfers from funds.

Deficiencies to be made up in next budget.

Employer's for original accumulation fund members.

Actuary to compute contributions.

and warrants issued and paid as other financial obligations of the department, agency, commission or office are paid. Upon retirement of a new member, or upon his death in the performance of duty, an amount equal to the pension reserve for the pension payable by the state, on account of his previous service as a member, shall be transferred from the Employer's Accumulation Fund to the Pension Reserve Fund. The cash benefits payable by the state, under the provisions of this act, to or upon the death of a new member in active service shall be paid from the Pension Reserve Fund. If the amounts in either the Employer's Accumulation Fund or the Pension Reserve Fund be insufficient to promptly make such transfers and payments, the amount of such insufficiency, as determined by the Retirement Board, shall be provided by the state in its budget for the next succeeding biennium.

SEC. 38. *Employer's Accumulation Fund for Original Members.* Upon the basis of such mortality tables, regular interest, and other tables, as the Retirement Board shall adopt, the actuary shall annually compute the amount of single contribution which if paid into the Employer's Accumulation Fund would be sufficient to cover the total liability assumed by the Employer's Accumulation Fund on account of the payment of pensions and other benefits, provided for under this act, for original members. Until the amount accumulated in the Employer's Accumulation Fund becomes not less than an amount sufficient to cover the total liability for accrued service rendered by new members, and the total liability for accrued service rendered by original members, and the total liability for pensions being paid to beneficiaries out of the Employer's Accumulation Fund, the aggregate amount annually due to the Employer's Accumulation Fund, beginning April 1, 1949, for all original members shall be

five per cent (5%) of the total annual pay or salary received during the preceding fiscal year by original members. The Retirement Board shall ascertain and shall report to the head of each department, agency, commission and office whose employees are subject to the Retirement System created by this act the amount necessary to defray the state's part of the costs of this act for employees in their respective departments, agencies, commissions and offices for the ensuing biennium. It shall be the duty of each such department, agency, commission and office to include in their budgets and requests for legislative appropriations the amounts so ascertained. The Retirement Board shall voucher each department, agency, commission and office at the end of each month for the amount due for the current month, and the vouchers shall be approved and warrants issued and paid as other financial obligations of the department, agency, commission or office are paid.

Board to report to heads of departments.

States share to be included in budgets.

Board to voucher each department, etc.

SEC. 39. *Exemption Clause.* The right of a person to a pension, an annuity, or retirement allowance, any optional benefit, any other right accrued or accruing to any person under the provisions of this act, the various funds created by this act, and all moneys and investments and income thereof, are hereby exempt from any state, county, municipal, or other local tax, and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or other process of law whatsoever, and shall be unassignable except as in this act specifically provided.

Exemption clause.

Not subject to execution, garnishment, insolvency laws, assignment, etc.

SEC. 40. *Correction of Errors.* 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 Retirement Board shall correct such error, and, as far as

Correction of errors.

practicable, shall adjust the payment in such a manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid.

Penalty for false statements.

SEC. 41. *Penalty for False Statements.* Any person who shall knowingly make any false statements, or shall falsify or permit to be falsified any record or records of this Retirement System in any attempt to defraud the Retirement System as a result of such act, shall be guilty of a gross misdemeanor.

Appropriation.

SEC. 42. *Appropriation.* There is hereby appropriated for the biennium ending March 31, 1949, from the General Fund of the State of Washington, the sum of one hundred thousand dollars (\$100,000) or as much thereof as shall be found necessary. The money is to be allocated to the Expense Fund, as provided for in section 11 of this act, and is to be used to actuate and carry out the provisions of this act.

Enabling clause.

Political subdivisions and employees thereof may participate.

SEC. 43. *Enabling Clause.* The employees of any political subdivision of the state with five (5) or more employees may become members of the Retirement System by the approval of the local legislative authority. Each such political subdivision becoming an employer under the meaning of this act shall share in the expense of operating the system in an amount directly proportional to the entire expense as the ratio of the number of its members to the number of members in the entire system; and shall contribute to the Employer's Accumulation Fund in accordance with the provisions of this act. Employees of a political subdivision of the state shall contribute to the Employees' Savings Fund at the same rate used for state employees. For the purpose of administering and interpreting this act the Board may substitute the names of political subdivisions of the state for the "State" and em-

Board may make act fit such agencies.

ployees of the subdivisions for "State Employees" wherever such terms appear in this act. The Board may also alter any dates mentioned in this act for the purpose of making the provisions of this act applicable to the entry of any political subdivisions into the system. Any member transferring employment to another political subdivision which is covered by the Retirement System may continue as a member without loss of previously earned pension and annuity benefits. The Board shall keep such accounts as are necessary to show the contributions of each political subdivision to the Employer's Accumulation Fund and shall have the power to debit and credit the various accounts in accordance with the transfer of the members from one employer to another. At such time as the membership from political subdivisions is sufficiently large to warrant representation on the Board, the Retirement Board may appoint one county member and/or one city member to the Board in place of two of the state employees' members provided for in this act.

Transfers of membership.

Board to keep account, for such subdivision.

May have representation on Board.

SEC. 44. *Saving Clause.* If any provision, sentence, clause, phrase or word contained in this act shall be found to be invalid or inoperative, or shall be held by any Court to be unconstitutional, the remainder of this act shall nevertheless continue in full force and effect, it being the legislative intent that this act shall stand notwithstanding the invalidity of any provision or section thereof.

Saving clause.

Passed the Senate March 9, 1947.

Passed the House March 9, 1947.

Approved by the Governor March 21, 1947.