

CHAPTER 200.

[S. B. 131.]

STATE EMPLOYEES' RETIREMENT SYSTEM.

AN ACT relating to state employees' retirement system; amending sections 41.40.010, 41.40.070, 41.40.080, 41.40.100, 41.40.120, 41.40.150, 41.40.160, 41.40.170, 41.40.180, 41.40.190, 41.40.220, 41.40.250, 41.40.270, 41.40.290, 41.40.320, 41.40.330, 41.40.360, 41.40.410, 41.40.420, RCW; repealing section 41.40.140, RCW; adding six new sections to chapter 41.40, RCW, and declaring an emergency.

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

Amendment. SECTION 1. Section 41.40.010, RCW, as derived from section 1, chapter 50, Laws of 1951, is amended to read as follows:

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

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

"Retirement board." (2) "Retirement board" means the board provided for in this chapter to administer said retirement system.

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

"Employer." (4) "Employer" means every branch, department, agency, commission, board, and office of the state and any political subdivision of the state admitted into the retirement system.

"Member." (5) "Member" means any employee included in the membership of the retirement system, as provided for in RCW 41.40.120.

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

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

(b) Any person who becomes a member through the admission of an employer into the retirement

system on and after April 1, 1949, and prior to April 1, 1951;

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

(d) Any person who becomes a member through the admission of an employer into the retirement system on or after April 1, 1953, and prior to April 1, 1955, provided, such person has been in the regular employ of the employer for at least six months of the twelve month period preceding the said admission date;

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

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

(9) "Service" means periods of employment rendered to any employer for which compensation is paid, and includes time spent in office as an elected or appointed official of an employer. Full time work for ten days or more or an equivalent period of work in any given calendar month shall constitute one month of service. Only months of service shall be counted in the computation of any retirement allowance or other benefit provided for in this chapter. Years of service shall be determined by dividing the total number of months of service by twelve. Any fraction of a year of service as so determined shall be taken into account in the computation of such retirement allowance or benefits. Service by a state "Service."

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."

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

"Membership service."

(11) "Membership service" means:

(a) In the case of any person who becomes a member through the admission of an employer into the retirement system on and after April 1, 1949, and prior to April 1, 1955, all service rendered after October 1, 1947;

(b) In the case of all other members, all service as a member.

"Beneficiary."

(12) "Beneficiary" means any person in receipt of a retirement allowance, pension or other benefit provided by this chapter.

"Regular interest."

(13) "Regular interest" means such rate as the retirement board may determine, such rate not to be lower than one percent per annum nor more than four percent per annum compounded annually.

"Accumulated contributions."

(14) "Accumulated contributions" means the sum of all contributions for the purchase of annuities standing to the credit of a member in his individual account together with regular interest thereon.

"Average final compensation."

(15) "Average final compensation" means the average compensation earnable by a member during his last five years of service as an employee, or for any consecutive five year period of service, whichever is the greater; or if he has less than five years of service then the average compensation earnable by him during his total years of service.

"Final compensation."

(16) "Final compensation" means the annual rate of compensation earnable by a member at the time of termination of his employment.

"Annuity."

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

- (18) "Pension" means payments for life derived from contributions made by the employer. All pensions shall be paid in monthly installments. "Pension."
- (19) "Retirement allowance" means the sum of the annuity and the pension. "Retirement allowance."
- (20) "Annuity reserve" means 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 chapter. "Annuity reserve."
- (21) "Pension reserve" means 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 chapter. "Pension reserve."
- (22) "Employee" means any person who may become eligible for membership under this chapter, as set forth in RCW 41.40.120. "Employee."
- (23) "Contributions for the purchase of annuities" means amounts deducted from the compensation of a member, under the provisions of RCW 41.40.330, other than contributions to the retirement system expense fund. "Contributions for the purchase of annuities."
- (24) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such mortality and other tables as may be adopted by the retirement board. "Actuarial equivalent."

SEC. 2. Section 41.40.070, RCW, as derived from section 4, chapter 240, Laws of 1949, is amended to read as follows: Amendment.

(1) The members of the retirement board shall be the trustees of the several funds created by this chapter and the retirement board shall have full power to invest same in bonds or other obligations issued directly by or fully guaranteed by the federal government or any agency thereof, of the state Investment of funds; bonds and other obligations.

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 issued by the state of Washington or any of its political subdivisions or instrumentalities, or in general obligation and revenue bonds issued by any state of the United States, or in any duly constituted authority or agency of such state, or in the general obligation or revenue bonds of any political subdivision of any state of the United States that are legal for investment by mutual savings banks in the state of Washington. 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 board be appropriate or necessary to carry out the purposes of this chapter.

Contracts
of life
insurance
or annuity.

Bank
deposits.

(2) 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 percent of the total amount in the funds provided for by this chapter, on deposit in the state treasury.

Amendment.

SEC. 3. Section 41.40.080, RCW, as derived from section 5, chapter 240, Laws of 1949, is amended to read as follows:

State
treasurer
custodian of
funds.

(1) All bonds or other obligations purchased according to RCW 41.40.070 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 the 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.

(2) 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.

Disbursements by voucher.

(3) 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 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 or the retirement system expense fund.

Treasurer to deposit according to law.

Interest credited to retirement fund or retirement system expense fund.

(4) There is hereby established in the state treasury two separate funds, namely:

Funds established.

(a) The retirement system fund, into which shall be paid all moneys received by the retirement board and from which shall be paid all refunds, adjustments, retirement allowances and other benefits provided for herein. All contributions by members to the retirement system expense fund as provided in RCW 41.40.330 and contributions by employers for the expense of operating the retirement system as provided for herein shall be transferred by the state treasurer from the retirement system fund to the retirement system expense fund upon authorization of the retirement board;

Retirement system fund.

Retirement
system
expense
fund.

(b) The retirement system expense fund, from which shall be paid the expenses of the administration of the retirement system.

Board to
request
appropriation
for admin-
istrative
costs.

(5) For the purpose of providing amounts to be used to defray the cost of such administration, the retirement board shall ascertain at the beginning of each biennium and request from the legislature an appropriation from the retirement system expense fund sufficient to cover estimated expenses for the said biennium.

Employers to
reimburse
retirement
system
expense fund
for admin-
istrative
costs.

(6) In order to reimburse the retirement system expense fund on an equitable basis the retirement board shall, after crediting the estimated amount to be collected as employees' contributions, ascertain and report to each employer the sum necessary to defray its proportional share of the entire expense of the administration of this chapter during the ensuing biennium or fiscal year whichever may be required. Such sum is to be computed in an amount directly proportional to the estimated entire expense of the said administration as the ratio of the number of the employer's members bears to the total number of members in the entire system. It shall then be the duty of all such employers to include in their budgets or otherwise provide the amounts so required.

Board to bill
employers
monthly.

(7) The retirement board shall compute and bill each employer at the end of each month for the amount due for that month to the retirement system expense fund and the same shall be paid as are its other obligations. Such computation as to each such employer shall be made on a basis directly proportional to the ratio the number of the said employer's members bears to the total number of members in the system: *Provided*, That the retirement board may at its discretion establish a system of billing based upon calendar year quarters in which event

Quarterly
billing
permitted.

the said billing shall be at the end of each such quarter.

SEC. 4. Section 41.40.100, RCW, as derived from section 6, chapter 240, Laws of 1949, is amended to read as follows: Amendment.

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

(1) 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 in event of his death, as provided in this chapter, shall be paid from the employees' savings fund. Any accumulated contributions forfeited by failure of a member, or his estate, to claim the same as provided for in this chapter shall be transferred from the employees' savings fund to the income fund. The accumulated contributions of a member, upon the commencement of his annuity payments, shall be transferred from the employees' savings fund to the benefit account fund. Employees' savings fund; deposits.
Individual accounts to be kept.
Returned contributions paid from fund.
Transfers to income fund.
Transfers to benefit account fund.

(2) The benefit account fund shall be the fund in which shall be accumulated the reserves for the payment of all pensions and in which shall be held the reserves for annuity payments and death benefits, if any, in respect of any beneficiary receiving annuity payments. The amounts contributed by the employer to provide pension benefits shall be credited to the benefit account fund. The benefit account Benefit account fund; deposits.

Payments
from.

Transfers to
employees'
savings fund.

Income fund;
deposits.

Transfers for
special re-
quirements.

Interest to
be credited
annually to
other funds.

Unclaimed
contribu-
tions.

fund shall be the fund from which shall be paid all pensions, and all annuities, or benefits in lieu thereof because of which reserves have been transferred from the employees' savings fund to the benefit account fund. At the time a recipient of a retirement allowance again becomes a member there shall be transferred from the benefit account fund to the employees' savings fund and credited to the individual account of such a member a sum that shall be equal to the then present value of the annuity portion of his retirement allowance, computed upon the interest and mortality basis then in use by the retirement system for the computation of annuities.

(3) 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 retirement system 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 subdivisions (1) and (2) 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*, That interest on contributions from members within any one 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 accumulated contributions standing to the account of a terminated member and unclaimed after the expiration of fifteen years from the date of such termination except as provided in sections RCW 41.40.150 (3) and RCW 41.40.170, shall

thereafter become an integral part of the income fund. All income, interest, and dividends derived from the deposits and investments authorized by this chapter shall be paid into the income fund with the exception of interest derived from sums deposited in the retirement system expense 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 chapter, or any other moneys the disposition of which is not otherwise provided for herein, shall be credited to the income fund.

Income,
interest and
dividends.Gifts and
bequests.Other
deposits.

SEC. 5. Section 41.40.120, RCW, as derived from section 2, chapter 50, Laws of 1951, is amended to read as follows:

Amendment.

Membership in the retirement system shall consist of all regularly compensated employees and appointive and elective officials of employers as defined in this chapter who have served at least six months without interruption, with the following exceptions:

Membership.

(1) Persons in positions requiring normally less than five months of uninterrupted service a year;

Exceptions.

Under
5 months.

(2) Employees of the legislature except the officers thereof elected by the members of the senate and the house and legislative committees, unless membership of such employees be authorized by the said committee;

Certain
legislative
employees.

(3) Persons holding elective offices or persons appointed directly by the governor: *Provided*, That such persons shall have the option of applying for membership and to be accepted by the action of the retirement board, such membership may become effective at the start of the term of office: *And provided further*, That any such persons previously

Certain
officers.

Option.

Previously
ineligible
employees.

denied service credit because of any prior laws excluding membership which have subsequently been repealed, shall nevertheless be allowed to recover or regain such service credit denied or lost because of the previous lack of authority;

Employees under another system.

(4) Employees holding membership in, or receiving pension benefits under, any retirement plan operated wholly or in part by an agency of the state or political subdivision thereof, or who are by reason of their current employment contributing to or otherwise establishing the right to receive benefits from any such retirement plan: *Provided, however,* In any case where the state employees' retirement system has in existence an agreement with another retirement system in connection with exchange of service credit or an agreement whereby members can retain service credit in more than one system, such an employee shall be allowed membership rights should the agreement so provide: *And provided further,* That an employee shall be allowed membership if otherwise eligible while receiving survivor's benefits as secondary payee under the optional retirement allowances as provided by RCW 41.40.290;

Agreement between systems.

Recipient of survivor's benefits as secondary payee under optional retirement allowances.

Patient and inmate help.

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

Veterans' home members.

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

Employed incident to education.

(7) Persons employed by an employer or serving in an institution operated by an employer, primarily as an incident to and in furtherance of their education or training;

Employees of university and state college.

(8) Employees of the University of Washington and the State College of Washington during the period of service necessary to establish eligibility for membership in the retirement plans operated by such institutions;

(9) Persons rendering professional services to

an employer on a fee, retainer or contract basis or as an incident to the private practice of a profession.

Fee basis services.

SEC. 6. Section 41.40.140, RCW, being section 9, chapter 240, Laws of 1949, is hereby repealed.

Repealing clause.

SEC. 7. Section 41.40.150, RCW, as derived from section 3, chapter 50, Laws of 1951, is amended to read as follows:

Amendment.

Should any member die, or should he separate or be separated from service without leave of absence before attaining age sixty years, or should he become a beneficiary, except a beneficiary of an optional retirement allowance as provided by RCW 41.40.290, he shall thereupon cease to be a member: *Provided*, That any member who would have attained sixty years or more by April 1, 1949, who shall be involuntarily separated from service prior to that date, with ten years or more service, shall not thereby lose his right to benefits under this chapter. Should he again become employed by an employer he shall enter the retirement system as a new member and his membership service shall be computed from the date he last became a member, except;

Cessation of membership.

Exception.

Reemployment, effect.

(1) As provided in RCW 41.40.170.

(2) An employee who reenters or has reentered service within ten years from the date of his separation, shall upon completion of six months of continuous service and upon the restoration of all withdrawn contributions, which restoration must be completed within a total period of three years of membership service following his first resumption of employment, be returned to the status, either as an original member or new member which he held at time of separation.

Reemployment within 10 years.

(3) A member separated for reasons beyond his control, who has completed at least fifteen years of service, or who has completed at least ten years of service and is age fifty or older shall remain a mem-

Separation for reasons beyond member's control.

ber during the period of his absence from service for the exclusive purpose only of receiving a retirement allowance to begin at attainment of age sixty-five, however, such a member may upon thirty days written notice to the board elect to receive a reduced retirement allowance on or after age sixty which allowance shall be the actuarial equivalent of the sum necessary to pay regular retirement benefits as of age sixty-five: *Provided*, That if such member should withdraw all or part of his accumulated contributions he shall thereupon cease to be a member unless the amounts so withdrawn be restored before his retirement age is reached.

Withdrawal
of contribu-
tions.

Reemploy-
ment of
retirement
allowance
recipient.

(4) The recipient of a retirement allowance who has not yet reached the compulsory retirement age of seventy and who shall be employed in an eligible position shall be considered to have terminated his retirement status and he shall immediately become a member of the retirement system with the status of membership he had as of the date of his retirement. Retirement benefits shall be suspended during the period of his eligible employment and he shall make contributions and receive membership credit. Such a member shall have the right to retire or shall be retired if eligible in accordance with RCW 41.40-.180: *Provided*, That where any such right to retire is exercised to become effective before the member has rendered six uninterrupted months of service the type of retirement allowance he had at the time of his previous retirement shall be reinstated, but no additional service credit shall be available.

Employee
transfers to
state
agencies
without
jurisdiction
of state
employees'
retirement
system.

(5) Subject to the provisions of RCW 41.04.070, 41.04.080 and 41.04.100, any member who leaves the employment of an employer and enters the employ of a public agency or agencies of the state of Washington, other than those within the jurisdiction of the state employees' retirement system, and who establishes membership in a retirement system or

a pension fund operated by such agency or agencies and who shall continue his membership therein until attaining age sixty, shall remain a member for the exclusive purpose only of receiving a retirement allowance without the limitation found in RCW 41.40.190 (5) to begin on attainment of age sixty-five, however, such a member may upon thirty days written notice to the retirement board elect to receive a reduced retirement allowance on or after age sixty which allowance shall be the actuarial equivalent of the sum necessary to pay regular retirement benefits commencing at age sixty-five: *Provided*, That if such member should withdraw all or part of his accumulated contributions, he shall thereupon cease to be a member unless the amount so withdrawn be restored before his retirement age is reached.

Withdrawal
of contribu-
tions.

SEC. 8. Section 41.40.160, RCW, as derived from section 4, chapter 50, Laws of 1951, is amended to read as follows:

Amendment.

(1) Subject to the provisions of RCW 41.40.150, at retirement the total service credited to a member shall consist of all his membership service and, if he is an original member, all of his certified prior service.

Total service
credit.

(2) Employees of a public utility or other private enterprise heretofore or hereafter acquired by a public agency as a matter of public convenience and necessity, where it is in the public interest to retain the trained personnel of such enterprise, all service to that enterprise shall, upon the acquiring public agency becoming an employer as defined in RCW 41.40.010 (4) be credited on the same basis as if rendered to the said employer: *Provided*, That this shall apply only to those employees who are in the service of the enterprise at the time of acquisition by the public agency and who remain in the service of the acquiring agency until they attain membership in the state employees' retirement system: *Provided*

Acquisition
of private
enterprise
by public
agency.

further, In the event that the acquiring agency is an employer at the time of the acquisition, employer's contributions in connection with members achieving service credit hereunder shall be made on the same basis as set forth in RCW 41.40.360 (4) for an employer admitted after April 1, 1949.

Amendment.

SEC. 9. Section 41.40.170, RCW, as derived from section 12, chapter 240, Laws of 1949, is amended to read as follows:

Credit for military 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 and who left or shall leave an employer to enter such service shall be deemed to be on military leave of absence if he has resumed or shall resume employment as an employee within one year from termination thereof, or if he has applied or shall apply for reinstatement of employment and is refused employment for reasons beyond his control within one year from termination of the military service shall upon resumption of service within ten years from termination of military service have his service in such armed forces credited to him as a member of the retirement system: *Provided*, That no such military service in excess of five years shall be credited unless such service was actually rendered during time of war or emergency: *And provided further*, That he restore all withdrawn accumulated contributions, which restoration must be completed within three years of membership service following his first resumption of employment.

Restoration of withdrawn contributions.

Amendment.

SEC. 10. Section 41.40.180, RCW, as derived from section 1, chapter 81, Laws of 1951, is amended to read as follows:

Member aged 60 may retire.

(1) On and after April 1, 1949, any member who has attained age sixty or over may retire upon his written application to the retirement board, setting forth at what time, not less than thirty days, nor more

than ninety 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, subject to the provisions of subsection (2) of this section, the age at which any member may be eligible to retire.

During war board may extend retirement age.

(2) On and after April 1, 1949, any member who has attained age seventy shall be retired forthwith on the first day of the calendar month next succeeding that in which the said member shall have attained the age of seventy: *Provided*, That a member who has attained the age of seventy is possessed of special skill in the performance of particular duties, the retirement board shall continue such member in service for such period or periods as may be applied for by the governing body of the political subdivision where the member is employed or the head of the department, agency, commission board and offices of the state.

Member age 70 shall be retired.

Member possessed of special skill.

(3) On and after April 1, 1953, any member who has completed thirty years of service may retire on his written application to the retirement board, if he so desires, subject to war measures.

Member of 30 years service.

SEC. 11. Section 41.40.190, RCW, as derived from section 5, chapter 50, Laws of 1951, is amended to read as follows:

Amendment.

Upon retirement from service, as provided for in RCW 41.40.180, a member shall receive a service retirement allowance which shall consist of:

Service retirement allowance.

(1) An annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and

Annuity.

(2) A basic service pension, subject to the provisions of subdivisions (4) and (5) of this section, of one hundred dollars per annum: *Provided*, That the basic service pension shall be allowed in the computation of pension benefits only to the extent

Basic service pension.

that the same when added to a membership service pension as provided by subdivision (3) hereof will not result in a pension benefit in excess of nine hundred dollars per annum and a total pension as provided by subdivision (4) hereof in excess of eighteen hundred dollars per annum; and

Membership
service
pension.

(3) A membership service pension, subject to the provisions of subdivision (5) of this section, which shall be equal to one one-hundred fortieth of his average final compensation for each year or fraction of a year of membership service credited to his service account, not to exceed thirty-five years; and

Prior service
pension.

(4) A prior service pension which shall be equal to one-seventieth of his average final compensation for each year or fraction of a year of prior service not to exceed thirty years credited to his service accounts: *Provided*, That if the membership service when added to the prior service exceeds thirty-five years, then the membership service shall be reduced so that the total of membership service and prior service is not greater than thirty-five years. In no event, however, shall any original member upon retirement at age seventy with ten years of service credit receive less than nine hundred dollars per annum as a retirement allowance. In the event that the retirement allowance as to such member provided by subdivisions (1), (2), (3), and (4) hereof shall amount to less than the said nine hundred dollars the basic service pension of the member shall be increased from one hundred dollars to a sum sufficient to make a retirement allowance of that amount.

Minimum
years service
of new
member for
annuity
and pension
portions.

(5) To be eligible to receive the annuity portion derived from the member's accumulated contributions under subdivision (1) and the pension portions provided by the employer under subdivisions (2) and (3) of this section, a new member must have at least five years of membership service credited to

his service account, unless he becomes eligible for benefits provided for herein under RCW 41.40.200, 41.40.210 and 41.40.220.

(6) Retirement allowances paid to members eligible to retire under the provisions of RCW 41.40.180 (2), 41.40.200, 41.40.210, 41.40.220, 41.40.230, 41.40.240 and 41.40.250 shall accrue from the first day of the calendar month immediately following the calendar month during which the member is separated from service. Retirement allowances paid to members eligible to retire under any other provisions of this act shall accrue from the first day of a calendar month but in no event earlier than the first day of the calendar month immediately following the calendar month during which the member is separated from service.

Accrual date of retirement allowances.

SEC. 12. Section 41.40.220, RCW, as derived from section 16, chapter 240, Laws of 1949, is amended to read as follows:

Amendment.

Upon retirement for disability, as provided in RCW 41.40.200, a member who has not attained age sixty shall receive the following benefits, subject to the provisions of RCW 41.40.310 and 41.40.320:

Duty disability benefits; before age 60.

(1) A disability retirement pension of two-thirds of his average final compensation to his attainment of age sixty, subject to the provisions of RCW 41.40.310. The disability retirement pension provided by the employer shall not exceed eighteen hundred dollars per annum, and

(2) Upon attainment of age sixty, the disabled member shall receive a pension, as provided for in RCW 41.40.190, subdivisions (2), (3), and (4), 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 contributions to be based upon his final compensation at the time of his disability.

After age 60.

Contributions to and balance in employees' savings fund.

(3) During the period a disabled member is receiving a disability pension, as provided for in subdivision (1) of this section, his contributions to the employees' savings fund shall be suspended and his balance in the employees' savings 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, while a disability beneficiary, upon receipt by the retirement board of proper proof of death, his accumulated contributions standing to his credit in the employees' savings fund, 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 representative.

Death before age 60.

Amendment.

SEC. 13. Section 41.40.250, RCW, as derived from section 26, chapter 274, Laws of 1947, is amended to read as follows:

Non-duty disability benefits; before age 60.

Upon retirement for disability, as provided in RCW 41.40.230, a member who has not attained age sixty shall receive a disability retirement allowance, subject to the provisions of RCW 41.40.310 and 41.

After age 60.

.40.320. Upon attaining age sixty he shall receive a service retirement allowance as provided for in RCW 41.40.190 except that the annuity portion thereof shall consist of a continuation of the cash refund annuity previously provided to him. His disability retirement allowance prior to age sixty shall consist of:

Composition of disability retirement allowance prior to age 60.

(1) A cash refund annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and

(2) A pension, in addition to the annuity, equal to one one-hundred fortieth of his average final compensation for each year of service not to exceed thirty-

five years. The pension provided by the employer under this paragraph shall not exceed fifteen hundred dollars per annum; and the total disability retirement allowance, consisting of subdivisions (1) and (2) of this section, shall not exceed eighteen hundred dollars per annum, or one-half of the retiring member's average final compensation whichever is the smaller. If the recipient of a retirement allowance under this section shall die before the total of the annuity portions of the retirement allowance paid to him equals the amount of his accumulated contributions at the date 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.

Death of recipient.

SEC. 14. Section 41.40.270, RCW, as derived from section 1, chapter 141, Laws of 1951, is amended to read as follows:

Amendment.

Should a member die before the date of his retirement the amount of the accumulated contributions standing to his credit in the employees' 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: *Provided*, That this section, unless elected, shall not apply to any member who shall have heretofore died or who shall hereafter die while still in service at an attained age of seventy years or more as provided for in RCW 41.40.290 when said member has elected option II or has a surviving spouse.

Death before retirement date; accumulated contributions payable to whom.

Deceased member 70 years old or more.

Note: This section also amended by section 1, chapter 201, *infra*.

SEC. 15. Section 41.40.290, RCW, as derived from

Amendment.

section 1, chapter 10, Laws of 1951, Second Extraordinary Session, is amended to read as follows:

Election of optional allowances; authorized.

Except as provided by RCW 41.40.250, any member may elect, in accordance with the provisions of this section and in lieu of a regular retirement allowance payable throughout life with termination at death, to receive as an optional retirement allowance the actuarial equivalent, at the time of his retirement, of his regular retirement allowance in accordance with the provisions of options I, II, and III, as hereinafter set forth: *Provided*, That any member who, after June 6, 1951, and prior to December 1, 1951, attempted to make an election of option but which election was invalid under laws then in force either because of failure (1) to file written election of option within twelve months before date of his retirement, or (2) to pass a satisfactory health examination at the time of making such election, shall nevertheless be deemed to have made a valid election of option. No election of an optional retirement allowance shall be effective in case the member making such election dies before his actual retirement date: *Provided, however*, That any option selected in writing by any member who shall have heretofore died or who shall hereafter die while still in service at an attained age of seventy years or more shall be effective and in any such case if no such option shall have been selected, then option II shall automatically be given effect as if in fact selected for the benefit of the surviving spouse, unless such spouse shall elect to take payment under RCW 41.40.270.

Prior elections validated.

Death of elector prior to retirement date.

Death of member 70 years old or more.

Option I.

Option I. 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. 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. 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.

Note: This section also amended by section 2, chapter 201, *infra*.

SEC. 16. Section 41.40.320, RCW, as derived from section 10, chapter 50, Laws of 1951, is amended to read as follows: Amendment.

A disability beneficiary who has been or shall be reinstated to active service 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. 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 nonduty disability as provided in RCW 41.40.230, he shall be given membership service for the period of time he was out of service due to such disability. Disability beneficiary returned to service.

SEC. 17. Section 41.40.330, RCW, as derived from section 11, chapter 50, Laws of 1951, is amended to read as follows: Amendment.

(1) Beginning October 1, 1947, each employee who is a member of the retirement system shall con-

Employee contributions; to employees' savings fund.

To retirement system expense fund.

5% contribution after April 1, 1953.

Payroll officer to make deduction.

Determination of amount earnable.

tribute five percent of that part of his compensation earnable, not in excess of thirty-six hundred dollars in a calendar year, except as provided herein and in subdivision (2) hereof, to the employees' savings fund, and shall contribute one dollar and fifty cents per annum to the retirement system expense fund: *Provided, however,* That beginning January 1, 1950, such retirement system expense fund contribution shall be increased to the amount of two dollars and fifty cents per annum and shall be made by semiannual payments of one dollar and twenty-five cents beginning January 1, 1950, and thereafter each employee entering membership shall contribute the sum of one dollar and twenty-five cents to the retirement system expense fund for the fractional portion of the semiannual period during which he enters or reenters membership: *And provided further,* That each employee shall upon resumption of contributing membership contribute his regular payments to the retirement system expense fund for any period of leave of absence from employment, except for military leave of absence as provided in RCW 41.40.170. On and after April 1, 1953, each employee who is a member of the retirement system shall contribute five percent of his total compensation earnable. 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 on which he became a member of the retirement system, an amount equal to five percent of such member's compensation earnable, as provided by this section. In determining the amount earnable by a member in a payroll period, the retirement board and the employer 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.

(2) Any member may, pursuant to regulations formulated from time to time by the board, provide for himself, by means of an increased rate of contribution to this account in the employees' savings fund, a prospective retirement allowance not to exceed one-half of his prospective average final compensation.

Increase of contributions authorized.

SEC. 18. Section 41.40.360, RCW, as derived from section 12, chapter 50, Laws of 1951, is amended to read as follows:

Amendment.

(1) The contributions by the employer for benefits under the retirement system shall consist of the sum of a percentage of the compensation of members to be known as the "membership service contribution," a percentage of such compensation to be known as the "prior service contribution" and in the case of employers admitted to the retirement system after April 1, 1949, a percentage of such compensation to be known as the "additional contribution." The rates of such contributions shall be determined by the retirement board on the basis of assets and liabilities as shown by actuarial valuation. Until the end of the biennium in which the first actuarial valuation is completed the membership service contribution rate shall be four percent, and the prior service contribution rate shall be one percent.

Employer contributions.

Membership service contribution.

Prior service contribution.

Additional contribution.

Rates.

(2) After the completion of each actuarial valuation subsequent to April 1, 1949, the retirement board shall redetermine the membership service contribution rate and such redetermined contribution rate shall become effective in the ensuing biennium. Until the prior service contributions shall have been discontinued such membership contribution rate shall be determined as the uniform and constant percentage of the prospective compensation of all mem-

Redetermination of membership service contribution rate.

Determination until discontinuance of prior service contributions.

bers in the retirement system at the date of such valuation which is required, together with all funds (other than funds allocated to prior service pensions) currently standing to the credit of the benefit account fund, to provide for the payment of

(a) All future pension benefits (other than prior service benefits) to such members, and

(b) All future benefits (other than prior service benefits) in respect of beneficiaries then receiving retirement allowances or pensions.

Determina-
tion after
discon-
tinuance of
prior service
contribu-
tions.

After the prior service contributions have been discontinued such membership contribution rate shall be determined as the uniform and constant percentage of the prospective compensation of all members of the retirement system at the date of such valuation which is required, together with all funds currently standing to the credit of the benefit account fund, to provide for the payment of

(a) All future pension benefits to such members, and

(b) All future benefits in respect of beneficiaries then receiving retirement allowances or pensions.

Redetermi-
nation of
prior service
contribution
rate.

(3) Following the completion of the first actuarial valuation after April 1, 1949, the retirement board shall redetermine the prior service contribution rate, and such redetermined contribution rate shall become effective in the ensuing biennium. The prior service contribution rate shall be determined as that percentage of annual compensation of all members in the retirement system at the date of such valuation which is equivalent to four percent of the excess of the liability for prior service pensions over the amount currently in the benefit account fund allocated to prior service pensions. Such redetermined prior service contribution rate shall continue until the amount in the benefit account fund allocated to prior service pensions equals the then outstanding liability for prior service pensions.

(4) Any employer admitted to the retirement system after April 1, 1949, shall make an additional contribution at a rate equal to not less than twenty-five percent of the sum of the membership service contribution rate and the prior service contribution rate until such time as the sum of such additional contributions equals the amount of membership service contributions and prior service contributions which such employer would have been required to contribute between April 1, 1949, and the date of such employer's admission to the retirement system: *Provided*, All additional contributions hereunder and under the provisions of RCW 41.40.160 (2) must be completed within ten years from the date of the employer's admission.

Additional contribution of employers admitted after April 1, 1949.

Completion of additional contributions.

SEC. 19. Section 41.40.410, RCW, as derived from section 13, chapter 50, Laws of 1951, is amended to read as follows:

Amendment.

The employees and appointive and elective officials of any political subdivision of the state 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 chapter shall make contributions to the funds of the retirement system as provided in RCW 41.40.080, 41.40.360 and 41.40.370 and its employees shall contribute to the employees' savings fund at the rate established under the provisions of RCW 41.40.330. For the purpose of administering and interpreting this chapter the board may substitute the names of political subdivisions of the state for the "state" and employees of the subdivisions for "state employees" wherever such terms appear in this chapter. The board may also alter any dates mentioned in this chapter for the purpose of making the provisions of the chapter applicable to the entry of any political subdivisions into the system. Any member transferring employ-

Political subdivisions may participate.

Contributions.

Administration.

Member transferring employment.

Accounts of board.

Representation on board.

ment to another employer 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 benefit account 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 member from any of the other political subdivisions to the board in place of two of the state employees' members provided for in this chapter.

Amendment.

SEC. 20. Section 41.40.420, RCW, as derived from section 14, chapter 50, Laws of 1951, is amended to read as follows:

Appeal to superior court, authorized.

Within thirty days after any final decision and order by the retirement board has been communicated to the claimant, such claimant may appeal to the superior court of Thurston county and such appeal shall be heard as a case in equity, but upon such appeal only such issues of law may be raised as were raised before the board. The proceedings in every such appeal shall be informal and summary, but full opportunity to be heard upon the issues of law shall be had before judgment is pronounced. Such appeal shall be perfected by serving a notice of appeal on the executive secretary of the retirement board by personal service or by mailing a copy thereof to the said executive secretary and by filing the notice of appeal together with proof of service thereof with the clerk of the court. The service and the filing together with proof of service of a notice of appeal, all within thirty days, shall be jurisdictional. The executive secretary shall within thirty days after

Proceedings.

Perfection of appeal.

Jurisdictional steps.

receipt of such notice of appeal serve and file on behalf of the retirement board notice of appearance upon the appellant or his attorney of record and such appeal shall thereupon be deemed at issue. The executive secretary shall promptly serve upon the appellant and file with the clerk of the court, a certified copy of the complete record of the hearing before the retirement board which shall, upon being so filed, become the record in such case. Appeal shall lie from the judgment of the superior court to the supreme court as in other cases.

Duties of executive secretary.

Appeal to supreme court.

SEC. 21. There is hereby added to chapter 41.40, RCW, a new section to read as follows:

New section.

No person age seventy or more shall be employed in a position that would cause the occupant thereof to be eligible to first become a member, except as provided by RCW 41.40.410. No person age seventy or more shall be employed in a position the occupancy of which would restore him to membership.

Employment of persons over age 70 restricted.

SEC. 22. There is hereby added to chapter 41.40, RCW, a new section to read as follows:

New section.

Any person aggrieved by any final decision of the retirement board must before he appeals to the courts, file with the executive secretary of the retirement board by mail or personally within sixty days from the day such decision was communicated to such person, a notice for a hearing before the retirement board. The notice of hearing shall set forth in full detail the grounds upon which such person considers such decision unjust or unlawful and shall include every issue to be considered by the retirement board, and it must contain a detailed statement of facts upon which such person relies in support thereof. Such persons shall be deemed to have waived all objections or irregularities concerning the matter on which such appeal is taken, other than those specifically set forth in the notice of hear-

Appeals; notice for hearing before retirement board.

ing or appearing in the records of the retirement system.

New section.

SEC. 23. There is hereby added to chapter 41.40, RCW, a new section to read as follows:

Appeals; hearing before board; time and place.

A hearing shall be held by members of the retirement board, or its duly authorized representatives, in the county of the residence of the claimant at a time and place designated by the retirement board.

De novo and summary.

Such hearing shall be *de novo* and summary and no witness' testimony shall be received unless he

Witnesses.

shall first have been sworn to testify the truth, the whole truth and nothing but the truth in the matter being heard, or unless the testimony shall be taken by deposition according to the statutes relating to

Appearance and testimony by board.

superior courts of the state. The retirement board shall be entitled to appear in all such proceedings and introduce testimony in support of the decision.

Oral testimony.

The retirement board shall cause all oral testimony to be stenographically reported and thereafter transcribed and when transcribed, the same with all depositions shall be filed in and remain a part of the

Powers of board.

record of the hearing. Members of the board and its duly authorized representatives shall have power to administer oaths, to preserve and enforce order during such hearings, to issue subpoenas for and to compel the attendance and testimony of witnesses or the

production of books, papers, documents and other evidence, to examine witnesses and to do all things conformable to law which may be necessary to enable

them, or any of them, effectively to discharge the duties of their office.

New section.

SEC. 24. There is hereby added to chapter 41.40, RCW, a new section to read as follows:

Appeals; hearing before board; contempt procedure.

If any person in proceedings before the board disobeys or resists any lawful order or process or misbehaves during a hearing, or so near the place thereof as to obstruct the same, or neglects to produce, after

having been ordered so to do, any pertinent book, paper, document or other evidence, or refuses to appear after having been subpoenaed, or upon appearing refuses to take the oath as a witness, or after having the oath refuses to be examined according to law, the retirement board or any duly authorized representative thereof shall certify the facts to the superior court having jurisdiction in the place in which the retirement board or its duly authorized representative is sitting, the court shall thereupon, in a summary manner, hear the evidence as to the acts complained of, and, if the evidence so warrants, punish such person in the same manner and to the same extent as for contempt committed before the court, or commit such person upon the same conditions as if doing of the forbidden act had occurred with reference to the proceedings, or in the presence of the court.

SEC. 25. There is hereby added to chapter 41.40, RCW, a new section to read as follows: New section.

At the time and place fixed for hearing each party shall present all his evidence with respect to the issues raised in the notice of hearing: *Provided*, That for good cause shown in the record to prevent hardship, the retirement board or its duly authorized representative upon the application of any party may grant continuances from time to time as the circumstances may require. Appeals; hearing before board; evidence, continuances.

SEC. 26. There is hereby added to chapter 41.40, RCW, a new section to read as follows: New section.

The record of the hearing shall be considered by the retirement board and the decision and order of the majority of the members shall be the decision and order of the retirement board. Every such final decision and order rendered by the retirement board shall be in writing and a copy thereof shall be mailed to each party to the appeal and to his attorney of record. Appeals; hearing before board; decision of board.

Effective date.

SEC. 27. This act is necessary for the immediate preservation of the public peace, health and safety, and for the support of the state government and its existing public institutions, and shall take effect as of April 1, 1953.

Passed the Senate March 11, 1953.

Passed the House March 10, 1953.

Approved by the Governor March 19, 1953.

CHAPTER 201.

[H. B. 223.]

STATE EMPLOYEES' RETIREMENT—ACCUMULATED CONTRIBUTIONS—OPTIONAL ALLOWANCES.

AN ACT relating to the state employees' retirement system, amending sections 41.40.270 and 41.40.290, RCW, and declaring an emergency.

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

Amendment.

SECTION 1. Section 41.40.270, RCW, as derived from section 28, chapter 274, Laws of 1947, as last amended by section 1, chapter 141, Laws of 1951, is amended to read as follows:

Death before retirement date; accumulated contributions payable to whom.

Should a member die before the date of his retirement the amount of the accumulated contributions standing to his credit in the employees' 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: *Provided*, That this section, unless elected, shall not apply to any member who shall have heretofore died or who shall hereafter die while still in service at an attained age of sixty years or more as provided for

Deceased member 60 years old or more.