

## CHAPTER 81.

[ House Bill No. 364. ]

## TEACHERS' RETIREMENT SYSTEM.

AN ACT relating to the state teachers' retirement system; amending section 1, chapter 80, Laws of 1947 as last amended by section 1, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.010; amending section 20, chapter 80, Laws of 1947 as last amended by section 3, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.200; amending section 24, chapter 80, Laws of 1947 as last amended by section 4, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.240; amending section 47, chapter 80, Laws of 1947 as amended by section 15, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.470; amending section 50, chapter 80, Laws of 1947 as amended by section 23, chapter 274, Laws of 1955, and RCW 41.32.500; amending section 52, chapter 80, Laws of 1947 as last amended by section 3, chapter 183, Laws of 1957, and RCW 41.32.520; amending section 21, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.523; amending section 31, chapter 80, Laws of 1947 as amended by section 12, chapter 274, Laws of 1955, and RCW 41.32.310; and providing an effective date.

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

RCW 41.32.010  
amended.

SECTION 1. Section 1, chapter 80, Laws of 1947 as last amended by section 1, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.010 are each amended to read as follows:

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tirement.  
Definitions.

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

(1) "Accumulated contributions" means the sum of all regular annuity contributions together with regular interest thereon less cost of operation.

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

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

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

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

(6) "Beneficiary" means any person in receipt of a retirement allowance or other benefit provided for by the teachers' retirement law.

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

(8) "Creditable service" means membership service plus prior service for which credit is allowable.

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

(10) "Disability allowance" means monthly payments during disability.

(11) "Earnable compensation" means all salaries and wages paid by an employer to an employee member of the retirement system for personal services rendered during a fiscal year, except that any part of salaries and wages in excess of fifteen thousand dollars per annum shall be excluded in determining the earnable compensation of a member. In all cases where compensation includes maintenance the board of trustees shall fix the value of that part of the compensation not paid in money.

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

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

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

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

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

(17) "Membership service" means service rendered subsequent to the first day of eligibility of a person to membership in the retirement system.

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

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

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

(21) "Prior service" means service rendered prior to the first date of eligibility to membership in the retirement system for which credit is allowable.

(22) "Prior service contributions" means contributions made by a member to secure credit for prior service.

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

(24) "Regular contributions" means the amounts required to be deducted from the compensation of

a member and credited to his individual account in the annuity fund.

(25) "Regular interest" means the interest on funds of the retirement system for the current school year and such other earnings as may be applied thereon by the board of trustees.

(26) "Retirement allowance" means the sum of annuity and pension or any optional benefits payable in lieu thereof.

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

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

(29) "Survivors' benefit fund" means the fund from which survivor benefits are paid to dependents of deceased members.

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

SEC. 2. Section 20, chapter 80, Laws of 1947 as last amended by section 3, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.200 are each amended to read as follows:

RCW 44.32.200 amended.

The board of trustees shall be the trustees of the several funds created by this chapter and shall have full power to authorize the state finance committee to invest and reinvest such funds in the following classes of securities, and not otherwise:

Authority over funds—Investments authorized.

(1) Bonds, notes, or other obligations of the United States or its agencies, or of any corporation

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wholly owned by the government of the United States, or those guaranteed by, or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof;

(2) Bonds or other evidences of indebtedness of this state or a duly authorized authority or agency thereof; and full faith and credit obligations of, or obligations unconditionally guaranteed as to principal and interest by any other state of the United States and the Commonwealth of Puerto Rico;

(3) Bonds, debentures, notes, or other full faith and credit obligations issued, guaranteed, or assumed as to both principal and interest by the government of the Dominion of Canada, or by any province of Canada: *Provided*, That the principal and interest thereof shall be payable in United States funds, either unconditionally or at the option of the holder;

(4) Bonds, notes, or other obligations of any municipal corporation, political subdivision or state supported institution of higher learning of this state, issued pursuant to the laws of this state: *Provided*, That the issuer has not, within ten years prior to the making of the investment, been in default for more than three months in the payment of any part of the principal or interest on any debt evidenced by its bonds, notes, or obligations;

(5) Bonds, notes, or other obligations issued, guaranteed or assumed by any municipal or political subdivision of any other state of the United States: *Provided*, That any such municipal or political subdivision, or the total of its component parts, shall have a population as shown by the last preceding federal census of not less than ten thousand and shall not within ten years prior to the making of the investment have defaulted in payment of prin-

principal or interest of any debt evidenced by its bonds, notes or other obligations for more than ninety days;

(6) Bonds, debentures, notes, or other obligations issued, guaranteed, or assumed as to both principal and interest by any city of Canada which has a population of not less than one hundred thousand inhabitants: *Provided*, That the principal and interest thereof shall be payable in United States funds, either unconditionally or at the option of the holder: *Provided further*, That the issuer shall not within ten years prior to the making of the investment have defaulted in payment of principal or interest of any debt evidenced by its bonds, notes or other obligations for more than ninety days;

(7) Bonds, notes, or other obligations issued, assumed, or unconditionally guaranteed by the international bank for reconstruction and development, or by the federal national mortgage association;

(8) Bonds, debentures, or other obligations issued by a federal land bank, or by a federal intermediate credit bank, under the act of congress of July 17, 1916, known as the "federal farm loan act," as amended or supplemented from time to time;

(9) Obligations of any public housing authority or urban redevelopment authority issued pursuant to the laws of this state relating to the creation or operation of a public housing or urban redevelopment authority;

(10) Obligations of any other state, municipal authority or political subdivision within the state issued pursuant to the laws of such state with principal and interest payable from tolls or other special revenues: *Provided*, That the issuer has not, within ten years prior to the making of the investment, been in default for more than three months in the pay-

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ment of any part of the principal or interest on any debt evidenced by its bonds, notes, or obligations;

(11) Corporate bonds and debentures issued by any corporation duly organized and operating in any state of the United States: *Provided*, That such securities are rated not less than "A" by two nationally recognized rating agencies: *Provided further*, That investment in bonds and debentures in this subsection (11) shall be limited to twenty percent of any one issue;

(12) Investments in savings and loan associations organized under federal or state law, insured by the federal savings and loan insurance corporation, and operating in this state: *Provided*, That the investment of any one fund in any one such savings and loan association shall not exceed the amount insured by the federal savings and loan insurance corporation;

(13) Savings deposits in commercial banks and mutual savings banks organized under federal or state law, insured by the federal deposit insurance corporation, and operating in this state: *Provided*, That the deposit of any one fund in any such banks shall not exceed the amount insured by the federal deposit insurance corporation;

(14) First mortgages on unencumbered real property which are insured by the Federal Housing Administration under the National Housing Act (as from time to time amended), or are guaranteed by the Veterans Administration under the Servicemen's Readjustment Act of 1944 (as from time to time amended), or are otherwise insured or guaranteed by the United States of America, or by any agency or instrumentality of the United States of America, so as to give the investor protection essentially the same as that provided by the said National Housing Act or the said Servicemen's Readjustment Act. In the event that a state in-

vestment board is not created the state finance committee shall first analyze and appraise the board's procedures and policies for investing in such mortgages;

(15) Capital notes or debentures of any national or state bank doing business in the United States of America; and

(16) Equipment trust certificates issued by any corporation duly organized and operating in any state of the United States of America.

Subject to the above limitations and subject to any limitations, conditions, and restrictions contained in policy-making resolutions adopted by the state teachers' retirement board, the state finance committee shall have the power to make purchases, sales, exchanges, investments and reinvestments, of any of the securities and investments in which any of the funds created herein shall have been invested, as well as the proceeds of said investments and any moneys belonging to said funds: *Provided*, That no sale or exchange shall be at a price less than the market price of the securities or investments to be sold or exchanged.

SEC. 3. Section 24, chapter 80, Laws of 1947 as last amended by section 4, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.240 are each amended to read as follows:

RCW 41.32.240 amended.

All teachers employed full time in the public schools shall be members of the system except those who have previously exempted themselves from membership and alien teachers who have been granted a temporary permit to teach as exchange teachers. A minimum of ninety days or the equivalent of ninety days of employment during a fiscal year shall be required to establish membership. A teacher shall be considered as employed full time if serving regularly for four-fifths or more of a school day or if assigned to duties which are the

Membership in system—Procedure and qualifications when exempted person desires membership.



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equivalent of four-fifths or more of a full time assignment. A teacher who is employed for less than full time service may become a member by filing an application with the retirement system, submitting satisfactory proof of teaching service and making the necessary payment before June 30 of the school year immediately following the one during which the service was rendered. If an exempted teacher desires membership he must file with the board of trustees a written request, duly executed, that his exemption certificate be canceled, present proof of service, and make the necessary payment before June 30 of the school year immediately following the one in which his request for cancellation of the exemption was filed. Any teacher who is still exempt from membership in the teachers' retirement system after July 1, 1965 and chooses not to become a member of the teachers' retirement system may continue his exemption and shall not become a member of the state employees' retirement system while employed as a teacher. All service rendered in this state subsequent to his exemption from membership must be established by proper proof and paid for, with interest at three percent, upon the same basis as he would have paid had he been a member during the period covered by his exemption. Twenty percent of the total amount due must be paid before membership can be established. Payment of the remainder, including interest, must be completed before June 30th of the fourth school year following that in which membership was established. A minimum of five years of membership in the present system and/or the former state fund or a local fund shall be required of a member who was formerly exempt from membership before such member may qualify for a retirement allowance.

SEC. 4. Section 47, chapter 80, Laws of 1947 as amended by section 15, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.470 are each amended to read as follows:

RCW 41.32.470 amended.

A member must have established or reestablished with the retirement system at least five years of credit for public school service in this state to be entitled to a retirement allowance.

Eligibility for retirement allowance.

SEC. 5. Section 50, chapter 80, Laws of 1947 as amended by section 23, chapter 274, Laws of 1955, and RCW 41.32.500 are each amended to read as follows:

RCW 41.32.500 amended.

Membership in the retirement system is terminated and the prior service certificate becomes void when a member retires for service or disability, dies, withdraws his accumulated contributions, transfers his membership to the state employees' retirement system or is unemployed in the public schools of the state for five consecutive years; however, a member may retain membership in the teachers' retirement system by leaving his accumulated contributions in the teachers' retirement fund under one of the following conditions:

Termination of membership—When membership may be retained.

(1) If he is eligible for retirement;

(2) If he is a member of another public retirement system in the state of Washington by reason of change in employment and has arranged to have membership extended during the period of such employment;

(3) If he is not eligible for retirement but has established ten or more years of Washington membership service credit.

SEC. 6. Section 52, chapter 80, Laws of 1947 as last amended by section 3, chapter 183, Laws of 1957, and RCW 41.32.520 are each amended to read as follows:

RCW 41.32.520 amended.

Upon receipt of proper proofs of death of any member before retirement or before the first in-

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stallment of his retirement allowance shall become due his accumulated contributions shall be paid to his estate or to such persons as he shall have nominated by written designation duly executed and filed with the board of trustees. If a member fails to file a new beneficiary designation subsequent to marriage, divorce, or re-establishment of membership following termination by withdrawal, lapsation or retirement, payment of his accumulated contributions upon death before retirement shall be made to the surviving spouse, if any; otherwise, to his estate. If a member had established five or more years of Washington membership service credit and was in active service or receiving or entitled to receive temporary disability payments at the time of his death, the named beneficiary or the surviving spouse if otherwise eligible may elect, in lieu of a cash refund, the following survivor benefit plan:

(1) A widow or dependent widower, without a child or children under eighteen years of age, may elect a monthly payment of fifty dollars to become effective at age fifty, provided the member had fifteen or more years of Washington membership service credit.

(2) If the member was eligible for retirement the named beneficiary, if the surviving spouse or dependent, may elect to receive a retirement allowance under Option 2. This election shall also be available to the spouse or a dependent of a member who has died while eligible for retirement during the period July 1, 1947, to June 30, 1955, inclusive, upon the repayment to the teachers' retirement fund of the refunded contributions. No benefits may be paid for any months prior to July 1, 1955.

If no named beneficiary survives a member, at his death his accumulated contributions shall be

paid to his estate, or his dependents may qualify for survivor benefits in lieu of a cash refund in the following order: Widow or dependent widower, guardian of a dependent child or children under age eighteen, or dependent parent or parents.

Under survivors' benefit plan (1) the board of trustees shall transfer to the survivors' benefit fund the accumulated contributions of the deceased member together with an amount from the pension fund determined by actuarial tables to be sufficient to fully fund the liability. Benefits shall be paid from the survivors' benefit fund monthly and terminated at the marriage of the beneficiary.

SEC. 7. Section 21, chapter 14, Laws of 1963 Ex. Sess., and RCW 41.32.523 are each amended to read as follows:

RCW 41.32.523 amended.

Upon receipt of proper proof of death of a member who does not qualify for the death benefit of three hundred dollars under RCW 41.32.522, or a former member who was retired for age, service or disability, a death benefit of one hundred fifty dollars shall be paid from the death benefit fund to his estate or to such persons as he shall have nominated by written designation duly executed and filed with the board of trustees: *Provided*, That the retired former member had established not less than ten years of credit with the retirement system for full time Washington membership service.

Death benefits  
—Retired  
former mem-  
bers, members  
not qualifying  
under RCW  
41.32.522.

SEC. 8. Section 31, chapter 80, Laws of 1947 as amended by section 12, chapter 274, Laws of 1955, and RCW 41.32.310 are each amended to read as follows:

RCW 41.32.310 amended.

Any member desiring to establish credit for services previously rendered, must present proof and make the necessary payments before June 30, 1970; or, if not employed on the effective date of this act, before June 30th of the fifth school year after entry into public school employment in this state.

Time limit for  
claiming serv-  
ice credit—  
Payments.

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Payments covering all types of membership service credit may be made in a lump sum when due, or in annual installments, with three percent interest. The first annual installment of at least twenty percent of the amount due must be paid before the date specified above, and the final payment before June 30th of the fourth school year following that in which the first payment was made: *Provided*, That a member who had the opportunity under this section prior to July 1, 1965 to establish credit for services previously rendered and failed to do so shall be permitted to establish such credit only for previous public school service rendered in the State of Washington.

Severability.

SEC. 9. If any provision of this act is held to be invalid the remainder of this act shall not be affected.

Effective date

SEC. 10. The effective date of this act is July 1, 1965.

Passed the House March 26, 1965.

Passed the Senate March 24, 1965.

Approved by the Governor April 6, 1965.