

and administer any public or private grants or federal funds which are obtained for these purposes under chapter 43.88 RCW; and

((7)) (8) Take additional actions necessary to gain acceptance of a program of boating safety for this state under the federal boating safety act of 1971.

NEW SECTION. Sec. 5. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the Senate March 4, 1984.

Passed the House March 5, 1984.

Approved by the Governor March 14, 1984.

Filed in Office of Secretary of State March 14, 1984.

CHAPTER 184

[Substitute House Bill No. 843]

RETIREMENT—EXCESS COMPENSATION—TRUST FUND EXPENSES— TRANSFER FROM STATE-WIDE CITY EMPLOYEES SYSTEM TO PUBLIC EMPLOYEES' RETIREMENT SYSTEM—CONSOLIDATED EMPLOYERS— ACCRUED VACATION LEAVE

AN ACT Relating to retirement from public service; amending section 6, chapter 294, Laws of 1977 ex. sess. and RCW 41.26.450; amending section 6, chapter 293, Laws of 1977 ex. sess. and RCW 41.32.775; amending section 6, chapter 295, Laws of 1977 ex. sess. and RCW 41.40.650; amending section 13, chapter 274, Laws of 1947 as last amended by section 1, chapter ... (SB 4731), Laws of 1984 and RCW 41.40.120; amending section 32, chapter 274, Laws of 1947 as last amended by section 7, chapter 155, Laws of 1965 and RCW 41.40.310; amending section 9, chapter 163, Laws of 1982 and RCW 41.50.032; amending section 19, chapter 209, Laws of 1969 ex. sess. as amended by section 6, chapter 294, Laws of 1981 and RCW 41.26.210; amending section 20, chapter 209, Laws of 1969 ex. sess. as amended by section 7, chapter 294, Laws of 1981 and RCW 41.26.220; amending section 21, chapter 209, Laws of 1969 ex. sess. as amended by section 103, chapter 81, Laws of 1971 and RCW 41.26.230; amending section 43.01.040, chapter 8, Laws of 1965 as last amended by section 2, chapter 51, Laws of 1982 1st ex. sess. and RCW 43.01.040; amending section 43.01.041, chapter 8, Laws of 1965 as amended by section 3, chapter 51, Laws of 1982 1st ex. sess. and RCW 43.01.041; adding a new section to chapter 2.10 RCW; adding a new section to chapter 2.12 RCW; adding new sections to chapter 41.04 RCW; adding a new section to chapter 41.26 RCW; adding a new section to chapter 41.32 RCW; adding new sections to chapter 41.40 RCW; adding a new section to chapter 41.50 RCW; adding a new section to chapter 43.43 RCW; repealing section 2, chapter 10, Laws of 1982 1st ex. sess. and RCW 41.32.4985; repealing section 34, chapter 52, Laws of 1982 1st ex. sess. and RCW 41.40.187; repealing section 1, chapter 51, Laws of 1982 1st ex. sess. and RCW 41.04.345; making appropriations; and declaring an emergency.

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

NEW SECTION. Sec. 1. There is added to chapter 41.50 RCW a new section to read as follows:

(1) The employer of any employee whose retirement benefits are based in part on excess compensation, as defined in this section, shall, upon receipt of a billing from the department, pay into the appropriate retirement system

the present value at the time of the employee's retirement of the total estimated cost of all present and future benefits from the retirement system attributable to the excess compensation. The state actuary shall determine the estimated cost using the same method and procedure as is used in preparing fiscal note costs for the legislature. However, the director may in the director's discretion decline to bill the employer if the amount due is less than fifty dollars. Accounts unsettled within thirty days of the receipt of the billing shall be assessed an interest penalty of one percent of the amount due for each month or fraction [fraction] thereof beyond the original thirty-day period.

(2) "Excess compensation," as used in this section, includes any payment that was used in the calculation of the employee's retirement allowance, except regular salary and overtime, but is not limited to a cash out of unused annual leave in excess of two hundred forty hours of such leave, a cash out of any other form of leave, a payment for, or in lieu of, any personal expense, and any other termination or severance payment used in the calculation of the employee's retirement allowance. Any payment which is made pursuant to any labor agreement currently in force shall not be deemed excess compensation. Any payments in excess of regular salary and overtime, and two hundred forty hours of unused annual leave made after the expiration of a current contract shall be excess compensation.

(3) This section applies to the retirement systems listed in RCW 41.50.030 and to retirements occurring on or after the effective date of this act. Nothing in this section is intended to amend or determine the meaning of any definition in chapter 2.10, 2.12, 41.26, 41.32, 41.40, or 43.43 RCW or to determine in any manner what payments are includable in the calculation of a retirement allowance under such chapters.

(4) An employer is not relieved of liability under this section because of the death of any person either before or after the billing from the department.

NEW SECTION. Sec. 2. The following acts or parts of acts are each repealed:

(1) Section 2, chapter 10, Laws of 1982 1st ex. sess. and RCW 41.32-.4985; and

(2) Section 34, chapter 52, Laws of 1982 1st ex. sess. and RCW 41.40.187.

NEW SECTION. Sec. 3. There is added to chapter 2.10 RCW a new section to read as follows:

The director of retirement systems is authorized to pay from the interest earnings of the trust funds of the system lawful obligations of the system for legal expenses and medical expenses which expenses are primarily incurred for the purpose of protecting the trust fund or are incurred in compliance with statutes governing such funds.

The term "legal expense" includes, but is not limited to, legal services provided through the legal services revolving fund, fees for expert witnesses, travel expenses, fees for court reporters, cost of transcript preparation, and reproduction of documents.

The term "medical costs" includes, but is not limited to, expenses for the medical examination or reexamination of members or retirees, the costs of preparation of medical reports, and fees charged by medical professionals for attendance at discovery proceedings or hearings.

NEW SECTION. Sec. 4. There is added to chapter 2.12 RCW a new section to read as follows:

The director of retirement systems is authorized to pay from the interest earnings of the trust funds of the system lawful obligations of the system for legal expenses and medical expenses which expenses are primarily incurred for the purpose of protecting the trust fund or are incurred in compliance with statutes governing such funds.

The term "legal expense" includes, but is not limited to, legal services provided through the legal services revolving fund, fees for expert witnesses, travel expenses, fees for court reporters, cost of transcript preparation, and reproduction of documents.

The term "medical costs" includes, but is not limited to, expenses for the medical examination or reexamination of members or retirees, the costs of preparation of medical reports, and fees charged by medical professionals for attendance at discovery proceedings or hearings.

NEW SECTION. Sec. 5. There is added to chapter 41.26 RCW a new section to read as follows:

The director is authorized to pay from the interest earnings of the trust funds of the system lawful obligations of the system for legal expenses and medical expenses which expenses are primarily incurred for the purpose of protecting the trust fund or are incurred in compliance with statutes governing such funds.

The term "legal expense" includes, but is not limited to, legal services provided through the legal services revolving fund, fees for expert witnesses, travel expenses, fees for court reporters, cost of transcript preparation, and reproduction of documents.

The term "medical costs" includes, but is not limited to, expenses for the medical examination or reexamination of members or retirees, the costs of preparation of medical reports, and fees charged by medical professionals for attendance at discovery proceedings or hearings.

NEW SECTION. Sec. 6. There is added to chapter 41.32 RCW a new section to read as follows:

The director is authorized to pay from the interest earnings of the trust funds of the system lawful obligations of the system for legal expenses and medical expenses which expenses are primarily incurred for the purpose of

protecting the trust fund or are incurred in compliance with statutes governing such funds.

The term "legal expense" includes, but is not limited to, legal services provided through the legal services revolving fund, fees for expert witnesses, travel expenses, fees for court reporters, cost of transcript preparation, and reproduction of documents.

The term "medical costs" includes, but is not limited to, expenses for the medical examination or reexamination of members or retirees, the costs of preparation of medical reports, and fees charged by medical professionals for attendance at discovery proceedings or hearings.

NEW SECTION. Sec. 7. There is added to chapter 41.40 RCW a new section to read as follows:

The director is authorized to pay from the interest earnings of the trust funds of the system lawful obligations of the system for legal expenses and medical expenses which expenses are primarily incurred for the purpose of protecting the trust fund or are incurred in compliance with statutes governing such funds.

The term "legal expense" includes, but is not limited to, legal services provided through the legal services revolving fund, fees for expert witnesses, travel expenses, fees for court reporters, cost of transcript preparation, and reproduction of documents.

The term "medical costs" includes, but is not limited to, expenses for the medical examination or reexamination of members or retirees, the costs of preparation of medical reports, and fees charged by medical professionals for attendance at discovery proceedings or hearings.

NEW SECTION. Sec. 8. There is added to chapter 43.43 RCW a new section to read as follows:

The director is authorized to pay from the interest earnings of the trust funds of the system lawful obligations of the system for legal expenses and medical expenses which expenses are primarily incurred for the purpose of protecting the trust fund or are incurred in compliance with statutes governing such funds.

The term "legal expense" includes, but is not limited to, legal services provided through the legal services revolving fund, fees for expert witnesses, travel expenses, fees for court reporters, cost of transcript preparation, and reproduction of documents.

The term "medical costs" includes, but is not limited to, expenses for the medical examination or reexamination of members or retirees, the costs of preparation of medical reports, and fees charged by medical professionals for attendance at discovery proceedings or hearings.

NEW SECTION. Sec. 9. There is added to chapter 41.40 RCW a new section to read as follows:

(1) Any person who was a member of the state-wide city employees' retirement system governed by chapter 41.44 RCW and who also became a member of the public employees' retirement system on or before the effective date of this act may, in a writing filed with the director, elect to:

(a) Transfer to the public employees' retirement system all service currently credited under chapter 41.44 RCW;

(b) Reestablish and transfer to the public employees' retirement system all service which was previously credited under chapter 41.44 RCW but which was canceled by discontinuance of service and withdrawal of accumulated contributions as provided in RCW 41.44.190. The service may be reestablished and transferred only upon payment by the member to the employees' savings fund of the public employees' retirement system of the amount withdrawn plus interest thereon from the date of withdrawal until the date of payment at a rate determined by the director. No additional payments are required for service credit described in this subsection if already established under this chapter; and

(c) Establish service credit for the initial period of employment not to exceed six months, prior to establishing membership under chapter 41.44 RCW, upon payment in full by the member of the total employer's contribution to the benefit account fund of the public employees' retirement system that would have been made under this chapter when the initial service was rendered. The payment shall be based on the first month's compensation earnable as a member of the state-wide city employees' retirement system and as defined in RCW 41.44.030(13). However, a person who has established service credit under RCW 41.40.010(11) (c) or (d) shall not establish additional credit under this subsection nor may anyone who establishes credit under this subsection establish any additional credit under RCW 41.40.010(11) (c) or (d). No additional payments are required for service credit described in this subsection if already established under this chapter.

(2)(a) In the case of a member of the public employees' retirement system who is employed by an employer on the effective date of this act, the written election required by subsection (1) of this section must be filed and the payments required by subsection (1)(b) and (c) of this section must be completed in full within one year after the effective date of this act.

(b) In the case of a former member of the public employees' retirement system who is not employed by an employer on the effective date of this act, the written election must be filed and the payments must be completed in full within one year after reemployment by an employer.

(c) In the case of a retiree receiving a retirement allowance from the public employees' retirement system on the effective date of this act or any person having vested rights as described in RCW 41.40.150(3) or (5), the written election may be filed and the payments may be completed at any time.

(3) Upon receipt of the written election and payments required by subsection (1) of this section from any retiree described in subsection (2)(c) of this section, the department shall recompute the retiree's allowance in accordance with this section and shall pay any additional benefit resulting from such recomputation retroactively to the date of retirement from the system governed by this chapter.

Sec. 10. Section 6, chapter 294, Laws of 1977 ex. sess. and RCW 41-.26.450 are each amended to read as follows:

The required contribution rates to the retirement system for members, employers, and the state of Washington shall be established by the director from time to time as may be necessary upon the advice of the state actuary.

The member, the employer and the state shall each contribute the following shares of the cost of the retirement system:

Member	50%
Employer	30%
State	20%

Any adjustments in contribution rates required from time to time for future costs shall likewise be shared proportionally by the members, employers, and the state: PROVIDED, That the costs of amortizing the unfunded supplemental present value of the retirement system, in existence on September 30, 1977, shall be borne in full by the state.

Any increase in the contribution rate required as the result of a failure of the state or of an employer to make any contribution required by this section shall be borne in full by the state or by that employer not making the contribution.

The director shall notify (~~(the retirement board)~~) all employers of any pending adjustment in the required contribution rate and such increase shall be announced (~~(at a board meeting held)~~) at least thirty days prior to the effective date of the change.

Members' contributions required by this section shall be deducted from the members basic salary each payroll period. The members contribution and the employers contribution shall be remitted directly to the department within fifteen days following the end of the calendar month during which the payroll period ends.

Until such time as the director shall establish other rates, members, employers of such members, and the state shall each contribute the following percentages of basic salary:

Member	8.14%
Employer	4.88%
State	3.28%

In addition, the state shall initially contribute an additional twenty percent of basic salary per member to amortize the unfunded supplemental present value of the retirement system in effect on September 30, 1977.

Sec. 11. Section 6, chapter 293, Laws of 1977 ex. sess. and RCW 41-32.775 are each amended to read as follows:

The required contribution rates to the retirement system for both members and employers shall be established by the director from time to time as may be necessary upon the advice of the state actuary: **PROVIDED**, That the employer contribution shall be contributed as provided in RCW 41.32.401.

Contribution rates required to fund the costs of the retirement system shall always be equal for members and employers, except as herein provided. Any adjustments in contribution rates required from time to time for future costs shall likewise be shared equally by the members and employers: **PROVIDED**, That the costs of amortizing the unfunded supplemental present value of the retirement system, in existence on September 30, 1977, shall be borne in full by the employers.

Any increase in the contribution rate required as the result of a failure of an employer to make any contribution required by this section shall be borne in full by the employer not making the contribution.

The director shall notify ~~((the retirement board))~~ all employers of any pending adjustment in the required contribution rate and such increase shall be announced ~~((at a board meeting held))~~ at least thirty days prior to the effective date of the change.

Members contributions required by this section shall be deducted from the members earnable compensation each payroll period. The members contribution shall be remitted directly to the department within fifteen days following the end of the calendar month during which the payroll period ends and the employers contribution shall be remitted as provided by law.

Until such time as the director shall establish other rates, members and employers of such members shall each contribute 5.66% of earnable compensation: **PROVIDED**, That employers shall initially contribute an additional 5.80% of earnable compensation per member to amortize the unfunded supplemental present value of the retirement system in effect on September 30, 1977.

Sec. 12. Section 6, chapter 295, Laws of 1977 ex. sess. and RCW 41-40.650 are each amended to read as follows:

The required contribution rates to the retirement system for both members and employers shall be established by the director from time to time as may be necessary upon the advice of the state actuary.

Contribution rates required to fund the costs of the retirement system shall always be equal for members and employers, except as herein provided. Any adjustments in contribution rates required from time to time for future costs shall likewise be shared equally by the members and employers: **PROVIDED**, That the costs of amortizing the unfunded supplemental present value of the retirement system, in existence on September 30, 1977, shall be borne in full by the employers.

Any increase in the contribution rate required as the result of a failure of an employer to make any contribution required by this section shall be borne in full by the employer not making the contribution.

The director shall notify (~~(the retirement board)~~) all employers of any pending adjustment in the required contribution rate and such increase shall be announced (~~(at a board meeting held)~~) at least thirty days prior to the effective date of the change.

Members contributions required by this section shall be deducted from the members compensation earnable each payroll period. The members contribution and the employers contribution shall be remitted directly to the department within fifteen days following the end of the calendar month during which the payroll period ends.

Until such time as the director shall establish other rates, members and employers of such members shall each contribute 5.51% of compensation earnable: PROVIDED, That employers shall initially contribute an additional one and one-half percent of compensation earnable per member to amortize the unfunded supplemental present value of the retirement system in effect on September 30, 1977.

Sec. 13. Section 13, chapter 274, Laws of 1947 as last amended by section 1, chapter ... (SB 4731), Laws of 1984 and RCW 41.40.120 are each amended to read as follows:

Membership in the retirement system shall consist of all regularly compensated employees and appointive and elective officials of employers, as defined in this chapter, with the following exceptions:

(1) Persons in ineligible positions;

(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;

(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 director, such application for those taking elective office for the first time after May 21, 1971, shall be submitted within eight years of the beginning of their initial term of office: AND PROVIDED FURTHER, That any such persons previously 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)~~) during such periods of employment: AND PROVIDED FURTHER, That any persons holding or who have held elective offices or persons appointed by the governor who are members in the retirement system and who have, prior to becoming such members, previously held an elective office, and did not at the start of such initial or successive terms of office exercise their option to become members, may apply for membership (~~(and be accepted by action of the director;)~~) to be effective during such

term or terms of office, and shall be allowed to ((recover or regain)) establish the service credit applicable to such term or terms of office upon payment of the employee contributions therefor by the employee with interest as determined by the director and employer contributions therefor by the employer or employee with interest as determined by the director: AND PROVIDED FURTHER, That ((any person who was an elected official eligible to apply for membership pursuant to this subsection, who failed to exercise that option while holding such elected office and who is now a member of the retirement system, shall have the option to recover service credit for such elected service upon payment to the retirement system of the employee and employer contributions which would have been made had the person been a member during the period of such elective service)) all contributions with interest submitted by the employee under this subsection shall be placed in the employee's individual account in the employee's savings fund and be treated as any other contribution made by the employee, with the exception that any contributions submitted by the employee in payment of the employer's obligation, together with the interest the director may apply to the employer's contribution, shall not be considered part of the member's annuity for any purpose except withdrawal of contributions;

(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 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: AND PROVIDED FURTHER, That an employee shall not either before or after the effective date of chapter ... (SB 4731), Laws of 1984 be excluded from membership or denied service credit pursuant to this subsection solely on account of enrollment under the relief and compensation provisions or the pension provisions of the volunteer firemen's relief and pension fund under chapter 41.24 RCW;

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

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

(7) Persons employed by an institution of higher learning or community college, primarily as an incident to and in furtherance of their education or training, or the education or training of a spouse;

(8) Employees of an institution of higher learning or community college 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 when the income from these services is less than fifty percent of the gross income received from the person's practice of a profession;

(10) Persons appointed after April 1, 1963, by the liquor control board as agency vendors;

(11) Employees of a labor guild, association, or organization: **PROVIDED**, That elective officials and employees of a labor guild, association, or organization which qualifies as an employer within this chapter shall have the option of applying for membership;

(12) Persons hired in eligible positions on a temporary basis for a period not to exceed six months: **PROVIDED**, That if such employees are employed for more than six months in an eligible position they shall become members of the system;

(13) Persons employed by or appointed or elected as an official of a first class city that has its own retirement system: **PROVIDED**, That any member elected or appointed to an elective office on or after April 1, 1971, shall have the option of continuing as a member of this system in lieu of becoming a member of the city system. A member who elects to continue as a member of this system shall pay the appropriate member contributions and the city shall pay the employer contributions at the rates prescribed by this chapter. The city shall also transfer to this system all of such member's accumulated contributions together with such further amounts as necessary to equal all employee and employer contributions which would have been paid into this system on account of such service with the city and thereupon the member shall be granted credit for all such service. Any city that becomes an employer as defined in RCW 41.40.010(4) as the result of an individual's election under the first proviso of this subsection shall not be required to have all employees covered for retirement under the provisions of this chapter. Nothing in this subsection shall prohibit a city of the first class with its own retirement system from transferring all of its current employees to the retirement system established under this chapter. Notwithstanding any other provision of this chapter, persons transferring from employment with a first class city of over four hundred thousand population that has its own retirement system to employment with the state department of agriculture may elect to remain within the retirement system of such city and the state shall pay the employer contributions for such persons at like rates as prescribed for employers of other members of such system;

(14) Employees who (a) are not citizens of the United States, (b) do not reside in the United States, and (c) perform duties outside of the United States;

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

(16) Employees who are citizens of the United States and who reside and perform duties for an employer outside of the United States: **PROVIDED**, That unless otherwise excluded under this chapter or chapter 41.04 RCW, the employee may apply for membership (a) within thirty days after employment in an eligible position and membership service credit shall be granted from the first day of membership service, and (b) after this thirty-day period, but membership service credit shall be granted only from the date of application.

Sec. 14. Section 32, chapter 274, Laws of 1947 as last amended by section 7, chapter 155, Laws of 1965 and RCW 41.40.310 are each amended to read as follows:

Once each year during the first five years following the retirement of a member on a disability pension or retirement allowance, and at least once in every three year period thereafter the retirement board may, and upon the member's application shall, require any disability beneficiary, who has not attained age sixty 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 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 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 no longer totally incapacitated for duty as the result of the injury or illness for which the disability was granted, or that he is engaged in a gainful occupation, his disability pension or retirement allowance shall cease: **PROVIDED**, That if the disability beneficiary resumes a gainful occupation and his compensation is less than his compensation earnable at the date of disability, the board shall continue the disability benefits in an amount which when added to his compensation does not exceed his compensation earnable at the date of separation, but the disability benefit shall in no event exceed the disability benefit originally awarded: **PROVIDED FURTHER**, That the compensation earnable at the date of separation is adjusted July 1 of each year by the ratio of the average consumer price index (Seattle, Washington area) for

urban consumers, compiled by the United States department of labor, bureau of labor statistics, for the calendar year prior to the adjustment to the average consumer price index for the calendar year in which separation from service occurred but in no event shall the adjustment result in an amount lower than the original compensation earnable at the date of separation.

Sec. 15. Section 9, chapter 163, Laws of 1982 and RCW 41.50.032 are each amended to read as follows:

(1) The director shall assume all powers, duties, and functions of the retirement boards abolished by RCW 2.10.052, 41.26.051, 41.32.015, 41.40.022, and 43.43.142 except as otherwise assigned in this section.

(2) There is hereby created a state advisory committee to the department of retirement systems which shall serve in an advisory capacity to the director of retirement systems. The committee shall consist of twelve members appointed by the governor as provided in this section:

(a) Three active members and one retired member of the public employees' retirement system;

(b) Two active members, one a law enforcement officer and the other a fire fighter, and one retired fire fighter, of the law enforcement officers' and fire fighters' retirement system;

(c) Two active members, one a teacher and the other an administrator, and one retired member of the teachers' retirement system;

(d) One active member of the state patrol retirement system;

(e) One active member of the judicial retirement system.

The active members appointed under subsections (a), (b), (c), and (d) of this subsection shall be selected from a list of three nominees submitted by each organization representing active members. The retired members appointed under subsections (a), (b), and (c) of this subsection shall be selected from a list of three nominees submitted by each organization representing retired members. The member appointed under subsection (e) of this subsection shall be appointed from a list of three nominees submitted by the state supreme court.

Members shall serve staggered three-year terms as determined by the governor. Members shall serve without compensation but shall be reimbursed for travel expenses in accordance with RCW 43.03.050 and 43.03.060 as now existing or hereafter amended.

(3) The advisory committee shall at its first meeting of each fiscal year elect a chairperson and vice chairperson.

(4) The chairperson shall annually appoint from the committee members a subcommittee for each retirement system covered by this chapter. Each subcommittee shall have one committee member representing the system for which appointed and two other committee members who represent

any other system. The subcommittees shall meet upon the call of the director to review all disability appeals cases which have been heard by a hearings examiner. Having considered the ~~((report of the hearings examiner and all other legally pertinent material))~~ hearings examiner's proposed decision, including findings of fact and conclusions of law, and having personally considered the whole record or such portions thereof as may be cited by the parties, the subcommittee shall make a recommendation to the director for the disposition of the appeal.

Sec. 16. Section 19, chapter 209, Laws of 1969 ex. sess. as amended by section 6, chapter 294, Laws of 1981 and RCW 41.26.210 are each amended to read as follows:

Any person aggrieved by any final decision of the director must, before petitioning for judicial review, file with the director of the retirement system 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 hearing or appearing in the records of the retirement system.

Sec. 17. Section 20, chapter 209, Laws of 1969 ex. sess. as amended by section 7, chapter 294, Laws of 1981 and RCW 41.26.220 are each amended to read as follows:

A hearing shall be held by ~~((members of the retirement board, or its))~~ the director, or the director's duly authorized representative(s), in the county of the residence of the claimant at a time and place designated by the ~~((retirement board))~~ director. Such hearing shall be de novo and shall conform to the provisions of chapter 34.04 RCW, as now or hereafter amended. The disability board and the ~~((director))~~ department shall be entitled to appear in all such proceedings and introduce testimony in support of the decision. Judicial review of any final decision by the ~~((retirement board))~~ director shall be governed by the provisions of chapter 34.04 RCW as now law or hereafter amended.

Sec. 18. Section 21, chapter 209, Laws of 1969 ex. sess. as amended by section 103, chapter 81, Laws of 1971 and RCW 41.26.230 are each amended to read as follows:

No bond of any kind shall be required of a claimant appealing to the superior court, the court of appeals, or the supreme court from a ~~((finding))~~ decision of the ~~((retirement board))~~ director affecting such claimant's right to retirement or disability benefits.

Sec. 19. Section 43.01.040, chapter 8, Laws of 1965 as last amended by section 2, chapter 51, Laws of 1982 1st ex. sess. and RCW 43.01.040 are each amended to read as follows:

Each subordinate officer and employee of the several offices, departments, and institutions of the state government shall be entitled under their contract of employment with the state government to not less than one working day of vacation leave with full pay for each month of employment if said employment is continuous for six months.

Each such subordinate officer and employee shall be entitled under such contract of employment to not less than one additional working day of vacation with full pay each year for satisfactorily completing the first two, three and five continuous years of employment respectively.

Such part time officers or employees of the state government who are employed on a regular schedule of duration of not less than one year shall be entitled under their contract of employment to that fractional part of the vacation leave that the total number of hours of such employment bears to the total number of hours of full time employment.

Each subordinate officer and employee of the several offices, departments and institutions of the state government shall be entitled under his contract of employment with the state government to accrue unused vacation leave not to exceed thirty working days. Officers and employees transferring within the several offices, departments and institutions of the state government shall be entitled to transfer such accrued vacation leave to each succeeding state office, department or institution. All vacation leave shall be taken at the time convenient to the employing office, department or institution: PROVIDED, That if a subordinate officer's or employee's request for vacation leave is deferred by reason of the convenience of the employing office, department or institution, and a statement of the necessity therefor is filed by such employing office, department or institution with the appropriate personnel board or other state agency or officer, then the aforesaid maximum thirty working days of accrued unused vacation leave shall be extended for each month said leave is so deferred. ~~((No agency or department of the state may make any payment to an employee for unused or accrued vacation leave upon termination of employment except in the case of death: PROVIDED, That agencies or departments of the state shall provide a method whereby all accumulated vacation leave may be taken as vacation leave:))~~

Sec. 20. Section 43.01.041, chapter 8, Laws of 1965 as amended by section 3, chapter 51, Laws of 1982 1st ex. sess. and RCW 43.01.041 are each amended to read as follows:

Officers and employees referred to in RCW 43.01.040 whose employment is terminated by their death, reduction in force, resignation, dismissal, or retirement, and who have accrued vacation leave as specified in RCW 43.01.040, shall ~~((have such accrued vacation leave))~~ be paid ((to)) therefor

under their contract of employment, or their estate if they are deceased, or if the employee in case of voluntary resignation has provided adequate notice of termination.

NEW SECTION. Sec. 21. Section 1, chapter 51, Laws of 1982 1st ex. sess. and RCW 41.04.345 are each repealed.

NEW SECTION. Sec. 22. It is the purpose of sections 23 through 28 of this act to govern the retirement rights of persons whose employment status is altered when: (1) Two or more units of local government of this state, at least one of which is a first class city with its own retirement system, enter into an agreement for the consolidated performance of a governmental service, activity, or undertaking; (2) the service, activity, or undertaking is to be performed either by one of the participating local governmental units or by a newly established separate legal entity; and (3) the employees of the participating local governmental units are not all members of the same Washington public retirement system.

Sections 23 through 28 of this act are not intended to and do not govern retirement rights of any members of the retirement systems established by chapter 41.16, 41.18, 41.20, or 41.26 RCW, or of employees described in RCW 35.58.265, 35.58.390, or 70.08.070. To the extent there is any conflict between sections 23 through 28 of this act and RCW 41.04.110, the provisions of sections 23 through 28 of this act shall govern.

NEW SECTION. Sec. 23. Unless the context clearly requires otherwise, the definitions in this section apply throughout sections 22 through 28 of this act.

(1) "Legal entity" means any political subdivision or municipal corporation of the state, including but not limited to public agencies created under RCW 35.63.070, 36.70.060, or 39.34.030.

(2) "Consolidated employer" means the legal entity assigned by agreement to perform a governmental service, activity, or undertaking for two or more units of local government of the state, at least one of which is a first class city with its own retirement system.

(3) "Existing employee" means a person who both (a) becomes employed by the consolidated employer within one year after the consolidation and (b) was employed by one of the combining legal entities at the time of the consolidation.

(4) "New employee" means an employee of the consolidated employer who is not an existing employee.

(5) "Active member" means a member of a retirement system who was making contributions to that retirement system at the time of the consolidation.

NEW SECTION. Sec. 24. If a consolidated employer is a participating member in the public employees' retirement system under chapter 41.40 RCW prior to the consolidation:

(1) All existing employees of the consolidated employer who are active members of the public employees' retirement system immediately prior to the consolidation shall continue to be members of that retirement system while employed by the consolidated employer.

(2) All existing employees of the consolidated employer who are active members of a first class city retirement system under chapter 41.28 RCW immediately prior to the consolidation shall cease to be members of that system at the time of the consolidation and, if eligible, shall immediately become members of the public employees' retirement system. However, any such active member may, by a writing filed with the consolidated employer within thirty days after the consolidation or within thirty days after the effective date of this act, whichever is later, irrevocably elect instead to continue to be a member of the first class city retirement system, thereby forever waiving any rights under the public employees' retirement system based upon employment with the consolidated employer.

(3) Only prospective periods of qualifying service under the public employees' retirement system may be established under this section.

NEW SECTION. Sec. 25. If a consolidated employer is a city operating a first class city retirement system under chapter 41.28 RCW prior to the consolidation:

(1) All existing employees of the consolidated employer who are active members of the first class city retirement system immediately prior to the consolidation shall continue to be members of that retirement system while employed by the consolidated employer.

(2) All existing employees of the consolidated employer who are active members of the public employees' retirement system under chapter 41.40 RCW immediately prior to the consolidation shall cease to be members of that system at the time of the consolidation and, if eligible, shall immediately become members of the first class city retirement system. However, any such active member may, by a writing filed with the consolidated employer within thirty days after the consolidation or within thirty days after the effective date of this act, whichever is later, irrevocably elect instead to continue to be a member of the public employees' retirement system, thereby forever waiving any rights under the first class city retirement system based upon such employment with the consolidated employer.

(3) Only prospective periods of qualifying service under the first class city retirement system may be established under this section.

NEW SECTION. Sec. 26. If a consolidated employer is a newly created legal entity and does not immediately join the public employees' retirement system pursuant to RCW 41.40.410:

(1) All existing employees of the consolidated employer who are active members of a first class city retirement system or the public employees' retirement system immediately prior to the consolidation shall cease to be members of these systems. However, any such active members may, by a

writing filed with the consolidated employer within thirty days after the consolidation or within thirty days after the effective date of this act, whichever is later, irrevocably elect instead to continue as members of the retirement system to which they belonged at the time of the consolidation for all periods of employment with the consolidated employer.

(2) If the consolidated employer later joins the public employees' retirement system, all existing employees still employed on that date shall, effective from that date, have the same retirement system rights and options, subject to the same conditions as employees governed by section 24 of this act, notwithstanding any previous election under subsection (1) of this section.

(3) No new employees of the consolidated employer may become members of an employer-sponsored retirement system until such time as the employer joins the public employees' retirement system pursuant to RCW 41.40.410.

NEW SECTION. Sec. 27. Notwithstanding any provision of section 24, 25, or 26 of this act:

(1) No person may simultaneously accrue any contractual rights whatsoever in more than one Washington public retirement system as a consequence of employment by a consolidated employer.

(2) No person who makes a written election permitted by section 24, 25, or 26 of this act may receive a retirement allowance from such retirement system under any circumstances while employed or reemployed by the consolidated employer.

(3) No person may accrue any benefits or rights under any Washington public retirement system as a result of section 24, 25, or 26 of this act except such rights of continuing membership that are specifically and explicitly granted by section 24, 25, or 26 of this act.

(4) Nothing in sections 22 through 27 of this act is intended to constitute an amendment or waiver of any law or rule of any Washington public retirement system, including but not limited to those governing eligibility for service credit, benefits, or membership, except to broaden the class of legal entities that are deemed to be participating employers in the retirement systems in the specific circumstances stated in sections 24, 25, and 26 of this act.

NEW SECTION. Sec. 28. (1) Consolidated employers that employ persons governed by section 24, 25, or 26 of this act shall comply with all laws and rules governing the retirement system in which the persons participate as members, including but not limited to the obligations to make employer contributions, to deduct and transmit employee contributions, and to submit required reports.

(2) Sections 24, 25, 26, and 27 of this act govern any consolidation occurring on or after December 31, 1981.

NEW SECTION. Sec. 29. Sections 22 through 28 of this act are each added to chapter 41.04 RCW.

NEW SECTION. Sec. 30. (1) There is appropriated for the biennium ending June 30, 1985, from the state general fund to the public employees' retirement system fund the sum of two hundred ten thousand dollars, or so much thereof as may be necessary, to carry out the purposes of section 9 of this act.

(2) There is appropriated to the department of retirement systems for the biennium ending June 30, 1985, from the department of retirement systems expense fund the sum of fifty-five thousand dollars, or so much thereof as may be necessary, to carry out the administration of this act.

NEW SECTION. Sec. 31. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 32. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House March 7, 1984.

Passed the Senate March 7, 1984.

Approved by the Governor March 15, 1984.

Filed in Office of Secretary of State March 15, 1984.

CHAPTER 185

[Engrossed House Bill No. 706]

PROPERTY TAXES—INTEREST AND PENALTIES FOR DELINQUENCIES— WAIVER IN THE YEAR OF CONVEYANCE

AN ACT Relating to property taxes; and adding a new section to chapter 84.56 RCW.

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

NEW SECTION. Sec. 1. There is added to chapter 84.56 RCW a new section to read as follows:

The interest and penalties for delinquencies on property taxes, which taxes are levied on real estate in the year of a conveyance of the real estate and which are collected in the following year, shall be waived by the county treasurer under the following circumstances:

(1) Records conveying the real estate were filed with the county auditor on or before November 30 of the year the taxes are levied;

(2) A grantee's name and address are included in the records; and

(3) The notice for these taxes due, as provided in RCW 84.56.050, was not sent to a grantee due to error by the county. Where such waiver of interest and penalties has occurred, the full amount of interest and penalties