

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE HOUSE BILL 1981**

62nd Legislature  
2011 1st Special Session

Passed by the House May 24, 2011  
Yeas 94 Nays 2

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**Speaker of the House of Representatives**

Passed by the Senate May 21, 2011  
Yeas 42 Nays 0

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1981** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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**ENGROSSED SUBSTITUTE HOUSE BILL 1981**

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AS AMENDED BY THE SENATE

Passed Legislature - 2011 1st Special Session

**State of Washington                      62nd Legislature                      2011 1st Special Session**

**By** House Ways & Means (originally sponsored by Representatives Bailey and Carlyle)

READ FIRST TIME 04/19/11.

1            AN ACT Relating to public employee postretirement employment and  
2 higher education employees' annuities and retirement income plans;  
3 amending RCW 28B.10.400, 28B.10.405, 28B.10.410, 28B.10.415,  
4 28B.10.417, 28B.10.423, 28B.10.430, 41.32.570, 41.32.800, 41.32.802,  
5 41.32.860, 41.32.862, 41.35.060, 41.35.230, 41.37.050, 41.40.037,  
6 41.50.030, 41.50.080, and 41.50.110; adding a new section to chapter  
7 41.32 RCW; adding a new section to chapter 41.40 RCW; creating a new  
8 section; providing effective dates; and declaring an emergency.

9            BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

10            NEW SECTION.    **Sec. 1.** The legislature intends that the retirement  
11 and annuity programs of the state's institutions of higher education be  
12 revised for future participants to reflect changes that have already  
13 occurred in state pension plans. The legislature intends also that  
14 newly hired employees who are eligible for participation in an annuity  
15 or retirement income plan offered by a higher education institution  
16 have an opportunity to participate in either (1) that plan without a  
17 supplemental benefit under RCW 28B.10.400(1)(c), or (2) the public  
18 employees' retirement system plan 3 or the teachers' retirement system  
19 plan 3. Plan 3 provides a combination of defined contribution and

1 defined benefit pension, which will be available for newly hired  
2 employees. Further, the legislature intends that effective July 1,  
3 2011, state funding for annuity or retirement income plans under RCW  
4 28B.10.400 will not exceed six percent of salary. The legislature also  
5 intends to reduce the expanded postretirement employment provisions for  
6 members of the public employees' retirement system plan 1 and the  
7 teachers' retirement system plan 1 that were temporarily expanded due  
8 to the shortage of qualified workers in particular teaching and public  
9 employment categories, and eliminate postretirement employment  
10 exceptions that existed for annuity or retirement income plan-covered  
11 positions that have been the subject of abuse.

12 **Sec. 2.** RCW 28B.10.400 and 2010 c 21 s 1 are each amended to read  
13 as follows:

14 (1) The boards of regents of the state universities, the boards of  
15 trustees of the regional universities and of The Evergreen State  
16 College, ~~((and))~~ the state board for community and technical colleges,  
17 and the higher education coordinating board are authorized and  
18 empowered:

19 ~~((+1))~~ (a) To assist the faculties and such other employees exempt  
20 from civil service pursuant to RCW 41.06.070 (1)(cc) and (2) as any  
21 such board may designate in the purchase of old age annuities or  
22 retirement income plans under such rules as any such board may  
23 prescribe, subject to the restrictions in subsection (2) of this  
24 section. County agricultural agents, home demonstration agents, 4-H  
25 club agents, and assistant county agricultural agents paid jointly by  
26 the Washington State University and the several counties shall be  
27 deemed to be full-time employees of the Washington State University for  
28 the purposes ~~((hereof))~~ of this section;

29 ~~((+2))~~ (b) To provide, under such rules ~~((and regulations))~~ as any  
30 such board may prescribe for the faculty members or other employees  
31 exempt from civil service pursuant to RCW 41.06.070 (1)(cc) and (2)  
32 under its supervision, for the retirement of any such faculty member or  
33 other exempt employee on account of age or condition of health,  
34 retirement on account of age to be not earlier than the sixty-fifth  
35 birthday: PROVIDED, That such faculty member or such other exempt  
36 employee may elect to retire at the earliest age specified for  
37 retirement by federal social security law: PROVIDED FURTHER, That any

1 supplemental payment authorized by (c) of this subsection (~~((3) of this~~  
2 ~~section))~~ and paid as a result of retirement earlier than age sixty-  
3 five shall be at an actuarially reduced rate; and shall be provided  
4 only to those persons who participate in an annuity or retirement  
5 income plan under (a) of this subsection prior to July 1, 2011;

6 ~~((3))~~ (c) To pay (~~(to any such retired person)~~) only to those  
7 persons who participate in an annuity or retirement income plan under  
8 (a) of this subsection prior to July 1, 2011, or to his or her  
9 designated beneficiary(s), each year after his or her retirement, a  
10 supplemental amount which, when added to the amount of such annuity or  
11 retirement income plan, or retirement income benefit pursuant to RCW  
12 28B.10.415, received by the retired person or the retired person's  
13 designated beneficiary(s) in such year, will not exceed fifty percent  
14 of the average annual salary paid to such retired person for his or her  
15 highest two consecutive years of full-time service under an annuity or  
16 retirement income plan established pursuant to (a) of this subsection  
17 (~~((1) of this section)~~) at an institution of higher education:  
18 PROVIDED, HOWEVER, That if such retired person prior to retirement  
19 elected a supplemental payment survivors option, any such supplemental  
20 payments to such retired person or the retired person's designated  
21 beneficiary(s) shall be at actuarially reduced rates: PROVIDED  
22 FURTHER, That if a faculty member or other employee of an institution  
23 of higher education who is a participant in a retirement plan  
24 authorized by this section dies, or has died before retirement but  
25 after becoming eligible for retirement on account of age, the  
26 designated beneficiary(s) shall be entitled to receive the supplemental  
27 payment authorized by this subsection to which such designated  
28 beneficiary(s) would have been entitled had said deceased faculty  
29 member or other employee retired on the date of death after electing a  
30 supplemental payment survivors option: PROVIDED FURTHER, That for the  
31 purpose of this subsection, the designated beneficiary(s) shall be  
32 (~~((a))~~) (i) the surviving spouse of the retiree; or, (~~((b))~~) (ii) with  
33 the written consent of such spouse, if any, such other person or  
34 persons as shall have an insurable interest in the retiree's life and  
35 shall have been nominated by written designation duly executed and  
36 filed with the retiree's institution of higher education(~~((+))~~).

37 ~~((4))~~ (2) Boards are prohibited from offering a purchased annuity  
38 or retirement income plan authorized under this section to employees

1 hired on or after July 1, 2011, who have retired or are eligible to  
2 retire from a public employees' retirement system described in RCW  
3 41.50.030. The higher education coordinating board (~~(is also~~  
4 ~~authorized and empowered as described in this section, subject to the~~  
5 ~~following: The board)) shall only offer participation in a purchased~~  
6 annuity or retirement income plan authorized under this section to  
7 employees who have previously contributed premiums to a similar  
8 qualified plan(~~(, and the board is prohibited from offering or funding~~  
9 ~~such a plan authorized under this section for the benefit of any~~  
10 ~~retiree who is receiving or accruing a retirement allowance from a~~  
11 ~~public employees' retirement system under Title 41 RCW or chapter 43.43~~  
12 ~~RCW)).~~

13 (3) During the 2011 legislative interim, the select committee on  
14 pension policy shall evaluate the suitability and necessity of the  
15 annuity and retirement plans authorized under this chapter for  
16 employees in various positions within higher education institutions.  
17 The select committee shall report its findings, including any  
18 recommendations for restrictions on future plan membership, to the ways  
19 and means committees of the house of representatives and the senate no  
20 later than December 31, 2011.

21 **Sec. 3.** RCW 28B.10.405 and 1977 ex.s. c 169 s 16 are each amended  
22 to read as follows:

23 Members of the faculties and such other employees exempt from civil  
24 service pursuant to RCW 41.06.070 (1)(cc) and (2) as are designated by  
25 the boards of regents of the state universities, the boards of trustees  
26 of the regional universities and of The Evergreen State College, the  
27 higher education coordinating board, or the state board for community  
28 and technical colleges (~~(education))~~ who do not opt to become members  
29 of the teachers' retirement system or the public employees' retirement  
30 system under section 9 or 18 of this act, or who are not prevented from  
31 participation in an annuity or retirement plan under RCW 28B.10.400(2)  
32 shall be required to contribute not less than five percent of their  
33 salaries during each year of full-time service after the first two  
34 years of such service toward the purchase of such annuity or retirement  
35 income plan; such contributions may be in addition to federal social  
36 security tax contributions, if any.

1       **Sec. 4.** RCW 28B.10.410 and 1977 ex.s. c 169 s 17 are each amended  
2 to read as follows:

3       The boards of regents of the state universities, the boards of  
4 trustees of the regional universities and of The Evergreen State  
5 College, the higher education coordinating board, or the state board  
6 for community and technical colleges ~~((education))~~ shall pay not more  
7 than one-half of the annual premium of any annuity or retirement income  
8 plan established under the provisions of RCW 28B.10.400 ~~((as now or~~  
9 ~~hereafter amended))~~. Such contribution shall not exceed ten percent of  
10 the salary of the faculty member or other employee on whose behalf the  
11 contribution is made. This contribution may be in addition to federal  
12 social security tax contributions made by the boards, if any.

13       **Sec. 5.** RCW 28B.10.415 and 1979 ex.s. c 259 s 2 are each amended  
14 to read as follows:

15       The boards of regents of the state universities, the boards of  
16 trustees of the regional universities and of The Evergreen State  
17 College, the higher education coordinating board, or the state board  
18 for community and technical colleges ~~((education))~~ shall not pay any  
19 amount to be added to the annuity or retirement income plan of any  
20 retired person who was first hired on or after July 1, 2011, or who has  
21 served for less than ten years in one or more of the state institutions  
22 of higher education. In the case of persons who have served more than  
23 ten years but less than twenty-five years no amount shall be paid in  
24 excess of four percent of the amount authorized in ~~((subdivision (3)~~  
25 ~~of))~~ RCW 28B.10.400 ~~((as now or hereafter amended))~~ (1)(c), multiplied  
26 by the number of years of full-time service rendered by such person:  
27 PROVIDED, That credit for years of service at an institution of higher  
28 education shall be limited to those years in which contributions were  
29 made by a faculty member or other employee designated pursuant to RCW  
30 28B.10.400(1)(a) and the institution or the state as a result of which  
31 a benefit is being received by a retired person from any Washington  
32 state public retirement plan: PROVIDED FURTHER, That all such benefits  
33 that a retired person is eligible to receive shall reduce any  
34 supplementation payments provided for in RCW 28B.10.400 ~~((as now or~~  
35 ~~hereafter amended))~~.

1           **Sec. 6.** RCW 28B.10.417 and 1977 ex.s. c 169 s 19 are each amended  
2 to read as follows:

3           (1) This section applies only to those persons who are first  
4 employed by a higher education institution in a position eligible for  
5 participation in an annuity or retirement program under RCW 28B.10.400  
6 prior to July 1, 2011.

7           (2) A faculty member or other employee exempt from civil service  
8 pursuant to RCW 41.06.070 (1)(cc) and (2) designated by the board of  
9 trustees of the applicable regional university or of The Evergreen  
10 State College as being subject to an annuity or retirement income plan  
11 and who, at the time of such designation, is a member of the Washington  
12 state teachers' retirement system, shall retain credit for such service  
13 in the Washington state teachers' retirement system and, except as  
14 provided in subsection ~~((+2))~~ (3) of this section, shall leave his or  
15 her accumulated contributions in the teachers' retirement fund. Upon  
16 his or her attaining eligibility for retirement under the Washington  
17 state teachers' retirement system, such faculty member or other  
18 employee shall receive from the Washington state teachers' retirement  
19 system a retirement allowance consisting of an annuity which shall be  
20 the actuarial equivalent of his or her accumulated contributions at his  
21 or her age when becoming eligible for such retirement and a pension for  
22 each year of creditable service established and retained at the time of  
23 said designation as provided in RCW 41.32.497 ~~((as now or hereafter~~  
24 ~~amended))~~. Anyone who on July 1, 1967, was receiving pension payments  
25 from the teachers' retirement system based on thirty-five years of  
26 creditable service shall thereafter receive a pension based on the  
27 total years of creditable service established with the retirement  
28 system: PROVIDED, HOWEVER, That any such faculty member or other  
29 employee exempt from civil service pursuant to RCW 41.06.070 (1)(cc)  
30 and (2) who, upon attainment of eligibility for retirement under the  
31 Washington state teachers' retirement system, is still engaged in  
32 public educational employment, shall not be eligible to receive  
33 benefits under the Washington state teachers' retirement system until  
34 he or she ceases such public educational employment. Any retired  
35 faculty member or other employee who enters service in any public  
36 educational institution shall cease to receive pension payments while  
37 engaged in such service: PROVIDED FURTHER, That such service may be

1 rendered up to seventy-five days in a school year without reduction of  
2 pension.

3 ((+2)) (3) A faculty member or other exempt employee designated by  
4 the board of trustees of the applicable regional university or of The  
5 Evergreen State College as being subject to the annuity and retirement  
6 income plan and who, at the time of such designation, is a member of  
7 the Washington state teachers' retirement system may, at his or her  
8 election and at any time, on and after midnight June 10, 1959,  
9 terminate his or her membership in the Washington state teachers'  
10 retirement system and withdraw his or her accumulated contributions and  
11 interest in the teachers' retirement fund upon written application to  
12 the board of trustees of the Washington state teachers' retirement  
13 system. Faculty members or other employees who withdraw their  
14 accumulated contributions, on and after the date of withdrawal of  
15 contributions, shall no longer be members of the Washington state  
16 teachers' retirement system and shall forfeit all rights of membership,  
17 including pension benefits, theretofore acquired under the Washington  
18 state teachers' retirement system.

19 **Sec. 7.** RCW 28B.10.423 and 1973 1st ex.s. c 149 s 8 are each  
20 amended to read as follows:

21 (1) For employees who are first employed by an institution of  
22 higher education in a position eligible for participation in an old age  
23 annuities or retirement income plan under this chapter prior to July 1,  
24 2011, it is the intent of RCW 28B.10.400, 28B.10.405, 28B.10.410,  
25 28B.10.415, 28B.10.420, and 28B.10.423 ((and 83.20.030)) that the  
26 retirement income resulting from the contributions described herein  
27 from the state of Washington and the employee shall be projected  
28 actuarially so that it shall not exceed sixty percent of the average of  
29 the highest two consecutive years salary. Periodic review of the  
30 retirement systems established pursuant to RCW 28B.10.400, 28B.10.405,  
31 28B.10.410, 28B.10.415, 28B.10.420, and 28B.10.423 ((and 83.20.030))  
32 will be undertaken at such time and in such manner as determined by the  
33 committees on ways and means of the senate and of the house of  
34 representatives ((and the public pension commission)), the select  
35 committee on pension policy, and the pension funding council, and joint  
36 contribution rates will be adjusted if necessary to accomplish this  
37 intent.



1       (2) Beginning July 1, 2011, state funding for annuity or retirement  
2 income plans under RCW 28B.10.400 shall not exceed six percent of  
3 salary. The state board for community and technical colleges and the  
4 higher education coordinating board are exempt from the provisions of  
5 this subsection (2).

6       (3) By June 30, 2013, and every two years thereafter, each  
7 institution of higher education that is responsible for payment of  
8 supplemental amounts under RCW 28B.10.400(1)(c) shall contract with the  
9 state actuary under chapter 41.44 RCW for an actuarial valuation of  
10 their supplemental benefit plan. By June 30, 2013, and at least once  
11 every six years thereafter, each institution shall also contract with  
12 the state actuary under chapter 41.44 RCW for an actuarial experience  
13 study of the mortality, service, compensation, and other experience of  
14 the annuity or retirement income plans created in this chapter, and  
15 into the financial condition of each system. At the discretion of the  
16 state actuary, the valuation or experience study may be performed by  
17 the state actuary or by an outside actuarial firm under contract to the  
18 office of the state actuary. Each institution of higher education is  
19 required to provide the data and information required for the  
20 performance of the valuation or experience study to the office of the  
21 state actuary or to the actuary performing the study on behalf of the  
22 state actuary. The state actuary may charge each institution for the  
23 actual cost of the valuation or experience study through an interagency  
24 agreement. Upon completion of the valuation or experience study, the  
25 state actuary shall provide copies of the study to the institution of  
26 higher education and to the select committee on pension policy and the  
27 pension funding council.

28       (4)(a) A higher education retirement plan supplemental benefit fund  
29 is created in the custody of the state treasurer for the purpose of  
30 funding future benefit obligations of higher education retirement plan  
31 supplemental benefits. The state investment board has the full power  
32 to invest, reinvest, manage, contract, sell, or exchange investment  
33 money in the fund.

34       (b) From January 1, 2012, through June 30, 2013, an employer  
35 contribution rate of one-quarter of one percent of salary is  
36 established to begin prefunding the unfunded future obligations of the  
37 supplemental benefit established in RCW 28B.10.400.

1 (c) Beginning July 1, 2013, an employer contribution rate of one-  
2 half of one percent of salary is established to prefund the unfunded  
3 future obligations of the supplemental benefit established in RCW  
4 28B.10.400.

5 (d) Consistent with chapter 41.50 RCW, the department of retirement  
6 systems shall collect the employer contribution rates established in  
7 this section from each state institution of higher education, and  
8 deposit those contributions into the higher education retirement plan  
9 supplemental benefit fund. The contributions made by each employer  
10 into the higher education retirement plan supplemental benefit fund and  
11 the earnings on those contributions shall be accounted for separately  
12 within the fund.

13 (e) Following the completion and review of the initial actuarial  
14 valuations and experience study conducted pursuant to subsection (3) of  
15 this section, the pension funding council may:

16 (i) Adopt and make changes to the employer contribution rates  
17 established in this subsection consistent with the procedures  
18 established in chapter 41.45 RCW. If the actuarial valuations of the  
19 higher education retirement plans of each institution contributing to  
20 the higher education retirement plan supplemental benefit fund suggest  
21 that different contribution rates are appropriate for each institution,  
22 different rates may be adopted. Rates adopted by the pension funding  
23 council are subject to revision by the legislature;

24 (ii) Recommend legislation that will, upon accumulation of  
25 sufficient funding in the higher education retirement plan supplemental  
26 benefit fund, transfer the responsibility for making supplemental  
27 benefit payments to the department of retirement systems, and adjust  
28 employer contribution rates to reflect the transfer of responsibility.

29 **Sec. 8.** RCW 28B.10.430 and 1979 ex.s. c 96 s 5 are each amended to  
30 read as follows:

31 (1) This section applies only to those persons who are first  
32 employed by an institution of higher education in a position eligible  
33 for participation in an old age annuities or retirement income plan  
34 under this chapter prior to July 1, 2011.

35 (2) For any person receiving a monthly benefit pursuant to a  
36 program established under RCW 28B.10.400, the pension portion of such  
37 benefit shall be the sum of the following amounts:

1 (a) One-half of the monthly benefit payable under such program by  
2 a life insurance company; and

3 (b) The monthly equivalent of the supplemental benefit described in  
4 RCW 28B.10.400(~~(+3)~~) (1)(c).

5 (~~(+2)~~) (3) Notwithstanding any provision of law to the contrary,  
6 effective July 1, 1979, no person receiving a monthly benefit pursuant  
7 to RCW 28B.10.400 shall receive, as the pension portion of that  
8 benefit, less than ten dollars per month for each year of service  
9 creditable to the person whose service is the basis of the benefit.  
10 Portions of a year shall be treated as fractions of a year and the  
11 decimal equivalent shall be multiplied by ten dollars. Where the  
12 benefit was adjusted at the time benefit payments to the beneficiary  
13 commenced, the minimum pension provided in this section shall be  
14 adjusted in a manner consistent with that adjustment.

15 (~~(+3)~~) (4) Notwithstanding any provision of law to the contrary,  
16 effective July 1, 1979, the monthly benefit of each person who  
17 commenced receiving a monthly benefit under this chapter as of a date  
18 no later than July 1, 1974, shall be permanently increased by a post-  
19 retirement adjustment. Such adjustment shall be calculated as follows:

20 (a) Monthly benefits to which this subsection and subsection  
21 (~~(+2)~~) (3) of this section are both applicable shall be determined by  
22 first applying subsection (~~(+2)~~) (3) of this section and then applying  
23 this subsection. The (~~department~~) institution shall determine the  
24 total years of creditable service and the total dollar benefit base  
25 accrued as of December 31, 1978, except that this determination shall  
26 take into account only those persons to whom this subsection applies;

27 (b) The (~~department~~) institution shall multiply the total  
28 benefits determined in (a) of this subsection by six percent and divide  
29 the dollar value thus determined by the total service determined in (a)  
30 of this subsection. The resultant figure shall then be a post-  
31 retirement increase factor which shall be applied as specified in (c)  
32 of this subsection;

33 (c) Each person to whom this subsection applies shall receive an  
34 increase which is the product of the factor determined in (b) of this  
35 subsection multiplied by the years of creditable service.

36 NEW SECTION. **Sec. 9.** A new section is added to chapter 41.32 RCW

1 to be codified under the subchapter heading "plan 3" to read as  
2 follows:

3 (1) All faculty members who are first employed by an institution of  
4 higher education in a position eligible for participation in old age  
5 annuities or retirement income plans under chapter 28B.10 RCW on or  
6 after July 1, 2011, have a period of thirty days to make an irrevocable  
7 choice to:

8 (a) Become a member of the teachers' retirement system plan 3 under  
9 this chapter; or

10 (b) Participate in the annuities or retirement income plan provided  
11 by the institution.

12 (2) At the end of thirty days, if the member has not made a choice  
13 to become a member of the teachers' retirement system, he or she  
14 becomes a participant in the institution's plan under RCW 28B.10.400,  
15 but does not become eligible for any supplemental benefit under RCW  
16 28B.10.400(1)(c).

17 **Sec. 10.** RCW 41.32.570 and 2007 c 50 s 3 are each amended to read  
18 as follows:

19 (1)(a) If a retiree enters employment with an employer sooner than  
20 one calendar month after his or her accrual date, the retiree's monthly  
21 retirement allowance will be reduced by five and one-half percent for  
22 every seven hours worked during that month. This reduction will be  
23 applied each month until the retiree remains absent from employment  
24 with an employer for one full calendar month.

25 (b) The benefit reduction provided in (a) of this subsection will  
26 accrue for a maximum of one hundred forty hours per month. Any monthly  
27 benefit reduction over one hundred percent will be applied to the  
28 benefit the retiree is eligible to receive in subsequent months.

29 (2) (~~Except under subsection (3) of this section,~~) Any retired  
30 teacher or retired administrator who enters service in any public  
31 educational institution in Washington state at least one calendar month  
32 after his or her accrual date shall cease to receive pension payments  
33 while engaged in such service, after the retiree has rendered service  
34 for more than eight hundred sixty-seven hours in a school year.

35 (3) (~~Any retired teacher or retired administrator who enters  
36 service in any public educational institution in Washington state one  
37 and one-half calendar months or more after his or her accrual date and:~~

1       ~~(a) Is hired pursuant to a written policy into a position for which~~  
2 ~~the school board has documented a justifiable need to hire a retiree~~  
3 ~~into the position;~~

4       ~~(b) Is hired through the established process for the position with~~  
5 ~~the approval of the school board or other highest decision-making~~  
6 ~~authority of the prospective employer;~~

7       ~~(c) Whose employer retains records of the procedures followed and~~  
8 ~~the decisions made in hiring the retired teacher or retired~~  
9 ~~administrator and provides those records in the event of an audit; and~~

10       ~~(d) The employee has not already rendered a cumulative total of~~  
11 ~~more than one thousand nine hundred hours of service while in receipt~~  
12 ~~of pension payments beyond an annual threshold of eight hundred sixty-~~  
13 ~~seven hours;~~

14 ~~shall cease to receive pension payments while engaged in that service~~  
15 ~~after the retiree has rendered service for more than one thousand five~~  
16 ~~hundred hours in a school year. The one thousand nine hundred hour~~  
17 ~~cumulative total limitation under this section applies prospectively~~  
18 ~~after July 22, 2007.~~

19       ~~(4) When a retired teacher or administrator renders service beyond~~  
20 ~~eight hundred sixty-seven hours, the department shall collect from the~~  
21 ~~employer the applicable employer retirement contributions for the~~  
22 ~~entire duration of the member's employment during that fiscal year.~~

23       ~~(5))~~ The department shall collect and provide the state actuary  
24 with information relevant to the use of this section for the select  
25 committee on pension policy.

26       ~~((6))~~ (4) The legislature reserves the right to amend or repeal  
27 this section in the future and no member or beneficiary has a  
28 contractual right to be employed for more than five hundred twenty-five  
29 hours per year without a reduction of his or her pension.

30       **Sec. 11.** RCW 41.32.800 and 2004 c 242 s 55 are each amended to  
31 read as follows:

32       (1) Except as provided in RCW 41.32.802, no retiree under the  
33 provisions of plan 2 shall be eligible to receive such retiree's  
34 monthly retirement allowance if he or she is employed in an eligible  
35 position as defined in RCW 41.40.010, 41.32.010, 41.37.010, or  
36 41.35.010, or as a law enforcement officer or firefighter as defined in

1 RCW 41.26.030, or in a position covered by annuity and retirement  
2 income plans offered by institutions of higher education pursuant to  
3 RCW 28B.10.400.

4 If a retiree's benefits have been suspended under this section, his  
5 or her benefits shall be reinstated when the retiree terminates the  
6 employment that caused his or her benefits to be suspended. Upon  
7 reinstatement, the retiree's benefits shall be actuarially recomputed  
8 pursuant to the rules adopted by the department.

9 (2) The department shall adopt rules implementing this section.

10 **Sec. 12.** RCW 41.32.802 and 2004 c 242 s 61 are each amended to  
11 read as follows:

12 (1)(a) If a retiree enters employment with an employer sooner than  
13 one calendar month after his or her accrual date, the retiree's monthly  
14 retirement allowance will be reduced by five and one-half percent for  
15 every seven hours worked during that month. This reduction will be  
16 applied each month until the retiree remains absent from employment  
17 with an employer for one full calendar month.

18 (b) The benefit reduction provided in (a) of this subsection will  
19 accrue for a maximum of one hundred forty hours per month. Any benefit  
20 reduction over one hundred percent will be applied to the benefit the  
21 retiree is eligible to receive in subsequent months.

22 (2) A retiree who has satisfied the break in employment requirement  
23 of subsection (1) of this section, may work up to eight hundred sixty-  
24 seven hours per calendar year in an eligible position, as defined in  
25 RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter  
26 or law enforcement officer, as defined in RCW 41.26.030, or in a  
27 position covered by annuity and retirement income plans offered by  
28 institutions of higher education pursuant to RCW 28B.10.400, without  
29 suspension of his or her benefit.

30 (3) If the retiree opts to reestablish membership under RCW  
31 41.32.044, he or she terminates his or her retirement status and  
32 immediately becomes a member. Retirement benefits shall not accrue  
33 during the period of membership and the individual shall make  
34 contributions and receive membership credit. Such a member shall have  
35 the right to again retire if eligible.

1       **Sec. 13.** RCW 41.32.860 and 2005 c 327 s 2 are each amended to read  
2 as follows:

3       (1) Except under RCW 41.32.862, no retiree shall be eligible to  
4 receive such retiree's monthly retirement allowance if he or she is  
5 employed in an eligible position as defined in RCW 41.40.010,  
6 41.32.010, 41.35.010, or 41.37.010, or as a law enforcement officer or  
7 firefighter as defined in RCW 41.26.030, or in a position covered by  
8 annuity and retirement income plans offered by institutions of higher  
9 education pursuant to RCW 28B.10.400.

10       (2) If a retiree's benefits have been suspended under this section,  
11 his or her benefits shall be reinstated when the retiree terminates the  
12 employment that caused the suspension of benefits. Upon reinstatement,  
13 the retiree's benefits shall be actuarially recomputed pursuant to the  
14 rules adopted by the department.

15       **Sec. 14.** RCW 41.32.862 and 2004 c 242 s 62 are each amended to  
16 read as follows:

17       (1)(a) If a retiree enters employment with an employer sooner than  
18 one calendar month after his or her accrual date, the retiree's monthly  
19 retirement allowance will be reduced by five and one-half percent for  
20 every seven hours worked during that month. This reduction will be  
21 applied each month until the retiree remains absent from employment  
22 with an employer for one full calendar month.

23       (b) The benefit reduction provided in (a) of this subsection will  
24 accrue for a maximum of one hundred forty hours per month. Any benefit  
25 reduction over one hundred percent will be applied to the benefit the  
26 retiree is eligible to receive in subsequent months.

27       (2) A retiree who has satisfied the break in employment requirement  
28 of subsection (1) of this section, may work up to eight hundred sixty-  
29 seven hours per calendar year in an eligible position, as defined in  
30 RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter  
31 or law enforcement officer, as defined in RCW 41.26.030, or in a  
32 position covered by annuity and retirement income plans offered by  
33 institutions of higher education pursuant to RCW 28B.10.400, without  
34 suspension of his or her benefit.

35       (3) If the retiree opts to reestablish membership under RCW  
36 41.32.044, he or she terminates his or her retirement status and  
37 immediately becomes a member. Retirement benefits shall not accrue

1 during the period of membership and the individual shall make  
2 contributions and receive membership credit. Such a member shall have  
3 the right to again retire if eligible.

4 **Sec. 15.** RCW 41.35.060 and 2004 c 242 s 64 are each amended to  
5 read as follows:

6 (1)(a) If a retiree enters employment with an employer sooner than  
7 one calendar month after his or her accrual date, the retiree's monthly  
8 retirement allowance will be reduced by five and one-half percent for  
9 every eight hours worked during that month. This reduction will be  
10 applied each month until the retiree remains absent from employment  
11 with an employer for one full calendar month.

12 (b) The benefit reduction provided in (a) of this subsection will  
13 accrue for a maximum of one hundred sixty hours per month. Any benefit  
14 reduction over one hundred percent will be applied to the benefit the  
15 retiree is eligible to receive in subsequent months.

16 (2) A retiree who has satisfied the break in employment requirement  
17 of subsection (1) of this section may work up to eight hundred sixty-  
18 seven hours per calendar year in an eligible position, as defined in  
19 RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter  
20 or law enforcement officer, as defined in RCW 41.26.030, or in a  
21 position covered by annuity and retirement income plans offered by  
22 institutions of higher education pursuant to RCW 28B.10.400, without  
23 suspension of his or her benefit.

24 (3) If the retiree opts to reestablish membership under RCW  
25 41.35.030, he or she terminates his or her retirement status and  
26 becomes a member. Retirement benefits shall not accrue during the  
27 period of membership and the individual shall make contributions and  
28 receive membership credit. Such a member shall have the right to again  
29 retire if eligible in accordance with RCW 41.35.420 or 41.35.680.  
30 However, if the right to retire is exercised to become effective before  
31 the member has rendered two uninterrupted years of service, the  
32 retirement formula and survivor options the member had at the time of  
33 the member's previous retirement shall be reinstated.

34 **Sec. 16.** RCW 41.35.230 and 2004 c 242 s 56 are each amended to  
35 read as follows:

36 (1) Except as provided in RCW 41.35.060, no retiree under the



1 provisions of plan 2 shall be eligible to receive such retiree's  
2 monthly retirement allowance if he or she is employed in an eligible  
3 position as defined in RCW 41.35.010, 41.40.010, 41.37.010, or  
4 41.32.010, or as a law enforcement officer or firefighter as defined in  
5 RCW 41.26.030, or in a position covered by annuity and retirement  
6 income plans offered by institutions of higher education pursuant to  
7 RCW 28B.10.400, except that a retiree who ends his or her membership in  
8 the retirement system pursuant to RCW 41.40.023(3)(b) is not subject to  
9 this section if the retiree's only employment is as an elective  
10 official.

11 (2) If a retiree's benefits have been suspended under this section,  
12 his or her benefits shall be reinstated when the retiree terminates the  
13 employment that caused his or her benefits to be suspended. Upon  
14 reinstatement, the retiree's benefits shall be actuarially recomputed  
15 pursuant to the rules adopted by the department.

16 (3) The department shall adopt rules implementing this section.

17 **Sec. 17.** RCW 41.37.050 and 2005 c 327 s 6 are each amended to read  
18 as follows:

19 (1)(a) If a retiree enters employment in an eligible position with  
20 an employer as defined in this chapter sooner than one calendar month  
21 after his or her accrual date, the retiree's monthly retirement  
22 allowance will be reduced by five and one-half percent for every eight  
23 hours worked during that month. This reduction will be applied each  
24 month until the retiree remains absent from employment with an employer  
25 for one full calendar month.

26 (b) If a retiree enters employment in an eligible position with an  
27 employer as defined in chapter 41.32, 41.35, or 41.40 RCW sooner than  
28 one calendar month after his or her accrual date, the retiree's monthly  
29 retirement allowance will be reduced by five and one-half percent for  
30 every eight hours worked during that month. This reduction will be  
31 applied each month until the retiree remains absent from employment  
32 with an employer for one full calendar month.

33 (c) The benefit reduction provided in (a) and (b) of this  
34 subsection will accrue for a maximum of one hundred sixty hours per  
35 month. Any benefit reduction over one hundred percent will be applied  
36 to the benefit the retiree is eligible to receive in subsequent months.

1 (2) A retiree who has satisfied the break in employment requirement  
2 of subsection (1) of this section may work up to eight hundred sixty-  
3 seven hours per calendar year in an eligible position as defined in RCW  
4 41.32.010, 41.35.010, or 41.40.010, or as a law enforcement officer or  
5 firefighter as defined in RCW 41.26.030, or in a position covered by  
6 annuity and retirement income plans offered by institutions of higher  
7 education pursuant to RCW 28B.10.400, without suspension of his or her  
8 benefit.

9 (3) If the retiree opts to reestablish membership under this  
10 chapter, he or she terminates his or her retirement status and becomes  
11 a member. Retirement benefits shall not accrue during the period of  
12 membership and the individual shall make contributions and receive  
13 membership credit. Such a member shall have the right to again retire  
14 if eligible in accordance with this chapter. However, if the right to  
15 retire is exercised to become effective before the member has rendered  
16 two uninterrupted years of service, the retirement formula and survivor  
17 options the member had at the time of the member's previous retirement  
18 shall be reinstated.

19 (4) The department shall collect and provide the state actuary with  
20 information relevant to the use of this section for the select  
21 committee on pension policy.

22 NEW SECTION. Sec. 18. A new section is added to chapter 41.40 RCW  
23 to be codified under the subchapter heading "plan 3" to read as  
24 follows:

25 (1) All employees who are not qualified under section 9 of this act  
26 and who are first employed by an institution of higher education in a  
27 position eligible for participation in old age annuities or retirement  
28 income plans under RCW 28B.10.400 on or after July 1, 2011, have a  
29 period of thirty days to make an irrevocable choice to:

30 (a) Become a member of the public employees' retirement system plan  
31 3 under this chapter; or

32 (b) Participate in the annuities or retirement income plan provided  
33 by the institution.

34 (2) At the end of thirty days, if the member has not made a choice  
35 to become a member of the public employees' retirement system, he or  
36 she becomes a participant in the institution's plan under RCW

1 28B.10.400, but does not become eligible for any supplemental benefit  
2 under RCW 28B.10.400(1)(c).

3 **Sec. 19.** RCW 41.40.037 and 2007 c 50 s 5 are each amended to read  
4 as follows:

5 (1)(a) If a retiree enters employment with an employer sooner than  
6 one calendar month after his or her accrual date, the retiree's monthly  
7 retirement allowance will be reduced by five and one-half percent for  
8 every eight hours worked during that month. This reduction will be  
9 applied each month until the retiree remains absent from employment  
10 with an employer for one full calendar month.

11 (b) The benefit reduction provided in (a) of this subsection will  
12 accrue for a maximum of one hundred sixty hours per month. Any benefit  
13 reduction over one hundred percent will be applied to the benefit the  
14 retiree is eligible to receive in subsequent months.

15 ~~(2)((a) Except as provided in (b) of this subsection,)~~ A retiree  
16 from plan 1, plan 2, or plan 3 who enters employment with an employer  
17 at least one calendar month after his or her accrual date may continue  
18 to receive pension payments while engaged in such service for up to  
19 eight hundred sixty-seven hours of service in a calendar year without  
20 a reduction of pension. For purposes of this section, employment  
21 includes positions covered by annuity and retirement income plans  
22 offered by institutions of higher education pursuant to RCW 28B.10.400.

23 ~~((b) A retiree from plan 1 who enters employment with an employer~~  
24 ~~at least three calendar months after his or her accrual date and:~~

25 ~~(i) Is hired pursuant to a written policy into a position for which~~  
26 ~~the employer has documented a justifiable need to hire a retiree into~~  
27 ~~the position;~~

28 ~~(ii) Is hired through the established process for the position with~~  
29 ~~the approval of: A school board for a school district; the chief~~  
30 ~~executive officer of a state agency employer; the secretary of the~~  
31 ~~senate for the senate; the chief clerk of the house of representatives~~  
32 ~~for the house of representatives; the secretary of the senate and the~~  
33 ~~chief clerk of the house of representatives jointly for the joint~~  
34 ~~legislative audit and review committee, the select committee on pension~~  
35 ~~policy, the legislative evaluation and accountability program, the~~  
36 ~~legislative systems committee, and the statute law committee; or~~

1 according to rules adopted for the rehiring of retired plan 1 members  
2 for a local government employer;

3 (iii) ~~The employer retains records of the procedures followed and  
4 decisions made in hiring the retiree, and provides those records in the  
5 event of an audit; and~~

6 (iv) ~~The employee has not already rendered a cumulative total of  
7 more than one thousand nine hundred hours of service while in receipt  
8 of pension payments beyond an annual threshold of eight hundred sixty-  
9 seven hours;~~

10 shall cease to receive pension payments while engaged in that service  
11 after the retiree has rendered service for more than one thousand five  
12 hundred hours in a calendar year. The one thousand nine hundred hour  
13 cumulative total under this subsection applies prospectively to those  
14 retiring after July 27, 2003, and retroactively to those who retired  
15 prior to July 27, 2003, and shall be calculated from the date of  
16 retirement.

17 (c) ~~When a plan 1 member renders service beyond eight hundred  
18 sixty seven hours, the department shall collect from the employer the  
19 applicable employer retirement contributions for the entire duration of  
20 the member's employment during that calendar year.~~

21 (d) ~~A retiree from plan 2 or plan 3 who has satisfied the break in  
22 employment requirement of subsection (1) of this section may work up to  
23 eight hundred sixty seven hours in a calendar year in an eligible  
24 position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or  
25 41.40.010, or as a firefighter or law enforcement officer, as defined  
26 in RCW 41.26.030, without suspension of his or her benefit.))~~

27 (3) If the retiree opts to reestablish membership under RCW  
28 41.40.023(12), he or she terminates his or her retirement status and  
29 becomes a member. Retirement benefits shall not accrue during the  
30 period of membership and the individual shall make contributions and  
31 receive membership credit. Such a member shall have the right to again  
32 retire if eligible in accordance with RCW 41.40.180. However, if the  
33 right to retire is exercised to become effective before the member has  
34 rendered two uninterrupted years of service, the retirement formula and  
35 survivor options the member had at the time of the member's previous  
36 retirement shall be reinstated.

37 (4) The department shall collect and provide the state actuary with

1 information relevant to the use of this section for the select  
2 committee on pension policy.

3 (5) The legislature reserves the right to amend or repeal this  
4 section in the future and no member or beneficiary has a contractual  
5 right to be employed for more than five months in a calendar year  
6 without a reduction of his or her pension.

7 **Sec. 20.** RCW 41.50.030 and 2004 c 242 s 42 are each amended to  
8 read as follows:

9 (1) As soon as possible but not more than one hundred and eighty  
10 days after March 19, 1976, there is transferred to the department of  
11 retirement systems, except as otherwise provided in this chapter, all  
12 powers, duties, and functions of:

- 13 (a) The Washington public employees' retirement system;
- 14 (b) The Washington state teachers' retirement system;
- 15 (c) The Washington law enforcement officers' and firefighters'  
16 retirement system;
- 17 (d) The Washington state patrol retirement system;
- 18 (e) The Washington judicial retirement system; and
- 19 (f) The state treasurer with respect to the administration of the  
20 judges' retirement fund imposed pursuant to chapter 2.12 RCW.

21 (2) On July 1, 1996, there is transferred to the department all  
22 powers, duties, and functions of the deferred compensation committee.

23 (3) The department shall administer chapter 41.34 RCW.

24 (4) The department shall administer the Washington school  
25 employees' retirement system created under chapter 41.35 RCW.

26 (5) The department shall administer the Washington public safety  
27 employees' retirement system created under chapter 41.37 RCW.

28 (6) The department shall administer the collection of employer  
29 contributions and initial prefunding of the higher education retirement  
30 plan supplemental benefits, also referred to as the annuity or  
31 retirement income plans created under chapter 28B.10 RCW.

32 **Sec. 21.** RCW 41.50.080 and 2004 c 242 s 45 are each amended to  
33 read as follows:

34 The state investment board shall provide for the investment of all  
35 funds of the Washington public employees' retirement system, the  
36 teachers' retirement system, the school employees' retirement system,

1 the Washington law enforcement officers' and firefighters' retirement  
2 system, the Washington state patrol retirement system, the Washington  
3 judicial retirement system, the Washington public safety employees'  
4 retirement system, the higher education retirement plan supplemental  
5 benefit fund, and the judges' retirement fund, pursuant to RCW  
6 43.84.150, and may sell or exchange investments acquired in the  
7 exercise of that authority.

8 **Sec. 22.** RCW 41.50.110 and 2009 c 564 s 924 are each amended to  
9 read as follows:

10 (1) Except as provided by RCW 41.50.255 and subsection (6) of this  
11 section, all expenses of the administration of the department, the  
12 expenses of administration of the retirement systems, and the expenses  
13 of the administration of the office of the state actuary created in  
14 chapters 2.10, 2.12, 28B.10, 41.26, 41.32, 41.40, 41.34, 41.35, 41.37,  
15 43.43, and 44.44 RCW shall be paid from the department of retirement  
16 systems expense fund.

17 (2) In order to reimburse the department of retirement systems  
18 expense fund on an equitable basis the department shall ascertain and  
19 report to each employer, as defined in RCW 28B.10.400, 41.26.030,  
20 41.32.010, 41.35.010, 41.37.010, or 41.40.010, the sum necessary to  
21 defray its proportional share of the entire expense of the  
22 administration of the retirement system that the employer participates  
23 in during the ensuing biennium or fiscal year whichever may be  
24 required. Such sum is to be computed in an amount directly  
25 proportional to the estimated entire expense of the administration as  
26 the ratio of monthly salaries of the employer's members bears to the  
27 total salaries of all members in the entire system. It shall then be  
28 the duty of all such employers to include in their budgets or otherwise  
29 provide the amounts so required.

30 (3) The department shall compute and bill each employer, as defined  
31 in RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, or  
32 41.40.010, at the end of each month for the amount due for that month  
33 to the department of retirement systems expense fund and the same shall  
34 be paid as are its other obligations. Such computation as to each  
35 employer shall be made on a percentage rate of salary established by  
36 the department. However, the department may at its discretion

1 establish a system of billing based upon calendar year quarters in  
2 which event the said billing shall be at the end of each such quarter.

3 (4) The director may adjust the expense fund contribution rate for  
4 each system at any time when necessary to reflect unanticipated costs  
5 or savings in administering the department.

6 (5) An employer who fails to submit timely and accurate reports to  
7 the department may be assessed an additional fee related to the  
8 increased costs incurred by the department in processing the deficient  
9 reports. Fees paid under this subsection shall be deposited in the  
10 retirement system expense fund.

11 (a) Every six months the department shall determine the amount of  
12 an employer's fee by reviewing the timeliness and accuracy of the  
13 reports submitted by the employer in the preceding six months. If  
14 those reports were not both timely and accurate the department may  
15 prospectively assess an additional fee under this subsection.

16 (b) An additional fee assessed by the department under this  
17 subsection shall not exceed fifty percent of the standard fee.

18 (c) The department shall adopt rules implementing this section.

19 (6) Expenses other than those under RCW 41.34.060(3) shall be paid  
20 pursuant to subsection (1) of this section.

21 (7) During the 2007-2009 and 2009-2011 fiscal biennia, the  
22 legislature may transfer from the department of retirement systems'  
23 expense fund to the state general fund such amounts as reflect the  
24 excess fund balance of the fund.

25 NEW SECTION. **Sec. 23.** Except for sections 10 and 19 of this act  
26 which take effect January 1, 2012, this act is necessary for the  
27 immediate preservation of the public peace, health, or safety, or  
28 support of the state government and its existing public institutions,  
29 and takes effect July 1, 2011.

--- END ---