Select Committee on Pension Policy

P.O. Box 40914
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Regular Executive Committee Meeting

September 19, 2006

1:00 PM - 3:00 PM
House Hearing Room C
Olympia

AGENDA

1:00 PM **(A)** **Approval of Minutes**

1:05 PM **(B)** **Direction on Day's Agenda**

1:40 PM **(C)** **Post-retirement employment**, Laura Harper, Senior Research Analyst - Legal

2:00 PM **(D)** **October Committee Meeting**
- Dual Membership
- Gain-sharing
- Plan 1 funding method, Subgroup recommendation
- Post-retirement employment

2:40 PM **(E)** **State Actuary Evaluation/State Actuary Appointment Committee**, Kelly Burkhart, Executive Assistant

2:55 PM **(F)** **Constituent Correspondence**, Kelly Burkhart

3:00 PM **(G)** **Adjourn**

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Select Committee on Pension Policy meetings should call (360) 786-6140. TDD 1-800-635-9993.

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

Senator Karen Fraser

***Representative Bill Fromhold**, Vice-Chair

Vacant
TRS and SERS Employers

Robert Keller
PERS Actives

***Sandra J. Matheson**, Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

***Glenn Olson**
PERS Employers

***Senator Craig Pridemore**, Chair

Diane Rae
TRS Actives

***J. Pat Thompson**
PERS Actives

Senator Mark Schoesler

David Westberg
SERS Actives

*** Executive Committee**

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Select Committee on Pension Policy

2006 Interim Work Plan

(July 28, 2006)

May 16, 2006
WSIB update
Update on other states' pensions
Pension funding / accounting reforms

June 20, 2006
Dual membership
$150,000 death benefit
Service credit purchase due to injury

July 18, 2006
Post retirement employment
Plan 1 funding method
Gain-sharing

August 22, 2006
Gain-sharing

September 19, 2006
Recommendation to PFC
$150,000 death benefit
Service credit purchase due to injury
Judges benefit multiplier

October 17, 2006
Dual membership
Gain-sharing
Plan 1 funding method
Post-retirement employment

November 21, 2006
2005 actuarial valuation report
PSERS membership report
Gain-sharing

December 12, 2006
2007 legislative proposals

<u>Subgroup</u>

<u>Plan 1 Funding Method</u>

August 21, 2006
September 18, 2006

<u>Members</u>
Senator Pridemore, Chair
Representative Fromhold
Representative Bailey
Representative Crouse
Representative Conway
Victor Moore
Sandra Matheson
Elaine Banks

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REGULAR EXECUTIVE COMMITTEE MEETING
DRAFT MINUTES

July 18, 2006

The Select Committee on Pension Policy met in House Hearing Room C, Olympia, Washington on July 18, 2006.

Executive Committee members attending:

Senator Pridemore, Chair	Sandra Matheson
Representative Fromhold, Vice Chair	J. Pat Thompson
Elaine Banks	

Other Committee members attending:

Representative Bailey	Leland Goeke
Lois Clement	Robert Keller
Representative Conway	Corky Mattingly
Representative Crouse	

Senator Pridemore, Chair, called the meeting to order at 1:30 p.m.

(A) Approval of Minutes

It was moved to approve the June 20, 2006 Executive Committee Draft Minutes. Seconded.

MOTION CARRIED

(B) Direction on Day's Agenda

Post-Retirement Employment

Laura Harper, Senior Research Analyst, Legal, reviewed the "Post-Retirement" issue. Discussion followed.

Plan 1 Funding Method

Matt Smith, State Actuary, reviewed the "Plan 1 Funding Method" issue. Discussion followed. A Plan 1 Funding Method subgroup was formed consisting of Senator Pridemore, Representative Bailey, Representative Conway, Representative Crouse, Representative Fromhold, Elaine Banks, Sandra Matheson and Victor Moore. A Subgroup meeting is scheduled for August 21, 2006.

Gain Sharing

Robert Baker, Senior Research Analyst, reviewed the "Gain-sharing" issue. Discussion followed. Gain Sharing will be reported on at the August 22, 2006 Regular Full Committee meeting.

(C) Constituent Correspondence

Kelly Burkhart, Executive Assistant, reported on the "Constituent Correspondence."

The meeting adjourned at 2:40 p.m.

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Direction on Today's Agenda

(September 8, 2006)

Item #		Next Scheduled Hearing
(3)	**$150,000 death benefit**	**None**
1.	Should the benefit be indexed for inflation? Are the options presented sufficient? If so, which option is preferred?	
2.	Does the committee wish to address the issue of eligibility differences for death from duty-related illness? Should options and pricing be prepared?	
(4)	**Service credit purchase due to injury**	**None**
1.	Does the exec. committee want to study other options and pricing?	
2.	If not, which option would the exec. committee want to forward to the full committee?	
3.	Should TRS be included in any legislative proposal?	
4.	Coordination with LEOFF Plan 2 retirement Board.	
(5)	**Judges benefit multiplier**	**None**
1.	Does the exec. committee want to study this issue this interim?	

Post-Retirement Employment

In Brief

ISSUE

Last year's SCPP bill proposed to refine the current retire-rehire program by:

- *Discouraging abuse*
- *Creating parity between PERS 1 and TRS 1*

The bill passed the House and Senate Ways and Means with amendments.

Should the SCPP submit the same proposal, a variation of the proposal, a new proposal, or no proposal?

Laura Harper
Senior Research Analyst, Legal
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SCPP's 2006 Bill

- Added the requirement of a written policy to PERS 1 and TRS 1
- Made the TRS 1 penalty provision consistent with PERS 1 (misdemeanor, not felony)
- Added procedural safeguards to TRS 1 that were already in PERS 1: prohibition of prior agreements, documentation of need, documentation of hiring process with prescribed approvals
- Did not propose to address waiting periods or hour limits

SHB 2689 (2006)

- Added the requirement of a written policy to PERS 1 and TRS 1
- Made the TRS 1 penalty provision consistent with PERS 1
- Added procedural safeguards to TRS 1that were already in PERS 1: prohibition of prior agreements, documentation of need, documentation of hiring process
- Increased the TRS 1 waiting period for working 1,500 hours from one to one and one-half months (already three months in PERS 1)
- Created a cumulative lifetime limit in TRS 1 of 1900 hours worked in excess of 867 annually (already in PERS 1)

Keller Proposal

- Would add the requirement of a written policy to PERS 1 and TRS 1
- Would make the TRS 1 penalty provision consistent with PERS 1

- Would add procedural safeguards to TRS 1 that are already in PERS 1: prohibition of prior agreements, documentation of need, and documentation of hiring process
- Would not change the waiting periods for persons working 1,500 hours
- Would eliminate the 1900-hour cumulative lifetime limit in PERS 1 (not currently present in TRS 1) for those returning to work with a different employer

Comparison of Retire-Rehire Restrictions

Restriction	Current Law	SCPP 2006	SHB 2689 2006	Keller 2007
Written policy	Neither plan	Both plans	Both plans	Both plans
No prior agreements	PERS only	Both plans	Both plans	Both plans
Document need	PERS only	Both plans	Both plans	Both plans
Follow hiring policy / procedure	PERS only	Both plans	Both plans	Both plans
Wait 3 months to work 1500 hours	PERS only (one month in TRS)	PERS only (one month in TRS)	PERS only (1 ½ months in TRS)	PERS only (one month in TRS)
1900-hour cumulative limit	PERS only (no cumulative limit in TRS)	PERS only (no cumulative limit in TRS)	Both plans	PERS only, and only if returning to same employer
Misdemeanor	PERS only	Both plans	Both plans	Both plans

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H-4623.1

SUBSTITUTE HOUSE BILL 2689

State of Washington 59th Legislature 2006 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Bailey, Conway, Fromhold, Lovick, Quall, Simpson and Ormsby; by request of Select Committee on Pension Policy)

READ FIRST TIME 01/30/06.

AN ACT Relating to the public employment of retirees from the teachers' retirement system plan 1 and the public employees' retirement system plan 1; amending RCW 41.32.055, 41.32.570, 41.40.010, and 41.40.037; reenacting and amending RCW 41.32.010; prescribing penalties; and providing an effective date.

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

Sec. 1. RCW 41.32.010 and 2005 c 131 s 8 and 2005 c 23 s 1 are each reenacted and amended to read as follows:

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

(1)(a) "Accumulated contributions" for plan 1 members, means the sum of all regular annuity contributions and, except for the purpose of withdrawal at the time of retirement, any amount paid under RCW 41.50.165(2) with regular interest thereon.

(b) "Accumulated contributions" for plan 2 members, means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

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

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

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

(5)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

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

(7) "Creditable service" means membership service plus prior service for which credit is allowable. This subsection shall apply only to plan 1 members.

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

(9) "Disability allowance" means monthly payments during disability. This subsection shall apply only to plan 1 members.

(10)(a) "Earnable compensation" for plan 1 members, means:

(i) All salaries and wages paid by an employer to an employee member of the retirement system for personal services rendered during a fiscal year. In all cases where compensation includes maintenance the employer shall fix the value of that part of the compensation not paid in money.

(ii) For an employee member of the retirement system teaching in an extended school year program, two consecutive extended school years, as defined by the employer school district, may be used as the annual period for determining earnable compensation in lieu of the two fiscal years.

(iii) "Earnable compensation" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation and the individual shall receive the equivalent service credit.

(B) If a leave of absence, without pay, is taken by a member for the purpose of serving as a member of the state legislature, and such member has served in the legislature five or more years, the salary which would have been received for the position from which the leave of absence was taken shall be considered as compensation earnable if the employee's contribution thereon is paid by the employee. In addition, where a member has been a member of the state legislature for five or more years, earnable compensation for the member's two highest compensated consecutive years of service shall include a sum not to exceed thirty-six hundred dollars for each of such two consecutive years, regardless of whether or not legislative service was rendered during those two years.

(iv) For members employed less than full time under written contract with a school district, or community college district, in an instructional position, for which the member receives service credit of less than one year in all of the years used to determine the earnable compensation used for computing benefits due under RCW 41.32.497, 41.32.498, and 41.32.520, the member may elect to have earnable compensation defined as provided in RCW 41.32.345. For the purposes of this subsection, the term "instructional position" means a position in which more than seventy-five percent of the member's time is spent as a classroom instructor (including office hours), a librarian, a psychologist, a social worker, a nurse, a physical therapist, an occupational therapist, a speech language pathologist or audiologist, or a counselor. Earnable compensation shall be so defined only for the purpose of the calculation of retirement benefits and only as necessary to insure that members who receive fractional service credit under RCW 41.32.270 receive benefits proportional to those received by members who have received full-time service credit.

(v) "Earnable compensation" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Earnable compensation" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Earnable compensation" for plan 2 and plan 3 members also includes the following actual or imputed payments which, except in the case of (b)(ii)(B) of this subsection, are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation, to the extent provided above, and the individual shall receive the equivalent service credit.

(ii) In any year in which a member serves in the legislature the member shall have the option of having such member's earnable compensation be the greater of:

(A) The earnable compensation the member would have received had such member not served in the legislature; or

(B) Such member's actual earnable compensation received for teaching and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions.

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

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

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

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

(15) "Member" means any teacher included in the membership of the retirement system who has not been removed from membership under RCW 41.32.878 or 41.32.768. Also, any other employee of the public schools who, on July 1, 1947, had not elected to be exempt from membership and who, prior to that date, had by an authorized payroll deduction, contributed to the member reserve.

(16) "Membership service" means service rendered subsequent to the first day of eligibility of a person to membership in the retirement system: PROVIDED, That where a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered. The provisions of this subsection shall apply only to plan 1 members.

(17) "Pension" means the moneys payable per year during life from the pension reserve.

(18) "Pension reserve" is a fund in which shall be accumulated an actuarial reserve adequate to meet present and future pension liabilities of the system and from which all pension obligations are to be paid.

(19) "Prior service" means service rendered prior to the first date of eligibility to membership in the retirement system for which credit is allowable. The provisions of this subsection shall apply only to plan 1 members.

(20) "Prior service contributions" means contributions made by a member to secure credit for prior service. The provisions of this subsection shall apply only to plan 1 members.

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

(22) "Regular contributions" means the amounts required to be deducted from the compensation of a member and credited to the member's individual account in the member reserve. This subsection shall apply only to plan 1 members.

(23) "Regular interest" means such rate as the director may determine.

(24)(a) "Retirement allowance" for plan 1 members, means monthly payments based on the sum of annuity and pension, or any optional benefits payable in lieu thereof.

(b) "Retirement allowance" for plan 2 and plan 3 members, means monthly payments to a retiree or beneficiary as provided in this chapter.

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

(26)(a) "Service" for plan 1 members means the time during which a member has been employed by an employer for compensation.

(i) If a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered.

(ii) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(iii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member for one or more employers for which earnable compensation is earned subject to the following conditions:

(i) A member employed in an eligible position or as a substitute shall receive one service credit month for each month of September through August of the following year if he or she earns earnable compensation for eight hundred ten or more hours during that period and is employed during nine of those months, except that a member may not receive credit for any period prior to the member's employment in an eligible position except as provided in RCW 41.32.812 and 41.50.132;

(ii) If a member is employed either in an eligible position or as a substitute teacher for nine months of the twelve month period between September through August of the following year but earns earnable compensation for less than eight hundred ten hours but for at least six hundred thirty hours, he or she will receive one-half of a service credit month for each month of the twelve month period;

(iii) All other members in an eligible position or as a substitute teacher shall receive service credit as follows:

(A) A service credit month is earned in those calendar months where earnable compensation is earned for ninety or more hours;

(B) A half-service credit month is earned in those calendar months where earnable compensation is earned for at least seventy hours but less than ninety hours; and

(C) A quarter-service credit month is earned in those calendar months where earnable compensation is earned for less than seventy hours.

(iv) Any person who is a member of the teachers' retirement system and who is elected or appointed to a state elective position may continue to be a member of the retirement system and continue to receive a service credit month for each of the months in a state elective position by making the required member contributions.

(v) When an individual is employed by two or more employers the individual shall only receive one month's service credit during any calendar month in which multiple service for ninety or more hours is rendered.

(vi) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(vii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(viii) The department shall adopt rules implementing this subsection.

(27) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

(37)(a) "Eligible position" for plan 2 members from June 7, 1990, through September 1, 1991, means a position which normally requires two or more uninterrupted months of creditable service during September through August of the following year.

(b) "Eligible position" for plan 2 and plan 3 on and after September 1, 1991, means a position that, as defined by the employer, normally requires five or more months of at least seventy hours of earnable compensation during September through August of the following year.

(c) For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position.

(d) The elected position of the superintendent of public instruction is an eligible position.

(38) "Plan 1" means the teachers' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(39) "Plan 2" means the teachers' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and prior to July 1, 1996.

(40) "Plan 3" means the teachers' retirement system, plan 3 providing the benefits and funding provisions covering persons who first become members of the system on and after July 1, 1996, or who transfer under RCW 41.32.817.

(41) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items compiled by the bureau of labor statistics, United States department of labor.

(42) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(43) "Index B" means the index for the year prior to index A.

(44) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(45) "Adjustment ratio" means the value of index A divided by index B.

(46) "Annual increase" means, initially, fifty-nine cents per month

per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(47) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

(48) "Separation from service or employment" occurs when a person has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.32.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this section.

(49) "Employed" or "employee" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

Sec. 2. RCW 41.32.055 and 2003 c 53 s 218 are each amended to read as follows:

(1) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement system, except under subsection (2) of this section, in any attempt to defraud such system as a result of such act, is guilty of a class B felony punishable according to chapter 9A.20 RCW.

(2) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement systems related to a member's separation from service and qualification for a retirement allowance under RCW 41.32.480 in any attempt to defraud that system as a result of such an act, is guilty of a gross misdemeanor.

Sec. 3. RCW 41.32.570 and 2003 c 295 s 6 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly

retirement allowance will be reduced by five and one-half percent for every seven hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

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

(2) Except under subsection (3) of this section, any retired teacher or retired administrator who enters service in any public educational institution in Washington state ((~~and who has satisfied the break in employment requirement of subsection (1) of this section~~)) at least one calendar month after his or her accrual date shall cease to receive pension payments while engaged in such service, after the retiree has rendered service for more than ((~~one thousand five hundred~~)) eight hundred sixty-seven hours in a school year.

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

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

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

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

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

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a school year. The one thousand nine hundred hour cumulative total limitation under this section applies prospectively after the effective date of this act.

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

((~~(3)~~)) (5) The department shall collect and provide the state actuary with information relevant to the use of this section for the select committee on pension policy.

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

Sec. 4. RCW 41.40.010 and 2004 c 242 s 53 are each amended to read as follows:

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

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

(2) "Department" means the department of retirement systems created in chapter 41.50 RCW.

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

(4)(a) "Employer" for plan 1 members, means every branch, department, agency, commission, board, and office of the state, any political subdivision or association of political subdivisions of the state admitted into the retirement system, and legal entities authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the term shall also include any labor guild, association, or organization the membership of a local lodge or division of which is comprised of at least forty percent employees of an employer (other than such labor guild, association, or organization) within this chapter. The term may also include any city of the first class that has its own retirement system.

(b) "Employer" for plan 2 and plan 3 members, means every branch, department, agency, commission, board, and office of the state, and any political subdivision and municipal corporation of the state admitted into the retirement system, including public agencies created pursuant

to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August 31, 2000, school districts and educational service districts will no longer be employers for the public employees' retirement system plan 2.

(5) "Member" means any employee included in the membership of the retirement system, as provided for in RCW 41.40.023. RCW 41.26.045 does not prohibit a person otherwise eligible for membership in the retirement system from establishing such membership effective when he or she first entered an eligible position.

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

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

(b) Any person who becomes a member through the admission of an employer into the retirement system on and after April 1, 1949, and prior to April 1, 1951;

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

(d) Any person who first becomes a member through the admission of an employer into the retirement system on or after April 1, 1951, provided, such person has been in the regular employ of the employer for at least six months of the twelve-month period preceding the said admission date;

(e) Any member who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective date of the individual's retirement becomes entitled to be credited with ten years or more of membership service except that the provisions relating to the minimum amount of retirement allowance for the member upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member;

(f) Any member who has been a contributor under the system for two or more years and who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective date of the individual's retirement has rendered five or more years of service for the state or any political subdivision prior to the time of the admission of the employer into the system; except that the provisions relating to the minimum amount of retirement allowance for the member

upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member.

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

(8)(a) "Compensation earnable" for plan 1 members, means salaries or wages earned during a payroll period for personal services and where the compensation is not all paid in money, maintenance compensation shall be included upon the basis of the schedules established by the member's employer.

(i) "Compensation earnable" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable and the individual shall receive the equivalent service credit;

(B) If a leave of absence is taken by an individual for the purpose of serving in the state legislature, the salary which would have been received for the position from which the leave of absence was taken, shall be considered as compensation earnable if the employee's contribution is paid by the employee and the employer's contribution is paid by the employer or employee;

(C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(D) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(E) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(F) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(ii) "Compensation earnable" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Compensation earnable" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude nonmoney maintenance compensation and lump sum or other payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Compensation earnable" for plan 2 and plan 3 members also includes the following actual or imputed payments, which are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable to the extent provided above, and the individual shall receive the equivalent service credit;

(ii) In any year in which a member serves in the legislature, the member shall have the option of having such member's compensation earnable be the greater of:

(A) The compensation earnable the member would have received had such member not served in the legislature; or

(B) Such member's actual compensation earnable received for nonlegislative public employment and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions;

(iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(iv) Compensation that a member would have received but for a

disability occurring in the line of duty only as authorized by RCW 41.40.038;

(v) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(vi) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(9)(a) "Service" for plan 1 members, except as provided in RCW 41.40.088, means periods of employment in an eligible position or positions for one or more employers rendered to any employer for which compensation is paid, and includes time spent in office as an elected or appointed official of an employer. Compensation earnable earned in full time work for seventy hours or more in any given calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service except as provided in RCW 41.40.088. Only service credit months and one-quarter service credit months shall be counted in the computation of any retirement allowance or other benefit provided for in this chapter. Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits. Time spent in standby status, whether compensated or not, is not service.

(i) Service by a state employee officially assigned by the state on a temporary basis to assist another public agency, shall be considered as service as a state employee: PROVIDED, That service to any other public agency shall not be considered service as a state employee if such service has been used to establish benefits in any other public retirement system.

(ii) An individual shall receive no more than a total of twelve service credit months of service during any calendar year. If an individual is employed in an eligible position by one or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service for seventy or more hours is rendered.

(iii) A school district employee may count up to forty-five days of sick leave as creditable service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than twenty-two days equals one-quarter service credit month;

(B) Twenty-two days equals one service credit month;

(C) More than twenty-two days but less than forty-five days equals one and one-quarter service credit month.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member in an eligible position or positions for one or more employers for which compensation earnable is paid. Compensation earnable earned for ninety or more hours in any calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for at least seventy hours but less than ninety hours in any calendar month shall constitute one-half service credit month of service. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service. Time spent in standby status, whether compensated or not, is not service.

Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits.

(i) Service in any state elective position shall be deemed to be full time service, except that persons serving in state elective positions who are members of the Washington school employees' retirement system, teachers' retirement system, public safety employees' retirement system, or law enforcement officers' and fire fighters' retirement system at the time of election or appointment to such position may elect to continue membership in the Washington school employees' retirement system, teachers' retirement system, public safety employees' retirement system, or law enforcement officers' and fire fighters' retirement system.

(ii) A member shall receive a total of not more than twelve service credit months of service for such calendar year. If an individual is employed in an eligible position by one or more employers the

individual shall receive no more than one service credit month during any calendar month in which multiple service for ninety or more hours is rendered.

(iii) Up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(10) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(11) "Service credit month" means a month or an accumulation of months of service credit which is equal to one.

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

(13) "Membership service" means:

(a) All service rendered, as a member, after October 1, 1947;

(b) All service after October 1, 1947, to any employer prior to the time of its admission into the retirement system for which member and employer contributions, plus interest as required by RCW 41.50.125, have been paid under RCW 41.40.056 or 41.40.057;

(c) Service not to exceed six consecutive months of probationary service rendered after April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of the total amount of the employer's contribution to the retirement fund which would have been required under the law in effect when such probationary service was rendered if the member had been a member during such period, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member;

(d) Service not to exceed six consecutive months of probationary service, rendered after October 1, 1947, and before April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of five percent of such member's salary during said period of probationary service, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member.

(14)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance, pension or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

(15) "Regular interest" means such rate as the director may determine.

(16) "Accumulated contributions" means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(17)(a) "Average final compensation" for plan 1 members, means the annual average of the greatest compensation earnable by a member during any consecutive two year period of service credit months for which service credit is allowed; or if the member has less than two years of service credit months then the annual average compensation earnable during the total years of service for which service credit is allowed.

(b) "Average final compensation" for plan 2 and plan 3 members, means the member's average compensation earnable of the highest consecutive sixty months of service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.40.710(2).

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

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

(20) "Pension" means payments for life derived from contributions made by the employer. All pensions shall be paid in monthly installments.

(21) "Retirement allowance" means the sum of the annuity and the pension.

(22) "Employee" or "employed" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

(23) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such mortality and other tables as may be adopted by the director.

(24) "Retirement" means withdrawal from active service with a retirement allowance as provided by this chapter.

(25) "Eligible position" means:

(a) Any position that, as defined by the employer, normally requires five or more months of service a year for which regular compensation for at least seventy hours is earned by the occupant thereof. For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position;

(b) Any position occupied by an elected official or person appointed directly by the governor, or appointed by the chief justice of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which compensation is paid.

(26) "Ineligible position" means any position which does not conform with the requirements set forth in subsection (25) of this section.

(27) "Leave of absence" means the period of time a member is authorized by the employer to be absent from service without being separated from membership.

(28) "Totally incapacitated for duty" means total inability to perform the duties of a member's employment or office or any other work for which the member is qualified by training or experience.

(29) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(30) "Director" means the director of the department.

(31) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(32) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(33) "Plan 1" means the public employees' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(34) "Plan 2" means the public employees' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and are not included in plan 3.

(35) "Plan 3" means the public employees' retirement system, plan 3 providing the benefits and funding provisions covering persons who:

(a) First become a member on or after:

(i) March 1, 2002, and are employed by a state agency or institute of higher education and who did not choose to enter plan 2; or

(ii) September 1, 2002, and are employed by other than a state agency or institute of higher education and who did not choose to enter plan 2; or

(b) Transferred to plan 3 under RCW 41.40.795.

(36) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(37) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(38) "Index B" means the index for the year prior to index A.

(39) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(40) "Adjustment ratio" means the value of index A divided by index B.

(41) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(42) "Separation from service" occurs when a person has terminated all employment with an employer. Separation from service or employment

does not occur, and if claimed by an employer or employee may be a violation of RCW 41.40.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this subsection.

(43) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

Sec. 5. RCW 41.40.037 and 2005 c 319 s 103 are each amended to read as follows:

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

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

(2)(a) Except as provided in (b) of this subsection, a retiree from plan 1 who enters employment with an employer at least one calendar month after his or her accrual date may continue to receive pension payments while engaged in such service for up to eight hundred sixty-seven hours of service in a calendar year without a reduction of pension.

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

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

(ii) Is hired through the established process for the position with the approval of: A school board for a school district; the chief executive officer of a state agency employer; the secretary of the senate for the senate; the chief clerk of the house of representatives

for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the ((~~joint~~)) select committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members for a local government employer;

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

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

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

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

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

(3) If the retiree opts to reestablish membership under RCW 41.40.023(12), he or she terminates his or her retirement status and becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.40.180. However, if the right to retire is exercised to become effective before the member has

rendered two uninterrupted years of service, the retirement formula and survivor options the member had at the time of the member's previous retirement shall be reinstated.

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

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

NEW SECTION. **Sec. 6.** This act takes effect July 1, 2006.

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BILL REQUEST - Bob Keller

BILL DRAFT DATE: August 23, 2006

BRIEF DESCRIPTION: Addressing the public employment of retirees from the teachers' retirement system plan 1 and the public employees' retirement system plan 1.

AN ACT Relating to the public employment of retirees from the teachers' retirement system plan 1 and the public employees' retirement system plan 1; amending RCW 41.32.055, 41.32.570, 41.40.010, and 41.40.037; reenacting and amending RCW 41.32.010; prescribing penalties; providing an effective date; and declaring an emergency.

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

Sec. 1. RCW 41.32.010 and 2005 c 131 s 8 and 2005 c 23 s 1 are each reenacted and amended to read as follows:

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

(1)(a) "Accumulated contributions" for plan 1 members, means the sum of all regular annuity contributions and, except for the purpose of withdrawal at the time of retirement, any amount paid under RCW 41.50.165(2) with regular interest thereon.

(b) "Accumulated contributions" for plan 2 members, means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(2) "Actuarial equivalent" means a benefit of equal value when

computed upon the basis of such mortality tables and regulations as shall be adopted by the director and regular interest.

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

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

(5)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

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

(7) "Creditable service" means membership service plus prior service for which credit is allowable. This subsection shall apply only to plan 1 members.

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

(9) "Disability allowance" means monthly payments during disability. This subsection shall apply only to plan 1 members.

(10)(a) "Earnable compensation" for plan 1 members, means:

(i) All salaries and wages paid by an employer to an employee member of the retirement system for personal services rendered during a fiscal year. In all cases where compensation includes maintenance the employer shall fix the value of that part of the compensation not paid in money.

(ii) For an employee member of the retirement system teaching in an extended school year program, two consecutive extended school years, as defined by the employer school district, may be used as the annual period for determining earnable compensation in lieu of the two fiscal years.

(iii) "Earnable compensation" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are

awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation and the individual shall receive the equivalent service credit.

(B) If a leave of absence, without pay, is taken by a member for the purpose of serving as a member of the state legislature, and such member has served in the legislature five or more years, the salary which would have been received for the position from which the leave of absence was taken shall be considered as compensation earnable if the employee's contribution thereon is paid by the employee. In addition, where a member has been a member of the state legislature for five or more years, earnable compensation for the member's two highest compensated consecutive years of service shall include a sum not to exceed thirty-six hundred dollars for each of such two consecutive years, regardless of whether or not legislative service was rendered during those two years.

(iv) For members employed less than full time under written contract with a school district, or community college district, in an instructional position, for which the member receives service credit of less than one year in all of the years used to determine the earnable compensation used for computing benefits due under RCW 41.32.497, 41.32.498, and 41.32.520, the member may elect to have earnable compensation defined as provided in RCW 41.32.345. For the purposes of this subsection, the term "instructional position" means a position in which more than seventy-five percent of the member's time is spent as a classroom instructor (including office hours), a librarian, a psychologist, a social worker, a nurse, a physical therapist, an occupational therapist, a speech language pathologist or audiologist, or a counselor. Earnable compensation shall be so defined only for the purpose of the calculation of retirement benefits and only as necessary to insure that members who receive fractional service credit under RCW 41.32.270 receive benefits proportional to those received by members who have received full-time service credit.

(v) "Earnable compensation" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Earnable compensation" for plan 2 and plan 3 members, means

salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Earnable compensation" for plan 2 and plan 3 members also includes the following actual or imputed payments which, except in the case of (b)(ii)(B) of this subsection, are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation, to the extent provided above, and the individual shall receive the equivalent service credit.

(ii) In any year in which a member serves in the legislature the member shall have the option of having such member's earnable compensation be the greater of:

(A) The earnable compensation the member would have received had such member not served in the legislature; or

(B) Such member's actual earnable compensation received for teaching and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions.

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

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

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

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

(15) "Member" means any teacher included in the membership of the retirement system who has not been removed from membership under RCW

41.32.878 or 41.32.768. Also, any other employee of the public schools who, on July 1, 1947, had not elected to be exempt from membership and who, prior to that date, had by an authorized payroll deduction, contributed to the member reserve.

(16) "Membership service" means service rendered subsequent to the first day of eligibility of a person to membership in the retirement system: PROVIDED, That where a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered. The provisions of this subsection shall apply only to plan 1 members.

(17) "Pension" means the moneys payable per year during life from the pension reserve.

(18) "Pension reserve" is a fund in which shall be accumulated an actuarial reserve adequate to meet present and future pension liabilities of the system and from which all pension obligations are to be paid.

(19) "Prior service" means service rendered prior to the first date of eligibility to membership in the retirement system for which credit is allowable. The provisions of this subsection shall apply only to plan 1 members.

(20) "Prior service contributions" means contributions made by a member to secure credit for prior service. The provisions of this subsection shall apply only to plan 1 members.

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

(22) "Regular contributions" means the amounts required to be deducted from the compensation of a member and credited to the member's individual account in the member reserve. This subsection shall apply only to plan 1 members.

(23) "Regular interest" means such rate as the director may determine.

(24)(a) "Retirement allowance" for plan 1 members, means monthly payments based on the sum of annuity and pension, or any optional benefits payable in lieu thereof.

(b) "Retirement allowance" for plan 2 and plan 3 members, means monthly payments to a retiree or beneficiary as provided in this chapter.

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

(26)(a) "Service" for plan 1 members means the time during which a member has been employed by an employer for compensation.

(i) If a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered.

(ii) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(iii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member for one or more employers for which earnable compensation is earned subject to the following conditions:

(i) A member employed in an eligible position or as a substitute shall receive one service credit month for each month of September through August of the following year if he or she earns earnable compensation for eight hundred ten or more hours during that period and is employed during nine of those months, except that a member may not receive credit for any period prior to the member's employment in an eligible position except as provided in RCW 41.32.812 and 41.50.132;

(ii) If a member is employed either in an eligible position or as a substitute teacher for nine months of the twelve month period between September through August of the following year but earns earnable compensation for less than eight hundred ten hours but for at least six hundred thirty hours, he or she will receive one-half of a service credit month for each month of the twelve month period;

(iii) All other members in an eligible position or as a substitute teacher shall receive service credit as follows:

(A) A service credit month is earned in those calendar months where earnable compensation is earned for ninety or more hours;

(B) A half-service credit month is earned in those calendar months where earnable compensation is earned for at least seventy hours but less than ninety hours; and

(C) A quarter-service credit month is earned in those calendar months where earnable compensation is earned for less than seventy

hours.

(iv) Any person who is a member of the teachers' retirement system and who is elected or appointed to a state elective position may continue to be a member of the retirement system and continue to receive a service credit month for each of the months in a state elective position by making the required member contributions.

(v) When an individual is employed by two or more employers the individual shall only receive one month's service credit during any calendar month in which multiple service for ninety or more hours is rendered.

(vi) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(vii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(viii) The department shall adopt rules implementing this subsection.

(27) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in

addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

(37)(a) "Eligible position" for plan 2 members from June 7, 1990, through September 1, 1991, means a position which normally requires two or more uninterrupted months of creditable service during September through August of the following year.

(b) "Eligible position" for plan 2 and plan 3 on and after September 1, 1991, means a position that, as defined by the employer, normally requires five or more months of at least seventy hours of earnable compensation during September through August of the following year.

(c) For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position.

(d) The elected position of the superintendent of public instruction is an eligible position.

(38) "Plan 1" means the teachers' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(39) "Plan 2" means the teachers' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and prior to July 1, 1996.

(40) "Plan 3" means the teachers' retirement system, plan 3 providing the benefits and funding provisions covering persons who first become members of the system on and after July 1, 1996, or who transfer under RCW 41.32.817.

(41) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items compiled by the bureau of labor statistics, United States department of labor.

(42) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(43) "Index B" means the index for the year prior to index A.

(44) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(45) "Adjustment ratio" means the value of index A divided by index B.

(46) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(47) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

(48) "Separation from service or employment" occurs when a person has terminated all employment with an employer. <u>Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.32.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this section.</u>

(49) "Employed" or "employee" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

Sec. 2. RCW 41.32.055 and 2003 c 53 s 218 are each amended to read as follows:

(1) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement system, except under subsection (2) of this section, in any attempt to defraud such system as a result of such act, is guilty of a class B felony punishable according to chapter 9A.20 RCW.

(2) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement systems related to a member's separation from service and qualification for a retirement allowance under RCW 41.32.480 in any attempt to defraud that system as a result of such an act, is guilty of a gross misdemeanor.

Sec. 3. RCW 41.32.570 and 2003 c 295 s 6 are each amended to read as follows:

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

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

(2) Except under subsection (3) of this section, any (~~Any~~)) retired teacher or retired administrator who enters service in any public educational institution in Washington state ((~~and who has satisfied the break in employment requirement of subsection (1) of this section~~)) at least one calendar month after his or her accrual date shall cease to receive pension payments while engaged in such service, after the retiree has rendered service for more than ((~~one thousand~~

~~five hundred~~)) eight hundred sixty-seven hours in a school year.

(3) Any retired teacher or retired administrator who enters service in any public educational institution in Washington state one month or more after his or her accrual date and:

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

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

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

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a school year.

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

((~~(3)~~)) (5) The department shall collect and provide the state actuary with information relevant to the use of this section for the select committee on pension policy.

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

Sec. 4. RCW 41.40.010 and 2004 c 242 s 53 are each amended to read as follows:

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

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

(2) "Department" means the department of retirement systems created in chapter 41.50 RCW.

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

(4)(a) "Employer" for plan 1 members, means every branch,

department, agency, commission, board, and office of the state, any political subdivision or association of political subdivisions of the state admitted into the retirement system, and legal entities authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the term shall also include any labor guild, association, or organization the membership of a local lodge or division of which is comprised of at least forty percent employees of an employer (other than such labor guild, association, or organization) within this chapter. The term may also include any city of the first class that has its own retirement system.

(b) "Employer" for plan 2 and plan 3 members, means every branch, department, agency, commission, board, and office of the state, and any political subdivision and municipal corporation of the state admitted into the retirement system, including public agencies created pursuant to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August 31, 2000, school districts and educational service districts will no longer be employers for the public employees' retirement system plan 2.

(5) "Member" means any employee included in the membership of the retirement system, as provided for in RCW 41.40.023. RCW 41.26.045 does not prohibit a person otherwise eligible for membership in the retirement system from establishing such membership effective when he or she first entered an eligible position.

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

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

(b) Any person who becomes a member through the admission of an employer into the retirement system on and after April 1, 1949, and prior to April 1, 1951;

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

(d) Any person who first becomes a member through the admission of an employer into the retirement system on or after April 1, 1951, provided, such person has been in the regular employ of the employer for at least six months of the twelve-month period preceding the said admission date;

(e) Any member who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective

date of the individual's retirement becomes entitled to be credited with ten years or more of membership service except that the provisions relating to the minimum amount of retirement allowance for the member upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member;

(f) Any member who has been a contributor under the system for two or more years and who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective date of the individual's retirement has rendered five or more years of service for the state or any political subdivision prior to the time of the admission of the employer into the system; except that the provisions relating to the minimum amount of retirement allowance for the member upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member.

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

(8)(a) "Compensation earnable" for plan 1 members, means salaries or wages earned during a payroll period for personal services and where the compensation is not all paid in money, maintenance compensation shall be included upon the basis of the schedules established by the member's employer.

(i) "Compensation earnable" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable and the individual shall receive the equivalent service credit;

(B) If a leave of absence is taken by an individual for the purpose of serving in the state legislature, the salary which would have been received for the position from which the leave of absence was taken, shall be considered as compensation earnable if the employee's contribution is paid by the employee and the employer's contribution is paid by the employer or employee;

(C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(D) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(E) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(F) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(ii) "Compensation earnable" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Compensation earnable" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude nonmoney maintenance compensation and lump sum or other payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Compensation earnable" for plan 2 and plan 3 members also includes the following actual or imputed payments, which are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable to the extent provided above, and the individual shall receive the equivalent service credit;

(ii) In any year in which a member serves in the legislature, the member shall have the option of having such member's compensation earnable be the greater of:

(A) The compensation earnable the member would have received had such member not served in the legislature; or

(B) Such member's actual compensation earnable received for nonlegislative public employment and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions;

(iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(iv) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(v) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(vi) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(9)(a) "Service" for plan 1 members, except as provided in RCW 41.40.088, means periods of employment in an eligible position or positions for one or more employers rendered to any employer for which compensation is paid, and includes time spent in office as an elected or appointed official of an employer. Compensation earnable earned in full time work for seventy hours or more in any given calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service except as provided in RCW 41.40.088. Only service credit months and one-quarter service credit months shall be counted in the computation of any retirement allowance or other benefit provided for in this chapter. Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits. Time spent in standby status, whether compensated or not, is not service.

(i) Service by a state employee officially assigned by the state on a temporary basis to assist another public agency, shall be considered as service as a state employee: PROVIDED, That service to any other public agency shall not be considered service as a state employee if

such service has been used to establish benefits in any other public retirement system.

(ii) An individual shall receive no more than a total of twelve service credit months of service during any calendar year. If an individual is employed in an eligible position by one or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service for seventy or more hours is rendered.

(iii) A school district employee may count up to forty-five days of sick leave as creditable service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than twenty-two days equals one-quarter service credit month;

(B) Twenty-two days equals one service credit month;

(C) More than twenty-two days but less than forty-five days equals one and one-quarter service credit month.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member in an eligible position or positions for one or more employers for which compensation earnable is paid. Compensation earnable earned for ninety or more hours in any calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for at least seventy hours but less than ninety hours in any calendar month shall constitute one-half service credit month of service. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service. Time spent in standby status, whether compensated or not, is not service.

Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits.

(i) Service in any state elective position shall be deemed to be full time service, except that persons serving in state elective positions who are members of the Washington school employees' retirement system, teachers' retirement system, public safety employees' retirement system, or law enforcement officers' and fire fighters' retirement system at the time of election or appointment to

such position may elect to continue membership in the Washington school employees' retirement system, teachers' retirement system, public safety employees' retirement system, or law enforcement officers' and fire fighters' retirement system.

(ii) A member shall receive a total of not more than twelve service credit months of service for such calendar year. If an individual is employed in an eligible position by one or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service for ninety or more hours is rendered.

(iii) Up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(10) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(11) "Service credit month" means a month or an accumulation of months of service credit which is equal to one.

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

(13) "Membership service" means:

(a) All service rendered, as a member, after October 1, 1947;

(b) All service after October 1, 1947, to any employer prior to the time of its admission into the retirement system for which member and employer contributions, plus interest as required by RCW 41.50.125, have been paid under RCW 41.40.056 or 41.40.057;

(c) Service not to exceed six consecutive months of probationary service rendered after April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of the

total amount of the employer's contribution to the retirement fund which would have been required under the law in effect when such probationary service was rendered if the member had been a member during such period, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member;

(d) Service not to exceed six consecutive months of probationary service, rendered after October 1, 1947, and before April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of five percent of such member's salary during said period of probationary service, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member.

(14)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance, pension or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

(15) "Regular interest" means such rate as the director may determine.

(16) "Accumulated contributions" means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(17)(a) "Average final compensation" for plan 1 members, means the annual average of the greatest compensation earnable by a member during any consecutive two year period of service credit months for which service credit is allowed; or if the member has less than two years of service credit months then the annual average compensation earnable during the total years of service for which service credit is allowed.

(b) "Average final compensation" for plan 2 and plan 3 members, means the member's average compensation earnable of the highest consecutive sixty months of service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.40.710(2).

(18) "Final compensation" means the annual rate of compensation

earnable by a member at the time of termination of employment.

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

(20) "Pension" means payments for life derived from contributions made by the employer. All pensions shall be paid in monthly installments.

(21) "Retirement allowance" means the sum of the annuity and the pension.

(22) "Employee" or "employed" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

(23) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such mortality and other tables as may be adopted by the director.

(24) "Retirement" means withdrawal from active service with a retirement allowance as provided by this chapter.

(25) "Eligible position" means:

(a) Any position that, as defined by the employer, normally requires five or more months of service a year for which regular compensation for at least seventy hours is earned by the occupant thereof. For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position;

(b) Any position occupied by an elected official or person appointed directly by the governor, or appointed by the chief justice of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which compensation is paid.

(26) "Ineligible position" means any position which does not conform with the requirements set forth in subsection (25) of this section.

(27) "Leave of absence" means the period of time a member is authorized by the employer to be absent from service without being separated from membership.

(28) "Totally incapacitated for duty" means total inability to perform the duties of a member's employment or office or any other work for which the member is qualified by training or experience.

(29) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(30) "Director" means the director of the department.

(31) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(32) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(33) "Plan 1" means the public employees' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(34) "Plan 2" means the public employees' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and are not included in plan 3.

(35) "Plan 3" means the public employees' retirement system, plan 3 providing the benefits and funding provisions covering persons who:

(a) First become a member on or after:

(i) March 1, 2002, and are employed by a state agency or institute of higher education and who did not choose to enter plan 2; or

(ii) September 1, 2002, and are employed by other than a state agency or institute of higher education and who did not choose to enter plan 2; or

(b) Transferred to plan 3 under RCW 41.40.795.

(36) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(37) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(38) "Index B" means the index for the year prior to index A.

(39) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(40) "Adjustment ratio" means the value of index A divided by index B.

(41) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(42) "Separation from service" occurs when a person has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.40.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this subsection.

(43) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

Sec. 5. RCW 41.40.037 and 2005 c 319 s 103 are each amended to read as follows:

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

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

(2)(a) Except as provided in (b) or (c) of this subsection, a retiree from plan 1 who enters employment with an employer at least one calendar month after his or her accrual date may continue to receive pension payments while engaged in such service for up to eight hundred sixty-seven hours of service in a calendar year without a reduction of pension.

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

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

(ii) Is hired through the established process for the position with the approval of: A school board for a school district; the chief

executive officer of a state agency employer; the secretary of the senate for the senate; the chief clerk of the house of representatives for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the ((~~joint~~)) select committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members for a local government employer;

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

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

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

(c) A retiree from plan 1 who enters employment with ((~~an~~)) a different employer as determined by the department, at least three calendar months after his or her accrual date, and:

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

(ii) Is hired through the established process for the position with the approval of: A school board for a school district; the chief executive officer of a state agency employer; the secretary of the senate for the senate; the chief clerk of the house of representatives for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the select committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members

for a local government employer; and

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

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a calendar year.

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

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

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

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

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

NEW SECTION. **Sec. 6.** This act takes effect July 1, 2007.

Select Committee on Pension Policy

October 17th – Meeting Planner

(July 17, 2006)

FULL COMMITTEE AGENDA

(1) Dual Membership

(2) Gain-sharing

(3) Plan 1 funding method, subgroup recommendation

(4) Post-retirement employment

(5) Adjourn

EXECUTIVE COMMITTEE AGENDA

(A) Direction on day's agenda

(B) November committee meeting
- 2005 actuarial valuation report
- PSERS membership report
- Gain-sharing

(C) Constituent correspondence

(D) State Actuary evaluation

(E) Adjourn

Select Committee on Pension Policy

Actuary Performance Evaluation

(November 12, 2003)

The State Actuary Appointment Committee has the statutory authority to review the performance and make adjustments to the pay of the State Actuary. The State Actuary Appointment Committee consists of:

- Chairs and ranking minority members of the Senate Ways and Means Committee and the House Appropriations Committee; plus
- Four members of the Select Committee on Pension Policy (SCPP) appointed jointly by the Chair and Vice Chair of the SCPP.

The SCPP Executive Committee will conduct a review of the State Actuary's performance and relay it to the State Actuary Appointment Committee with recommendations for pay adjustments, as deemed appropriate. The review will take place at least once every two employment anniversaries of the State Actuary or as requested by the Chair of the SCPP.

In conducting the review, the Executive Committee of the SCPP or their designee will:

- Review the statutory responsibilities of the Office of the State Actuary (OSA);
- Request a self-performance evaluation, including future goals and development activities from the State Actuary;
- Develop a list of feedback sources which may include OSA staff, SCPP members, Directors of the Department of Retirement Systems and Office of Financial Management, Chairs and/or staff of the legislative fiscal committees and the Executive Director of the LEOFF 2 Board;
- Solicit written feedback from feedback sources;
- Meet with the State Actuary to share feedback and overall performance evaluation.
- Relay the results of the performance evaluation and any recommendations regarding performance and/or pay adjustments to the members of the State Actuary Appointment Committee.

Washington State Legislature

January 17, 2006

To: Tom Hoemann, Secretary of the Senate
Rich Nafziger, Chief Clerk

For: Senator Harriet Spanel, Facilities & Operations Committee
Representative Lynn Kessler, House Employment Committee
Representative Mike Armstrong, House Employment Committee
Representative Helen Sommers, House Employment Committee
Representative Gary Alexander, House Employment Committee

Senator Joe Zarelli, Member, State Actuary Appointment Committee
Senator Margarita Prentice, State Actuary Appointment Committee

Re: Compensation Schedule, State Actuary

The SCPP Executive Committee has completed its third performance review of Matt Smith, State Actuary. The Committee has consistently rated Matt Smith as outstanding in his leadership, administration, and personal competency as State Actuary. These ratings result from Matt's direct support to the SCPP, as well as input from all major clients to include Chair, Senate Ways and Means Committee, Chair, House Appropriations Committee, Director, OFM, Director, DRS. and Executive Director, LEOFF 2 Board.

Currently, Matt Smith is at the top of the Senate Salary Grid at $10,849 per month, $130,188 per annum (Range 31, Step 21). The Department of Personnel (DOP) conducted a compensation review in 2004 of the position of State Actuary and concluded that the position of State Actuary was no longer competitive in compensation to other comparable internal and external positions. DOP recommended that the position be removed from the Senate Salary Grid and granted an initial increase of 10.5%.

The SCPP Executive Committee finds the DOP recommendation excessive given current economic realities. Alternatively, we note that the salary schedule for Senior Actuary in state agencies ranges up to $140,200. The SCPP therefore recommends that a new range (Range 32) be added to the Senate Salary Grid with the same five percent (5%) increment that separates existing ranges. This would provide a top step of $11,391 per month, $136,692 per annum and would be an appropriate placement for Matt Smith.

Your consideration of the above request is appreciated.

Sincerely,

Bill Fromhold

Representative Bill Fromhold
Chair

Karen Fraser

Senator Karen Fraser
Vice Chair

State Actuary Evaluation Process

August 8, 2006

As part of the State Actuary Evaluation the following contact information is needed in this process.

Please address any correspondence in c/o Secretary of the Senate and the Chief Clerk, as they are the staff coordinators for below mentioned committees.

Tom Hoemann, Secretary of the Senate
hoemann.tom@leg.wa.gov
Leg 309A
P.O. Box 40482
Olympia, WA 98504-0482
360-786-7355

Rich Nafziger, Chief Clerk
nafziger.rich@leg.wa.gov
Leg 338 B
P.O. Box 40600
Olympia, WA 98504-0600
360-786-7750

Facilities and Operations Committee
Senator Harriet Spanel, Majority Caucus Chair - spanel.harriet@leg.wa.gov

House Employment Committee *(this committee has no chair, they act by consensus)*
Representative Lynn Kessler - kessler.lynn@leg.wa.gov
Representative Mike Armstrong - armstrong.mike@leg.wa.gov
Representative Helen Sommers - sommers.helen@leg.wa.gov
Representative Gary Alexander - alexander.gary@leg.wa.gov

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary.state@leg.wa.gov

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

Senator Karen Fraser

***Representative Bill Fromhold**, Vice-Chair

Leland A. Goeke
TRS and SERS Employers

Robert Keller
PERS Actives

***Sandra J. Matheson**, Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

***Glenn Olson**
PERS Employers

***Senator Craig Pridemore**, Chair

Diane Rae
TRS Actives

***J. Pat Thompson**
PERS Actives

Senator Mark Schoesler

David Westberg
SERS Actives

*** Executive Committee**

(360) 786-6140
Fax: (360) 586-8135
TDD: 1-800-635-9993

August 2, 2006

TO: Senator Margarita Prentice
Senator Joseph Zarelli
Representative Helen Sommers
Representative Gary Alexander
Senator Karen Fraser
Leland A. Goeke
J. Pat Thompson

FROM: Senator Craig Pridemore, Chair
Representative Bill Fromhold, Vice Chair

RE: STATE ACTUARY APPOINTMENT COMMITTEE

According to RCW 44.44.013(1), the Chair and Vice Chair of the Select Committee on Pension Policy (SCPP) shall jointly appoint four SCPP members to serve on the State Actuary Appointment Committee, at least one of which shall represent state retirement systems active or retired members, and one member representing retirement system employers. It has been the past practice of the SCPP for the Chair and Vice Chair to appoint themselves to the State Actuary Appointment Committee in addition to two other SCPP members.

As a result of the June reorganization, Chair Pridemore has been appointed to the State Actuary Appointment Committee and replaces former Vice Chair Fraser on the appointment committee. Vice Chair Fromhold, Mr. Goeke and Mr. Thompson remain members of the appointment committee.

cc: Matt Smith, State Actuary

O:\SCPP\SAAC\2006\Appointment Letter.wpd

2006
State Actuary Appointment Committee

Senator Margarita Prentice
JAC 419
P.O. Box 40411
Olympia, WA 98504-0411
(360) 786-7616

Senator Joseph Zarelli
JAC 316
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Olympia, WA 98504-0418
(360) 786-7608

Representative Gary Alexander
JLOB 407
P.O. Box 40600
Olympia, WA 98504-0600
(360) 786-7814

Representative Helen Sommers
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Washington State Council of City
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3305 Oakes Avenue
Everett, WA 98201
(425) 303-8818

O:\SCPP\SAAC\2006\06 SAAC Members.wpd

Washington State
School Retirees Association

4726 Pacific Ave. SE Lacey, WA 98503-1216 • PHONE (360) 413-5496

MEMORANDUM

RECEIVED
JUL 24 2006
Office of
The State Actuary

TO: Select Committee on Pension Policy (SCPP)

FROM: Leslie Main, WSSRA Legislative Coordinator

DATE: July 19, 2006

RE: Correction to 7/18/06 Printed Testimony

Thank you once again for the opportunity to testify before you on July 18th regarding the important issues of Gain Sharing and the Plan 1 Unfunded Liability. Upon further review of the various methods employed by the Legislature to artificially reduce pension contribution rates, I discovered that WSSRA's 7/18/06 printed testimony incorrectly referenced two bill numbers:

- **ESSB 6167** was the 2001 legislation which moved the amortization date back from 12-31-16 to 6-30-24 (not HB 2236 as previously indicated).
- **EHB 2254** was the 2003 legislation suspended payment on the Unfunded Liability for the 2003-05 biennium (not SB 6029 as previously indicated).

Please accept my apologies for any inconvenience or confusion this may have caused.

The discussions regarding Gain Sharing and the Plan 1 Unfunded Liability during both the meetings of the full SCPP and the SCPP's Executive Committee highlighted many principals that continue to influence the direction of pension policy. One important principle is "Whose money is it?" Many retirees view employee and employer pension contributions as deferred compensation. Accordingly, they feel entitled to a share of "extra-ordinary" earnings on pension fund investments.

When Gain Sharing was being negotiated in 1998, Plan 1 members initially lobbied for 100% of investment returns beyond 10%. However, retirees compromised in order to support the honorable goal of paying down the Plan 1 Unfunded Liability. Consequently, TRS/PERS 1 Gain Sharing was enacted with half of the "extra-ordinary" gains going toward improvement of the Uniform COLA and half of the "extra-ordinary" gains going toward reduction of the amortization date of the Plan 1 Unfunded Liability. The '98 and '00 Gain Sharing distributions resulted in the amortization date being brought down from 2024 to 2016. Unfortunately, in 2001 the Legislature abandoned the responsible goal of reducing the amortization period and enacted ESSB 6167 (noted above) which, in effect, refinanced the Plan 1 Unfunded Liability back out to 2024. Current and future retirees are now legitimately concerned that the Legislature may yet again look to sidestep employer pension obligations this time via a "take away" of Gain Sharing benefits.

Long before private and public pensions were at the forefront of public debate, TRS/PERS 1 retirees struggled as their Plan 1 pension benefits declined in value. School retirees ask that Washington State be a leader in creative pension solutions which honor not only the service of current and future school and public retirees, but also the State as an employer which values and fulfills its responsibilities to its employees/retirees. WSSRA supported the 2005 and 2006 proposals put forth by the SCPP regarding Gain Sharing benefits and looks forward to working with the SCPP to develop a new proposal to resolve this issue prior to the next projected Gain Sharing distribution.

Please contact me at WSSRA, 1-800-544-5219 or 360-413-5496, if you have any questions or if I can be of assistance to you. Thank you.

Washington State
School Retirees Association

4726 Pacific Ave. SE Lacey, WA 98503-1216 • PHONE (360) 413-5496

Testimony before the Select Committee on Pension Policy

Re: Gain Sharing & Plan 1 Pension Funding

July 18, 2006

Honorable Chair and Committee members, the Washington State School Retirees' Association (WSSRA) appreciates the perseverance the Select Committee on Pension Policy continues to demonstrate in its attempts to address the issue of Gain Sharing. WSSRA once again looks forward to joining with the SCPP to develop a proposal which will meet the needs of all concerned. In renewing the efforts to address Gain Sharing, WSSRA asks that SCPP members consider the following points:

- Gain Sharing in only one component of the TRS/PERS Plan 1 Unfunded Liability. WSSRA acknowledges that generally, when pension fund investment returns are high pension contributions rates are reduced and when returns are low contribution rates increase. However, WSSRA contends that the intentional Legislative actions to artificially manipulate accepted actuarial practices regarding pension funding have had the most detrimental impact on the TRS/PERS 1 pension funds. For example:
  - 2006 ~ ESSB 6896 established a phased-in resumption of payments toward the Plan 1 Unfunded Liability but failed to include recognition of the cost of future Gain Sharing distributions.
  - 2005 ~ ESHB 1044 suspended payments to the Unfunded Liability and delayed recognition during the 2005-07 biennium of the cost of future Gain Sharing distributions.
  - 2003~ SB 6029 suspended payment on the Unfunded Liability for the 2003-05 biennium, generating savings comparable to that projected for 2005-07.
  - 2001 ~ HB 2236 moved the amortization date back from 12-31-16 to 6-30-24, generating savings of approximately $1 billion.

  In prior years there were also a number of statutory manipulations of actuarial assumptions and methods, all done in order to generate short-term savings for non-pension priorities. Current and future school and public retirees are now faced with the prospect of "paying the tab" for these non-pension priorities by having an important benefit – Gain Sharing - taken away. The pension funds should not be balanced on the backs of current and future school and public retirees.

- In addressing the fiscal impact of Gain Sharing, the Office of State Actuary's (OSA) 1998 Fiscal Note alluded to the fluctuation of pension contribution rates:
  "The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate compared to what would have occurred had no gain sharing occurred. If the bill were not passed the extra-ordinary investment return gains would result in lower contribution rates than those assumed. However, due to the nature of the bill and the definition of extra-ordinary gains, the resulting contribution rate would be no higher than if the extra-ordinary gain had not occurred at all."

  Source: OSA Fiscal Note – HB 2491/SB 6307 (2/3/98).

  WSSRA contends that if the pension funds had not been subjected to the artificial funding manipulations noted above, TRS/PERS 1 and TRS/SERS/PERS 3 members would not now be facing a possible total "take away" of the important Gain Sharing benefit. Steps taken by the Governor and the Legislature toward responsible pension funding should not be made to the exclusion of, and at the expense of, pension improvements for current and future retirees!

- For TRS/PERS 1, Gain Sharing was legitimately viewed in 1998, and continues today, as a way to:
  - Partially address recovery of lost purchasing power for current TRS/PERS 1 retirees and prevent erosion of purchasing power for future TRS/PERS 1 retirees, and also
  - Support the principle of providing a benefit to retirement system members from "extra-ordinary" investment returns on employer and employee pension contributions, which many retirement system members view as deferred compensation.

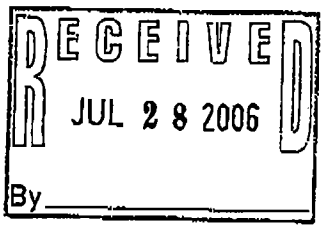
- With respect to TRS/SERS/PERS 3, Gain Sharing was legitimately viewed in 1998, and continues today, as a way to:
  - Augment the value of Plan 3 members defined contribution accounts, and
  - Lend to cost neutrality with the benefits of Plan 2, which was an original goal in the development of Plan 3.

The Governor and Legislature need to face their pension responsibilities to school and public employees and retirees:

1. Provide benefits, such as Gain Sharing, which help recover/maintain the value of the Plan 1 pension benefit throughout the retirement years of Plan 1 members,
2. Honor its implied commitment to members of TRS/SERS/PERS 3 who entered Plan 3 with the understanding that Gain Sharing is an integral part of the Plan's benefits, and
3. Fully fund all pension plans in a stable and adequate manner, even if this means putting issues which reap greater political mileage aside until the state fulfills its goal of becoming a "good employer." The irony is not lost on many school/public employees and retirees of how many of the non-pension priorities which have, in effect, been funded at the expense of the pension system are administered by the very public/school employees and retirees who are now at risk of loosing a significant pension benefit – Gain Sharing.

RESPONSIBLE PENSION FUNDING AND PROVISION OF ADEQUATE PENSION BENEFITS ARE EQUALLY ESSENTIAL...A REPEAL OF GAIN SHARING WITHOUT ESTABLISHMENT OF SIGNIFINCANT REPLACEMENT BENEFITS IS UNACCEPTABLE...HONOR CURRENT AND FUTURE RETIREES BY PROTECTING THE VALUE OF GAIN SHARING!

Thank you for this opportunity to address these important issues. Please contact WSSRA Executive Director, Ed Gonion, or Legislative Coordinator, Leslie Main at 1-800-544-5219 if you would like to discuss these issues further or have any questions regarding WSSRA's positions.



July 24, 2006

Governor Christine Gregoire
Office of the Governor
P.O. Box 40002
Olympia, WA 98504-0002

Dear Governor Gregoire:

Please accept this letter of resignation from my appointment as the K-12 employer representative to the Select Committee on Pension Policy (SCPP) effective August 31, 2006.

I have very much appreciated the opportunity to serve the people of Washington State in the SCPP capacity. Unfortunately, family health considerations will prevent me from dedicating sufficient, quality time to successfully fulfill the Committee role.

Respectfully, I would like to nominate Charles E. Cuzzetto, 2614 88th Street Court NW, Gig Harbor, WA 98332, to serve as the K-12 employer representative to the Committee. Mr. Cuzzetto currently serves Washington public schools as Assistant Superintendent, Peninsula School District. His human resource and financial management experience, combined with his standing as a certified public accountant, provides an excellent combination of skills to represent public school employers in the critical area of public pension policy. Mr. Cuzzetto is a past president and an active member of the Washington School Personnel Association which represents the employment interest of school districts throughout Washington State.

Thank you for your trust and confidence in having appointed me to the Committee.

Sincerely,

Leland A. Goeke, Jr.
Associate Superintendent
Human Resources and Management

cc:

Senator Craig Pridemore, Chair, SCPP, PO Box 40449, Olympia, WA, 98504-0449
Representative Bill Fromhold, Vice Chair, SCPP, PO Box 40600, Olympia, WA, 98504-0600

Vancouver Public Schools • Jim Parsley Center • 2901 Falk Road Vancouver, WA 98661
Mailing Address: PO Box 8937 Vancouver, WA, 98668-8937
Phone: (360) 313-1000 • FAX: (360) 313-1001 • www.vansd.org
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Superior Court Judges' Association

Michael Cooper, *President* (06-07)
Kittitas County Superior Court
205 W 5th Avenue, Suite 207
Ellensburg, WA 98926-2887
(509) 962-7533 FAX: (509) 933-8223

Vickie Churchill, *President-Elect* (06-07)
Island/San Juan Counties Superior Courts
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Coupeville, WA 98239-5000
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Michael Trickey, *Immed. Past President* (06-07)
King County Superior Court
516 Third Avenue, Room C-203
Seattle, WA 98104-2361
(206) 296-9265 FAX: (206) 296-0986

Gordon Godfrey, *Secretary* (06-07)
Grays Harbor County Superior Court
102 Broadway Avenue W
Montesano, WA 98563-3621
(360) 249-6363 FAX: (360) 249-6381

Chris Washington, *Treasurer* (06-07)
King County Regional Justice Center
401 4th Avenue N, Room 2D
Kent, WA 98032-4429
(206) 296-9111 FAX: (206) 205-2585

Suzanne Barnett, *District One Trustee* (06-09)
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(206) 296-9213 FAX: (206) 296-0986

Jay White, *District One Trustee* (04-07)
King County Regional Justice Center
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(206) 296-9251 FAX: (206) 205-2585

Ronald E. Culpepper, *District Two Trustee* (05-08)
Pierce County Superior Court
930 Tacoma Avenue S, Room 534
Tacoma, WA 98402-2108
(253) 798-6640 FAX: (253) 798-7214

Alan Hancock, *District Three Trustee* (06-09)
Island/San Juan Counties Superior Courts
PO Box 5000
Coupeville, WA 98239-5000
(360) 679-7361 FAX: (360) 679-7383

Richard Brosey, *District Four Trustee* (06-09)
Lewis County Superior Court
345 W Main, 4th Floor
Chehalis, WA 98532-4802
(360) 740-1172 FAX: (360) 740-2603

Donald W. Schacht, *District Five Trustee* (05-08)
Walla Walla County Superior Court
PO Box 836
Walla Walla, WA 99362-0259
(509) 527-3229 FAX: (509) 527-3214

T. W. Small, *District Six Trustee* (04-07)
Chelan County Superior Court
PO Box 880
Wenatchee, WA 98807-0880
(509) 667-6210 FAX: (509) 667-6588

August 29, 2006

The Honorable Craig Pridemore
Washington State Senate
PO Box 40482
Olympia WA 98504-0482

Dear Senator Pridemore:

The judges at all levels of court very much appreciate the efforts of the Select Committee on Pension Policy and the Office of the State Actuary leading up to the 2006 legislative session in working with us to develop and to pass an improved retirement benefit multiplier for judges.

As you know, judges come to this public service as a second career – the average age of judges taking the Superior Court bench is 47. Through the work of the Select Committee, the State Actuary and the Legislature, the retirement benefit multiplier for new judges starting in 2007 has been restored to the pre-1988 level making the defined benefit far more comparable to such benefits for judges in other states. Our goal, consistent with the Select Committee's Goal #2, was to restore this benefit multiplier for past and future service to aid in both the recruitment and retention of highly qualified judges. This new legislation will foster that goal for newly appointed judges, with the cost borne by the judges alone. We are very grateful to the members of the Select Committee, as well as the State Actuary and the Legislature for this significant improvement.

Under the bill passed by the Legislature, current judges also have the opportunity to opt into this improved benefit on a going forward basis by shouldering the entire cost of the new benefit. The difficulty for many of the seasoned judges relates to the issue of the buy back of past service credit. The judges understood that we would have the opportunity to "buy back" past service credit as a judge at a cost per year reflected on the proposal approved by the Select Committee. We did not understand that the legislation required a "buy forward" or annuity purchase methodology to be used to purchase past service credit. Unfortunately, the annuity methodology results

in a cost that is prohibitive for the most highly experienced judges currently serving in Washington. This situation creates a vast disparity in retirement benefits for most of the judges currently serving when compared to the judges who took the bench before 1988 and those that will take the bench in 2007 and thereafter.

I am writing to ask for your help in addressing this issue. We appreciate you including this subject for the full Committee agenda on September 19. We believe that there are several other methods that can be used to calculate the cost to purchase past service credit that are fair, both to the state and to the judges. We are very interested in achieving such a change and are focused on identifying a method that will not impact the rates. We are confident that, with the help of the Office of the State Actuary if you were to so direct, we could identify several options for the Select Committee's consideration.

As an example, one option is to utilize the average group cost as reflected on the proposal that the Select Committee approved, with the Actuary determining the assumption for "anti-selection," that is, a number reflecting the fact that some judges will not elect to buy back. That figure could be analyzed in terms of the rounding factor to determine if the cost fell below .005% and thus not impact the rates. If it was somewhat higher, the Actuary could determine what amount, such as 105% of the average group cost figure, would bring the cost below the rounding factor.

Another option is to require the employee-judge to pay what he or she would have paid in a given year of service based on that year's rates and the judge's salary for that year, and also require the employee-judge to pay what the employer would have paid, plus the assumed 8% interest rate. The Actuary could then determine if this payment, taking into account the anti-selection factor, would fall below the rounding factor and therefore not impact the rates. Again, if it was above .005%, some premium (for example, 105%) could be utilized to bring it below the rounding factor. Although this would be a substantially higher cost for the judges with the most experience, we believe it is still fair and would be a good resolution. Either of these options, and perhaps others, would allow currently sitting judges to achieve the same retirement benefits for their service as those judges beginning service before 1988 and after 2007. This is a significant issue of fairness and parity for the judges currently serving in the state of Washington.

We would truly appreciate your help in resolving this issue. We are very interested in meeting with Mr. Smith and his staff to discuss these and other options and understand that he requires your direction to do so.

Sincerely,

Michael E. Cooper
President

SCJA\President's Correspondence\Cooper\ltr Pridemore re pension.doc
cc: Regina McDougall

STATE OF WASHINGTON
DEPARTMENT OF RETIREMENT SYSTEMS
PO Box 48380 • Olympia WA 98504-8380 • (360) 664-7000 • Toll Free 1-800-547-6657

August 28, 2006

RECEIVED
AUG 30 2006
Office of
The State Actuary

TO: Kelly Burkhart
Executive Assistant

FROM: Wilma Eby
Executive Assistant

SUBJECT: Gain Sharing Letters

Attached are copies of more of the gain sharing letters sent to the Governor's Office. DRS responded to the individuals using the response I mentioned earlier – acknowledging the writers' concern about the increasing cost of living, noting that DRS has received similar comments from other Plan I and Plan 3 retirees and members about the plans' provisions for maintaining purchasing power and explaining that the SCPP is still discussing the issue.

Please contact me at 664-7311 if you have any questions.

Attachments

RECEIVED
AUG 2 4 2006
OFFICE OF THE GOVERNOR

August 22, 2006

Dear Governor Gregoire:

I am a retired State employee on PERS 1 and am very concerned about the lack of funding for Gain Sharing. If this will not be part of your budget, I hope you can fund a permanent replacement benefit in your budget.

We cannot afford to lose this benefit. I hope you will find a way to accomodate us on this critical issue for the many State Retired people.

Thank you for your consideration, I could not get your email address to accept my letter, so I am sending it by regular mail.

Thank you for your attention,

Ruth A. Sinton

Ruth A. Sinton
747 N 135th St #728
Seattle, WA 98133
206-361-6924
whizras@juno.com

Dear Governor Gregoire,

We Plan 3 members need a fair trade dollar-to-dollar benefit. Taking away Gain Sharing will hurt my family as I have counted on it to generate income in my retirement.

Thank you,
Kelly Frederick

August 23, 2006

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Governor Christine Gregoire
Office of the Governor
PO Box 40002
Olympia, WA 98504-0002

Dear Madam:

Please don't ignore gain sharing in your budget. Gain sharing for Plan I retirees must be kept or exchanged for a suitable replacement benefit. Benefit helps Plan I retirees in a small but important way to regain lost purchasing power of their pensions.

Thank you.

Sincerely,

Evelyne D. Klan

Evelyne D. Klan
12501 Greenwood Ave. N. #C211
Seattle, WA 98133

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August 5, 2006

Governor Christine Gregoire
State of Washington
P. O. Box 40002
Olympia, WA 98504

Dear Governor Gregoire:

We share (between the two of us) almost sixty years of teaching in the State of Washington, as well as Kamehama Schools in Hawaii, and with the Department of Defense in Germany.

In all of those years and with every group of children we taught, one word seemed to crop up more than any other—the word FAIR! Students seem to value FAIRNESS above all other traits.

As teachers, we too always valued FAIRNESS. As long time retired members of TRS Plan 1, our pensions have lost more than half of their value due to inflation. We are concerned with the possible loss of the Gain Sharing benefit as well.

In FAIRNESS, we ask you to make sure an acceptable replacement benefit is passed, if Gain Sharing is taken away.

Thank You!

Bill Stendal
Eloise Stendal

Bill & Eloise Stendal
1035 Fidalgo Drive
Burlington, WA 98233

Governor Gregoire

Please don't ignore gain sharing in your budget. Gain sharing for Plan 1 retirees must be kept or exchanged for a suitable replacement benefit. This benefit helps Plan 1 retirees in a small but important way to regain lost purchasing power of their pensions. Thanks Richard Mitchell, Plan 2 retiree and member of REPC

Richard J. Mitchell

Richard Mitchell

Gainsharing repeal without a dollar for dollar exchange will hurt me financially. This is my benefit I have used to plan my retirement income.

Julie Madden

Amy Weber
PO Box 7902
Covington, WA 98042

Repealing Gainsharing without a fair trade will affect my future, I may need to find a second job to fund my retirement so I can take care of myself when I am old.

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AUG 21 2006
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Glen Hallman
1510 40th St.
Bellingham, WA 98229-4902

Aug 18, 2006

Govenor Christine Gregoire
Office of The Govenor
P.O. Box 40002
Olympia, WA 98504-0002

Dear Govenor:

Subject State Retirment Plan I
Gain-sharing.

I have been retired for 20 years under PERS plan I. My retirement payment certainly don't go as far those days (over)

The gain-sharing plan has helped a little but nowhere near equals the rate of inflation.

I urge you to keep the gain-sharing plan financing in your budget you will be submitting to the legislature

I would be willing to consider an alternate plan provided it was at least equal or better than the current gain-sharing plan.

Sincerely, Glen F. Hallman

Glen Hallman

Hyde, Elizabeth

From: Randy Plain [plain@harbornet.com]
Sent: Sunday, September 10, 2006 7:22 PM
To: Office State Actuary, WA
Subject: Fw: LEOFF 1 Disability 'Penalty'

Washington State Actuary

Ref: Disability Pension Penalty on members hired after 1970

I am a 2 year retiree of the LEOFF 1 System. I was hired in 1973 and served nearly 31 years.

The term 'disability penalty' is used to refer to the current situation that 'Caps' the benefit of those hired after 1970 at 50% regardless of the number of years served. The state removes at the rate of 2% benefit per year of service for anyone working beyond 25 years that find themselves eligible for and choose to accept the Federal benefit of an On the Job Disability Pension. The state is obligated to reimburse at the continued rate of 2% a year for working beyond 25 years for a Service Pension; but the 50% 'Cap' on a disability affectively reverses partially to completely an entitled Federal benefit by imposing the 50% limit.

Last Legislative Session the Select Committee on Pensions, the Legislature and the Governor in their wisdom lifted (near unanimously) an arbitrary and similarly unjust service 60% Cap. Just as those hired in 1974 and later were unjustly subjected to that Cap those hired after 1970 are today unnecessarily and unjustly subjected to a 50% disability cap.
I believe in 'one year of benefit for one year of service' as a basic fair benchmark (limited and not to exceed the 60% disability benefit enjoyed by the Prior Act folks -- as parity).

I believe in correcting bad law and I think this injustice is just that. I think it is only fair and just that a member be rewarded for service rendered at the rate of one year of benefit for one year of work. Why should an on the job disability result in a state penalty?

I think the arguments for a change are strong including all those used successfully last year to overwhelmingly lift the 60% Service Cap. Another recent one comes to mind -- the new up to 5 year service credit "buy in" at retirement.....many of us have already "bought - in" by having paid into the retirement system years longer than the 25 years benefit we are now being limited to -- that is paying into but not benefiting from! This doesn't even take into consideration working those years and deferring years of pension payments.

Please find attached a letter I sent to Sandi Matheson in January. I received a call from Robert Baker on the 29th of March and he wanted to know more about the concerns I raised. He was most cordial and said he would do the research and pass his findings on to the Select Committee. I talked to Mr. Roberts on 08 Sept. and he suggested I write to the Actuary Dept in an effort to further my interest.

I would prefer to see the 50% 'Cap' completely removed (not to exceed Prior Act benefits). However, any reasonable compromise, (i.e. taxable service credit beyond 25 years disability benefit) that would move toward that end would be appreciated.

I thank you in advance for any time you might spend considering my concerns.

Regards,

Randy Plain (ret. Tacoma Fire 2004)
1741 N Jackson Ave.
Tacoma, WA. 98406

253-752-3703
plain@harbornet.com

Sandra J. Matheson
Director DRS

27JAN2006

I attended the Select Committee on Pensions Policy meeting on 06 DEC. and had the opportunity to hear your responses to various questions and that has prompted me to write with one of my own.

I have had numerous communications with Marilyn, your LEOFF I employee that apparently fields inquiries from the group of retirees that includes the letter 'P'. I have been very satisfied with her and all DRS interactions I have had, but this question I want to direct to you.

I am a LEOFF I retiree and I realize that compared to other pensions I am fortunate to be covered by LEOFF I, but that is not the issue. Within LEOFF I there are differences, inequities and room for positive change consistent with sound fiscal policy. Two recent examples are the survivor benefit coverage option for retired members who have lost their spouse to death or divorce and the proposed lifting of the 60% cap imposed on those hired from 1974 - 1977.

I am a two year retiree from the Tacoma Fire Dept. I was hired in May of 1973 and served just shy of 31 years. I loved my job and would still be there today if I was able to perform at an acceptable level - alas I cannot. I was retired on a disability pension of 50% in FEB of 2004. Had I retired on a service pension I would have been entitled to a 60% (or so) pension amount. I was disabled on the job and qualified for a Federal Government benefit of a disability pension. The state then imposed a penalty on my disability and reduced my benefit back to a 50% level. The state was prepared to honor my service with 60% if I had denied the Federal benefit and retired with service pension; so I assume the actuaries have calculated for the higher distribution. To say the least I think this affectively neutralizing by the state of a Federal benefit is grossly unfair.

I have raised this issue with the Retired Firefighters of Washington and the Washington Council of Firefighters and both agree that it is an injustice and that it should be changed. Both organizations have been pretty tied up the last two sessions to bring this issue to the forefront. I consulted the opinion of the Americans with Disabilities Act folks; they also thought this sounded like an injustice that they would inquire further if it was not a pension issue that places it outside their mandate.

Also I communicated with Mr. Steve Nelson, a board member of the LEOFF II Pension Fund. He also agreed with my position, but had concerns about federal rules limiting a disability pension. He suggested positively perhaps a 50% disability benefit and the remainder in service as a possible compromise solution.

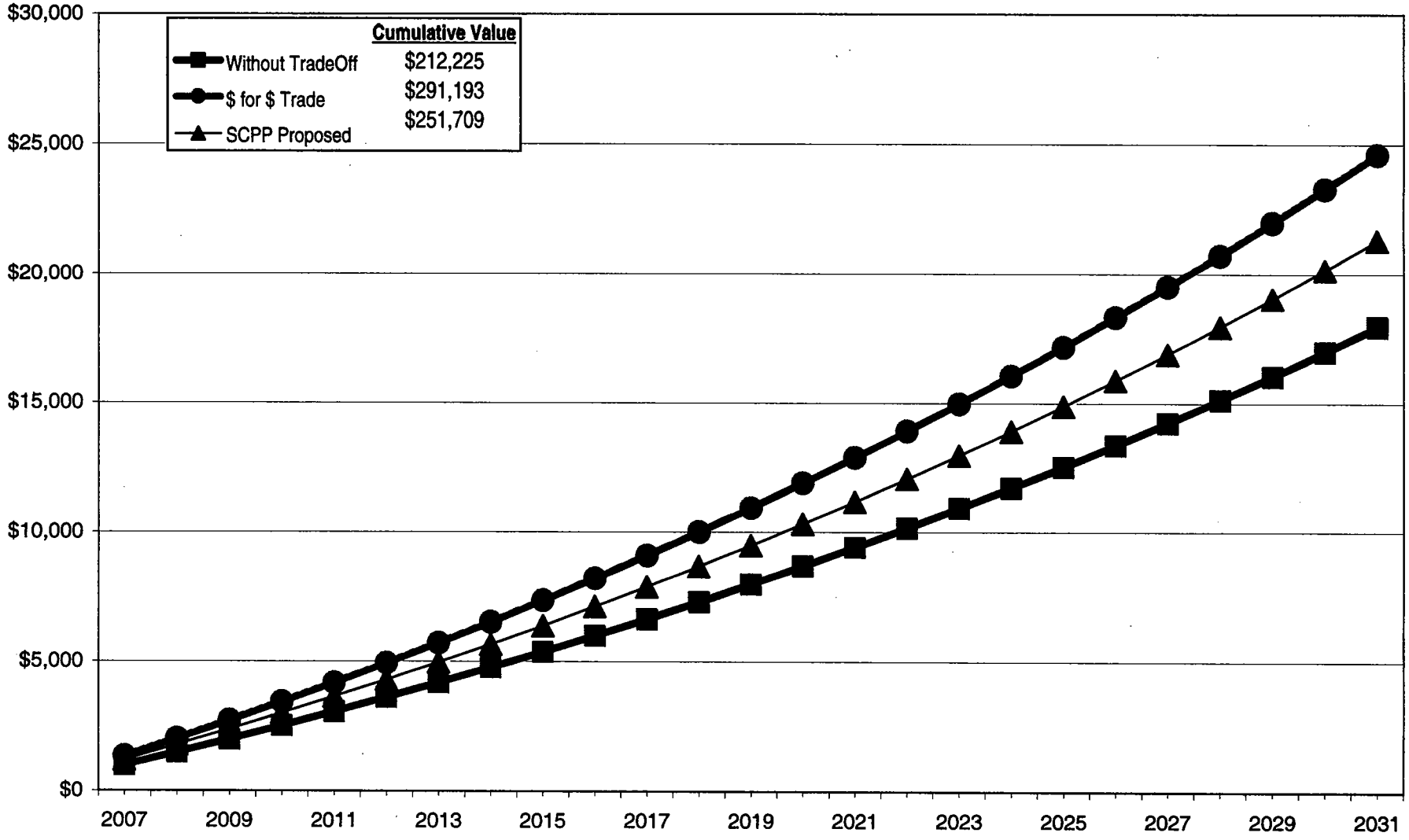
I am not prepared to let this go until it has had a full and fair airing; however I am not sure of how to continue. I thank you in advance for any thoughts or positive suggestions that you might have to bring this issue to the forefront and move it forward.

Respectfully,
Randy L. Plain
533441903
3703

1741 N Jackson Ave.
Tacoma, WA. 98406
253-752-

Cumulative Benefit to Plan 1 Members of Gain Sharing Trade-off

Assumes Gain Sharing Trade-off Valued Equal to $0.48 in Year 1 of UnCola



Gain sharing Trade-Off Proposal

Background:

- The total employer saving over the 2007-09 biennium is $403 M by repealing gain sharing. The General Fund saving is $186 M. 2006's HB 3183 fiscal note lists the total employer savings for 2006-2031 to be $7.8 billion or $3.5 billion General Fund if gain sharing is repealed.

- By the end of 2007 the average earnings of the retirement funds within the state investment accounts over a four year period could very well be over 10% since earnings were 16.7% for 2004, 13.3% for 2005 and 15.6% through March of 2006. If the four- year average earning exceeds the 10% gain sharing threshold, a payment is due to members of TRS, SERS, and PERS Plan 1 and 3.

- The State Attorney General's opinion regarding gain sharing reports that the Legislature can repeal this program. However there appears to be some evidence that the attraction of gain sharing played a "role" in Plan 2 members making the choice to opt into Plan 3. Legal questions would quickly arise if the Legislature took this action.

Some Options:

1. Increase the TRS, SERS, PERS Plan 1 COLA by 24 cents at a cost of $39.1M General Fund for the 2007-09 biennium.
2. Give TRS and SERS new members the choice of being in Plan 2 or 3. This option would cost $2.4M General Fund during the 2007-09 biennium.
3. Provide SERS Plan 3 members $12 per year of service at a cost of $7.1M General Fund during the 2007-09 biennium
4. Start implementing the "Rule of 90" by initiating a modified version with an age 60 requirement with no prospective element. HB 1325 from the 2005 session had a modified "Rule of 90" that had an age 60 requirement with counting only prospective years of service from the date of passage of the bill. The HB 1325 plan's cost was $27.8M General Fund.

$39.1M -option 1
2.4M –option 2
7.1M - option 3
27.8M – option 4
$76.4M - subtotal

Half of the $186m (General Fund cost of prefunding gain sharing) is $93M.
The cost of dropping the prospective years aspect of HB 1325 is unknown, however it probably is in the $40M range. If $40M were the cost, it would put this proposal at about $23.4M over half the cost of Prefunding gain sharing.

WASA & AWSP propose rolling these trade-off issues into a SCPP recommended gain sharing trade-off bill for the 2007 legislative session.
John Kvamme, WASA & AWSP Consultant

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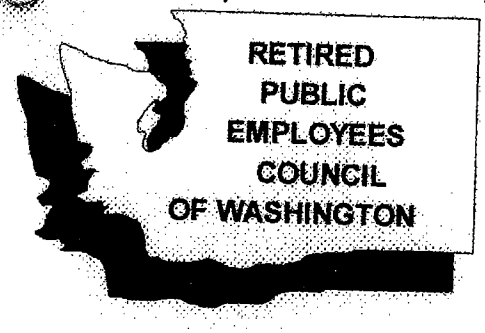

Retired Public Employees Council of Washington
Chapter 6 Everett Area
Ruth Moffatt, Secretary
3401 Oakes Ave. #2
Everett, WA 98201

Phone (425) 257-1044

August 25, 2006

Governor Christine Gregoire
Office of the Governor
P. O. Box 40002
Olympia, Wa. 98504-0002

Dear Ms. Gregiore:

In the midst of the summer it is very hard to reach all of our 500 members of Retired Public Employees Chapter 6.

I have been requested by our Executive Board of Chapter 6 to request of you to withhold removing the gain-sharing from your 2007 budget.

Please do not ignore gain sharing for Plan 1 retirees. This benefit helps retirees in a small way, but is an important way to regain the lost purchasing power of their pensions.

With the small pensions that a good many of us receive we need every other help we can get.

This is so important so I am writing for 500 members PLEASE DO NOT TOUCH THIS FUND, LEAVE IT FOR WE THE RETIREES WHO NEED IT.

Thank you

Sincerely

E. Ruth Moffatt

E. Ruth Moffatt, secretary, treasurer
Chapter 6 RPEC

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Office of the Governor

4409 4th Avenue NW
Seattle, WA 98107
August 27, 2006

Governor Christine Gregoire
Office of the Governor
PO Box 40002
Olympia, WA 98504-0002

Please don't ignore gain sharing in your budget. Gain Sharing for Plan 1 retirees must be kept or exchanged for a suitable replacement benefit. Benefit helps Plan 1 retirees in a small but important way to regain lost purchasing power of their pensions.

Thank you for affording us this consideration.

Very truly yours,

Joan Dahlgren Reid

Joan Dahlgren Reid

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The State Actuary

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AUG 29 2006
OFFICE OF THE GOVERNOR

Lee Bomberger

From: "Lee Bomberger" <lbbomberger@comcast.net>
To: <http://www.governor.wa.gov/contact/government.htm>
Cc: <Cassandra de la Rosa>; <fandshel@comcast.net>
Sent: Sunday, August 27, 2006 4:53 PM
Subject: Gain sharing

I am writing to express my concern about PERS I gain sharing. To my knowledge this is the only thing that comes close to being a COLA for us retirees. I recognize that gain sharing has its problems, and it may be the time to look at alternatives. The Select Committee on Pension Policy has spent considerable time and effort in developing a viable alternative. While I have not seen their final proposal, the committee members made a genuine effort to find a solution to the problem. In my opinion, this proposal or a sound alternative should be taken up by the Legislature at the upcoming session.

Lee Bomberger

Lee Bomberger
2004 Harbor View Drive
Olympia, WA 98502
Ph. (360) 357-9948

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August 29,2006

Governor Christine Gregoire
Office of Governor
P. Box 4002
Olympia, Wa 98504 0002

Dear Governor:

Please Governor do not ignore gain sharing in your budget, Gain sharing for Plan 1 retirees.

Thank you.

Sincerely

George M. Barlow

George M Barlow
Chapter 2 Retired Public Employees Council
Of Washington
817 Rogers St N W
Olympia, Wa 98502

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SEP 14 2006
Office of
The State Actuary

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AUG 3
OFFICE OF T

Write an e-mail message

From: bernardbrandt@webtv.net.
(bernard brandt)

To: http://www.governor.wa.gov/contact/govemail.htm

Cc:

Subject: Gain Sharing Plan 1 for Retirees

I am a Retired Public Empoyee, and I would like you to not ignore gain sharing in your budget. It must be kept or exchanged for a suitable replacement benefit. This benefit helps Plan 1 retirees in a small but important way to regain the lost purchasing power of their pensions.

Thank you for your consideration.

Sincerely,

Bernard F. Brandt

Bernard F. Brandt
695 S. 2nd Ave.
Othello, Wa. 99344

Aug. 28, 2006

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The State Actuary

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OFFICE OF THE GOVERNOR

August 29, 2006

Governor Christine Gregoire
Office of the Governor
PO Box 40002
Olympia, WA 98504-0002

Dear Governor Gregoire:

I am writing to urge you to include funding for gain sharing in your budget for 2007. I am a retiree of Snohomish County Government and moved to Tacoma where I am a member of Retired Public Employees Council Chapter 12.

Over the years state government retirees have been ignored or side-stepped in their efforts to have funding borrowed by State Government during the Evans administration returned back to the retirement fund. Over the past few years we and currently employed workers have brought to the attention of state and political leaders the fact that the state, does not pay into the retirement fund their fair share of contributions. It pays a smaller percentage into the funds, than workers. Over the last few years we have had many discussions with state legislators and government representatives regarding the issue of gain sharing. Several alternative ideas have been proposed to keep gain sharing. The benefit for Plan I retirees helps them in a small but important way to regain the lost purchasing power of our pensions. I urge you to include this item in your budget.

Sincerely yours,

Rene M. Tillman

Rene M. Tillman
4502 N. 31st St.
Tacoma, WA 98407
253-756-8033

Anne Matthews
1506 Columbia Street S.W.
Olympia, Washington 98501

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SEP 01 2006
OFFICE OF THE GOVERNOR

The Honorable Christine Gregoire

Governor of Washington
Office of the Governor
P O Box 40002
Olympia WA 98504-0002

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SEP 14 2006
Office of
The State Actuary

Dear Governor Gregoire:

Please include funding for gain-sharing or a benefit that would be equally helpful to retirees in your next biennial budget. I retired in 1992; I have not yet received a cost of living increase but the cost of my health insurance premiums has increased dramatically.

Thank you for your consideration.

Respectfully,

Anne Matthews

Anne Matthews

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Office of
The State Actuary

813 Sycamore
Moses Lake, Washington 98837
August 27, 2006

Governor Christine Gregoire
Office of the Governor
P.O. Box 4002
Olympia, WA. 98504-0002

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Honorable Governor Christine Gregoire:

My wife and I have two requests.
Please include or provide some gain sharing for Retired Public Employees in your budget that you prepare for the legislative consideration in 2007 or some other permanent solution.
Thank you for supplementing funds for this years cost of living increase from your emergency funds this spring.
Secondly: Please contact some good Democratic Representative or Senator to campaign for requiring Foreign federal contractors & consultants to pay U.S, prevailing wages, collect social security, withholding taxes on all labor and material used on the contracts. This includes the foreign sub-contractors shall pay federal income tax on their profits as prime contractors.
An example: Haliburton, aircraft manufacturers, and others who produce foreign parts and materials for contractors with manpower produced outside U.S. jurisdictions.
You have been a wonderful public servant for many years. Thank you for your dedication.

Respectfully submitted,
M.G. McLanahan
Sally E. McLanahan
M.G, & Sally McLanahan

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Office of
The State Actuary

Yakima Wa.
Aug 31, 2006

Governor Christine Gregoire,
Your Honor,

It has been called to my attention that you are in the process of preparing your future budget. Please consider including a suitable plan to benefit retirees on Plan 1, who have lost purchasing power over the years

Sincerely
Bessie Sines

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