

1 AN ACT Relating to cost-of-living adjustments for plan 1
2 retirees of the teachers' retirement system and public
3 employees' retirement system; adding a new section to chapter
4 41.32 RCW; adding a new section to chapter 41.40 RCW; amending
5 chapter 41.45 RCW; and providing an effective date.

6
7 NEW SECTION. **Sec. 1.** A new section is added to chapter
8 41.32 RCW to read as follows:

9 (1) Beginning July 1, 2025, and every year thereafter, the
10 department shall determine the following information for each
11 plan 1 retired member or beneficiary whose retirement allowance
12 has been in effect for at least one year:

13 (a) The original dollar amount of the retirement allowance
14 as of June 30, 2025, or the effective date of retirement,
15 whichever is later;

16 (b) The index for the calendar year prior to July 1, 2024,
17 or the effective date of the retirement allowance, whichever is
18 later, to be known as "index A";

19 (c) The index for the calendar year prior to the date of
20 determination, to be known as "index B"; and

21 (d) The ratio obtained when index B is divided by index A.

22 (2) The value of the ratio obtained is the annual adjustment
23 to the original retirement allowance and must be applied
24 beginning with the July payment. In no event, however, may the
25 annual adjustment:

26 (a) Produce a retirement allowance which is lower than the
27 original retirement allowance;

28 (b) Exceed three percent in the initial annual adjustment;

29 or

1 (c) Differ from the previous year's annual adjustment by
2 more than three percent.

3 (3) For the purposes of this section, "index" means, for any
4 calendar year, that year's average consumer price index,
5 Seattle, Washington area for urban wage earners and clerical
6 workers, all items, compiled by the bureau of labor statistics,
7 United States department of labor.

8 (4) This section does not apply to members or beneficiaries
9 receiving benefits pursuant to RCW 41.32.489 or RCW 41.32.540.

10 NEW SECTION. **Sec. 2.** A new section is added to chapter
11 41.40 RCW to read as follows:

12 (1) Beginning July 1, 2025, and every year thereafter, the
13 department shall determine the following information for each
14 plan 1 retired member or beneficiary whose retirement allowance
15 has been in effect for at least one year:

16 (a) The original dollar amount of the retirement allowance
17 as of June 30, 2025, or the effective date of retirement,
18 whichever is later;

19 (b) The index for the calendar year prior to July 1, 2024,
20 or the effective date of the retirement allowance, whichever is
21 later, to be known as "index A";

22 (c) The index for the calendar year prior to the date of
23 determination, to be known as "index B"; and

24 (d) The ratio obtained when index B is divided by index A.

25 (2) The value of the ratio obtained is the annual adjustment
26 to the original retirement allowance and must be applied
27 beginning with the July payment. In no event, however, may the
28 annual adjustment:

29 (a) Produce a retirement allowance which is lower than the
30 original retirement allowance;

1 (b) Exceed three percent in the initial annual adjustment;
2 or

3 (c) Differ from the previous year's annual adjustment by
4 more than three percent.

5 (3) For the purposes of this section, "index" means, for any
6 calendar year, that year's average consumer price index,
7 Seattle, Washington area for urban wage earners and clerical
8 workers, all items, compiled by the bureau of labor statistics,
9 United States department of labor.

10 (4) This section does not apply to members or beneficiaries
11 receiving benefits pursuant to RCW 41.40.1984.

12 **Sec. 3.** RCW 41.45.060 and 2020 c 103 s 4 are each amended
13 to read as follows:

14 (1) The state actuary shall provide preliminary actuarial
15 valuation results based on the economic assumptions and asset
16 value smoothing technique included in RCW 41.45.035 or adopted
17 under RCW 41.45.030 or 41.45.035.

18 (2) Not later than July 31, 2008, and every two years
19 thereafter, consistent with the economic assumptions and asset
20 value smoothing technique included in RCW 41.45.035 or adopted
21 under RCW 41.45.030 or 41.45.035, the council shall adopt and
22 may make changes to:

23 (a) A basic state contribution rate for the law enforcement
24 officers' and firefighters' retirement system plan 1;

25 (b) Basic employer contribution rates for the public
26 employees' retirement system, the teachers' retirement system,
27 and the Washington state patrol retirement system; and

28 (c) Basic employer contribution rates for the school
29 employees' retirement system and the public safety employees'

1 retirement system for funding both those systems and the public
2 employees' retirement system plan 1.

3 The council may adopt annual rate changes for any plan for
4 any rate-setting period. The contribution rates adopted by the
5 council shall be subject to revision by the legislature.

6 (3) The employer and state contribution rates adopted by the
7 council shall be the level percentages of pay that are needed:

8 (a) To fully amortize the total costs of the law enforcement
9 officers' and firefighters' retirement system plan 1 not later
10 than June 30, 2024;

11 (b) To fully fund the public employees' retirement system
12 plans 2 and 3, the teachers' retirement system plans 2 and 3,
13 the public safety employees' retirement system plan 2, and the
14 school employees' retirement system plans 2 and 3 in accordance
15 with RCW 41.45.061, 41.45.067, and this section; and

16 (c) To fully fund the public employees' retirement system
17 plan 1 and the teachers' retirement system plan 1 in accordance
18 with RCW 41.45.070, 41.45.150, and this section.

19 (4) The aggregate actuarial cost method shall be used to
20 calculate a combined plan 2 and 3 normal cost, a Washington
21 state patrol retirement system normal cost, and a public safety
22 employees' retirement system normal cost.

23 (5) A modified entry age normal cost method, as set forth in
24 this chapter, shall be used to calculate employer contributions
25 to the public employees' retirement system plan 1 and the
26 teachers' retirement system plan 1.

27 (6) The employer contribution rate for the public employees'
28 retirement system and the school employees' retirement system
29 shall equal the sum of:

1 (a) The amount required to pay the combined plan 2 and plan
2 3 normal cost for the system, subject to any minimum rates
3 applied pursuant to RCW 41.45.155; plus

4 (b) The amount required to amortize the unfunded actuarial
5 accrued liability in plan 1 of the public employees' retirement
6 system over a rolling ten-year period using projected future
7 salary growth and growth in system membership, and subject to
8 any minimum or maximum rates applied pursuant to RCW 41.45.150;
9 plus

10 (c) Except as described in (d) of this subsection, ((~~¶~~))the
11 amounts required to amortize the costs of any benefit
12 improvements in plan 1 of the public employees' retirement
13 system that become effective after June 30, 2025((~~2009~~)). The
14 cost of each benefit improvement shall be amortized over a fixed
15 ten-year period using projected future salary growth and growth
16 in system membership. The amounts required under this subsection
17 are not subject to, and are collected in addition to, any
18 minimum or maximum rates applied pursuant to RCW 41.45.150(~~(~~+~~)~~);
19 plus

20 (d) (i) The amounts required to amortize the remaining costs
21 of benefit improvements in the public employees' retirement
22 system plan 1 effective from July 1, 2018, through June 30,
23 2025. The remaining cost of these benefit improvements as of
24 July 1, 2025, shall be amortized over a fixed fifteen-year
25 period using projected future salary growth and growth in system
26 membership. Contribution rates collected under this subsection
27 are effective on September 1, 2025. The amounts required under
28 this subsection are not subject to, and are collected in
29 addition to, any minimum or maximum rates applied pursuant to
30 RCW 41.45.150; plus

1 (ii) The amounts required to amortize the cost of the
2 benefit improvement provided in section 2 of this act to the
3 public employees' retirement system plan 1 effective July 1,
4 2025. The cost of this benefit improvement shall be amortized
5 over a fixed fifteen-year period using projected future salary
6 growth and growth in system membership. Contribution rates
7 collected under this subsection are effective on September 1,
8 2025. The amounts required under this subsection are not subject
9 to, and are collected in addition to, any minimum or maximum
10 rates applied pursuant to RCW 41.45.150.

11 (7) The employer contribution rate for the public safety
12 employees' retirement system shall equal the sum of:

13 (a) The amount required to pay the normal cost for the
14 system, subject to any minimum rates applied pursuant to RCW
15 41.45.155; plus

16 (b) The amount required to amortize the unfunded actuarial
17 accrued liability in plan 1 of the public employees' retirement
18 system over a rolling ten-year period using projected future
19 salary growth and growth in system membership, and subject to
20 any minimum or maximum rates applied pursuant to RCW 41.45.150;
21 plus

22 (c) Except as described in (d) of this subsection, ((~~7~~))the
23 mounts required to amortize the costs of any benefit
24 improvements in plan 1 of the public employees' retirement
25 system that become effective after June 30, 2025((~~2009~~)). The
26 cost of each benefit improvement shall be amortized over a fixed
27 ten-year period using projected future salary growth and growth
28 in system membership. The amounts required under this subsection
29 are not subject to, and are collected in addition to, any
30 minimum or maximum rates applied pursuant to RCW 41.45.150((~~-~~));
31 plus

1 (d) (i) The amounts required to amortize the remaining costs
2 of benefit improvements in the public employees' retirement
3 system plan 1 effective from July 1, 2018, through June 30,
4 2025. The remaining cost of these benefit improvements as of
5 July 1, 2025, shall be amortized over a fixed fifteen-year
6 period using projected future salary growth and growth in system
7 membership. Contribution rates collected under this subsection
8 are effective on September 1, 2025. The amounts required under
9 this subsection are not subject to, and are collected in
10 addition to, any minimum or maximum rates applied pursuant to
11 RCW 41.45.150; plus

12 (ii) The amounts required to amortize the cost of the
13 benefit improvement provided in section 2 of this act to the
14 public employees' retirement system plan 1 effective July 1,
15 2025. The cost of this benefit improvement shall be amortized
16 over a fixed fifteen-year period using projected future salary
17 growth and growth in system membership. Contribution rates
18 collected under this subsection are effective on September 1,
19 2025. The amounts required under this subsection are not subject
20 to, and are collected in addition to, any minimum or maximum
21 rates applied pursuant to RCW 41.45.150.

22 (8) The employer contribution rate for the teachers'
23 retirement system shall equal the sum of:

24 (a) The amount required to pay the combined plan 2 and plan
25 3 normal cost for the system, subject to any minimum rates
26 applied pursuant to RCW 41.45.155; plus

27 (b) The amount required to amortize the unfunded actuarial
28 accrued liability in plan 1 of the teachers' retirement system
29 over a rolling ten-year period using projected future salary
30 growth and growth in system membership, and subject to any
31 minimum or maximum rates applied pursuant to RCW 41.45.150; plus

1 (c) Except as described in (d) of this subsection, ((F))the
2 amounts required to amortize the costs of any benefit
3 improvements in plan 1 of the teachers' retirement system that
4 become effective after June 30, 2025((2009)). The cost of each
5 benefit improvement shall be amortized over a fixed ten-year
6 period using projected future salary growth and growth in system
7 membership. The amounts required under this subsection are not
8 subject to, and are collected in addition to, any minimum or
9 maximum rates applied pursuant to RCW 41.45.150((+)); plus

10 (d) (i) The amounts required to amortize the remaining costs
11 of benefit improvements in the teachers' retirement system plan
12 1 effective from July 1, 2018, through June 30, 2025. The
13 remaining cost of these benefit improvements as of July 1, 2025,
14 shall be amortized over a fixed fifteen-year period using
15 projected future salary growth and growth in system membership.
16 Contribution rates collected under this subsection are effective
17 on September 1, 2025. The amounts required under this subsection
18 are not subject to, and are collected in addition to, any
19 minimum or maximum rates applied pursuant to RCW 41.45.150; plus

20 (ii) The amounts required to amortize the cost of the
21 benefit improvement provided in section 1 of this act to the
22 teachers' retirement system plan 1 effective July 1, 2025. The
23 cost of this benefit improvement shall be amortized over a fixed
24 fifteen-year period using projected future salary growth and
25 growth in system membership. Contribution rates collected under
26 this subsection are effective on September 1, 2025. The amounts
27 required under this subsection are not subject to, and are
28 collected in addition to, any minimum or maximum rates applied
29 pursuant to RCW 41.45.150.

30 (9) The employer contribution rate for each of the
31 institutions of higher education for the higher education

1 supplemental retirement benefits must be sufficient to fund, as
2 a level percentage of pay, a portion of the projected cost of
3 the supplemental retirement benefits for the institution
4 beginning in 2035, with the other portion supported on a pay-as-
5 you-go basis, either as direct payments by each institution to
6 retirees, or as contributions to the higher education retirement
7 plan supplemental benefit fund. Contributions must continue
8 until the council determines that the institution for higher
9 education supplemental retirement benefit liabilities are
10 satisfied.

11 (10) The council shall immediately notify the directors of
12 the office of financial management and department of retirement
13 systems of the state and employer contribution rates adopted.
14 The rates shall be effective for the ensuing biennial period,
15 subject to any legislative modifications.

16 (11) The director shall collect those rates adopted by the
17 council. The rates established in RCW 41.45.062, or by the
18 council, shall be subject to revision by the legislature.

19 (12) The state actuary shall prepare final actuarial
20 valuation results based on the economic assumptions, asset value
21 smoothing technique, and contribution rates included in or
22 adopted under RCW 41.45.030, 41.45.035, and this section.

23 **Sec. 4.** RCW 41.45.070 and 2009 c 561 s 4 are each amended
24 to read as follows:

25 (1) In addition to the basic employer contribution rate
26 established in RCW 41.45.060 or *41.45.054, the department shall
27 also charge employers of public employees' retirement system,
28 teachers' retirement system, school employees' retirement
29 system, public safety employees' retirement system, or
30 Washington state patrol retirement system members an additional

1 supplemental rate to pay for the cost of additional benefits, if
2 any, granted to members of those systems. Except as provided in
3 subsections (6), (7), ~~((and-))~~ (9), and (10) of this section, the
4 supplemental contribution rates required by this section shall
5 be calculated by the state actuary and shall be charged
6 regardless of language to the contrary contained in the statute
7 which authorizes additional benefits.

8 (2) In addition to the basic member, employer, and state
9 contribution rate established in RCW 41.45.0604 for the law
10 enforcement officers' and firefighters' retirement system plan
11 2, the department shall also establish supplemental rates to pay
12 for the cost of additional benefits, if any, granted to members
13 of the law enforcement officers' and firefighters' retirement
14 system plan 2. Except as provided in subsection (6) of this
15 section, these supplemental rates shall be calculated by the
16 actuary retained by the law enforcement officers' and
17 firefighters' board and the state actuary through the process
18 provided in RCW 41.26.720(1)(a) and the state treasurer shall
19 transfer the additional required contributions regardless of
20 language to the contrary contained in the statute which
21 authorizes the additional benefits.

22 (3) Beginning July 1, 2009, the supplemental rate charged
23 under this section to fund benefit increases provided to active
24 members of the public employees' retirement system plan 1 and
25 the teachers' retirement system plan 1 shall be calculated as
26 the level percentage of all system pay needed to fund the cost
27 of the benefit over a fixed ten-year period, using projected
28 future salary growth and growth in system membership. The
29 supplemental rate to fund benefit increases provided to active
30 members of the public employees' retirement system plan 1 shall
31 be charged to all system employers in the public employees'

1 retirement system, the school employees' retirement system, and
2 the public safety employees' retirement system. The supplemental
3 rate to fund benefit increases provided to active members of the
4 teachers' retirement system plan 1 shall be charged to all
5 system employers in the teachers' retirement system.

6 (4) The supplemental rate charged under this section to fund
7 benefit increases provided to active and retired members of the
8 public employees' retirement system plan 2 and plan 3, the
9 teachers' retirement system plan 2 and plan 3, the public safety
10 employees' retirement system plan 2, the school employees'
11 retirement system plan 2 and plan 3, or the Washington state
12 patrol retirement system shall be calculated as the level
13 percentage of all members' pay needed to fund the cost of the
14 benefit, as calculated under RCW 41.45.060, 41.45.061,
15 41.45.0631, or 41.45.067.

16 (5) The supplemental rate charged under this section to fund
17 postretirement adjustments which are provided on a nonautomatic
18 basis to current retirees shall be calculated as the percentage
19 of pay needed to fund the adjustments as they are paid to the
20 retirees. Except as described in (10) of this section,
21 ((B)) beginning July 1, 2009, the supplemental rate charged under
22 this section to fund increases in the automatic postretirement
23 adjustments for active or retired members of the public
24 employees' retirement system plan 1 and the teachers' retirement
25 system plan 1 shall be calculated as the level percentage of pay
26 needed to fund the cost of the automatic adjustments over a
27 fixed ten-year period, using projected future salary growth and
28 growth in system membership. The supplemental rate to fund
29 increases in the automatic postretirement adjustments for active
30 members or retired members of the public employees' retirement
31 system plan 1 shall be charged to all system employers in the

1 public employees' retirement system, the school employees'
2 retirement system, and the public safety employees' retirement
3 system. The supplemental rate to fund increases in automatic
4 postretirement adjustments for active members or retired members
5 of the teachers' retirement system plan 1 shall be charged to
6 all system employers in the teachers' retirement system.

7 (6) A supplemental rate shall not be charged to pay for the
8 cost of additional benefits granted to members pursuant to
9 chapter 340, Laws of 1998.

10 (7) A supplemental rate shall not be charged to pay for the
11 cost of additional benefits granted to members pursuant to
12 **chapter 41.31A RCW; section 309, chapter 341, Laws of 1998; or
13 section 701, chapter 341, Laws of 1998.

14 (8) A supplemental rate shall not be charged to pay for the
15 cost of additional benefits granted to members and survivors
16 pursuant to chapter 94, Laws of 2006.

17 (9) A supplemental rate shall not be charged to pay for the
18 cost of the additional benefits granted to members of the
19 teachers' retirement system and the school employees' retirement
20 system plans 2 and 3 in sections 2, 4, 6, and 8, chapter 491,
21 Laws of 2007 until September 1, 2008. A supplemental rate shall
22 not be charged to pay for the cost of the additional benefits
23 granted to members of the public employees' retirement system
24 plans 2 and 3 under sections 9 and 10, chapter 491, Laws of 2007
25 until July 1, 2008.

26 (10) A supplemental rate shall be charged to pay for the
27 additional cost of benefits granted to members under sections
28 (1) and (2) of this act. The supplemental rate shall be
29 calculated as the level percentage of pay needed to fund the
30 cost of the additional benefits over a fixed fifteen-year

1 period, using projected future salary growth and growth in
2 system membership.

3 NEW SECTION. **Sec. 5.** This act is necessary for the immediate
4 preservation of the public peace, health, or safety, or support of
5 the state government and its existing public institutions, and
6 takes effect July 1, 2025.

DRAFT