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**SENATE BILL 5113**

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**State of Washington 69th Legislature 2025 Regular Session**

**By** Senator Boehnke; by request of Select Committee on Pension Policy

AN ACT Relating to cost-of-living adjustments for plan 1 retirees of the teachers' retirement system and public employees' retirement system; amending RCW 41.32.4992, 41.40.1987, 41.45.060, and 41.45.070; adding a new section to chapter 41.32 RCW; adding a new section to chapter 41.40 RCW; creating a new section; providing an effective; and declaring an emergency.

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

NEW SECTION. **Sec.**  The legislature intends to provide an ongoing cost-of-living adjustment to the plans 1 of the public employees' retirement system and the teachers' retirement system and establish a new funding policy to help manage the costs of this benefit improvement while supporting employer contribution rate stability. The intent of the new funding policy is to consolidate the costs of prior cost-of-living adjustments with the new ongoing cost-of-living adjustment and pay the combined costs over 15 years. The 15-year financing period is intended to apply only to the consolidated cost-of-living adjustments costs. Any other plans 1 benefit improvements, including benefit improvements after the effective date of this section, shall be paid over a fixed 10-year amortization period consistent with current law funding policy.

**Sec.**  RCW 41.32.4992 and 2024 c 255 s 1 are each amended to read as follows:

(1) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2017, shall receive, effective July 1, 2018, an increase to their monthly benefit of one and one-half percent multiplied by the beneficiaries' monthly benefit, not to exceed $62.50.

(2) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2019, shall receive, effective July 1, 2020, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $62.50.

(3) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2021, shall receive, effective July 1, 2022, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

(4) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2022, shall receive, effective July 1, 2023, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

(5) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2023, shall receive, effective July 1, 2024, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

(6) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2024, shall receive, effective July 1, 2025, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit.

(7) This section does not apply to those receiving benefits pursuant to RCW 41.32.489 or 41.32.540.

**Sec.**  RCW 41.40.1987 and 2024 c 255 s 2 are each amended to read as follows:

(1) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2017, shall receive, effective July 1, 2018, an increase to their monthly benefit of one and one-half percent multiplied by the beneficiaries' monthly benefit, not to exceed $62.50.

(2) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2019, shall receive, effective July 1, 2020, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $62.50.

(3) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2021, shall receive, effective July 1, 2022, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

(4) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2022, shall receive, effective July 1, 2023, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

(5) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2023, shall receive, effective July 1, 2024, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

(6) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2024, shall receive, effective July 1, 2025, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit.

(7) This section does not apply to those receiving benefits pursuant to RCW 41.40.1984.

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

(1) Beginning July 1, 2026, and every year thereafter, the department shall determine the following information for each plan 1 retired member or beneficiary whose retirement allowance has been in effect for at least one year:

(a) The original dollar amount of the retirement allowance as of June 30, 2026, or the effective date of retirement, whichever is later;

(b) The index for the calendar year prior to July 1, 2025, or the effective date of the retirement allowance, whichever is later, to be known as "index A";

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

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

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

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

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

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

(3) For the purposes of this section, "index" means, for any calendar year, that year's 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.

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

(5) The department shall apply the cost-of-living adjustment provided in this section as a cumulative adjustment for a plan 1 retired member or beneficiary who elects to receive the benefits provided pursuant to RCW 41.32.530(1)(d) so the retirement allowance reflects the compounded value of both benefits.

(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 receive postretirement adjustments not granted prior to that time.

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

(1) Beginning July 1, 2026, and every year thereafter, the department shall determine the following information for each plan 1 retired member or beneficiary whose retirement allowance has been in effect for at least one year:

(a) The original dollar amount of the retirement allowance as of June 30, 2026, or the effective date of retirement, whichever is later;

(b) The index for the calendar year prior to July 1, 2025, or the effective date of the retirement allowance, whichever is later, to be known as "index A";

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

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

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

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

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

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

(3) For the purposes of this section, "index" means, for any calendar year, that year's 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.

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

(5) The department shall apply the cost-of-living adjustment provided in this section as a cumulative adjustment for a plan 1 retired member or beneficiary who elects to receive the benefits provided pursuant to RCW 41.40.188(1)(c) so the retirement allowance reflects the compounded value of both benefits.

(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 receive postretirement adjustments not granted prior to that time.

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

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

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

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

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

(c) Basic employer contribution rates for the school employees' retirement system and the public safety employees' retirement system for funding both those systems and the public employees' retirement system plan 1.

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

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

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

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

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

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

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

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

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

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

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

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

(ii) The amounts required to amortize the cost of the benefit improvement provided in section 3, chapter . . ., Laws of 2025 (section 3 of this act) and section 5 of this act to the public employees' retirement system plan 1 effective July 1, 2025, and July 1, 2026, respectively. The cost of this benefit improvement shall be amortized over a fixed 15-year period using projected future salary growth and growth in system membership. Contribution rates collected under this subsection are effective on September 1, 2025. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150.

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

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

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

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

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

(ii) The amounts required to amortize the cost of the benefit improvement provided in section 3, chapter . . ., Laws of 2025 (section 3 of this act) and section 5 of this act to the public employees' retirement system plan 1 effective July 1, 2025, and July 1, 2026, respectively. The cost of this benefit improvement shall be amortized over a fixed 15-year period using projected future salary growth and growth in system membership. Contribution rates collected under this subsection are effective on September 1, 2025. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150.

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

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

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

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

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

(ii) The amounts required to amortize the cost of the benefit improvement provided in section 2, chapter . . ., Laws of 2025 (section 2 of this act) and section 4 of this act to the teachers' retirement system plan 1 effective July 1, 2025, and July 1, 2026, respectively. The cost of this benefit improvement shall be amortized over a fixed 15-year period using projected future salary growth and growth in system membership. Contribution rates collected under this subsection are effective on September 1, 2025. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150.

(9) The employer contribution rate for each of the institutions of higher education for the higher education supplemental retirement benefits must be sufficient to fund, as a level percentage of pay, a portion of the projected cost of the supplemental retirement benefits for the institution beginning in 2035, with the other portion supported on a pay-as-you-go basis, either as direct payments by each institution to retirees, or as contributions to the higher education retirement plan supplemental benefit fund. Contributions must continue until the council determines that the institution for higher education supplemental retirement benefit liabilities are satisfied.

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

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

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

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

(1) In addition to the basic employer contribution rate established in RCW 41.45.060 or 41.45.054, the department shall also charge employers of public employees' retirement system, teachers' retirement system, school employees' retirement system, public safety employees' retirement system, or Washington state patrol retirement system members an additional supplemental rate to pay for the cost of additional benefits, if any, granted to members of those systems. Except as provided in subsections (6), (7), ((~~and~~)) (9), and (10) of this section, the supplemental contribution rates required by this section shall be calculated by the state actuary and shall be charged regardless of language to the contrary contained in the statute which authorizes additional benefits.

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

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

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

(5) The supplemental rate charged under this section to fund postretirement adjustments which are provided on a nonautomatic basis to current retirees shall be calculated as the percentage of pay needed to fund the adjustments as they are paid to the retirees. ((~~Beginning~~)) Except as described in subsection (10) of this section, beginning July 1, 2009, the supplemental rate charged under this section to fund increases in the automatic postretirement adjustments for active or retired members of the public employees' retirement system plan 1 and the teachers' retirement system plan 1 shall be calculated as the level percentage of pay needed to fund the cost of the automatic adjustments over a fixed ten-year period, using projected future salary growth and growth in system membership. The supplemental rate to fund increases in the automatic postretirement adjustments for active members or retired members of the public employees' retirement system plan 1 shall be charged to all system employers in the public employees' retirement system, the school employees' retirement system, and the public safety employees' retirement system. The supplemental rate to fund increases in automatic postretirement adjustments for active members or retired members of the teachers' retirement system plan 1 shall be charged to all system employers in the teachers' retirement system.

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

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

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

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

(10) A supplemental rate shall be charged to pay for the additional cost of benefits granted to members under sections 2 and 3, chapter . . ., Laws of 2025 (sections 2 and 3 of this act) and sections 4 and 5 of this act. The supplemental rate shall be calculated as the level percentage of pay needed to fund the cost of the additional benefits over a fixed 15-year period, using projected future salary growth and growth in system membership.

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

**--- END ---**