
SENATE BILL 5113

State of Washington

69th Legislature

2025 Regular Session

By Senator Boehnke; by request of Select Committee on Pension Policy
Prefiled 12/23/24.

1 AN ACT Relating to cost-of-living adjustments for plan 1 retirees
2 of the teachers' retirement system and public employees' retirement
3 system; amending RCW 41.32.4992, 41.40.1987, 41.45.060, and
4 41.45.070; adding a new section to chapter 41.32 RCW; adding a new
5 section to chapter 41.40 RCW; creating a new section; providing an
6 effective; and declaring an emergency.

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

8 NEW SECTION. **Sec. 1.** The legislature intends to provide an
9 ongoing cost-of-living adjustment to the plans 1 of the public
10 employees' retirement system and the teachers' retirement system and
11 establish a new funding policy to help manage the costs of this
12 benefit improvement while supporting employer contribution rate
13 stability. The intent of the new funding policy is to consolidate the
14 costs of prior cost-of-living adjustments with the new ongoing cost-
15 of-living adjustment and pay the combined costs over 15 years. The
16 15-year financing period is intended to apply only to the
17 consolidated cost-of-living adjustments costs. Any other plans 1
18 benefit improvements, including benefit improvements after the
19 effective date of this section, shall be paid over a fixed 10-year
20 amortization period consistent with current law funding policy.

1 **Sec. 2.** RCW 41.32.4992 and 2024 c 255 s 1 are each amended to
2 read as follows:

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

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

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

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

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

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

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

34 **Sec. 3.** RCW 41.40.1987 and 2024 c 255 s 2 are each amended to
35 read as follows:

36 (1) Beneficiaries who are receiving a monthly benefit from the
37 public employees' retirement system plan 1 on July 1, 2017, shall
38 receive, effective July 1, 2018, an increase to their monthly benefit

1 of one and one-half percent multiplied by the beneficiaries' monthly
2 benefit, not to exceed \$62.50.

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

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

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

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

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

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

29 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.32
30 RCW to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

27 (6) The legislature reserves the right to amend or repeal this
28 section in the future and no member or beneficiary has a contractual
29 right to receive postretirement adjustments not granted prior to that
30 time.

31 NEW SECTION. **Sec. 5.** A new section is added to chapter 41.40
32 RCW to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

27 (6) The legislature reserves the right to amend or repeal this
28 section in the future and no member or beneficiary has a contractual
29 right to receive postretirement adjustments not granted prior to that
30 time.

31 **Sec. 6.** RCW 41.45.060 and 2020 c 103 s 4 are each amended to
32 read as follows:

33 (1) The state actuary shall provide preliminary actuarial
34 valuation results based on the economic assumptions and asset value
35 smoothing technique included in RCW 41.45.035 or adopted under RCW
36 41.45.030 or 41.45.035.

37 (2) Not later than July 31, 2008, and every two years thereafter,
38 consistent with the economic assumptions and asset value smoothing

1 technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or
2 41.45.035, the council shall adopt and may make changes to:

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

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

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

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

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

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

20 (b) To fully fund the public employees' retirement system plans 2
21 and 3, the teachers' retirement system plans 2 and 3, the public
22 safety employees' retirement system plan 2, and the school employees'
23 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
24 41.45.067, and this section; and

25 (c) To fully fund the public employees' retirement system plan 1
26 and the teachers' retirement system plan 1 in accordance with RCW
27 41.45.070, 41.45.150, and this section.

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

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

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

1 (a) The amount required to pay the combined plan 2 and plan 3
2 normal cost for the system, subject to any minimum rates applied
3 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 salary
7 growth and growth in system membership, and subject to any minimum or
8 maximum rates applied pursuant to RCW 41.45.150; plus

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

18 (d) (i) The amounts required to amortize the remaining costs of
19 benefit improvements in the public employees' retirement system plan
20 1 effective from July 1, 2018, through June 30, 2025. The remaining
21 cost of these benefit improvements as of July 1, 2025, shall be
22 amortized over a fixed 15-year period using projected future salary
23 growth and growth in system membership. Contribution rates collected
24 under this subsection are effective on September 1, 2025. The amounts
25 required under this subsection are not subject to, and are collected
26 in addition to, any minimum or maximum rates applied pursuant to RCW
27 41.45.150; plus

28 (ii) The amounts required to amortize the cost of the benefit
29 improvement provided in section 3, chapter . . ., Laws of 2025
30 (section 3 of this act) and section 5 of this act to the public
31 employees' retirement system plan 1 effective July 1, 2025, and July
32 1, 2026, respectively. The cost of this benefit improvement shall be
33 amortized over a fixed 15-year period using projected future salary
34 growth and growth in system membership. Contribution rates collected
35 under this subsection are effective on September 1, 2025. The amounts
36 required under this subsection are not subject to, and are collected
37 in addition to, any minimum or maximum rates applied pursuant to RCW
38 41.45.150.

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

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

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

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

17 (d) (i) The amounts required to amortize the remaining costs of
18 benefit improvements in the public employees' retirement system plan
19 1 effective from July 1, 2018, through June 30, 2025. The remaining
20 cost of these benefit improvements as of July 1, 2025, shall be
21 amortized over a fixed 15-year period using projected future salary
22 growth and growth in system membership. Contribution rates collected
23 under this subsection are effective on September 1, 2025. The amounts
24 required under this subsection are not subject to, and are collected
25 in addition to, any minimum or maximum rates applied pursuant to RCW
26 41.45.150; plus

27 (ii) The amounts required to amortize the cost of the benefit
28 improvement provided in section 3, chapter . . . , Laws of 2025
29 (section 3 of this act) and section 5 of this act to the public
30 employees' retirement system plan 1 effective July 1, 2025, and July
31 1, 2026, respectively. The cost of this benefit improvement shall be
32 amortized over a fixed 15-year period using projected future salary
33 growth and growth in system membership. Contribution rates collected
34 under this subsection are effective on September 1, 2025. The amounts
35 required under this subsection are not subject to, and are collected
36 in addition to, any minimum or maximum rates applied pursuant to RCW
37 41.45.150.

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

1 (a) The amount required to pay the combined plan 2 and plan 3
2 normal cost for the system, subject to any minimum rates applied
3 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 teachers' retirement system over a
6 rolling ten-year period using projected future salary growth and
7 growth in system membership, and subject to any minimum or maximum
8 rates applied pursuant to RCW 41.45.150; plus

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

17 (d) (i) The amounts required to amortize the remaining costs of
18 benefit improvements in the teachers' retirement system plan 1
19 effective from July 1, 2018, through June 30, 2025. The remaining
20 cost of these benefit improvements as of July 1, 2025, shall be
21 amortized over a fixed 15-year period using projected future salary
22 growth and growth in system membership. Contribution rates collected
23 under this subsection are effective on September 1, 2025. The amounts
24 required under this subsection are not subject to, and are collected
25 in addition to, any minimum or maximum rates applied pursuant to RCW
26 41.45.150; plus

27 (ii) The amounts required to amortize the cost of the benefit
28 improvement provided in section 2, chapter . . . , Laws of 2025
29 (section 2 of this act) and section 4 of this act to the teachers'
30 retirement system plan 1 effective July 1, 2025, and July 1, 2026,
31 respectively. The cost of this benefit improvement shall be amortized
32 over a fixed 15-year period using projected future salary growth and
33 growth in system membership. Contribution rates collected under this
34 subsection are effective on September 1, 2025. The amounts required
35 under this subsection are not subject to, and are collected in
36 addition to, any minimum or maximum rates applied pursuant to RCW
37 41.45.150.

38 (9) The employer contribution rate for each of the institutions
39 of higher education for the higher education supplemental retirement
40 benefits must be sufficient to fund, as a level percentage of pay, a

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

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

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

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

20 **Sec. 7.** RCW 41.45.070 and 2009 c 561 s 4 are each amended to
21 read as follows:

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

34 (2) In addition to the basic member, employer, and state
35 contribution rate established in RCW 41.45.0604 for the law
36 enforcement officers' and firefighters' retirement system plan 2, the
37 department shall also establish supplemental rates to pay for the
38 cost of additional benefits, if any, granted to members of the law
39 enforcement officers' and firefighters' retirement system plan 2.

1 Except as provided in subsection (6) of this section, these
2 supplemental rates shall be calculated by the actuary retained by the
3 law enforcement officers' and firefighters' board and the state
4 actuary through the process provided in RCW 41.26.720(1)(a) and the
5 state treasurer shall transfer the additional required contributions
6 regardless of language to the contrary contained in the statute which
7 authorizes the additional benefits.

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

22 (4) The supplemental rate charged under this section to fund
23 benefit increases provided to active and retired members of the
24 public employees' retirement system plan 2 and plan 3, the teachers'
25 retirement system plan 2 and plan 3, the public safety employees'
26 retirement system plan 2, the school employees' retirement system
27 plan 2 and plan 3, or the Washington state patrol retirement system
28 shall be calculated as the level percentage of all members' pay
29 needed to fund the cost of the benefit, as calculated under RCW
30 41.45.060, 41.45.061, 41.45.0631, or 41.45.067.

31 (5) The supplemental rate charged under this section to fund
32 postretirement adjustments which are provided on a nonautomatic basis
33 to current retirees shall be calculated as the percentage of pay
34 needed to fund the adjustments as they are paid to the retirees.
35 ~~((Beginning))~~ Except as described in subsection (10) of this section,
36 beginning July 1, 2009, the supplemental rate charged under this
37 section to fund increases in the automatic postretirement adjustments
38 for active or retired members of the public employees' retirement
39 system plan 1 and the teachers' retirement system plan 1 shall be
40 calculated as the level percentage of pay needed to fund the cost of

1 the automatic adjustments over a fixed ten-year period, using
2 projected future salary growth and growth in system membership. The
3 supplemental rate to fund increases in the automatic postretirement
4 adjustments for active members or retired members of the public
5 employees' retirement system plan 1 shall be charged to all system
6 employers in the public employees' retirement system, the school
7 employees' retirement system, and the public safety employees'
8 retirement system. The supplemental rate to fund increases in
9 automatic postretirement adjustments for active members or retired
10 members of the teachers' retirement system plan 1 shall be charged to
11 all system employers in the teachers' retirement system.

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

15 (7) A supplemental rate shall not be charged to pay for the cost
16 of additional benefits granted to members pursuant to chapter 41.31A
17 RCW; section 309, chapter 341, Laws of 1998; or section 701, chapter
18 341, Laws of 1998.

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

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

30 (10) A supplemental rate shall be charged to pay for the
31 additional cost of benefits granted to members under sections 2 and
32 3, chapter . . . , Laws of 2025 (sections 2 and 3 of this act) and
33 sections 4 and 5 of this act. The supplemental rate shall be
34 calculated as the level percentage of pay needed to fund the cost of
35 the additional benefits over a fixed 15-year period, using projected
36 future salary growth and growth in system membership.

37 NEW SECTION. **Sec. 8.** This act is necessary for the immediate
38 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes
2 effect July 1, 2025.

--- **END** ---