
SENATE BILL 5357

State of Washington

69th Legislature

2025 Regular Session

By Senator Conway; by request of Office of Financial Management

1 AN ACT Relating to actuarial funding of pension systems; amending
2 RCW 41.45.010, 41.45.060, and 41.45.070; creating a new section;
3 providing an effective date; and declaring an emergency.

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

5 **Sec. 1.** RCW 41.45.010 and 2009 c 561 s 1 are each amended to
6 read as follows:

7 It is the intent of the legislature to provide a dependable and
8 systematic process for funding the benefits provided to members and
9 retirees of the public employees' retirement system, chapter 41.40
10 RCW; the teachers' retirement system, chapter 41.32 RCW; the law
11 enforcement officers' and firefighters' retirement systems, chapter
12 41.26 RCW; the school employees' retirement system, chapter 41.35
13 RCW; the public safety employees' retirement system, chapter 41.37
14 RCW; and the Washington state patrol retirement system, chapter 43.43
15 RCW.

16 The funding process established by this chapter is intended to
17 achieve the following goals:

18 (1) To fully fund the public employees' retirement system plans 2
19 and 3, the teachers' retirement system plans 2 and 3, the school
20 employees' retirement system plans 2 and 3, the public safety
21 employees' retirement system plan 2, and the law enforcement

1 officers' and firefighters' retirement system plan 2 as provided by
2 law;

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

6 (3) To fully amortize the unfunded actuarial accrued liability in
7 the public employees' retirement system plan 1 and the teachers'
8 retirement system plan 1 within a rolling ten-year period, using
9 methods and assumptions that balance needs for increased benefit
10 security, decreased contribution rate volatility, and affordability
11 of pension contribution rates;

12 (4) To amortize the costs of benefit improvements in the public
13 employees' retirement system plan 1 and the teachers' retirement
14 system plan 1 over a rolling 15-year period;

15 (5) To establish long-term employer contribution rates which will
16 remain a relatively predictable proportion of the future state
17 budgets; and

18 ~~((+5))~~ (6) To fund, to the extent feasible, all benefits for
19 plan 2 and 3 members over the working lives of those members so that
20 the cost of those benefits are paid by the taxpayers who receive the
21 benefit of those members' service.

22 **Sec. 2.** RCW 41.45.060 and 2020 c 103 s 4 are each amended to
23 read as follows:

24 (1) The state actuary shall provide preliminary actuarial
25 valuation results based on the economic assumptions and asset value
26 smoothing technique included in RCW 41.45.035 or adopted under RCW
27 41.45.030 or 41.45.035.

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

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

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

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

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

3 The council may adopt annual rate changes for any plan for any
4 rate-setting period. The contribution rates adopted by the council
5 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 than
10 June 30, 2024;

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

16 (c) To fully fund the public employees' retirement system plan 1
17 and the teachers' retirement system plan 1 in accordance with RCW
18 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 state
21 patrol retirement system normal cost, and a public safety employees'
22 retirement system normal cost.

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

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

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

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

38 (c) ~~((The))~~ Except as described in (d) of this subsection, the
39 amounts required to amortize the costs of any benefit improvements in
40 plan 1 of the public employees' retirement system that become

1 effective after June 30, 2009. The cost of each benefit improvement
2 shall be amortized over a fixed (~~(ten-year)~~) 15-year period using
3 projected future salary growth and growth in system membership. The
4 amounts required under this subsection are not subject to, and are
5 collected in addition to, any minimum or maximum rates applied
6 pursuant to RCW 41.45.150; plus

7 (d) The amounts required to amortize the remaining costs of
8 benefit improvements in the public employees' retirement system plan
9 1 effective from July 1, 2018, through June 30, 2025. Contribution
10 rates collected under this subsection are effective on September 1,
11 2025. The amounts required under this subsection are not subject to,
12 and are collected in addition to, any minimum or maximum rates
13 applied pursuant to RCW 41.45.150.

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

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

18 (b) The amount required to amortize the unfunded actuarial
19 accrued liability in plan 1 of the public employees' retirement
20 system over a rolling (~~(ten-year)~~) 15-year period using projected
21 future salary growth and growth in system membership, and subject to
22 any minimum or maximum rates applied pursuant to RCW 41.45.150; plus

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

32 (d) The amounts required to amortize the remaining costs of
33 benefit improvements in the public employees' retirement system plan
34 1 effective from July 1, 2018, through June 30, 2025. Contribution
35 rates collected under this subsection are effective on September 1,
36 2025. The amounts required under this subsection are not subject to,
37 and are collected in addition to, any minimum or maximum rates
38 applied pursuant to RCW 41.45.150.

39 (8) The employer contribution rate for the teachers' retirement
40 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~~) 15-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 teachers' retirement system that become effective after
12 June 30, 2009. The cost of each benefit improvement shall be
13 amortized over a fixed (~~ten-year~~) 15-year period using projected
14 future salary growth and growth in system membership. The amounts
15 required under this subsection are not subject to, and are collected
16 in addition to, any minimum or maximum rates applied pursuant to RCW
17 41.45.150; plus

18 (d) The amounts required to amortize the remaining costs of
19 benefit improvements in the teachers' retirement system plan 1
20 effective from July 1, 2018, through June 30, 2025. Contribution
21 rates collected under this subsection are effective on September 1,
22 2025. The amounts required under this subsection are not subject to,
23 and are collected in addition to, any minimum or maximum rates
24 applied pursuant to RCW 41.45.150.

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

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

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

4 (12) The state actuary shall prepare final actuarial valuation
5 results based on the economic assumptions, asset value smoothing
6 technique, and contribution rates included in or adopted under RCW
7 41.45.030, 41.45.035, and this section.

8 **Sec. 3.** RCW 41.45.070 and 2009 c 561 s 4 are each amended to
9 read as follows:

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

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

35 (3) Beginning July 1, 2009, the supplemental rate charged under
36 this section to fund benefit increases provided to active members of
37 the public employees' retirement system plan 1 and the teachers'
38 retirement system plan 1 shall be calculated as the level percentage
39 of all system pay needed to fund the cost of the benefit over a fixed

1 ten-year period, using projected future salary growth and growth in
2 system membership. The supplemental rate to fund benefit increases
3 provided to active members of the public employees' retirement system
4 plan 1 shall be charged to all system employers in the public
5 employees' retirement system, the school employees' retirement
6 system, and the public safety employees' retirement system. The
7 supplemental rate to fund benefit increases provided to active
8 members of the teachers' retirement system plan 1 shall be charged to
9 all system employers in the teachers' retirement system.

10 (4) The supplemental rate charged under this section to fund
11 benefit increases provided to active and retired members of the
12 public employees' retirement system plan 2 and plan 3, the teachers'
13 retirement system plan 2 and plan 3, the public safety employees'
14 retirement system plan 2, the school employees' retirement system
15 plan 2 and plan 3, or the Washington state patrol retirement system
16 shall be calculated as the level percentage of all members' pay
17 needed to fund the cost of the benefit, as calculated under RCW
18 41.45.060, 41.45.061, 41.45.0631, or 41.45.067.

19 (5) The supplemental rate charged under this section to fund
20 postretirement adjustments which are provided on a nonautomatic basis
21 to current retirees shall be calculated as the percentage of pay
22 needed to fund the adjustments as they are paid to the retirees.
23 (~~Beginning July 1, 2009, the~~) The supplemental rate charged under
24 this section to fund increases in the automatic postretirement
25 adjustments for active or retired members of the public employees'
26 retirement system plan 1 and the teachers' retirement system plan 1
27 shall be calculated as the level percentage of pay needed to fund the
28 cost of the automatic adjustments over a fixed (~~ten-year~~) 15-year
29 period, using projected future salary growth and growth in system
30 membership. The supplemental rate to fund increases in the automatic
31 postretirement adjustments for active members or retired members of
32 the public employees' retirement system plan 1 shall be charged to
33 all system employers in the public employees' retirement system, the
34 school employees' retirement system, and the public safety employees'
35 retirement system. The supplemental rate to fund increases in
36 automatic postretirement adjustments for active members or retired
37 members of the teachers' retirement system plan 1 shall be charged to
38 all system employers in the teachers' retirement system.

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

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

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

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

19 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.45
20 RCW to read as follows, but because of its temporary nature is not
21 codified:

22 The legislature hereby revises the contribution rates adopted by
23 the council at its July 17, 2024, meeting to reflect updated
24 projections on the funded status of each plan, honoring the council's
25 intent to phase in the impact of changes in actuarial assumptions on
26 the long-term rate of return:

27 (1) Beginning July 1, 2025, and ending June 30, 2026, the
28 required basic employer contribution rate for the public employees'
29 retirement system shall be 7.91 percent, of which 2.05 percent shall
30 be used for the sole purpose of amortizing the unfunded actuarial
31 accrued liability in plan 1 of the public employees' retirement
32 system.

33 (2) Beginning July 1, 2025, and ending June 30, 2026, the
34 required basic employer contribution rate for the public safety
35 employees' retirement system shall be 9.16 percent, of which 2.05
36 percent shall be used for the sole purpose of amortizing the unfunded
37 actuarial accrued liability in plan 1 of the public employees'
38 retirement system.

1 (3) Beginning September 1, 2025, and ending August 31, 2026, the
2 required basic employer contribution rate for the teachers'
3 retirement system shall be 9.05 percent, of which 1.1 percent shall
4 be used for the sole purpose of amortizing the unfunded actuarial
5 accrued liability in plan 1 of the teachers' retirement system.

6 (4) Beginning September 1, 2025, and ending August 31, 2026, the
7 required basic employer contribution rate for the school employees'
8 retirement system shall be 9.29 percent, of which 2.05 percent shall
9 be used for the sole purpose of amortizing the unfunded actuarial
10 accrued liability in plan 1 of the public employees' retirement
11 system.

12 (5) Beginning July 1, 2025, and ending June 30, 2026, the
13 required basic employer contribution rate for the law enforcement
14 officers' and firefighters' retirement system plan 1 shall be zero
15 percent.

16 (6) Beginning July 1, 2025, and ending June 30, 2026, the
17 required basic employer contribution rate for the Washington state
18 patrol retirement system shall be 16.35 percent.

19 (7) Beginning July 1, 2025, and ending June 30, 2026, the
20 required member contribution rate for the public employees'
21 retirement system plan 2 shall be 5.86 percent.

22 (8) Beginning July 1, 2025, and ending June 30, 2026, the
23 required member contribution rate for the public safety employees'
24 retirement system plan 2 shall be 7.11 percent.

25 (9) Beginning September 1, 2025, and ending August 31, 2026, the
26 required member contribution rate for the teachers' retirement system
27 plan 2 shall be 7.95 percent.

28 (10) Beginning September 1, 2025, and ending August 31, 2026, the
29 required member contribution rate for the school employees'
30 retirement system plan 2 shall be 7.24 percent.

31 (11) Beginning July 1, 2025, and ending June 30, 2026, the
32 required member contribution rate for the law enforcement officers'
33 and firefighters' retirement system plan 1 shall be zero percent.

34 (12) Beginning July 1, 2025, and ending June 30, 2026, the
35 required member contribution rate for the Washington state patrol
36 retirement system shall be 8.75 percent.

37 NEW SECTION. **Sec. 5.** 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** ---