

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1292 HB	<b>Title:</b> Plan 1 retiree COLAs
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## Estimated Cash Receipts

NONE

Agency Name	2025-27		2027-29		2029-31	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI	No fiscal impact					
Local Gov. Other						
Local Gov. Total						

## Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Retirement Systems	1.6	0	0	725,000	.0	0	0	0	.0	0	0	0
Washington State Patrol	.0	0	0	0	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	.0	74,400,000	74,400,000	92,400,000	.0	111,800,000	111,800,000	137,900,000	.0	175,300,000	175,300,000	214,800,000
<b>Total \$</b>	<b>1.6</b>	<b>74,400,000</b>	<b>74,400,000</b>	<b>93,125,000</b>	<b>0.0</b>	<b>111,800,000</b>	<b>111,800,000</b>	<b>137,900,000</b>	<b>0.0</b>	<b>175,300,000</b>	<b>175,300,000</b>	<b>214,800,000</b>

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	No fiscal impact								
Local Gov. Other									
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Washington State Patrol	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	No fiscal impact								
Local Gov. Other									
Local Gov. Total									

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Marcus Ehrlander, OFM	<b>Phone:</b> (360) 489-4327	<b>Date Published:</b> Final 1/31/2025
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1292 HB	<b>Title:</b> Plan 1 retiree COLAs	<b>Agency:</b> 124-Department of Retirement Systems
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.1	1.1	1.6	0.0	0.0
<b>Account</b>					
Department of Retirement Systems	447,000	278,000	725,000	0	0
Expense Account-State 600-1					
<b>Total \$</b>	447,000	278,000	725,000	0	0

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/20/2025
Agency Preparation: Amy McMahan	Phone: 360-664-7307	Date: 01/20/2025
Agency Approval: Mark Feldhausen	Phone: 360-664-7194	Date: 01/20/2025
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/21/2025

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 1 describes legislative intent to provide eligible beneficiaries of Plan 1 of the Public Employees' Retirement System (PERS 1) and Teachers' Retirement System (TRS 1) with an ongoing cost-of-living adjustment (COLA).

Sections 2 and 3 provide eligible TRS 1 and PERS 1 beneficiaries, receiving a monthly benefit, a one-time increase of 3 percent, effective July 1, 2025.

Sections 4 and 5 identify the formula for calculating the ongoing CPI based COLA, that begins July 1, 2026, for eligible PERS 1 and TRS 1 beneficiaries. These sections also exclude beneficiaries who are already receiving minimum benefit and adjusted minimum benefit increases, and they provide a cumulative adjustment for those receiving the optional COLA.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

#### ADMINISTRATIVE ASSUMPTIONS:

- The administrative cost for DRS to implement this bill is larger than other (recent) plan 1 benefit increase proposals, similar to what is contained in Sections 2 and 3 of this bill, because it adds the complexity of a CPI-based COLA (in Sections 4 and 5).
- The Auto-COLA will continue to be calculated in the current manner (i.e., calculated separately and based on the benefit not including other non Auto-COLA benefit increases including the CPI-based COLA).
- Retirees who fall below the Adjusted Minimum Benefit (AMB) limit or the Minimum COLA (BMI) will continue to receive the ongoing CPI-based COLA unless they qualify for the AMB or BMI. Eligibility for the AMB or BMI will be determined after the permanent COLA has been applied to the retirement benefit.
- The Office of the State Actuary (OSA) will continue to provide the COLA letter, which will also include the calculated CPI amount for the Plan 1 permanent COLA.
- When beneficiaries are receiving the Auto-COLA, each year's new July ongoing CPI-based COLA will be calculated separately using the previous month's gross benefit and then added to the Auto-COLA calculated amount each July for the total adjustment.
- If inflation for the year is above 3%, the additional amount is assumed to be applied to future adjustments consistent with the approach for PERS Plan 2/3 and TRS Plan 2/3.
- DRS will need to implement the new CPI-U based COLA in both our existing legacy system and our new pension administration system.

To implement this legislation, DRS will:

- Confirm project scope and timeline, and conduct project implementation tasks,
- Conduct business analysis and business process design,
- Complete systems changes (which includes defining system requirements, coding system changes in our Linux applications, testing and deployment),
- Identify impacted members,

- Update agency WACs,
- Update plan guides and all relevant letters, and web pages, and
- Update the DRS administrative manual and train team members.

To support this implementation, DRS will form a project team that will include a project manager, business analyst, Linux programmer, communication consultant, and retirement specialist.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
600-1	Department of Retirement Systems Expense Account	State	447,000	278,000	725,000	0	0
<b>Total \$</b>			447,000	278,000	725,000	0	0

#### III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.1	1.1	1.6		
A-Salaries and Wages	238,000	119,000	357,000		
B-Employee Benefits	72,000	36,000	108,000		
C-Professional Service Contracts	137,000	123,000	260,000		
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	447,000	278,000	725,000	0	0

#### III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
Communications Consultant 4	80,460	0.1	0.0	0.1		
IT Applic Develop-Snr/Spec	124,068	0.0	0.0	0.0		
IT Business Analyst-Journey	107,148	1.0	0.5	0.8		
IT Project Management-Mgr	136,752	0.7	0.4	0.6		
Retirement Specialist 3	74,724	0.2	0.1	0.2		
<b>Total FTEs</b>		2.1	1.1	1.6		0.0

#### III. D - Expenditures By Program (optional)

NONE

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

NONE

#### IV. B - Expenditures by Object Or Purpose

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Relevant WACs will be updated accordingly.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1292 HB	<b>Title:</b> Plan 1 retiree COLAs	<b>Agency:</b> 225-Washington State Patrol
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

<b>Legislative Contact:</b>	<b>Phone:</b>	<b>Date:</b> 01/20/2025
<b>Agency Preparation:</b> Yvonne Ellison	360-596-4042	<b>Date:</b> 01/21/2025
<b>Agency Approval:</b> Mario Buono	Phone: (360) 596-4046	<b>Date:</b> 01/21/2025
<b>OFM Review:</b> Maria Thomas	Phone: (360) 229-4717	<b>Date:</b> 01/21/2025

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

The proposed legislation has no fiscal impact to the Washington State Patrol (WSP).

The proposed legislation will provide a cost-of-living adjustment to the plans 1 of the public employees' retirement system (PERS) and the teachers' retirement system. The adjustments to PERS are defined in Section 3(6).

Section 6(6)(d)(i) and (ii) require the Department of Retirement Systems (DRS) to amortize the remaining costs of PERS plan benefit improvements effective July 1, 2018, through June 30, 2025, and the new benefit improvements provided in Section 3(6) over a fixed 15-year period, with contribution rates effective September 1, 2025.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

NONE

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

We assume that all amortization calculations will be made by DRS. The Office of Financial Management will be provided this information to adjust the funding distributed to agencies for retirement contributions.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

### III. B - Expenditures by Object Or Purpose

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1292 HB	<b>Title:</b> Plan 1 retiree COLAs	<b>Agency:</b> AFN-Actuarial Fiscal Note - State Actuary
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
<b>Account</b>					
All Other Funds-State 000-1	8,100,000	9,900,000	18,000,000	26,100,000	39,500,000
General Fund-State 001-1	33,200,000	41,200,000	74,400,000	111,800,000	175,300,000
<b>Total \$</b>	<b>41,300,000</b>	<b>51,100,000</b>	<b>92,400,000</b>	<b>137,900,000</b>	<b>214,800,000</b>

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/20/2025
Agency Preparation: Melinda Aslakson	Phone: 360-786-6161	Date: 01/20/2025
Agency Approval: Luke Masselink	Phone: 360-786-6154	Date: 01/20/2025
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/22/2025

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

### II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

### II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
000-1	All Other Funds	State	8,100,000	9,900,000	18,000,000	26,100,000	39,500,000
001-1	General Fund	State	33,200,000	41,200,000	74,400,000	111,800,000	175,300,000
<b>Total \$</b>			41,300,000	51,100,000	92,400,000	137,900,000	214,800,000

### III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits	41,300,000	51,100,000	92,400,000	137,900,000	214,800,000
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	41,300,000	51,100,000	92,400,000	137,900,000	214,800,000

**III. C - Operating FTE Detail:** FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

**SUMMARY OF RESULTS**

**BRIEF SUMMARY OF BILL:** For all eligible PERS and TRS 1 annuitants, this bill enacts a one-time 3% Cost-Of-Living Adjustment (COLA) on July 1, 2025, an annual CPI-based COLA up to 3% each year thereafter and modifies Plans 1 funding policy.

**COST SUMMARY**

Impact on Employer Contribution Rates				
Effective 9/1/2025				
	PERS	TRS	SERS	PSERS
Plan 1 UAAL	0.20%	0.35%	0.20%	0.20%

This bill modifies the Benefit Improvements (BI) funding policy in [RCW 41.45.070](#) to collect the cost of the annual, ongoing COLA over a 15-year period starting September 1, 2025. Rates for past Plan 1 benefit improvements are also adjusted to fund the remaining costs over 15 years. The table above displays the combined employer rate change from both provisions. There is no impact to employee rates from this bill. Please see **Appendix A** for the contribution rate changes in future years.

Budget Impacts			
(Dollars in Millions)	2025-2027	2027-2029	2025-2040
General Fund-State	\$74.4	\$111.8	\$2,224.3
Local Government	\$46.0	\$67.4	\$1,296.5
<b>Total Employer</b>	<b>\$138.4</b>	<b>\$205.4</b>	<b>\$4,016.0</b>

**HIGHLIGHTS OF ACTUARIAL ANALYSIS**

- ❖ This bill results in a cost to the retirement systems and an increase to the UAAL. Larger benefits would be provided to eligible PERS 1 and TRS 1 annuitants than under current law, and these benefits were not anticipated or funded during impacted members’ careers.
  - This bill is expected to immediately decrease the PERS and TRS 1 funded ratios by 8% and 10%, respectively.
- ❖ Approximately 65% of PERS 1 annuitants and 85% of TRS 1 annuitants are expected to receive benefit increases under this bill. Annuitants currently receiving a COLA as part of the Basic or Alternate Minimum benefit are not eligible to receive this benefit increase. Current active and terminated vested members are eligible for this COLA upon retirement.
- ❖ The bill extends the funding period for the new, ongoing COLA, as well as the remaining costs of recent benefit improvements, from 10 to 15 years. Extending the funding over a longer period reduces short-term budget impacts at the expense of larger total costs.
- ❖ The analysis in this actuarial AFN can vary under a different set of assumptions. For example, we assumed future CPI-based COLAs would equal the current long-term inflation assumption of 2.75% per year. The costs for this bill will change if actual inflation is more or less than assumed. Please see the **Risk Analysis** section for more information.

*See the remainder of this fiscal note for additional details on this summary and highlights.*

## WHAT IS THE PROPOSED CHANGE?

### Summary of Bill

This bill impacts the following systems:

- ❖ Public Employees' Retirement System (PERS).
- ❖ Teachers' Retirement System (TRS).
- ❖ School Employees' Retirement System (SERS).
- ❖ Public Safety Employees' Retirement System (PSERS).

This bill provides retirees in PERS and TRS Plans 1 with a one-time 3% increase in benefits on July 1, 2025. Beginning July 1, 2026, the bill enacts a Plans 2/3 style ongoing Consumer Price Index (CPI)-based COLA that will result in a maximum increase in benefits of 3% per year dependent on changes in the Seattle area CPI index. CPI changes that exceed 3% are "banked" for future years when CPI changes are less than 3%.

To be eligible, retirees must already be receiving a monthly benefit on July 1, 2024. Annuitants receiving Basic Minimum, Alternate Minimum, or temporary disability benefits are not eligible for the benefit increase under this bill. Recipients of the optional for-purchase COLA are eligible to receive the COLAs in this proposal on top of their currently entitled benefits.

The bill modifies the actuarial funding chapter with a one-time change to Plans 1 funding policy that states the combined costs of (1) the new ongoing COLA and (2) the remaining balance of prior ad hoc COLA costs in Plans 1 will be funded over a fixed 15-year period.

Effective Date: July 1, 2025

In this summary, we only include changes pertinent to our Actuarial Fiscal Note (AFN). See the legislative bill report for a complete summary of the bill.

### What Is the Current Situation?

Before it was repealed in 2011, the primary COLA provided in Plans 1 was the Uniform COLA (UCOLA). The UCOLA was a fixed dollar amount multiplied by the member's total Years Of Service (YOS) and increased annually by 3% every July 1. The UCOLA was payable on the first calendar year in which the recipient turned age 66 and had been retired for one year. By July 1, 2010, the UCOLA was \$1.88 per month/per year of service. This amounted to an annual increase of \$677 for a recipient with 30 YOS.

Statute specified that future increases to the UCOLA were not a contractual right and the Legislature exercised the option to discontinue the UCOLA for most plan members during the 2011 Legislative Session.

Currently, Plans 1 provide automatic COLAs under two types of minimum retirement benefits only: The Basic Minimum and the Alternate Minimum. The Basic Minimum is a fixed dollar amount per month multiplied by the member's total YOS and increases on July 1 every year by the dollar amount of the UCOLA.

The Basic Minimum is currently \$75.80<sup>1</sup>. If a member’s benefit falls below this amount, they receive the UCOLA annual increase, which is \$2.85/month per year of service as of July 1, 2024.

The Alternate Minimum is a fixed dollar amount per month (currently \$2,268.87<sup>1</sup>) that increases by 3% each year. Eligible members must have at least:

- ❖ 20 YOS and be retired for at least 25 years, or
- ❖ 25 YOS and be retired for at least 20 years.

An optional CPI-based COLA is also available to Plans 1 members who elect it at retirement. First available in 1990, the optional COLA provides an annual increase in the retirement allowance. The increase is based on changes in the CPI for Urban Wage Earners and Clerical Workers for the Seattle area, up to a maximum of 3% per year. The optional COLA begins one year after retirement—regardless of age or service—and is in addition to any other COLAs received. Members who elect the optional COLA receive an actuarially reduced retirement allowance to offset the expected cost of the COLA over their lifetime.

In recent years the Legislature has granted one-time COLAs to eligible PERS and TRS Plans 1 annuitants who had been retired for one year prior to the effective date of the increase, as shown in the table below:

Recent One-time COLAs in the Plans 1		
Year	Increase	Enacted Law
2018	Ad hoc COLA of 1.5% with a \$62.50/month cap for all annuitants not receiving minimum benefits.	<a href="#">Senate Substitute Bill 6340</a> (Chapter 151, Laws of 2018)
2020	Ad hoc COLA of 3% with a \$62.50/month cap for all annuitants not receiving minimum benefits.	<a href="#">Engrossed House Bill 1390</a> (Chapter 329, Laws of 2020)
2022	Ad hoc COLA of 3% with a \$110.00/month cap for all annuitants not receiving minimum benefits.	<a href="#">Senate Bill 5676</a> (Chapter 52, Laws of 2022)
2023	Ad hoc COLA of 3% with a \$110.00/month cap for all annuitants not receiving minimum benefits.	<a href="#">Senate Bill 5350</a> (Chapter 397, Laws of 2023)
2024	Ad hoc COLA of 3% with a \$110.00/month cap for all annuitants not receiving minimum benefits	<a href="#">Substitute House Bill 1985</a> (Chapter 255, Laws of 2024)

Under current law funding policy contribution rates for Benefit Improvements (BIs) are paid over a fixed ten-year period starting from the effective date of the improvement regardless of plan funding levels.

**Who Is Impacted and How?**

As of June 30, 2023, we expect this bill would increase the retirement benefits for approximately 50,730 out of the total 67,862 Plans 1 annuitants (75%) who are not receiving the Basic or Alternate Minimum benefits. Annuitants receiving a Minimum benefit are not eligible for the COLA under this bill. However, the Minimum benefit increases are expected to

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<sup>1</sup>Dollar amounts are as of July 1, 2024. The Basic and Alternate Minimum amounts are adjusted if the member elects a voluntary payment option upon retirement. Throughout this AFN, we refer to these Minimum amounts prior to any voluntary reductions.

be equal to or larger than the new COLAs. Members who elected to receive an optional COLA upon retirement would also be eligible for this bill’s COLA.

All eligible annuitants would receive a fixed 3% COLA on July 1, 2025, and a CPI-based COLA thereafter. Additionally, all active and terminated vested members of Plans 1 are eligible for this COLA one year after retirement. Members could still receive a Minimum benefit if the benefit increase is larger than the COLA provided from this bill. The following table summarizes the estimated headcounts under this bill.

Estimated Headcounts as of June 30, 2023			
	PERS 1	TRS 1	Total
<b>Total Annuitants</b>	39,306	28,556	67,862
<b>Annuitants Not Receiving Minimum Benefit That Will Receive the Annual COLA</b>	<b>25,956</b>	<b>24,774</b>	<b>50,730</b>

*Note: Additionally, approximately 780 active and terminated vested members will be eligible for annual COLAs at retirement.*

This bill funds the cost of the ongoing COLA and any remaining costs of past Plan 1 BIs over a 15-year period. Under current law, BIs are funded over a ten-year period starting when new benefits are provided. Extending the funding over a longer period reduces short-term budget impacts at the expense of larger total costs.

This bill impacts all PERS, TRS, SERS, and PSERS employers through increased Unfunded Actuarial Accrued Liability (UAAL) contribution rates. This bill will not affect member contribution rates.

**WHY THIS BILL HAS A COST AND WHO PAYS FOR IT**

**Why This Bill Has a Cost**

This bill has a cost because it provides larger benefits for eligible Plans 1 annuitants than the benefits provided under current law. Additionally, extending the payment period for past BIs will provide short-term budget savings while increasing the total bill costs.

**Who Will Pay for These Costs?**

The costs that result from this bill will be paid by employers of PERS, TRS, SERS, and PSERS. PERS, SERS, and PSERS employers make PERS 1 UAAL payments, whereas TRS employers make TRS 1 UAAL payments.

**HOW WE VALUED THESE COSTS**

We modeled the current law cost of the retirement systems using our most recent Actuarial Valuation Report (AVR) – the [June 30, 2023, AVR](#) – as well as the assumptions and methods found on our [Projections](#) webpage. To analyze the impact of this bill, we then adjusted the following assumptions and methods.

**Assumptions We Made**

We assumed CPI-based COLAs will match the current law inflation assumption of 2.75%. We modeled the benefit increases starting as of the effective date of the bill. That is, we assume

demographic and eligibility changes occur as expected between the valuation date of June 30, 2023, and the effective date of this bill, July 1, 2025.

We assumed future PERS, TRS, SERS, and PSERS salaries for calculating contribution rates under this bill grow from the valuation date at the current law assumptions of 3.25% *General Salary Growth* and 1.00% *Membership Growth for Plan 1 Funding*. Please see the [2023 Economic Experience Study](#) for more information on the development of these assumptions. However, we continued to use salaries from our Projections model to calculate budget impacts.

### **How We Applied These Assumptions**

To determine the projected costs of the additional COLAs, we modified our ProVal programming to reflect the increased benefits provided under this bill. Eligible members expected to survive to the effective date of the bill, receive a one-time 3% COLA on July 1, 2025, and assumed 2.75% COLA each July thereafter contingent on survival and eligibility. Members already receiving a COLA through the Basic or Alternate Minimum monthly benefit, or who are expected to receive a Minimum benefit by specific COLA date, are not eligible for the COLA provided under this bill.

We amortized the cost of the additional COLAs measured on June 30, 2025, over a 15-year period consistent with the provisions of the bill. We projected salaries from the 2023 AVR for the 15-year period starting June 30, 2025, using the *General Salary Growth* and *Membership Growth* assumptions noted above. The contribution rate was calculated by dividing the present value of benefits by the present value of salaries consistent with the funding sources for each respective plan.

We calculated a new rate to fund the remaining balance of past BIs such that the present value of future contributions under current law matches the new 15-year BI rate measured on June 30, 2025. We relied on the same 15-year salary projection used for the additional COLA rate calculation when determining future contributions.

For a comparison of BI rates under current law and this bill please see **Appendix A**. For additional information regarding the calculation of this bill's expected fiscal impact, please see **Appendix B**.

### **Special Data Needed**

There was no special data needed for this pricing.

## **ACTUARIAL RESULTS**

### **How the Liabilities Changed**

This bill will impact the actuarial funding of PERS 1 and TRS 1 by increasing the present value of future benefits payable to the members. The impact of the increasing present value of future benefits payable for current members is shown in the following table.

<b>Impact on Pension Liability (As of 6/30/2023)</b>			
<i>(Dollars in Millions)</i>	<b>Current</b>	<b>Increase</b>	<b>Total</b>
<b>Actuarial Present Value of Projected Benefits</b>			
<i>(The Value of the Total Commitment to All Current Members)</i>			
<b>PERS 1</b>	\$10,716	\$1,091	\$11,808
<b>TRS 1</b>	\$7,810	\$970	\$8,780
<b>Unfunded Actuarial Accrued Liability</b>			
<i>(The Portion of the Plan 1 Liability that is Amortized According to Funding Policy)</i>			
<b>PERS 1</b>	\$566	\$1,091	\$1,657
<b>TRS 1</b>	\$208	\$970	\$1,178
<b>Unfunded Entry Age Accrued Liability</b>			
<i>(The Value of the Total Commitment to All Current Members Attributable to Past Service that is Not Covered by Current Assets)</i>			
<b>PERS 1</b>	\$2,140	\$1,090	\$3,230
<b>TRS 1</b>	\$1,075	\$970	\$2,045

*Note: Totals may not agree due to rounding.*

**How the Assets Changed**

This bill does not change asset values, so there is no impact on the actuarial funding of the affected plans due to asset changes.

**How the Present Value of Future Salaries (PVFS) Changed**

This bill does not change the PVFS, so there is no impact on the actuarial funding of the affected plans due to PVFS changes.

**How Contribution Rates Changed**

BI rates, which specifically fund Plan 1 benefit improvements, are a component of the Plan 1 UAAL rate. The rounded increase in the required UAAL contribution rate results in the supplemental contribution rates shown in the following table which apply in the current biennium. The contribution rate increase compared to current law will change in future years. Please see **Appendix A** for rate changes over the full 15-year period.

<b>Plan 1 UAAL Rate Change 2025-27 Biennium</b>		
	<b>PERS 1*</b>	<b>TRS 1</b>
Additional COLAs BI Rate	0.49%	0.94%
15-Year Re-Amortization Past BI Rate	0.26%	0.51%
<b>Total BI Rate from Bill (A)</b>	<b>0.75%</b>	<b>1.45%</b>
Current Law Past BI Rate (B)	0.55%	1.10%
<b>Total UAAL Rate Change (A)-(B)</b>	<b>0.20%</b>	<b>0.35%</b>

*\*PERS 1 UAAL rate changes paid by employers of PERS, SERS, and PSERS.*

**How This Impacts Budgets and Employees**

Budget Impacts					
(Dollars in Millions)	PERS	TRS	SERS	PSERS	Total
<b>2025-2027</b>					
General Fund	\$11.8	\$53.0	\$7.3	\$2.2	\$74.4
Non-General Fund	17.8	0.0	0.0	0.3	18.0
<b>Total State</b>	<b>\$29.6</b>	<b>\$53.0</b>	<b>\$7.3</b>	<b>\$2.5</b>	<b>\$92.4</b>
Local Government	29.6	9.4	6.0	1.1	46.0
<b>Total Employer</b>	<b>\$59.2</b>	<b>\$62.3</b>	<b>\$13.3</b>	<b>\$3.6</b>	<b>\$138.4</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>2027-2029</b>					
General Fund	\$17.1	\$80.7	\$10.6	\$3.5	\$111.8
Non-General Fund	25.7	0.0	0.0	0.4	26.1
<b>Total State</b>	<b>\$42.8</b>	<b>\$80.7</b>	<b>\$10.6</b>	<b>\$3.9</b>	<b>\$138.0</b>
Local Government	42.8	14.2	8.6	1.7	67.4
<b>Total Employer</b>	<b>\$85.6</b>	<b>\$94.9</b>	<b>\$19.2</b>	<b>\$5.6</b>	<b>\$205.4</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>2025-2040</b>					
General Fund	\$323.3	\$1,621.1	\$199.7	\$80.3	\$2,224.3
Non-General Fund	484.9	0.0	0.0	10.4	495.3
<b>Total State</b>	<b>\$808.2</b>	<b>\$1,621.1</b>	<b>\$199.7</b>	<b>\$90.6</b>	<b>\$2,719.6</b>
Local Government	808.2	286.1	163.4	38.8	1,296.5
<b>Total Employer</b>	<b>\$1,616.3</b>	<b>\$1,907.2</b>	<b>\$363.1</b>	<b>\$129.5</b>	<b>\$4,016.0</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

*Note: Totals may not agree due to rounding. We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.*

The above table shows the estimated budget impacts for additional COLAs and amortizing past BIs over a 15-year period. Please see **Appendix A** for the budget impacts of each provision separately.

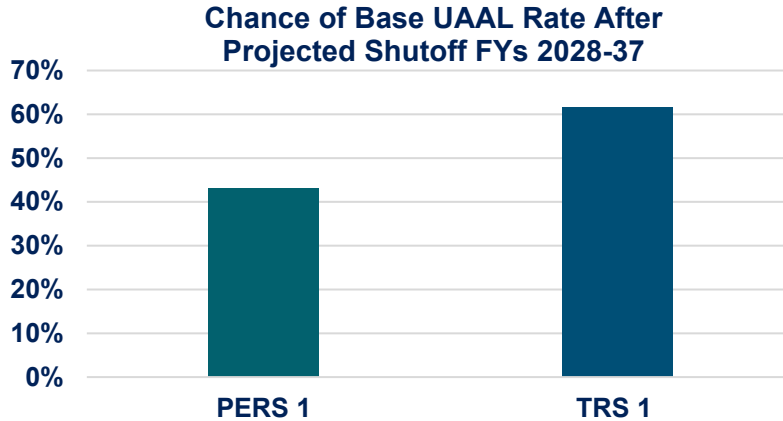
**Please note:** The analysis of this bill does not consider any other proposed changes to the systems. The combined effect of several changes to the systems could exceed the sum of each proposed change considered individually.

**Comments on Risk**

The results in this AFN represent the expected costs of this bill if future experience occurs as expected. We use risk analysis to help us demonstrate and assess the effect of unexpected plan experience on specific risk measures. The analysis shown below focuses on the impact of different investment return environments to a key Plan 1 risk measure.

Under current law funding policy, the Plan 1 UAAL is funded through two employer rate calculations, the BI rates and the Base UAAL rates. The Plan 1 BI rates calculated for this bill fund the expected plan costs and are not recalculated, regardless of actual plan experience or assumption changes. Unexpected plan costs or savings impact the Base UAAL rates. These rates are calculated biennially with each rate setting valuation to fund Plan 1 benefits not covered by current plan assets or expected future contributions. Base UAAL rates are projected to be 0% for both plans starting Fiscal Year (FY) 2028.

Base UAAL rates may be necessary in FY 2028 and beyond if adverse plan experience emerges relative to the plan assumptions. We tested the likelihood Base UAAL rates reemerge using 2,000 different economic scenarios, focusing on investment return volatility. All other plan experience is assumed to occur as expected. Please see our Risk Assessment [webpage](#) for more information on our risk model.



The risk metric displayed above, reflecting current law benefits and funding policy, shows the probability Base UAAL rates become non-zero at any point during the ten-year period from FY 2028-37. Base UAAL rates are calculated when an unfunded plan obligation emerges. That amount is funded over a rolling ten-year period with a minimum rate of 0.50%. This rate ignores any liability funded through a BI rate. Under current law, there remains a high likelihood a Base UAAL rate will come back. The size of the rate, and how long it will be collected, will depend on future experience.

**Bill Impact:** This bill increases the PERS 1 and TRS 1 accrued liability by 10% and 12%, respectively. The bill’s expected cost is funded through the BI rate, however if future investment returns are more/less than assumed, the cost of this bill will decrease/increase. If additional costs emerge, they will be paid through a Base UAAL rate. Given the BI funding policy and the relative size of the liability increase, we do not anticipate this risk metric materially changes from this bill if adverse investment experience occurs. However, if additional Base UAAL rates are necessary, then the collected rate would be larger under this bill.

**HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE**

The best estimate results can vary under a different set of assumptions. Future COLA amounts under this bill are dependent on actual CPI changes in the Seattle area index. Therefore, the long-term costs of this bill may change with actual inflation. Additionally, anticipated investment returns are expected to fund a portion of the increased costs. For example, if actual investment returns are less than assumed, additional contributions will be required to fund this benefit improvement. To determine the sensitivity of the best estimate results to the assumptions selected for this pricing, we varied the assumed COLA amounts and investment returns independently as noted in the table below.

Sensitivity Analysis			
(Dollars in Millions)	High Sensitivity	Best Estimate	Low Sensitivity
<b>COLA Assumption*</b>	<b>3.00%</b>	<b>2.75%</b>	<b>2.50%</b>
<b>Change in Pension Liability</b>	\$2,293	<b>\$2,062</b>	\$1,843
<b>Investment Return Assumption</b>	<b>8.00%</b>	<b>7.00%</b>	<b>6.00%</b>
<b>Change in Pension Liability</b>	\$1,919	<b>\$2,062</b>	\$2,216

*Note: Results include the combined liability change for PERS and TRS 1.  
\*COLA assumption effective for July 1, 2026, and each year thereafter.*

If actual inflation or investment return experience is more or less than assumed, the BI rate calculated in this bill would not change. Any costs or savings that emerge would impact the Base UAAL rate calculated in future rate-setting valuations.

The COLA is capped at 3.00%, therefore the high sensitivity represents the maximum additional cost if inflation is higher than assumed. If inflation exceeds 3.00% in any year, the resulting COLA is capped at 3.00% and the excess inflation is “banked” for use in future years when inflation is below this cap. This banking feature means years of exceptionally high inflation may produce 3.00% COLAs for multiple future years.

The actual cost of this bill may vary from our best estimate and may fall outside the range of costs identified in this section.

**ACTUARY'S CERTIFICATION**

The undersigned certifies that:

1. The actuarial assumptions, methods, and data used are reasonable for the purposes of this pricing exercise. The use of another set of assumptions, methods, and data may also be reasonable and might produce different results.
2. Unless noted otherwise in this AFN, the disclosures included in the 2023 AVR regarding the methods used to determine a plan's actuarially determined contribution, and the expected outcome of those methods, apply to this pricing exercise and remain unchanged.
3. The risk analysis summarized in this AFN involves the interpretation of many factors and the application of professional judgment. We believe that the assumptions, methods, and data used in our risk assessment model are reasonable for the purposes of this pricing exercise. However, the use of another set of assumptions, methods, and data could also be reasonable and could produce different results.
4. The models used are appropriate for the purpose of this pricing. We are not aware of any known weaknesses or limitations of the models that have a material impact on the results.
5. We prepared this AFN based on our current understanding of the bill as of the date shown in the footer. If the bill or our understanding of the bill changes, the results of a future AFN based on those changes may vary. Additionally, the results presented here may change after our next annual update of the underlying actuarial measurements.
6. We prepared this AFN and provided opinions in accordance with Washington State law and accepted Actuarial Standards of Practice as of the date shown in the footer.

We prepared this AFN to support legislative deliberations during the 2025 Legislative Session and it may not be appropriate for other purposes. We advise readers of this AFN to seek professional guidance as to its content and interpretation, and not to rely on this communication without such guidance. Please read the analysis shown in this AFN as a whole; distribution of, or reliance on, only parts of this AFN could result in its misuse and may mislead others.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. While this AFN is meant to be complete, the undersigned is available to provide extra advice and explanations as needed



Luke Masselink, ASA, EA, MAAA  
Senior Actuary

**APPENDIX A  
Pricing Details**

The table below displays the annual BI rates under current law and this bill through the 15-year amortization period.

BI UAAL Contribution Rates						
FY	PERS Plan 1			TRS Plan 1		
	Current Law	Bill*	Increase	Current Law	Bill*	Increase
2026	0.55%	0.75%	0.20%	1.10%	1.45%	0.35%
2027	0.55%	0.75%	0.20%	1.10%	1.45%	0.35%
2028	0.55%	0.75%	0.20%	1.10%	1.45%	0.35%
2029	0.45%	0.75%	0.30%	0.89%	1.45%	0.56%
2030	0.45%	0.75%	0.30%	0.89%	1.45%	0.56%
2031	0.34%	0.75%	0.41%	0.66%	1.45%	0.79%
2032	0.34%	0.75%	0.41%	0.66%	1.45%	0.79%
2033	0.20%	0.75%	0.55%	0.39%	1.45%	1.06%
2034	0.08%	0.75%	0.67%	0.16%	1.45%	1.29%
2035-2040	0.00%	0.75%	0.75%	0.00%	1.45%	1.45%

Note: PERS, SERS, and PSERS employers pay PERS 1 UAAL rates, whereas TRS employers pay TRS 1 UAAL rate.

\*Includes the combined rates from additional COLAs (0.49%/0.94% for PERS/TRS) and a 15-year amortization of past BI rates (0.26%/0.51% for PERS/TRS).

The budget impact tables which follow contain the estimated budget impacts for (1) Additional COLAs and (2) 15-year Amortization of Past BIs. The total budget impacts for this bill is the sum of (1) and (2) found in the **Actuarial Results** section.

(1) Additional COLAs - Budget Impacts					
(Dollars in Millions)	PERS	TRS	SERS	PSERS	Total
<b>2025-2027</b>					
General Fund	\$29.0	\$142.3	\$17.9	\$5.5	\$194.7
Non-General Fund	43.5	0.0	0.0	0.7	44.2
<b>Total State</b>	<b>\$72.5</b>	<b>\$142.3</b>	<b>\$17.9</b>	<b>\$6.2</b>	<b>\$238.9</b>
Local Government	72.5	25.1	14.6	2.7	114.9
<b>Total Employer</b>	<b>\$145.0</b>	<b>\$167.4</b>	<b>\$32.5</b>	<b>\$8.9</b>	<b>\$353.8</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>2027-2029</b>					
General Fund	\$33.5	\$166.0	\$20.6	\$6.8	\$226.9
Non-General Fund	50.2	0.0	0.0	0.9	51.1
<b>Total State</b>	<b>\$83.7</b>	<b>\$166.0</b>	<b>\$20.6</b>	<b>\$7.7</b>	<b>\$278.0</b>
Local Government	83.7	29.3	16.9	3.3	133.1
<b>Total Employer</b>	<b>\$167.4</b>	<b>\$195.3</b>	<b>\$37.5</b>	<b>\$10.9</b>	<b>\$411.1</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>2025-2040</b>					
General Fund	\$289.1	\$1,446.9	\$178.5	\$68.6	\$1,983.1
Non-General Fund	433.7	0.0	0.0	8.9	442.5
<b>Total State</b>	<b>\$722.8</b>	<b>\$1,446.9</b>	<b>\$178.5</b>	<b>\$77.5</b>	<b>\$2,425.7</b>
Local Government	722.8	255.3	146.0	33.2	1,157.4
<b>Total Employer</b>	<b>\$1,445.6</b>	<b>\$1,702.2</b>	<b>\$324.6</b>	<b>\$110.7</b>	<b>\$3,583.1</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

Note: Totals may not agree due to rounding. We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.

<b>(2) 15-Year Amortization of Past Bls – Budget Impacts</b>					
<i>(Dollars in Millions)</i>	<b>PERS</b>	<b>TRS</b>	<b>SERS</b>	<b>PSERS</b>	<b>Total</b>
<b>2025-2027</b>					
General Fund	(\$17.2)	(\$89.3)	(\$10.6)	(\$3.3)	(\$120.3)
Non-General Fund	(25.7)	0.0	0.0	(0.4)	(26.2)
<b>Total State</b>	<b>(\$42.9)</b>	<b>(\$89.3)</b>	<b>(\$10.6)</b>	<b>(\$3.7)</b>	<b>(\$146.5)</b>
Local Government	(42.9)	(15.8)	(8.7)	(1.6)	(68.9)
<b>Total Employer</b>	<b>(\$85.8)</b>	<b>(\$105.1)</b>	<b>(\$19.2)</b>	<b>(\$5.3)</b>	<b>(\$215.4)</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>2027-2029</b>					
General Fund	(\$16.3)	(\$85.3)	(\$10.1)	(\$3.3)	(\$115.1)
Non-General Fund	(24.5)	0.0	0.0	(0.4)	(24.9)
<b>Total State</b>	<b>(\$40.9)</b>	<b>(\$85.3)</b>	<b>(\$10.1)</b>	<b>(\$3.7)</b>	<b>(\$140.0)</b>
Local Government	(40.9)	(15.1)	(8.2)	(1.6)	(65.8)
<b>Total Employer</b>	<b>(\$81.7)</b>	<b>(\$100.4)</b>	<b>(\$18.3)</b>	<b>(\$5.3)</b>	<b>(\$205.8)</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>2025-2040</b>					
General Fund	\$34.1	\$174.2	\$21.2	\$11.6	\$241.2
Non-General Fund	51.2	0.0	0.0	1.5	52.7
<b>Total State</b>	<b>\$85.4</b>	<b>\$174.2</b>	<b>\$21.2</b>	<b>\$13.1</b>	<b>\$293.9</b>
Local Government	85.4	30.7	17.3	5.6	139.1
<b>Total Employer</b>	<b>\$170.7</b>	<b>\$205.0</b>	<b>\$38.5</b>	<b>\$18.8</b>	<b>\$433.0</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

*Note: Totals may not agree due to rounding. We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.*

**APPENDIX B**

**How We Applied These Assumptions**

We estimated the fiscal impact of this bill by comparing projected pension contributions under this bill to contributions under current law. The projected pension contributions reflect contributions from the current members as well as assumed future hires.

To determine the projected contributions under current law, we relied on our base model described in the **How We Valued These Costs** section and multiplied UAAL contribution rates by the respective funding source payroll. Pension contributions under this bill were calculated by multiplying the pricing UAAL contribution rates by payroll. The difference in contributions results in the estimated budget impacts for this bill.

We determined these projected pension contributions using a Microsoft Excel model we developed. This model uses projected salary data from our valuation model in ProVal to calculate contribution rate and budget impacts based on the change in liabilities between current law and the provisions of this bill. We assessed the reasonableness of this model as part of our annual update, and we compared the results of this model to simplified estimates made by hand as part of individual pricings.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1292 HB	<b>Title:</b> Plan 1 retiree COLAs	<b>Agency:</b> SDF-School District Fiscal Note - SPI
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/20/2025
Agency Preparation: Amy Kollar	Phone: 360 725-6420	Date: 01/31/2025
Agency Approval: TJ Kelly	Phone: (360) 725-6301	Date: 01/31/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 01/31/2025

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

#### Sec. 2. Amended

2(6) Adds language that provides for beneficiaries receiving a monthly benefit from the teachers' retirement system plan 1 as of July 1, 2024, to receive a 3% increase to their monthly benefit effective July 1, 2025.

#### Sec. 6. Amended

6(6)(c) Adds provision that the employer contribution rate for the public employees' retirement system and the school employees' retirement system shall equal the sum of the amounts required to amortize the costs of any benefit improvements in plan 1 that become effective after June 30, 2025, except as described in (d) of this subsection.

6(8)(c) Adds provision that the employer contribution rate for the teachers' retirement system shall equal the sum of the amounts required to amortize the costs of any benefit improvements in plan 1 that become effective after June 30, 2025, except as described in (d) of this subsection.

6(8)(d)(i) Adds language that requires the contribution to the teachers' retirement system be equal to the amounts required to amortize the remaining costs of benefit improvements for plan 1, effective from July 1, 2018, through June 30, 2025. Improvements in the teachers' retirement system plan 1, effective from July 1, 2018, through June 30, 2025, are required to be amortized over a fixed 15-year period starting July 1, 2025. These costs will be calculated using projected future salary growth and growth in system membership. The additional contribution rates will take effect on September 1, 2025, and will be collected in addition to any minimum or maximum rates specified under RCW 41.45.150.

6(8)(d)(ii) Adds language that the amounts required to amortize the cost of benefit improvement provided in section 2 of the act and section 4 to the teachers' retirement system plan 1, effective July 1, 2025, and July 1, 2026, will be amortized over a fixed 15-year period. This will use projected future salary growth and system membership growth. Contribution rates collected under this subsection will take effect on September 1, 2025, and will not be subject to any minimum or maximum rates as specified under RCW 41.45.150.

#### Sec. 7. Amended

7(1) An exception is added for subsection (10) in the section.

7(5) An exception is added for subsection (10) in the section.

7(10) Language is added providing that a supplemental rate will be charged to cover the additional cost of benefits granted to members under sections 2, 3, 4, and 5 of the act. This rate will be calculated as a fixed percentage of pay needed to fund the benefits over a 15-year period, factoring in projected salary and membership growth.

#### Sec. 8. New

The act takes effect July 1, 2025.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

No cash receipts impact projected.

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

No expenditure impact projected. The Office of Superintendent of Public Instruction assumes that any impact to school district retirees would be addressed in the work identified for the Department of Retirement Services.

## **Part III: Expenditure Detail**

### **III. A - Operating Budget Expenditures**

NONE

### **III. B - Expenditures by Object Or Purpose**

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### **III. D - Expenditures By Program (optional)**

NONE

## **Part IV: Capital Budget Impact**

### **IV. A - Capital Budget Expenditures**

NONE

### **IV. B - Expenditures by Object Or Purpose**

NONE

### **IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

No capital budget impact projected.

## **Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*