Multiple Agency Fiscal Note Summary

Bill Number: 5357 P S SB S-0773.1/25	**Title:** Actuarial pension funding

Estimated Cash Receipts

NONE

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
Washington State Health Care Authority	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Retirement Systems	.0	0	0	0	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	.0	(198,100,000)	(198,100,000)	(257,900,000)	.0	(115,100,000)	(115,100,000)	(140,000,000)	.0	(56,500,000)	(56,500,000)	(70,600,000)
Total $	**0.0**	**(198,100,000)**	**(198,100,000)**	**(257,900,000)**	**0.0**	**(115,100,000)**	**(115,100,000)**	**(140,000,000)**	**0.0**	**(56,500,000)**	**(56,500,000)**	**(70,600,000)**

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

Prepared by: Marcus Ehrlander, OFM	**Phone:** (360) 489-4327	**Date Published:** Final 2/ 3/2025

FNPID 72280

Individual State Agency Fiscal Note

Bill Number: 5357 P S SB S-0773.1/25	**Title:** Actuarial pension funding	**Agency:** 107-Washington State Health Care Authority

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:	Amanda Cecil	Phone: 360-786-7460	Date: 01/22/2025
Agency Preparation:	Sandra DeFeo	Phone: (360) 725-0455	Date: 01/27/2025
Agency Approval:	Carl Yanagida	Phone: 360-725-5755	Date: 01/27/2025
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/28/2025

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.

This bill adds a new section (4) specifying the required employer and member contribution rate to their designated retirement plan and the beginning and ending dates. Most of these rates are lower than existing rates.

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.

No fiscal impact.

The Washington State Health Care Authority (HCA) does not oversee funding for pension systems; therefore this bill would not change HCA's operations. HCA acknowledges that the intent of this bill is to reduce the pension benefit costs incurred by state agencies, including HCA. HCA assumes the overall fiscal impact to the state will be addressed more centrally.

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

Bill Number: 5357 P S SB S-0773.1/25	Title: Actuarial pension funding	Agency: 124-Department of Retirement Systems

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:	Amanda Cecil	Phone: 360-786-7460	Date: 01/22/2025
Agency Preparation:	Mike Ricchio	Phone: 360-664-7227	Date: 01/27/2025
Agency Approval:	Mark Feldhausen	Phone: 360-664-7194	Date: 01/27/2025
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/27/2025

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.

This bill changes specific actuarial calculations. These changes do not have a fiscal impact on the Department of Retirement Systems.

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

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

Bill Number: 5357 P S SB S-0773.1/25	Title: Actuarial pension funding	Agency: AFN-Actuarial Fiscal Note - State Actuary

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
Account						
All Other Funds-State	000-1	(29,500,000)	(30,300,000)	(59,800,000)	(24,900,000)	(14,100,000)
General Fund-State	001-1	(97,400,000)	(100,700,000)	(198,100,000)	(115,100,000)	(56,500,000)
	Total $	(126,900,000)	(131,000,000)	(257,900,000)	(140,000,000)	(70,600,000)

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:	Amanda Cecil	Phone: 360-786-7460	Date: 01/22/2025
Agency Preparation:	Darren Painter	Phone: 360-786-6155	Date: 02/03/2025
Agency Approval:	Luke Masselink	Phone: 360-786-6154	Date: 02/03/2025
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/03/2025

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	(29,500,000)	(30,300,000)	(59,800,000)	(24,900,000)	(14,100,000)
001-1	General Fund	State	(97,400,000)	(100,700,000)	(198,100,000)	(115,100,000)	(56,500,000)
		Total $	(126,900,000)	(131,000,000)	(257,900,000)	(140,000,000)	(70,600,000)

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	(126,900,000)	(131,000,000)	(257,900,000)	(140,000,000)	(70,600,000)
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-					
Total $	(126,900,000)	(131,000,000)	(257,900,000)	(140,000,000)	(70,600,000)

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: This bill changes the funding policy for PERS and TRS Plans 1 and modifies the PFC-adopted contribution rates for the 2025-27 Biennium.

COST SUMMARY

During FYs 2026 and 2027, this bill modifies the contribution rates paid by members and their employers as detailed below.

Impact on Contribution Rates					
FY 2025-27 State Budget	**PERS**	**TRS**	**SERS**	**PSERS**	**WSPRS**
Employee (Plan 2 or WSPRS)	**(0.29%)**	**(0.21%)**	**(0.35%)**	**0.04%**	**0.00%**
Employer					
Normal Cost	(0.29%)	(0.21%)	(0.35%)	0.04%	(1.36%)
Plan 1 UAAL	(0.29%)	(0.59%)	(0.29%)	(0.29%)	0.00%
Total Employer	**(0.58%)**	**(0.80%)**	**(0.64%)**	**(0.25%)**	**(1.36%)**

This bill also changes the funding policy for past Plan 1 benefit improvements such that the remaining unfunded liability will be re-amortized over the next 15 years. On a combined basis, these changes to contribution rates create short-term budgetary savings, but result in a long-term cost to the systems as shown in the following table.

Budget Impacts			
(Dollars in Millions)	**2025-27**	**2027-29**	**25-Year**
General Fund-State	($198.1)	($115.1)	$293.0
Local Government	(139.1)	(65.8)	214.3
Total Employer	**($397.0)**	**($205.8)**	**$600.1**

Note: 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.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- This bill reduces short-term pension plan contributions below what is expected under current law; however, these short-term savings result in long-term costs as under current funding policy future contribution rates will increase to make up for the lost revenue.
- The bill does not impact program benefits; it only modifies contribution rates. If actual future plan experience deviates from our assumptions, the actual cost/savings may also vary compared to the estimates provided in this bill. For more information, please see the **Comments on Risk** section.

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).
- ❖ Washington State Patrol Retirement System (WSPRS).

This bill changes the amortization method for the cost of benefit improvements in PERS 1 and TRS 1. Under this bill the remaining cost of benefit improvements effective from July 1, 2018, through June 30, 2025, are consolidated within each system and amortized over a fixed 15-year period. Benefit improvements effective after June 30, 2025, are also amortized over a fixed 15-year period.

The bill further revises the Pension Funding Council (PFC)-adopted employer and Plan 2 member normal cost contribution rates for Fiscal Years (FY) 2026 and 2027. The bill does not change the Plan 1 Base Unfunded Actuarial Accrued Liability (UAAL) rates.

Effective Date: This bill has an emergency clause and is effective July 1, 2025.

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

HOW THE PROPOSED SUBSTITUTE SENATE BILL DIFFERS FROM THE SENATE BILL

The following list includes only the changes that impact our pricing of the bill. For a complete list of changes to the current version of the bill, please refer to the bill reports prepared by legislative staff.

- ❖ Leaves the Base UAAL amortization the same as current law.
- ❖ Makes re-amortized Plan 1 rates effective in FY 2026.
- ❖ Revises the PFC-adopted normal cost rates for FY 2027.

What Is the Current Situation?

The cost of Plan 1 benefit improvements enacted after 2009 are currently amortized over a fixed ten-year period. Each benefit improvement has a separate amortization schedule based on the session year it was enacted.

Any remaining UAAL in PERS 1 and TRS 1, the "Base UAAL," is funded through a rolling ten-year amortization period, with minimum contribution rates effective in FY 2028. The UAAL represents the present value of benefits earned to date that are not covered by current plan assets or benefit improvement funding and is paid for by employers.

All TRS employers contribute to the TRS 1 UAAL and all PERS, SERS, and PSERS employers contribute to the PERS 1 UAAL.

The Pension Funding Council adopts contribution rates for most of the state's retirement systems. The PFC adopted rates for the 2025-27 Biennium. These rates can be found in the PFC's 2024 rate adoption motion.

Who Is Impacted and How?

This bill impacts all employers and Plan 2 members of PERS, TRS, SERS, and PSERS through changes to prescribed normal cost rates in FYs 2026 and 2027; WSPRS prescribed employer rates also change in the next biennium. These changes impact the long-term expected normal cost rates for employers and Plan 2 members, as well as WSPRS 1/2 members. For example, PERS 2 members will pay contribution rates next biennium that are 0.29% lower than what the PFC adopted; as a result, projected contribution rates beyond the next two biennia will increase.

Except for WSPRS members, this bill will not affect member contribution rates in Plan 1 since they are fixed in statute. Additionally, this bill will not affect member contribution rates in Plan 3 since they do not contribute to their employer-provided defined benefit.

This bill also impacts all PERS, TRS, SERS, and PSERS employers through change in funding policy for past Plan 1 benefit improvements. These employers will contribute to these Plan 1 benefit improvements for a longer period of time relative to current law as a tradeoff for lower short-term contributions.

WHY THIS BILL HAS A COST/SAVINGS AND WHO PAYS FOR/RECEIVES IT

Why This Bill Has a Cost/Savings

This bill reduces short-term pension plan contributions below what is expected under current law; however, these short-term savings result in long-term costs as under current funding policy future contribution rates will increase to make up for the lost revenue.

Similarly, re-amortizing the remaining balance of past Plan 1 benefit improvements results in a short-term savings and a net cost over the long term.

Who Will Pay for/Receive These Costs/Savings?

The change in contribution rates that result from this bill will be divided between members and employers according to standard funding methods that vary by plan:

- Plan 1: 100% employer.
- Plan 2: 50% member and 50% employer.
- Plan 3: 100% employer.

The Public Employees' Retirement System, SERS, and PSERS employers will realize the impacts on the PERS 1 benefit improvement payments, whereas TRS employers will realize the impacts on the TRS 1 benefit improvement payments. These impacts will be recognized over 15 years, a longer time horizon than under current law.

For WSPRS, the change in contribution rates that arise from this bill will be divided according to the standard funding method of 50% member and 50% employer, subject to the member maximum contribution rate. The current member maximum contribution rate is 8.75% for WSPRS. This maximum rate will not increase as a result of this bill since this bill does not revise pension statutes. The change in contributions rates above the member maximum are fully assumed by the employer.

HOW WE VALUED THESE COSTS/SAVINGS

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, methods, or data.

Assumptions We Made

We did not select any new assumptions for this pricing.

How We Applied These Assumptions

We relied on our projections model to measure the impacts of the bill. Specifically, we modified this model as follows:

- Revised the PFC-adopted normal cost rates for the 2025-27 Biennium (see page 1).
- Re-amortized the balance of the past Plan 1 benefit improvements by solving for the contribution rate to be collected over a 15-year period that is expected to produce essentially the same amount of contributions (on a present value basis) when compared to the remaining staggered amortization schedules under current law.
  - The annual impacts of this calculation for PERS 1 and TRS 1 are illustrated in the 'Projected Plan 1 UAAL Rates' table of the **Actuarial Results** section below.

For information regarding the calculation of this bill's expected fiscal impact, please see **Appendix A**.

Special Data Needed

We did not rely on any special data for this pricing.

ACTUARIAL RESULTS

How the Liabilities Changed

This bill does not change the present value of future benefits payable, so there is no impact on the actuarial funding of the affected plans due to liability changes.

How the Assets Changed

This bill does not change current 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

The change in the 2025-27 Biennium contribution rates shown on page 1 results in rounded contribution rate changes in future biennia as shown in the following two tables.

We provided an annual table for the combined Plan 1 Base UAAL rates and benefit improvement rates to display when UAAL rates are projected to increase or decrease.

Projected Plan 1 UAAL Rates

	PERS 1			TRS 1		
FY	Current Law	This Bill	Change	Current Law	This Bill	Change
2026	2.05%	1.76%	(0.29%)	1.10%	0.51%	(0.59%)
2027	1.05%	0.76%	(0.29%)	1.10%	0.51%	(0.59%)
2028	0.55%	0.26%	(0.29%)	1.10%	0.51%	(0.59%)
2029	0.45%	0.26%	(0.19%)	0.89%	0.51%	(0.38%)
2030	0.45%	0.26%	(0.19%)	0.89%	0.51%	(0.38%)
2031	0.34%	0.26%	(0.08%)	0.66%	0.51%	(0.15%)
2032	0.34%	0.26%	(0.08%)	0.66%	0.51%	(0.15%)
2033	0.20%	0.26%	0.06%	0.39%	0.51%	0.12%
2034	0.08%	0.26%	0.18%	0.16%	0.51%	0.35%
2035	0.00%	0.26%	0.26%	0.00%	0.51%	0.51%
2036	0.00%	0.26%	0.26%	0.00%	0.51%	0.51%
2037	0.00%	0.26%	0.26%	0.00%	0.51%	0.51%
2038	0.00%	0.26%	0.26%	0.00%	0.51%	0.51%
2039	0.00%	0.26%	0.26%	0.00%	0.51%	0.51%
2040	0.00%	0.26%	0.26%	0.00%	0.51%	0.51%

Instead of providing year-by-year impacts to the normal cost rates, we have summarized average impacts over select periods.

Change in Projected Plans 2/3 Employer Normal Cost Rates

FYs	PERS 2/3	TRS 2/3	SERS 2/3	PSERS 2	WSPRS
2026-27	(0.29%)	(0.21%)	(0.35%)	0.04%	(1.36%)
2028-29	0.00%	0.00%	0.00%	0.00%	0.00%
2030-50	0.04%	0.02%	0.04%	(0.00%)	0.13%

Note: Represents the average change in contribution rates over each period.

Additional insights regarding the results above:

- As shown in the second table above, the reduced funding from lower employee and employer normal cost rates will first impact contribution rates in the 2029-31 Biennium. There is no impact to the 2027-29 rates as they are based on a June 30, 2025, actuarial valuation, which will reflect point-in-time measurements before the reduced funding occurs.
- Changes in the employee and employer normal cost rates are equal for all systems, except WSPRS.
  - Given WSPRS contribution rates significantly exceed the employee maximum rate, WSPRS employee rates are unaffected in first two biennia under this bill. However, we estimate WSPRS employee rates will experience an average increase of 0.04% over the long term.
- Based on our best estimate assumptions, other than PSERS, normal cost rates in FY 2030 and beyond are projected to be lower than those currently being collected – even after accounting for the required increases under this bill.

How This Impacts Budgets and Employees

Budget Impacts						
(Dollars in Millions)	**PERS**	**TRS**	**SERS**	**PSERS**	**WSPRS**	**Total**
2025-2027						
General Fund	($37.4)	($131.9)	($25.4)	($3.1)	($0.3)	($198.1)
Non-General Fund	(56.1)	0.0	0.0	(0.4)	(3.3)	(59.8)
Total State	**($93.5)**	**($131.9)**	**($25.4)**	**($3.5)**	**($3.6)**	**($257.9)**
Local Government	(93.5)	(23.3)	(20.8)	(1.5)	0.0	(139.1)
Total Employer	**($187.0)**	**($155.2)**	**($46.3)**	**($4.9)**	**($3.6)**	**($397.0)**
Total Employee	**($72.5)**	**($14.3)**	**($13.8)**	**$0.8**	**$0.0**	**($99.8)**
2027-2029						
General Fund	($16.3)	($85.3)	($10.1)	($3.3)	$0.0	($115.1)
Non-General Fund	(24.5)	0.0	0.0	(0.4)	0.0	(24.9)
Total State	**($40.9)**	**($85.3)**	**($10.1)**	**($3.7)**	**$0.0**	**($140.0)**
Local Government	(40.9)	(15.1)	(8.2)	(1.6)	0.0	(65.8)
Total Employer	**($81.7)**	**($100.4)**	**($18.3)**	**($5.3)**	**$0.0**	**($205.8)**
Total Employee	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
2025-2050						
General Fund	$59.7	$190.3	$31.8	$11.1	$0.2	$293.0
Non-General Fund	89.6	0.0	0.0	1.4	1.8	92.8
Total State	**$149.3**	**$190.3**	**$31.8**	**$12.5**	**$2.0**	**$385.8**
Local Government	149.3	33.6	26.0	5.4	0.0	214.3
Total Employer	**$298.7**	**$223.8**	**$57.8**	**$17.9**	**$2.0**	**$600.1**
Total Employee	**$100.5**	**$18.6**	**$13.3**	**($0.4)**	**$1.5**	**$133.4**

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.

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

Our office performs risk analysis to help us demonstrate and assess the effect of unexpected experience on pension plans. Our analysis allows us to measure how certain plan health and pension risk metrics can change if actual experience varies from our assumptions. For more information, please see our Risk Assessment, Commentary on Risk, and Glossary webpages.

We did not perform quantitative risk analysis on this bill. Instead, we will speak to some risk considerations given this bill's impacts. As shown in our analysis, short-term reductions in the normal cost rate ultimately result in deferred increases to contribution rates. The reduced funding is then spread out over a long period of time. For example, in many systems we see projected contribution rates impacted 20 years from now.

Under current law, the normal cost rate is projected to decrease for all systems given the projected increasing funded ratio. However, there is no guarantee this will occur. For example, if there is adverse investment experience the normal cost rate will increase compared to current law. If reducing short-term funding becomes a regular strategy, it will continue to layer on deferred cost increases. Depending on the size and frequency of these reductions, and if coupled with a market downturn, it could lead to normal cost rates no longer projected to decline from current levels.

Likewise, the changes to Plan 1 UAAL funding policy for current and any future benefit improvements improves short-term affordability, but increases the overall budgetary cost and extends the period of time until these programs are projected to reach a funded ratio of 100%. If experience does not match our assumptions, the additional costs or savings will be captured by the Base UAAL rate calculation and additional funding will be collected if needed.

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

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APPENDIX A
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, or the "base", we relied on projection system output. Projected pension contributions equal contributions rates from future AVRs multiplied by future payroll.
- To determine the projected costs under this bill, we modified the base to reflect the provisions of the bill as outlined in the **How We Valued These Costs** section. We then multiplied the respective new contribution rates reflecting these changes by future payroll.

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.