

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5862 S SB	<b>Title:</b> TRS & PERS plan 1 COLA
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## 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
Department of Retirement Systems	.0	0	0	10,000	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	.0	8,500,000	8,500,000	10,300,000	.0	21,300,000	21,300,000	25,800,000	.0	22,800,000	22,800,000	27,500,000
<b>Total \$</b>	<b>0.0</b>	<b>8,500,000</b>	<b>8,500,000</b>	<b>10,310,000</b>	<b>0.0</b>	<b>21,300,000</b>	<b>21,300,000</b>	<b>25,800,000</b>	<b>0.0</b>	<b>22,800,000</b>	<b>22,800,000</b>	<b>27,500,000</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									
Local Gov. Other			2,760,311			5,520,622			5,520,622
Local Gov. Total			2,760,311			5,520,622			5,520,622

## 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
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>

## Estimated Capital Budget Breakout

NONE

<b>Prepared by:</b> Scott Hancock, OFM	<b>Phone:</b> (360) 890-2518	<b>Date Published:</b> Final 3/ 6/2026
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5862 S SB	<b>Title:</b> TRS & PERS plan 1 COLA	<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	0.1	0.0	0.0	0.0	0.0
<b>Account</b>					
Department of Retirement Systems	7,000	3,000	10,000	0	0
Expense Account-State 600-1					
<b>Total \$</b>	7,000	3,000	10,000	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: Amanda Cecil	Phone: 360-786-7460	Date: 02/09/2026
Agency Preparation: Amy McMahan	Phone: 360-664-7307	Date: 02/12/2026
Agency Approval: Marcus Ehrlander	Phone: 360-664-7303	Date: 02/12/2026
OFM Review: Scott Hancock	Phone: (360) 890-2518	Date: 02/13/2026

## 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.*

Sections 1 and 2 of the bill provide retirees of Plan 1 of the Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS), who are receiving a monthly benefit on July 1, 2025, a one-time benefit adjustment of three percent multiplied by their monthly benefit, not to exceed \$110. Section 3 declares an effective date of July 1, 2026 for these adjustments.

### 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:

- This will require a one-time process to create a permanent increase to PERS Plan 1 and TRS Plan 1 benefits calculated on their current monthly benefit including eligible adjustments.
- Retirees who have the Auto COLA (Cost of Living Adjustment) or Age 65 COLA will be eligible for this increase.
- The Auto COLA or Age 65 COLA will be applied first, and the new increase will be calculated after that.
- Future Auto COLA or age 65 COLA increases will not include this increase.
- The increase will be included when determining future Adjusted Minimum Benefit (AMB) and Minimum Benefit Increase (BMI) eligibility.
- Eligibility for the July 2026 minimum increase will be determined before this one-time increase is applied.
- Since AMBs are applied monthly, some customers may be granted an AMB increase after July 1, 2026. In an effort to prevent overpayments, we will continue to apply as normal and a report will be created after applying the new increase. This report will identify accounts who received an AMB adjustment after July 1, 2026. A manual comparison of the two increases will be conducted. If the new increase results in a larger benefit, the account will be manually adjusted.
- The increase will not be given to PERS Plan 1 and TRS Plan 1 accounts that are receiving a minimum increase (AMB/BMI), or temporary disability retirements.
- All prior Uniform COLAs and gain sharing increases will be included in calculating the increase.

To implement this legislation, DRS will:

- Confirm project scope, timeline, and conduct project implementation tasks.
- Conduct business analysis and business process design.
- Complete systems changes, which include defining system requirements, coding system changes in our Linux applications, testing, and deploying those changes.
- Identify impacted members.
- 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, 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	7,000	3,000	10,000	0	0
<b>Total \$</b>			7,000	3,000	10,000	0	0

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

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.1	0.0	0.0		
A-Salaries and Wages	5,000	2,000	7,000		
B-Employee Benefits	2,000	1,000	3,000		
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>	7,000	3,000	10,000	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
Application Developer - Senior	127,788	0.0	0.0	0.0		
Business Sys Analyst - Journey	110,364	0.0		0.0		
IT Project Manager	140,856					
Retirement Specialist 3	76,968	0.0		0.0		
<b>Total FTEs</b>		0.1	0.0	0.0		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.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5862 S SB	<b>Title:</b> TRS & PERS plan 1 COLA	<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	0	1,800,000	1,800,000	4,500,000	4,700,000
General Fund-State 001-1	0	8,500,000	8,500,000	21,300,000	22,800,000
<b>Total \$</b>	0	10,300,000	10,300,000	25,800,000	27,500,000

### 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.

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Agency Preparation: Melinda Aslakson	Phone: 360-786-6161	Date: 02/11/2026
Agency Approval: Luke Masselink	Phone: 360-786-6154	Date: 02/11/2026
OFM Review: Scott Hancock	Phone: (360) 890-2518	Date: 02/11/2026

## 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	0	1,800,000	1,800,000	4,500,000	4,700,000
001-1	General Fund	State	0	8,500,000	8,500,000	21,300,000	22,800,000
<b>Total \$</b>			0	10,300,000	10,300,000	25,800,000	27,500,000

### 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		10,300,000	10,300,000	25,800,000	27,500,000
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>	0	10,300,000	10,300,000	25,800,000	27,500,000

**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 1 and TRS 1 annuitants, this proposal enacts a one-time, permanent benefit increase of 3% on their first \$44,000 of annual pension income (i.e., \$110 per month cap).

**COST SUMMARY**

Impact on Contribution Rates <i>(Effective 9/1/2026)</i>				
	PERS	TRS	SERS	PSERS
Plan 1 UAAL	0.04%	0.09%	0.04%	0.04%

Consistent with [RCW 41.45.070](#), PERS, TRS, SERS, and PSERS employers will fund the cost of this benefit improvement through a supplemental contribution rate starting September 1, 2026, and collected over a fixed 15-year period. There is no impact on employee rates as a result of this bill.

Budget Impacts			
<i>(Dollars in Millions)</i>	2026-2027	2027-2029	15-Year
General Fund-State	\$8.5	\$21.3	\$191.9
Local Government	4.8	11.9	106.3
<b>Total Employer</b>	<b>\$15.0</b>	<b>\$37.8</b>	<b>\$338.1</b>

*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. For this pricing, the 15-year budget impacts are the same as the 25-year impacts.*

**HIGHLIGHTS OF ACTUARIAL ANALYSIS**

- ❖ This bill increases benefits for eligible PERS 1 and TRS 1 annuitants, which results in a cost to the retirement systems and an increase to the PERS 1 and TRS 1 UAAL. These benefits were not anticipated or funded during impacted members’ careers.
- ❖ Approximately 65% of PERS 1 annuitants and 85% of TRS 1 annuitants are expected to receive a benefit increase under this bill. Of those eligible, approximately 80% will receive a 3% increase in benefits, while the remaining 20% will receive the \$110 per month cap. Annuitants who are receiving a COLA as part of the Basic or Alternate Minimum benefit are not eligible to receive this benefit increase. For a summary of expected headcount impacts, please see the **Who Is Impacted and How** section.
- ❖ As a result of this bill, we expect the PERS 1 UAAL to increase by \$106 million and the TRS 1 UAAL to increase by \$101 million on a present value basis. We also expect the PERS 1 and TRS 1 funded ratios to each decrease by 1%.

## 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 annuitants in PERS and TRS Plans 1 with a 3% increase in benefits on July 1, 2026.

To be eligible, annuitants must already be receiving a monthly benefit on July 1, 2025. Annuitants receiving Basic Minimum, Alternate Minimum, or temporary disability benefits are not eligible for the benefit increase under this bill.

Effective Date: This bill is effective July 1, 2026.

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.

## HOW SUBSTITUTE SB 5862 DIFFERS FROM THE ORIGINAL BILL

The substitute bill limits the 3% Cost-Of-Living Adjustment (COLA) to the first \$44,000 of pension income resulting in a maximum monthly benefit increase of \$110 for eligible annuitants.

### What Is the Current Situation?

Before it was repealed in 2011, the primary COLA provided in the 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 YOS. 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, PERS and TRS 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 \$78.74<sup>1</sup>. If a member’s benefit falls below this amount, they receive the UCOLA annual increase, which is \$2.94/month per YOS as of July 1, 2025.

The Alternate Minimum is a fixed dollar amount per month (currently \$2,336.94<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 Consumer Price Index (CPI)-based COLA is available to the Plans 1 members who elect it at retirement. The optional COLA was first made available in 1990 and provides an annual percentage 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)

**Who Is Impacted and How?**

This bill will increase the benefits for eligible PERS and TRS Plan 1 annuitants by providing a one-time COLA during retirement. Most eligible annuitants are expected to receive a 3% COLA on their entire pension benefit. Annuitants receiving more than approximately \$3,670 per month (\$44,000 per year) would receive the \$110 per month cap. On average, eligible annuitant benefits will increase by approximately \$80 per month. Annuitants receiving Basic Minimum, Alternate Minimum, or temporary disability benefits are not eligible for the benefit increase under this bill.

<sup>1</sup>As of July 1, 2025. The Alternate and Basic Minimum amounts are adjusted if the member elects voluntary payment options upon retirement. Throughout this AFN, we refer to the Basic and Alternate Minimum amounts prior to any voluntary reductions.

Estimated Headcounts as of June 30, 2024			
	PERS 1	TRS 1	Total
<b>Total Annuitants</b>	37,800	27,600	65,400
<b>Annuitants Not Receiving Minimum Benefit That Will Receive a COLA Under This Bill</b>	25,300	24,100	49,400
<b>Annuitants to Receive 3.0% COLA</b>	18,700	19,900	38,600
<b>Annuitants to Receive \$110 Per Month Cap</b>	6,600	4,200	10,800

*Note: Figures exclude approximately 600 members in PERS 1 and 200 members in TRS 1 who are active or terminated vested as of June 30, 2024, and may be eligible for a COLA under this bill if they retired on or before July 1, 2025.*

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 PERS and TRS Plans 1 annuitants than the benefits provided under current law.

**Who Will Pay These Costs?**

The costs that result from this bill will be paid by employers of PERS, TRS, SERS, and PSERS according to the standard funding method. 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, 2024, 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 modeled the benefit increases starting as of the effective date of the bill. That is, we assumed demographic and eligibility changes occur as expected between the valuation date of June 30, 2024, and the effective date of this bill, July 1, 2026.

For purposes of calculating contribution rate impacts under this bill, we assumed future PERS, TRS, SERS, and PSERS salaries grow from the valuation date to the effective date of this bill at the current law assumptions of 3.25% *General Salary Growth* and 1.00% *Membership Growth for Plan 1 Funding* annually. 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 July 1, 2026, COLA provided under this bill, we modified our valuation model programming to reflect the increased benefits. We amortized

the cost of this benefit improvement over a fixed 15-year period, consistent with PERS and TRS Plan 1 funding policy for benefit improvements.

For more detail and additional information regarding the calculation of this bill’s expected fiscal impact, please see the **Appendix**.

**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 to current members is shown below.

<b>Impact on Pension Liability (As of 6/30/2024)</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>	\$10,124	\$105.9	\$10,230
<b>TRS 1</b>	\$7,377	\$101.5	\$7,479
<b>Unfunded Actuarial 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>	\$1,280	\$105.9	\$1,386
<b>TRS 1*</b>	\$642	\$101.5	\$743

*Note: Totals may not agree due to rounding.  
 \*PERS 1 and TRS 1 unfunded accrued liability is the amount expected benefits exceed actuarial assets. It is funded through the "Base" UAAL contribution rate and the past benefit improvement contribution rate. New benefit improvements are amortized over a fixed 15-year period.*

**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 rounded increase in the required actuarial contribution rate results in the supplemental contribution rate shown on page one. This fixed rate is expected to be collected for a 15-year period consistent with how benefit improvements are funded in PERS 1 and TRS 1 under the Revised Code of Washington (RCW) 41.45.070.

Impact on Contribution Rates*				
System/Plan	PERS	TRS	SERS	PSERS
<b>Impact to Aggregate Rate</b>				
<b>Employee (Plan 2 or WSPRS)</b>	0.00%	0.00%	0.00%	0.00%
<b>Employer</b>				
Normal Cost	0.00%	0.00%	0.00%	0.00%
Plan 1 UAAL	0.04%	0.09%	0.04%	0.04%
<b>Total Employer</b>	<b>0.04%</b>	<b>0.09%</b>	<b>0.04%</b>	<b>0.04%</b>
<b>Impact to Entry Age Normal Cost Rate</b>				
<b>Employee (Plan 2 or WSPRS)</b>	0.00%	0.00%	0.00%	0.00%
<b>Employer</b>				
Normal Cost	0.00%	0.00%	0.00%	0.00%
Plan 1 UAAL	0.04%	0.09%	0.04%	0.04%
<b>Total Employer</b>	<b>0.04%</b>	<b>0.09%</b>	<b>0.04%</b>	<b>0.04%</b>

\*See the *Appendix* for how we use these rate changes to estimate budget impacts.

### How This Impacts Budgets and Employees

Budget Impacts					
(Dollars in Millions)	PERS	TRS	SERS	PSERS	Total
<b>2026-2027</b>					
General Fund	\$1.2	\$6.3	\$0.7	\$0.2	\$8.5
Non-General Fund	1.8	0.0	0.0	0.0	1.8
<b>Total State</b>	<b>\$2.9</b>	<b>\$6.3</b>	<b>\$0.7</b>	<b>\$0.3</b>	<b>\$10.3</b>
Local Government	2.9	1.1	0.6	0.1	4.8
<b>Total Employer</b>	<b>\$5.9</b>	<b>\$7.5</b>	<b>\$1.3</b>	<b>\$0.4</b>	<b>\$15.0</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>
<b>2027-2029</b>					
General Fund	\$2.9	\$16.0	\$1.7	\$0.7	\$21.3
Non-General Fund	4.4	0.0	0.0	0.1	4.5
<b>Total State</b>	<b>\$7.4</b>	<b>\$16.0</b>	<b>\$1.7</b>	<b>\$0.7</b>	<b>\$25.8</b>
Local Government	7.4	2.8	1.4	0.3	11.9
<b>Total Employer</b>	<b>\$14.7</b>	<b>\$18.8</b>	<b>\$3.1</b>	<b>\$1.1</b>	<b>\$37.8</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>2026-2041</b>					
General Fund	\$26.0	\$143.6	\$15.3	\$7.0	\$191.9
Non-General Fund	39.0	0.0	0.0	0.9	39.9
<b>Total State</b>	<b>\$65.0</b>	<b>\$143.6</b>	<b>\$15.3</b>	<b>\$7.8</b>	<b>\$231.8</b>
Local Government	65.0	25.3	12.5	3.4	106.3
<b>Total Employer</b>	<b>\$130.1</b>	<b>\$169.0</b>	<b>\$27.9</b>	<b>\$11.2</b>	<b>\$338.1</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.

**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.

In terms of risk, we expect this bill would worsen affordability and pay-go pension risk measures because it increases benefits for PERS 1 and TRS 1 annuitants which require additional employer contributions to fund. We expect the short-term impact to funded status from this bill to be an immediate reduction of the PERS and TRS Plans 1 funded status by approximately 1% each.

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

The best estimate results can vary under a different set of assumptions, such as those used to model member longevity or future investment returns. For example, if the plan realizes investment returns that are higher/lower than the prescribed long-term investment return assumption of 7.25% per year, then the costs of this bill will be lower/higher than the best estimate costs shared in this AFN. Similarly, if plan annuitants experience future mortality rates that are higher/lower than we expect, the costs of this bill will be lower/higher than the best estimate costs shared above.

If the liability increase from this bill is more/less than expected, higher/lower UAAL contributions may be needed. For example, if future investments return less than 7.25% per year, the costs associated with this bill will increase for PERS 1 and TRS 1 on a present value basis. Therefore, the 15-year funding of the supplemental rate would fall short of collecting the full cost of this bill, and any remaining unfunded costs would be funded through higher UAAL contributions.

## 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 2024 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 2026 Legislative Session; 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**

**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.

# LOCAL GOVERNMENT FISCAL NOTE

Revised

Department of Commerce

<b>Bill Number:</b> 5862 S SB	<b>Title:</b> TRS & PERS plan 1 COLA
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities: All cities. Increase in UAAL contribution rates.
- Counties: All counties. Same as above.
- Special Districts: All special districts. Same as above.
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

### Estimated revenue impacts to:

None

### Estimated expenditure impacts to:

Jurisdiction	FY 2026	FY 2027	2025-27	2027-29	2029-31
City		671,010	671,010	1,342,020	1,342,020
County		1,341,456	1,341,456	2,682,912	2,682,912
Special District		747,845	747,845	1,495,690	1,495,690
<b>TOTAL \$</b>		2,760,311	2,760,311	5,520,622	5,520,622
<b>GRAND TOTAL \$</b>					<b>13,801,555</b>

## Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 250-5931	Date: 03/06/2026
Leg. Committee Contact: Amanda Cecil	Phone: 360-786-7460	Date: 02/09/2026
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 03/06/2026
OFM Review: Scott Hancock	Phone: (360) 890-2518	Date: 03/06/2026

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

(This revised note includes estimates for the supplemental rate contributions attributed to cities, counties, and special districts).

This bill provides a one-time, 3 percent, up to a maximum of \$110 per month, increase to the retirement benefits of certain retirees in the Public Employees' Retirement System and the Teachers' Retirement System Plan 1.

This bill would take effect on July 1, 2026, if the bill is passed.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill would have a significant impact on local government expenditures.

As noted in the Office of the State Actuary's (AFN) S SB 5862 fiscal note, this bill impacts local government employers through increased unfunded actuarial accrued liability (UAAL) contribution rates for PERS, SERS, and PSERS employers. This bill will not affect member contribution rates. The total budget impact for local governments is included in the AFN fiscal note for the fifteen-year time period provided in the bill. The Local Government Fiscal Note Program has calculated the amount attributed to cities, counties, and special district employers using employer and employee data extracted from a recent Department of Retirement Systems quarterly plan membership report as follows:

Plan supplemental rate x plan employee count x average employee salary.  
(Please refer to the AFN fiscal note for specific plan supplemental contribution rates).

#### **CITIES**

FY 2027 - \$671,010  
FY 2028 - \$671,010  
FY 2029 - \$671,010  
FY 2030 - \$671,010  
FY 2031 - \$671,010  
TOTAL: \$3,355,050

#### **COUNTIES**

FY 2027 - \$1,341,456  
FY 2028 - \$1,341,456  
FY 2029 - \$1,341,456  
FY 2030 - \$1,341,456  
FY 2031 - \$1,341,456  
TOTAL: \$6,707,280

#### **SPECIAL DISTRICTS**

FY 2027 - \$747,845  
FY 2028 - \$747,845  
FY 2029 - \$747,845  
FY 2030 - \$747,845  
FY 2031 - \$747,845  
TOTAL: \$3,739,225

Other costs to local government employers may include administrative costs to refer retirees to the Department of Retirement Systems or costs associated with individuals changing from one plan to another, requiring a different rate, if

that is not addressed in the actuarial analysis. These costs are likely to be de minimus or no impact on local government expenditures.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This bill has no impact on local government revenues.

#### **SOURCES**

Association of Washington Cities (AWC)

Department of Retirement Systems quarterly plan membership report, January 2, 2026

Office of the State Actuary FN S SB 5862 (2026)