
SUBSTITUTE HOUSE BILL 1057

State of Washington

68th Legislature

2023 Regular Session

By House Appropriations (originally sponsored by Representatives Stokesbary, Fitzgibbon, Leavitt, Simmons, Rude, Bateman, Pollet, Street, Goodman, Robertson, Macri, Donaghy, Bronoske, Paul, Bergquist, Wylie, Kloba, and Ormsby; by request of Select Committee on Pension Policy)

READ FIRST TIME 02/24/23.

1 AN ACT Relating to providing a benefit increase to certain
2 retirees of the public employees' retirement system plan 1 and the
3 teachers' retirement system plan 1; amending RCW 41.32.4992,
4 41.40.1987, 41.45.060, and 41.45.070; creating new sections;
5 providing an effective date; and declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** The legislature finds that beneficiaries
8 receiving a monthly benefit from the public employees' retirement
9 system plan 1 and the teachers' retirement system plan 1 have
10 experienced a loss of purchasing power due to rising inflation.
11 Certain beneficiaries do not receive annual increases; providing a
12 one-time cost-of-living adjustment helps address beneficiaries' loss
13 of purchasing power. An ongoing cost-of-living adjustment would
14 provide additional protection against further loss of purchasing
15 power, however this policy may not be affordable until required
16 employer contribution rates towards the unfunded accrued actuarial
17 liability are reduced or no longer required.

18 NEW SECTION. **Sec. 2.** During the 2023-2025 fiscal biennium, the
19 select committee on pension policy will study and recommend an
20 ongoing cost-of-living adjustment for beneficiaries of the public

1 employees' retirement system plan 1 and the teachers' retirement
2 system plan 1. Any recommendation must consider employer contribution
3 rate stability and coordinate the effective date of an ongoing cost-
4 of-living adjustment with the reduction or elimination of the
5 unfunded accrued actuarial liability.

6 **Sec. 3.** RCW 41.32.4992 and 2022 c 52 s 1 are each amended to
7 read as follows:

8 (1) Beneficiaries who are receiving a monthly benefit from the
9 teachers' retirement system plan 1 on July 1, 2017, shall receive,
10 effective July 1, 2018, an increase to their monthly benefit of one
11 and one-half percent multiplied by the beneficiaries' monthly
12 benefit, not to exceed (~~sixty-two dollars and fifty cents~~) \$62.50.

13 (2) Beneficiaries who are receiving a monthly benefit from the
14 teachers' retirement system plan 1 on July 1, 2019, shall receive,
15 effective July 1, 2020, an increase to their monthly benefit of three
16 percent multiplied by the beneficiaries' monthly benefit, not to
17 exceed (~~sixty-two dollars and fifty cents~~) \$62.50.

18 (3) Beneficiaries who are receiving a monthly benefit from the
19 teachers' retirement system plan 1 on July 1, 2021, shall receive,
20 effective July 1, 2022, an increase to their monthly benefit of three
21 percent multiplied by the beneficiaries' monthly benefit, not to
22 exceed (~~one hundred ten dollars and zero cents~~) \$110.00.

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

28 (5) This section does not apply to those receiving benefits
29 pursuant to RCW 41.32.489 or 41.32.540.

30 **Sec. 4.** RCW 41.40.1987 and 2022 c 52 s 2 are each amended to
31 read as follows:

32 (1) Beneficiaries who are receiving a monthly benefit from the
33 public employees' retirement system plan 1 on July 1, 2017, shall
34 receive, effective July 1, 2018, an increase to their monthly benefit
35 of one and one-half percent multiplied by the beneficiaries' monthly
36 benefit, not to exceed (~~sixty-two dollars and fifty cents~~) \$62.50.

37 (2) Beneficiaries who are receiving a monthly benefit from the
38 public employees' retirement system plan 1 on July 1, 2019, shall

1 receive, effective July 1, 2020, an increase to their monthly benefit
2 of three percent multiplied by the beneficiaries' monthly benefit,
3 not to exceed (~~sixty-two dollars and fifty cents~~) \$62.50.

4 (3) Beneficiaries who are receiving a monthly benefit from the
5 public employees' retirement system plan 1 on July 1, 2021, shall
6 receive, effective July 1, 2022, an increase to their monthly benefit
7 of three percent multiplied by the beneficiaries' monthly benefit,
8 not to exceed (~~one hundred ten dollars and zero cents~~) \$110.00.

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

14 (5) This section does not apply to those receiving benefits
15 pursuant to RCW 41.40.1984.

16 **Sec. 5.** RCW 41.45.060 and 2020 c 103 s 4 are each amended to
17 read as follows:

18 (1) The state actuary shall provide preliminary actuarial
19 valuation results based on the economic assumptions and asset value
20 smoothing technique included in RCW 41.45.035 or adopted under RCW
21 41.45.030 or 41.45.035.

22 (2) Not later than July 31, 2008, and every two years thereafter,
23 consistent with the economic assumptions and asset value smoothing
24 technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or
25 41.45.035, the council shall adopt and may make changes to:

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

28 (b) Basic employer contribution rates for the public employees'
29 retirement system, the teachers' retirement system, and the
30 Washington state patrol retirement system; and

31 (c) Basic employer contribution rates for the school employees'
32 retirement system and the public safety employees' retirement system
33 for funding both those systems and the public employees' retirement
34 system plan 1.

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

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

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

4 (b) To fully fund the public employees' retirement system plans 2
5 and 3, the teachers' retirement system plans 2 and 3, the public
6 safety employees' retirement system plan 2, and the school employees'
7 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
8 41.45.067, and this section; and

9 (c) To fully fund the public employees' retirement system plan 1
10 and the teachers' retirement system plan 1 in accordance with RCW
11 41.45.070, 41.45.150, and this section.

12 (4) The aggregate actuarial cost method shall be used to
13 calculate a combined plan 2 and 3 normal cost, a Washington state
14 patrol retirement system normal cost, and a public safety employees'
15 retirement system normal cost.

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

20 (6) The employer contribution rate for the public employees'
21 retirement system and the school employees' retirement system shall
22 equal the sum of:

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

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

31 (c) The amounts required to amortize the costs of any benefit
32 improvements in plan 1 of the public employees' retirement system
33 that become effective after June 30, 2009. The cost of each benefit
34 improvement shall be amortized over a fixed ten-year period using
35 projected future salary growth and growth in system membership. The
36 amounts required under this subsection are not subject to, and are
37 collected in addition to, any minimum or maximum rates applied
38 pursuant to RCW 41.45.150.

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

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

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

8 (c) The amounts required to amortize the costs of any benefit
9 improvements in plan 1 of the public employees' retirement system
10 that become effective after June 30, 2009. The cost of each benefit
11 improvement shall be amortized over a fixed ten-year period using
12 projected future salary growth and growth in system membership. The
13 amounts required under this subsection are not subject to, and are
14 collected in addition to, any minimum or maximum rates applied
15 pursuant to RCW 41.45.150. The rate for benefit improvements that
16 became effective after June 30, 2009, shall not include a rate for
17 the improvements in this act until July 1, 2027.

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

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

23 (b) The amount required to amortize the unfunded actuarial
24 accrued liability in plan 1 of the teachers' retirement system over a
25 rolling ten-year period using projected future salary growth and
26 growth in system membership, and subject to any minimum or maximum
27 rates applied pursuant to RCW 41.45.150; plus

28 (c) The amounts required to amortize the costs of any benefit
29 improvements in plan 1 of the teachers' retirement system that become
30 effective after June 30, 2009. The cost of each benefit improvement
31 shall be amortized over a fixed ten-year period using projected
32 future salary growth and growth in system membership. The amounts
33 required under this subsection are not subject to, and are collected
34 in addition to, any minimum or maximum rates applied pursuant to RCW
35 41.45.150. The rate for benefit improvements that became effective
36 after June 30, 2009, shall not include a rate for the improvements in
37 this act until July 1, 2027.

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

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

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

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

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

20 **Sec. 6.** RCW 41.45.070 and 2009 c 561 s 4 are each amended to
21 read as follows:

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

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

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

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

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

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

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

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

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

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

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

29 (10) A supplemental rate shall not be charged to pay for the cost
30 of the additional benefits granted to members of the teachers'
31 retirement system and the public employees' retirement system plans 1
32 in this act.

33 NEW SECTION. **Sec. 7.** This act is necessary for the immediate
34 preservation of the public peace, health, or safety, or support of
35 the state government and its existing public institutions, and takes
36 effect July 1, 2023.

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