S-1472.1

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**SUBSTITUTE SENATE BILL 5085**

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**State of Washington 69th Legislature 2025 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senator Robinson)

AN ACT Relating to three of Washington state's closed retirement plans; amending RCW 41.50.030, 41.50.075, 41.50.110, 41.32.4992, 41.40.1987, 41.45.010, 41.45.020, 41.45.035, 41.45.050, 41.45.060, 41.45.070, 41.45.150, 41.45.200, 41.45.203, 41.45.207, 6.15.020, 41.04.440, 41.04.445, 41.04.450, 41.04.803, 41.05.320, 41.24.400, 41.50.080, 41.50.235, 41.50.255, 41.50.500, 41.54.010, and 41.54.040; reenacting and amending RCW 43.84.092 and 43.84.092; adding a new section to chapter 41.50 RCW; adding new sections to chapter 41.32 RCW; adding new sections to chapter 41.40 RCW; adding a new section to chapter 41.26 RCW; adding a new section to chapter 41.35 RCW; adding a new section to chapter 41.37 RCW; adding a new chapter to Title 41 RCW; creating new sections; providing effective dates; providing an expiration date; providing a contingent expiration date; and declaring an emergency.

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

NEW SECTION. **Sec.**  (1) The legislature finds that the funding for three of its closed retirement plans has become lopsided.

(2) The legislature further finds that:

(a) In 1969, the state merged local police and fire retirement plans because too many of those plans were insolvent, or soon to be insolvent. An estimate conducted by the legislature that year concluded the combined systems were underfunded by around $400,000,000.

(b) Despite being merged into the law enforcement officers' and firefighters' retirement system (later designated as plan 1 of that system), within seven years the legislature determined that the funding structure for the merged plan was also unsustainable, and closed the plan to new members on September 30, 1977.

(c) Though the members and employers each paid a fixed six percent of each employee's pay, the total amount was insufficient to pay the cost of benefits for plan members, and the state paid the remainder of the cost. At its highest level, the state paid more than eight times the nonstate employer and member contributions combined in one year alone. Over time, this contributed to the plan having more assets than is required to fund the members' benefits, and the legislature allowed the members and employers to stop making contributions to the plan beginning June 30, 2000.

(d) As of June 30, 2023, the law enforcement officers' and firefighters' retirement system plan 1 is 149 percent funded despite including benefits like a fully indexed cost-of-living adjustment. In fact, the plan is so well funded that in 2022, the legislature granted all benefit recipients a one-time lump sum payment equal to $100 per service credit month, with a minimum of $20,000 for any members who retired with a line of duty disability.

(e) The history of the teachers' retirement system plan 1 and the public employees' retirement system plan 1 may look similar at first because in most years members and employers each paid a fixed six percent of each employee's pay (with a reduction to the employer rates circa 2002-2007), and this amount was insufficient to pay the liabilities of the plan. However, unlike the law enforcement officers' and firefighters' retirement system plan 1, these plans have had unfunded liabilities for decades. Beginning in 1989, the legislature created an additional contribution rate (colloquially called the "UAAL Rate") directly aimed at paying off this deficit, and bringing both plans up to full funding. This additional contribution rate has been paid exclusively by the employers and the state.

(f) As of June 30, 2023, the teachers' retirement system plan 1 is 86 percent funded, and the public employees' retirement system plan 1 is 80 percent funded. Neither plan provides an ongoing cost-of-living adjustment unless an individual's benefits are small enough to qualify for minimum benefit increases.

(3) The legislature further finds that, so long as member benefits are protected, it is an appropriate use of law enforcement officers' and firefighters' retirement system plan 1 excess funds (particularly state funds and investment returns resulting from those funds) to improve the funded status of the teachers' retirement system plan 1 and the public employees' retirement system plan 1 via a plan merger. To quote the state supreme court, "[A] defined benefit plan entitles the members to a predetermined distribution upon retirement and to an actuarially sound plan to ensure that the plan is adequately funded to meet those distribution requirements. It does not entitle them to any use of the contributions other than to ensure the above entitlements are met." *Retired Pub. Emples. Council of Wash. v. Charles*, 148 Wn.2d 602, 616; quoting *Koster v. City of Davenport*, 183 F.3d 762, 767.

(4) The legislature also finds that a merger would be beneficial to the law enforcement officers' and firefighters' retirement system plan 1 since that plan has no practical funding source. More specifically, current law calls for no contributions to the plan so long as the plan is fully funded. However, if the plan drops below full funding, current law calls for contributions based on a fixed six percent of active employee pay, and there are only seven active employees remaining in the system as of June 30, 2023. This means that in the case of sufficiently unfavorable economic conditions, an unfunded liability could appear in that plan with no method of paying it off except to rely on pay-as-you-go payments from the general fund.

(5) Thus, the legislature finds that a merger of these three plans would:

(a) Immediately improve the funded status of both the public employees' retirement system plan 1 and the teachers' retirement system plan 1;

(b) Provide an ongoing funding source for the law enforcement officers' and firefighters' retirement system plan 1 in case an unfunded actuarial accrued liability emerges in the future, while simultaneously exempting employers of law enforcement officers' and firefighters' retirement system plan 1 members from any future contributions to the plan; and

(c) Increase parity in cost-of-living adjustment policy across the closed plans 1 by providing the members of the public employees' retirement system plan 1 and the teachers' retirement system plan 1 with new and ongoing cost-of-living adjustments.

NEW SECTION. **Sec.**  The legislature intends to immediately improve the funded status of the teachers' retirement system plan 1 and the public employees' retirement system plan 1 while reiterating its commitment to the on-going funding required to secure benefits promised to members of the law enforcement officers' and firefighters' retirement system plan 1. The legislature intends to accomplish this goal by merging the assets, liabilities, and membership of the three plans. The resulting merged plan will have three tiers of benefits representing each of the plans being merged.

The legislature further intends that this merger, as well as any administrative changes necessary to implement the merger, be accomplished in a way that does not negatively impact benefits provided.

To fully ensure the protection of benefits, the legislature intends for the following to be accomplished by this act:

(1) Members of the law enforcement officers' and firefighters' retirement system plan 1 tier of the merged plan will receive the same benefits from the merged plan as they would have received from their current plan.

(2) Members of the teachers' retirement system plan 1 tier of the merged plan will receive the same benefits from the merged plan as they would have received from their current plan. The cost-of-living adjustments in sections 401 and 403 of this act are intended as an additional benefit improvement granted on top of existing benefits, and are not intended as a trade-off for any other impact to benefits.

(3) Members of the public employees' retirement system plan 1 tier of the merged plan will receive the same benefits from the merged plan as they would have received from their current plan. The cost-of-living adjustments in sections 402 and 404 of this act are intended as an additional benefit improvement granted on top of existing benefits, and are not intended as a trade-off for any other impact to benefits.

(4) The merger of these three plans will be administered in a way that is consistent with plan qualification requirements in the federal internal revenue code.

NEW SECTION. **Sec.**  (1) The assets, liabilities, and membership of the law enforcement officers' and firefighters' retirement system plan 1, the teachers' retirement system plan 1, and the public employees' retirement system plan 1, are hereby merged into a new plan to be called the legacy retirement system.

(2)(a) All liabilities of the teachers' retirement system plan 1 as defined in chapter 41.32 RCW and as funded pursuant to chapter 41.45 RCW, are hereby made liabilities of the legacy retirement system.

(b) All benefits payable to the teachers' retirement system plan 1 members and beneficiaries pursuant to chapter 41.32 RCW shall be administered as a separate tier of membership and benefits within the legacy retirement system, and all associated benefits are to be paid from the legacy retirement system account established in RCW 41.50.075(6).

(3)(a) Except as provided in (b) of this subsection, all liabilities of the law enforcement officers' and firefighters' retirement system plan 1, as defined in chapter 41.26 RCW and as funded pursuant to chapter 41.45 RCW, are hereby made liabilities of the legacy retirement system.

(b) All medical benefit liabilities for the law enforcement officers' and firefighters' retirement system plan 1 provided pursuant to RCW 41.26.150 remain liabilities of employers, as defined in RCW 41.26.030(14)(a).

(c) All benefits, including survivor benefits, payable to members of the law enforcement officers' and firefighters' retirement system plan 1 pursuant to chapter 41.26 RCW, shall be administered as a separate tier of membership and benefits within the legacy retirement system, and all associated benefits are to be paid from the legacy retirement system account established in RCW 41.50.075(6).

(4)(a) All liabilities of the public employees' retirement system plan 1 as defined in chapter 41.40 RCW and as funded pursuant to chapter 41.45 RCW are hereby made liabilities of the legacy retirement system.

(b) All benefits payable to the public employees' retirement system plan 1 members and beneficiaries pursuant to chapter 41.40 RCW, shall be administered as a separate tier of membership and benefits within the legacy retirement system, and all associated benefits are to be paid from the legacy retirement system account established in RCW 41.50.075(6).

(5) All assets of the teachers' retirement system plan 1, the public employees' retirement system plan 1, and the law enforcement officers' and firefighters' retirement system plan 1 are merged as described in RCW 41.50.075.

NEW SECTION. **Sec.**  The legacy retirement system consists of three benefit tiers:

(1) The law enforcement officers' and firefighters' retirement system plan 1 tier consisting of benefits and funding provisions as provided in chapters 41.26 and 41.45 RCW;

(2) The teachers' retirement system plan 1 tier consisting of benefits and funding provisions as provided in chapters 41.32 and 41.45 RCW; and

(3) The public employees' retirement system plan 1 tier consisting of benefits and funding provisions as provided in chapters 41.40 and 41.45 RCW.

NEW SECTION. **Sec.**  The merger of retirement plans by chapter . . ., Laws of 2025 (this act) does not impact the disability boards established in RCW 41.26.110 or any official action of those boards. The disability benefits of members of the law enforcement officers' and firefighters' retirement system plan 1 prior to the effective date of this section will not be impacted in any way by this merger, and employers, as defined in RCW 41.26.030(14)(a), administering these benefits are instructed to continue to administer benefits unaffected by this act.

Similarly, the merger of retirement plans by chapter . . ., Laws of 2025 (this act) does not impact any benefits provided by the city and county police and fire retirement systems that predated the current law enforcement officers' and firefighters' retirement systems under chapters 41.08, 41.12, 41.14, 41.16, 41.18, and 41.20 RCW (colloquially referred to as "pre-LEOFF" plans), and all local government entities administering these benefits are instructed to continue administering these benefits unaffected by this act.

NEW SECTION. **Sec.**  Except as described in sections 401 and 404 of this act, chapter . . ., Laws of 2025 (this act) does not alter any benefit incurred under the sections amended or repealed in chapter . . ., Laws of 2025 (this act) or under any rule or order adopted under those sections. If any substantive impacts to benefits occur, it is unintentional, and chapter . . ., Laws of 2025 (this act) should be construed to avoid such impacts.

NEW SECTION. **Sec.**  A new section is added to chapter 41.50 RCW to read as follows:

(1) The director is instructed to administer chapter . . ., Laws of 2025 (this act) in such a way that it does not negatively impact benefits for members and eligible survivors of those plans. Specifically, each member of each of these plans is entitled to receive benefits immediately on the effective date of the merger that are at least equal to the benefits the member would have been entitled to receive immediately before the merger in accordance with plan terms. The director may conduct rule making for this purpose as provided in RCW 41.50.050.

(2) The director must submit a request for a determination letter from the internal revenue service indicating the qualified status of the merged plan that results from the merger in section 201 of this act.

(3) The director must submit a request for a private letter ruling from the internal revenue service indicating there are no tax consequences to any plan members from the merger in section 201 of this act.

**Sec.**  RCW 41.50.030 and 2011 1st sp.s. c 47 s 20 are each amended to read as follows:

(1) As soon as possible but not more than one hundred and eighty days after March 19, 1976, there is transferred to the department of retirement systems, except as otherwise provided in this chapter, all powers, duties, and functions of:

(a) The Washington public employees' retirement system;

(b) The Washington state teachers' retirement system;

(c) The Washington law enforcement officers' and firefighters' retirement system;

(d) The Washington state patrol retirement system;

(e) The Washington judicial retirement system; and

(f) The state treasurer with respect to the administration of the judges' retirement fund imposed pursuant to chapter 2.12 RCW.

(2) On July 1, 1996, there is transferred to the department all powers, duties, and functions of the deferred compensation committee.

(3) The department shall administer chapter 41.34 RCW.

(4) The department shall administer the Washington school employees' retirement system created under chapter 41.35 RCW.

(5) The department shall administer the Washington public safety employees' retirement system created under chapter 41.37 RCW.

(6) The department shall administer the collection of employer contributions and initial prefunding of the higher education retirement plan supplemental benefits, also referred to as the annuity or retirement income plans created under chapter 28B.10 RCW.

(7) The department shall administer the legacy retirement system created under section 201 of this act.

**Sec.**  RCW 41.50.075 and 2020 c 103 s 5 are each amended to read as follows:

(1) ((~~Two funds are hereby created and established in the state treasury to be known as the Washington law enforcement officers' and firefighters' system plan 1 retirement fund, and the~~)) (a) The Washington law enforcement officers' and firefighters' system plan 2 retirement fund ((~~which~~)) shall consist of all moneys paid ((~~into them~~)) in accordance with the provisions of this chapter and chapter 41.26 RCW, whether such moneys take the form of cash, securities, or other assets. The ((~~plan 1 fund shall consist of all moneys paid to finance the benefits provided to members of the law enforcement officers' and firefighters' retirement system plan 1, and the~~)) plan 2 fund shall consist of all moneys paid to finance the benefits provided to members of the law enforcement officers' and firefighters' retirement system plan ((~~2~~)).

(b) The Washington law enforcement officers' and firefighters' system plan 1 retirement fund is hereby closed, and the assets transferred to the new legacy retirement system account established under subsection (6) of this section.

(2)(a) All of the assets of the Washington state teachers' retirement system plans 2 and 3 shall be credited according to the purposes for which they are held, to ((~~two funds to be maintained in the state treasury, namely, the teachers' retirement system plan 1 fund and~~)) the teachers' retirement system combined plan 2 and 3 fund to be maintained by the state treasury. The ((~~plan 1 fund shall consist of all moneys paid to finance the benefits provided to members of the Washington state teachers' retirement system plan 1, and the~~)) combined plan 2 and 3 fund shall consist of all moneys paid to finance the benefits provided to members of the Washington state teachers' retirement system plan 2 and 3.

(b) The teachers' retirement system plan 1 fund is hereby closed, and the assets transferred to the new legacy retirement system account established under subsection (6) of this section.

(3)(a) There is hereby established in the state treasury ((~~two separate funds, namely the public employees' retirement system plan 1 fund and~~)) the public employees' retirement system combined plan 2 and plan 3 fund. The ((~~plan 1 fund shall consist of all moneys paid to finance the benefits provided to members of the public employees' retirement system plan 1, and the~~)) combined plan 2 and plan 3 fund shall consist of all moneys paid to finance the benefits provided to members of the public employees' retirement system plans 2 and 3.

(b) The public employees' retirement system plan 1 fund is hereby closed, and the assets transferred to the new legacy retirement system account established under subsection (6) of this section.

(4) There is hereby established in the state treasury the school employees' retirement system combined plan 2 and 3 fund. The combined plan 2 and 3 fund shall consist of all moneys paid to finance the benefits provided to members of the school employees' retirement system plan 2 and plan 3.

(5) There is hereby established in the state treasury the public safety employees' retirement system plan 2 fund. The plan 2 fund shall consist of all moneys paid to finance the benefits provided to members of the public safety employees' retirement system plan 2.

(6) There is hereby established in the state treasury the legacy retirement system account. The legacy retirement system account shall consist of all moneys paid to finance the benefits provided to members of the teachers' retirement system plan 1, the public employees' retirement system plan 1, and the law enforcement officers' and firefighters' retirement system plan 1 tiers of the legacy retirement system.

(7)(a)(i) There is hereby established in the state treasury the higher education retirement plan supplemental benefit fund. The higher education retirement plan supplemental benefit fund shall consist of all moneys paid to finance the benefits provided to members of each of the higher education retirement plans.

(ii) The fund in this subsection ((~~(6)~~)) (7) was originally created under chapter 47, Laws of 2011 1st sp. sess. (Engrossed Substitute House Bill No. 1981).

(b) The office of financial management must create individual accounts for each institution of higher education within the higher education retirement plan supplemental benefit fund. For fiscal year 2021, the office of financial management must transfer all the assets of the higher education retirement plan supplemental benefit fund into the individual accounts for each institution that will be used to manage the accounting for each benefit plan. The higher education retirement plan supplemental benefit fund will include all the amounts in the individual accounts created in this subsection.

**Sec.**  RCW 41.50.110 and 2015 3rd sp.s. c 4 s 951 are each amended to read as follows:

(1) Except as provided by RCW 41.50.255 and subsection (6) of this section, all expenses of the administration of the department, the expenses of administration of the retirement systems, and the expenses of the administration of the office of the state actuary created in chapters 2.10, 2.12, 28B.10, 41.26, 41.32, 41.40, 41.34, 41.35, 41.37, 41.--- RCW (the new chapter created in section 701 of this act), 43.43, and 44.44 RCW shall be paid from the department of retirement systems expense fund.

(2) In order to reimburse the department of retirement systems expense fund on an equitable basis the department shall ascertain and report to each employer, as defined in chapter 41.--- RCW (the new chapter created in section 701 of this act) or RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, or 41.40.010, the sum necessary to defray its proportional share of the entire expense of the administration of the retirement system that the employer participates in during the ensuing biennium or fiscal year whichever may be required. Such sum is to be computed in an amount directly proportional to the estimated entire expense of the administration as the ratio of monthly salaries of the employer's members bears to the total salaries of all members in the entire system. It shall then be the duty of all such employers to include in their budgets or otherwise provide the amounts so required.

(3) The department shall compute and bill each employer, as defined in chapter 41.--- RCW (the new chapter created in section 701 of this act) or RCW 28B.10.400, 41.26.030, 41.32.010, 41.35.010, 41.37.010, or 41.40.010, at the end of each month for the amount due for that month to the department of retirement systems expense fund and the same shall be paid as are its other obligations. Such computation as to each employer shall be made on a percentage rate of salary established by the department. However, the department may at its discretion establish a system of billing based upon calendar year quarters in which event the said billing shall be at the end of each such quarter.

(4) The director may adjust the expense fund contribution rate for each system at any time when necessary to reflect unanticipated costs or savings in administering the department.

(5) An employer who fails to submit timely and accurate reports to the department may be assessed an additional fee related to the increased costs incurred by the department in processing the deficient reports. Fees paid under this subsection shall be deposited in the retirement system expense fund.

(a) Every six months the department shall determine the amount of an employer's fee by reviewing the timeliness and accuracy of the reports submitted by the employer in the preceding six months. If those reports were not both timely and accurate the department may prospectively assess an additional fee under this subsection.

(b) An additional fee assessed by the department under this subsection shall not exceed fifty percent of the standard fee.

(c) The department shall adopt rules implementing this section.

(6) Expenses other than those under RCW 41.34.060(4) shall be paid pursuant to subsection (1) of this section.

(7) During the 2009-2011 and 2011-2013 fiscal biennia, the legislature may transfer from the department of retirement systems' expense fund to the state general fund such amounts as reflect the excess fund balance of the fund. During the 2015-2017 fiscal biennium, state contributions to the judicial retirement system may be made in part by appropriations from the department of retirement systems expense fund.

**Sec.**  RCW 41.32.4992 and 2024 c 255 s 1 are each amended to read as follows:

(1) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2017, shall receive, effective July 1, 2018, an increase to their monthly benefit of one and one-half percent multiplied by the beneficiaries' monthly benefit, not to exceed $62.50.

(2) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2019, shall receive, effective July 1, 2020, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $62.50.

(3) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2021, shall receive, effective July 1, 2022, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

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

(5) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2023, shall receive, effective July 1, 2024, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

(6) Beneficiaries who are receiving a monthly benefit from the teachers' retirement system plan 1 on July 1, 2024, shall receive, effective July 1, 2025, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit.

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

**Sec.**  RCW 41.40.1987 and 2024 c 255 s 2 are each amended to read as follows:

(1) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2017, shall receive, effective July 1, 2018, an increase to their monthly benefit of one and one-half percent multiplied by the beneficiaries' monthly benefit, not to exceed $62.50.

(2) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2019, shall receive, effective July 1, 2020, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $62.50.

(3) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2021, shall receive, effective July 1, 2022, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

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

(5) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2023, shall receive, effective July 1, 2024, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit, not to exceed $110.00.

(6) Beneficiaries who are receiving a monthly benefit from the public employees' retirement system plan 1 on July 1, 2024, shall receive, effective July 1, 2025, an increase to their monthly benefit of three percent multiplied by the beneficiaries' monthly benefit.

(7) This section does not apply to those receiving benefits pursuant to RCW 41.40.1984.

NEW SECTION. **Sec.**  A new section is added to chapter 41.32 RCW to read as follows:

(1) Beginning July 1, 2026, and every year thereafter, the department shall determine the following information for each plan 1 retired member or beneficiary whose retirement allowance has been in effect for at least one year:

(a) The original dollar amount of the retirement allowance as of June 30, 2026, or the effective date of retirement, whichever is later;

(b) The index for the calendar year prior to July 1, 2025, or the effective date of the retirement allowance, whichever is later, to be known as "index A";

(c) The index for the calendar year prior to the date of determination, to be known as "index B"; and

(d) The ratio obtained when index B is divided by index A.

(2) The value of the ratio obtained is the annual adjustment to the original retirement allowance and must be applied beginning with the July payment. In no event, however, may the annual adjustment:

(a) Produce a retirement allowance which is lower than the original retirement allowance;

(b) Exceed three percent in the initial annual adjustment; or

(c) Differ from the previous year's annual adjustment by more than three percent.

(3) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index, Seattle, Washington area, or urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(4) This section does not apply to members or beneficiaries receiving benefits pursuant to RCW 41.32.489 or 41.32.540.

NEW SECTION. **Sec.**  A new section is added to chapter 41.40 RCW to read as follows:

(1) Beginning July 1, 2026, and every year thereafter, the department shall determine the following information for each plan 1 retired member or beneficiary whose retirement allowance has been in effect for at least one year:

(a) The original dollar amount of the retirement allowance as of June 30, 2026, or the effective date of retirement, whichever is later;

(b) The index for the calendar year prior to July 1, 2025, or the effective date of the retirement allowance, whichever is later, to be known as "index A";

(c) The index for the calendar year prior to the date of determination, to be known as "index B"; and

(d) The ratio obtained when index B is divided by index A.

(2) The value of the ratio obtained is the annual adjustment to the original retirement allowance and must be applied beginning with the July payment. In no event, however, may the annual adjustment:

(a) Produce a retirement allowance which is lower than the original retirement allowance;

(b) Exceed three percent in the initial annual adjustment; or

(c) Differ from the previous year's annual adjustment by more than three percent.

(3) For the purposes of this section, "index" means, for any calendar year, that year's average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(4) This section does not apply to members or beneficiaries receiving benefits pursuant to RCW 41.40.1984.

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

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

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

(1) To fully fund the public employees' retirement system plans 2 and 3, the teachers' retirement system plans 2 and 3, the school employees' retirement system plans 2 and 3, the public safety employees' retirement system plan 2, and the law enforcement officers' and firefighters' retirement system plan 2 as provided by law;

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

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

~~(4)~~)) To establish long-term employer contribution rates which will remain a relatively predictable proportion of the future state budgets; and

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

**Sec.**  RCW 41.45.020 and 2006 c 365 s 1 are each amended to read as follows:

As used in this chapter, the following terms have the meanings indicated unless the context clearly requires otherwise.

(1) "Council" means the pension funding council created in RCW 41.45.100.

(2) "Department" means the department of retirement systems.

(3) "Law enforcement officers' and firefighters' retirement system plan 1" and "law enforcement officers' and firefighters' retirement system plan 2" means the benefits and funding provisions under chapter 41.26 RCW.

(4) "Public employees' retirement system plan 1," "public employees' retirement system plan 2," and "public employees' retirement system plan 3" mean the benefits and funding provisions under chapter 41.40 RCW.

(5) "Teachers' retirement system plan 1," "teachers' retirement system plan 2," and "teachers' retirement system plan 3" mean the benefits and funding provisions under chapter 41.32 RCW.

(6) "School employees' retirement system plan 2" and "school employees' retirement system plan 3" mean the benefits and funding provisions under chapter 41.35 RCW.

(7) "Washington state patrol retirement system" means the retirement benefits provided under chapter 43.43 RCW.

(8) "Unfunded liability" means the unfunded actuarial accrued liability of a retirement system.

(9) "Actuary" or "state actuary" means the state actuary employed under chapter 44.44 RCW.

(10) "State retirement systems" means the retirement systems listed in RCW 41.50.030.

(11) "Classified employee" means a member of the Washington school employees' retirement system plan 2 or plan 3 as defined in RCW 41.35.010.

(12) "Teacher" means a member of the teachers' retirement system as defined in RCW 41.32.010((~~(15)~~)).

(13) "Select committee" means the select committee on pension policy created in RCW 41.04.276.

(14) "Actuarial value of assets" means the value of pension plan investments and other property used by the actuary for the purpose of an actuarial valuation.

(15) "Public safety employees' retirement system plan 2" means the benefits and funding provisions established under chapter 41.37 RCW.

(16) "Normal cost" means the portion of the actuarial present value of projected benefits and expenses that is allocated to a period, typically twelve months, under the actuarial cost method.

(17) "Legacy retirement system" means the benefits and funding provisions under chapter 41.--- RCW (the new chapter created in section 701 of this act).

**Sec.**  RCW 41.45.035 and 2016 sp.s. c 36 s 922 are each amended to read as follows:

(1) Beginning July 1, 2001, the following long-term economic assumptions shall be used by the state actuary for the purposes of RCW 41.45.030:

(a) The growth in inflation assumption shall be 3.5 percent;

(b) The growth in salaries assumption, exclusive of merit or longevity increases, shall be 4.5 percent;

(c) The investment rate of return assumption shall be 8 percent;

(d) The growth in system membership assumption shall be 1.25 percent for the public employees' retirement system, the public safety employees' retirement system, the school employees' retirement system, and the law enforcement officers' and firefighters' retirement system. The assumption shall be .90 percent for the teachers' retirement system; and

(e) From July 1, 2016, until July 1, 2017, the growth in system membership for the teachers' retirement system shall be 1.25 percent. It is the intent of the legislature to continue this growth rate assumption in the 2017-2019 fiscal biennium.

(2) Beginning July 1, 2009, the growth in salaries assumption for the public employees' retirement system, the public safety employees' retirement system, the teachers' retirement system, the school employees' retirement system, ((~~plan 1 of the law enforcement officers' and firefighters'~~)) the legacy retirement system, and the Washington state patrol retirement system, exclusive of merit or longevity increases, shall be the sum of:

(a) The growth in inflation assumption in subsection (1)(a) of this section; and

(b) The productivity growth assumption of 0.5 percent.

(3) The following investment rate of return assumptions for the public employees' retirement system, the public safety employees' retirement system, the teachers' retirement system, the school employees' retirement system, ((~~plan 1 of the law enforcement officers' and firefighters'~~)) the legacy retirement system, and the Washington state patrol retirement system, shall be used by the state actuary for the purposes of RCW 41.45.030:

(a) Beginning July 1, 2013, the investment rate of return assumption shall be 7.9 percent.

(b) Beginning July 1, 2015, the investment rate of return assumption shall be 7.8 percent.

(c) Beginning July 1, 2017, the investment rate of return assumption shall be 7.7 percent.

(d) For valuation purposes, the state actuary shall only use the assumptions in (a) through (c) of this subsection after the effective date in (a) through (c) of this subsection.

(e) By June 1, 2017, the state actuary shall submit to the council information regarding the experience and financial condition of each state retirement system, and make recommendations regarding the long-term investment rate of return assumptions set forth in this subsection. The council shall review this and such other information as it may require.

(4)(a) Beginning with actuarial studies done after July 1, 2003, changes to plan asset values that vary from the long-term investment rate of return assumption shall be recognized in the actuarial value of assets over a period that varies up to eight years depending on the magnitude of the deviation of each year's investment rate of return relative to the long-term rate of return assumption. Beginning with actuarial studies performed after July 1, 2004, the actuarial value of assets shall not be greater than one hundred thirty percent of the market value of assets as of the valuation date or less than seventy percent of the market value of assets as of the valuation date. Beginning April 1, 2004, the council, by affirmative vote of four councilmembers, may adopt changes to this asset value smoothing technique. Any changes adopted by the council shall be subject to revision by the legislature.

(b) The state actuary shall periodically review the appropriateness of the asset smoothing method in this section and recommend changes to the council as necessary. Any changes adopted by the council shall be subject to revision by the legislature.

**Sec.**  RCW 41.45.050 and 2020 c 103 s 3 are each amended to read as follows:

(1) Employers of members of the public employees' retirement system, the teachers' retirement system, the school employees' retirement system, the public safety employees' retirement system, the Washington state patrol retirement system, and the higher education retirement plans shall make contributions to those systems and plans based on the rates established in RCW 41.45.060 and 41.45.070.

(2) The state shall make contributions to the law enforcement officers' and firefighters' retirement system plan 2 based on the rates established in RCW 41.45.060 and 41.45.070. The state treasurer shall transfer the required contributions each month on the basis of salary data provided by the department.

(3) The department shall bill employers, and the state shall make contributions to the law enforcement officers' and firefighters' retirement system plan 2, using the combined rates established in RCW 41.45.060 and 41.45.070 regardless of the level of appropriation provided in the biennial budget. Any member of an affected retirement system may, by mandamus or other appropriate proceeding, require the transfer and payment of funds as directed in this section.

(4) The contributions received for the public employees' retirement system shall be allocated between the former public employees' retirement system plan 1 fund (now the legacy retirement system account under section 201 of this act) and the public employees' retirement system combined plan 2 and plan 3 fund as follows: The contributions necessary to fully fund the public employees' retirement system combined plan 2 and plan 3 employer contribution shall first be deposited in the public employees' retirement system combined plan 2 and plan 3 fund. All remaining public employees' retirement system employer contributions shall be deposited in the ((~~public employees' retirement system plan 1 fund~~)) legacy retirement system account.

(5) The contributions received for the teachers' retirement system shall be allocated between the former plan 1 fund and the combined plan 2 and plan 3 fund as follows: The contributions necessary to fully fund the combined plan 2 and plan 3 employer contribution shall first be deposited in the combined plan 2 and plan 3 fund. All remaining teachers' retirement system employer contributions shall be deposited in the ((~~plan 1 fund~~)) legacy retirement system account.

(6) The contributions received for the school employees' retirement system shall be allocated between the former public employees' retirement system plan 1 fund (now the legacy retirement system account under section 201 of this act) and the school employees' retirement system combined plan 2 and plan 3 fund as follows: The contributions necessary to fully fund the combined plan 2 and plan 3 employer contribution shall first be deposited in the combined plan 2 and plan 3 fund. All remaining school employees' retirement system employer contributions shall be deposited in the ((~~public employees' retirement system plan 1 fund~~)) legacy retirement system account.

(7) The contributions received for the law enforcement officers' and firefighters' retirement system plan 2 shall be deposited in the law enforcement officers' and firefighters' retirement system plan 2 fund.

(8) The contributions received for the public safety employees' retirement system shall be allocated between the former public employees' retirement system plan 1 fund (now the legacy retirement system account under section 201 of this act) and the public safety employees' retirement system plan 2 fund as follows: The contributions necessary to fully fund the plan 2 employer contribution shall first be deposited in the plan 2 fund. All remaining public safety employees' retirement system employer contributions shall be deposited in the ((~~public employees' retirement system plan 1 fund~~)) legacy retirement system account.

(9) The contributions received for the higher education retirement plan supplemental benefit fund shall be deposited in the higher education retirement plan supplemental benefit fund and amounts received from each institution accounted for separately and shall only be used to make benefit payments to the beneficiaries of that institution's plan.

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

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

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

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

~~(b)~~)) Basic employer contribution rates for the public employees' retirement system, the teachers' retirement system, the school employees' retirement system, the public safety employees' retirement system, and the Washington state patrol retirement system; and

((~~(c) Basic employer contribution rates for the school employees' retirement system and the public safety employees' retirement system for funding both those systems and the public employees' retirement system plan 1~~)) (b) Basic employer contribution rates for the legacy retirement system.

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

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

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

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

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

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

(5) A modified entry age normal cost method, as set forth in this chapter, shall be used to calculate employer contributions to the ((~~public employees'~~)) legacy retirement system ((~~plan 1 and the teachers' retirement system plan 1~~)) as described in subsection (13) of this section.

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

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

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

~~(c) The amounts required to amortize the costs of any benefit improvements in plan 1 of the public employees' retirement system that become effective after June 30, 2009. The cost of each benefit improvement shall be amortized over a fixed ten-year period using projected future salary growth and growth in system membership. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150~~)) as described in subsection (13) of this section.

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

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

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

~~(c) The amounts required to amortize the costs of any benefit improvements in plan 1 of the public employees' retirement system that become effective after June 30, 2009. The cost of each benefit improvement shall be amortized over a fixed ten-year period using projected future salary growth and growth in system membership. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150~~)) as described in subsection (13) of this section.

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

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

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

~~(c) The amounts required to amortize the costs of any benefit improvements in plan 1 of the teachers' retirement system that become effective after June 30, 2009. The cost of each benefit improvement shall be amortized over a fixed ten-year period using projected future salary growth and growth in system membership. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150~~)) as described in subsection (13) of this section.

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

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

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

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

(13) The contribution rate for the legacy retirement system charged to employers of the public employees' retirement system, the teachers' retirement system, the school employees' retirement system, and the public safety retirement system shall equal the sum of:

(a) The amount required to fund the legacy retirement system over a rolling 10-year period using projected future salary growth and growth in system membership, and subject to any minimum or maximum rates applied pursuant to RCW 41.45.150; plus

(b) The amounts required to amortize the costs of any benefit improvements in the legacy retirement system that become effective after July 1, 2027. The cost of each benefit improvement shall be amortized over a fixed 10-year period using projected future salary growth and growth in system membership. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150.

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

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

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

(3)(a) Beginning July 1, 2009, and continuing until the effective date of this section, the supplemental rate charged under this section to fund benefit increases provided to active members of the public employees' retirement system plan 1 and the teachers' retirement system plan 1 shall be calculated as the level percentage of all system pay needed to fund the cost of the benefit over a fixed ten-year period, using projected future salary growth and growth in system membership. The supplemental rate to fund benefit increases provided to active members of the public employees' retirement system plan 1 shall be charged to all system employers in the public employees' retirement system, the school employees' retirement system, and the public safety employees' retirement system. The supplemental rate to fund benefit increases provided to active members of the teachers' retirement system plan 1 shall be charged to all system employers in the teachers' retirement system.

(b) The supplemental rates charged to all system employers in the public employees' retirement system, the school employees' retirement system, the public safety employees' retirement system, and the teachers' retirement system shall be zero percent beginning in fiscal year 2026.

(c) Beginning on the effective date of this section, the supplemental rate charged under this section to fund benefit increases provided to members of the legacy retirement system shall be calculated as the level percentage of all system pay needed to fund the cost of the benefit over a fixed 10-year period, using projected future salary growth and growth in system membership. The supplemental rate to fund benefit increases provided to members of the legacy retirement system shall be charged to all system employers in the public employees' retirement system, the school employees' retirement system, the public safety employees' retirement system, and the teachers' retirement system.

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

(5) The supplemental rate charged under this section to fund postretirement adjustments which are provided on a nonautomatic basis to current retirees shall be calculated as the percentage of pay needed to fund the adjustments as they are paid to the retirees. Beginning July 1, 2009, until the effective date of this section, the supplemental rate charged under this section to fund increases in the automatic postretirement adjustments for active or retired members of the public employees' retirement system plan 1 and the teachers' retirement system plan 1 shall be calculated as the level percentage of pay needed to fund the cost of the automatic adjustments over a fixed ten-year period, using projected future salary growth and growth in system membership. The supplemental rate to fund increases in the automatic postretirement adjustments for active members or retired members of the public employees' retirement system plan 1 shall be charged to all system employers in the public employees' retirement system, the school employees' retirement system, and the public safety employees' retirement system. The supplemental rate to fund increases in automatic postretirement adjustments for active members or retired members of the teachers' retirement system plan 1 shall be charged to all system employers in the teachers' retirement system.

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

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

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

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

**Sec.**  RCW 41.45.150 and 2023 c 396 s 1 are each amended to read as follows:

(1) Beginning July 1, 2015, and ending June 30, 2023, a minimum 3.50 percent contribution is established as part of the basic employer contribution rate for the public employees' retirement system and the public safety employees' retirement system, to be used for the sole purpose of amortizing that portion of the unfunded actuarial accrued liability in the public employees' retirement system plan 1 that excludes any amounts required to amortize plan 1 benefit improvements effective after June 30, 2009.

(2) Beginning September 1, 2015, and ending August 31, 2023((~~[,]~~)), a minimum 3.50 percent contribution is established as part of the basic employer contribution rate for the school employees' retirement system, to be used for the sole purpose of amortizing that portion of the unfunded actuarial accrued liability in the public employees' retirement system plan 1 that excludes any amounts required to amortize plan 1 benefit improvements effective after June 30, 2009.

(3) Beginning September 1, 2015, and ending August 31, 2023, a minimum 5.75 percent contribution is established as part of the basic employer contribution rate for the teachers' retirement system, to be used for the sole purpose of amortizing that portion of the unfunded actuarial accrued liability in the teachers' retirement system plan 1 that excludes any amounts required to amortize plan 1 benefit improvements effective after June 30, 2009.

(4)(a) Beginning July 1, 2023, and ending June 30, ((~~2027~~)) 2029, the following employer contribution rates shall be in effect for the public employees' retirement system and the public safety employees' retirement system that is used for the sole purpose of amortizing that portion of the unfunded actuarial accrued liability in the public employees' retirement system plan 1 that excludes any amounts required to amortize plan 1 benefit improvements effective after June 30, 2009.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fiscal Year ending: | | | |  |  |
| 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 2.50% | 2.00% | ((~~1.50%~~))  0.00% | ((~~0.50%~~))  0.00% | 0.00% | 0.00% |

(b) Beginning July 1, ((~~2027~~)) 2029, a minimum 0.50 percent contribution is established as part of the basic employer contribution rate for the public employees' retirement system and the public safety employees' retirement system, to be used for the sole purpose of amortizing any portion of an unfunded actuarial accrued liability in the ((~~public employees'~~)) legacy retirement system ((~~plan 1~~)) that excludes any amounts required to amortize ((~~plan 1~~)) benefit improvements effective after June 30, ((~~2009~~)) 2029. This minimum contribution rate shall be in effect when the actuarial value of assets in ((~~plan 1 of the public employees'~~)) the legacy retirement system is less than 100 percent of the actuarial accrued liability.

(5)(a) Beginning September 1, 2023, and ending August 31, ((~~2027~~)) 2029, the following employer contribution rates shall be in effect for the school employees' retirement system that is used for the sole purpose of amortizing that portion of the unfunded actuarial accrued liability in the public employees' retirement system plan 1 that excludes any amounts required to amortize plan 1 benefit improvements effective after June 30, 2009.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fiscal Year ending: | | | |  |  |
| 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 2.50% | 2.00% | ((~~1.50%~~))  0.00% | ((~~0.50%~~))  0.00% | 0.00% | 0.00% |

(b) Beginning September 1, ((~~2027~~)) 2029, a minimum 0.50 percent contribution is established as part of the basic employer contribution rate for the school employees' retirement system, to be used for the sole purpose of amortizing any portion of an unfunded actuarial accrued liability in the ((~~public employees'~~)) legacy retirement system ((~~plan 1~~)) that excludes any amounts required to amortize ((~~plan 1~~)) benefit improvements effective after June 30, ((~~2009~~)) 2029. This minimum contribution rate shall be in effect when the actuarial value of assets in ((~~plan 1 of the public employees'~~)) the legacy retirement system is less than 100 percent of the actuarial accrued liability.

(6)(a) Beginning September 1, 2023, and ending August 31, ((~~2027~~)) 2029, the following employer contribution rates shall be in effect for the teachers' retirement system that is used for the sole purpose of amortizing that portion of the unfunded actuarial accrued liability in the teachers' retirement system plan 1 that excludes any amounts required to amortize plan 1 benefit improvements effective after June 30, 2009.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fiscal Year ending: | | | |  |  |
| 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 0.50% | 0.50% | 0.00% | 0.00% | 0.00% | 0.00% |

(b) Beginning September 1, ((~~2027~~)) 2029, a minimum 0.50 percent contribution is established as part of the basic employer contribution rate for the teachers' retirement system, to be used for the sole purpose of amortizing any portion of an unfunded actuarial accrued liability in the ((~~teachers'~~)) legacy retirement system ((~~plan 1~~)) that excludes any amounts required to amortize plan 1 benefit improvements effective after June 30, ((~~2009~~)) 2027. This minimum contribution rate shall be in effect when the actuarial value of assets in ((~~plan 1 of the teachers'~~)) the legacy retirement system is less than 100 percent of the actuarial accrued liability.

(7) Upon completion of each biennial actuarial valuation, the state actuary shall review the appropriateness of the minimum contribution rates and recommend to the council any adjustments as may be needed due to material changes in benefits or actuarial assumptions, methods, or experience. Any changes adopted by the council shall be subject to revision by the legislature.

**Sec.**  RCW 41.45.200 and 2006 c 189 s 17 are each amended to read as follows:

(1) The required employer contribution rate in support of public employees' retirement system members employed as supreme court justices, court of appeals judges, and superior court judges who elect to participate under RCW 41.40.124(1) or 41.40.870(1), or who are newly elected or appointed after January 1, 2007, shall consist of the public employees' retirement system employer contribution rate established under this chapter plus two and one-half percent of pay.

(2) The required contribution rate for members of the public employees' retirement system plan 2 employed as supreme court justices, court of appeals judges, and superior court judges who elect to participate under RCW 41.40.124(1) or 41.40.870(1), or who are newly elected or appointed after January 1, 2007, shall be two hundred fifty percent of the member contribution rate for the public employees' retirement system plan 2 established under this chapter less two and one-half percent of pay.

(3) The required contribution rate for members of the public employees' retirement system plan 1 tier of the legacy retirement system employed as supreme court justices, court of appeals judges, and superior court judges who elect to participate under RCW 41.40.124(1), or who are newly elected or appointed after January 1, 2007, shall be the contribution rate established under RCW 41.40.330 plus three and seventy-six one-hundredths percent of pay.

**Sec.**  RCW 41.45.203 and 2007 c 492 s 12 are each amended to read as follows:

(1) The required employer contribution rate in support of teachers' retirement system members employed as supreme court justices, court of appeals judges, and superior court judges who elect to participate under RCW 41.32.584(1), or who are newly elected or appointed after January 1, 2007, shall equal the teachers' retirement system employer contribution rate established under this chapter.

(2) The required contribution rate for members of the teachers' retirement system plan 1 tier of the legacy retirement system employed as supreme court justices, court of appeals judges, and superior court judges who elect to participate under RCW 41.32.584(1), or who are newly elected or appointed after January 1, 2007, shall be the deductions established under RCW 41.50.235 plus three and seventy-six one-hundredths percent of pay.

**Sec.**  RCW 41.45.207 and 2006 c 189 s 19 are each amended to read as follows:

(1) The required employer contribution rate in support of public employees' retirement system members employed as district court judges and municipal court judges who elect to participate under RCW 41.40.127(1) or 41.40.873(1), or who are newly elected or appointed after January 1, 2007, shall equal the public employees' retirement system employer contribution rate established under this chapter.

(2) The required contribution rate for members of the public employees' retirement system plan 2 employed as district court judges or municipal court judges who elect to participate under RCW 41.40.127(1) or 41.40.873(1), or who are newly elected or appointed after January 1, 2007, shall be two hundred fifty percent of the member contribution rate for the public employees' retirement system plan 2 established under this chapter.

(3) The required contribution rate for members of the public employees' retirement system plan 1 tier of the legacy retirement system employed as district court judges or municipal court judges who elect to participate under RCW 41.40.124(1), or who are newly elected or appointed after January 1, 2007, shall be the contribution rate established under RCW 41.40.330 plus six and twenty-six one-hundredths percent of pay.

**Sec.**  RCW 6.15.020 and 2011 c 162 s 3 are each amended to read as follows:

(1) It is the policy of the state of Washington to ensure the well-being of its citizens by protecting retirement income to which they are or may become entitled. For that purpose generally and pursuant to the authority granted to the state of Washington under 11 U.S.C. Sec. 522(b)(2), the exemptions in this section relating to retirement benefits are provided.

(2) Unless otherwise provided by federal law, any money received by any citizen of the state of Washington as a pension from the government of the United States, whether the same be in the actual possession of such person or be deposited or loaned, shall be exempt from execution, attachment, garnishment, or seizure by or under any legal process whatever, and when a debtor dies, or absconds, and leaves his or her family any money exempted by this subsection, the same shall be exempt to the family as provided in this subsection. This subsection shall not apply to child support collection actions issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise permitted by federal law.

(3) The right of a person to a pension, annuity, or retirement allowance or disability allowance, or death benefits, or any optional benefit, or any other right accrued or accruing to any citizen of the state of Washington under any employee benefit plan, and any fund created by such a plan or arrangement, shall be exempt from execution, attachment, garnishment, or seizure by or under any legal process whatever. This subsection shall not apply to child support collection actions issued under chapter 26.18, 26.23, or 74.20A RCW if otherwise permitted by federal law. This subsection shall permit benefits under any such plan or arrangement to be payable to a spouse, former spouse, child, or other dependent of a participant in such plan to the extent expressly provided for in a qualified domestic relations order that meets the requirements for such orders under the plan, or, in the case of benefits payable under a plan described in 26 U.S.C. Sec. 403(b) or 408 of the internal revenue code of 1986, as amended, or section 409 of such code as in effect before January 1, 1984, to the extent provided in any order issued by a court of competent jurisdiction that provides for maintenance or support. This subsection does not prohibit actions against an employee benefit plan, or fund for valid obligations incurred by the plan or fund for the benefit of the plan or fund.

(4) For the purposes of this section, the term "employee benefit plan" means any plan or arrangement that is described in RCW 49.64.020, including any Keogh plan, whether funded by a trust or by an annuity contract, and in 26 U.S.C. Sec. 401(a) or 403(a) of the internal revenue code of 1986, as amended; or that is a tax-sheltered annuity or a custodial account described in section 403(b) of such code or an individual retirement account or an individual retirement annuity described in section 408 of such code; or a Roth individual retirement account described in section 408A of such code; or a medical savings account or a health savings account described in sections 220 and 223, respectively, of such code; or a retirement bond described in section 409 of such code as in effect before January 1, 1984. The term "employee benefit plan" shall not include any employee benefit plan that is established or maintained for its employees by the government of the United States, by the state of Washington under chapter 2.10, 2.12, 41.26, 41.32, 41.34, 41.35, 41.37, 41.40, 41.--- RCW (the new chapter created in section 701 of this act), or 43.43 RCW or RCW 41.50.770, or by any agency or instrumentality of the government of the United States.

(5) An employee benefit plan shall be deemed to be a spendthrift trust, regardless of the source of funds, the relationship between the trustee or custodian of the plan and the beneficiary, or the ability of the debtor to withdraw or borrow or otherwise become entitled to benefits from the plan before retirement. This subsection shall not apply to child support collection actions issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise permitted by federal law. This subsection shall permit benefits under any such plan or arrangement to be payable to a spouse, former spouse, child, or other dependent of a participant in such plan to the extent expressly provided for in a qualified domestic relations order that meets the requirements for such orders under the plan, or, in the case of benefits payable under a plan described in 26 U.S.C. Sec. 403(b) or 408 of the internal revenue code of 1986, as amended, or section 409 of such code as in effect before January 1, 1984, to the extent provided in any order issued by a court of competent jurisdiction that provides for maintenance or support.

(6) Unless prohibited by federal law, nothing contained in subsection (3), (4), or (5) of this section shall be construed as a termination or limitation of a spouse's community property interest in an employee benefit plan held in the name of or on account of the other spouse, who is the participant or the account holder spouse. Unless prohibited by applicable federal law, at the death of the nonparticipant, nonaccount holder spouse, the nonparticipant, nonaccount holder spouse may transfer or distribute the community property interest of the nonparticipant, nonaccount holder spouse in the participant or account holder spouse's employee benefit plan to the nonparticipant, nonaccount holder spouse's estate, testamentary trust, inter vivos trust, or other successor or successors pursuant to the last will of the nonparticipant, nonaccount holder spouse or the law of intestate succession, and that distributee may, but shall not be required to, obtain an order of a court of competent jurisdiction, including a nonjudicial binding agreement or order entered under chapter 11.96A RCW, to confirm the distribution. For purposes of subsection (3) of this section, the distributee of the nonparticipant, nonaccount holder spouse's community property interest in an employee benefit plan shall be considered a person entitled to the full protection of subsection (3) of this section. The nonparticipant, nonaccount holder spouse's consent to a beneficiary designation by the participant or account holder spouse with respect to an employee benefit plan shall not, absent clear and convincing evidence to the contrary, be deemed a release, gift, relinquishment, termination, limitation, or transfer of the nonparticipant, nonaccount holder spouse's community property interest in an employee benefit plan. For purposes of this subsection, the term "nonparticipant, nonaccount holder spouse" means the spouse of the person who is a participant in an employee benefit plan or in whose name an individual retirement account is maintained. As used in this subsection, an order of a court of competent jurisdiction entered under chapter 11.96A RCW includes an agreement, as that term is used under RCW 11.96A.220.

**Sec.**  RCW 41.04.440 and 2007 c 492 s 3 are each amended to read as follows:

(1) The sole purpose of RCW 41.04.445 and 41.04.450 is to allow the members of the retirement systems created in chapters 2.10, 2.12, 41.26, 41.32, 41.35, 41.37, 41.40, 41.34, 41.--- RCW (the new chapter created in section 701 of this act), and 43.43 RCW to enjoy the tax deferral benefits allowed under 26 U.S.C. 414(h). Chapter 227, Laws of 1984 does not alter in any manner the provisions of RCW 41.45.060, 41.45.061, and 41.45.067 which require that the member contribution rates shall be set so as to provide fifty percent of the cost of the respective retirement plans.

(2) Should the legislature revoke any benefit allowed under 26 U.S.C. 414(h), no affected employee shall be entitled thereafter to receive such benefit as a matter of contractual right.

**Sec.**  RCW 41.04.445 and 2007 c 492 s 4 are each amended to read as follows:

(1) This section applies to all members who are:

(a) Judges under the retirement system established under chapter 2.10, 2.12, or 2.14 RCW;

(b) Employees of the state under the retirement system established by chapter 41.32, 41.37, 41.40, 41.--- RCW (the new chapter created in section 701 of this act), or 43.43 RCW;

(c) Employees of school districts under the retirement system established by chapter 41.32 or 41.40 RCW, except for substitute teachers as defined by RCW 41.32.010;

(d) Employees of educational service districts under the retirement system established by chapter 41.32 or 41.40 RCW; or

(e) Employees of community college districts under the retirement system established by chapter 41.32 or 41.40 RCW.

(2) Only for compensation earned after the effective date of the implementation of this section and as provided by section 414(h) of the federal internal revenue code, the employer of all the members specified in subsection (1) of this section shall pick up only those member contributions as required under:

(a) RCW 2.10.090(1);

(b) RCW 2.12.060;

(c) RCW 2.14.090;

(d) RCW 41.32.263;

(e) RCW 41.32.350;

(f) RCW 41.40.330 (1) and (3);

(g) RCW 41.45.061 and 41.45.067;

(h) RCW 41.34.070;

(i) RCW 43.43.300; and

(j) RCW 41.34.040.

(3) Only for the purposes of federal income taxation, the gross income of the member shall be reduced by the amount of the contribution to the respective retirement system picked up by the employer.

(4) All member contributions to the respective retirement system picked up by the employer as provided by this section, plus the accrued interest earned thereon, shall be paid to the member upon the withdrawal of funds or lump sum payment of accumulated contributions as provided under the provisions of the retirement systems.

(5) At least forty-five days prior to implementing this section, the employer shall provide:

(a) A complete explanation of the effects of this section to all members; and

(b) Notification of such implementation to the director of the department of retirement systems.

**Sec.**  RCW 41.04.450 and 2007 c 492 s 5 are each amended to read as follows:

(1) Employers of those members under chapters 41.26, 41.34, 41.35, 41.37, 41.--- RCW (the new chapter created in section 701 of this act), and 41.40 RCW who are not specified in RCW 41.04.445 may choose to implement the employer pick up of all member contributions without exception under RCW 41.26.080(1)(a), 41.26.450, 41.40.330(1), 41.45.060, 41.45.061, and 41.45.067 and chapter 41.34 RCW. If the employer does so choose, the employer and members shall be subject to the conditions and limitations of RCW 41.04.445 (3), (4), and (5) and 41.04.455.

(2) An employer exercising the option under this section may later choose to withdraw from and/or reestablish the employer pick up of member contributions only once in a calendar year following forty-five days prior notice to the director of the department of retirement systems.

**Sec.**  RCW 41.04.803 and 2012 c 236 s 7 are each amended to read as follows:

(1) Chapter 236, Laws of 2012 is curative and remedial and is applicable to any future determination of eligibility for membership in a retirement system under chapters 41.26, 41.32, 41.35, 41.37, ((~~and~~)) 41.40, and 41.--- RCW (the new chapter created in section 701 of this act) RCW.

(2) Chapter 236, Laws of 2012 does not apply to or contravene any prior final decision of the state supreme court regarding the interpretation of the statutes addressed in chapter 236, Laws of 2012.

**Sec.**  RCW 41.05.320 and 2023 c 51 s 17 are each amended to read as follows:

(1) Elected officials and permanent employees and school employees are eligible to participate in the salary reduction plan and reduce their salary by agreement with the authority. The authority may adopt rules to: (a) Limit the participation of employing agencies and their employees in the plan; and (b) permit participation in the plan by temporary employees and school employees.

(2) Persons eligible under subsection (1) of this section may enter into salary reduction agreements with the state.

(3)(a) An eligible person may become a participant of the salary reduction plan for a full plan year with annual benefit plan selection for each new plan year made before the beginning of the plan year, as determined by the authority, or upon becoming eligible.

(b) Once an eligible person elects to participate in the salary reduction plan and determines the amount his or her gross salary shall be reduced and the benefit plan for which the funds are to be used during the plan year, the agreement shall be irrevocable and may not be amended during the plan year except as provided in (c) of this subsection. Prior to making an election to participate in the salary reduction plan, the eligible person shall be informed in writing of all the benefits and reductions that will occur as a result of such election.

(c) The authority shall provide in the salary reduction plan that a participant may enroll, terminate, or change his or her election after the plan year has begun if there is a significant change in a participant's status, as provided by 26 U.S.C. Sec. 125 and the regulations adopted under that section and defined by the authority.

(4) The authority shall establish as part of the salary reduction plan the procedures for and effect of withdrawal from the plan by reason of retirement, death, leave of absence, or termination of employment. To the extent possible under federal law, the authority shall protect participants from forfeiture of rights under the plan.

(5) Any reduction of salary under the salary reduction plan shall not reduce the reportable compensation for the purpose of computing the state retirement and pension benefits earned by the public employee pursuant to chapters 41.26, 41.32, 41.35, 41.37, 41.40, 41.--- RCW (the new chapter created in section 701 of this act), and 43.43 RCW.

**Sec.**  RCW 41.24.400 and 2007 c 492 s 7 are each amended to read as follows:

(1) Except as provided in subsection (2) of this section, any municipality may make provision by appropriate legislation and payment of fees required by RCW 41.24.030((~~(1)~~)) (2) solely for the purpose of enabling any reserve officer to enroll under the retirement pension provisions of this chapter or fees required under RCW 41.24.030((~~(1)~~)) (2) to pay for the costs of extending the relief provisions of this chapter to its reserve officers.

(2) A reserve officer is not eligible to receive a benefit under the retirement provisions of this chapter for service under chapter 41.26, 41.32, 41.35, 41.37, ((~~or~~)) 41.40, or 41.--- RCW (the new chapter created in section 701 of this act) RCW.

(3) Every municipality shall make provisions for the collection and payment of the fees required under this chapter, and shall continue to make provisions for all reserve officers who come under this chapter as long as they continue to be employed as reserve officers.

(4) Except as provided under RCW 41.24.450, a reserve officer is not eligible to receive a benefit under the relief provisions of this chapter.

**Sec.**  RCW 41.50.080 and 2011 1st sp.s. c 47 s 21 are each amended to read as follows:

The state investment board shall provide for the investment of all funds of the Washington public employees' retirement system, the teachers' retirement system, the school employees' retirement system, the Washington law enforcement officers' and firefighters' retirement system, the Washington state patrol retirement system, the Washington judicial retirement system, the Washington public safety employees' retirement system, the legacy retirement system, the higher education retirement plan supplemental benefit fund, and the judges' retirement fund, pursuant to RCW 43.84.150, and may sell or exchange investments acquired in the exercise of that authority.

**Sec.**  RCW 41.50.235 and 1991 c 35 s 52 are each amended to read as follows:

Every officer authorized to issue salary warrants to teachers shall deduct from the salary payments to any member of the Washington state teachers' retirement system plan 1 of the legacy retirement system regularly employed an amount which will result in total deductions of six percent of the amount of earnable compensation paid in any fiscal year. These deductions shall be transmitted and reported to the retirement system as directed by the department.

**Sec.**  RCW 41.50.255 and 2004 c 242 s 49 are each amended to read as follows:

The director is authorized to pay from the interest earnings of the trust funds of the public employees' retirement system, the teachers' retirement system, the Washington state patrol retirement system, the Washington judicial retirement system, the judges' retirement system, the school employees' retirement system, the public safety employees' retirement system, the legacy retirement system, or the law enforcement officers' and firefighters' retirement system lawful obligations of the appropriate system for legal expenses and medical expenses which expenses are primarily incurred for the purpose of protecting the appropriate trust fund or are incurred in compliance with statutes governing such funds.

The term "legal expense" includes, but is not limited to, legal services provided through the legal services revolving fund, fees for expert witnesses, travel expenses, fees for court reporters, cost of transcript preparation, and reproduction of documents.

The term "medical costs" includes, but is not limited to, expenses for the medical examination or reexamination of members or retirees, the costs of preparation of medical reports, and fees charged by medical professionals for attendance at discovery proceedings or hearings.

The director may also pay from the interest earnings of the trust funds specified in this section costs incurred in investigating fraud and collecting overpayments, including expenses incurred to review and investigate cases of possible fraud against the trust funds and collection agency fees and other costs incurred in recovering overpayments. Recovered funds must be returned to the appropriate trust funds.

**Sec.**  RCW 41.50.500 and 2004 c 242 s 50 are each amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout RCW 41.50.500 through 41.50.650, 41.50.670 through 41.50.720, and 26.09.138.

(1) "Benefits" means periodic retirement payments or a withdrawal of accumulated contributions.

(2) "Disposable benefits" means that part of the benefits of an individual remaining after the deduction from those benefits of any amount required by law to be withheld. The term "required by law to be withheld" does not include any deduction elective to the member.

(3) "Dissolution order" means any judgment, decree, or order of spousal maintenance, property division, or court-approved property settlement incident to a decree of divorce, dissolution, invalidity, or legal separation issued by the superior court of the state of Washington or a judgment, decree, or other order of spousal support issued by a court of competent jurisdiction in another state or country, that has been registered or otherwise made enforceable in this state.

(4) "Mandatory benefits assignment order" means an order issued to the department of retirement systems pursuant to RCW 41.50.570 to withhold and deliver benefits payable to an obligor under chapter 2.10, 2.12, 41.26, 41.32, 41.40, 41.35, 41.37, 41.--- RCW (the new chapter created in section 701 of this act), or 43.43 RCW.

(5) "Obligee" means an ex spouse or spouse to whom a duty of spousal maintenance or property division obligation is owed.

(6) "Obligor" means the spouse or ex spouse owing a duty of spousal maintenance or a property division obligation.

(7) "Periodic retirement payments" means periodic payments of retirement allowances, including but not limited to service retirement allowances, disability retirement allowances, and survivors' allowances. The term does not include a withdrawal of accumulated contributions.

(8) "Property division obligation" means any outstanding court-ordered property division or court-approved property settlement obligation incident to a decree of divorce, dissolution, or legal separation.

(9) "Standard allowance" means a benefit payment option selected under RCW 2.10.146(1)(a), 41.26.460(1)(a), 41.32.785(1)(a), 41.40.188(1)(a), 41.40.660(1), 41.40.845(1)(a), 41.37.170, or 41.35.220 that ceases upon the death of the retiree. Standard allowance also means the benefit allowance provided under RCW 2.10.110, 2.10.130, 43.43.260, 41.26.100, 41.26.130(1)(a), or chapter 2.12 RCW. Standard allowance also means the maximum retirement allowance available under RCW 41.32.530(1) following member withdrawal of accumulated contributions, if any.

(10) "Withdrawal of accumulated contributions" means a lump sum payment to a retirement system member of all or a part of the member's accumulated contributions, including accrued interest, at the request of the member including any lump sum amount paid upon the death of the member.

**Sec.**  RCW 41.54.010 and 2007 c 207 s 1 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Base salary" means salaries or wages earned by a member of a system during a payroll period for personal services and includes wages and salaries deferred under provisions of the United States internal revenue code, but shall exclude overtime payments, nonmoney maintenance compensation, and lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, any form of severance pay, any bonus for voluntary retirement, any other form of leave, or any similar lump sum payment; except that forms of payment which are excluded under this subsection shall be included in base salary when reportable to the department in all of a dual member's retirement systems, and when none of the dual member's retirement systems are the Washington state patrol retirement system.

(2) "Department" means the department of retirement systems.

(3) "Director" means the director of the department of retirement systems.

(4) "Dual member" means a person who (a) is or becomes a member of a system on or after July 1, 1988, (b) has been a member of one or more other systems, and (c) has never been retired for service from a retirement system and is not receiving a disability retirement or disability leave benefit from any retirement system listed in RCW 41.50.030 or subsection (6) of this section.

(5) "Service" means the same as it may be defined in each respective system. For the purposes of RCW 41.54.030, military service granted under RCW 41.40.170(3) or 43.43.260 may only be based on service accrued under chapter 41.40 or 43.43 RCW, respectively.

(6) "System" means the retirement systems established under chapters 41.32, 41.40, 41.44, 41.35, 41.37, 41.--- RCW (the new chapter created in section 701 of this act), and 43.43 RCW; plan 2 of the system established under chapter 41.26 RCW; and the city employee retirement systems for Seattle, Tacoma, and Spokane.

**Sec.**  RCW 41.54.040 and 2004 c 242 s 59 are each amended to read as follows:

(1) The allowances calculated under RCW 41.54.030, 41.54.032, and 41.54.034 shall be paid separately by each respective current and prior system. Any deductions from such separate payments shall be according to the provisions of the respective systems.

(2) Postretirement adjustments, if any, shall be applied by the respective systems based on the payments made under subsection (1) of this section.

(3) The department shall adopt rules under chapter 34.05 RCW to ensure that where a dual member has service in a system established under chapter 41.32, 41.40, 41.44, 41.35, 41.37, 41.--- RCW (the new chapter created in section 701 of this act), or 43.43 RCW; service in plan 2 of the system established under chapter 41.26 RCW; and service under the city employee retirement system for Seattle, Tacoma, or Spokane, the additional cost incurred as a result of the dual member receiving a benefit under this chapter shall be borne by the retirement system incurring the additional cost.

**Sec.**  RCW 43.84.092 and 2024 c 210 s 4 and 2024 c 168 s 12 are each reenacted and amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The abandoned recreational vehicle disposal account, the aeronautics account, the Alaskan Way viaduct replacement project account, the ambulance transport fund, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the Chehalis basin account, the Chehalis basin taxable account, the clean fuels credit account, the clean fuels transportation investment account, the cleanup settlement account, the climate active transportation account, the climate transit programs account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction fund, the community forest trust account, the connecting Washington account, the county arterial preservation account, the county criminal justice assistance account, the covenant homeownership account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services account, the department of retirement systems expense account, the developmental disabilities community services account, the diesel idle reduction account, the opioid abatement settlement account, the drinking water assistance account, the administrative subaccount of the drinking water assistance account, the early learning facilities development account, the early learning facilities revolving account, the Eastern Washington University capital projects account, the education construction fund, the education legacy trust account, the election account, the electric vehicle account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the fair start for kids account, the family medicine workforce development account, the ferry bond retirement fund, the fish, wildlife, and conservation account, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the higher education retirement plan supplemental benefit fund, the Washington student loan account, the highway bond retirement fund, the highway infrastructure account, the highway safety fund, the hospital safety net assessment fund, the Interstate 5 bridge replacement project account, the Interstate 405 and state route number 167 express toll lanes account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the limited fish and wildlife account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the marine resources stewardship trust account, the medical aid account, the money-purchase retirement savings administrative account, the money-purchase retirement savings principal account, the motor vehicle fund, the motorcycle safety education account, the move ahead WA account, the move ahead WA flexible account, the multimodal transportation account, the multiuse roadway safety account, the municipal criminal justice assistance account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the pilotage account, the pollution liability insurance agency underground storage tank revolving account, ((~~the public employees' retirement system plan 1 account,~~)) the public employees' retirement system combined plan 2 and plan 3 account, the public facilities construction loan revolving account, the public health supplemental account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the Puget Sound Gateway facility account, the Puget Sound taxpayer accountability account, the real estate appraiser commission account, the recreational vehicle account, the regional mobility grant program account, the reserve officers' relief and pension principal fund, the resource management cost account, the rural arterial trust account, the rural mobility grant program account, the rural Washington loan fund, the second injury fund, the sexual assault prevention and response account, the site closure account, the skilled nursing facility safety net trust fund, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state hazard mitigation revolving loan account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state reclamation revolving account, the state route number 520 civil penalties account, the state route number 520 corridor account, the statewide broadband account, the statewide tourism marketing account, the supplemental pension account, the Tacoma Narrows toll bridge account, ((~~the teachers' retirement system plan 1 account,~~)) the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the toll facility bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the JUDY transportation future funding program account, the transportation improvement account, the transportation improvement board bond retirement account, the transportation infrastructure account, the transportation partnership account, the traumatic brain injury account, the tribal opioid prevention and treatment account, the University of Washington bond retirement fund, the University of Washington building account, the voluntary cleanup account, the volunteer firefighters' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the vulnerable roadway user education account, the Washington judicial retirement system account, ((~~the Washington law enforcement officers' and firefighters' system plan 1 retirement account,~~)) the Washington law enforcement officers' and firefighters' system plan 2 retirement account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, the Western Washington University capital projects account, the legacy retirement system account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, and the state university permanent fund shall be allocated to their respective beneficiary accounts.

(b) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the state treasury that deposits funds into a fund or account in the state treasury pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

**Sec.**  RCW 43.84.092 and 2024 c 210 s 5 and 2024 c 168 s 13 are each reenacted and amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The abandoned recreational vehicle disposal account, the aeronautics account, the Alaskan Way viaduct replacement project account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the Chehalis basin account, the Chehalis basin taxable account, the clean fuels credit account, the clean fuels transportation investment account, the cleanup settlement account, the climate active transportation account, the climate transit programs account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction fund, the community forest trust account, the connecting Washington account, the county arterial preservation account, the county criminal justice assistance account, the covenant homeownership account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services account, the department of retirement systems expense account, the developmental disabilities community services account, the diesel idle reduction account, the opioid abatement settlement account, the drinking water assistance account, the administrative subaccount of the drinking water assistance account, the early learning facilities development account, the early learning facilities revolving account, the Eastern Washington University capital projects account, the education construction fund, the education legacy trust account, the election account, the electric vehicle account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the fair start for kids account, the family medicine workforce development account, the ferry bond retirement fund, the fish, wildlife, and conservation account, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the higher education retirement plan supplemental benefit fund, the Washington student loan account, the highway bond retirement fund, the highway infrastructure account, the highway safety fund, the hospital safety net assessment fund, the Interstate 5 bridge replacement project account, the Interstate 405 and state route number 167 express toll lanes account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the limited fish and wildlife account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the marine resources stewardship trust account, the medical aid account, the money-purchase retirement savings administrative account, the money-purchase retirement savings principal account, the motor vehicle fund, the motorcycle safety education account, the move ahead WA account, the move ahead WA flexible account, the multimodal transportation account, the multiuse roadway safety account, the municipal criminal justice assistance account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the pilotage account, the pollution liability insurance agency underground storage tank revolving account, ((~~the public employees' retirement system plan 1 account,~~)) the public employees' retirement system combined plan 2 and plan 3 account, the public facilities construction loan revolving account, the public health supplemental account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the Puget Sound Gateway facility account, the Puget Sound taxpayer accountability account, the real estate appraiser commission account, the recreational vehicle account, the regional mobility grant program account, the reserve officers' relief and pension principal fund, the resource management cost account, the rural arterial trust account, the rural mobility grant program account, the rural Washington loan fund, the second injury fund, the sexual assault prevention and response account, the site closure account, the skilled nursing facility safety net trust fund, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state hazard mitigation revolving loan account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state reclamation revolving account, the state route number 520 civil penalties account, the state route number 520 corridor account, the statewide broadband account, the statewide tourism marketing account, the supplemental pension account, the Tacoma Narrows toll bridge account, ((~~the teachers' retirement system plan 1 account,~~)) the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the toll facility bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the JUDY transportation future funding program account, the transportation improvement account, the transportation improvement board bond retirement account, the transportation infrastructure account, the transportation partnership account, the traumatic brain injury account, the tribal opioid prevention and treatment account, the University of Washington bond retirement fund, the University of Washington building account, the voluntary cleanup account, the volunteer firefighters' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the vulnerable roadway user education account, the Washington judicial retirement system account, ((~~the Washington law enforcement officers' and firefighters' system plan 1 retirement account,~~)) the Washington law enforcement officers' and firefighters' system plan 2 retirement account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, the Western Washington University capital projects account, the legacy retirement system account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, and the state university permanent fund shall be allocated to their respective beneficiary accounts.

(b) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the state treasury that deposits funds into a fund or account in the state treasury pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

NEW SECTION. **Sec.**  A new section is added to chapter 41.26 RCW to read as follows:

The assets, liabilities, and membership of the law enforcement officers' and firefighters' retirement system plan 1, the teachers' retirement system plan 1, and the public employees' retirement system plan 1, are hereby merged into a new plan in chapter 41.--- RCW (the new chapter created in section 701 of this act).

NEW SECTION. **Sec.**  A new section is added to chapter 41.32 RCW to read as follows:

The assets, liabilities, and membership of the law enforcement officers' and firefighters' retirement system plan 1, the teachers' retirement system plan 1, and the public employees' retirement system plan 1, are hereby merged into a new plan in chapter 41.--- RCW (the new chapter created in section 701 of this act).

NEW SECTION. **Sec.**  A new section is added to chapter 41.35 RCW to read as follows:

The assets, liabilities, and membership of the law enforcement officers' and firefighters' retirement system plan 1, the teachers' retirement system plan 1, and the public employees' retirement system plan 1, are hereby merged into a new plan in chapter 41.--- RCW (the new chapter created in section 701 of this act).

NEW SECTION. **Sec.**  A new section is added to chapter 41.37 RCW to read as follows:

The assets, liabilities, and membership of the law enforcement officers' and firefighters' retirement system plan 1, the teachers' retirement system plan 1, and the public employees' retirement system plan 1, are hereby merged into a new plan in chapter 41.--- RCW (the new chapter created in section 701 of this act).

NEW SECTION. **Sec.**  A new section is added to chapter 41.40 RCW to read as follows:

The assets, liabilities, and membership of the law enforcement officers' and firefighters' retirement system plan 1, the teachers' retirement system plan 1, and the public employees' retirement system plan 1, are hereby merged into a new plan in chapter 41.--- RCW (the new chapter created in section 701 of this act).

NEW SECTION. **Sec.**  Sections 201 through 204 of this act constitute a new chapter in Title 41 RCW.

NEW SECTION. **Sec.**  (1) Sections 401 through 404 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect July 1, 2025.

(2) Section 615 of this act takes effect July 1, 2028.

(3) Except for sections 401 through 404 and 615 of this act, this act takes effect September 1, 2027.

NEW SECTION. **Sec.**  (1) Section 614 of this act expires July 1, 2028.

(2)(a) The merger in section 201 of this act must be administered so as to comply with the internal revenue code, Title 26 U.S.C., and specifically with plan qualification requirements imposed on governmental plans by section 401(a) of the internal revenue code. Any section or provision of this act that is susceptible to more than one construction must be interpreted so as to meet this requirement.

(b) If the federal internal revenue service issues a determination letter stating that section 201 of this act is in conflict with the plan qualification requirements for governmental plans in section 401(a) of the internal revenue code, and the conflict cannot be resolved through administrative action or statutory change, then:

(i) Sections 401 through 404 of this act expire on the next June 30th following receipt of the letter or receipt of relevant notice; and

(ii) Except for sections 401 through 404 of this act, this act is null and void.

(c) The department of retirement systems must provide written notice of the expiration date of sections 401 through 404 of this act to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department.

**--- END ---**