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**ENGROSSED SUBSTITUTE HOUSE BILL 1057**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

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

READ FIRST TIME 02/24/23.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (12) The state actuary shall prepare final actuarial valuation  
20 results based on the economic assumptions, asset value smoothing  
21 technique, and contribution rates included in or adopted under RCW  
22 41.45.030, 41.45.035, and this section.

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

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

37 (2) In addition to the basic member, employer, and state  
38 contribution rate established in RCW 41.45.0604 for the law  
39 enforcement officers' and firefighters' retirement system plan 2, the

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

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

25 (4) The supplemental rate charged under this section to fund  
26 benefit increases provided to active and retired members of the  
27 public employees' retirement system plan 2 and plan 3, the teachers'  
28 retirement system plan 2 and plan 3, the public safety employees'  
29 retirement system plan 2, the school employees' retirement system  
30 plan 2 and plan 3, or the Washington state patrol retirement system  
31 shall be calculated as the level percentage of all members' pay  
32 needed to fund the cost of the benefit, as calculated under RCW  
33 41.45.060, 41.45.061, 41.45.0631, or 41.45.067.

34 (5) The supplemental rate charged under this section to fund  
35 postretirement adjustments which are provided on a nonautomatic basis  
36 to current retirees shall be calculated as the percentage of pay  
37 needed to fund the adjustments as they are paid to the retirees.  
38 Beginning July 1, 2009, the supplemental rate charged under this  
39 section to fund increases in the automatic postretirement adjustments  
40 for active or retired members of the public employees' retirement

1 system plan 1 and the teachers' retirement system plan 1 shall be  
2 calculated as the level percentage of pay needed to fund the cost of  
3 the automatic adjustments over a fixed ten-year period, using  
4 projected future salary growth and growth in system membership. The  
5 supplemental rate to fund increases in the automatic postretirement  
6 adjustments for active members or retired members of the public  
7 employees' retirement system plan 1 shall be charged to all system  
8 employers in the public employees' retirement system, the school  
9 employees' retirement system, and the public safety employees'  
10 retirement system. The supplemental rate to fund increases in  
11 automatic postretirement adjustments for active members or retired  
12 members of the teachers' retirement system plan 1 shall be charged to  
13 all system employers in the teachers' retirement system.

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

17 (7) A supplemental rate shall not be charged to pay for the cost  
18 of additional benefits granted to members pursuant to chapter 41.31A  
19 RCW; section 309, chapter 341, Laws of 1998; or section 701, chapter  
20 341, Laws of 1998.

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

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

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

36 NEW SECTION. **Sec. 7.** This act is necessary for the immediate  
37 preservation of the public peace, health, or safety, or support of



1 the state government and its existing public institutions, and takes  
2 effect July 1, 2023.

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