

December 6, 2024

**Subject: 2025-27 Budget Disclosures**

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Office of Financial Management (OFM)

At your request and as per the [Revised Code of Washington \(RCW\) 43.88.030](#), we updated the **2025-27 Budget Disclosures** for: 1) Cost-Of-Living Adjustments (COLAs), and 2) Unfunded Actuarial Accrued Liability (UAAL).

We prepared this analysis to assist the Office of Financial Management (OFM) with their budget disclosure requirements in preparation for the governor’s 2025-27 Biennium proposal; use for other purposes are not appropriate. This analysis will be updated after our 2025 Actuarial Valuation Report; please replace this disclosure with the next update when available.

The analysis provided in this email is based on data, assets, assumptions, and methods disclosed in the [June 30, 2023, Actuarial Valuation Report](#) (AVR). These disclosures are based on current law and best estimate assumptions; actual results will vary with any changes to current law and to the extent actual experience differs from our assumptions.

1. **RCW 43.88.030(1)(h) – COLAs:** *“Tabulations showing each postretirement adjustment by retirement system established after fiscal year 1991, to include, but not be limited to, estimated total payments made to the end of the previous biennial period, estimated payments for the present biennium, and estimated payments for the ensuing biennium.”*

Annuitants under the Public Employees’ Retirement System (PERS) Plan 1 and the Teachers’ Retirement System (TRS) Plan 1 may be eligible to receive the Basic or Alternate Minimum Benefits, plus any Ad-Hoc COLAs that may be granted by the Legislature. Our [COLAs](#) webpage summarizes a detailed history of postretirement adjustments for these two plans. The only other Washington State retirement plans with postretirement adjustments established after 1991 is Washington State Patrol Retirement System (WSPRS) Plans 1/2. Annuitants under the WSPRS Plans 1/2 receive a COLA based on the percentage change in the Seattle area Consumer Price Index, capped at 3 percent per year.

<b>Post-Retirement Adjustments Established After July 1, 1991</b>			
<i>(Dollars in Millions)</i>	<b>2021-23*</b>	<b>2023-25**</b>	<b>2025-27**</b>
<b>PERS 1</b>	\$47.1	\$70.1	\$22.7
<b>TRS 1</b>	\$27.5	\$51.9	\$6.5
<b>WSPRS 1/2</b>	\$4.3	\$5.5	\$6.1
<b>Total</b>	<b>\$78.9</b>	<b>\$127.6</b>	<b>\$35.2</b>

\*We did not update this historical biennium estimate from our prior communication.

\*\*See paragraph below for details on how these amounts were estimated.

We developed the estimated COLA payments for the 2023-25 and 2025-27 biennia as follows. Starting with the [Projected Benefit Payments](#) by plan, we multiplied the applicable fiscal year benefit payments by three percent. These payments were then reduced to the portion of the population who is projected to receive a COLA during the 2023-25 and 2025-27 biennia. More specifically for PERS 1 and TRS 1, only annuitants on the minimum benefits will receive a COLA increase when an ad-hoc COLA is not paid (see *The Latest COLA Numbers* section [here](#) for details).

2. **RCW 43.88.030(2)(j) – UAAL:** “A showing and explanation of anticipated amounts of general fund and other funds required to amortize the unfunded actuarial accrued liability of the retirement system specified under chapter [41.45](#) RCW, and the contributions to meet such amortization, stated in total dollars and as a level percentage of total compensation.”

The table below shows adopted UAAL rates as disclosed in our 2023 AVR. We relied on data, assets, assumptions, and methods disclosed in our [Projections Model Assumptions and Methods](#) webpage for estimating UAAL contributions during the 2025-27 Biennium. The UAAL contribution dollars were estimated by multiplying the UAAL rates by the projected payroll. No other Washington State retirement system currently has an UAAL.

The UAAL in the table below includes UAAL attributable to benefit improvements enacted after 2009 as well as any other remaining Plan 1 UAAL. Please see the 2023 AVR for how these are funded.

<i>(Dollars in Millions)</i>	<b>PERS 1</b>	<b>TRS 1</b>
<b>UAAL*</b>	\$2,140	\$1,075
<b>Adopted UAAL Contribution Rates</b>		
Fiscal Year 2026	2.05%	1.10%
Fiscal Year 2027	1.05%	1.10%
<b>2025-27 UAAL Contribution Dollars**</b>		
General Fund-State	\$361	
Total Employer	\$853	

\*As of our 2023 AVR. This measure captures the difference between Accrued Liability and Valuation Assets as shown in our *Funded Status on an Actuarial Value Basis* table.

\*\*These amounts will change based on any change in the UAAL contribution rate or associated funding policy.

Please read the analysis in this email as a whole; distribution of, or reliance on, only parts of this communication could result in its misuse and may mislead others. We prepared this analysis and provided opinions in accordance with Washington State law and accepted Actuarial Standards of Practice as of the date of this email. The undersigned meets the Qualification Standards of the American Academy of Actuaries to render these actuarial opinions.

Sincerely,

**Kyle Stineman, ASA, MAAA | Actuary**

A handwritten signature in black ink, appearing to read "Kyle Stineman", with a long horizontal flourish extending to the right.