

Pensions, Benefits, and the Ongoing Impact on School Districts

WASA 2026 Legislative Session

Key Takeaway

The 2026 legislative session sent mixed messages to Washington's public schools. While lawmakers refrained from advancing some costly new unfunded mandates, they also reduced or constrained key education investments and missed an important opportunity to address long-standing inequities for retired school employees.

School districts, employee groups, and advocacy partners worked effectively this session to highlight the damage that additional unfunded mandates and further cuts would cause. That advocacy mattered. Some costly proposals did not advance. Even so, the final outcome leaves significant concerns for school districts, active employees, and retirees.

Why This Matters

School districts continue to face mounting financial pressure. In that environment, state policy decisions related to pensions, health care, and employee benefits have real consequences for district budgets, workforce stability, and the state's ability to recruit and retain educators.

This session reinforced several ongoing concerns:

- the continued use of state resources for purposes other than long-term retiree fairness;
- capped or constrained benefit funding that may not keep pace with actual costs;
- added operational requirements for districts without corresponding investments; and
- continued pressure on local systems to absorb costs the state has not fully funded.

Advocacy Success: Preventing New Unfunded Costs

One of the clearest examples of effective advocacy this session was [SB 5883](#), which did **not** advance.

[SB 5883](#) / [HB 2160](#) – SEBB Eligibility Expansion

Outcome: Did not advance (but could be back in 2027)

Why it mattered: This proposal would have expanded eligibility for School Employees' Benefits Board programs during the second school year of employment and imposed substantial new unfunded costs on school districts.

WASA and coalition partners raised strong objections to the bill's fiscal impact. Its failure to advance demonstrates the importance of a coordinated voice in protecting districts from policies that create new obligations without providing the resources to meet them.

Substitute costs are funded at **4 days per formula staff unit at \$151.86 per day.**

Advocacy concern: Districts continue to evaluate whether substitute funding assumptions align with actual staffing realities and local costs.

Pensions: Another Missed Opportunity for Plan 1 Retirees

Members of **TRS Plan 1** and **PERS Plan 1** still do not receive the annual cost-of-living adjustments available in other state retirement systems. This remains one of the state's most significant unresolved pension equity issues.

Advocates had hoped that a projected **\$4 billion LEOFF 1 surplus** would create an opportunity to restore a permanent 3 percent COLA for these retirees. Instead, the Legislature chose a different path.

[E2SHB 2034](#) – Transfer of LEOFF 1 Surplus Funds

Outcome: Passed

Impact: More than **\$888 million** in excess LEOFF 1 funds was transferred to the Climate Commitment Account and the state general fund.

Advocacy concern: These funds could have been used to address the long-standing lack of a permanent COLA for TRS Plan 1 and PERS Plan 1 retirees. Instead, the Legislature redirected a substantial share of those resources elsewhere.

The broader budget also included language authorizing transfers from multiple accounts into the state general fund during the 2025–27 biennium. This raises further concern about the Legislature’s willingness to use dedicated or excess funds for general budget balancing rather than for the purposes stakeholders had advocated.

SSB 5862 – One-Time Plan 1 COLA

Outcome: Passed

Impact: Provides a **one-time 3 percent increase** for **PERS Plan 1** and **TRS Plan 1** retirees, capped at **\$110 per month**, effective **July 1, 2026**, for those retired on or before **July 1, 2025**.

Advocacy concern: While this one-time increase provides some relief, it does not solve the underlying inequity. Retirees still lack a permanent, predictable COLA structure.

Health Care and Insurance: Important Protections, Ongoing Cost Pressure

ESSB 5998 – Retiree Health Insurance Subsidy

Outcome: Continued in the operating budget

Impact: Maintains the PEBB retiree health insurance subsidy at **\$183 per month** or **50 percent of premium cost**, whichever is less.

Advocacy view: Preserving this subsidy is important, but affordability remains a concern for retirees facing increasing health care costs.

E2SSB 5395 – Medical Necessity Determinations

Outcome: Passed

Impact: Requires medical necessity determinations to be made by a licensed physician or other licensed health professional acting within their scope of practice. Artificial intelligence may not be the sole basis for denying, delaying, or modifying care.

Advocacy view: This bill establishes an important protection for patients and helps ensure that health care decisions remain grounded in professional clinical judgment.

Budget Provisions Affecting School Districts

The operating budget includes several provisions that affect district benefit obligations and employee support systems.

Employer Funding Rates

The monthly employer funding rate for insurance benefit premiums, PEBB administration, and the Uniform Medical Plan is capped at:

- **\$1,333 per eligible employee in fiscal year 2026**
- **\$1,350 per eligible employee in fiscal year 2027**

Advocacy concern: State caps do not eliminate cost growth. If actual costs outpace state assumptions, districts may continue to experience financial strain elsewhere in their budgets.

Retiree Remittance

The monthly employer funding rate paid by school districts and ESDs to the Health Care Authority includes:

- **\$67.61 per month beginning September 1, 2025**
- **\$77.56 per month beginning September 1, 2026**

Advocacy concern: These obligations add to the ongoing financial pressures districts must manage, especially in a climate of constrained funding.

Current funding allows SEBB to adjust the employer-paid long-term disability benefit to a **maximum monthly benefit of \$450** within existing resources.

Other Benefit-Related Legislation

2SSB 5292 – Paid Family and Medical Leave Premium Setting

Outcome: Passed

Impact: Requires the Employment Security Department Commissioner to set the PFML premium rate based on the Office of Actuarial Services annual report. The overall premium rate remains capped at **1.2 percent**.

The bill also requires actuarial modeling for a **four-month reserve in 2030**, in addition to the current requirement to maintain **four years of solvency**.

Advocacy concern: Although the statutory cap remains in place now, the new solvency assumptions may increase future pressure to revisit premium levels. Districts should watch this issue closely.

SHB 2411 – Expanded Leave Sharing Eligibility

Outcome: Passed

Impact: Expands the state employee leave-sharing program to include employees who are victims of hate crimes and employees whose absences are connected to immigration enforcement actions involving themselves, a relative, or a household member.

Advocacy view: The bill broadens access to compassionate leave protections for employees facing serious and disruptive circumstances.

Additional District Impacts

SB 6134 – Notice Regarding Unemployment Benefits for Striking Workers

Outcome: Passed

Impact: Requires the Employment Security Department to notify striking workers applying for unemployment benefits of the potential for an overpayment assessment if retroactive wages are later received.

Bottom Line

The 2026 session demonstrated that advocacy continues to matter. School district leaders, employees, and partners helped stop at least one significant unfunded mandate from advancing. That is important progress.

At the same time, the session fell short in several critical areas. The Legislature did not deliver a permanent COLA solution for TRS Plan 1 and PERS Plan 1 retirees, redirected surplus retirement funds that could have addressed retiree inequities, and maintained funding structures that continue to place pressure on school districts.

Advocacy Moving Forward

WASA should continue to press for:

- full state funding for any new policy or benefit obligation imposed on school districts;
- a permanent and equitable COLA solution for TRS Plan 1 and PERS Plan 1 retirees;
- realistic benefit funding assumptions that reflect actual district costs;
- protection against budget maneuvers that divert dedicated or excess funds away from intended retirement purposes; and
- legislative recognition that compliance requirements must be matched with adequate staffing and fiscal support.

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