

Recommendation to the PFC on Long-Term Economic Assumptions

Issue

The State Actuary has recommended changes to long-term economic assumptions for the state's retirement systems. The recommendation to the Pension Funding Council (PFC) and the Select Committee on Pension Policy (SCPP) came out of a biennial review of economic experience required by statute. The SCPP has an opportunity to make its own recommendation to the PFC regarding changes to economic assumptions.

Background

Generally, long-term economic assumptions are used for funding the state's retirement system and include investment return, salary growth, inflation, and membership growth. These assumptions are reviewed every two years according to a statutory cycle ([RCW 41.45.030](#)).

During odd-numbered years, the State Actuary reviews economic assumptions and recommends any changes to the SCPP and the PFC. The State Actuary also reports on the financial condition of the state's retirement systems. Statute requires the SCPP to study any changes and make a recommendation on economic assumptions to the PFC ([RCW 41.04.281](#)). The PFC may adopt changes to economic assumptions subject to revision by the Legislature. The current economic assumptions are provided in the next section.

State Actuary's Recommendation to the PFC

Assumption	Current	Recommended
Inflation	2.75%	2.75%
General Salary Growth	3.50%	3.50%
Annual Investment Return	7.50%	7.40% ↓
Growth in System Membership	0.95% (PERS), 1.25% (TRS)	0.95% (PERS), 0.95% (TRS) ↓

Note: Excludes LEOFF 2. The LEOFF 2 Board adopts assumptions for LEOFF 2.

More information on the State Actuary's recommendation is provided in the [2019 Report on Financial Condition and Economic Experience Study](#).

Committee Activity

The Committee received briefings on the [Report on Financial Condition](#), the State Actuary's [Recommendation on Long-Term Economic Assumptions](#), and the [Preview of Demographic Experience Study Results](#) during the September meeting. At the September meeting the Committee voted to recommend the State Actuary's long-term economic assumptions.

Recommendation to the PFC

Adopt the State Actuary's recommended long-term economic assumptions as described above.

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