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July 11, 2014

**Via E-mail Only**

Mr. Dave Nelson  
Legislative Services Manager  
Department of Retirement Services  
P.O. Box 48380  
Olympia, WA 98504

Re: Status Update on Pension Funding Council Actuarial Audit

Dear Dave:

This status update is intended to provide you a brief summary of our current progress in auditing the work of the Office of the State Actuary (OSA).

### **Actuarial Calculations**

We have completed our preliminary actuarial calculations and compared them to OSA. The total liabilities we are currently calculating are within 1% of OSA's. There are still some of the individual components of the calculations where we feel additional review is needed. We are following-up with OSA to reconcile those items. This reconciliation process is typical of an actuarial audit.

### **Experience Study Review**

We have reviewed all the assumptions. We have some suggestions for potential improvements to the methodology, but these suggestions do not give us cause for concern with the recommended assumptions. All recommended assumptions appear to be reasonable. We are in the final stages of review of the assumptions.

### **Certification**

At your request, we are providing this status update prior to completion of our work. Because this status update describes preliminary results, Milliman does not make any representation or warranty regarding its contents. Milliman advises any reader not to take any action in reliance on anything contained in the status update. All parts of this status update are subject to revision or correction prior to the release of our final report, and such changes or corrections may be material.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.



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On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this status update is accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

A handwritten signature in black ink that reads 'Mark C. Olleman'.

Mark C. Olleman, FSA, EA, MAAA  
Consulting Actuary

A handwritten signature in black ink that reads 'Nick J. Collier'.

Nick J. Collier, ASA, EA, MAAA  
Consulting Actuary

A handwritten signature in black ink that reads 'Daniel R. Wade'.

Daniel R. Wade, FSA, EA, MAAA  
Consulting Actuary

MCO/NJC/DRW/nlo