

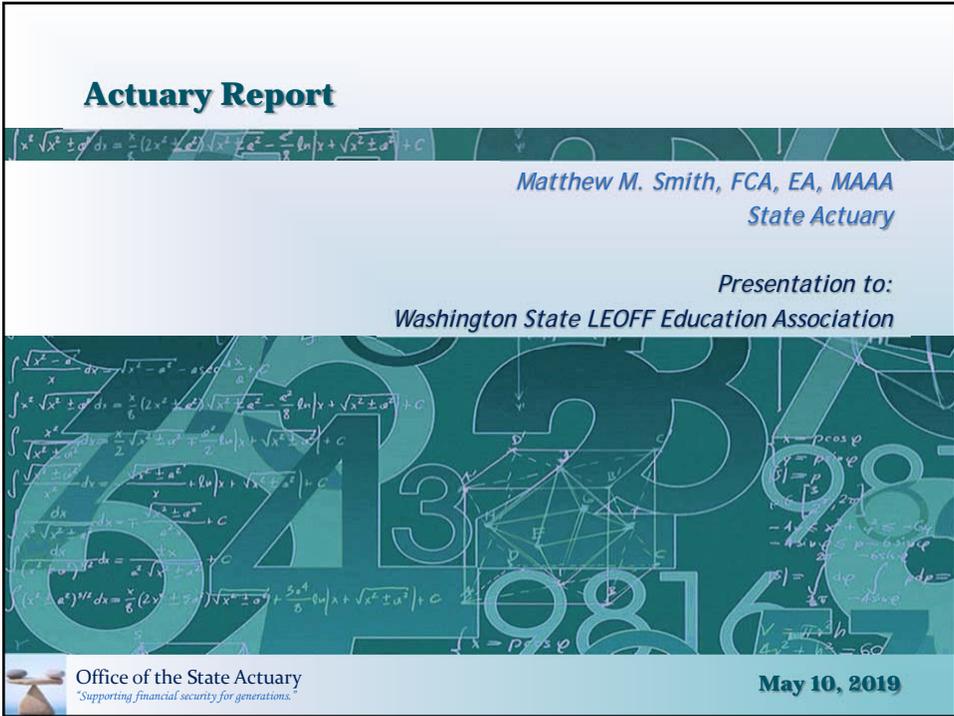
Actuary Report

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State Actuary*

*Presentation to:
Washington State LEOFF Education Association*

May 10, 2019

Office of the State Actuary
"Supporting financial security for generations."



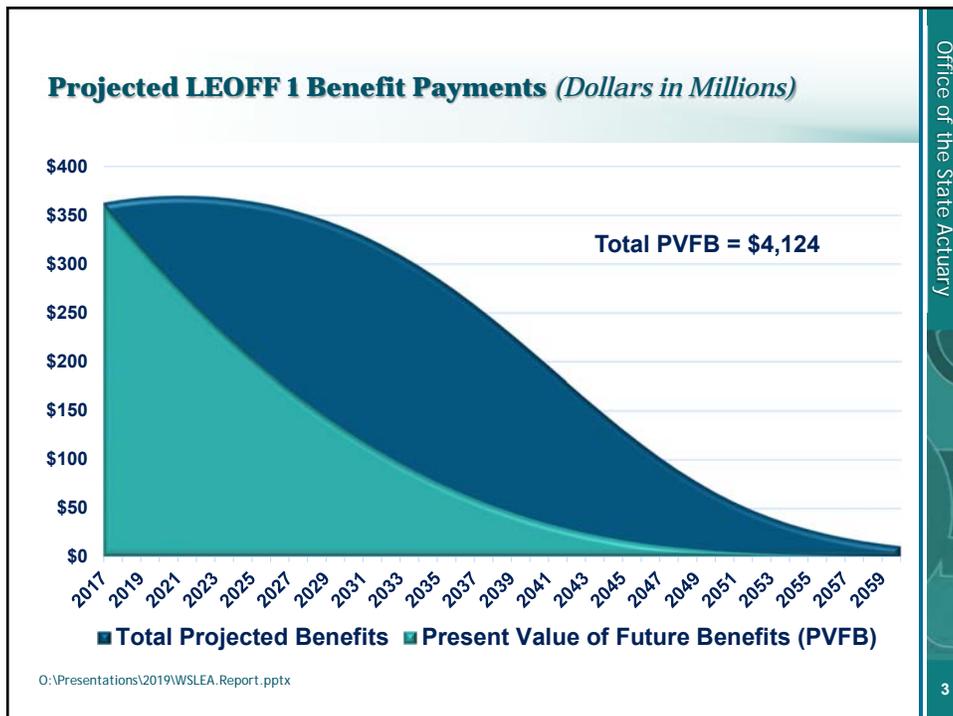
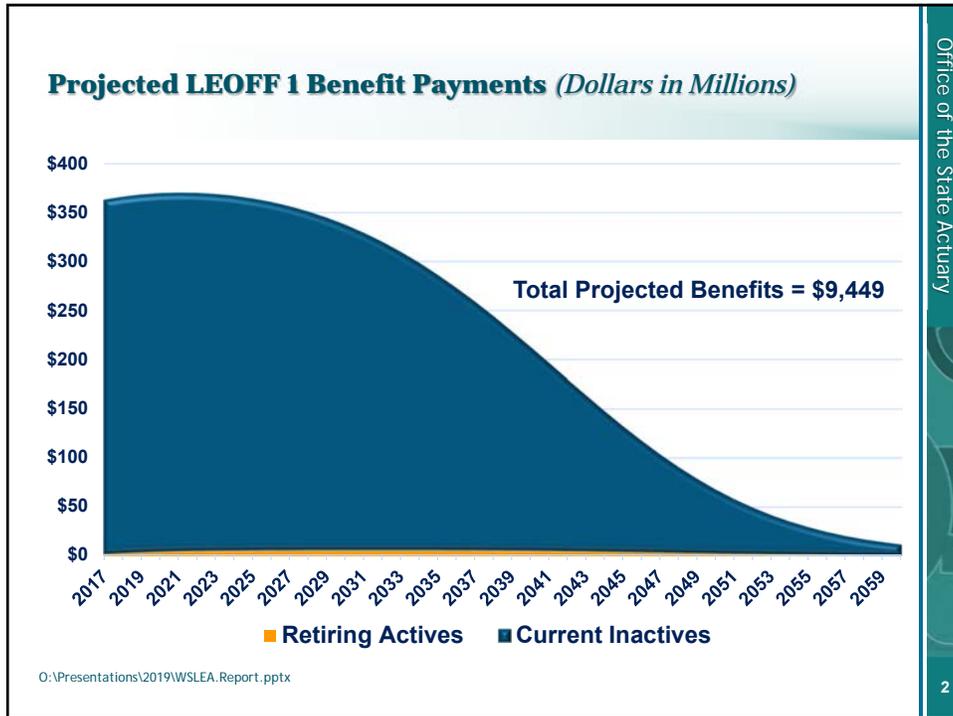
Today's Presentation

- Funded status
- NASRA public fund survey
- COLA update and historical experience
- Current and adopted contribution rates
- Other items of interest?

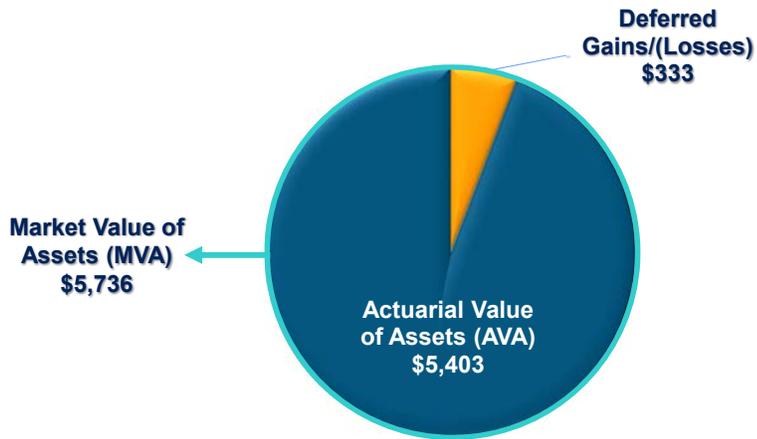
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LEOFF 1 Assets At June 30, 2017 (Dollars in Millions)



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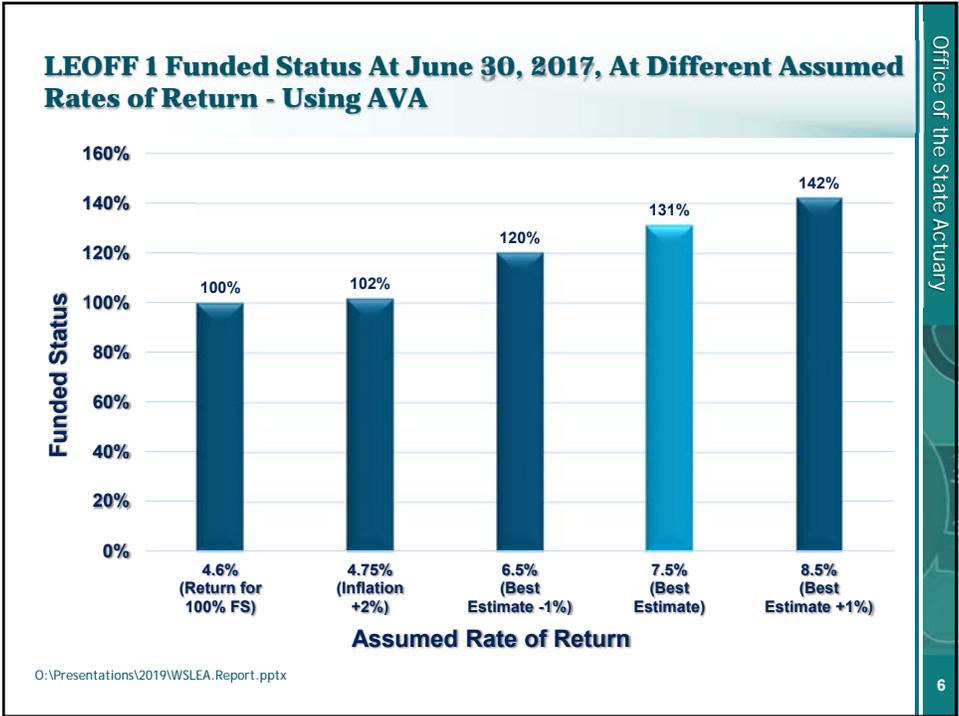
Present Value of LEOFF 1 Fully Projected Benefits By Source (Dollars in Millions)



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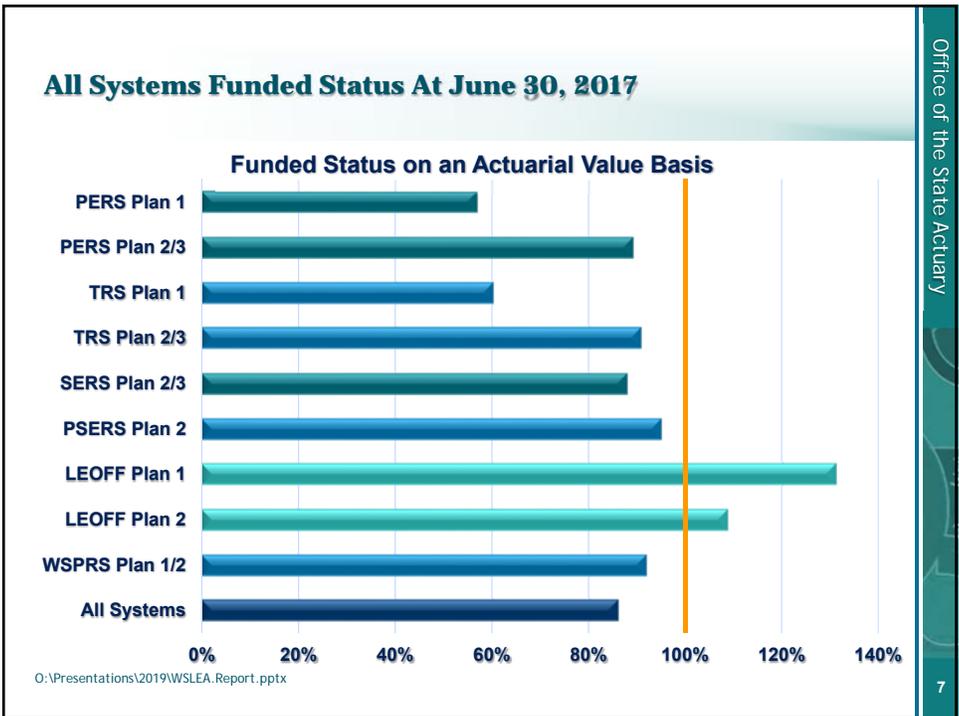
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Summary Of Plan Participants

LEOFF 1 at June 30, 2017				
	Number	Average Age	Average Service	Average Salary/Benefits*
Actives	40	65.8	41.1	\$114,135
Annuitants				
Service Retirees	2,462	73.7	29.5	\$61,613
Retirees with Disabilities	3,128	73.2	20.8	\$44,065
Survivors	1,638	78.1	22.7	\$44,647

*Annualized.

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Summary Of Plan Participants – Preliminary

LEOFF 1 at June 30, 2018				
	Number	Average Age	Average Service	Average Salary/Benefits*
Actives	26	66.9	42.4	\$108,832
Annuitants				
Service Retirees	2,400	74.5	29.6	\$64,165
Retirees with Disabilities	3,023	74.1	20.8	\$45,658
Survivors	1,651	78.3	22.7	\$46,362

*Annualized.

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Questions On Funded Status



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NASRA Public Fund Survey

- National Association of State Retirement Administrators
- According to NASRA, the Public Fund Survey is an on-line compendium of key characteristics of most of the nation's largest public retirement systems
- The membership and assets of systems included comprise about 85% of the entire state and local government retirement system community
- Includes 121 plans

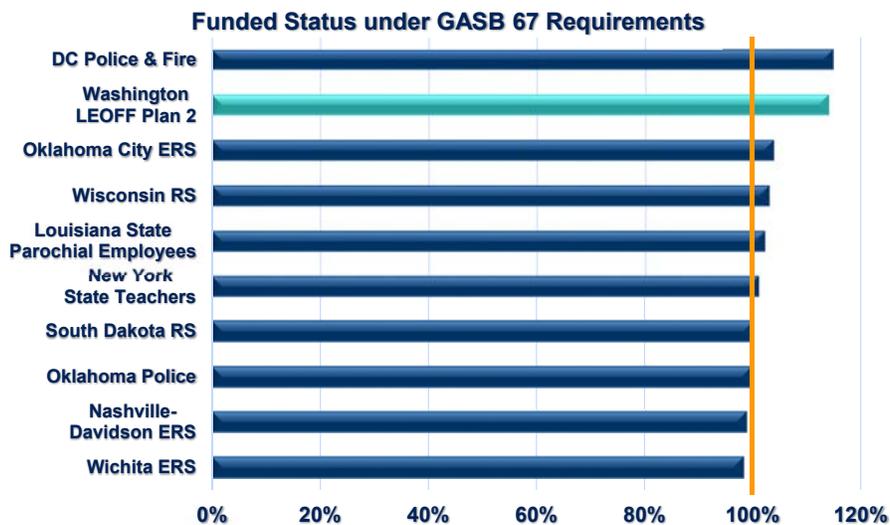
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Summary Of Findings

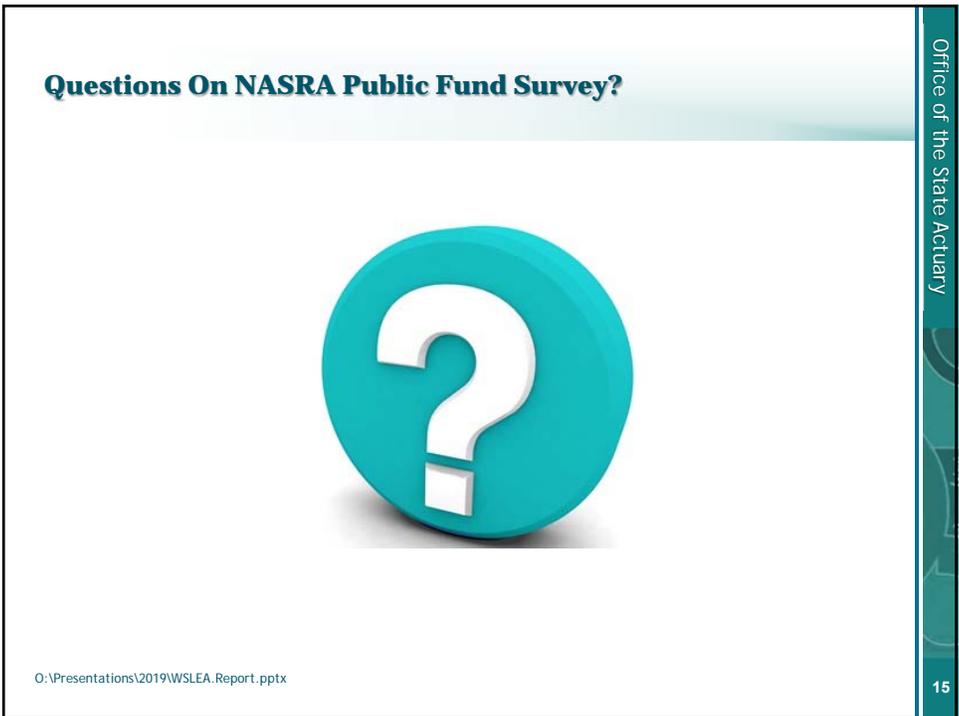
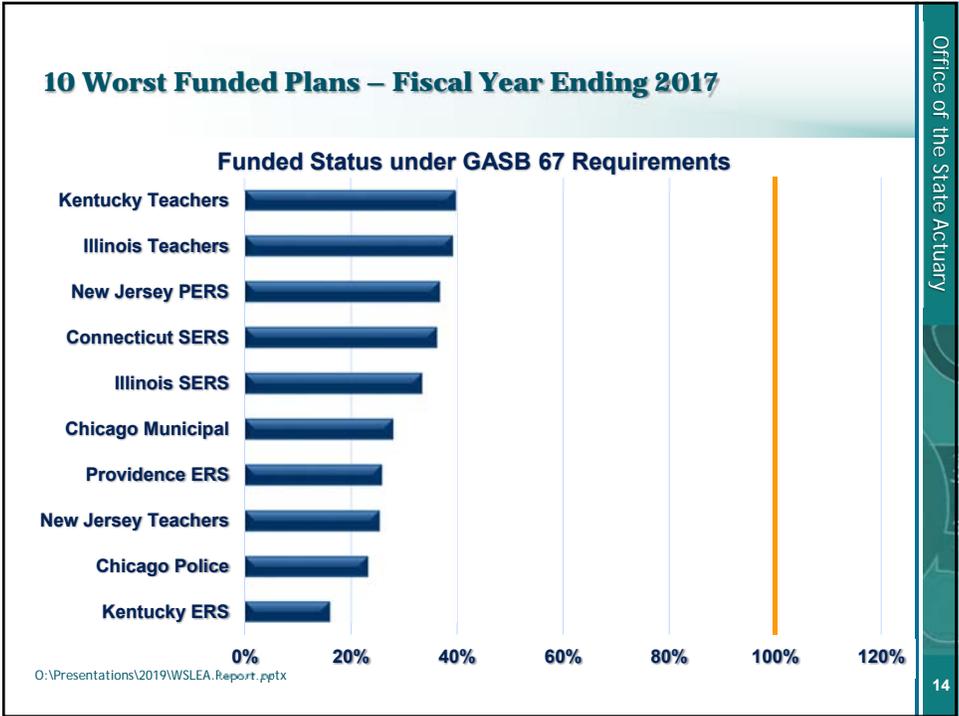
- The aggregate actuarial funding level among plans in the survey fell from 72.1 to 71.9 from FY 2016 to FY 2017
- Aggregate AVA grew by 4.4% from \$3.15 trillion to \$3.29 trillion
- Combined accrued liabilities grew from \$4.36 trillion to \$4.59 trillion, or 4.9%
- Until FY 2011, the median investment return assumption was 8%
 - Since 2009, more than 90% of plans have reduced their return assumptions
- Based on the most recent survey, the median return assumption was 7.38%

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Top 10 Best Funded Plans – Fiscal Year Ending 2017



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LEOFF 1 COLA

- Defined under RCW 41.26.240
- 2019 COLA based on annual change in CPI from 2017 to 2018
- COLAs payable as of April 1, 2019

Retirement Dates	Adjustment
4/2/2018 – 3/31/2019	0.00%
1/1/2018 – 4/1/2018	3.36%
4/2/2017 – 12/31/2017	6.80%
Prior to 4/2/2017	3.36%

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LEOFF 1 CPI Defined

- CPI-W = Urban Wage Earners and Clerical Workers (Current Series)
- Not seasonally adjusted
- Area = Seattle-Tacoma-Bellevue
 - In 2018, Bureau of Labor Statistics replaced Bremerton with Bellevue for this index
- Base = Alternate (Base Period = 1967)
- All items
- [bls.gov/cpi/home](https://www.bls.gov/cpi/home)

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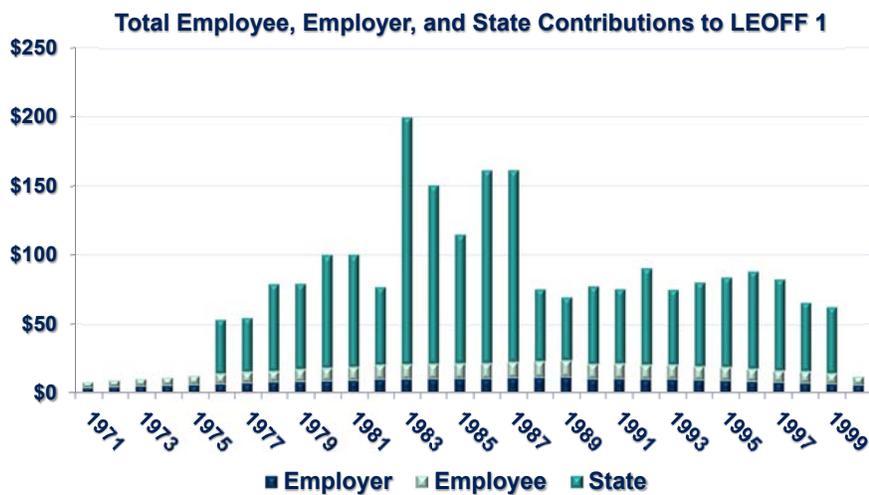
Historical Inflation Assumptions For LEOFF 1

Valuation Years	Inflation Assumption
1974 - 1978	7% in 1975 grading to 3.50% in 1980
1979 - 1984	10% in 1980 grading to 5.00% in 1990
1985 - 1988	4.00%
1989 - 1994	5.00%
1995 - 1997	4.25%
1998 - 2012	3.50%
2013 - 2016	3.00%
2017 - Present	2.75%

Note: Average annual inflation from 1974 to 2018 was 4.15%.

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Historical LEOFF 1 Funding



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Questions On COLA Or Historical Experience?



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Current And Adopted Contribution Rates

- Current contribution rates, for the 2017-19 Biennium, include
 - Lowering assumed rate of return from 7.8% to 7.7%
 - Second of three planned steps to phase-in budget impacts from new mortality assumptions
- Adopted rates for the 2019-21 Biennium reflect final step to phase-in budget impacts from new mortality assumptions plus new economic assumptions
 - Lowering assumed rate of return from 7.7% to 7.5%
 - LEOFF 2 at 7.4% consistent with OSA recommendation
 - Lowering assumed inflation from 3% to 2.75%
- Member and employer rates on following two slides

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Current And Adopted Contribution Rates – Member

Member Contribution Rates		
System	Current	Adopted ¹ 2019-21
PERS²	7.41%	7.90%
TRS²	7.06%	7.77%
SERS²	7.27%	8.25%
PSERS	7.07%	7.20%
LEOFF 2³	8.75%	8.59%
WSPRS	7.69%	8.45%

¹Rates shown for 2019-21 are subject to review by the Legislature.

²Plan 1 members' contribution rate is statutorily set at 6.0%. Members in Plan 3 do not make contributions to their defined benefit.

³No member or employer contributions are required for LEOFF Plan 1 when the plan is fully funded.

Current And Adopted Contribution Rates – Employer

Employer Contribution Rates ¹		
System	Current	Adopted ² 2019-21
PERS	12.65%	12.68%
TRS	15.23%	15.33%
SERS	13.40%	13.01%
PSERS	12.20%	11.96%
LEOFF 2³	8.75%	8.59%
WSPRS	13.16%	22.13%

¹Rates shown do not include the DRS administrative expense rate of 0.18%.

²Rates shown for 2019-21 are subject to review by the Legislature.

³No member or employer contributions are required for LEOFF Plan 1 when the plan is fully funded.
LEOFF 2 rate: 60% employer; 40% state.

Questions On Contribution Rates?



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Other Items Of Interest?

- Last spring/summer, PFC solicited an outside audit of OSA's [June 30, 2017 Actuarial Valuation Report](#) and adopted contribution rates for the 2019-21 Biennium
 - Clean audit
 - Enacted budget includes funding for adopted rates
- OSA will review economic assumptions and make a recommendation to the PFC this summer
 - Any adopted assumption changes would impact rates collected in the 2021-23 Biennium
- OSA concluding work on a demographic experience study
 - Will preview results with SCPP and PFC this interim
 - Assumption changes will be reflected in the 2021-23 Biennium contribution rates under current funding policy

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Contacting The Office Of The State Actuary

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