



IV. APPENDIX

ACTUARIAL ASSUMPTIONS OR METHODS

To calculate the contribution rates necessary to pre-fund a plan's benefits and measure a plan's funded status, in addition to the participant and asset data, an actuary uses an actuarial cost method, a funding policy, economic assumptions, and demographic assumptions. The actuary may also use an asset valuation method other than market value. The next subsection lists the methods and assumptions that change regularly or are new since the last AVR; the subsection that follows expands on comments related to EAN liability results noted in the **Actuarial Exhibits** section of the report. Please see our Actuarial Methods [webpage](#) for descriptions of the actuarial cost methods and asset valuation method we use for this valuation, and please see our Actuarial Assumptions [webpage](#) for descriptions of all remaining assumptions.

CHANGES IN METHODS AND ASSUMPTIONS SINCE THE LAST VALUATION

- ❖ As prescribed under ESSB 5357, we changed the assumed rate of investment return to 7.25% in all plans except LEOFF Plan 2 for the purpose of discounting plan liabilities.
- ❖ We updated our assumed benefit payment frequency and period timing to better model plan administration of prorated pension benefits paid to retirees and beneficiaries in their month of death.
 - In the month of death, DRS pays a prorated benefit payment to the date of death. Pension benefit payments are paid at the end of the month.
 - Prior to our update, we modeled approximately half of a monthly benefit less than currently administered by DRS per annuitant.
 - To better align our model with DRS administration, we changed the assumed benefit payment frequency and applied an interest adjustment to better model mid-month survival and end-of-month payment timing.
 - This change increased assumed costs for all retirement systems and plans.
- ❖ We corrected retirement benefit eligibility criteria in our model. Prior to the correction, members who attained age 80 in PERS, TRS, and SRS, and age 70 in PSERS and LEOFF Plan 2 were modeled as immediate retirements regardless of whether they attained the required years of service under each plan's provisions.
- ❖ Based on the 2025-27 CBA with the Washington State Patrol Trooper Association for the 2025-27 Biennium, we changed the assumed general salary growth to 17% in FY 2026 for WSPRS.
 - We did not change the assumed general salary growth for FY 2027 consistent with the CBA because it does not significantly deviate from our underlying economic assumption.
- ❖ We updated our valuation to reflect legislation passed during the 2023 and 2024 Legislative Sessions.
 - Substitute House Bill (SHB) 1007 ([Chapter 18, Laws of 2023](#)) expands the definition of veteran to include individuals who received an Expeditionary medal (or badge) during any armed conflict and expands eligibility for Interruptive Military Service Credit (IMSC).
 - Second Substitute House Bill 2014 ([Chapter 146, Laws of 2024](#)) expands access to fully subsidized IMSC by broadening the definition of veteran to include certain qualifying discharges.
 - ◊ We study rates of IMSC during our demographic experience study with the next study scheduled to be finalized this fall. To reflect the changes from the two IMSC laws above in the 2024 valuation, we relied on the previously prepared fiscal notes and adjusted them for interest.
 - House Bill 1055 ([Chapter 199, Laws of 2023](#)) allows existing Public Safety Telecommunicators (PSTs) who are in PERS 2/3 the opportunity to prospectively transfer into PSERS. Newly hired PSTs will also become PSERS members instead of PERS members. The transfer window for eligible members began in FY 2024 and ended in FY 2025. Some of the transferees are reflected in the 2024 valuation data, while the remaining transferees will be reflected in data starting with the June 30, 2025, measurement date. To reflect this change in the 2024 valuation, we relied on the prepared fiscal note during the 2023 Legislative Session and adjusted for interest and the transfer group.

- Substitute Senate Bill (SSB) 6106 ([Chapter 359, Laws of 2024](#)) allows certain specified workers at the Department of Social and Health Services institutional and residential sites who are in PERS 2/3 the opportunity to prospectively transfer into PSERS. Newly hired workers in these positions will also become PSERS members instead of PERS members. The transfer window for eligible members begins in FY 2025 and ends in FY 2026, and any changes will be reflected in the future valuation data. To reflect this change in the 2024 valuation, we relied on the prepared fiscal note during the 2024 Legislative Session and adjusted for interest.
- SHB 1985 ([Chapter 255, Laws of 2024](#)) provided PERS Plan 1 and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 3% increase to their monthly benefit, not to exceed a maximum of \$110 per month. We updated our valuation programming to reflect this legislation.
- SSB 6197 ([Chapter 304, Laws of 2024](#)) enacts four changes to the LEOFF Plan 2 Retirement System related to death benefits, the definition of “firefighter,” managing overpayments, and disability benefits. To reflect this change in the 2024 valuation, we relied on the prepared fiscal note during the 2024 Legislative Session and adjusted for interest.

ENTRY AGE NORMAL ACCRUED LIABILITY RESULTS

Some line items in the EAN accrued liability tables are negative. This is a result of how these benefits are calculated under the EAN actuarial cost method. Under this cost method, the total cost of each benefit provision is divided into annual “pieces” that are spread, or accrued, evenly across a member’s working career. The accrued liability for each benefit provision is the difference between (1) today’s value of all expected future benefit payments for that benefit definition and (2) the remaining annual “pieces” between the valuation date and a member’s last assumed year of work. When item (2) is greater than item (1), the resulting EAN accrued liability is negative. How does this happen? For example, a retirement eligible, active Plan 2 member will not receive a Return of Contributions (ROC) due to termination in our model. Once an active employee is eligible for retirement, we do not assume that that member will terminate and elect an ROC. This means that as of the valuation date item (1) is zero. However, this Plan 2 member is still accruing annual “pieces” of the ROC termination benefit as it is spread through the end of their assumed working career, which means that as of the valuation date item (2) is positive. Therefore, under this actuarial cost method there is a negative EAN accrued liability for this benefit provision when subtracting item (2) from item (1).

COMMENTS ON VALUATION MODEL

As required under [ASOP No. 56 – Modeling](#), we share the following comments related to our reliance on the ProVal® software developed by [Winklevoss Technologies](#).

- ❖ We understand this software model was primarily created for use by actuaries when performing valuations and projections of pension and retiree medical plans. The use of the model for this analysis is appropriate given its intended purpose.
- ❖ To assess the general operation of the model, we reviewed the output for reasonableness. This includes comparing the results to our simplified estimates done in Microsoft Excel and examining sample lives to confirm the programming is working as intended. We are not aware of any known weaknesses or limitations of the model that have a material impact on the results.
- ❖ The PFC hires auditors to independently review and replicate the results of rate-setting valuations. This process provides an additional reasonableness check of the model output.

Additionally, we considered how the use of different inputs to the model (e.g., data/assumptions/provisions) produce different results and evaluated the relative impacts to our expectations. This allows us to gain a deeper knowledge of the model’s important dependencies and major sensitivities.

SUMMARY OF PLAN PROVISIONS

The summary of key plan provisions used in the actuarial valuation are provided in two sets of tables. The following tables contain plan provisions that can change frequently while the provisions that change less frequently can be found on our Summary of Plan Provisions [webpage](#).

These tables and those on our website present high-level summaries and are not meant to be exhaustive lists. For complete details of plan provisions, please refer to the statutes governing the systems or contact the plan administrator (DRS). In the unlikely event that information contained in these summary tables conflicts with state law, the law takes precedence.

Summary of Frequently Changing Plan Provisions			
PERS	Plan 1	Plan 2	Plan 3
COLA	\$2.94* per Month per YOS** on 7/1/25	Lesser of CPI** or 3%	Lesser of CPI** or 3%
Minimum Benefit per Month	\$78.74 per YOS on 7/1/25, \$2,336.94* for Select Annuitants	N/A	N/A
Material Plan Provision Changes since Last Rate-Setting Valuation	Plan 1 COLA 3% Increase on 7/1/24 (C 255, L 24)	None	None
Significant Plan Provisions Not Included in This Valuation	None	None	None

*Minimum COLA payable to qualified members only; increases by 3% annually. The Uniform COLA was removed under C 362, L 11.

**Years of Service (YOS).

***Consumer Price Index (CPI): Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bellevue, WA — All Items.

Summary of Frequently Changing Plan Provisions (Continued)			
TRS	Plan 1	Plan 2	Plan 3
COLA	\$2.94* per Month per YOS on 7/1/25	Lesser of CPI** or 3%	Lesser of CPI** or 3%
Minimum Benefit per Month	\$78.74 per YOS on 7/1/25, \$2,336.94* for Select Annuitants	N/A	N/A
Material Plan Provision Changes since Last Rate-Setting Valuation	Plan 1 COLA 3% Increase on 7/1/24 (C 255, L 24)	None	None
Significant Plan Provisions Not Included in This Valuation	None	None	None

*Minimum COLA payable to qualified members only; increases by 3% annually. The Uniform COLA was removed under C 362 L 11.

**CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bellevue, WA — All Items.

Summary of Frequently Changing Plan Provisions (Continued)		
SERS	Plan 2	Plan 3
COLA	Lesser of CPI* or 3%	Lesser of CPI* or 3%
Minimum Benefit per Month	N/A	N/A
Material Plan Provision Changes since Last Rate-Setting Valuation	None	None
Significant Plan Provisions Not Included in This Valuation	None	None

*CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bellevue, WA — All Items.

Summary of Frequently Changing Plan Provisions (Continued)	
PSERS	Plan 2
COLA	Lesser of CPI* or 3%
Minimum Benefit per Month	N/A
Material Plan Provision Changes since Last Rate-Setting Valuation	Modified the definition of "Veteran" (C 18, L 23) & (C 146, L 24) Expansion of PSERS Eligibility (C 199, L 23) & (C 359, L 24)
Significant Plan Provisions Not Included in This Valuation	None

*CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bellevue, WA —All Items.

Summary of Frequently Changing Plan Provisions (Continued)		
LEOFF	Plan 1	Plan 2
COLA	Full CPI*	Lesser of CPI* or 3%
Minimum Benefit per Month	N/A	N/A
Material Plan Provision Changes since Last Rate-Setting Valuation	None	Modified the Definition of "Veteran" (C 18, L 23) & (C 146, L 24) Modified Death Benefits, Definition of "Firefighter", Overpayment Management, & Disability Benefits (C 304, L 24)
Significant Plan Provisions Not Included in This Valuation	None	None

*CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bellevue, WA — All Items.

Summary of Frequently Changing Plan Provisions (Continued)		
WSPRS	Plan 1	Plan 2
COLA	Lesser of CPI* or 3%	Lesser of CPI* or 3%
Minimum Benefit per Month**	\$44.19 per YOS on 1/1/25	\$44.19 per YOS on 1/1/25
Material Plan Provision Changes since Last Rate-Setting Valuation	Modified the Definition of "Veteran" (C 18, L 23) & (C 146, L 24)	Modified the Definition of "Veteran" (C 18, L 23) & (C 146, L 24)
Significant Plan Provisions Not Included in This Valuation	None	None

*CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bellevue, WA — All Items.

**Amount increases by 3% annually.