

FUNDED STATUS

Funded status is one of several measures that helps explain the health of a pension plan. The funded status represents the portion of the actuarial accrued liabilities covered by today's actuarial assets and provides information on the funding progress of the plan.

In our AVR, we calculate a plan's funded status by comparing the plan's current assets, determined under an asset valuation method, to the actuarial accrued liability of its members, calculated under an EAN actuarial cost method. Actuarial cost methods vary in the manner they allocate benefits to past and future time periods. We rely on an EAN actuarial cost method to better track the funding progress of accrued (or earned) benefits allocated to past service. Otherwise, the assumptions and methods used to measure funded status is consistent with the state's current funding policy and financing plan for future retirement benefits.

Funded status measures alone are not sufficient to determine whether a plan has enough assets to terminate or settle the plan obligations. Plans may have accumulated sufficient assets, at the measurement date, to satisfy the ongoing goal of having adequate assets to pay all currently earned benefits for existing members when due on an expected basis. However, ongoing contributions may still be required. The following table provides general guidance on how to interpret a plan's funded status at a point in time.

	Interpretation of Plan Funded Status		
	Less than 100%	Equals 100%	Greater than 100%
Assets to Fund Earned Benefits as of the Measurement Date	Behind schedule on funding goals.	On schedule for funding goals.	Ahead of schedule on funding goals.
Contribution Rates	Typically requires higher contribution rates in the short term to raise plan's funded status to 100% over time.	Requires ongoing contribution rates for plans with members accruing future service.	Typically requires ongoing contribution rates for plans with members accruing future service. Short-term contribution rates may be lower to reduce the plan's funded status to 100% over time.

Plans with members accruing future service will typically require ongoing contributions. However, the level of actuarially determined contribution rates relative to current rates may be higher or lower depending on funded status and actual future experience.

As of the valuation date for the 2023 AVR, and under the data, assumptions, and methods used for this actuarial valuation, only LEOFF Plan I has sufficient assets to cease ongoing contributions.

II. ACTUARIAL EXHIBITS

Funded Status on an Actuarial Value Basis*					
(Dollars in Millions)	PERS		TRS		SERS
	Plan 1	Plans 2/3	Plan 1	Plans 2/3	Plan 2/3
Accrued Liability	\$10,701	\$60,245	\$7,807	\$25,616	\$9,574
Valuation Assets	\$8,561	\$58,592	\$6,732	\$23,569	\$8,858
Unfunded Liability	\$2,140	\$1,653	\$1,075	\$2,047	\$715
Funded Ratio					
2023	80%	97%	86%	92%	93%
2022	75%	97%	80%	92%	92%
2021	71%	95%	73%	90%	91%
2020	69%	98%	71%	93%	93%
2019	65%	96%	66%	91%	91%
2018	60%	91%	63%	90%	89%
2017	57%	89%	60%	91%	88%
2016	56%	87%	61%	89%	87%
2015	58%	88%	64%	92%	89%
2014	61%	90%	69%	94%	91%

Note: Totals may not agree due to rounding.

*Liabilities valued using the EAN cost method at an interest rate of 7.0%. All assets have been valued under the actuarial asset method.

Funded Status on an Actuarial Value Basis* (Continued)					
(Dollars in Millions)	PSERS	LEOFF		WSPRS	Total
	Plan 2	Plan 1	Plan 2	Plans 1/2	
Accrued Liability	\$1,427	\$4,269	\$19,011	\$1,787	\$140,437
Valuation Assets	\$1,376	\$6,365	\$19,342	\$1,675	\$135,070
Unfunded Liability	\$51	(\$2,095)	(\$331)	\$112	\$5,368
Funded Ratio					
2023	96%	149%	102%	94%	96%
2022	101%	152%	104%	94%	96%
2021	98%	146%	104%	92%	93%
2020	101%	148%	113%	97%	95%
2019	101%	141%	111%	95%	92%
2018	96%	135%	108%	93%	89%
2017	95%	131%	109%	92%	86%
2016	94%	126%	105%	91%	84%
2015	95%	125%	105%	98%	86%
2014	96%	127%	107%	100%	87%

Note: Totals may not agree due to rounding.

*Liabilities valued using the EAN cost method at an interest rate of 7.0%. All assets have been valued under the actuarial asset method.

The funded status depends on numerous assumptions. Two of the most significant assumptions are the mortality rates, which estimate how long we expect members to live, and the interest rate or expected return on plan assets. A key component of the mortality assumption is the rate at which mortality is expected to improve in the future. To show this, we doubled the current mortality improvement assumption (longer lifespans than our best estimate) and assumed no future improvements (shorter lifespans than our best estimate). We also considered the impact if the expected return on assets was 1% lower or higher.

The following tables demonstrate how the funded status changes across all retirement systems if we alter these assumptions.

Sensitivity of Funded Ratios to Assumed Mortality Rates			
<i>(Dollars in Millions)</i>	No Assumed Mortality Improvement	Best Estimate Assumed Mortality	Double Assumed Mortality Improvement
Accrued Liability	\$130,681	\$140,437	\$150,271
Valuation Assets	\$135,070	\$135,070	\$135,070
Unfunded Liability	(\$4,389)	\$5,368	\$15,201
Funded Ratio	103%	96%	90%

Sensitivity of Funded Ratios to Assumed Interest Rates			
<i>(Dollars in Millions)</i>	1% Lower 6.0%	Best Estimate Assumption 7.0%	1% Higher 8.0%
Accrued Liability	\$159,887	\$140,437	\$124,423
Valuation Assets	\$135,070	\$135,070	\$135,070
Unfunded Liability	\$24,818	\$5,368	(\$10,647)
Funded Ratio	84%	96%	109%

Please see our [Commentary on Risk](#) webpage for individual system results or our [Interactive Reports](#) webpage for more funded status measures that vary by interest rate assumptions and asset valuation methods.

The funded status measures we share in this report may vary from those presented in the *DRS Annual Comprehensive Financial Report*. These differences occur because the assumptions and methods applied to determine contribution requirements (under a funding valuation) may not apply for financial reporting under GASB accounting standards (an accounting valuation). Put another way, these measurements are used for distinct purposes, and the results may vary between the two reports.