



# **I. SUMMARY OF KEY RESULTS**

## INTENDED USE

This report provides information on the funding progress and developments in the plans over the past year. This report also discloses the data, assumptions, and methods we used to assess the funding progress. This report is not intended to satisfy the accounting requirements under the Governmental Accounting Standards Board (GASB) rules.

Similarly, this actuarial valuation is not intended to report on the overall health or financial condition of the pension system. Such information can be found in the most recent [Report on Financial Condition](#), which we issue every two years.

## CONTRIBUTION RATE-SETTING CYCLE

Under current law, in July of even-numbered years the PFC reviews, and may adopt, the basic contribution rates that we calculate. These rates are based on an actuarial valuation performed on asset, participant, and plan information compiled in odd-numbered valuation years. In calculating basic contribution rates, we apply the statutory funding policies described in this section.

The basic rates adopted by the PFC will remain in place for the ensuing biennium, subject to revision by the Legislature. The LEOFF Plan 2 Retirement Board performs these duties for LEOFF 2 under the same cycle.

The Revised Code of Washington [41.45.070](#) requires that a temporary and supplemental contribution rate increase be charged to fund the cost of benefit enhancements enacted following the adoption of the basic rates. Supplemental contribution rates are included in the basic rates at the beginning of the next contribution rate-setting cycle.

Please refer to the DRS [website](#) for current contribution rates, applicable by retirement system and plan.

## FUNDING POLICY

Washington State relies on systematic actuarial funding to finance the ongoing cost of the state retirement systems. Under this financing approach, we reduce the cost of future pension payments by the expected long-term return on invested contributions. The investment of these contributions is under the direction of WSIB. The Revised Code of Washington [43.33A.110](#) requires WSIB to maximize investment returns at a prudent level of risk.

The state's funding policy is found in Chapter 41.45 RCW — Actuarial Funding of State Retirement Systems. Under this funding policy, if all actuarial assumptions are realized and all future contributions required under this funding policy are made, we expect the funding policy to accumulate sufficient assets to provide for all future benefits for current members when due.

Funding policy includes the following goals:

- ❖ Provide a dependable and systematic process for funding the benefits to members and retirees of the Washington State retirement systems.
- ❖ Fully fund Plans 2 and 3, and WSPRS, as provided by law.
- ❖ Fully amortizing the total cost of LEOFF Plan 1 not later than June 30, 2024.
- ❖ Fully amortizing the Unfunded Actuarial Accrued Liability (UAAL) in PERS Plan 1 and TRS Plan 1 within a rolling ten-year period using methods and assumptions that balance needs for increased benefit security, decreased contribution rate volatility, and affordability of pension contribution rates, while suspending those rates during the 2025-27 and 2027-29 Biennia.
- ❖ Establish long-term employer contribution rates that will remain a relatively predictable proportion of future state budgets.
- ❖ Fund, to the extent feasible, all benefits for Plans 2 and 3 members over the working lives of those members so that the taxpayers who receive the services of those members pay the cost of their benefits.

Based on the funding policy, the same contribution rate is charged to employers within each system regardless of the plan in which

employees hold membership (except for LEOFF). In addition, all benefit increases that become effective after June 30, 2025, for PERS Plan I and TRS Plan I members, are funded solely from employer contributions over a fixed fifteen-year period.

The state Legislature passed Engrossed Second Substitute Bill (ESSB) 5357 (Chapter 381, Laws of 2025) modifying pension funding statute. The funding goals listed above in this subsection reflect changes due to this bill while the following subsection outlines all the bill's funding policy changes.

## COMMENTS ON 2024 VALUATION RESULTS

Many factors influence actuarial valuation results from one measurement date to the next. These factors include changes in the plan provisions or funding policy, changes in assumptions or methods, and covered population and plan experience that varies from our expectations.

## CHANGES IN PLAN PROVISIONS OR FUNDING POLICY

Laws passed during the 2025 Legislative Session that impacted the results in this report include the following:

- ❖ ESSB 5357 – Modifies the funding policy for all retirement plans excluding LEOFF Plan 2. This law included the following:
  - Sets the assumed investment rate of return to 7.25% and codifies other economic assumptions at currently assumed levels.
  - Revises the contribution rates adopted by the PFC for the 2025-27 Biennium.
  - Prescribes base UAAL contribution rates and benefit improvement amortization contribution rates for the 2027-29 Biennium for PERS and TRS Plans I.
  - Changes the amortization method for future PERS and TRS Plans I benefit improvements to a fixed 15-year period.
  - Consolidates current benefit improvement amortization contribution rates into a single rate that will be paid from July 1, 2029, through June 30, 2040.

The laws noted above represent material changes to benefit plan provisions or funding policy from the 2025 Legislative Session and are not meant to be exhaustive.

## CHANGES IN ASSUMPTIONS OR METHODS

- ❖ Consistent with ESSB 5357, we changed the assumed rate of investment return to 7.25% in all plans except LEOFF Plan 2.
- ❖ We improved our modeling of benefits paid to retirees and beneficiaries in their month of death to better match current administration.
- ❖ Based on the 2025-27 Collective Bargaining Agreements (CBA) with the Washington State Patrol Trooper Association for the 2025-27 Biennium, we changed the assumed general salary growth to 17% in Fiscal Year (FY) 2026 for WSPRS.

Please see the **Appendix** for additional considerations on assumption and method changes since the last valuation.

## CHANGES IN COVERED POPULATION AND PLAN EXPERIENCE

- ❖ The actual rate of investment return on the Market Value of Assets (MVA), for all plans, was 7.95% for FY ending June 30, 2024.
- ❖ The active population increased by approximately 20% in PSERS.
- ❖ Salary increases were notably higher-than-expected in PERS and the public safety plans, i.e., LEOFF, WSPRS, and PSERS.

Detailed gain and loss information can be found in the **Actuarial Exhibits** section of this report.

## ACTUARIAL LIABILITIES

The following table summarizes key measures of actuarial liability along with the liabilities from last year's valuation. The Present Value of Fully Projected Benefits (PVFB) represents the total expected value of all future benefit payments for current members when discounted at the valuation interest rate. The Actuarial Accrued Liability identifies the portion of the PVFB that has been accrued or "earned" as of the valuation date based on the Entry Age Normal (EAN) actuarial cost method.

Actuarial Liabilities		
(Dollars in Millions)	2024	2023
All Systems		
<b>PVFB</b>	\$180,575	\$174,065
<b>Actuarial Accrued Liability</b>	\$145,849	\$140,437
<b>Valuation Interest Rate</b>	7.25%*	7.00%

\*7.00% in LEOFF 2.

See the **Actuarial Exhibits** section of this report for a summary of actuarial liabilities by system and plan. Also, see the Glossary on our [website](#) for brief explanations of the actuarial terms.

## ASSETS

The following table shows the combined MVA and Actuarial Value of Assets (AVA) along with the approximate rates of investment returns for all the systems combined.

An AVA is used to limit the volatility in contribution rates and funded status due to annual investment earnings. We smooth (or defer recognition of) the difference between actual and expected annual investment returns over a specified period, not to exceed eight years, corresponding to the magnitude of that difference.

Assets		
(Dollars in Millions)	2024	2023
All Systems		
<b>MVA</b>	\$153,682	\$144,174
<b>AVA*</b>	146,390	135,070
<b>Member/Employer Contributions</b>	4,604	4,901
<b>Disbursements</b>	(6,599)	(6,578)
<b>Investment Return</b>	11,382	9,411
<b>Other Revenue</b>	\$121	\$632
<b>MVA Return**</b>	7.95%	6.96%
<b>AVA Return*</b>	9.84%	9.51%

\*The AVA is used in determining contribution rates and funded status.

\*\*Dollar-weighted rate of return on the MVA, net of expenses. Please note the dollar-weighted investment return may differ from the time-weighted investment return published by WSIB for the same period.

See the **Actuarial Exhibits** section of this report for a summary of assets by system and plan, and for the development of the AVA.

## FUNDED STATUS

The following table displays a summary of combined funded status across all retirement systems included in this report. Please see the **Actuarial Exhibits** section for information on individual systems and plans.

Funded Status		
(Dollars in Millions)	2024	2023
All Systems		
<b>a. Accrued Liability*</b>	\$145,849	\$140,437
<b>b. MVA</b>	153,682	144,174
<b>c. Deferred Gains/(Losses)</b>	7,292	9,104
<b>d. AVA (b - c)</b>	146,390	135,070
<b>Unfunded Liability (a - d)</b>	(\$541)	\$5,368
<b>Funded Ratio (d / a)</b>	100%	96%

*Note: Totals may not agree due to rounding.*

*\*Liabilities valued using EAN cost method.*

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. This means a plan with 100% funded status has one dollar in actuarial assets for each dollar of accrued liabilities at the valuation date. A plan with funded status around 100% is generally considered to be on target with funding. However, funded status above/below 100% is not automatically considered over-funded/at-risk. The funded statuses presented in this report are not sufficient, alone, to determine whether a plan has enough assets to terminate or settle the plan obligations. Furthermore, a plan with a funded status above 100% may still require ongoing contributions.

## COMMENTARY ON RISK

Actuarial Standards of Practice (ASOP) guide actuaries when performing and communicating their work. [ASOP No. 51](#) – *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions* is specific to communicating risk in defined benefit pension plans, particularly in how actual future measurements may differ significantly from expected future measurements.

In the course of developing our actuarial valuation we make hundreds of assumptions, such as the level of returns on future investments, rates of retirement and mortality, and the future salary growth for active members. In some cases, small changes in these assumptions or unexpected plan experience can lead to significant changes in measurements, like the calculation of a plan's contribution rates or the projection of a plan's funded status. This can affect plan risk, and these sensitivities can evolve as the plans grow and mature over time. The Legislature's response to these changes and their action governing the state's pension system also affects plan risk. To help readers better understand some of these risks and their potential impacts, we have a Commentary on Risk webpage.

In the **Actuarial Exhibits** section of this report, we have also included the impact to the total retirement systems' funded status from changes in assumed rates of investment return and mortality.

## SUMMARY OF PARTICIPANT DATA

The following table summarizes participant data used in the actuarial valuation for the plan year ending June 30, 2024, along with information from the [2023 Actuarial Valuation Report](#) (AVR). See the **Participant Data** section of this report for participant data summarized by system and plan.

Participant Data		
All Systems	2024	2023
Active Members		
Number	363,119	352,278
Average Annual Salary	\$88,766	\$83,812
Average Attained Age	45.6	45.8
Average Service	10.1	10.3
Retirees and Beneficiaries		
Number	230,916	224,021
Average Annual Benefit	\$27,700	\$26,742
Terminated Members		
Number Vested	72,836	71,888
Number Non-Vested*	174,449	172,849

*\*Members who terminated without a vested lifetime benefit but are eligible for a refund of their employee contributions with interest that currently reside in the trust.*

## KEY ECONOMIC ASSUMPTIONS

This table shows key economic assumptions used in this actuarial valuation. The Valuation Interest Rate increased for all plans except LEOFF 2 as prescribed in ESSB 5357. There were no changes to any other economic assumptions from our prior year's valuation. Please see the EES located on our Actuarial Studies [webpage](#) for our most recent completed study, and information on how we develop these assumptions.

Key Assumptions	
All Systems	
Valuation Interest Rate*	7.25%
General Salary Growth	3.25%
Inflation	2.75%

*\*7.00% in LEOFF 2.*