

LEOFF 1 Funded Status

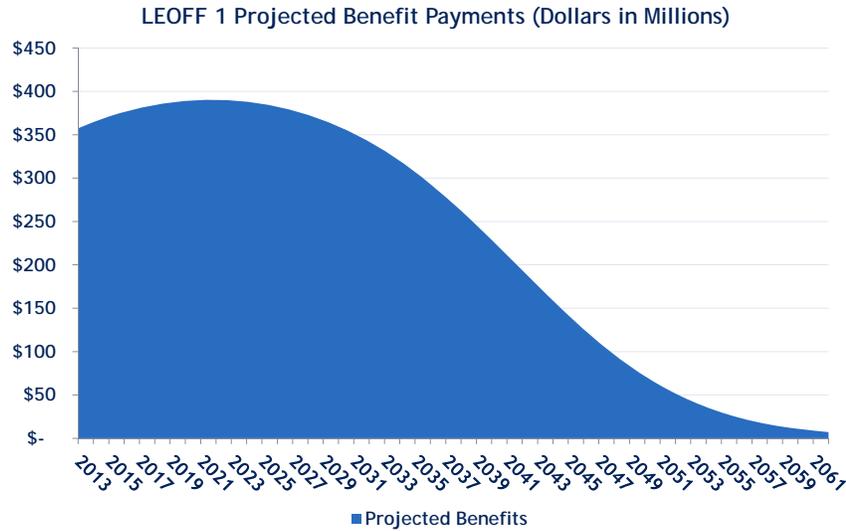
(Dollars in Millions)	LEOFF 1 at June 30, 2013*
a. Future value of fully projected benefits	\$11,500
b. Present value of fully projected benefits	\$4,420
c. Present value of accrued benefits	\$4,410
d. Market value of assets	\$5,140
e. Deferred asset gains/(losses)	(\$377)
f. Actuarial value of assets (d - e)	\$5,516
g. Unfunded liability (c - f)	(\$1,107)
h. Funded status (f ÷ c)	125%

Note: Totals may not agree due to rounding. Source: June 30, 2013, Actuarial Valuation Report.

*Accrued liabilities represent the present value of future benefits for current members earned at the valuation date assuming an expected rate of return on assets of 7.8% per year. Actuarial assets have been valued under the actuarial asset method (the "smoothing" method).

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Projected LEOFF 1 Benefit Payments (Future Value)



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Present Value Of Future Benefits By Source

Present Value of Fully Projected Benefits	
(Dollars in Millions)	LEOFF 1
Active Members	
Retirement	\$163
Termination	0
Death	2
Disability	1
Return of Contributions on Termination	0
Return of Contributions on Death	\$0
Inactive Members	
Terminated	\$1
Service Retired	1,874
Disability Retired	1,818
Survivors	561
Laws of 2014	0
2013 Total	\$4,420

Note: Totals may not agree due to rounding.

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LEOFF 1 Funded Status At 6.8 Percent Interest Rate Assumption

(Dollars in Millions)	LEOFF 1 at June 30, 2013*
a. Accrued liability	\$4,844
b. Actuarial value of assets	\$5,516
c. Unfunded liability (a - b)	(\$673)
d. Funded status (b ÷ a)	114%

Note: Totals may not agree due to rounding. Source: June 30, 2013, Actuarial Valuation Report.

**Accrued liabilities represent the present value of future benefits for current members earned at the valuation date assuming an expected rate of return on assets of 6.8% per year. All assets have been valued under the actuarial asset method (the "smoothing" method).*

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LEOFF 1 Funded Status On A Market Value Basis

<i>(Dollars in Millions)</i>	LEOFF 1 at June 30, 2013*
a. Accrued liability	\$5,840
b. Market value of assets	\$5,140
c. Unfunded liability (a - b)	\$701
d. Funded status (b ÷ a)	88%

Note: Totals may not agree due to rounding. Source: June 30, 2013, Actuarial Valuation Report.

**Accrued liabilities have been valued using an interest rate of 5% while assets at their market value. The 5% interest rate approximates the "risk free" rate of return on assets while maintaining consistency with the 3% inflation assumption used to project future benefit payments. This method was not used to determine contribution requirements.*

Summary Of Plan Participants

LEOFF 1 at June 30, 2013				
	Number	Average Age	Average Service	Average Salary/Benefits*
Actives	143	61.9	38.2	\$103,362
Annuitants				
Service Retirees	2,654	71.2	28.8	\$55,128
Retirees with Disabilities	3,556	70.2	20.7	\$41,372
Survivors	1,519	76.3	22.4	\$41,344

**Annualized.*

Summary Of Plan Participants - Preliminary

LEOFF 1 at June 30, 2014				
	Number	Average Age	Average Service	Average Salary/Benefits*
Actives	120	62.8	39.0	\$105,385
Annuitants				
Service Retirees	2,599	71.8	28.9	\$56,345
Retirees with Disabilities	3,460	70.9	20.7	\$41,890
Survivors	1,546	76.7	22.5	\$41,978

*Annualized.

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Questions On Funded Status?



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LEOFF 1 COLA

- Defined under RCW 41.26.240
- 2015 COLA based on annual change in CPI from 2013 to 2014
- COLAs payable as of April 1, 2015

Retirement Dates	Adjustment
4/2/2014 - 3/31/2015	0.00%
1/1/2014 - 4/1/2014	1.93%
4/2/2013 - 12/31/2013	3.18%
Prior to 4/2/2013	1.22%

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LEOFF 1 CPI Defined

- CPI-W = Urban Wage Earners and Clerical Workers (Current Series)
- Not seasonally adjusted
- Area = Seattle-Tacoma-Bremerton
- Base = Alternate (Base Period = 1967)
- All items
- bls.gov/cpi/home



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Questions On LEOFF 1 COLA



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Results Of Demographic Experience Study

- Every six years we compare our assumptions to actual experience
- We call this a “demographic experience study”
- We review and update our assumptions to ensure they remain reasonable
 - Reasonable assumptions support reasonable funding
- Results of study summarized on next three pages
 - Study reviewed by outside actuary hired by PFC



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Summary Of Assumption Updates From Experience Study

- Mortality
 - Changes to reflect lower mortality rates since last study
 - Updates to projected increases in life spans
 - Increases short-term costs
 - Most significant assumption change in this experience study
- Retirement
 - Changes to reflect later retirement; except in WSPRS
 - Decreases short-term costs
- Termination
 - Changes to reflect fewer early career terminations; except TRS
 - Changes to reflect more late career terminations (20+ YOS)
 - Decreases short-term costs (due to TRS changes)

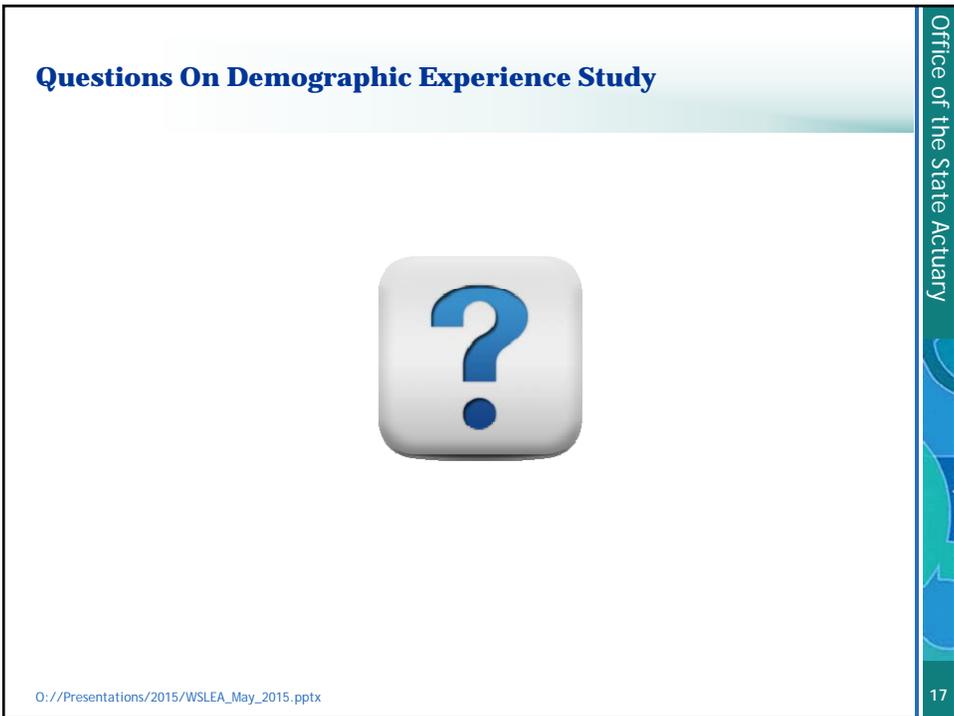
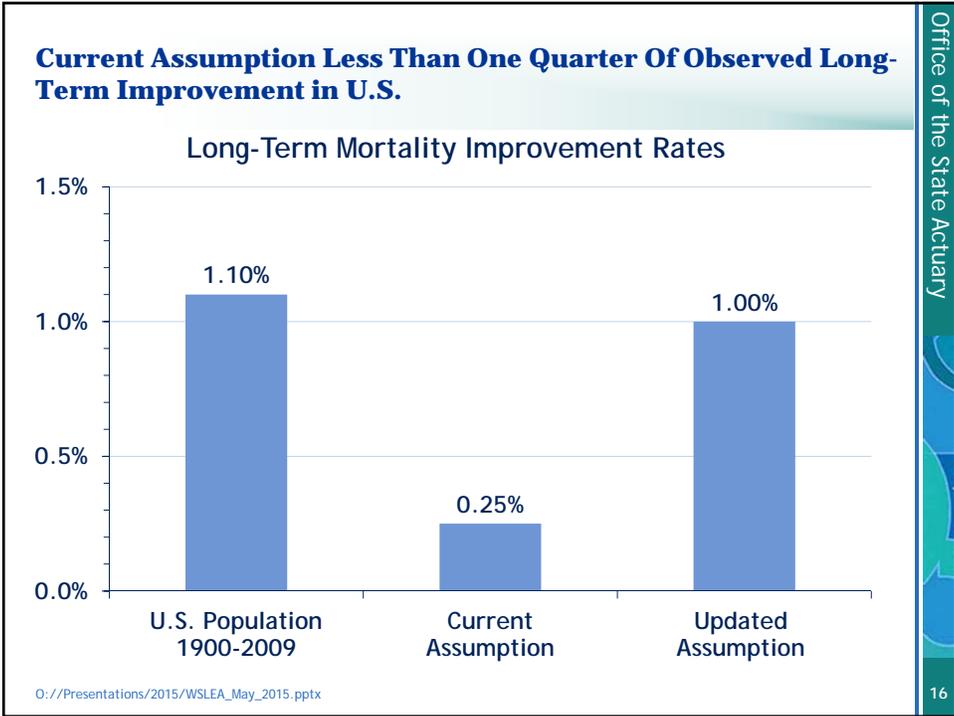
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Summary Of Assumption Updates From Experience Study (Continued)

- Disability
 - Minor adjustments made to most plans
 - No changes in LEOFF 1
- Salary increases
 - Changes to “service based” salary increase assumptions
 - Lowered early career increases and increased/extended salary scale
 - Increases short-term costs
- Miscellaneous assumptions
 - Increases short-term costs
- Supporting data provided in full report on our website



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2015-17 PFC Contribution Rate Adoption

- Last summer, the Pension Funding Council adopted contribution rates for 2015-17
 - Rates subject to revision by the Legislature
- Adopted rates include
 - Lowering assumed rate of return from 7.9 to 7.8 percent (ExpROR)
 - New demographic assumptions for recent experience study (ExpStudy)
- Contribution rate and budget impact of new mortality assumptions phased in for all non-LEOFF plans
- Member and employer rates on following two pages



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2015-17 PFC Adopted Contribution Rates - Member

	Member Contribution Rates				
	Current	Before ExpStudy 7.9% ExpROR	Before ExpStudy 7.8% ExpROR	After ExpStudy 7.8% ExpROR	Adopted
PERS 2	4.92%	4.95%	5.33%	7.00%	6.12%
TRS 2	4.96%	4.93%	5.25%	6.79%	5.95%
SERS 2	4.64%	4.85%	5.24%	6.70%	5.63%
PSERS 2	6.36%	5.99%	6.21%	6.89%	6.59%
LEOFF 1	0.00%	0.00%	0.00%	0.00%	0.00%
WSPRS 1/2*	6.59%	6.36%	6.52%	7.19%	6.69%

**WSPRS maximum employee rate is 7.19%*

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2015-17 PFC Adopted Contribution Rates - Employer*

Total Employer Contribution Rates					
	Before ExpStudy	Before ExpStudy	After ExpStudy		
	Current	7.9% ExpROR	7.8% ExpROR	7.8% ExpROR	Adopted
PERS	9.03%	9.47%	9.95%	12.29%	11.00%
TRS	10.21%	11.60%	11.92%	14.47%	12.95%
SERS 2/3	9.64%	10.26%	10.75%	12.88%	11.40%
PSERS 2	10.36%	10.40%	10.72%	12.07%	11.36%
LEOFF 1	0.00%	0.00%	0.00%	0.00%	0.00%
WSPRS 1/2	7.91%	7.68%	7.84%	8.79%	8.01%

*Excludes current administrative expense rate of 0.18%.

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Questions On PFC Rate Adoption



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Other Items Of Interest?

- New interactive funded status reports available on our website
 - User can select measurement date, interest rate, and asset valuation method
- Pension Funding Council will review economic assumptions this fall
 - Rate of investment return
 - Inflation
 - General salary increases
 - Any changes will impact contribution rates in 2017-19
- New accounting standards for LEOFF 1 medical benefits coming
 - Proposed effective dates as early as 2016 for plan reporting; as early as 2017 for employer reporting
 - Changes similar to changes made for pension standards



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