

# Funded Status

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In our actuarial valuation report, we calculate a plan's funded status by comparing (a) the plan's current assets, determined under an asset valuation method, to (b) the present value of accrued (or earned) pensions of its members calculated under an actuarial cost method. Funded status can vary significantly from plan to plan, depending on the purpose of the measurement and the assumptions and methods used to determine the funded status.

Based on the purpose of the measurement, actuaries can select from several acceptable actuarial cost methods when measuring a plan's funded status. The cost methods vary in the manner they allocate benefits to past and future time periods. Generally speaking, benefits allocated to past service are considered accrued (or earned). Please see the Glossary for an explanation of the actuarial cost methods we use in this actuarial valuation.

For prior actuarial valuation reports, we relied on the Projected Unit Credit (PUC) actuarial cost method when reporting funded status. Due to changes in financial reporting from the Governmental Accounting Standards Board (GASB), we will report funded status using the Entry Age Normal (EAN) actuarial cost method and discontinue use of the PUC method after this year's report. We believe this change will lessen the confusion that can result from the reporting of multiple funded status measurements in various reports. However, the funded status measures we share in this report may still vary from those presented in the Department of Retirement Systems (DRS) Comprehensive Annual Financial Report (CAFR). These differences occur because the assumptions and methods that apply for determining contribution requirements (under a funding valuation) may not apply for financial reporting under GASB accounting standards (an accounting valuation). Put another way, these measurements still represent distinct measurements for distinct purposes and the results may vary between the two reports.

To determine the present value (today's value) of accrued benefits we discount future benefits to the valuation date using the valuation interest rate. The valuation interest rate is prescribed by the Legislature under RCW 41.45.035 and is consistent with the long-term expected return under the plan's funding policy. (Note: This discount rate may vary from the rate used for financial reporting under GASB accounting standards).

In addition to the valuation interest rate, we use the same long-term assumptions to develop the funded status measure in this report as we use for determining the contribution requirements of the plan. We don't expect the assumptions to match actual experience over short-term periods. However, we do expect these assumptions to reasonably approximate average annual experience over long-term periods. This measure of funded status is consistent with the state's current funding policy and financing plan for future retirement benefits.

For reporting funding status and calculating contribution requirements, we also use an asset valuation method to determine the actuarial value of assets (AVA). This asset valuation method smooths the inherent volatility in the Market Value of Assets (MVA) by deferring a portion of annual investment gains or losses for a certain number of years. Investment gains and losses occur when the annual return on investments varies from the long-term assumed rate. To determine the 2014 investment gains or losses, we used an investment return assumption of 7.8 percent (7.5 percent for the Law Enforcement Officers' and Fire Fighters' Retirement System [LEOFF] Plan 2). The AVA provides a more stable measure of the plan's assets on an ongoing basis.

With this background in mind, we display the funded status on an “actuarial value” basis for each plan in the tables below. For the actuarial basis, we use the assumed long-term rate of return and actuarial value of assets consistent with the plan’s funding policy.

It’s also reasonable and acceptable to report funded status using other assumptions and methods. The resulting funded status will change with the use of assumptions and methods that vary from what we present in this report. Please visit our website: *Funded Status Tables* for funded status measures that vary by interest rate assumptions and asset valuation methods.

Entry Age Normal Funded Status on an Actuarial Value Basis*										
(Dollars in Millions)	PERS		TRS		SERS	PSERS	LEOFF		WSPRS	Total
	Plan 1	Plan 2/3	Plan 1	Plan 2/3	Plan 2/3	Plan 2	Plan 1	Plan 2		
EAN Liability	\$12,720	\$29,321	\$9,250	\$9,819	\$3,965	\$291	\$4,323	\$8,069	\$1,042	\$78,800
Valuation Assets	\$7,761	\$26,386	\$6,353	\$9,193	\$3,624	\$278	\$5,499	\$8,638	\$1,044	\$68,777
Unfunded Liability	\$4,959	\$2,935	\$2,897	\$626	\$341	\$13	(\$1,177)	(\$569)	(\$2)	\$10,023
<b>Funded Ratio</b>										
<b>2014</b>	<b>61%</b>	<b>90%</b>	<b>69%</b>	<b>94%</b>	<b>91%</b>	<b>96%</b>	<b>127%</b>	<b>107%</b>	<b>100%</b>	<b>87%</b>

Note: Totals may not agree due to rounding.

\*Liabilities valued using the EAN cost method at an interest rate of 7.8% (7.5% for LEOFF 2). All assets have been valued under the actuarial asset method.

Projected Unit Credit Funded Status on an Actuarial Value Basis*										
(Dollars in Millions)	PERS		TRS		SERS	PSERS	LEOFF		WSPRS	Total
	Plan 1	Plan 2/3	Plan 1	Plan 2/3	Plan 2/3	Plan 2	Plan 1	Plan 2		
PUC Liability	\$12,727	\$26,172	\$9,266	\$8,843	\$3,598	\$225	\$4,323	\$7,629	\$1,011	\$73,793
Valuation Assets	\$7,761	\$26,386	\$6,353	\$9,193	\$3,624	\$278	\$5,499	\$8,638	\$1,044	\$68,777
Unfunded Liability	\$4,965	(\$214)	\$2,913	(\$350)	(\$26)	(\$54)	(\$1,176)	(\$1,009)	(\$33)	\$5,016
<b>Funded Ratio</b>										
<b>2014</b>	<b>61%</b>	<b>101%</b>	<b>69%</b>	<b>104%</b>	<b>101%</b>	<b>124%</b>	<b>127%</b>	<b>113%</b>	<b>103%</b>	<b>93%</b>
2013 **	63%	102%	71%	105%	102%	124%	125%	115%	105%	94%
2012	69%	111%	79%	114%	110%	134%	135%	119%	114%	101%
2011 **	71%	112%	81%	113%	110%	132%	135%	119%	115%	101%
2010 ***	74%	113%	84%	116%	113%	129%	127%	119%	118%	102%
2009 **	70%	116%	75%	118%	116%	128%	125%	128%	119%	99%
2008 **	71%	119%	77%	125%	121%	127%	128%	133%	121%	100%
2007 **	71%	120%	76%	130%	126%	120%	123%	129%	118%	99%
2006 **	74%	121%	80%	133%	125%	99%	117%	116%	114%	100%
2005 **	74%	127%	80%	134%	122%	N/A	114%	114%	113%	99%
2004	81%	134%	88%	153%	137%	N/A	109%	117%	118%	105%
2003	82%	142%	89%	155%	138%	N/A	112%	125%	123%	107%
2002	92%	158%	98%	182%	169%	N/A	119%	137%	135%	118%
2001 **	97%	179%	100%	197%	197%	N/A	129%	154%	147%	126%
2000 **	98%	190%	100%	196%	170%	N/A	136%	161%	152%	131%
1999	93%	189%	93%	188%	N/A	N/A	125%	154%	159%	124%
1998	86%	191%	86%	185%	N/A	N/A	117%	160%	147%	116%
1997 **	83%	187%	82%	181%	N/A	N/A	108%	155%	140%	109%
1996	73%	157%	70%	144%	N/A	N/A	89%	130%	128%	92%
1995	68%	150%	65%	136%	N/A	N/A	80%	126%	119%	85%
1994 **	67%	142%	65%	130%	N/A	N/A	68%	124%	110%	80%
1993	70%	142%	62%	126%	N/A	N/A	68%	127%	110%	79%
1992	67%	139%	59%	127%	N/A	N/A	65%	128%	108%	75%
1991	67%	149%	59%	131%	N/A	N/A	66%	154%	106%	75%
1990	66%	154%	60%	140%	N/A	N/A	65%	153%	105%	74%
1989 **	65%	162%	58%	144%	N/A	N/A	65%	158%	103%	73%
1988	66%	165%	59%	143%	N/A	N/A	66%	153%	102%	72%
1987	71%	175%	58%	135%	N/A	N/A	69%	157%	95%	74%
1986	63%	162%	50%	125%	N/A	N/A	57%	142%	87%	63%

Note: Totals may not agree due to rounding.

\*Liabilities valued using the PUC cost method at an interest rate of 7.8% (7.5% for LEOFF 2). All assets have been valued under the actuarial asset method.

\*\*Assumptions changed.

\*\*\*LEOFF 2 values for 2010 were updated after the 2010 AVR was published.