

Actuarial Update

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State Actuary

Presentation to GET Legislative Advisory Committee

Office of the State Actuary
"Securing tomorrow's pensions today."

November 19, 2015

Funded Status Summary

Funded Status Summary		
(Dollars in Millions)	2015	2014
Present Value of Future Obligations	\$2,042	\$2,767
Present Value of Fund	\$2,862	\$2,928
Funded Status	140.1%	105.8%
Reserve/(Deficit)	\$820	\$161

- Latest actuarial valuation at June 30, 2015
- Results preliminary until conclusion of outside actuarial audit and GET Committee adoption of full report in December
- See *2015 Actuarial Valuation Results* letter dated, October 23, 2015, for supporting information

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Interpreting Results

- Based on current contracts only
- Results highly sensitive to short-term changes in tuition policy
 - For example, if recent tuition reductions hold for one year only, funded status, measured at June 30, 2015, drops from 140 to 125 percent
- Funded status also sensitive to changes in long-term assumed rates of investment return and tuition growth
- Readers should exercise caution when interpreting and reaching conclusions based on a single, point-in-time, measurement
- Funded status more/less than 100 percent does not necessarily mean program is overfunded/at risk

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Significant Factors Impacting This Year's Valuation Results

- Updated assumptions from experience study (increased funded status)
- Lower assumed rate of tuition growth in response to recently enacted state budget (increased funded status)
- Below expected investment returns for plan year ending June 30, 2015 (lowered funded status)
- Refund of amortization payments for unredeemed units (lowered funded status)
- Addition of minimum payout value of \$117.82 per unredeemed unit (lowered funded status)

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Change In Funded Status By Source

Gain/(Loss) Analysis Change in Funded Status by Source	
2014 Funded Status	105.8%
Changes in 2015 Funded Status	
Experience Study Assumption Changes	4.7%
Expected Change in Funded Status	0.8%
Program Obligations	
Total Program Obligations Gains/Losses	(4.2%)
Program Assets	
Total Program Assets Gains/Losses	0.1%
Additional Changes	
Method Changes	0.0%
Tuition Assumption Changes	41.2%
Minimum Unit Payout Value	(4.3%)
Refund of Amortization Payments	(3.6%)
Total Additional Change Gains/Losses	33.3%
Other Gains/Losses	(0.3%)
Total Change	34.3%
2015 Funded Status	140.1%

Note: Totals may not agree due to rounding.

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Change In Number Of Outstanding Units

Change in Number of Outstanding Units	
Number of Outstanding Units at June 30, 2014	22,324,308
New Units Purchased	618,367
Units Redeemed	(1,145,168)
Units Refunded	(70,117)
Units Defaulted	(27,424)
Units Downgraded*	(34,315)
Other	(3,039)
Number of Outstanding Units at June 30, 2015	21,662,612

*Customer-requested account changes.

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Key Assumptions And Methods

Key Assumptions	
Annual Investment Return	6.00%
Annual Tuition Growth	
2015-16	(5.00%)
2016-17	(10.50%)
2017-18	6.50%
2018-19	6.50%
2019-20	6.00%
2020-21+	5.00%

- Consistent with Chapter 36, Laws of 2015, 3rd Special Legislative Session
 - Assumed negative tuition growth rates for next two academic school years
 - Applied a minimum future payout value of \$117.82 for all unredeemed units at June 30, 2015
- See Appendix in supporting letter for additional information on development of tuition growth assumptions

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Other Considerations

- GET Committee authorized current contract holders the choice to remain in program or request refund on unredeemed units during a specified window
 - Window for optional refunds authorized after the valuation date and will not conclude until December 2016
 - We will include impact of refunds in future actuarial valuation reports after refunds are known
- If the program is permanently closed or terminated, the Washington State Investment Board may change the program's asset allocation
 - Such a change would likely lower the program's funded status

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Questions?



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