



Office of the State Actuary

“Securing tomorrow’s pensions today.”

April 28, 2009

Summary

2009-2011 Pension Budget as Passed by the Legislature

The 2009-2011 pension budget bill (SSB 6161 as amended by the House) that included several changes to pension funding methods and assumptions for all the state’s retirement systems passed the Legislature on April 26, 2009. The changes include:

- ❖ **Change the Plans 1 funding method** from amortizing the Unfunded Actuarial Accrued Liability (UAAL) by June 30, 2024, to amortizing it over a rolling ten-year period. The new funding method also establishes short-term UAAL rate ceilings and higher long-term minimum UAAL rates. The 2009-11 UAAL rates are 63.7 percent lower than those adopted by the Pension Funding Council (PFC).
- ❖ **Suspend the projected mortality improvement assumption changes** for all plans except Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plan 2. The State Actuary recommended and the PFC and the LEOFF Plan 2 Board adopted these assumptions in July 2008.
- ❖ **Lower the general salary increase assumption** from 4.5 percent to 4.0 percent for all plans except LEOFF Plan 2. In July 2008 the PFC adopted a decrease in this long-term economic assumption from 4.5 percent to 4.25 percent, as recommended by the State Actuary. The LEOFF Plan 2 Board did not adopt any change to the general salary increase assumption.
- ❖ **Suspend the minimum contribution rates** adopted by the PFC for all plans except the Washington State Patrol Retirement System (WSPRS). For WSPRS the minimum rates still become effective, but at a lower level.

The following table compares 2009-2011 pension contribution rates under the current policy to rates under the pension budget as passed by the Legislature (SSB 6161).



| 2009-2011 Pension Contribution Rates | | | | | | |
|--------------------------------------|-------------------|-----------|------------------------------------|-------------------|-----------|-------|
| Current Policy | | | SSB 6161 as Passed the Legislature | | | |
| | Employee (Plan 2) | Employer* | State | Employee (Plan 2) | Employer* | State |
| PERS | 4.61% | 7.84% | | 3.89% | 5.13% | |
| TRS | 4.93% | 10.79% | | 3.36% | 5.98% | |
| SERS | 4.00% | 8.12% | | 3.14% | 5.27% | |
| PSERS | 6.94% | 10.06% | | 6.55% | 7.68% | |
| LEOFF | 8.45% | 5.07% | 3.38% | 8.45% | 5.07% | 3.38% |
| WSPRS | 6.95% | 8.57% | | 4.85% | 6.17% | |

*PERS, TRS, SERS, and PSERS employer rates include Plan 1 UAAL rates.

The tables below compare estimated 2009-2011, 2011-2013, and 2009-2034 pension contributions under the current policy to those under the pension budget as passed by the Legislature (SSB 6161).

| (Dollars in Millions) | Current Policy | SSB 6161 as Passed the Legislature |
|-----------------------|----------------|------------------------------------|
| 2009-2011 | | |
| General Fund | \$1,167 | \$738 |
| Non-General Fund | 425 | 279 |
| Total State | \$1,593 | \$1,017 |
| Local Government | 1,370 | 918 |
| Total Employer | \$2,963 | \$1,936 |
| Total Employee | \$1,079 | \$936 |

| (Dollars in Millions) | Current Policy | SSB 6161 as Passed the Legislature |
|-----------------------|----------------|------------------------------------|
| 2011-2013 | | |
| General Fund | \$1,318 | \$1,449 |
| Non-General Fund | 466 | 512 |
| Total State | \$1,783 | \$1,962 |
| Local Government | 1,527 | 1,670 |
| Total Employer | \$3,310 | \$3,632 |
| Total Employee | \$1,176 | \$1,176 |



| <i>(Dollars in Millions)</i> | Current Policy | SSB 6161 as Passed the Legislature |
|------------------------------|-----------------|------------------------------------|
| 2009-2034 | | |
| General Fund | \$31,732 | \$32,828 |
| Non-General Fund | 11,845 | 12,193 |
| Total State | \$43,577 | \$45,022 |
| Local Government | 37,156 | 38,252 |
| Total Employer | \$80,733 | \$83,274 |
| Total Employee | \$37,438 | \$37,579 |

For additional information, please see the actuarial fiscal note for SSB 6161 as passed by the Legislature.

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