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Law Enforcement Officers' & Firefighters' Plan 2 Retirement Board
P.O. Box 43113
Olympia, Washington 98504-3113

Chairman Fox and Members of the Board:

There follow the results of our actuarial review of the LEOFF 2 contribution rate increases contained in the Fiscal Note for HB 1205 (granting certain Fish and Wildlife Law Enforcement Officer's membership in LEOFF 2).

Background

HB 1205 provided prospective membership in LEOFF 2 for employees who were members of PERS 2 or PERS 3 on or before January 1, 2003 and employed on the effective date of the Act as Fish and Wildlife Law Enforcement Officers. The effective date of HB 1205 was July 27, 2003.

The Fiscal Note for HB 1205 was written by the Office of the State Actuary (OSA). It provided the impact of HB 1205 on LEOFF 2 contribution rates as of the last statutory valuation date (September 30, 2001). A comparison of the current and recommended contribution rates is shown below.

	LEOFF 2 Contribution Rates:		
	Current	HB 1205 Increase	New
Employee	5.05%	0.02%	5.07%
Employer	3.03%	0.01%	3.04%
<u>State General Fund</u>	<u>2.02%</u>	<u>0.01%</u>	<u>2.03%</u>
Total	10.10%	0.04%	10.14%

If adopted, the estimated date for implementation of the new contribution rates is February 1, 2004.

Results of Review

Member Data

Based on identifying information supplied by the Department of Fish and Wildlife, the Office of the State Actuary pulled data records from the September 30, 2001 valuation dataset for Fish and Wildlife Law Enforcement Officers eligible for transfer to LEOFF 2. Based on a general review and assuming that the correct officers were identified by the Department of Fish and Wildlife, information contained in the dataset appears reasonable.

Methodology

We reviewed the methodologies and assumptions contained in the fiscal note and consider them appropriate. The approach used was reasonable and consistent with accepted actuarial theory.

Contribution Rates

We independently calculated the increases in the LEOFF 2 Actuarial Present Value of Projected Benefits and contribution rates for HB 1205. The results of our calculations agreed with both the increase in the LEOFF 2 Actuarial Present Value of Projected Benefits (\$8 million) and the recommended LEOFF 2 contribution rates contained in the fiscal note.

Conclusions

Contribution rates shown in the Fiscal Note were produced in accordance with Generally Accepted Actuarial Standards and Actuarial Standards of Practice and are appropriate for the funding of LEOFF 2 with an estimated implementation date of February 1, 2004.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely,

Marilyn M. Oliver, F.S.A., M.A.A.A.
Actuary and Principal
Oliver Consulting
Contractor

Neela Ranade, F.S.A., M.A.A.A.
President
BlueStar Consultants
Peer Review

Cc.
Steve Nelsen, Interim Director
Matthew M. Smith, State Actuary

Rounding of LEOFF 2 Contribution Rates

Procedure:

According to the current funding policy for LEOFF 2, 50% of the total cost of the plan is paid by employees and the remainder is paid by employers and the state.

The total contribution rate before rounding is multiplied by 50% for the employee portion and then rounded to the nearest .01%. The total contribution rate before rounding is multiplied by 20% for the state portion and then rounded to the nearest .01%. The difference between the rounded employee rate and the rounded state rate is set equal to the rounded employer rate.

This method ensures that the combined employer and state rate is the same as the employee rate.

Supplemental Rate Increase for HB 1205 (2003 session):

The actual rate increase for the prospective transfer of Fish and Wildlife Enforcement Officers into LEOFF 2 was 0.036048724% or 0.036% for the purpose of discussing rounding. The table below shows this rate allocated to the employee, employer and state under the procedure outlined above:

	% Allocated	Rate Before Rounding	Rate After Rounding
Employee	50%	.0180%	.02%
Employer	30%	.0108%	.01%
State	20%	.0072%	.01%