



2007-2009 Rate Setting

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Outline



- Background
- Previous Board rate-setting decisions
- Next steps for 2006
- Decisions

distance $(q) = r \cdot \cos \frac{1}{2} \nu$, or \dots we have $N = \dots$
~~fact we have~~ $\frac{N-25654}{(N-7)}$ \neq $\frac{N-510}{(N-7)}$ \neq $\frac{N-510}{(N-7)}$
Log. $\cos \frac{1}{2} \nu$ \dots $\frac{N-25654}{(N-7)}$ \neq $\frac{N-510}{(N-7)}$ \neq $\frac{N-510}{(N-7)}$
Log. \dots $\frac{N-25654}{(N-7)}$ \neq $\frac{N-510}{(N-7)}$ \neq $\frac{N-510}{(N-7)}$

Background



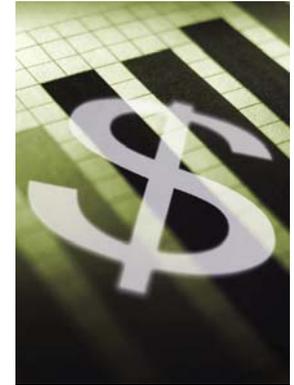
- Board adopts two types of contribution rates
 - Basic rates; and
 - Supplemental rates

Basic Rates



- Adopted from the results of an odd-year actuarial valuation (2005, 2007, ...)
- That valuation is audited
- Rates apply for the ensuing biennium

Supplemental Rates



- Temporary rate increases to fund the cost of benefit improvements not included in basic rates
- Added to basic rates during the next basic rate setting cycle

Previous Rate-Setting Decisions



- Four-year rate phase-in
- Contribution rate floor (minimum contribution rates)
- 2006 supplemental contribution rates

Rate Phase-In



- Board adopted a four-year phase-in schedule for 2005-09
- Implements a schedule of four years of annual (smooth) rate increases
 - Combination of current and projected rates
- Basic rates are typically fixed for the biennium
 - Two years of the same rate

Contribution Rate Floor



- Board adopted a contribution rate floor
 - Ninety percent of the plan's normal cost under the Entry Age Normal Cost (EANC) method
- Effective July 1, 2009, (2007 valuation)
- EANC is the expected long-term annual cost of the plan ignoring short investment gains/losses

2006 Supplemental Rates



- Adopted in May
- Includes the cost of benefit improvements passed during the 2006 Legislative session
- Supplemental rates will be included in the basic rates for 2007-09

Next Steps



- Board receives preliminary results of 2005 actuarial valuation (August)
- Board receives 2005 actuarial audit report (August/September)
- Board adopts 2007-09 basic rates (September)

Decisions



- Decisions to be made by September
 - Retain 2007-09 rates from original four-year phase-in schedule including 2006 supplemental rates?
 - Update phase-in schedule with results of 2005 actuarial valuation?
 - Extend schedule through 2011?
 - Is current contribution rate floor still appropriate?