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## **2010 Supplemental Contribution Rates**



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### **Today's Presentation**

- Preview of supplemental rates
- Options
- Next steps
- No Board action required today



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### What Are Supplemental Rates?

- Triggered by benefit improvements
- Benefit improvements increase the cost of plan benefits
- Supplemental contribution rates provide temporary funding until the cost is reflected in the next rate-setting valuation
- 2010 supplemental rates would apply from September 1, 2010, through June 30, 2011



### 2010 Benefit Improvements

- Pension
  - Addressing Duty-Related Death Benefits for Public Safety Employees (EHB 2519)
  - Shared leave (SB 6453)
- Medical
  - Catastrophic Disability Medical Insurance (SHB 1679)
- Board will adopt separate rates for medical benefits under new 401(h) account



### Rate Increases For 2010 Pension Improvements\*

Rate Increase from EHB 2519	
Member	0.05%
Local Employer	0.03%
State	0.02%

*\* The cost of SB 6453 (shared leave) does not increase contribution rates in the next biennium.*



### Options

- Maintain current rates (Option A)
- Increase rates by change in minimum rates (Option B)
- Increase rates by change in Aggregate contribution rates (Option C)



### Analysis Of Options – Option A

- Maintain current rates
  - Includes 2009 supplemental rate increase
- Currently contributing at 100% of Entry Age Normal Cost (EANC)
  - Underlying Aggregate rates below 90% of EANC (minimum rate)
- Aggregate rates remain below minimum after benefit improvements
- Not consistent with fiscal note and not consistent with past Board practices



### Analysis Of Options – Option B

- Increase rates by change in minimum rates
  - 100% of change in EANC rates
- Current minimum rate increased due to benefit improvements
- Contribution rate increases under this option
  - Member = 0.06 percent
  - Local Employer = 0.04 percent
  - State = 0.02 percent
- Not consistent with fiscal note and not consistent with past Board practices



### Analysis Of Options – Option C

- Increase rates by change in Aggregate contribution rates
- Contribution rate increases under this option
  - Member = 0.05 percent
  - Local Employer = 0.03 percent
  - State = 0.02 percent
- Consistent with fiscal note and past Board practices



### Total Contribution Rates With Supplemental Rates

	Option A	Option B	Option C
Member Rate	8.46%	8.52%	8.51%
Local Employer Rate*	5.24%	5.28%	5.27%
State Rate	3.38%	3.40%	3.40%

\* Includes administrative expense rate of 0.16%. Effective September 1, 2010, through June 30, 2011.



### Next Steps

- Adopt supplemental contribution rates by July 31, 2010
- Coordinate with rate adoption for 2011-13?
- DRS provides 30-day notice to employers
- Rates become effective September 1, 2010

