



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329

May 29, 2008

The Honorable Christine Gregoire
Washington State Governor
Mail Stop 40002
Olympia, WA 98504 - 0002

Dear Governor Gregoire:

Initiative 790 created the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board, and requires the Board to submit an annual actuarial funding status report to the Governor and the Legislature.

The Department of Retirement Systems (DRS) produces a *Comprehensive Annual Financial Report* that includes the funding status of each retirement fund, including LEOFF Plan 2. The current DRS report uses the final audited market value of LEOFF Plan 2 assets as of the end of the 2007 fiscal year. The solvency test for LEOFF Plan 2 that was published in the current DRS report indicates that LEOFF Plan 2 is fully funded. A copy of the solvency test is copied below.

| Solvency Test: LEOFF Plan 2 | | | | | | | | |
|--|----------------------|--------------------|------------------|------------------|---|----------------------|------------------|------------------|
| (dollars in millions) | | | | | | | | |
| Accrued Liabilities (Aggregate Cost Method) | | | | | Portion of Accrued Liabilities Covered by Assets | | | |
| | (1) | (2) | (3) | (1+2+3) | | (1) | (2) | (3) |
| Valuation | Active | Inactive | Excess | Total | Valuation | Active | Inactive | Excess |
| Date | Member | Members | Accrued | Accrued | Assets | Members | Members | Accrued |
| | Contributions | Liabilities | Liability | Liability | | Contributions | Liability | Liability |
| 9/30/06 | \$1,087.8 | \$355.6 | \$2,400.3 | \$3,843.8 | \$3,843.8 | 100% | 100% | 100% |
| 9/30/05 | 980.4 | 264.7 | 2,084.0 | 3,329.1 | 3,329.1 | 100% | 100% | 100% |
| 9/30/04 | 896.4 | 192.7 | 1,858.2 | 2,947.3 | 2,947.3 | 100% | 100% | 100% |
| 9/30/03 | 820.0 | 137.2 | 1,783.2 | 2,740.4 | 2,740.4 | 100% | 100% | 100% |
| 12/31/02 | 750.8 | 99.9 | 1,795.3 | 2,646.0 | 2,646.0 | 100% | 100% | 100% |
| 12/31/01 | 686.8 | 72.1 | 1,816.7 | 2,575.6 | 2,575.6 | 100% | 100% | 100% |

Source: Washington State Office of the State Actuary

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2007 Actuarial Funding Status Report
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I have enclosed a copy of the *2006 LEOFF Plan 2 Actuarial Valuation Report* prepared by the Office of the State Actuary (OSA), which also analyzed the funding ratio of LEOFF Plan 2. The OSA valuation uses the Credited Projected Liability actuarial reporting method as required by the Government Accounting Standards Board. The OSA report found that LEOFF Plan 2 had a credited projected liability of \$3,323 million and assets of \$3,844 million for a funding ratio of 116%. This ratio compares favorably to similar funds in the United States.

I hope that you find this report useful. Please feel free to contact me at (360) 586-2320 or at steve.nelsen@leoff.wa.gov, if you have any questions or would like additional information.

Sincerely,

Steve Nelsen
Executive Director

Enclosure

cc: The Honorable Helen Sommers
House Appropriations Committee Chair
Mail Stop 40600

The Honorable Margarita Prentice
Senate Ways and Means Committee Chair
Mail Stop 40418

Victor Moore, Director
Office of Financial Management
Mail Stop 43113