

February 2, 2005

The Honorable Christine Gregoire
 Washington State Governor
 Mail Stop 40002

The Honorable Helen Sommers
 House Appropriations Committee Chair
 Mail Stop 40600

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

Dear Governor Gregoire, Representative Sommers and Senator Prentice:

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 2004 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			
Valuation Date	(1) Active Member Contributions	(2) Inactive Members Liabilities	(3) Excess Accrued Liability	(1+2+3) Total Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$820.0	\$137.2	\$1,783.2	\$2,740.4	\$2,740.4	100%	100%	100%
9/30/02	750.8	99.9	1,795.3	2,646.0	2,646.0	100%	100%	100%
9/30/01	686.8	72.1	1,816.7	2,575.6	2,575.6	100%	100%	100%
12/31/00	650.3	55.2	1,753.8	2,459.3	2,459.3	100%	100%	100%
12/31/99	568.8	38.7	1,555.4	2,162.9	2,162.9	100%	100%	100%
12/31/98	511.5	33.3	1,227.2	1,772.0	1,772.0	100%	100%	100%

Source: Washington State Office of the State Actuary

2004 Actuarial Funding Status Report

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I have enclosed a copy of the *2003 LEOFF Plan 2 Actuarial Valuation Report* prepared by the Office of the State Actuary (OSA) in October 2004, 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 \$2,194 million and assets of \$2,740 million for a funding ratio of 125%. 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