



PROPOSED 2009 INTERIM ACTUARIAL WORK PLAN

Chris Jasperson, ASA, MAAA

Associate Pension Actuary

Matt Smith, FCA, EA, MAAA

State Actuary



Office of the State Actuary

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Potential Interim Actuarial Projects

- Things for Board to adopt - Required
 - Economic assumptions
 - Supplemental rates
 - Administrative factors
- Things for OSA to study - Optional
 - Actuarial study of current disability and death benefits
- Other topics
 - Interim pricing proposals
 - 2008 Actuarial Valuation Report (AVR)
 - Alternate revenue follow-up

future?



What Is An Economic Experience Study?

- Review of current long-term economic assumptions
 - How do they compare with actual experience?
 - Do they need to change?
- Assumptions help us estimate
 - Today and tomorrow's value of
 - Benefits
 - Contributions
 - Assets



Why Do We Perform Them?

- Things change
- Ensure assumptions remain reasonable
 - Reasonable assumptions contribute to reasonable funding
- Important part of systematic actuarial funding
- Risk management



How Do We Perform Them?

- They're data driven
 - Over 75 years of experience in some cases
- They also involve professional judgment
 - Past not always the best predictor of future
- Because they involve professional judgment and expertise
 - You hire an actuary to perform study and make recommendations
 - You can hire an outside actuary to review reasonableness



Economic Experience Study – PFC Timeline

- OSA prepares and recommends by September 1
- PFC adopts by October 31
- Past Board action coordinated with PFC



Session Recap – Bills affecting LEOFF 2

- HB 1548 – Military Service Credit
- HB 1551 – Military Death Benefit
- HB 1678 – Duty-Disability Reclassification
- SHB 1953 – F&W Enforcement Officer Service Credit Transfer
- EHB 1616 – Domestic Partners
- E2SSB 5688 – Domestic Partners



What are Supplemental Rates?

- Rate increase to fund new benefit improvements
- Rolls into ongoing rates with next rate setting cycle
- Typically audited by an outside actuary



Supplemental Rate Adoption

- Supplemental rate effective: September 1, 2009
- Board adopts supplemental rates by July 31
 - DRS requires 30 days to communicate rates to employers
- Additional time for potential audits



What Are Administrative Factors?

- Members have choices/options to purchase service and select payment forms
- Choices are member funded
- Administrative factors set the value of the choices equal
 - Actuarial equivalence



Changing Administrative Factors

- New demographic assumptions from 2008 demographic experience study
- Factors need to change to maintain actuarial equivalence of future choices/options
- Board has authority to adopt factors
 - First opportunity for Board to use authority - this interim
- Coordinate with DRS



Considerations/Decisions

- Balance between actuarial equivalence (accuracy) and DRS implementation (administrative ease)
 - Changes to improve accuracy can make administration more difficult
- Some assumptions differ from other plans
 - Projected mortality improvements
 - General salary increase assumption
- Potential changes from Economic Experience Study



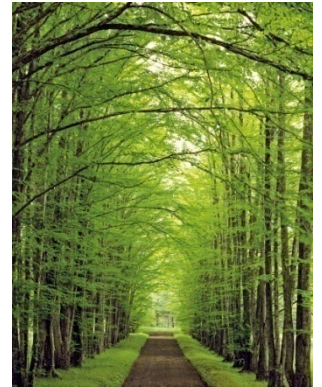
Administrative Factors – Next Steps

- Establish timeline
- Preview factors
- Coordinate with DRS
 - Planning to adopt most factors for other plans effective July 1



Actuarial Study of Current Disability/Death Benefits

- Step back
 - Where you are now
 - Where you're going
- OSA study
 - Review the model
 - Review the assumptions
 - Work with outside actuary



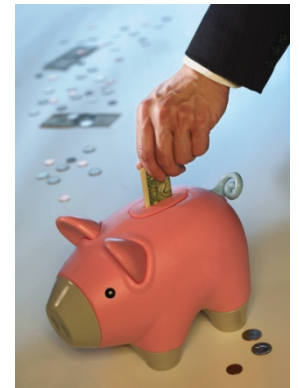
Current Actuarial Models

- Complicated
 - Layered
 - Cross-over
- Is there a more effective way to model these benefits?
- Can the current model accommodate more change?



Current Assumptions

- Limited historical data
- Actual experience may take several years to materialize
- Review demographic assumptions in a couple of years - before next demographic experience study
- Can we incorporate the data we have now?
- Will we need new assumptions with a new model?



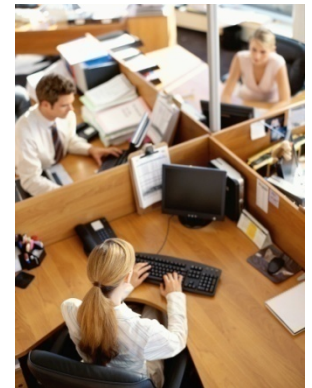
How to Proceed

- Board guidance on future policy direction
 - Allow model to anticipate changes
- OSA would need to define
 - Goals of study
 - Resources
 - Timelines



Interim Actuarial Topics

- Things to adopt - Required
 - Economic assumptions
 - Supplemental contribution rates
 - Administrative factors
- Things to study - Optional
 - Actuarial study of current disability and death benefits
- Honorable Mentions
 - Interim Pricing Proposals - TBD
 - 2008 AVR
 - Alternate Revenue Follow-up





Questions?



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