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## 2009 Preliminary Actuarial Valuation Results


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### Today's Presentation

- Purpose of the 2009 Valuation
- Comments on 2009 results
- Changes since last valuation
- Projected contribution rates
- Next steps
- No Board action needed today





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### June 30, 2009, Actuarial Valuation Report

- Contribution rate-setting valuation
  - Board adopts rates for ensuing biennium
- Calculate contribution rates to adequately fund future benefits
  - Update data and assets
  - Include 2010 legislation
- Check funding progress
- Ensure underlying assumptions remain reasonable
- A "single point-in-time" or snap-shot

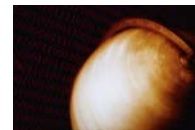


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### Comments On 2009 Results

- -22.84 percent return on market value of assets
- 5.72 percent return on actuarial value of assets
- Required member contribution rates increased from 7.23 percent to 7.33 percent
- Funded status decreased from 133 percent to 129 percent
- Experience study performed for disability assumption



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### Changes In Participant Data From Last Valuation

LEOFF 2	2008	2009
Number of actives	16,626	16,951
Average annual salary	\$80,889	\$85,097
Average attained age	41.2	41.6
Average service	12.3	12.7
Number of annuitants	1,134	1,367



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### Liabilities Updated

- Includes updated participant data
- Includes 2010 pension legislation
  - Addressing Duty-Related Death Benefits for Public Safety Employees (EHB 2519, C 261 L 10)
- Excludes medical benefits
  - 2010 legislation for Catastrophic Disability Medical Insurance (SHB 1679, C 259 L 10)
  - Liabilities for PEBB survivor benefits removed from 2009 valuation
  - 401(h) rate adopted separately



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## Changes In Liabilities From Last Valuation

LEOFF 2		
(\$ in millions)	2008	2009
Present Value of fully projected benefits*	\$6,596	\$7,366
Projected Unit Credit liability**	\$3,786	\$4,325
Valuation interest rate	8.00%	8.00%

\*Today's value of all future plan benefits for current members.

\*\*Today's value of all future plan benefits that have been earned by current plan members.



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## Update Asset Values

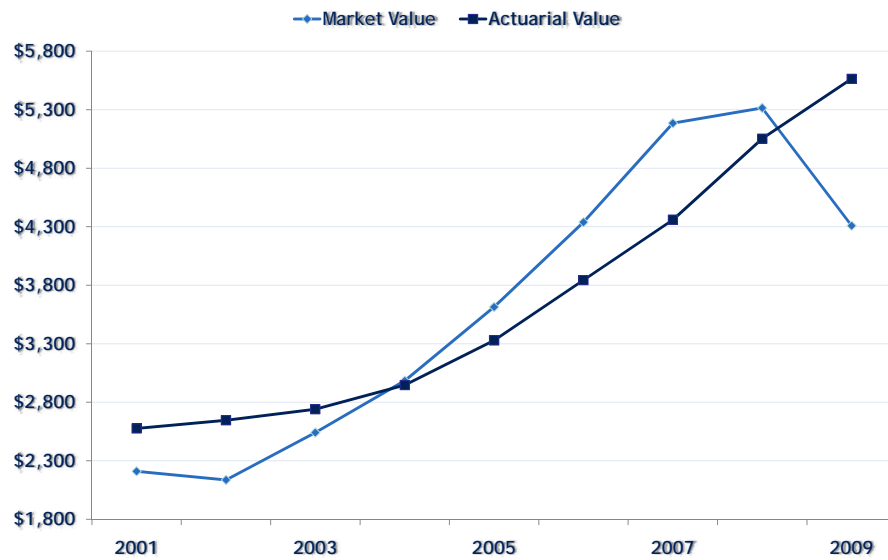
- Market Value of Assets (MVA) reported by WSIB
- Calculate 2009 asset gain (or loss) based on 8 percent expected return
- Develop Actuarial Value of Assets (AVA) by smoothing past and current asset gains (or losses)
  - Smooth gain (or loss) over a period up to eight years
  - AVA limited to 30 percent "corridor" around MVA
  - Smoothing method reduces contribution rate volatility



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### A Comparison Of Market And Actuarial Value Of Assets



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### Changes In Assets From Last Valuation

LEOFF 2		
(\$ in millions)	2008	2009
Actuarial value (AV)	\$5,053	\$5,564
Market value (MV)	\$5,315	\$4,309
Ratio (AV ÷ MV)	95%	129%
Contributions less disbursements*	\$200	\$216
Investment return	(\$70)	(\$1,223)
Return on assets**	(1.22%)	(22.84%)

\*Includes transfers, restorations, and payables.

\*\*Time-weighted return on market value of assets.



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## Background on Contribution Rates

- Start with rate calculated under Aggregate funding method
  - "Aggregate" rates
- Apply minimum (rate floor)
  - "Minimum" rates



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## Minimum Rates

- Based on 90 percent of normal cost under Entry Age Normal funding method
  - Entry age normal cost (EANC)
- EANC represents long-term cost of plan if
  - benefits don't change
  - all assumptions are realized
- Board adopted contribution rates for 2011-13 based on 100 percent of EANC
  - Rates adopted for two biennia (8.45 percent)
  - Policy decision to provide rate stability



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## 2011-13 Contribution Rates

- 2011-13 required contribution rates include
  - rate floor (90 percent EANC)
  - 2010 pension legislation

LEOFF 2		
Member Rates	2008	2009
Aggregate Rate	4.68%	5.21%
EANC Rate	8.03%	8.14%
90% EANC Rate	7.23%	7.33%



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## Why Did Contribution Rates Change?

- Major sources of gain/loss
  - Growth in membership; increased rates
  - Asset loss; increased rates
  - Disability assumption changes; increased rates
  - Additional contributions from "minimum rates"; decreased rates
- All sources of gain/loss reported in final AVR



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## Funded Status Is A Measure Of Plan Health

- Funded status =
 

Actuarial Value of Assets  
 divided by  
 Today's Value of Earned Benefits
- If the funded status exceeds 100 percent, the plan has more than \$1 of assets for every \$1 of earned benefits



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## Changes In Funded Status From Last Valuation

LEOFF 2		
(\$ in millions)	2008	2009
Projected Unit Credit liability*	\$3,786	\$4,325
Actuarial value of assets	\$5,053	\$5,564
Unfunded liability	(\$1,266)	(\$1,239)
Funded status	133%	129%

*\*This method is used for reporting the plan's funded status and is not used for calculating required contribution rates.*

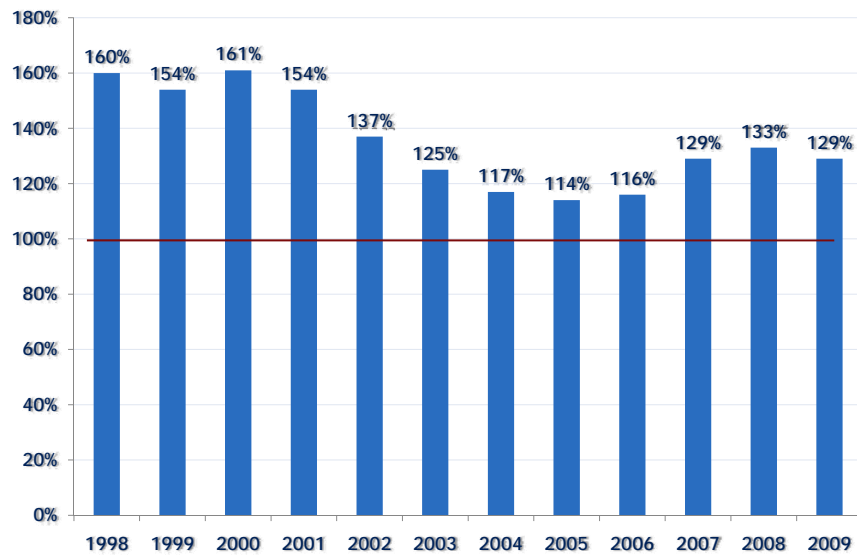


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### Historical Funded Status



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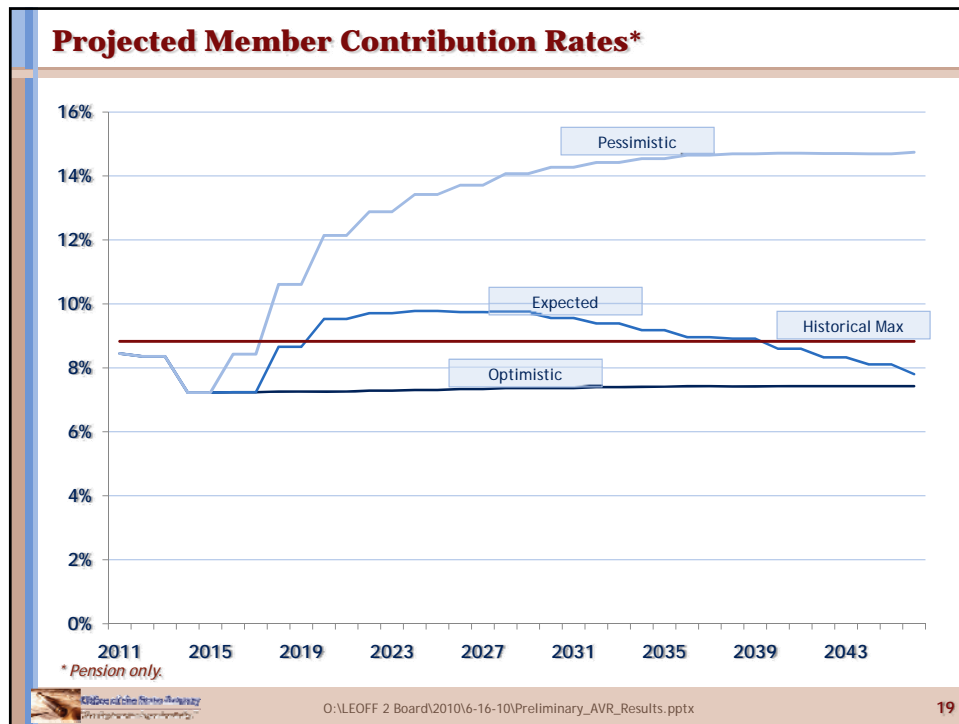
### Actuarial Valuation Results Are Snapshot In Time

- Measurement based on a "single point-in-time"
- Things will change in the future
- Full effects of Great Recession will emerge over time
- Consider where rates are headed before you adopt 2011-13 rates
  - Projected contribution rates



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### Options For Contribution Rate Adoption

- Option 1 - Adopt required contribution rates
- Option 2 - Adopt 100 percent EANC rates
- Option 3 - Take no action (maintain current rates for 2011-13)
- Option 4 - Adopt current rates for 2011-17

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### Preliminary Member Contribution Rates

	Option 1	Option 2	Option 3	Option 4
Member Rate	2011-13	2011-13	2011-13	2011-17
Pension Rate	7.33%	8.14%		
Estimated 401(h) Rate*	0.09%	0.09%		
Total	7.42%	8.23%	8.45%	8.45%

*\*Final rates will be calculated following adoption of disability assumptions and funding policy decisions.*



### Preliminary Local Employer Contribution Rates

	Option 1	Option 2	Option 3	Option 4
Local Employer Rate	2011-13	2011-13	2011-13	2011-17
Pension Rate	4.40%	4.88%		
Estimated 401(h) Rate*	0.06%	0.06%		
Total	4.46%	4.94%	5.07%	5.07%

*\*Final rates will be calculated following adoption of disability assumptions and funding policy decisions.*



### Preliminary State Contribution Rates

	Option 1	Option 2	Option 3	Option 4
State Rate	2011-13	2011-13	2011-13	2011-17
Pension Rate	2.93%	3.26%		
Estimated 401(h) Rate*	0.03%	0.03%		
<b>Total</b>	<b>2.96%</b>	<b>3.29%</b>	<b>3.38%</b>	<b>3.38%</b>

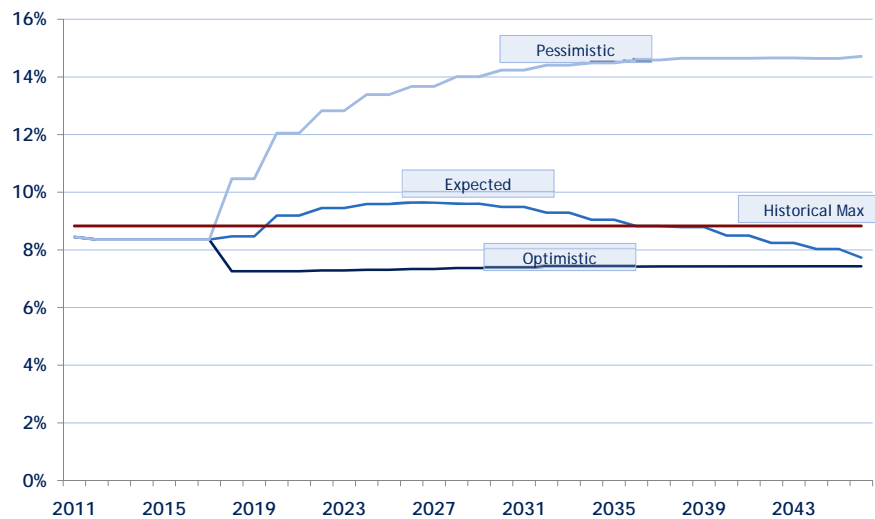
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### Projected Member Contribution Rates – Option 4\*



\* Pension only.



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### Next Steps

- Receive audit report from outside actuary in July
- Receive final valuation results from OSA
- Adopt contribution rates by July 31
  - Pension contribution rates effective July 1, 2011
  - Supplemental contribution rates effective September 1, 2010
  - 401(h) contribution rates pending funding policy decisions

### Questions

