



Preliminary Results of Actuarial Valuation

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Purpose of Valuation



- Determine contribution requirements for LEOFF 2 as of the valuation date September 30, 2005
 - assumes completion of phase-in schedule
 - includes cost of 2006 legislation
 - assumes plan is on-going
- Results should not be used for other purposes
- Results are preliminary and subject to change

Contribution Rates Without Phase-In

LEOFF 2	9/30/2004	9/30/2005
Member	7.60%	8.62%
Employer*	4.57%	5.18%
State	3.03%	3.44%

* Excludes current administrative expense rate of 0.18%.

Contribution Rates to Complete Phase-In Schedule

LEOFF 2	2007-08	2008-09
Member	8.58%	8.77%
Employer*	5.16%	5.27%
State	3.42%	3.50%

* Excludes current administrative expense rate of 0.18%.

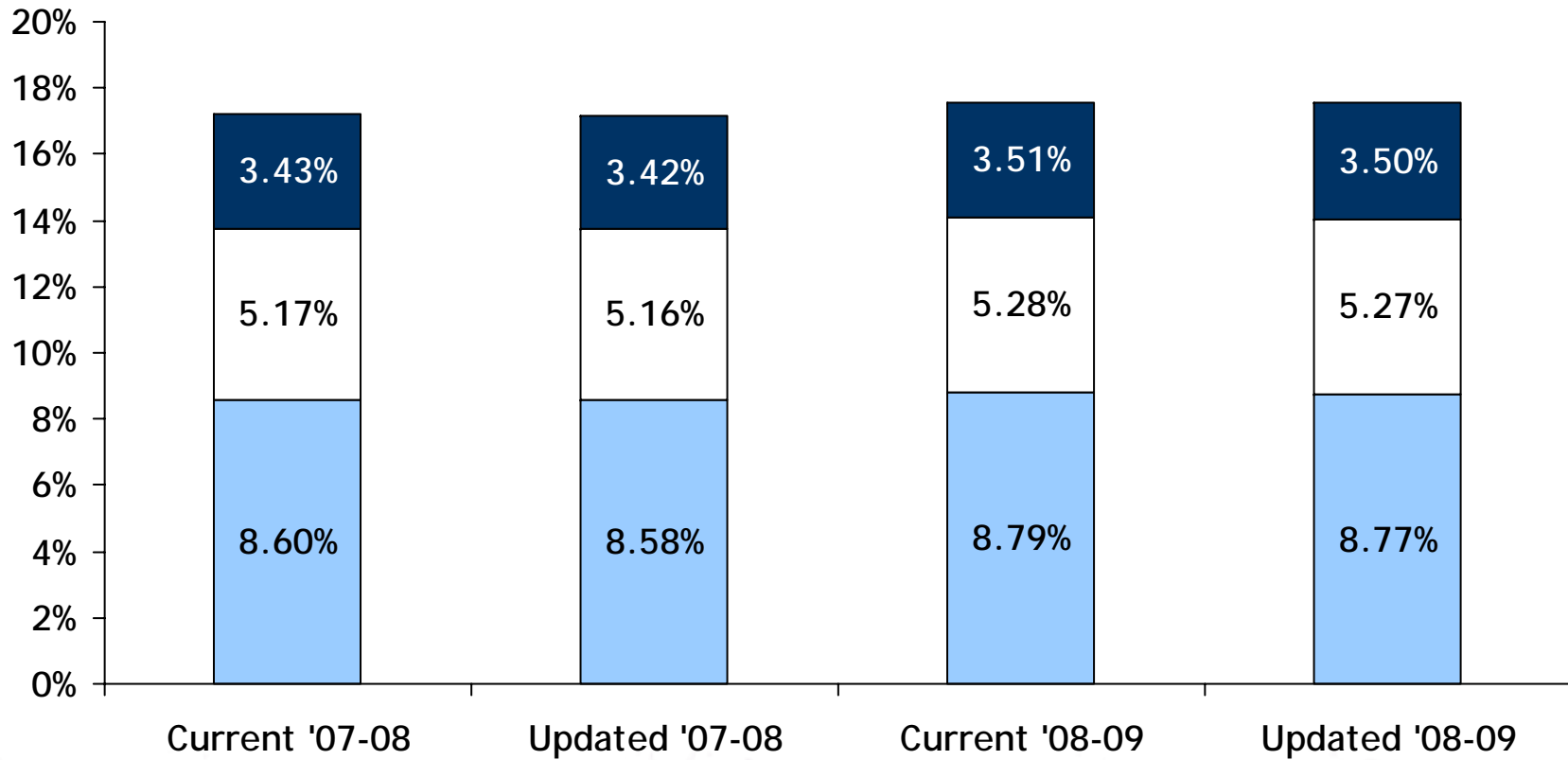
Current Phase-In Schedule

LEOFF 2	2007-08	2008-09
Member	8.60%	8.79%
Employer*	5.17%	5.28%
State	3.43%	3.51%

* Excludes current administrative expense rate of 0.18%.

Comparison of Phase-In Schedules

Member Employer State



Comments on 2005 Results



- 17.55% ROR on market value of assets
- 9.31% ROR on actuarial value of assets
 - due to annual recognition of deferred investment gains/losses
- Conversion to new valuation software
 - associated assumption and method changes
- Projected mortality improvements
 - assumption change
- Funded status dropped from 117% to 111%

Actuarial Liabilities



LEOFF 2	9/30/2004 (\$ in millions)	9/30/2005 (\$ in millions)
PV of fully projected benefits	\$4,800	\$5,602
Unfunded actuarial accrued liability	\$0	\$0
PV of credited projected benefits	\$2,521	\$2,993
Valuation interest rate	8.00%	8.00%

Assets

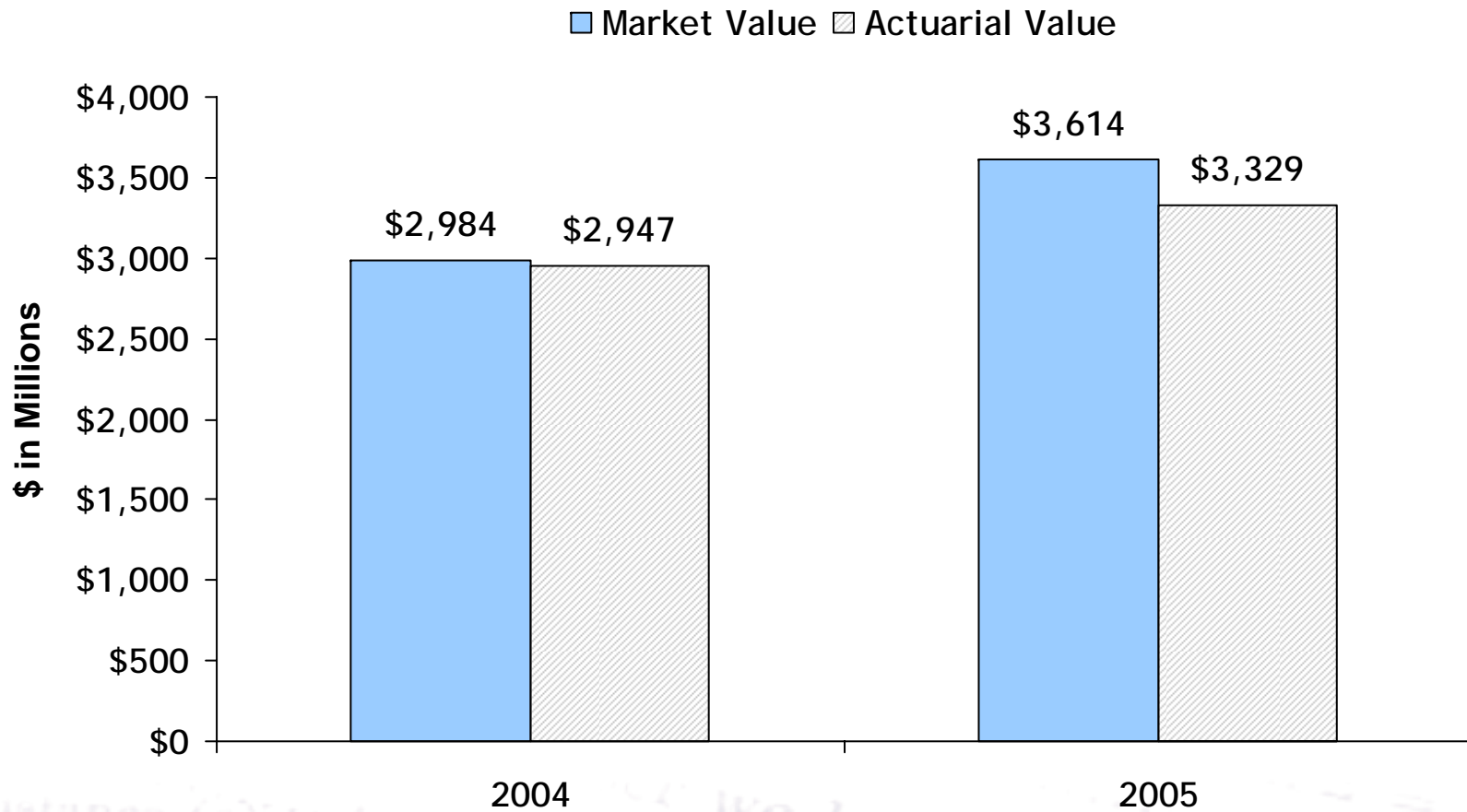


LEOFF 2	9/30/2004 (\$ in millions)	9/30/2005 (\$ in millions)
Actuarial value (AV)	\$2,947	\$3,329
Market value (MV)	\$2,984	\$3,614
Ratio (AV ÷ MV)	99%	92%
Contributions less Disbursements*	\$91	\$102
Investment return	\$351	\$528
Return on assets**	13.64%	17.55%

* Includes transfers, restorations, payables

** Dollar-weighted return on market value of assets

Comparison of Asset Values



Funded Status



LEOFF 2	9/30/2004 (\$ in millions)	9/30/2005 (\$ in millions)
Actuarial value of assets	\$2,947	\$3,329
PV of credited projected benefits	\$2,521	\$2,993
Unfunded credited projected benefits	-\$426	-\$336
Funded ratio	117%	111%

Participant Data



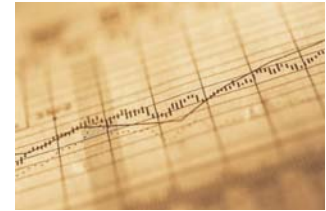
LEOFF 2	9/30/2004	9/30/2005
Number of actives	14,754	15,168
Average annual salary	\$69,098	\$72,015
Average attained age	40.1	40.5
Average service	11.3	11.7
Number of annuitants	432	574

Key Assumptions



Valuation interest rate	8.00%
Salary increase (general)	4.50%
Inflation	3.50%

Key Actuarial Methods



- Aggregate actuarial cost method
- Asset smoothing
 - 30% symmetric market-value corridor
- No changes from last year's valuation

Next Steps



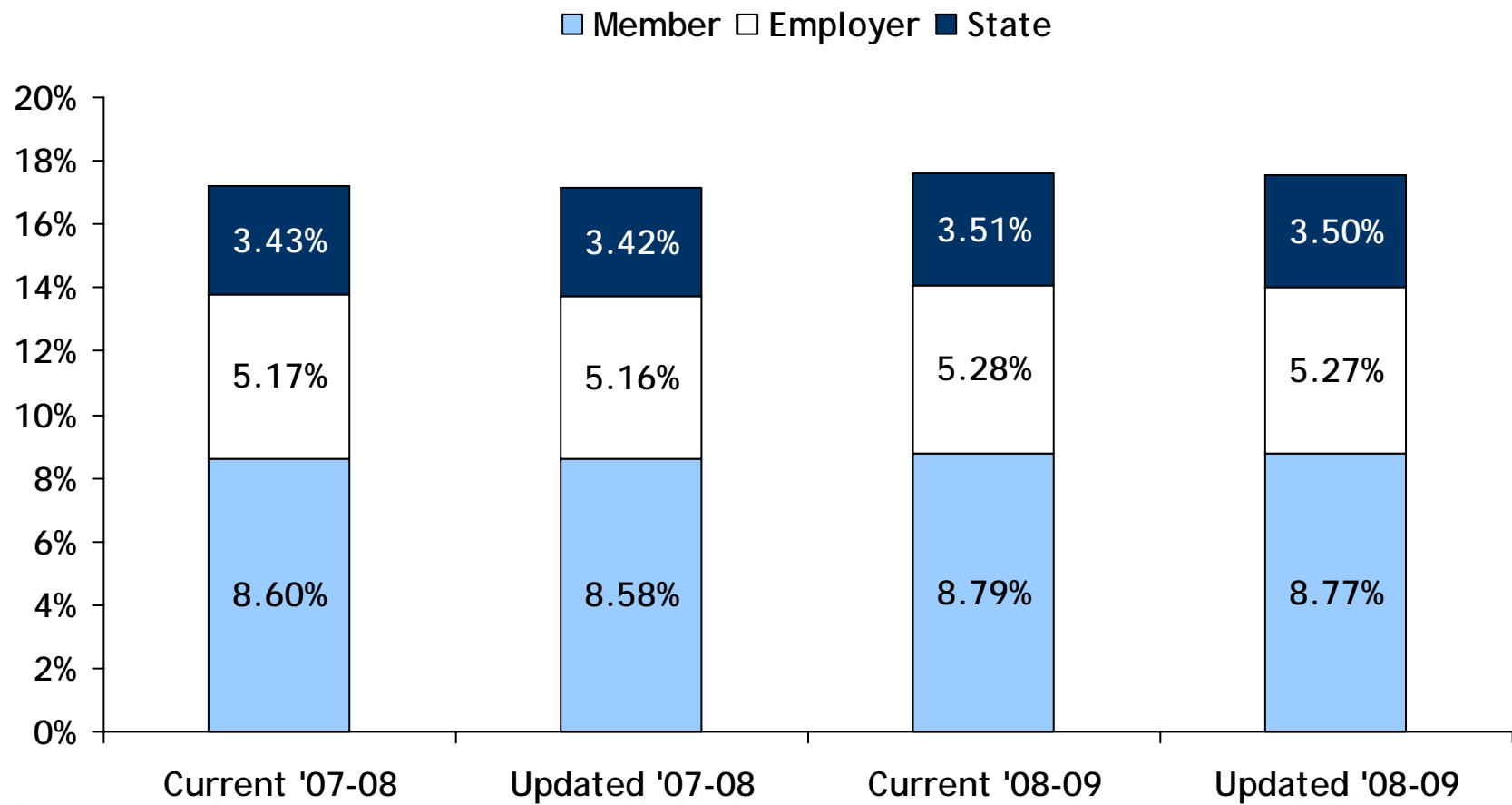
- Board receives preliminary 2005 actuarial audit report
 - Presentation on today's agenda
- Board adopts 2007-09 basic rates in September
- Final 2005 actuarial valuation report available in the Fall

Decisions



- Decisions to be made by September
 - Retain contribution rates from current 2007-09 phase-in schedule including 2006 supplemental rates?
 - Update phase-in schedule with results of 2005 actuarial valuation?
 - Extend schedule through 2011?
 - Is current contribution rate floor still appropriate?

Comparison of Phase-In Schedules



Projected Contribution Rates

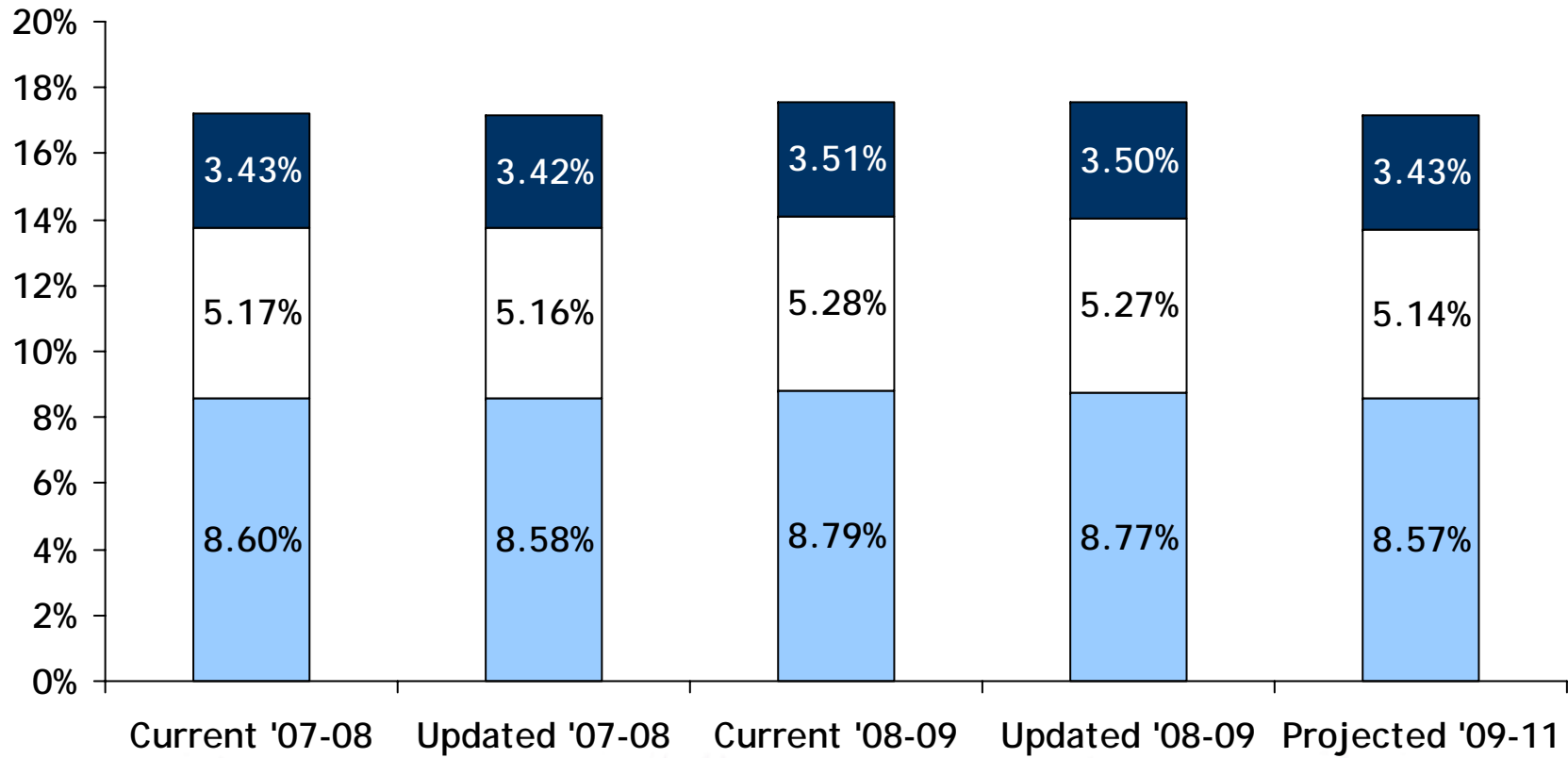


LEOFF 2	09-11 Biennium
Member	8.57%
Employer*	5.14%
State	3.43%

* Excludes current administrative expense rate of 0.18%.

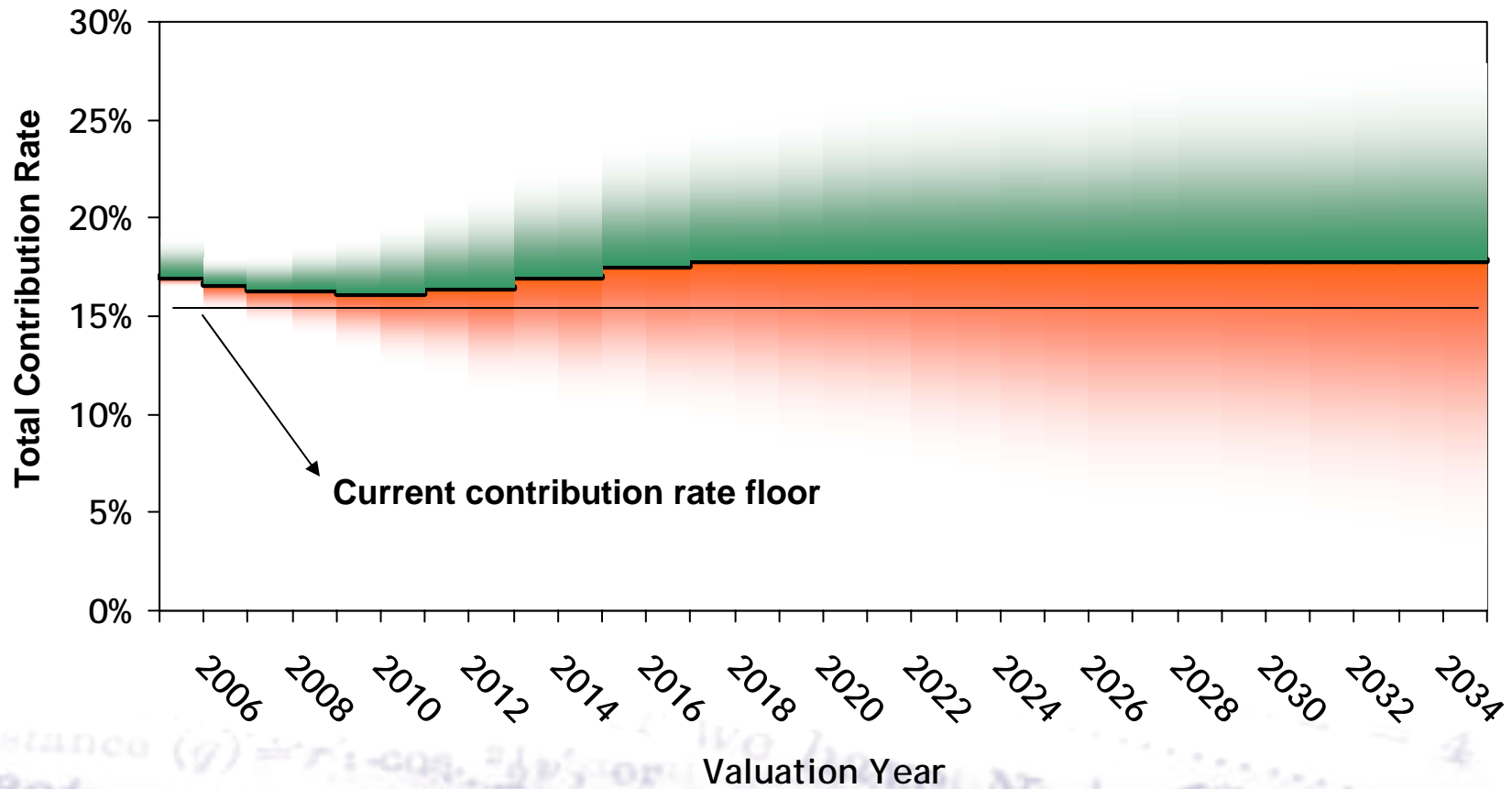
Comparison of Phase-In Schedules

Member Employer State



Stochastic Contribution Rate Projections

Upper Gradient = 75th percentile
Solid Line = 50th percentile
Lower Gradient = 25th percentile



Stochastic Contribution Rate Projections

Upper Gradient = 75th percentile
Solid Line = 50th percentile
Lower Gradient = 25th percentile

