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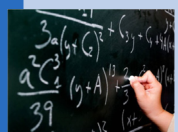

LEOFF 2 2010 Preliminary Actuarial Valuation Results

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Actuary

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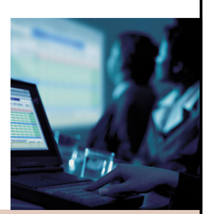
Today's Presentation

- Informational – no Board action needed
- Purpose of the 2010 Valuation
- Summary of 2010 results
- Changes since last valuation
- Closing comments



June 30, 2010, Actuarial Valuation

- Not a contribution rate-setting valuation
- Annual update and check-in
  - Update data, assets, and new legislation
  - Calculate and review contribution rates
  - Check funding progress
  - Ensure underlying assumptions remain reasonable
- A "single point-in-time" or snapshot
- Supports financial reporting requirements
- Base for actuarial pricing and projections

2010 Preliminary Valuation Results

- 13.21 percent return on market value of assets
- Deferred asset losses of $961 million
  - Deferred losses for 2009 were $1,256 million
- Member contribution rates decreased from 7.40 percent to 7.37 percent
  - Current contribution rates remain reasonable
- Funded status decreased from 128 percent to 124 percent
  - Plan remains healthy
- Underlying assumptions remain reasonable

Change In Participant Data From Last Valuation

LEOFF 2	2009	2010
Number of actives	16,951	16,775
Average annual salary	$85,097	$88,828
Average attained age	41.6	42.2
Average service	12.7	13.3
Number of annuitants	1,367	1,639

Update Asset Values

- Market Value of Assets (MVA) reported by WSIB
- Calculate 2010 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

Change In Assets From Last Valuation

LEOFF 2		
(Dollars in Millions)	**2009**	**2010**
Market value (MV)	$4,309	$5,081
Contributions less disbursements*	$216	$204
Investment return	($1,223)	$569
Return on assets**	(22.84%)	13.21%

**Includes transfers, restorations, and payables.*
***Time-weighted return on market value of assets.*

Actuarial Value Of Assets

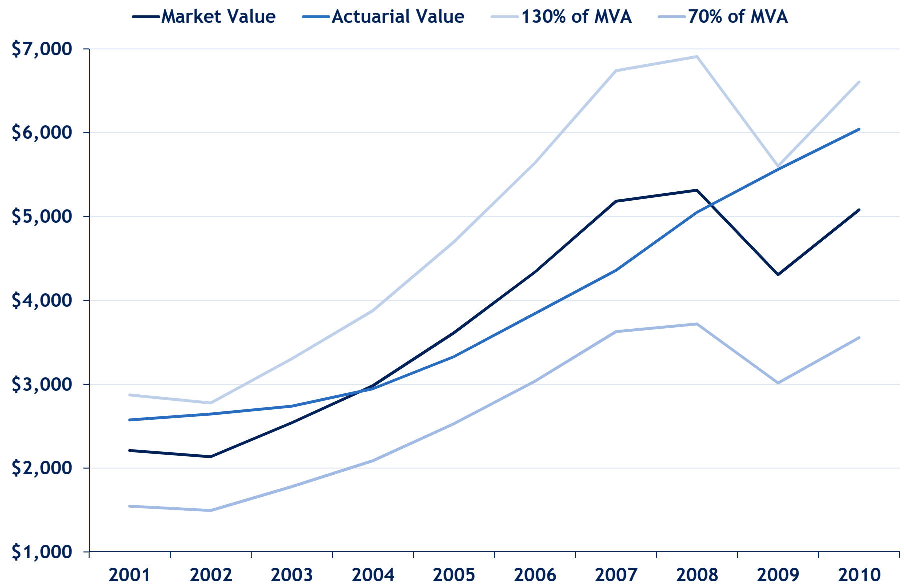
Calculation of Actuarial Value of Assets			
LEOFF 2			
(Dollars in Millions)			2010
Market Value of Assets			$5,081
Deferred Gains and (Losses)			
Plan Year Ending	Years Deferred	Years Remaining	Amount Deferred *
6/30/2010	5	4	175
6/30/2009	8	6	(1,240)
6/30/2008	8	5	(307)
6/30/2007	8	4	232
9/30/2006	8	3	107
9/30/2005	8	2	72
Total Deferral			($961)
Actuarial Value of Assets**			**$6,043**

Note: Totals may not agree due to rounding.

**Amount of asset gains and (losses) left to recognize, or apply, in future valuations.*

***Actuarial Value of Assets can never be less than 70% or greater than 130% of the Market Value of Assets.*

A Comparison Of Market And Actuarial Value Of Assets



Change In Liabilities From Last Valuation

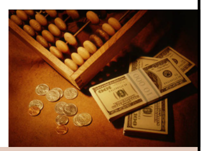
LEOFF 2		
(Dollars in Millions)	**2009**	**2010**
Present Value of fully projected benefits*	$7,394	$7,933
Present Value of earned benefits**	$4,349	$4,863
Valuation interest rate	8.00%	8.00%

**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.*

Background On Contribution Rates

- Calculation requires applying an actuarial funding method
- Board adopted the Aggregate funding method
  - Does not produce a UAAL
- Rate stability added by applying minimum (rate floor) to the calculated Aggregate rates
  - “Minimum” rates



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
- In 2010 Board adopted contribution rates for 2011-17 based on 100 percent of EANC
  - Rates adopted for three biennia (8.46 percent member)
  - Policy decision to provide rate stability

Change In Contribution Rates From Last Valuation

LEOFF 2		
Member Rates*	2009	2010
Aggregate Rate	5.30%	5.45%
90% EANC Rate	7.40%	7.37%
100% EANC Rate	8.22%	8.19%

**Rates include 'add-on' for new legislation.*

Why Did Contribution Rates Change?

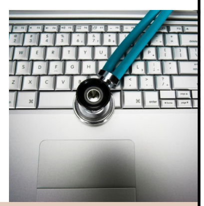
- Annual experience differs from long-term assumptions
  - + experience (gain), contribution rates ⬇
  - - experience (loss), contribution rates ⬆
- Major sources of gain/loss
  - Change in membership; rates ⬆
  - Growth in salaries; rates ⬇
  - Recognition of deferred asset losses; rates ⬆
  - Additional contributions from "minimum rates"; rates ⬇
- All sources of gain/loss reported in final AVR

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
- We consider a plan "healthy" if the funded status > 85 percent

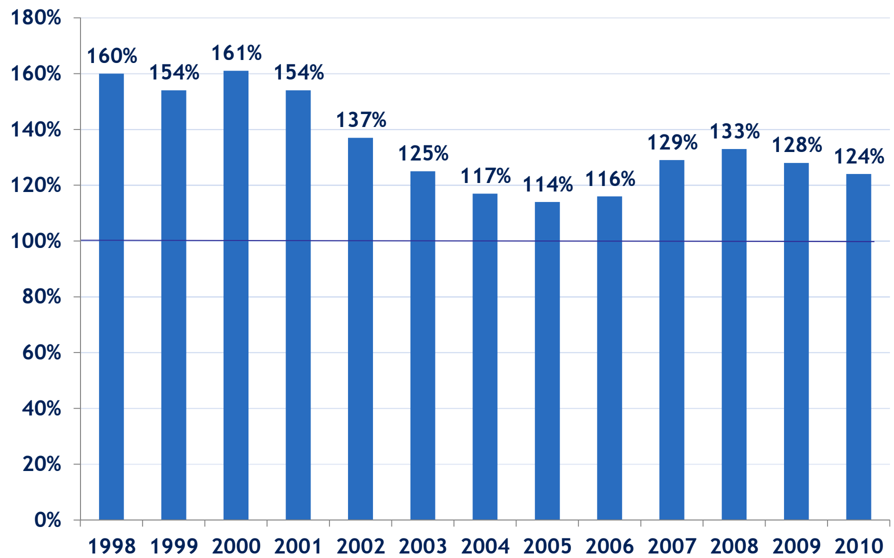


Change In Funded Status From Last Valuation

LEOFF 2		
($ in millions)	2009	2010
Today's value of earned benefits*	$4,349	$4,863
Actuarial value of assets	$5,564	$6,043
Unfunded liability	($1,215)	($1,179)
Funded status	128%	124%

**Calculated using the Project Unit Credit Actuarial Cost Method. We use this method for reporting the plan's funded status but not for calculating Contribution rates.*

Historical Funded Status



Closing Comments

- Current contribution rates remain reasonable
- Current funded status is healthy
- Actuarial valuation is snap-shot in time
- Continue to recognize deferred losses
  - Upward pressure on contribution rates
  - Downward pressure on funded status
- Actuarial projections provide view into the future
  - Available after valuation is finalized

Questions