

# The Pension Funding Process

## LEOFF Plan 2 Retirement Board

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# The LEOFF Plan 2 Retirement Fund

The LEOFF Plan 2 Retirement Fund pays all pension benefits for LEOFF Plan 2 members and their beneficiaries.

The LEOFF Plan 2 Retirement Fund is part of the Commingled Trust Fund invested by the State Investment Board but LEOFF 2 assets are accounted for separately.

# Retirement Funding

Assets are added to the LEOFF Plan 2 Retirement Fund in one of two ways:

- Contributions – Member, Employer, State
- Investment Earnings

# The Rate-Setting Cycle

Base contribution rates for all public pension plans are established on a biennial basis.

- Rates are adopted no later than September 30 in even-numbered years for the following biennium.
- The LEOFF Plan 2 Retirement Board adopts the member, employer & State rates for LEOFF Plan 2.

# Base Contribution Components

Several factors are important in determining the base contribution rate for LEOFF Plan 2.

- Assets in the Retirement Fund
- Projected Liabilities
- Long-Term Economic Assumptions
- Demographic Assumptions
- Actual Experience

# Contribution Rate Adjustments

Base contribution rates can be adjusted in one of two ways:

- The Legislature can change contribution rates.
- A supplemental contribution rate may be charged to pay for benefit increases or other plan changes.

**End of Presentation**

Questions?

# **Statutory Duties of the LEOFF Plan 2 Retirement Board**

## **Background:**

Initiative 790 created the Law Enforcement Officers' and Firefighters' Plan 2 Retirement Board and provided many of the powers and duties of the Board. I-790 was codified as Chapter 2, Laws of 2003. Substitute House Bill 2197 was enabling legislation for I-790 and provided some additional powers. SHB 2197 was codified as Chapter 92, Laws of 2003.

## **The Board is required to:**

- Adopt actuarial tables, assumptions and cost methodologies (I-790)
- Adopt contribution rates for LEOFF Plan 2 (I-790)
- Provide for the design and implementation of increased benefits (I-790)
- Retain professional and technical advisors (I-790)
- Consult with the Department of Retirement Systems for improving benefit administration (I-790)
- Provide an annual actuarial funding status report to the Governor and Legislature (I-790)
- Establish administrative rules and operating policies (I-790)
- Hire an administrative staff and acquire office space (I-790)
- Publish an annual summary of benefits (I-790)
- Be fiduciaries of the plan (I-790)
- Prepare an annual budget (I-790)
- Have an independent CPA annually audit the expenses of the fund (I-790)

## **The Board is authorized to:**

- Recommend benefit changes to the Legislature (I-790)
- Establish an Internet website (I-790)
- Enter into interagency agreements (SHB 2197)
- Execute necessary contracts (SHB 2197)