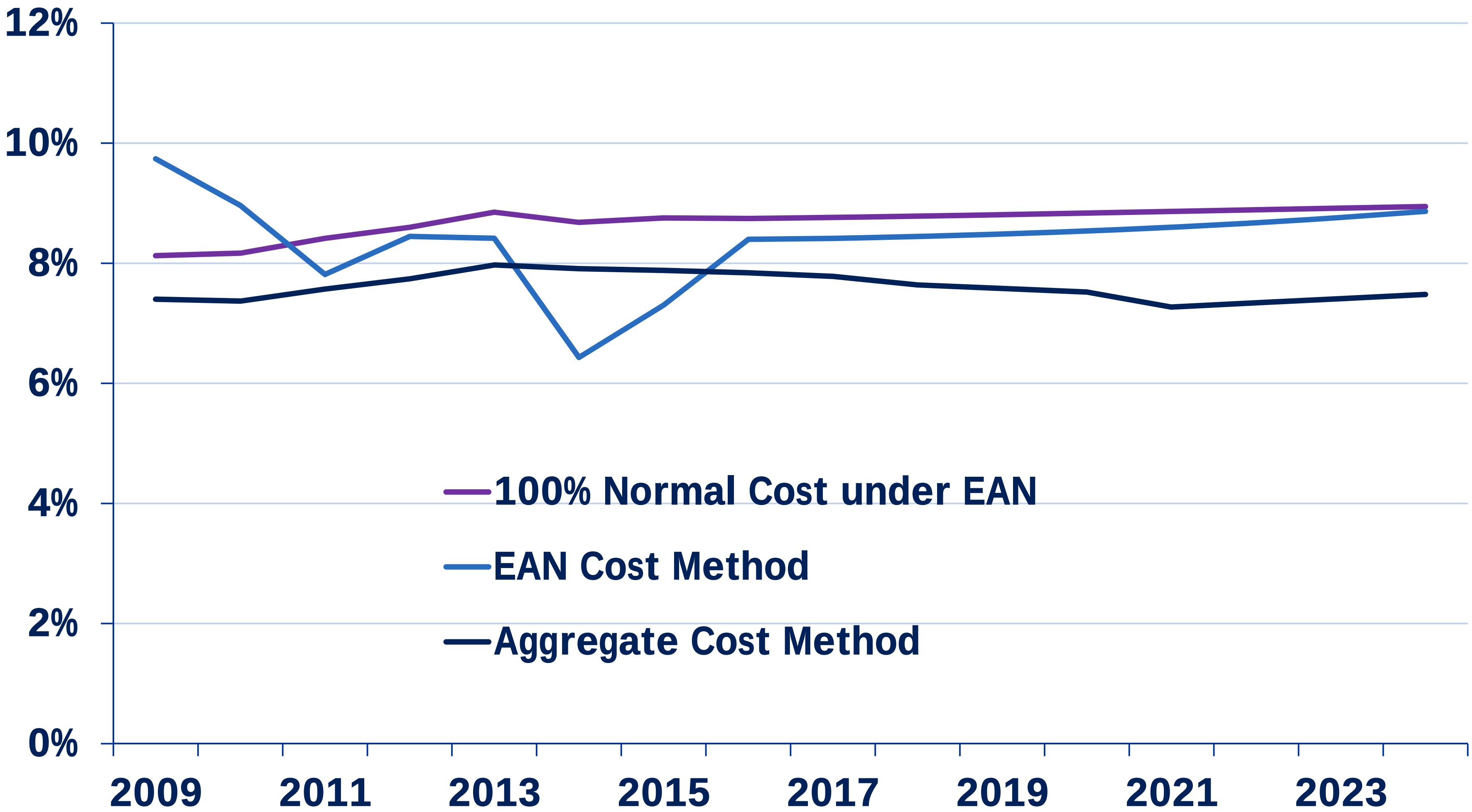
Estimated LEOFF 2 Employee Contribution Rate Path



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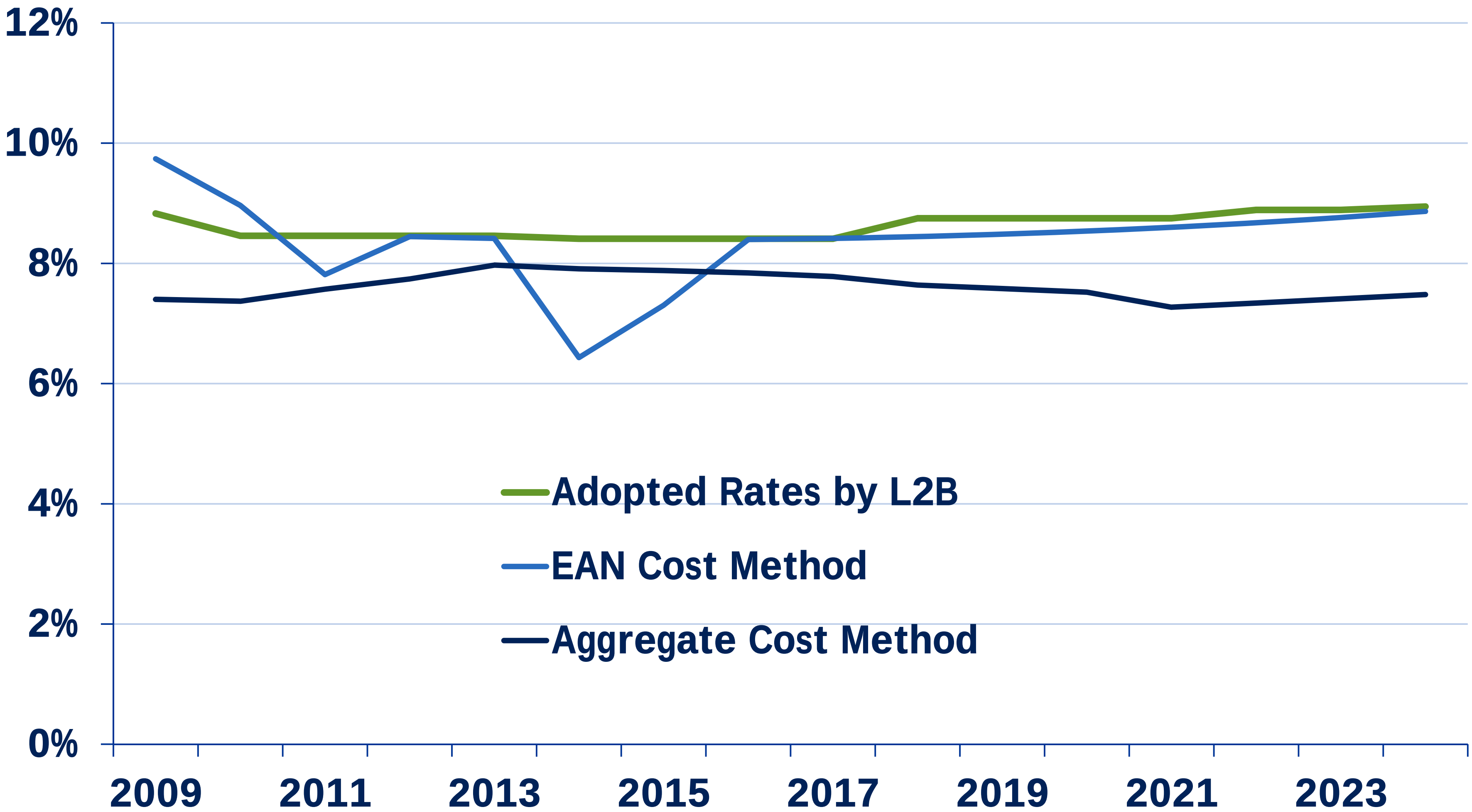

Assumptions and Methods

- Contribution rates through 2015 are from AVRs. Rates from 2016 to 2024 are projected rates. Projected contribution rates were developed using assets, data, assumptions, and methods consistent with the 2015 AVR and assumptions found on our website. We also assumed a 2.65 percent return for FY 2016.

Entry Age Normal Cost Method

- Estimated the projected Market Value of Assets based upon calculated contributions under this funding method.
- Assumed no smoothing of assets.
- Amortized UAAL over 15 years with a discount rate consistent with the valuation year discount assumption.
- Employees and employers share equally in the contribution rate increase or reduction from amortizing any UAAL.

Funding Policy Discussion

1. What actuarial funding method does the LEOFF 2 Board currently use to set contribution rates?

    * Entry-Age Normal Cost
    * Aggregate

2. How are these two methods different? What are the pros and cons of each?

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3. What funding method does the Office of the State Actuary use for LEOFF 2 actuarial valuation reports and fiscal notes on LEOFF 2 bills?

4. What are some of the things the Board would need to consider if they were to adopt Entry-Age Normal Cost as the long-term actuarial funding method?