



Economic Assumptions Adoption

November 15, 2017

Issue

The Board is tasked with adopting economic assumptions every 2 years

- Any changes subject to revision by the Legislature

The last adopted changes to economic assumptions occurred in 2011

- Inflation 3.50% to 3.00%
- Salary Growth 4.50% to 3.75%
- Annual Investment Return 8.00% to 7.50%
 - Only plan in WA currently assuming 7.50%

Assumption Change Recommendations

Current

- Inflation - 3.00%
- General Salary Growth - 3.75%
- Annual Investment Return - 7.50%

Recommended

- Inflation - 2.75% (0.25%)
- General Salary Growth - 3.50% (0.25%)
- Annual Investment Return - 7.40% (0.10%)

Estimated Contribution Rate Impact - Adopting All Assumption Changes

- **Employee - (0.27%)**
 - Current - 8.75%
 - If adopted - 8.48%
- **Employer – (0.16%)**
 - Current - 5.25%
 - If adopted - 5.09%
- **State – (0.11%)**
 - Current - 3.50%
 - If adopted - 3.39%

Increase in Contributions from Adopting Full Recommendations

LEOFF 2 Total for 2019-2021 (Dollars in Millions)

- Total State - (\$11.4)
 - General Fund - (\$11.4)
 - Non-General - 0.0
- Local Government - (\$17.1)
- Total Employer (\$28.6)
- Total Employee (\$28.6)

Options

1. Do not adopt assumptions.
2. Adopt the assumption changes, with the rate change to begin July 1, 2019. This is the current statutory process.
3. Adopt the assumption changes, and adopt the rate reductions effective January 2018.
4. Adopt other economic assumptions, specifically lowering the investment return assumption to 7.3%. This would result is no rate reductions.

Economic Assumptions		
	Current	Recommended
Inflation	3.00%	2.75%
General Salary Growth	3.75%	3.50%
Assumed Investment Return	7.50%	7.40%

Contribution Rates		
	Current	If EA Adopted
Member	8.75%	8.48%
Employer	5.25%	5.09%
State	3.50%	3.39%

Questions?

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