

LEOFF 2 Actuarial Valuation Results



*Lisa Won, ASA, FCA, MAAA
Deputy State Actuary*



Office of the State Actuary
"Securing tomorrow's pensions today."

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Today's Presentation

- 2014 Actuarial Valuation Highlights
- OSA Interactive Web Reports
- Informational - no Board action needed today

Purpose Of The 2014 Actuarial Valuation

- “Off-cycle” valuation - not used for contribution rate-setting
 - Current rates adopted through 2015-17 Biennium
- Update contribution rates with new data, assets, and legislation
- Check funding progress
- Certify the underlying data, assumptions, and methods are reasonable and conform with current actuarial standards of practice

Summary Of The 2014 Valuation Results

- 18.89 percent return on Market Value of Assets (MVA)
 - July 1, 2013, through June 30, 2014
- Actuarial Value of Assets (AVA) includes deferred asset gains of \$613 million
 - Deferred losses in prior valuation were \$225 million
- Calculated contribution rates decreased since last valuation
- Funded status declined to 107 percent
 - Plan remains healthy
- Underlying data, assumptions, and methods remain reasonable

Change In Participant Data From Last Valuation

LEOFF 2	2013	2014	Difference
Number of Actives	16,687	16,773	86
Average Annual Salary	\$95,694	\$99,048	\$3,354
Average Attained Age	43.5	43.6	0.1
Average Service	14.6	14.7	0.1
Number of Annuitants	2,782	3,235	453

Update Asset Values

- MVA reported by WSIB
- Calculate 2014 asset gain (or loss) based on 7.5 percent expected return
- Develop 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 and funded status volatility

Change In Assets From Last Valuation

LEOFF 2			
<i>(Dollars in Millions)</i>	2013	2014	Difference
Market Value of Assets (MV)	\$7,637	\$9,251	\$1,614
Contributions less Disbursements*	\$162	\$147	(\$15)
Investment Return	\$825	\$1,456	\$631
Return on Assets**	12.36%	18.89%	6.53%

*Includes transfers, restorations, and payables.

**Time-weighted return on market value of assets.

Actuarial Value Of Assets

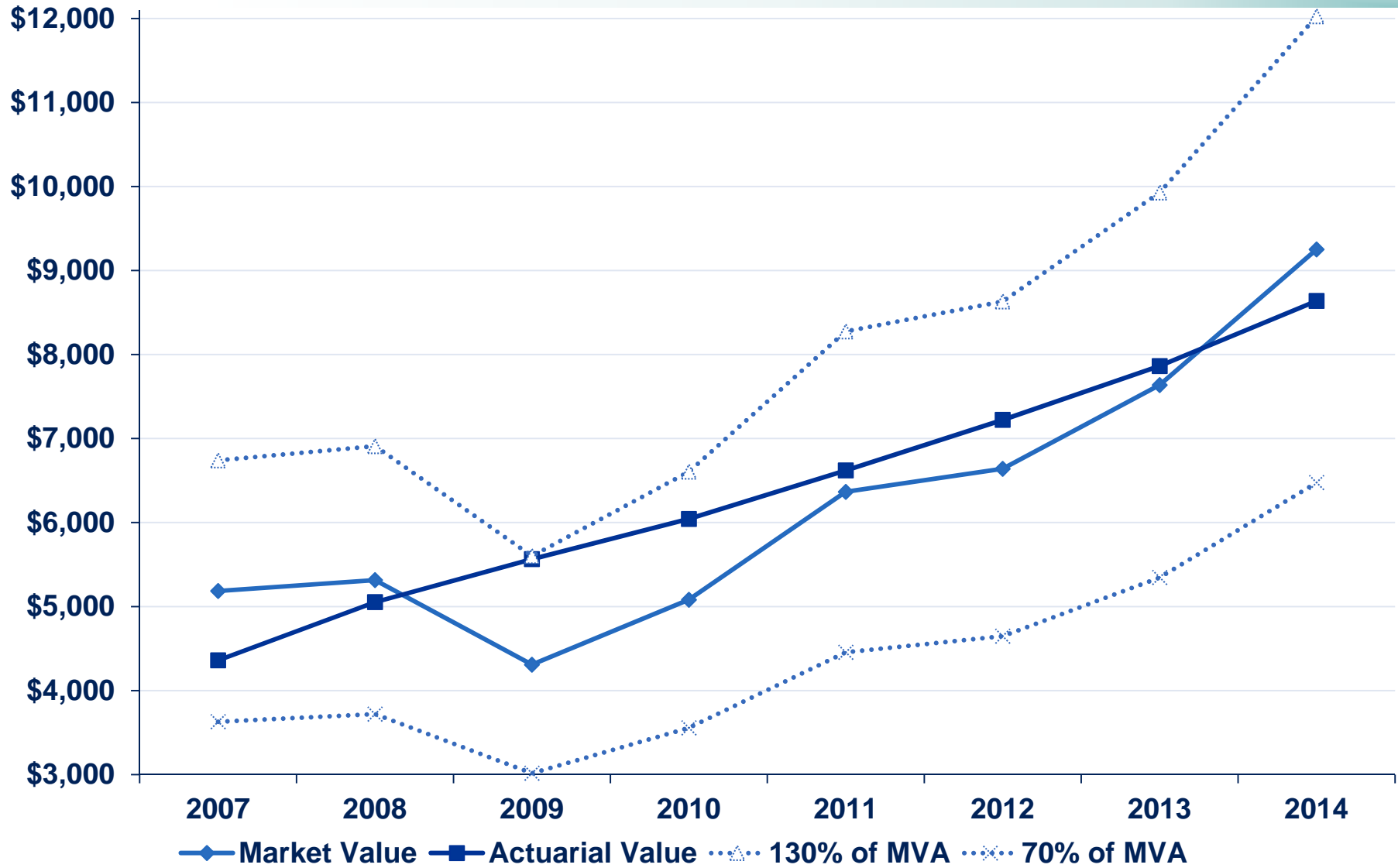
Calculation of Actuarial Value of Assets				
LEOFF 2				
<i>(Dollars in Millions)</i>				2014
Market Value of Assets				\$9,251
Deferred Gains and (Losses)				
Plan Year Ending	Return on Assets*	Years Deferred	Years Remaining	Amount Deferred**
6/30/2014	18.89%	8	7	768
6/30/2013	12.36%	5	3	193
6/30/2012	1.40%	7	4	(223)
6/30/2011	21.14%	8	4	350
6/30/2010	13.22%	5	0	0
6/30/2009	(22.84%)	8	2	(413)
6/30/2008	(1.24%)	8	1	(61)
Total Deferral				613
Actuarial Value of Assets***				\$8,638

*Dollar-weighted rate of return.

**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



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Change In Liabilities From Last Valuation

LEOFF 2			
<i>(Dollars in Millions)</i>	2013	2014	Difference
Present Value of Fully Projected Benefits*	\$10,314	\$11,205	\$891
Present Value of Earned Benefits**	\$7,220	\$8,069	\$849
Valuation Interest Rate	7.50%	7.50%	--

*Today's value of all future plan benefits for current members.

**Today's value of all future plan benefits that have been earned as of the valuation date by current plan members.

Change In Contribution Rates From Last Valuation

LEOFF 2				
Member Rates	2013	2014	Difference	Adopted 2015-17
Aggregate Rate	6.98%	7.09%	0.11%	
90% EANC Rate	7.97%	7.91%	(0.06%)	
100% EANC Rate	8.85%	8.78%	(0.07%)	8.41%

Funded Status Is A Measure Of Plan Health

- Funded status =

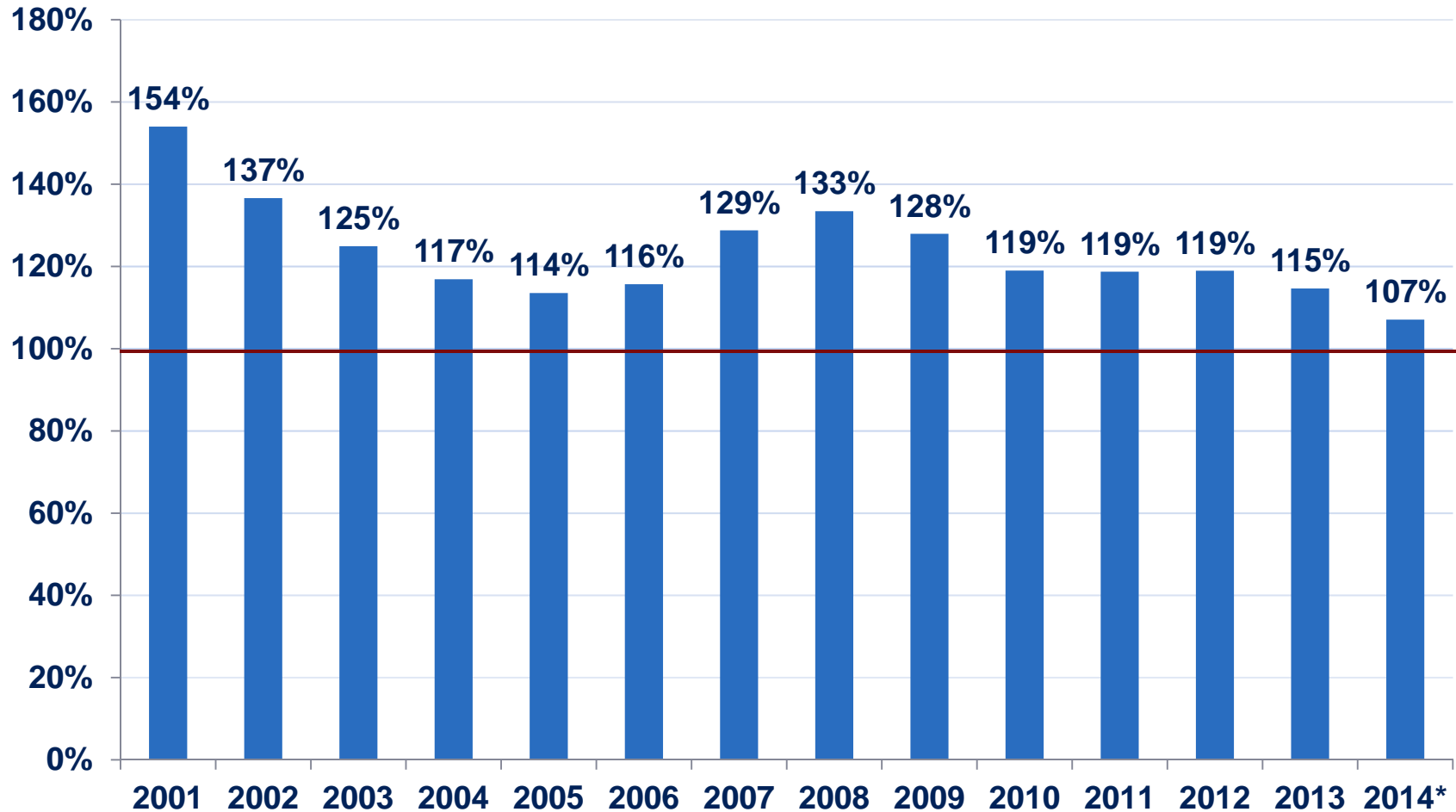
$$\frac{\text{Actuarial Value of Assets}}{\text{Today's Value of Earned Benefits}}$$

- If the funded status exceeds 100 percent, the plan has more than \$1 of assets for every \$1 of earned benefits

Change In Funded Status From Last Valuation

<i>(Dollars in Millions)</i>	LEOFF 2			Difference
	2013 PUC	2014 PUC	2014 EAN	
Today's Value of Earned Benefits	\$6,859	\$7,629	\$8,069	\$1,210
Actuarial Value of Assets	\$7,862	\$8,638	\$8,638	\$776
Unfunded Liability	(\$1,003)	(\$1,009)	(\$569)	\$434
Funded Status	115%	113%	107%	(8%)

Historical Funded Status



**Liabilities valued using Entry Age Normal actuarial cost method starting in 2014.*

Summary Of 2014 Actuarial Valuation

- Calculated contribution rates below current adopted rates
 - Both rates remain reasonable
- Current funded status exceeds 100 percent and is considered healthy
- Actuarial valuation is snap-shot in time
- Actuarial Value of Assets now recognizing asset gains
- Accrued liability and funded status results now use Entry Age Normal actuarial cost method
 - Same measure used for financial reporting

Interactive Web Reports

- OSA has moved some elements from the actuarial valuation report to our website
- Provides the ability to use different inputs to see how the results change
- Current reports include:
 - [Funded Status](#)
 - [Future Value and Present Value of Benefit Payments](#)
- New reports in the queue:
 - Contribution Rates
 - Age/Service Distributions

Questions



Source Links

- All data and charts can be found in the Valuation Report spreadsheets:
 - 2014 <S:\Val2014\Report\Val2014 Report.xlsm>
 - 2013 <S:\Archive\Valuations\Val2013\Report\Val2013 Report - Final.xlsm>
- Interactive Reports Website: http://osa.leg.wa.gov/Actuarial_Services/Actuarial_Information/Interactive.htm