



# Funding Work Session

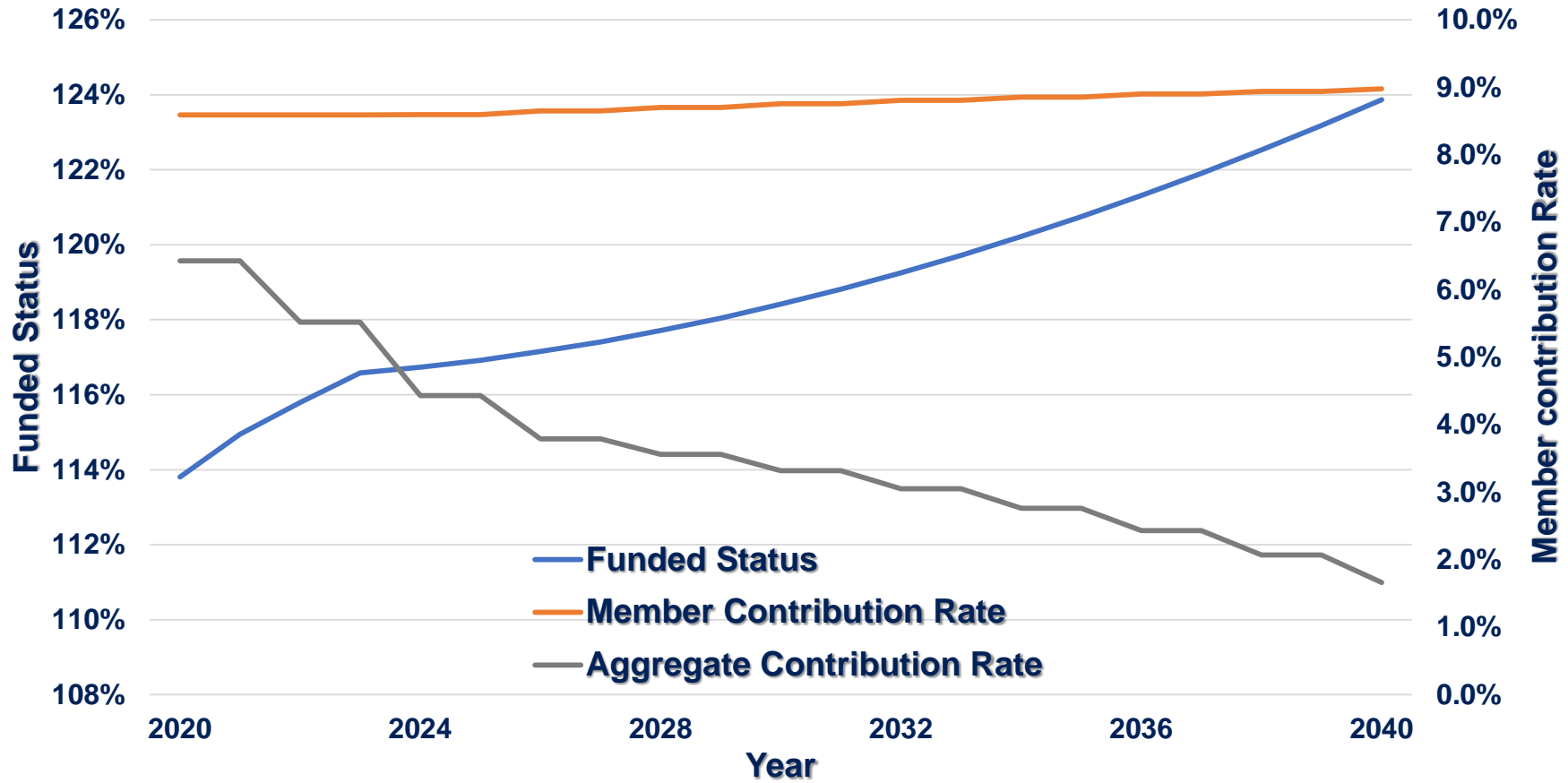
November 20, 2019

# Today's Follow Up

- **Expected Funded Status Trigger at Lower Trigger Point**
- **Contribution Rates - Great Recession Repeat**
- **Plan Maturity Measure – Negative Cash Flow**
- **Key Questions & Next Steps**

# LEOFF 2 Projected Funded Status And Member Contributions\*

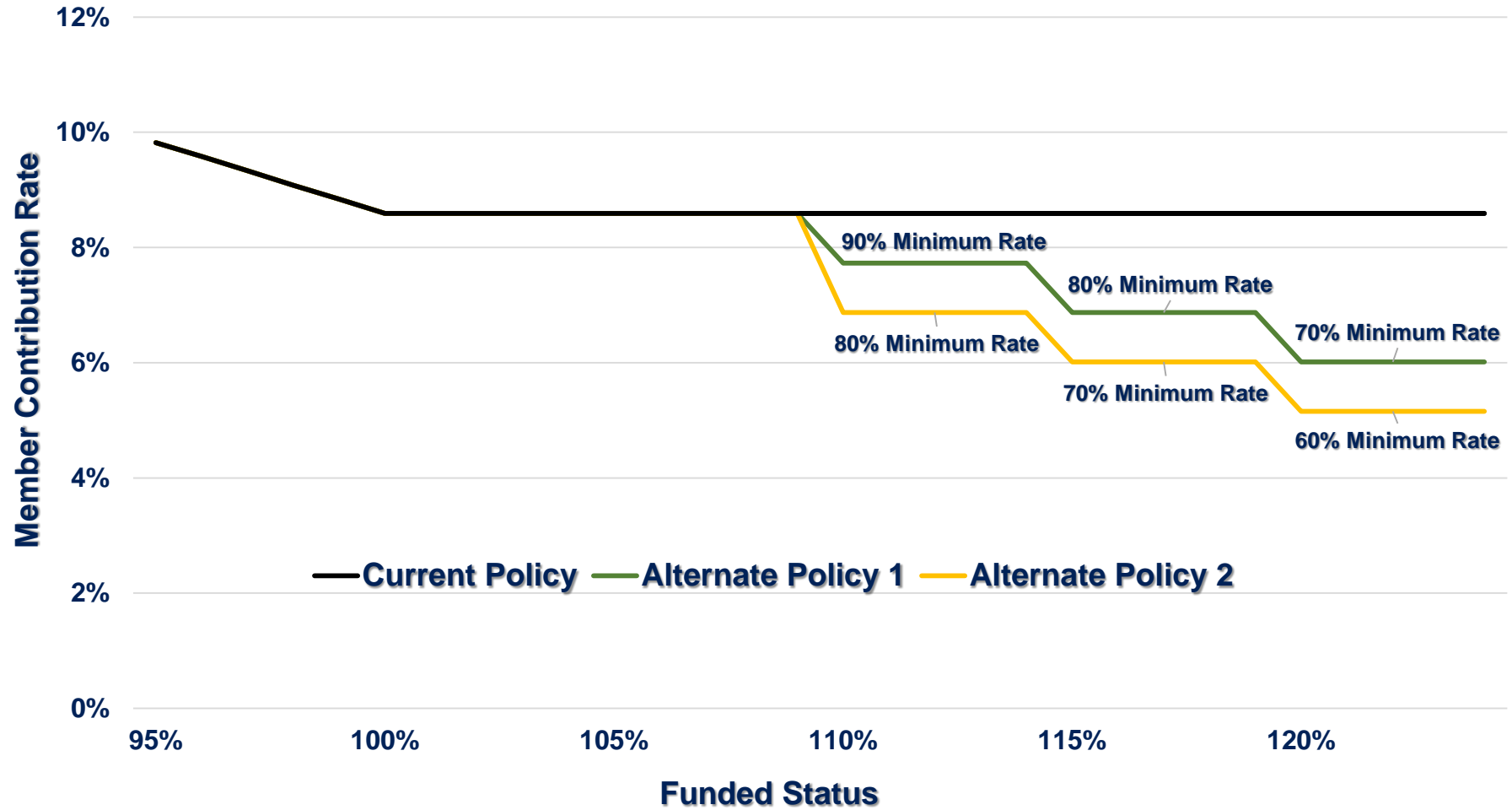
Presented October 16, 2019



*\*Under current cost method and polices and assuming all future experience matches assumptions.*

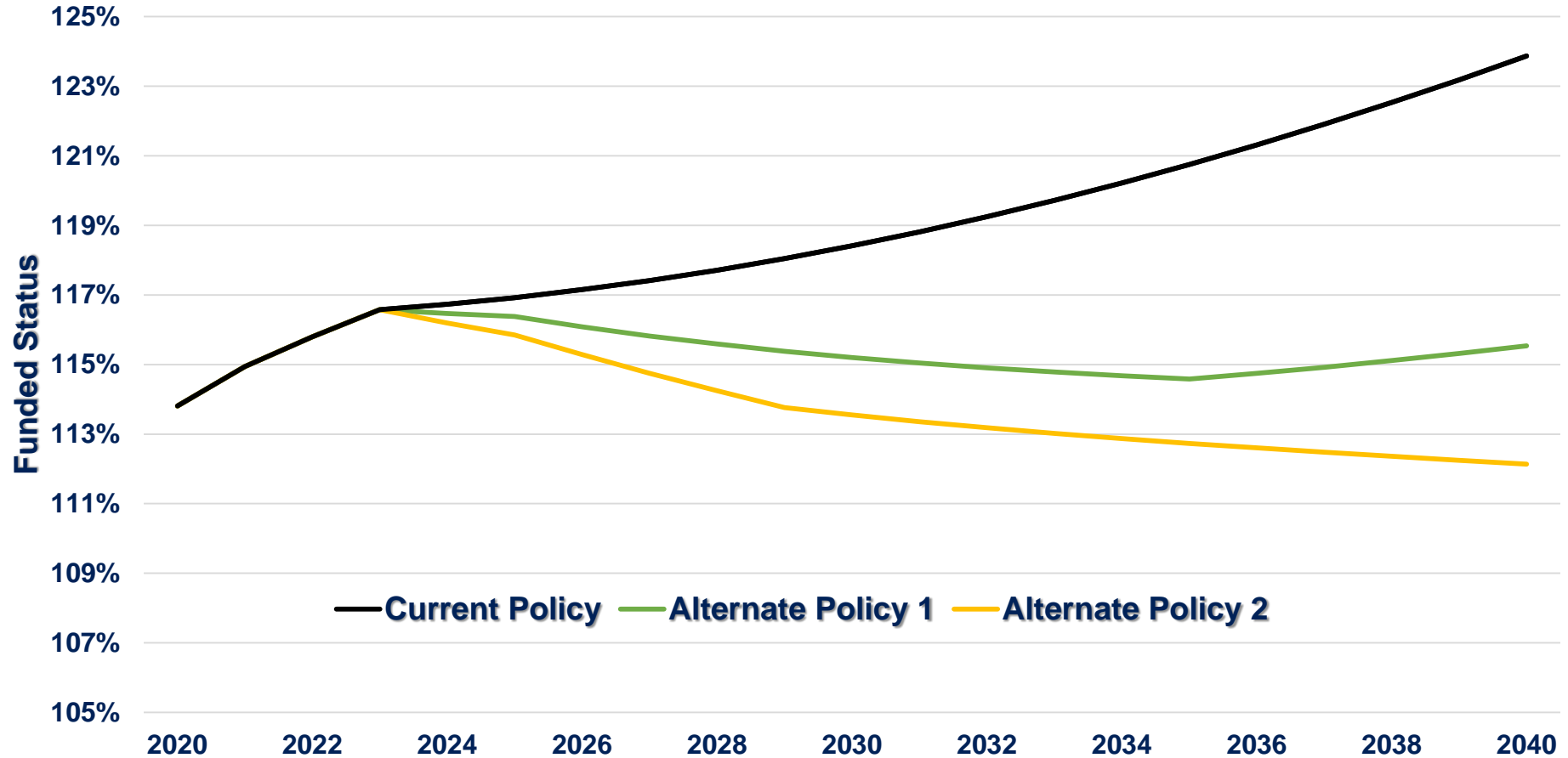
# Member Contribution Rates Under Alternate Policies

Presented October 16, 2019



# Expected Funded Status Under Alternate Policies

Presented October 16, 2019



Policy	Current	Alternate 1	Alternate 2
Percent of Minimum Rate	100%	90% / 80% / 70%	80% / 70% / 60%
Funded Status Trigger	None	110% / 115% / 120%	110% / 115% / 120%

**Request 1. Model the same scenarios presented at the offsite but start the Funded Status trigger at 105% instead of 110%. Show the projected funded status and change to 65% likelihood that the fund remains above 100%.**

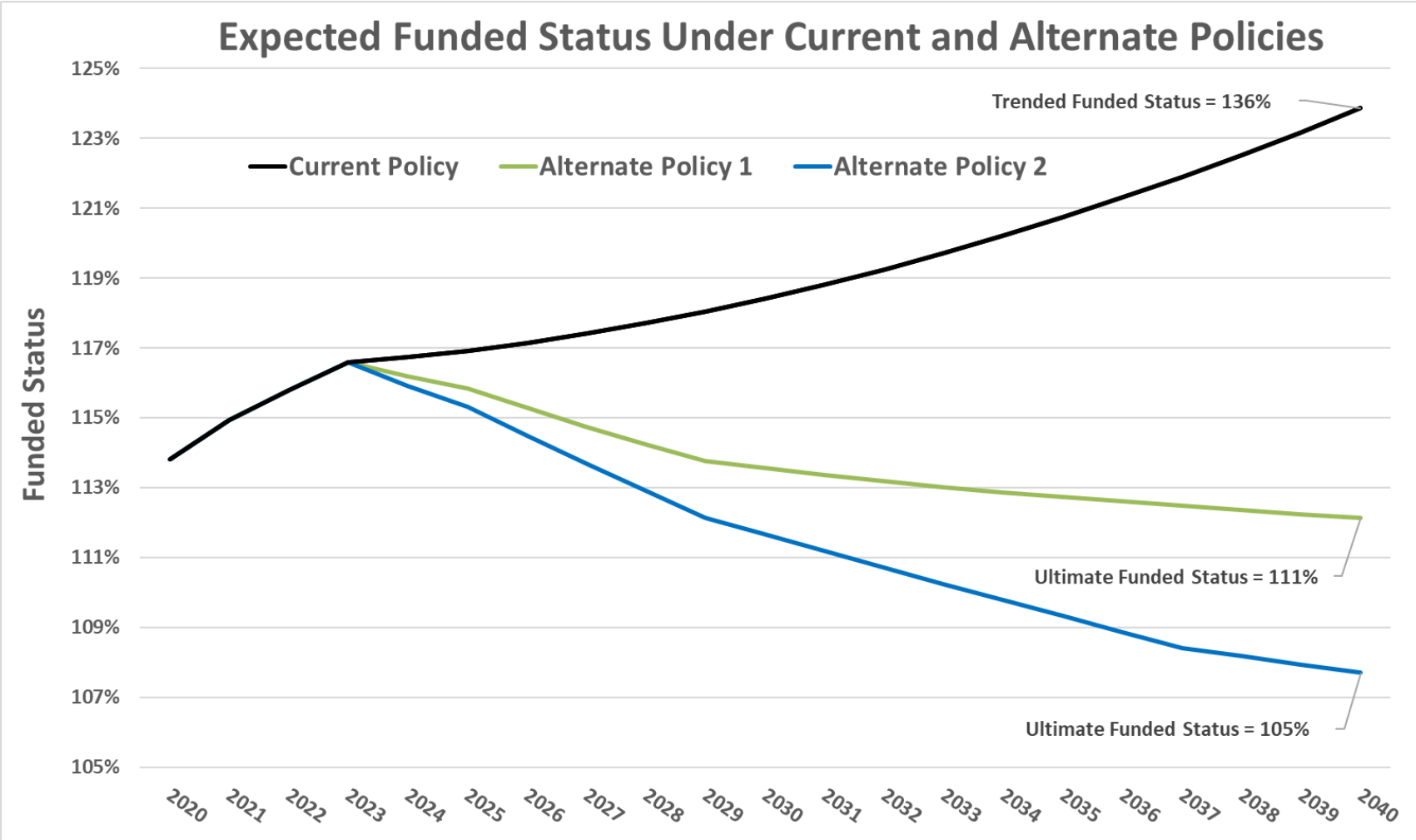
**Alternate Minimum Rate Policy Options**

Funded Status Trigger	Current Policy	Alternate Policy 1	Alternate Policy 2
105%	100%	90%	80%
110%	100%	80%	70%
115%	100%	70%	60%

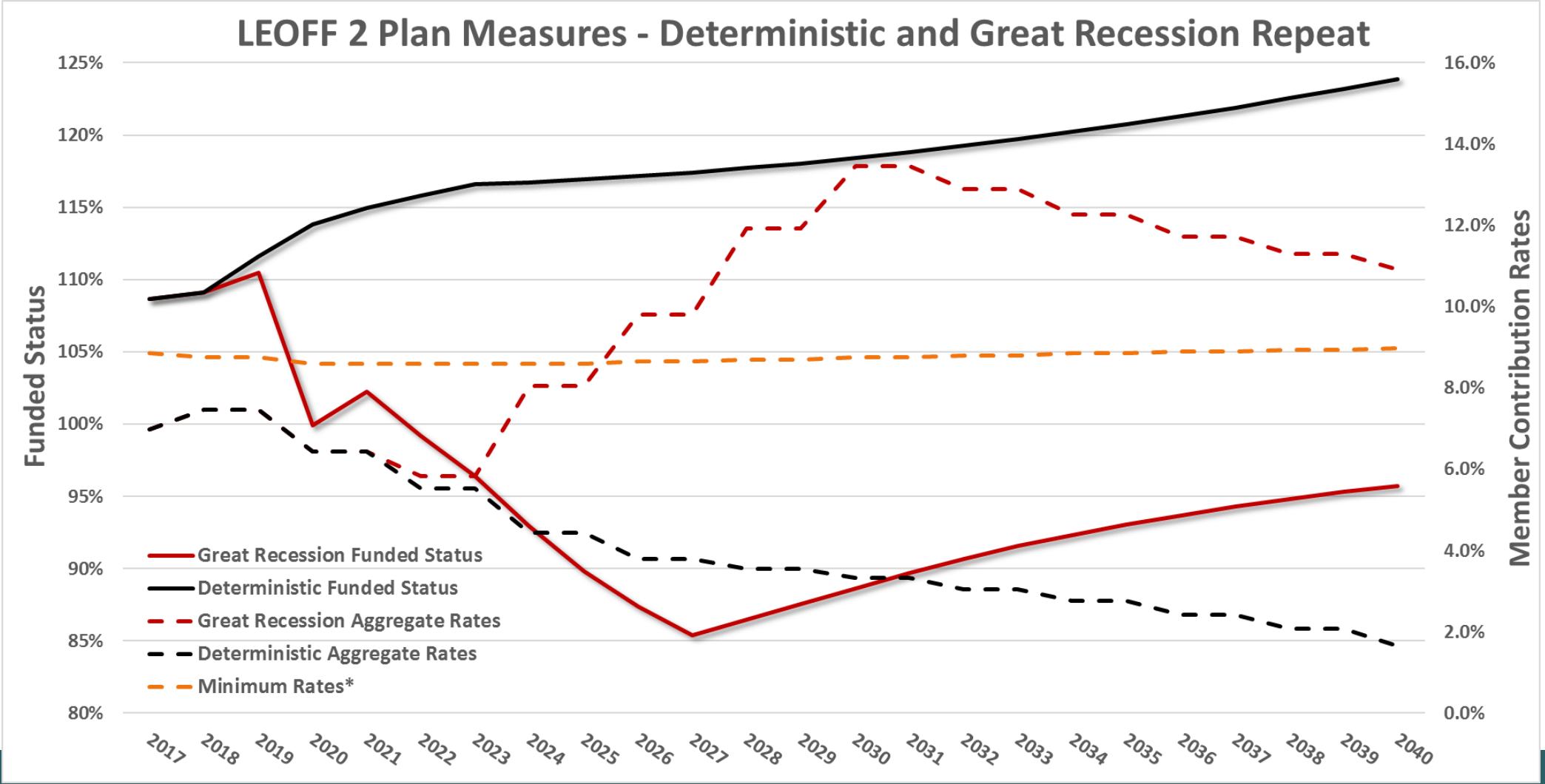
**Probability of Funded Status Greater Than Target**

Funded Status Target	Current Policy	Alternate Policy 1	Alternate Policy 2
FS >= 120%	48%	44%	43%
FS >= 110%	57%	53%	52%
FS >= 100%	66%	63%	62%
FS >= 90%	74%	72%	71%
FS >= 80%	82%	81%	80%

*Note: Probabilities considered are from 2025 to 2040. Probabilities presented above are results of stochastic analysis. Please see the email provided with this analysis for details and disclosures.*



Request 2. Provide the projected Aggregate and Entry Age Normal Cost contribution rates under the Great Recession scenario that was shared with the Board last fall.



## Request 3. Provide information on the expected date when LEOFF 2 becomes cash flow negative.

### 10-Year Expected Cash Flows - LEOFF 2 (Dollars in Millions)

Valuation/Fiscal Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Benefit Payments (A)</b>	-322	-362	-412	-463	-519	-577	-640	-706	-774	-846
<b>Contributions (B)</b>	367	375	389	404	420	436	453	473	492	514
<b>Cash Flow (A)+(B)</b>	45	13	-23	-59	-99	-141	-187	-233	-282	-332

- Cash flow is calculated by subtracting benefit payments from total contributions into the trust fund.
- According to projection system, LEOFF 2 becomes cash flow negative in 2021.
- As a point of context, PERS 2/3 also becomes cash flow negative in 2021. Most other opens plans shift to cash flow negative between 2021-2024.



# Key Questions and Next Steps

1. What funding percentage should serve as the trigger for rate reductions or other actions?
2. How much reserve is reasonable?
3. Next Step - Adoption of actuarial cost method and associated funding policies at December 18, 2019 meeting.



Thank You

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