



2006 Actuarial Valuation Report

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"Securing tomorrow's pensions today."

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Overview

- Purpose
- Contribution Rates
- Comments on 2006 Results
- Liabilities
- Assets
- Funded Status
- Participant Data
- Key Assumptions



Purpose Of Valuation

- Determine contribution requirements for LEOFF 2 as of the valuation date September 30, 2006
 - Assumes completion of phase-in schedule
 - Includes cost of 2007 Legislation
 - Assumes plan is on-going
- Results should not be used for other purposes
- This is not a rate-setting valuation year



Employer Contribution Rates To Complete Phase-In*

	Current	2008-09 Adopted	2006 AVR
LEOFF 2	5.19%	5.30%	4.75%

**Excludes current administrative expense rate of 0.16%.*

AVR = Actuarial Valuation Report



Member Contribution Rates To Complete Phase-In

	Current	2008-09 Adopted	2006 AVR
LEOFF 2	8.64%	8.83%	7.92%

AVR = Actuarial Valuation Report



Contribution Rate Floor*

- Effective July 1, 2009
- 90% of Entry Age Normal Cost (EANC) Rate

	9/30/05	9/30/06
Aggregate normal cost rate	8.10%	7.77%
EANC rate	8.67%	9.28%
90% of EANC rate	7.80%	8.35%
Rate if floor were in effect	8.10%	8.35%

**Member rate.*



Comments On 2006 Results

- 15.76% ROR on market value of assets
 - 10.80% ROR on actuarial value of assets
- Future improvement in assumed mortality represents a material liability that has been excluded from this valuation
 - LEOFF 2 Board will review this assumption change following the completion of the experience study



Actuarial Liabilities

LOEFF 2	9/30/2005 (\$ in millions)	9/30/2006 (\$ in millions)
PV of fully projected benefits	\$5,462	\$6,004
Unfunded actuarial accrued liability	NA	NA
PV of credited projected benefits	\$2,932	\$3,323
Valuation interest rate	8.00%	8.00%

PV = Present Value



Assets

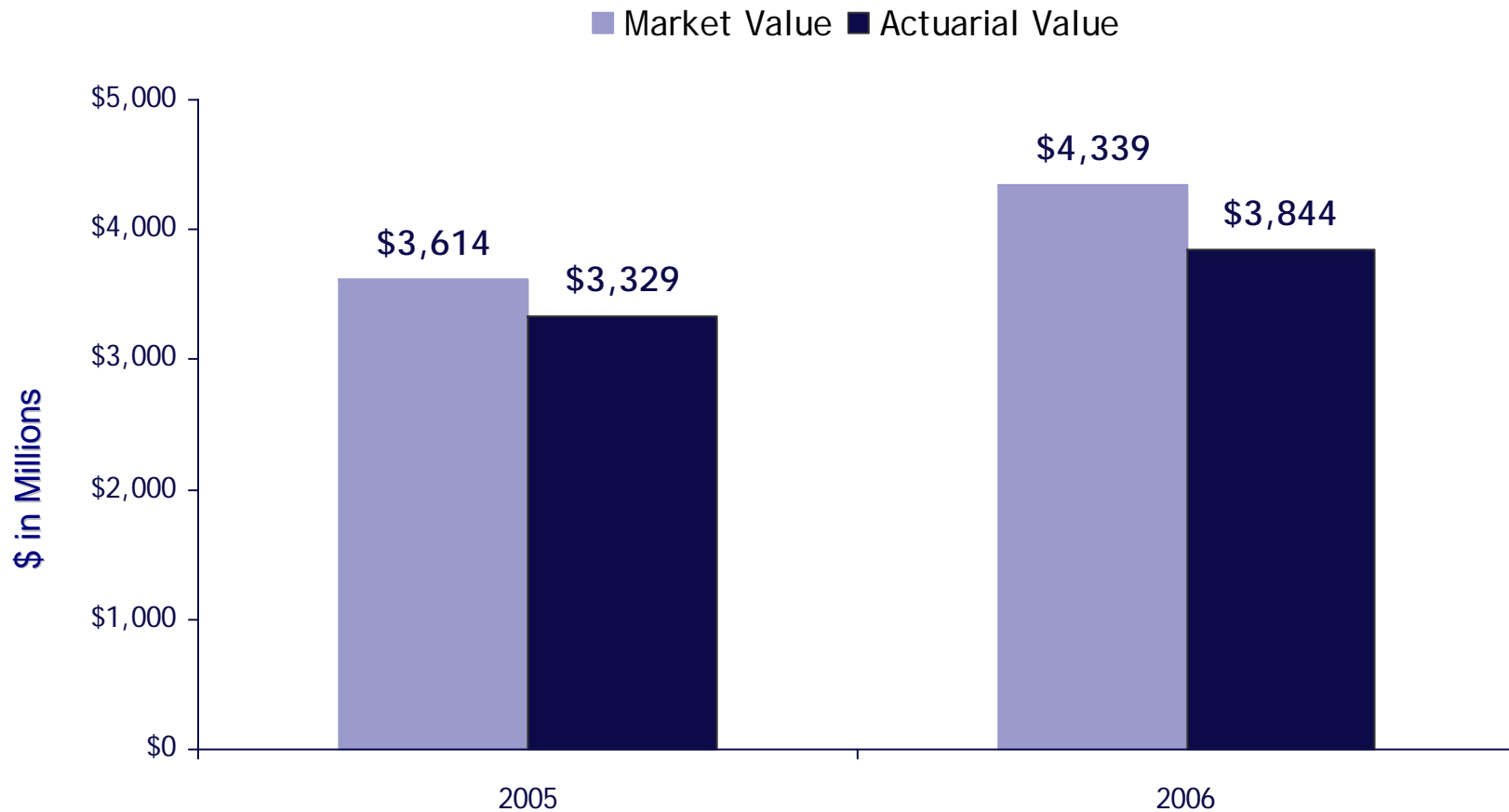
LEOFF 2	9/30/2005 (\$ in millions)	9/30/2006 (\$ in millions)
Actuarial value (AV)	\$3,329	\$3,844
Market value (MV)	\$3,614	\$4,339
Ratio (AV÷MV)	92%	89%
Contributions less disbursements*	\$103	\$147
Investment return	\$528	\$577
Return on assets**	17.53%	15.76%

* Includes transfers, restorations, payables

** Time-weighted return on market value of assets



Comparison Of Asset Values



Calculation Of Actuarial Value Of Assets

A. Market Value at 9/30/06		\$4,339
Deferred Investment (Gains and Losses)		
Plan Year Ending	% Deferred	
9/30/06	87.5%	\$249
9/30/05	75.0%	\$216
9/30/04	50.0%	\$73
9/30/03	50.0%	\$77
9/30/02	37.5%	<u>(\$120)</u>
B. Total Deferred		\$495
C. Market Value Less Deferral (A-B)		\$3,844
70% of market value of assets		\$3,037
130% of market value of assets		\$5,640
Actuarial value of assets		\$3,844



Funded Status

LEOFF 2	9/30/2005 (\$ in millions)	9/30/2006 (\$ in millions)
Actuarial value of assets	\$3,329	\$3,844
PV of credited projected benefits*	\$2,932	\$3,323
Unfunded credited projected benefits	(\$397)	(\$521)
Funded ratio	114%	116%

** This method is used for reporting the plan's funded status and is not used for calculating required contribution rates.*



Funded Status

- Two measures presented in AVR
 - Actuarial basis
 - Market value basis



Actuarial Basis

- Long-term assumptions (on-going)
- Consistent with contribution rate setting
- Actuarial value of assets
- Present value of liabilities at 8%
- Does not reflect the market value price of future investment risk

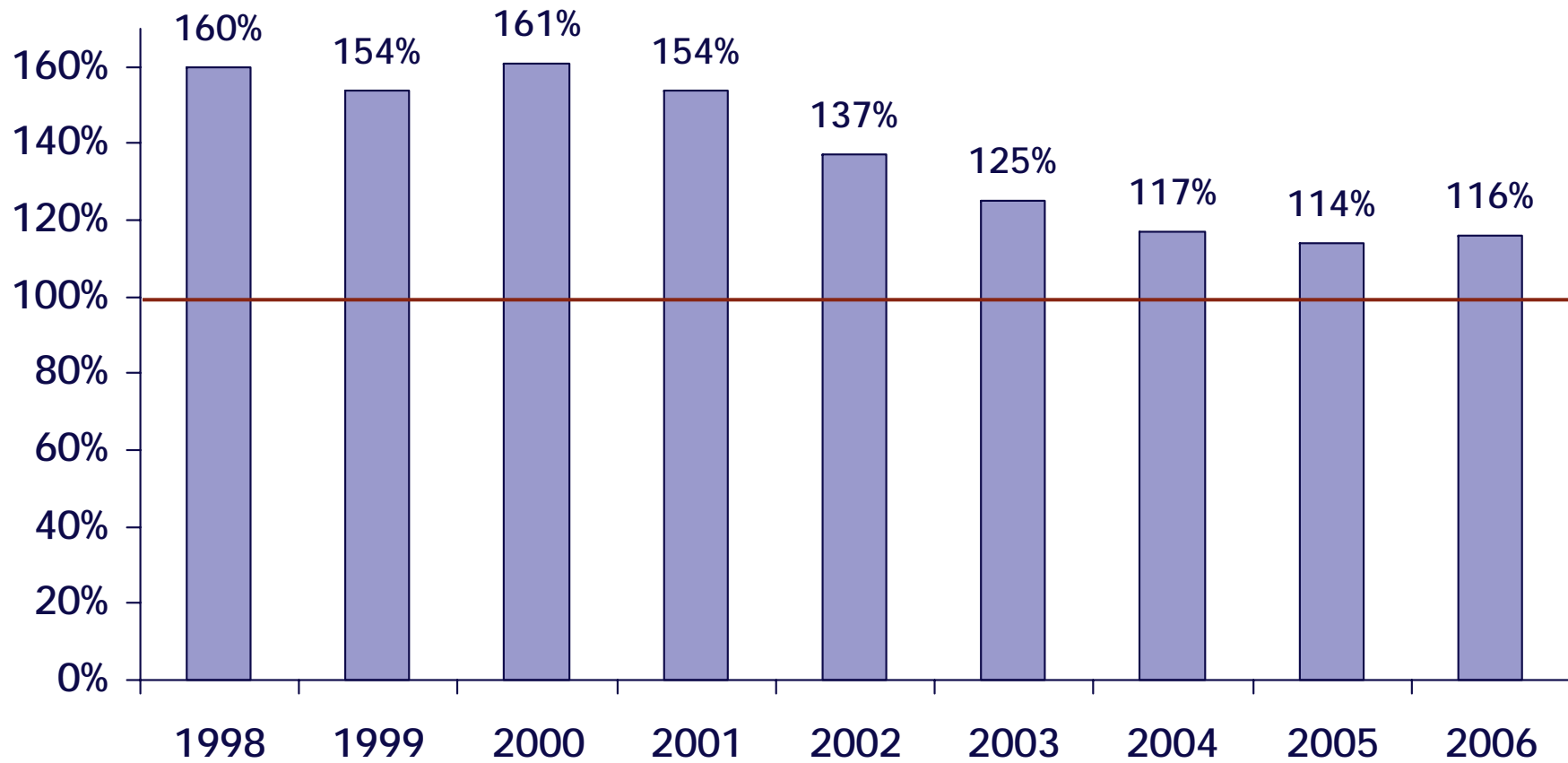


Market Value Basis

- Short term interest rate (termination or settlement)
- Not used for contribution rate setting
- Market value of assets
- Present value of liabilities at 5.5%
- Reflects the market value price of future investment risk



Historical Funded Status (Actuarial Basis)



Historical Funded Status (Market Value Basis)



Participant Data

LEOFF 2	9/30/2005	9/30/2006
Number of actives	15,168	15,718
Average annual salary	\$72,015	\$74,562
Average attained age	40.5	40.8
Average service	11.7	11.9
Number of annuitants	574	779



Key Assumptions

Valuation interest rate	8.00%
Salary increase (general)	4.50%
Inflation	3.50%
Growth in membership	1.25%



Next Steps

- Economic experience study completed
 - Associated assumptions may change
- Demographic experience study underway
 - Associated assumptions may change
- Results of experience studies will be included in 2007 AVR
 - 2007 AVR basis for 2009-11 contribution rate setting
- Updated projections will be available later this fall



Questions?

