


Administrative Factors

Final Proposal
December 12, 2012


Discussion Points

- Issue
- Background
- Examples
- Options



Issue

- The Board has the authority to adopt administrative factors for LEOFF Plan 2 and based on recommendations from the Office of the State Actuary (OSA) decide whether or not to implement changes effective immediately or defer them



Background

- Previously adopted changes July 2009
 - Based on 2001-2006 experience study
 - Effective January 1, 2010
- Changed economic assumptions at the November 2011 Board meeting



Example: Joint Survivor

- Member age 55, Spouse age 50, FAS \$8000 per month, 25 years of creditable service, 100% joint survivorship

Benefit Calculation	Survivor Factor	Monthly Benefit
2% x \$8,000 x 25 = \$4,000	Current 0.855	\$3,420.00
2% x \$8,000 x 25 = \$4,000	Recommended 0.848	\$3,392.00
	Difference	(\$28.00)



Example: Service Credit Purchase

- Member age 55, FAS \$8000 per month, 25 years of creditable service, purchase 5 years

Additional Monthly Benefit Calculation	Monthly Benefit per \$1 of Accumulation	Cost
2% x \$8,000 x 5 = \$800	Current 0.0056802	\$140,840.11
2% x \$8,000 x 5 = \$800	Recommended 0.0053643	\$149,134.09
		\$8,293.98

These figures have been modified for accuracy and do not reflect what presented at the Board meeting.



Example: Non-duty Disability Retirement

- Member age 45, FAS \$8000 per month, 20 years of creditable service

Benefit Calculation	Early Retirement Factor	Monthly Benefit
2% x \$8,000 x 20 = \$3,200	Current 0.483	\$1,545.60
2% x \$8,000 x 20 = \$3,200	Recommended 0.497	\$1,590.40
	Difference	\$44.80



Options

- Option 1: Adopt Recommended Factors
 - Under this option, the Board would adopt the factors as recommended by the Office of the State Actuary (OSA) to be effective immediately
- Option 2: Adopt Recommended Factors and Delay Implementation
 - Under this option, the Board would adopt the factors as recommended by OSA and delay implementation to coincide with implementation of the factors for the other systems

Any Questions?

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ADMINISTRATIVE FACTORS

FINAL PROPOSAL

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ISSUE

The Board has the authority to adopt new administrative factors for LEOFF Plan 2 but must determine when to implement the changes.

PROPOSAL SUMMARY

The Board can either adopt the new administrative factors recommended by OSA to be effective immediately or to defer the changes in order to coordinate with the Department of Retirement Systems (DRS) as they make changes for all the systems and send notification to members.

MEMBERS IMPACTED

Any change to the existing LEOFF Plan 2 administrative factors could impact all active members, employers and the state. As of June 30, 2011 there were 16,805 active members as reported in the Office of the State Actuary's *2011 Actuarial Valuation Report*.

CURRENT SITUATION

The Board adopts any changes to the administrative factors. These can be done at any time, but usually follow changes in the economic or demographic assumptions and have been effective in January.

BACKGROUND INFORMATION & POLICY ISSUES

Any time the underlying economic or demographic assumptions are changed, their impact on the administrative factors need to be reviewed and determined whether or not those factors should be changed. The Board adopted new factors effective January 1, 2010 based on the 2001-2006 demographic experience study.

In addition to determining whether or not the Board should change the administrative factors, there has been a request that changes to the administrative factors be implemented at the same time the administrative factors are changed for the other systems and plans.

The following examples show how the changes would affect members:

Example 1: Joint and 100% Survivorship Retirement

Member is 55 years old; spouse is 50 years old; Final Average Salary (FAS) of \$8,000 and 25 years of service.

Benefit Calculation	Survivor Factor	Monthly Benefit
2% x \$8,000 x 25 = \$4,000	Current 0.855	\$3,420.00
2% x \$8,000 x 25 = \$4,000	Proposed 0.848	<u>\$3,392.00</u>
	Difference	(\$28.00)

Example 2: Service Credit Purchase

Member is 55 years old; Final Average Salary (FAS) of \$8,000 and purchasing 5 years of service.

Additional Monthly Benefit Calculation	Monthly Benefit per \$1 of Accumulation	Purchase Cost
2% x \$8,000 x 5 = \$800	Current 0.0056802	\$140,840.11
2% x \$8,000 x 5 = \$800	Proposed 0.0053643	<u>\$149,134.09</u>
	Difference	\$8,293.98

These figures have been modified for accuracy and do not reflect what was presented at the Board meeting.

Example 3: Non-duty Disability Retirement

Member is 45 years old; Final Average Salary (FAS) of \$8,000 and 20 years of service.

Benefit Calculation	Early Retirement Factor	Monthly Benefit
2% x \$8,000 x 20 = \$800	Current 0.483	\$1,545.60
2% x \$8,000 x 20 = \$800	Proposed 0.487	<u>\$1,590.40</u>
	Difference	\$44.80

SUPPORTING INFORMATION

Appendix A: **WAC 415-02-320 (7)**
Early retirement factors

Appendix B: **WAC 415-02-340 (b)**
Monthly benefit per \$1.00 of accumulation for defined benefit plans

Appendix C: **WAC 415-02-380 (10 & 11)**
How will my retirement benefit be affected if I choose
a benefit option with a survivor feature?

Appendix D: **Letter from the Office of the State Actuary**
Update of LEOFF Plan 2 Administrative Factors

APPENDIX A
WAC 415-02-320 (7) – EARLY RETIREMENT FACTORS

Yrs Early	Month 0	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11
0	1.0000	.9925	.9850	.9775	.9700	.9625	.9550	.9475	.9400	.9325	.9250	.9175
1	.9100	.9033	.8966	.8899	.8832	.8765	.8698	.8631	.8564	.8497	.8430	.8363
2	.8300	.8239	.8178	.8117	.8056	.7995	.7934	.7873	.7812	.7751	.7690	.7629
3	.7570	.7515	.7460	.7405	.7350	.7295	.7240	.7185	.7130	.7075	.7020	.6965
4	.6910	.6860	.6810	.6760	.6710	.6660	.6610	.6560	.6510	.6460	.6410	.6360
5	.6310	.6265	.6220	.6175	.6130	.6085	.6040	.5995	.5950	.5905	.5860	.5815
6	.5770	.5728	.5686	.5644	.5602	.5560	.5518	.5476	.5434	.5392	.5350	.5308
7	.5270	.5233	.5196	.5159	.5122	.5085	.5048	.5011	.4974	.4937	.4900	.4863
8	.4830	.4796	.4762	.4728	.4694	.4660	.4626	.4592	.4558	.4524	.4490	.4456
9	.4420	.4389	.4358	.4327	.4296	.4265	.4234	.4203	.4172	.4141	.4110	.4079
10	.4050	.4022	.3994	.3966	.3938	.3910	.3882	.3854	.3826	.3798	.3770	.3742
11	.3710	.3685	.3660	.3635	.3610	.3585	.3560	.3535	.3510	.3485	.3460	.3435
12	.3410	.3387	.3364	.3341	.3318	.3295	.3272	.3249	.3226	.3203	.3180	.3157
13	.3130	.3108	.3086	.3064	.3042	.3020	.2998	.2976	.2954	.2932	.2910	.2888
14	.2870	.2851	.2832	.2813	.2794	.2775	.2756	.2737	.2718	.2699	.2680	.2661
15	.2640	.2622	.2604	.2586	.2568	.2550	.2532	.2514	.2496	.2478	.2460	.2442
16	.2420	.2404	.2388	.2372	.2356	.2340	.2324	.2308	.2292	.2276	.2260	.2244
17	.2230	.2215	.2200	.2185	.2170	.2155	.2140	.2125	.2110	.2095	.2080	.2065
18	.2050	.2036	.2022	.2008	.1994	.1980	.1966	.1952	.1938	.1924	.1910	.1896
19	.1880	.1868	.1856	.1844	.1832	.1820	.1808	.1796	.1784	.1772	.1760	.1748
20	.1730	.1718	.1706	.1694	.1682	.1670	.1658	.1646	.1634	.1622	.1610	.1598
21	.1590	.1580	.1570	.1560	.1550	.1540	.1530	.1520	.1510	.1500	.1490	.1480
22	.1470	.1460	.1450	.1440	.1430	.1420	.1410	.1400	.1390	.1380	.1370	.1360
23	.1350	.1342	.1334	.1326	.1318	.1310	.1302	.1294	.1286	.1278	.1270	.1262
24	.1250	.1242	.1234	.1226	.1218	.1210	.1202	.1194	.1186	.1178	.1170	.1162
25	.1150	.1143	.1136	.1129	.1122	.1115	.1108	.1101	.1094	.1087	.1080	.1073
26	.1060	.1055	.1050	.1045	.1040	.1035	.1030	.1025	.1020	.1015	.1010	.1005
27	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000
28	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000
29	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000
30+	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000	.1000

APPENDIX B
WAC 415-02-340 (b) – MONTHLY BENEFIT PER \$1.00 OF
ACCUMULATION FOR DEFINED BENEFIT PLANS

Age	LEOFF 2	Age	LEOFF 2
20	.0042990	61	.0064002
21	.0043125	62	.0065513
22	.0043266	63	.0067129
23	.0043414	64	.0068853
24	.0043571	65	.0070694
25	.0043735	66	.0072670
26	.0043908	67	.0074781
27	.0044091	68	.0077043
28	.0044283	69	.0079491
29	.0044486	70	.0082138
30	.0044701	71	.0085025
31	.0044927	72	.0088151
32	.0045166	73	.0091561
33	.0045416	74	.0095288
34	.0045679	75	.0099363
35	.0045956	76	.0103798
36	.0046246	77	.0108658
37	.0046552	78	.0113957
38	.0046874	79	.0119743
39	.0047214	80	.0126071
40	.0047574	81	.0132991
41	.0047956	82	.0140556
42	.0048361	83	.0148749
43	.0048791	84	.0157725
44	.0049248	85	.0167437
45	.0049733	86	.0178057
46	.0050249	87	.0189719
47	.0050797	88	.0202253
48	.0051382	89	.0215551
49	.0052005	90	.0229787
50	.0052671	91	.0244483
51	.0053389	92	.0259752

CONTINUED

52	.0054158	93	.0275207
53	.0054978	94	.0291108
54	.0055858	95	.0307651
55	.0056802	96	.0323798
56	.0057814	97	.0340193
57	.0058893	98	.0357060
58	.0060042	99	.0373073
59	.0061272		
60	.0062589		

APPENDIX C

**WAC 415-02-380 (10 & 11) – HOW WILL MY RETIREMENT BENEFIT BE AFFECTED
IF I CHOOSE A BENEFIT OPTION WITH A SURVIVOR FEATURE?**

Age Difference	Option 2 100%	Option 3 50%	Option 4 66 2/3%
0	0.881	0.937	0.918
1	0.876	0.934	0.914
2	0.871	0.931	0.910
3	0.866	0.928	0.906
4	0.861	0.925	0.903
5	0.855	0.922	0.899
6	0.850	0.919	0.895
7	0.845	0.916	0.891
8	0.840	0.913	0.887
9	0.835	0.910	0.883
10	0.830	0.907	0.880
11	0.825	0.904	0.876
12	0.820	0.901	0.872
13	0.815	0.898	0.869
14	0.811	0.895	0.865
15	0.806	0.893	0.862
16	0.802	0.890	0.858
17	0.797	0.887	0.855
18	0.793	0.885	0.852
19	0.789	0.882	0.849
20	0.785	0.880	0.846
21	0.782	0.877	0.843
22	0.778	0.875	0.840
23	0.774	0.873	0.837
24	0.771	0.871	0.835
25	0.768	0.869	0.832
26	0.765	0.867	0.830
27	0.762	0.865	0.827
28	0.759	0.863	0.825
29	0.756	0.861	0.823
30	0.753	0.859	0.821
31	0.751	0.858	0.819

32	0.748	0.856	0.817
33	0.746	0.854	0.815
34	0.743	0.853	0.813
35	0.741	0.851	0.811
36	0.739	0.850	0.810
37	0.737	0.849	0.808
38	0.735	0.848	0.807
39	0.734	0.846	0.805
40	0.732	0.845	0.804

Age Difference	Option 2 100%	Option 3 50%	Option 4 66 2/3%
-20	0.961	0.980	0.974
-19	0.958	0.979	0.972
-18	0.955	0.977	0.970
-17	0.952	0.976	0.968
-16	0.949	0.974	0.966
-15	0.946	0.972	0.963
-14	0.943	0.971	0.961
-13	0.939	0.969	0.959
-12	0.936	0.967	0.956
-11	0.932	0.965	0.953
-10	0.928	0.963	0.951
-9	0.924	0.960	0.948
-8	0.919	0.958	0.945
-7	0.915	0.956	0.942
-6	0.911	0.953	0.939
-5	0.906	0.951	0.935
-4	0.901	0.948	0.932
-3	0.896	0.945	0.928
-2	0.891	0.943	0.925
-1	0.886	0.940	0.921
0	0.881	0.937	0.918

APPENDIX D

**LETTER FROM THE OFFICE OF THE STATE ACTUARY – UPDATE OF
LEOFF PLAN 2 ADMINISTRATIVE FACTORS**