



Economic Assumptions Adoption

December 20, 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%

Assumption Change Recommendations

Current

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

Recommended

- Inflation - 2.75%
- General Salary Growth - 3.50%
- Annual Investment Return - 7.40%

Options

1. **Adopt the recommended assumption changes**
 - a) Rate change to begin July 1, 2019. This is the current statutory process.
 - b) Rate change to begin January 2018.
2. **Adopt the recommended inflation and salary growth assumptions, but adopt a lower investment return assumption of 7.3%**
 - a) Rate change to begin July 1, 2019. This is the current statutory process.
 - b) Rate change to begin January 2018.
3. **Do not adopt assumptions**

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	EA w/ 7.3% Assumption
Member	8.75%	8.48%	8.70%
Employer	5.25%	5.09%	5.22%
State	3.50%	3.39%	3.48%

Budget Impacts (in millions)		
	All EA adopted	EA w/ 7.3% Assumption
Member	\$(28.6)	\$(7.1)
Employer	\$(28.6)	\$(7.1)
State	\$(11.4)	\$(2.8)

Questions?

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