



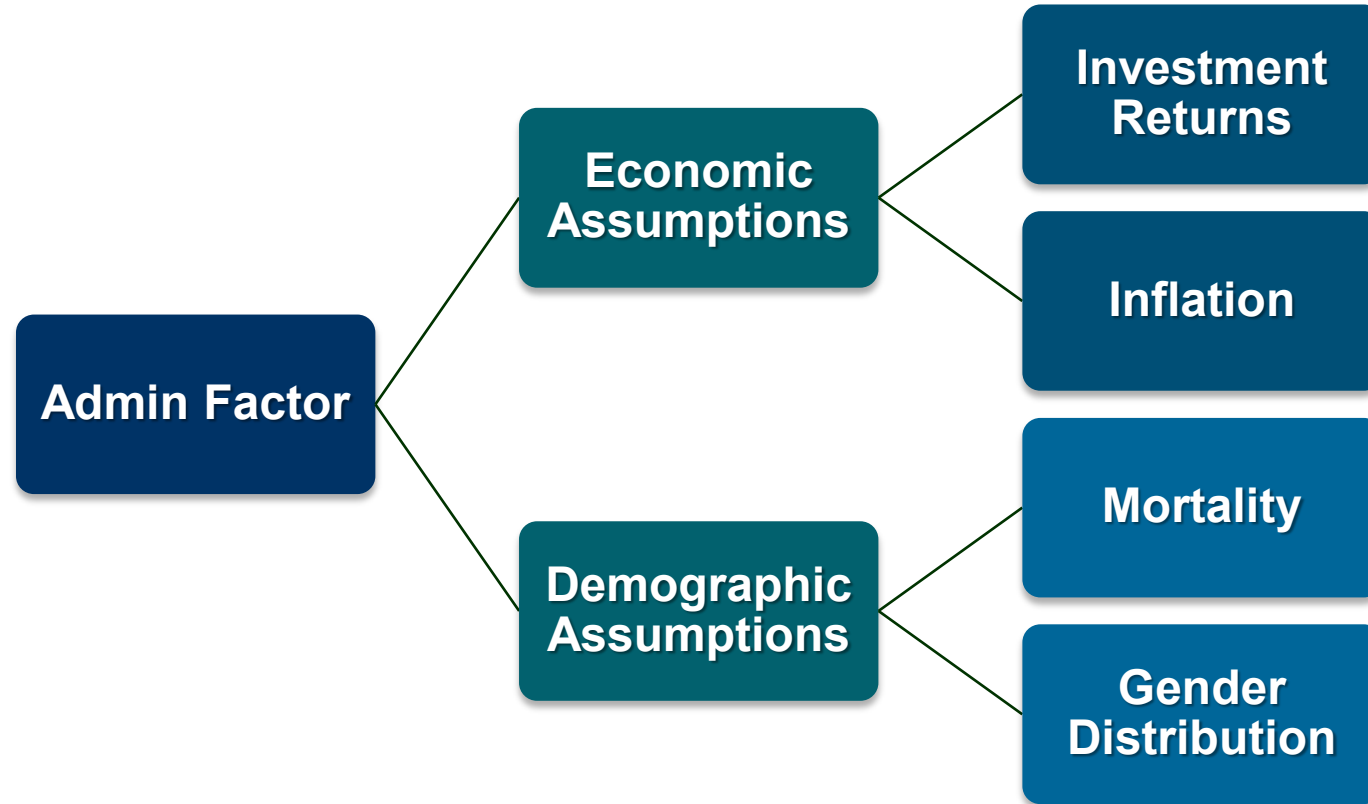
Adoption of Administrative Factors

April 27, 2022

Issue

- **The Board has authority to adopt administrative factors**
- **If adopted, new factors are effective December 1**
 - **Members would see the impact of the new factors in June**

How are administrative factors developed?



Actuarial Equivalence Depends On Assumptions

- Admin factors are intended to be actuarially equivalent
- However, experience can be different
- What happens if the factors aren't actuarially equivalent?

Two Types

1. Reduction Factors

- Reduce monthly pensions to pay for optional benefits

1. Annuity Factors

- Convert between one-time and lifetime payments

Comparison of Joint & Survivor Factors

Comparison of J&S Factors* Beneficiary Three Years Younger than Member			
	Current	Updated	Percent Change
J&S 50%	0.925	0.914	(1.19%)
J&S 67%	0.902	0.889	(1.44%)
J&S 100%	0.861	0.842	(2.21%)

**Maximum change of (5.05%) occurs for member 40 years older than beneficiary.*

Joint & Survivor Benefit Examples

J&S 100% Benefit Comparison			
Beneficiary Three Years Younger than Member			
	Current	Updated	Change
J&S Factor	0.861	0.842	(2.21%)
Monthly Benefit*	\$4,305	\$4,210	(\$95)
<i>*Example member retiring with a \$5,000 single life monthly benefit who chooses a J&S 100% option with a beneficiary 3 years younger.</i>			
J&S 100% Benefit Comparison			
Beneficiary 20 Years Younger than Member			
	Current	Updated	Change
J&S Factor	0.783	0.755	(3.58%)
Monthly Benefit*	\$3,915	\$3,775	(\$140)
<i>*Example member retiring with a \$5,000 single life monthly benefit who chooses a J&S 100% option with a beneficiary 20 years younger.</i>			

Comparison of Annuity Purchase Factors

Comparison of Annuity Purchase Factors Impact at Various Retirement Ages			
	Current	Updated	Percent Change
Age 50	0.0047458	0.0045108	(4.95%)
Age 53	0.0049118	0.0046799	(4.72%)
Age 57	0.0051942	0.0049650	(4.41%)
Age 60	0.0054417	0.0052342	(3.81%)

Annuity Purchase Examples

Comparison of Age 57 Annuity Purchases			
	Current	Updated	Change
Purchase Factors	0.0051942	0.0049650	(4.41%)
Monthly Benefit*	\$519	\$497	(\$23)
<i>*Example member retiring at age 57 making a \$100,000 annuity purchase. Change does not agree due to rounding.</i>			
Comparison of Age 53 Annuity Purchases			
	Current	Updated	Change
Purchase Factors	0.0049118	0.0046799	(4.72%)
Monthly Benefit*	\$491	\$468	(\$23)
<i>*Example member retiring at age 53 making a \$100,000 annuity purchase.</i>			

Board Action - Options

1. **Adopt new Administrative Factors**
2. **Don't adopt new Administrative Factors**



Thank You

Jacob White

Senior Research and Policy Manager

(564) 999-0738

jacob.white@leoff.wa.gov