# Actuarial Audit For LEOFF 2 Board

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### Purpose & Scope

- Purpose: Review OSA's work and confirm that the results of the valuation are reasonable
- Scope:
  - Review of new economic assumptions
  - Full independent replication of June 30, 2021 Actuarial Valuation
  - Verify contribution rates



#### **Bottom Line**

- What you need to know
  - OSA's actuarial work is reasonable and appropriate
    - Good match on liabilities and contribution rates
    - Package of assumptions is reasonable
  - All recommendations from prior audit addressed
  - No changes recommended to OSA's 2021 valuation based on current audit

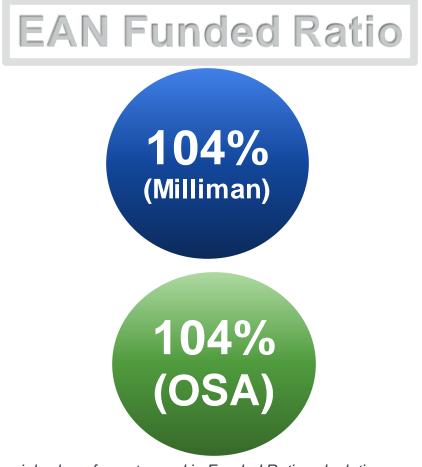




#### **Parallel Valuation Results**

Good match on both Present Value of Benefits and EAN Accrued Liability

	LEOFF 2 Results			
(in \$Millions)	OSA	Milliman	O / M Ratio	
Present Value All Future Benefits				
Retirement	\$12,388.6	\$12,409.4	99.8%	
Termination	344.1	345.6	99.6%	
Death	218.8	214.5	102.0%	
Disability	<u>649.8</u>	<u>652.1</u>	<u>99.6%</u>	
Total Actives	\$13,601.3	\$13,621.6	99.9%	
Terminated Vested	\$390.3	\$408.1	95.6%	
Terminated Not Vested	<u>22.2</u>	<u>22.2</u>	<u>100.0%</u>	
Total Inactive, not in Payment	\$412.5	\$430.3	95.9%	
Total Annuitants	\$7,060.8	\$7,082.3	99.7%	
All Members	\$21,074.6	\$21,134.2	99.7%	
Entry Age Normal Accrued Liability				
All Members	\$15,818.8	\$15,867.5	99.7%	



Actuarial value of assets used in Funded Ratio calculation includes \$450M from LEOFF 2 Benefits Improvement Account.



#### **Contribution Rates**

- Checked contribution rates two ways:
  - First, we matched OSA's calculated contribution rates using liabilities and normal cost rates from their valuation
  - Second, we were very close to OSA's contribution rates using Milliman's independently calculated liabilities and normal cost rates (shown below)
    - Well within expected tolerances for actuarial audits

	100% EANC Rates for 2023-2025		2021-2023	
	OSA	Milliman*	Adopted Rates	
Member	9.94%	9.94%	8.53%	
Employer	5.96%	5.96%	5.12%	
State	3.98%	3.98%	3.41%	



<sup>\*</sup> Based on Milliman calculation of normal cost rate.

#### **Additional Detail Reviewed**

- Data: Reviewed data used in OSA's valuation including comparison with DRS data
  - Data used by OSA in valuation looks appropriate
- Benefits: Confirmed benefits valued are consistent with RCW and member handbooks
  - Verified new formula was implemented correctly
- Assumptions and Methods: Reasonable for use in valuation
  - Demographic assumptions reviewed in prior audit
    - Revised assumptions related to increased accrual rate appear reasonable
  - Change to 7.00% investment return assumption is supported by forecasted returns
    - 7.00% is median investment return assumption among large public retirement systems
    - Inflation and wage growth assumptions are also reasonable
- Actuarial Value of Assets: Independently calculated by Milliman based on financial data provided by DRS and WSIB
  - Asset method and calculations are reasonable



#### **Conclusion**

- No changes recommended to 2021 valuation
- OSA calculated contribution rates are accurate
  - SHB 1701 specifies that 2023-25 contribution rates do not exceed rates adopted in prior cycle FREEZE LEOFF 2 CONTRIBUTION RATES RCW 41.45.0604 1(b) For 2021-2023 and 2023-2025 fiscal biennia, contribution rates for the law enforcement officers' and firefighters' retirement system plan 2 may not exceed the rates adopted by the law enforcement officers' and firefighters' plan 2 retirement board in 2020.



## **Comments and Questions?**





#### **Caveats and Disclaimers**

This presentation is based on the data, methods, assumptions and plan provisions described in our draft actuarial audit report dated July 20, 2022. The statements of reliance and limitations on the use of this material is reflected in the actuarial report and still apply to this presentation.

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