



Contribution Rate Adoption

July 27, 2022

Issue

- The Board may adopt contribution rates for the 23-25 and 25-27 biennia

Current Contribution Rates

- The rates adopted by the Board based on the 2019 actuarial valuation for the 2021-23 and 2023-25 Biennia:
- Member = 8.53%
- Employer = 5.12%
- State = 3.41%

2021 Actuarial Valuation – Key Updates

- **Economic Assumption Update**
 - Investment Return assumption lowered from 7.40% to 7.00%
 - General Salary Growth assumption lowered from 3.50% to 3.25%
- **2021 Investment Earnings**
 - Assets include 2021 investment return of 31.65%
- **SHB 1701 Benefit Improvement**
 - Updated plan costs and funding policy consistent with legislation

Board Funding Policies

- **4-year rate adoption**
 - Adopted rates may still be updated with each new rate setting valuation
- **Minimum Contribution Rates calculated from Normal Cost of Entry Age Normal cost method**
 - Relatively stable rate that doesn't fluctuate with changes in asset returns
 - Original minimum rate policy is either 90% or 100% of Normal Cost, based on plan funded status
 - Policy set in statute and modified under the Benefit Improvement Bill

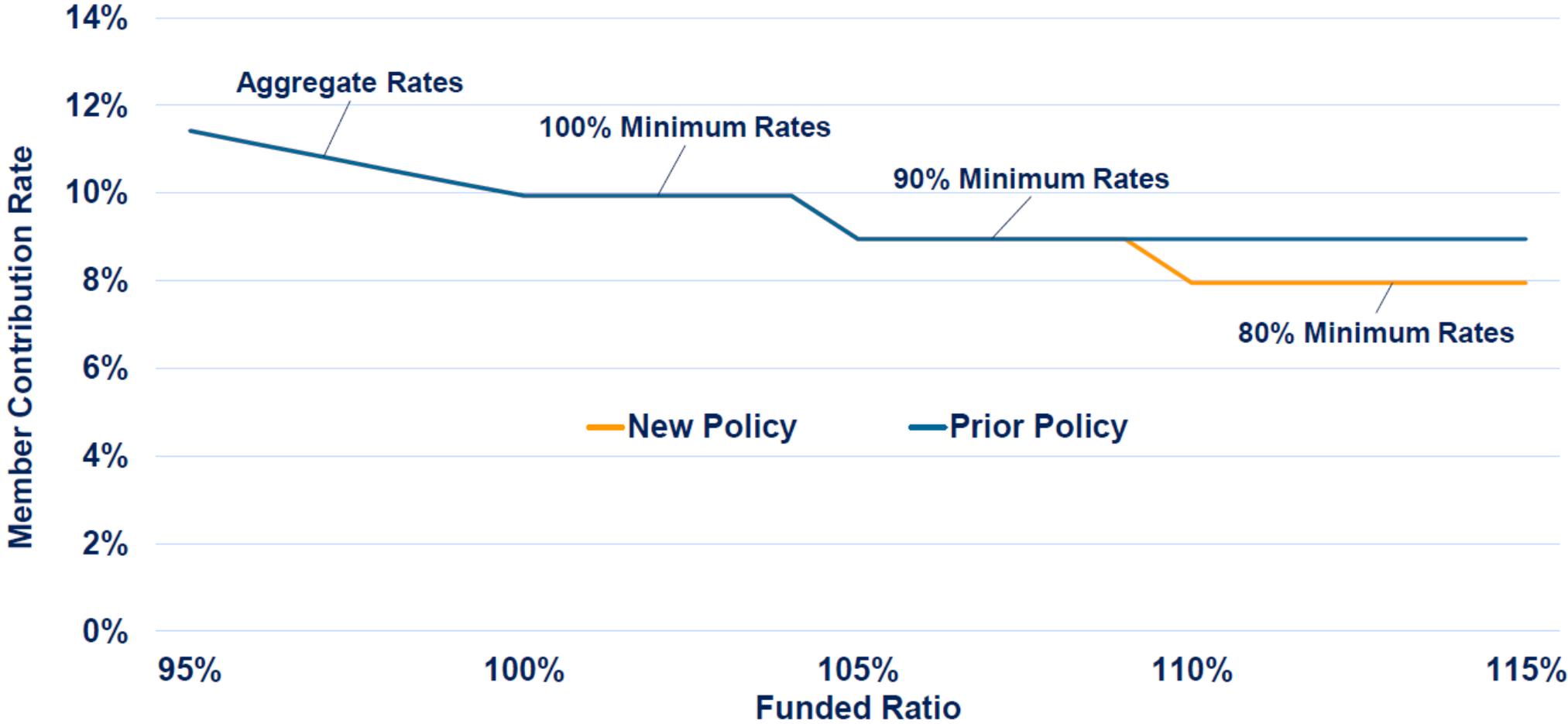
Benefit Improvement Bill

- Freezes 23-25 contribution rates to a maximum of current rates
 - Member = 8.53%
 - Employer = 5.12%
 - State = 3.41%
- New minimum contribution structure adds 80% rate tier

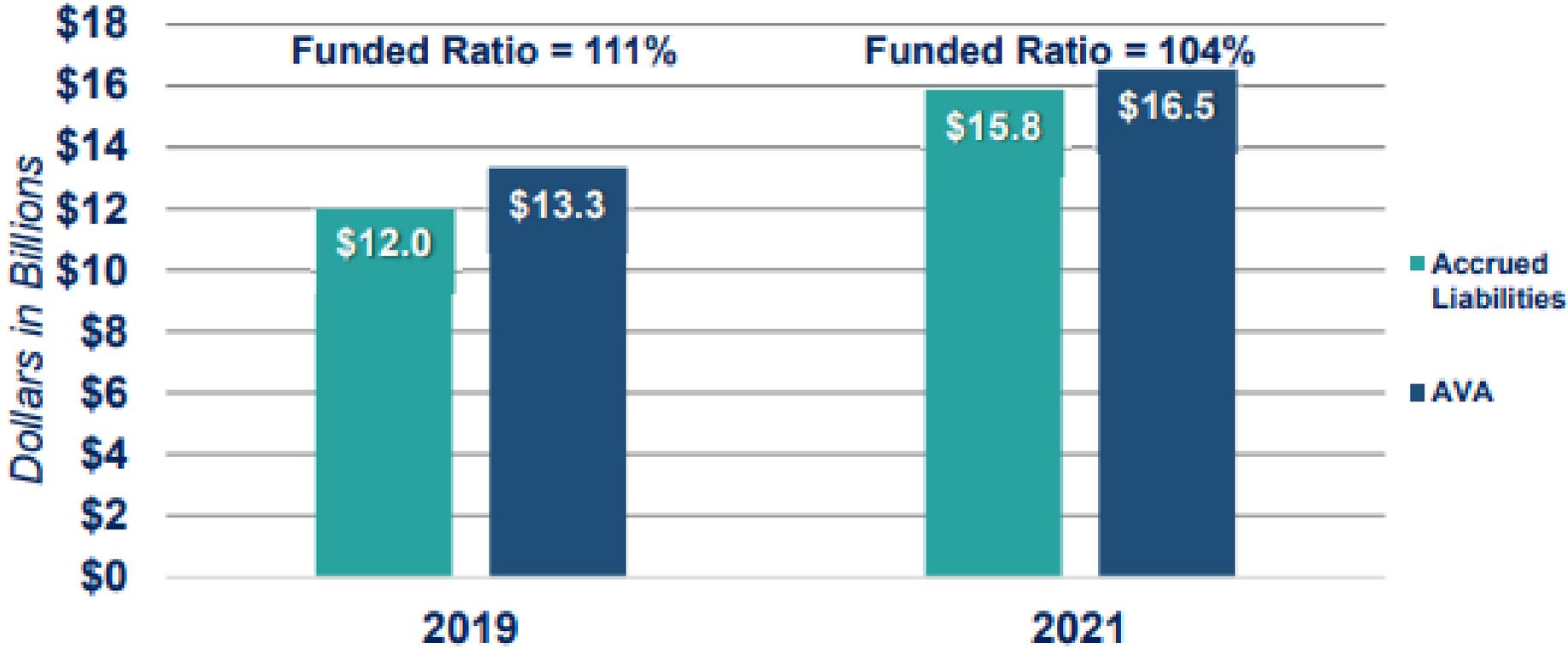
Minimum Rate Funding Policy	
Funded Ratio (FR)	Minimum Rate Percent*
1. FR less than 105%	100%
2. FR at least 105% but less than 110%	90%
3. FR at least 110%	80%

**Percent of Normal Cost under Entry Age Normal cost method.*

Minimum Rate Policy Illustration



Funded Status Change from Last Valuation



Calculated Contribution Rates

LEOFF 2 Member Rate			
	2019	2021	Difference
Aggregate Rate	5.81%	8.65%	2.84%
Minimum Rate*	7.68%	9.94%	2.26%
Current Adopted 2023-25 Rate**	8.53%		

**2019 minimum rate equals 90% of EANC based on funded ratio of 111%.
2021 minimum rate equals 100% of EANC based on funded ratio of 104%.*

***Contribution rates for the 2023-25 Biennium capped at the current adopted rates under SHB 1701.*

Options

1. **No action**
 - **Member rate = 8.53%, Employer rate = 5.12%, State rate = 3.41%**
2. **Adopt the current contribution rate for the 2023-25 and 2025-27 biennia. Reassess the 2025-27 biennium contribution rates based on the 2023 Actuarial Valuation Report consistent with funding policy set in SHB 1701**
 - **Member rate = 8.53%, Employer rate = 5.12%, State rate = 3.41%**



Thank You

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