



# Contribution Rate Setting Overview

May 29, 2024

# Issue

The Board may adopt contribution rates for the 2025 - 2027 and 2027 - 2029 biennia

# Rate-setting process

- OSA performs actuarial valuations in odd-numbered years
- Results inform contribution rates for upcoming biennia
- OSA will present contribution rates to the Board at the June meeting
- Milliman is auditing OSA's work and presenting results to the Board in July
- Board may adopt new contribution rates in July

# Current Contribution Rates

- **Current Contribution Rates**
  - **Member = 8.53%**
  - **Employer = 5.12%**
  - **State = 3.41%**
- **The Board adopted rates for 2023 - 2025 and 2025 - 2027 biennia under 4-year rate adoption in July 2022**
- **Included language during adoption to reassess 2025 - 2027 contribution rates based on results of 2023 Actuarial Valuation Report**

# LEOFF 2 Funding Policies

- The Board sets policies to assist meeting funding goal of stable contribution rates
- 4-year Rate Adoption
  - Adopted rates may still be updated with each new rate-setting valuation
- Minimum Rate Funding Policy
  - Board adopted minimum rate policy: 90% or 100% of Normal Cost, based on plan funded status
  - Applies if minimum rate is higher than the Aggregate Rate
  - Calculated from Normal Cost of Entry Age Normal Cost (EANC) method
  - Benefit Enhancement legislation changed minimum rate policy

# Benefit Enhancement (SHB 1701)

- Rates frozen through 2023 - 2025 biennium
- Created an Offset Rate applied to 90%/100% Minimum Rate Tiers
- Put Board's minimum rate funding policy into law
- Created a new step down in minimum rate policy

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

*\*EANC is the Normal Cost under the Entry Age Normal cost method.*

# Next Steps

- OSA will present results of the actuarial valuation (June)
- Milliman will present results of audit of OSA actuarial valuation (July)
- Board adopts contribution rates for the upcoming biennia (2025 – 2027 and 2027 - 2029) (July)



**Thank You**

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