



Adoption of Long Term Economic Assumptions

December 17, 2025

Issue

- **The Board is tasked with adopting economic assumptions every 2 years.**

Economic Experience Study

- Review of long-term statutory assumptions used for plan funding
 - Inflation
 - General salary growth
 - Investment rate of return
- Studies produced during odd-numbered calendar years

Economic Assumption Recommendations

Assumption	Current	Recommended
Inflation	2.75%	3.00%
General Salary Growth	3.25%	3.50%
Investment Return	7.00%	7.25%

*Any economic assumption changes will first be reflected in the 2025 AVR which will inform contribution rate discussions for the 2027-29 Biennium

Recommendation Adoption Impacts

Funded status expected to increase by roughly 2%

- 2025 AVR would reflect calculated contribution rates under new assumptions
- Aggregate contribution rates converge to 100% funded ratio over time
- EANC rates are used in minimum rate calculation

Preliminary Impact on Contribution Rates		
	Aggregate	EANC
Employee	-0.55%	-0.07%
Total Employer	-0.33%	-0.04%
Total State	-0.22%	-0.03%

Funded Status Impact – All Recommended Changes

Estimated Funded Status Changes	
Projected 2025 Funded Status - Current Assumptions	103%
Estimated Total Demographic Assumption Changes	-4.0% to -2.5%
Projected 2025 Funded Status - Demographic Assumptions	99% to 101%
Estimated Change from Economic Assumptions	1.7%
Projected 2025 Funded Status – New Economic and Demographic Assumptions	100% to 102%

Totals may not agree due to rounding.

Note: The funded status ranges for the demographic assumption impacts were developed from independent estimates on the [2023 AVR](#) and do not include any potential changes to economic assumptions. The actual funded status changes in the 2025 AVR resulting from these assumption changes may fall outside this range.

Board Action

- 1. Adopt the recommended assumption changes**
- 2. Do not adopt the recommended assumption changes**



Thank You

Jacob White

Senior Research and Policy Manager

jacob.white@leoff.wa.gov