

Contribution Rate Recommendation to the Pension Funding Council

Issue

The SCPP has a statutory duty to make a recommendation to the Pension Funding Council (PFC) regarding the contribution rates for the state's retirement systems during the 2017-19 Biennium.

Background

Contribution rates for the state's retirement systems are set every two years according to a statutory cycle ([RCW 41.45.060](#)). Rates for the upcoming biennium are adopted by the PFC during even-numbered years, subject to revision by the Legislature. Rates adopted in 2016 are effective for the 2017-19 Biennium.

The SCPP has a statutory role in setting rates. Statute requires the committee to receive results of actuarial valuations, demographic experience studies, and audits, and recommend rates to the PFC ([RCW 41.04.281](#)).

Options

The SCPP considered two possible high-level options for making a recommendation to the PFC, as shown below.

- ❖ Option A: Recommend adoption of rates which include the second step of a three-biennia mortality improvement phase in.
 - ◇ Fiscal Impact: \$654 million total employer increase (\$270 million GF-S) in 2017-19; \$716 million total employer increase (\$299 million GF-S) in 2019-21.
- ❖ Option B: Recommend adoption of rates which include Option A, plus a higher assumed TRS system growth rate. (State Actuary's calculated rates.)
 - ◇ Fiscal Impact: \$639 million total employer increase (\$260 million GF-S) in 2017-19; \$699 million total employer increase (\$287 million GF-S) in 2019-21.

Committee Activity

The committee considered this issue at the June and July meetings and made a recommendation regarding the contribution rates for the 2017-19 Biennium.

Recommendation to PFC

Adopt the State Actuary's calculated rates for the 2017-19 Biennium, which include the second step of the three-biennia mortality improvement phase in, and an increased TRS system growth assumption.

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