

Rate Recommendation to the PFC

Issue

[RCW 41.04.281](#) requires the Select Committee on Pension Policy (SCPP) to make a recommendation to the Pension Funding Council (PFC) regarding contribution rates for the state's retirement systems during the 2019-21 Biennium.

Background

Contribution rates for the state's retirement systems are set every two years according to a statutory cycle ([RCW 41.45.060](#)).

The SCPP has a statutory role in setting contribution rates. [RCW 41.04.281](#) requires the SCPP to recommend rates to the PFC.

The Office of the State Actuary on even-numbered years performs an actuarial valuation that calculates projected contribution rates based on the most recent actuarial valuation, asset returns and legislative changes.

During even-numbered years, rates for the upcoming biennium are adopted by the PFC, subject to revision by the Legislature.

Rates adopted in 2018 are effective for the 2019-21 Biennium.

Committee Activity

In 2014, the Committee recommended that the PFC adopt the state actuary's calculated rates for the 2015-17 Biennium. This included the first step of a three-biennia phase-in of mortality improvement (i.e., a six-year plan to phase-in the budget impacts of larger life-spans).

In 2016, the Committee recommended that the PFC adopt the state actuary's calculated rates for the 2017-19 Biennium, which included the second step of the three-biennia mortality improvement phase-in, and an increased Teachers' Retirement System growth assumption.

Options

- ❖ Option A: Defer Next Step of Phase-In
 - Recommend adoption of rates that defer the final phase-in of the updated mortality assumption beyond the 2019-21 Biennium.
- ❖ Option B: Complete Phase-In
 - Recommend adoption of rates that completes the final phase-in of the updated mortality assumption during the 2019-21 Biennium.

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