



Washington State Legislature 

SCPP Recommendation on Economic Assumptions

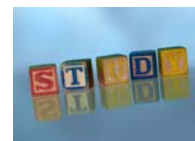
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"Measuring Assumptions for Sustainable Funding."

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Why Is This Before You?

- Adopting economic assumptions is part of managing retirement systems
- Review of long-term economic assumptions is required by statute every two years
 - OSA studies and recommends assumptions to the PFC and SCPP
 - SCPP makes own recommendations on assumptions to the PFC
 - The PFC may adopt changes to assumptions by October 31



Where Are We In The Process?

- OSA recently completed study of economic assumptions
- OSA briefed SCPP and PFC on the results of study and the state actuary's recommended assumptions in September
- Executive Committee discussed SCPP recommendation on economic assumptions this morning
- Today is last opportunity for SCPP (at a regular meeting) to make a recommendation within the statutory timeframe



OSA Recommended Economic Assumptions

Assumption	Current*	Recommended*
Inflation	3.50%	3.25%
General salary growth	4.00%	4.00%
Annual investment return	8.00%	7.50%
Growth in system membership	0.90% (TRS) 1.25% (Others)	0.90% (TRS) 1.15% (Others)

*Excludes LEOFF 2.

- Current assumptions are reasonable
 - Not best estimate
- Adopting recommended assumptions
 - Improves long-term health
 - Worsens shorter-term funding challenges



Further Recommendation

- Coordinate any changes to long-term economic assumptions with a plan to manage future health of the retirement systems



Next Step

- Make recommendation to PFC regarding long-term economic assumptions
- Possible Options
 - No change to assumptions at this time
 - Adopt state actuary's recommended assumptions
 - Adopt recommended assumptions in coordination with plan to manage future health of retirement systems
 - State actuary's recommended approach
- Executive Committee recommendation?