

SCPP Recommendations on Economic Assumptions

Background

Every two years the Office of The State Actuary (OSA) studies and makes recommendations on long-term economic assumptions to the Pension Funding Council (PFC) and the Select Committee on Pension Policy (SCPP). The SCPP is statutorily required to study and make recommendations to the PFC on changes to the long-term economic assumptions. The PFC may adopt changes to the assumptions by October 31, 2009.

OSA completed its most recent study on economic assumptions in August. OSA determined the current assumptions were reasonable, but not OSA's best estimate. The SCPP was briefed on OSA's recommended assumptions in September.

OSA Recommended 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.

The state actuary further recommends coordinating any changes to the long-term economic assumptions with a plan to manage the future health of the retirement systems.

Next Step

Make a recommendation to the PFC regarding long-term economic assumptions.

Possible Options

- ❖ Option 1: No change to assumptions at this time.
- ❖ Option 2: Adopt OSA recommended assumptions.
- ❖ Option 3: Adopt recommended assumptions in coordination with a plan to manage the future health of the retirement systems (state actuary's recommended approach).