

SCPP Recommendations on Economic Assumptions

Issue

Should economic assumptions be changed based on recommendations of the State Actuary?

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.

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

Committee Activity

Staff briefed the committee at the September and October meetings. At the October meeting, the committee voted to table the recommendation to the PFC. No further action was taken during the interim.

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