

# SCPP Recommendation To PFC On Long-Term Economic Assumptions

## Issue

In 2011, the state actuary recommended changes to long-term economic assumptions for the state's retirement systems. The recommendation to the Pension Funding Council (PFC) and SCPP came out of a biennial review of economic experience required by statute. The SCPP has a statutory duty to make its own recommendation to the PFC regarding changes to economic assumptions.

## Background

Long-term economic assumptions are used for funding the state's retirement system and include investment return, salary growth, inflation, and membership growth. These assumptions are reviewed every two years according to a statutory cycle ([RCW 41.45.030](#)).

During odd-numbered years, the state actuary reviews economic assumptions and reports to the PFC and SCPP. The state actuary recommends any changes to the economic assumptions, and reports on the experience and financial condition of the state's retirement systems. The PFC may adopt changes to economic assumptions subject to revision by the Legislature.

The SCPP has a statutory role in setting economic assumptions. Statute requires the committee to study changes to economic assumptions and make recommendations to the PFC ([RCW 41.04.281](#)).

## Committee Activity

The committee considered this issue at the September and October meetings. In September, the committee received OSA's reports on Financial Condition and Long-Term Economic Assumptions, and OSA's recommendation for changes to economic assumptions. At the October meeting, the committee made a recommendation on economic assumptions as detailed below.

## Recommendation To PFC

Adopt OSA's recommended changes to [economic assumptions](#) with the phase-in of changes to the investment return assumption.

## Staff Contact

Aaron Gutierrez  
Policy Analyst  
360.786.6152  
[aaron.gutierrez@leg.wa.gov](mailto:aaron.gutierrez@leg.wa.gov)

O:\Reports\Interim Issues\2011\Economic\_Assumpt\_Exec\_Summary\_SCPP\_Recommendation.docx