

Preliminary 2025 Actuarial Valuation Results

Presentation to:
Pension Funding Council

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Today's Presentation

- Overview of the 2019-23 Demographic Experience Study.
- Key results from the *2025 Actuarial Valuation Report*.
- Calculated contribution rates for 2027-29 Biennium.

Notes:

- Valuation results are preliminary, subject to change, and currently under audit.
- Additional details in the Appendix.

Overview of the 2019-23 *Demographic Experience Study*



Demographic Experience Study

- **Study Summary:**

- Comprehensive look at demographic assumptions.
- Study required by statute at least every 6 years.
- Final report available for reference and has been audited.

- **High-Level Takeaways:**

- **Mortality Rates:** Longer life expectancies for males, shorter life expectancies for females.
- **Retirement Rates:** Early retirement eligible members deferring retirement.
- **Termination Rates:** More members terminating employment.
- **Service-Based Salary Increases:** Higher rates of increase.

General Assumption Impacts

	Assumption Change	Short-Term Contribution Rate Impact
Mortality Rates	Mixed	Increase
Retirement Rates	Mixed	Decrease
Termination Rates	Increase	Decrease
<u>Service-Based Salary Increases</u>	Increase	Increase

- After accounting for all combined assumption impacts:
 - Most plans expected to see small net, short-term cost or savings.
 - At June 30, 2025, most plans' funded ratios changed by less than 1%.
- The impact on long-term contribution rates and funded status will be based on actual plan experience.

Key Results from the *2025 Actuarial Valuation Report*

June 23, 2026

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Purpose of 2025 Valuation

- Support rate-setting process.
 - Calculate contribution rates that fund expected benefits for current members.
 - Inform 2027-29 Biennium contribution rate adoption.
- Track funding progress.
 - Updated demographic and economic assumptions.
 - Membership data and assets as of June 30, 2025.
 - Pension law changes from the 2026 Legislative Session.
- Note: New method considers expenses paid from the trust fund.
 - More details in appendix.

Membership Data

Active Members			
All Systems	2025	2023	Difference
Number	369,000	352,000	5%
Average Annual Salary	\$93,000	\$84,000	11%
Average Attained Age	46	46	<1%
Average Service	10	10	<1%
Retirees and Beneficiaries			
All Systems	2025	2023	Difference
Number	238,000	224,000	6%
Average Annual Benefit	\$29,000	\$27,000	7%

Note: Figures rounded for display purposes.

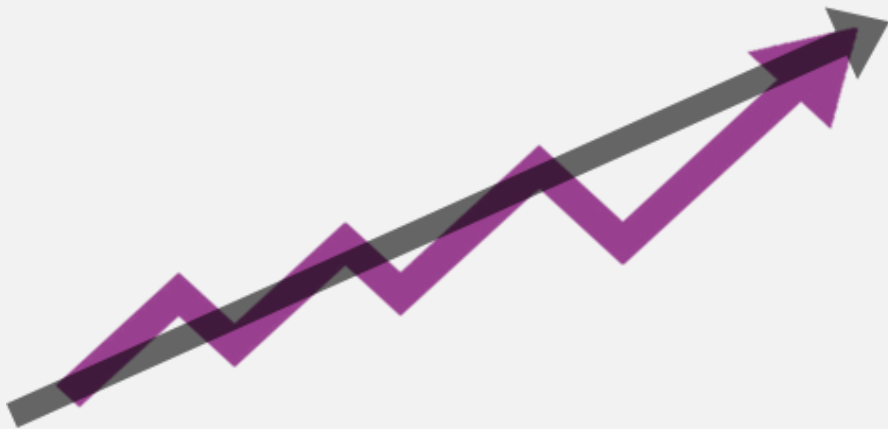
Assets

Market Value of Assets (MVA)

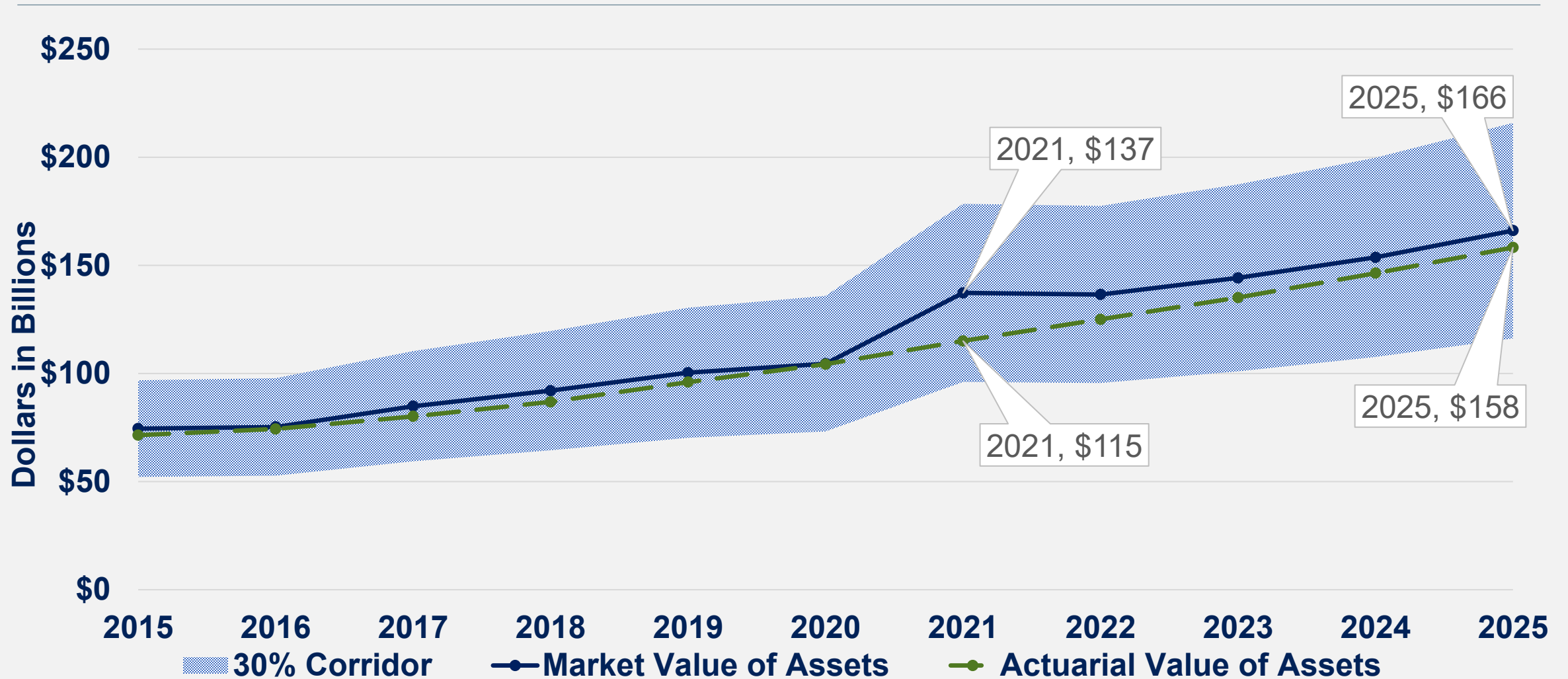
- No adjustment to investment returns.
- FY 2025 return was 9.6%.
- Expected return was 7.25% for most plans.

Actuarial Value of Assets (AVA)

- Smooths investment gains and losses to limit volatility impact on funding metrics.
- Used for calculating contribution rates and funded ratios.
- As of 2025, deferring \$7.8 billion in investment gains.
- Current deferred investment gains provide to be fully realized in FY 2028.



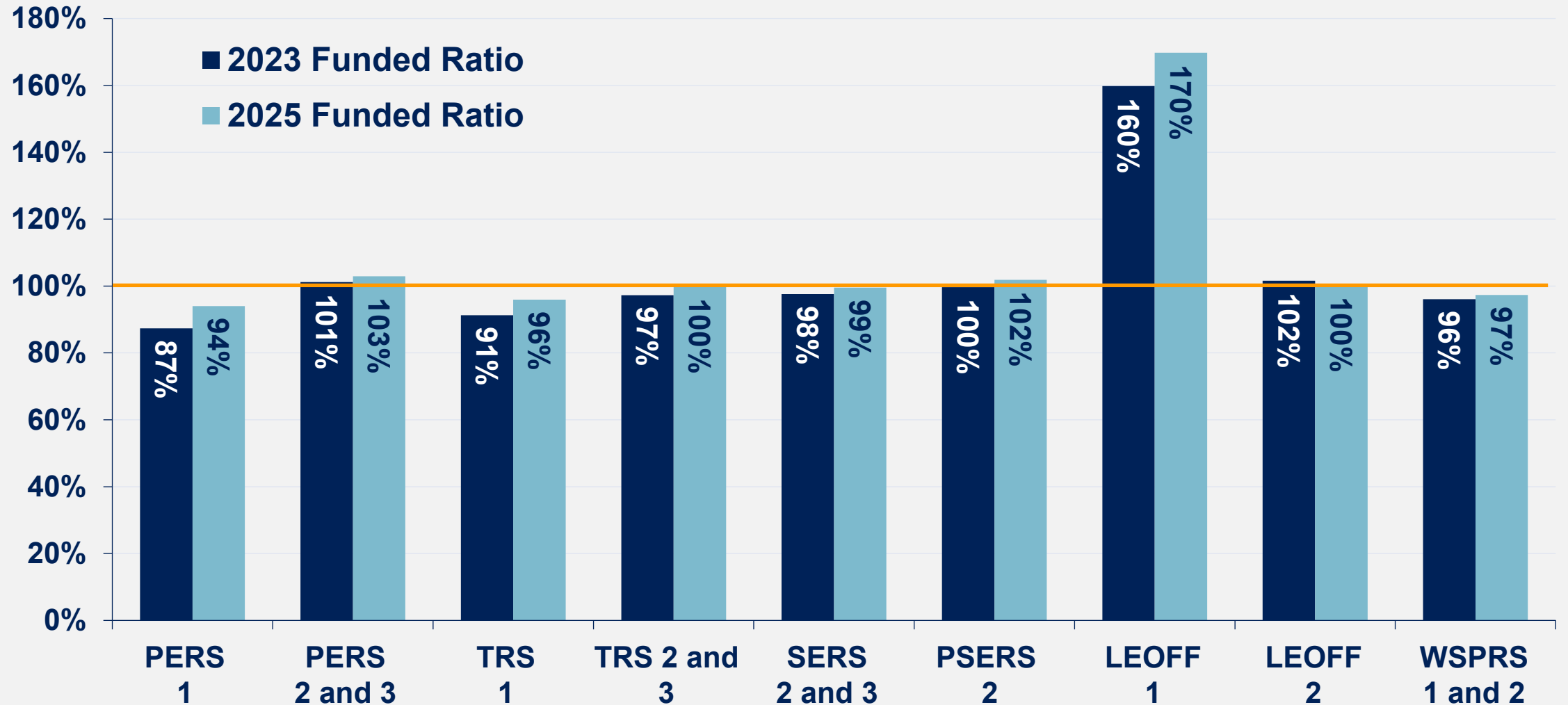
Actuarial and Market Value of Assets



Funded Ratio

- Point-in-time measurement of plan health.
- Equal to AVA divided by Accrued Liability.
 - Less than 100% means plan may need additional contributions to get back on track.
 - More than 100% means contribution rates may decrease; does not necessarily mean contributions can cease.

Funded Ratios At or Above 94%



Calculated Contribution Rates for the 2027-29 Biennium



Preliminary Contribution Rates

Employer and Plan 2 Employee Contribution Rates		
	2025-27	2027-29
	Current Rates	Calculated Rates
PERS 2 and 3	5.38%	4.84%
TRS 2 and 3	7.54%	6.54%
SERS 2 and 3	6.87%	6.21%
PSERS 2	6.91%	6.77%
LEOFF 1	0.00%	0.00%
WSPRS 1 and 2*	15.85%	15.86%

Note: Employer rates exclude 0.20% DRS expense rate.

LEOFF 2 Board adopts rates for that plan.

**WSPRS employee rate for both columns is 8.75%.*

- Employer and employee rates are generally identical due to PERS 1 and TRS 1 funding pause through FY 2029.
- 2027-29 calculated rates include consideration of expenses paid from the trust fund.

Budget Impacts

2027-29 Estimated Preliminary Budget Impacts						
(Dollars in Millions)	PERS	TRS	SERS	PSERS	WSPRS	Total
General Fund	-\$45	-\$180	-\$30	-\$5	\$0	-\$260
Non-General Fund	-\$65	\$0	\$0	\$0	\$0	-\$65
Total State	-\$105	-\$180	-\$30	-\$5	\$0	-\$325
Local Government	-\$105	-\$30	-\$25	\$0	\$0	-\$165
Total Employer	-\$215	-\$215	-\$55	-\$5	\$0	-\$490
Total Employee	-\$170	-\$80	-\$30	-\$5	\$0	-\$285

Note: Figures rounded to the nearest \$5 million, and totals may not agree. Excludes LEOFF 2 impacts.

- Budget impacts associated with moving from the “2025-27 Current Rates” to the preliminary “2027-29 Calculated Rates” found on the prior slide.

Where Are the Systems Headed?

Employer Contribution Rates		
	2027-29	2029-31
	Calculated Rates	Projected Rates
PERS 2 and 3	4.84%	5.0%
TRS 2 and 3	6.54%	6.8%
SERS 2 and 3	6.21%	5.9%
PSERS 2	6.77%	7.0%
WSPRS 1 and 2	15.86%	11.8%

Note: Employer rates exclude 0.20% DRS expense rate.

- Projected using the 2025 AVR, recognizing two additional years of asset gains.
- 2029-31 column includes PERS 1 and TRS 1 benefit improvement rates of 0.43% and 0.87%, respectively.

How Could It Look Different?

- Investment experience can have a significant impact to short-term contribution rates, even with asset smoothing.
- Current deferred investment gains provide a short-term buffer against adverse experience but will be fully realized in FY 2028.
- Contribution rates could trend upward if there is a market downturn.

Summary

- June 30, 2025, funded ratio increased for most plans compared to 2 years ago.
 - All plans at least 94% funded on earned benefits.
- 2027-29 contribution rates have generally declined from what is currently being collected.
- Contribution rates are projected to start leveling off given minimum rate levels and the return of PERS 1 and TRS 1 funding.
- A market correction could cause future rates to increase.



Thank You

For questions, please contact
The Office of the State Actuary

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Disclosure

- This presentation is intended to inform PFC rate-adoption for 2027-29.
- Please see the full *2025 Actuarial Valuation Report* posted on our website, when available, for disclosure of the assumptions, methods, and data used to produce the results summarized in this presentation.
- Luke Masselink, ASA, EA, MAAA served as the reviewing and responsible actuary for this presentation.

Recent Pension Law Changes

- 2026 Legislation:
 - LEOFF 2 medical insurance premium reimbursements for surviving spouses (HB 2441).
 - PERS 1 and TRS 1 ad-hoc COLA (SSB 5862).
- 2025 Legislation:
 - Actuarial Funding (ESSB 5357).

Note: These are laws that impacted the results of the valuation report, not a complete list of all bills that passed.

Assets by Plan

Calculation of AVA												
(Dollars in Millions)			PERS 1	PERS 2/3	TRS 1	TRS 2/3	SERS 2/3	PSERS 2	LEOFF 1	LEOFF 2	WSPRS 1/2	Total
Investment Gains and (Losses) for FY												
a. Market Value (MV) at 6/30/2025			\$9,611	\$72,839	\$7,037	\$30,139	\$11,250	\$1,979	\$7,230	\$23,971	\$1,995	\$166,052
b. Expected 7.25% Return*			\$657	\$4,839	\$491	\$1,987	\$743	\$126	\$493	\$1,539	\$134	\$11,010
c. Actual Return			\$852	\$6,365	\$635	\$2,617	\$979	\$168	\$643	\$2,095	\$176	\$14,529
Investment Gain/(Loss) (c - b)			\$195	\$1,526	\$144	\$629	\$235	\$41	\$150	\$556	\$42	\$3,519
Actual Rate of Return			9.40%	9.54%	9.37%	9.55%	9.55%	9.63%	9.46%	9.53%	9.50%	9.57%
Smoothing Period			3	3	3	3	3	3	3	3	3	3
Deferred Gains and (Losses)												
Plan Year Ending	Smoothing Period	Years Remaining										
6/30/2025	3	2	\$130	\$1,017	\$96	\$420	\$157	\$28	\$100	\$371	\$28	\$2,346
6/30/2022	7	3	(269)	(1,712)	(202)	(666)	(253)	(36)	(207)	(556)	(51)	(3,951)
6/30/2021	8	3	667	4,058	497	1,561	594	80	513	1,321	123	9,414
d. Total Deferral			\$528	\$3,363	\$392	\$1,315	\$498	\$71	\$406	\$1,136	\$100	\$7,809
Market Value less Deferral (a - d)			\$9,082	\$69,476	\$6,646	\$28,824	\$10,752	\$1,908	\$6,824	\$22,835	\$1,895	\$158,243
70% of MVA			\$6,728	\$50,988	\$4,926	\$21,097	\$7,875	\$1,386	\$5,061	\$16,780	\$1,397	\$116,236
130% of MVA			\$12,494	\$94,691	\$9,149	\$39,180	\$14,625	\$2,573	\$9,399	\$31,162	\$2,594	\$215,867
AVA**			\$9,082	\$69,476	\$6,646	\$28,824	\$10,752	\$1,908	\$6,824	\$22,835	\$1,895	\$158,243
Ratio (AV / MV)			95%	95%	94%	96%	96%	96%	94%	95%	95%	95%
Note: Totals may not agree due to rounding. The gain/(loss) for plan years not shown has been fully recognized.												
*Dollar weighted rate of return assuming cashflows occur mid-year. LEOFF 2 expected return is 7.00%.												
**AVA can never be less than 70% or greater than 130% of the MVA.												

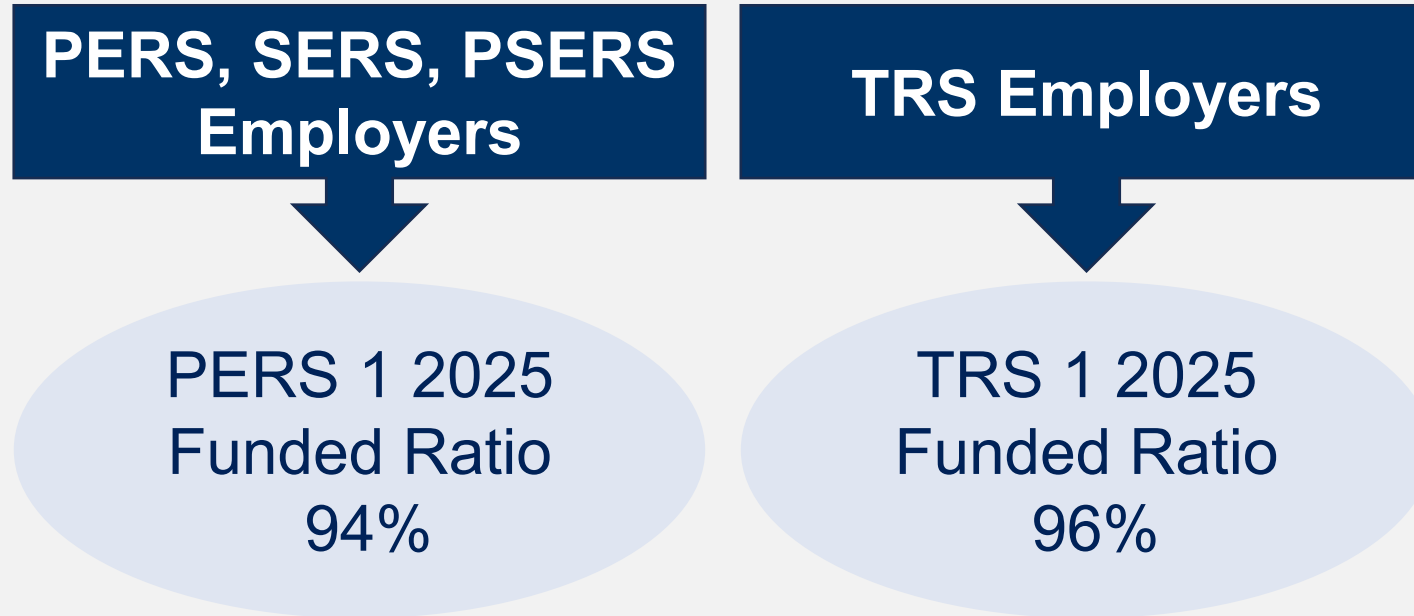
Funded Ratios by Plan

Funded Status on an Actuarial Value Basis										
(Dollars in Millions)	PERS		TRS		SERS	PSERS	LEOFF		WSPRS	Total
	Plan 1	Plans 2 and 3	Plan 1	Plans 2 and 3	Plans 2 and 3	Plan 2	Plan 1	Plan 2	Plans 1 and 2	
Accrued Liability	\$9,662	\$67,527	\$6,930	\$28,860	\$10,807	\$1,874	\$4,020	\$22,764	\$1,948	\$154,392
Valuation Assets	9,082	69,476	6,646	28,824	10,752	1,908	6,824	22,835	1,895	158,243
Unfunded Liability	\$579	-\$1,950	\$284	\$36	\$55	-\$34	-\$2,804	-\$70	\$53	-\$3,851
Funded Ratio										
2025	94%	103%	96%	100%	99%	102%	170%	100%	97%	102%
2024	87%	101%	91%	97%	98%	100%	160%	102%	96%	100%
2023	80%	97%	86%	92%	93%	96%	149%	102%	94%	96%
2022	75%	97%	80%	92%	92%	101%	152%	104%	94%	96%
2021	71%	95%	73%	90%	91%	98%	146%	104%	92%	93%

Note: Totals may not agree due to rounding. Liabilities valued using the EAN cost method at an interest rate of 7.25%. All assets have been valued under the actuarial asset method.

- Funded ratios have generally increased due to:
 - Strong investment performance.
 - Increase in the rate of return assumption.

Plan 1 UAAL Funding



- Legislatively prescribed pause on Plan 1 employer funding through FY 2029.
 - Projected FY 2030 PERS 1 and TRS 1 employer rates are 0.43% and 0.87%, respectively. This represents contribution rates to fund past benefit improvements.

New Method on Expenses

- Starting with the 2025 actuarial valuation, we now review historical administrative expenses paid from the trust fund to determine if such expenses are material to plan funding.
 - DRS administrative rate covers expenses paid outside the trust fund.
- Based on the 2025 actuarial valuation, such expenses were material to LEOFF 2 and WSPRS.
- When material, we include this rate in the calculated contribution rates, and it serves to pre-fund expenses for the ensuing biennium based on historical annual expenses adjusted for inflation.