



## Average Final Compensation (AFC) Proposal

We have calculated the preliminary impacts of changing the length of the AFC averaging period for LEOFF Plan 2. We have calculated four different scenarios: two-year AFC and three-year AFC - both for all service (retroactive) and future service only (prospective).

We expect retirement behavior would likely change (increases cost) and members would likely work more overtime to increase their AFC (increases cost) if this proposal passed. We included a small decrease in the average retirement age (by shifting retirement rates) and an overtime load for this pricing.

All other assumptions and methods are the same as those disclosed in the 2007 Actuarial Valuation Report.

Below we present the contribution rate increase for current members (effective September 1, 2009) and the first biennium and 25-year budget impacts:

Preliminary Impact on Contribution Rates					
Effective 9/1/2009		Retroactive		Prospective	
		2-Year	3-Year	2-Year	3-Year
LEOFF 2	Employee	2.98%	1.92%	1.42%	0.93%
	Employer	1.79%	1.15%	0.85%	0.56%
	State	1.19%	0.77%	0.57%	0.37%

Preliminary Budget Impacts					
(Dollars in Millions)		Retroactive		Prospective	
		2-Year	3-Year	2-Year	3-Year
2009-2011	GF-S	\$34	\$22	\$16	\$11
	Total Employer	85	55	40	27
25 Year	GF-S	638	414	313	205
	Total Employer	\$1,595	\$1,034	\$782	\$513