

Summary Annual Financial Report

Washington State Department of Retirement Systems

2021



INTRODUCTION

This report is a summary of information contained in the 2008 Comprehensive Annual Financial Report, issued by the Washington State Department of Retirement Systems. The data is current as of June 30, 2008, unless otherwise noted.

If you have questions about this report or would like to request additional information, please call us toll-free at 1-800-547-6657. In the Olympia area, dial 664-7000. You may also write us at PO Box 48380, Olympia, WA 98504-8380 or visit our Web site at www.drs.wa.gov.

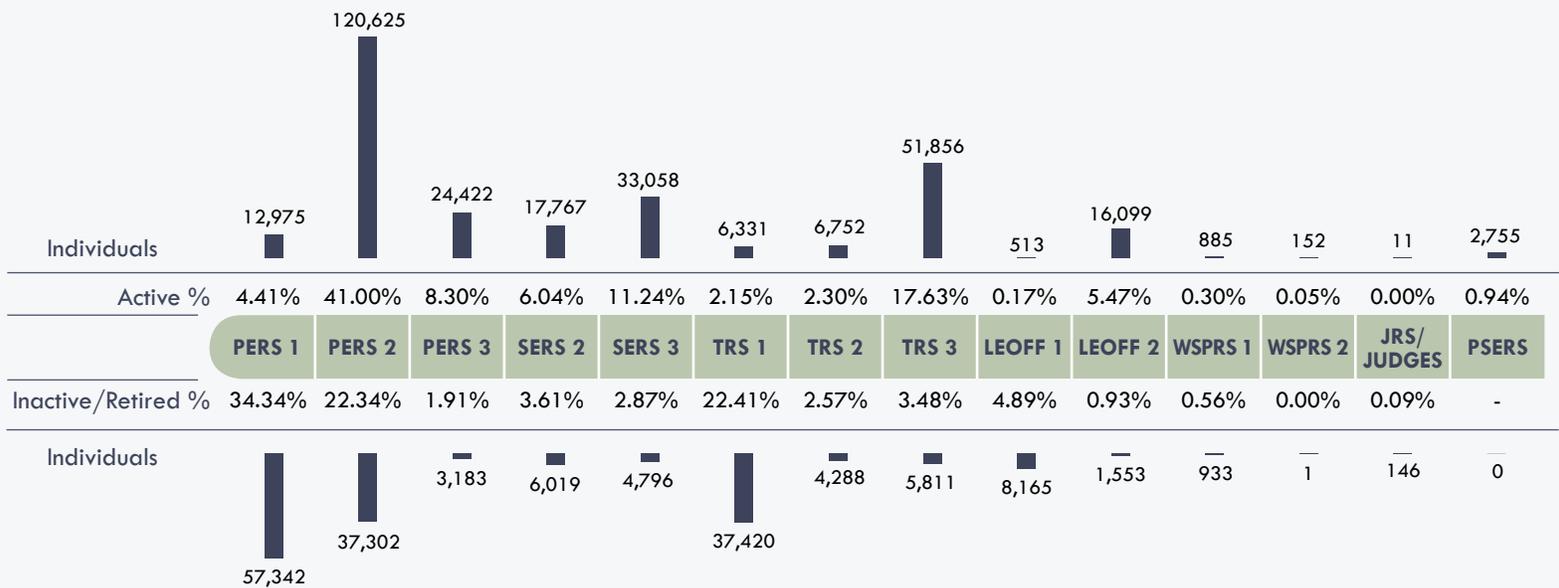
MEMBERSHIP

The State of Washington provides secure retirement plans for public employees. The Department of Retirement Systems manages eight unique pension systems serving more than 461,000 current, past and retired employees from state and local government, K-12 and higher education systems, fire, law enforcement and judicial agencies.*

Active members, who are currently employed and paying contributions toward retirement, comprise 64 percent of the public pension participation. Remaining members are either retired or have separated from public service.

These charts illustrate the number of active and inactive/retired employees participating in the state's retirement systems.

MEMBERSHIP BY SYSTEM AND PLAN (AS OF JUNE 30, 2007)**



*In the introductory text of the 2008 Comprehensive Annual Financial Report, total membership is referred to as 617,000. This number also includes past members who left public service before becoming vested in a retirement benefit. We continue to maintain data for these individuals, who may return to public service in the future.

**Source for membership by system and plan is the State Actuary's latest valuation report, published June 30, 2007.

INVESTMENT SUMMARY

The Washington State Investment Board (WSIB) manages retirement fund assets with the statutory requirement to maximize investment returns at a prudent level of risk. The retirement Commingled Trust Fund (CTF) decreased by \$1.7 billion during Fiscal Year 2008 to \$62.2 billion. The CTF return was (1.24) percent for the fiscal year.

The table below shows the returns for the CTF on a total fund basis and by asset class:

CTF INVESTMENT RETURNS (as of June 30, 2008)

ASSET CLASS	LIQUIDITY	INNOVATION	PRIVATE EQUITY	INT'L EQUITY	U.S. EQUITY	GLOBAL EQUITY	REAL ESTATE	FIXED INCOME	TOTAL FUND
1 YEAR	4.29%	- 14.16%	3.00%	- 7.52%	- 13.83%	-10.48%	10.18%	8.28%	-1.24%
3 YEAR	4.54%	n/a	22.82%	15.43%	4.43%	9.55%	19.69%	5.01%	11.82%
5 YEAR	3.20%	n/a	23.91%	18.71%	8.41%	12.71%	18.87%	4.71%	13.03%

Investment performance is a result of two primary factors: individual asset selection and the allocation of the portfolio among asset classes (e.g. stocks, fixed income, real estate).

Accordingly, the board sets a specific long-term target asset mix and adopts tight ranges around those targets to control the overall risk and return of the CTF. On a daily basis, the board reviews the asset allocation in relation to the established ranges. The staff shifts assets whenever the allocation range for an asset exceeds the approved range or when cash is needed elsewhere. The board reviews changes to the overall asset mix every three to four years.

CURRENT ASSET ALLOCATION & TARGET ALLOCATIONS (as of June 30, 2008)

	FIXED INCOME	TANGIBLE ASSETS	REAL ESTATE	GLOBAL EQUITY	PRIVATE EQUITY	INNOVATION	LIQUIDITY
ACTUAL	23.36%	0.72%	13.97%	38.67%	22.28%	0.89%	0.10%
TARGET	20.00%	5.00%	13.00%	37.00%	25.00%	0.00%	0.00%

In September 2007, the WSIB revised its investment policy to consider all global, publicly-traded equity as one asset class. The table to the right shows the CTF's ten largest global equity holdings.

LARGEST GLOBAL EQUITY HOLDINGS (as of June 30, 2008)

HOLDING	% OF GLOBAL EQUITY INDEX FUND
Exxon Mobil Corp.	1.34%
Total S.A.	0.75%
General Electric Co.	0.71%
BP PLC	0.70%
Microsoft Corp.	0.66%
Johnson & Johnson	0.57%
Chevron Corp.	0.57%
AT&T Inc.	0.56%
Vodafone Group PLC	0.55%
Procter & Gamble Co.	0.54%

FINANCIAL STATEMENT

STATEMENT OF PLAN NET ASSETS: Pension & other employee benefit assets by plan & agency fund

ASSETS	PENSION ASSETS TOTALS							
	PERS Plan 1	PERS Plan 2/3	PERS Plan 3 Defined Contribution	SERS Plan 2/3	SERS Plan 3 Defined Contribution	PSERS Plan 2	TRS Plan 1	TRS Plan 2/3
Cash and Pooled Investments	\$5,294	\$7,303	\$171	\$2,614	\$1,551	\$308	\$4,836	\$5,278
Total Receivables	71,450	145,801	20,120	22,222	17,060	1,697	58,490	54,067
Total Investments, Noncurrent	11,341,781	18,787,156	1,454,812	2,600,352	1,175,327	36,973	9,518,503	6,421,931
Other Assets	442	489	-	46	-	-	379	224
TOTAL ASSETS	11,418,967	18,940,749	1,475,103	2,625,234	1,193,938	38,978	9,582,208	6,481,500
TOTAL LIABILITIES	769,171	1,275,229	60,891	181,697	62,326	2,421	642,527	444,666
Net Assets Held in trust for Pension and Other Benefits	\$10,649,796	\$17,665,520	\$1,414,212	\$2,443,537	\$1,131,612	\$36,557	\$8,939,681	\$6,036,834

This is a summary of the Comprehensive Annual Financial Report (CAFR), which is presented consistent with generally accepted accounting principles (GAAP). The CAFR are presented using the flow of economic resources measurement focus and the accrual basis of accounting. The agency fund does not have a measurement focus and revenue fund is not included, only selected financial data rather than financial statements are included, and this report only contains abbreviated note disclosures.

ADDITIONS TO PENSION PLAN NET ASSETS

The primary sources of additions to the retirement trust funds include member and employer contributions and investment earnings. The main sources of additions to the deferred compensation plan include participant contributions and investment earnings. The overall decrease from Fiscal Year 2007 is primarily due to lower net investment income, largely resulting from turbulence in the public equity markets during the year.

The totals are listed below (expressed in millions).

ADDITIONS	FISCAL YEAR 2008	FISCAL YEAR 2007
Retirement Contributions	\$1,869.2	\$1,460.9
Deferred Compensation Participant Contributions	\$188.7	\$175.1
Net Investment Income	(\$1,142.8)	\$11,945.4
Charges for Services	\$26.3	\$26.8
Other Additions	\$365.3	\$22.4
TOTAL	\$1,306.7	\$13,630.6

nd (as of June 30, 2008, expressed in thousands)

AGENCY									TOTALS	
TRS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	JRS	Judges	JRA Defined Contribution	Deferred Compensation	Dependent Care	June 30, 2008	June 30, 2007
\$5,321	\$2,621	\$2,213	\$1,246	\$346	\$3,624	\$9	\$2,049	\$922	\$45,706	\$57,902
56,245	36,685	46,489	6,246	15	14	-	1,767	-	538,368	515,521
4,243,616	6,430,527	5,646,099	991,189	671	332	13,024	2,431,834	-	71,094,127	75,176,002
-	222	113	29	-	-	-	-	-	1,944	1,962
4,305,182	6,470,055	5,694,914	998,710	1,032	3,970	13,033	2,435,650	922	71,680,145	75,751,387
193,863	432,876	378,484	66,866	76	335	1	266	922	4,512,617	6,692,305
\$4,111,319	\$6,037,179	\$5,316,430	\$931,844	\$956	\$3,635	\$13,032	\$2,435,384	\$-	\$67,167,528	\$69,059,082

is available on our Web site at: www.drs.wa.gov or can be obtained by calling us toll-free at 1-800-547-6657. As with the CAFR, the pension trust funds in this summary is presented using the accrual basis of accounting. However, this presentation differs from GAAP in the following respects: financial data for the dependent care special

DEDUCTIONS TO PENSION PLAN NET ASSETS

The retirement systems' primary fund deductions include the payment of benefits to retirees and beneficiaries, the refund of contributions to former members and the cost of administering the retirement systems.

Benefit payments to members, including pension and annuity benefits, totaled \$2,492.5 million for Fiscal Year 2008. Refunds totaled \$344.4 million. Administrative expenses, which include pension expenses incurred by DRS and the offices of the State Actuary and Attorney General, totaled \$30.8 million. Expenses for the management of trust funds are incurred by the Washington State Investment Board and funded from earnings on investments.

PENSION PLAN DEDUCTIONS

Benefits	87%
Refunds of Contributions	12%
Administrative Expenses	1%

The Summary Annual Financial Report represents an accounting of the annual liabilities and required contributions, using methods set by the Governmental Accounting Standards Board. The Valuation (or Funding) Report issued by the State Actuary uses actuarial assumptions and methods prescribed by the Legislature to calculate the contributions that will be required, under existing funding policy, over the life of the plans.

SUMMARY OF PLAN PROVISIONS

PLAN	MEMBERSHIP ELIGIBILITY	VESTING	RETIREMENT ELIGIBILITY	BENEFIT
PERS Plan 1 (By 9/30/77)	State employees, elected officials, employees of local governments, legislative committees, community/technical colleges, classified employees of school districts, district/ municipal court judges, and some employees of the Supreme, Appeals, and Superior Courts	After five years of eligible service	After 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service	2% of average final compensation (AFC) per year of service Judicial Benefit Multiplier (JBM) participants: 3.5% of AFC per year of service
PERS Plan 2 (On or after 10/1/77)	Same as PERS Plan 1, except classified school district employees; new employees hired on or after 3/1/02 at state agencies and higher education, or on or after 9/1/02 at all other employers, must choose Plan 2 or Plan 3	After five years of eligible service	At age 65 with five years of service, after 30 years of service actuarially reduced before age 65, or an actuarially reduced benefit at age 55 with 20 years of service	2% of AFC per year of service JBM participants: 3.5% of AFC per year of service
PERS Plan 3 (Varies by employer)	Same as PERS Plan 2; new employees hired on or after 3/1/02 at state agencies and higher education, or on or after 9/1/02 at all other employers, must choose Plan 2 or Plan 3	Varies	At age 65 if vested, after 30 years of service actuarially reduced before age 65, or an actuarially reduced benefit at age 55 with 10 years of service (defined benefit portion)	1% of AFC per year of service (defined benefit portion)* JBM participants: 1.6% of AFC per year of service
SERS Plan 2 (By 8/31/00)	All classified employees of school or educational service districts	After five years of eligible service	At age 65 with five years of service, after 30 years of service actuarially reduced before age 65, or an actuarially reduced benefit at age 55 with 20 years of service	2% of AFC per year of service
SERS Plan 3 (On or after 9/1/00)	All classified employees of school or educational service district	Varies	At age 65 if vested, after 30 years of service actuarially reduced before age 65, or an actuarially reduced benefit at age 55 with 10 years of service (defined benefit portion)	1% of AFC per year of service (defined benefit portion)*
PSERS (On or after 7/1/06)	All full-time public safety officers at select state agencies, counties and cities, except Seattle, Spokane and Tacoma	After five years of eligible service	At age 65 with five years of service, at age 60 with 10 years of service, or at age 53 with 20 years of service (reduced 3% for each year under age 60)	2% of AFC per year of service
TRS Plan 1 (By 9/30/77)	All certificated public school employees who work in an instructional, administrative or supervisory capacity	After five years of eligible service	Any age with 30 years of service, or at age 60 with five years of service or at age 55 with 25 years of service	2% of AFC per year of service JBM participants: 3.5% of AFC per year of service
TRS Plan 2 (On or after 10/1/77 and by 6/30/96)	All certificated public school employees who work in an instructional, administrative or supervisory capacity	After five years of eligible service	At age 65 with five years of service, after 30 years of service actuarially reduced before age 65, or an actuarially reduced benefit at age 55 with 20 years of service	2% of AFC per year of service
TRS Plan 3 (On or after 7/1/96)	All certificated public school employees who work in an instructional, administrative or supervisory capacity	Varies	At age 65 if vested, after 30 years of service actuarially reduced before age 65, or an actuarially reduced benefit at age 55 with 10 years of service (defined benefit portion)	1% of AFC per year of service (defined benefit portion)*
LEOFF Plan 1 (By 9/30/77)	All full-time, fully compensated law enforcement officers and fire fighters	After five years of eligible service	At age 50 with five years of service	20 years of service = 2% of final average salary (FAS) per year of service 10-19 years of service = 1.5% of FAS 5-9 years of service = 1% of FAS
LEOFF Plan 2 (On or after 10/1/77)	All full-time, fully compensated law enforcement officers and fire fighters	After five years of eligible service	At age 53 with five years of service or a benefit at age 50 with 20 years of service reduced 3% for each year under age 53	2% of FAS per year of service
WSPRS Plan 1 (On or after 8/1/47 and by 12/31/02)	Commissioned employees of the Washington State Patrol	After five years of eligible service	At age 55 or after 25 years of service	2% of average final salary (AFS) per year of service
WSPRS Plan 2 (On or after 1/1/03)	Commissioned employees of the Washington State Patrol	After five years of eligible service	At age 55 or after 25 years of service	2% of AFS per year of service
JRS (On or after 8/9/71 and by 6/30/88 - New judges on or after 7/1/88 join PERS Plan 2 or 3)	Judges elected or appointed to the Supreme Court, the Court of Appeals and Superior Courts	After 15 years of service	At age 60	15 years of service = 3.5% of AFC per year of service 10-14 years of service = 3% of AFC
Judges (By 8/8/71)	Judges elected or appointed to the Supreme Court, the Court of Appeals and Superior Courts	After 12 years of service	At age 70 with 10 years of service or any age with 18 years of service	1/2 of monthly salary

*PERS, SERS and TRS Plan 3 are defined benefit plans with a defined contribution component. Employers contribute to the defined benefit portion of the plan. Employees determine their own contributions. The defined contribution portion of the benefit depends on the member's contribution level and on investment performance. DRS publishes handbooks describing the rights and benefits for each system and plan, including disability and survivor benefits. These handbooks are provided to members by their employers. They are also available from DRS and on the Web site at www.drs.wa.gov. For more information, contact DRS at 1-800-547-6657. To receive this publication in an alternate format, call (360) 664-7097.

PENSION SYSTEM ROLES AND RESPONSIBILITIES

ORGANIZATION	RESPONSIBILITY	MEMBERSHIP AND CONTACT INFORMATION
Department of Retirement Systems (DRS)	Collects and accounts for employer and employee contributions; maintains retirement records; pays benefits; communicates pension information; provides investment education; and administers the Deferred Compensation Program.	The Governor appoints the director of DRS. PO Box 48380, Olympia, WA 98504-8380 T: (360) 664-7000 or toll free at 1-800-547-6657 www.drs.wa.gov
Legislative Fiscal Committees	Review and report on retirement bills to the full Legislature.	The legislative fiscal committees are the House Ways and Means Committee and the Senate Ways and Means Committee. House Ways and Means Committee PO Box 40600, Olympia, WA 98504-0600 T: (360) 786-7204 or toll free legislative hotline 1-800-562-6000 www1.leg.wa.gov/legislature Senate Ways and Means Committee PO Box 40482, Olympia, WA 98504-0482 T: (360) 786-7715 or toll free legislative hotline 1-800-562-6000 www1.leg.wa.gov/legislature
Select Committee on Pension Policy (SCPP)	Studies pension issues and retirement finances. Develops pension policies and recommends pension legislation.	Composed of four active retirement system member representatives, two retiree representatives, four employer representatives, eight state legislators and the directors of DRS and the Office of Financial Management. Contact SCPP through the Office of the State Actuary: PO Box 40914, Olympia, WA 98504-0914 T: (360) 786-6140 www1.leg.wa.gov/scpp
Pension Funding Council (PFC)	Adopts economic assumptions for pension funding and member and employer pension contribution rates for PERS, SERS, TRS, LEOFF Plan 1 and WSPRS.	Membership consists of the directors of DRS and Office of Financial Management, and the Chairs and Ranking Minority Members of the Senate Ways and Means Committee and House Appropriations Committee. Contact PFC through DRS.
Office of Financial Management (OFM)	Advises the Governor on pension and funding policies and issues.	The Governor appoints the director of OFM. PO Box 43113, Olympia, WA 98504-3113 T: (360) 902-0555 www.ofm.wa.gov
Washington State Investment Board (WSIB)	Invests and accounts for pension funds.	Membership consists of the director of DRS; the state treasurer; the director of the Department of Labor and Industries; a state senator; a state representative; an active member of PERS, SERS, LEOFF and TRS; and a retired member of one of the seven retirement systems. PO Box 40916, Olympia, WA 98504-0916 T: (360) 956-4600 www.sib.wa.gov
Office of the State Actuary (OSA)	Acts as an advisory agency to the Legislature and DRS. Performs experience and actuarial evaluations. Prepares fiscal notes on retirement bills. Creates formulas used to compute benefit payment adjustments that are based on early retirement, cost-of-living or long-term survivor factors. Recommends contribution rates and economic assumptions.	Appointed by the SCPP. PO Box 40914, Olympia, WA 98504-0914 T: (360) 786-6140 osa.leg.wa.gov
Employee Retirement Benefits Board (ERBB)	Provides recommendations to the WSIB on self-directed investment options for defined contribution plans; determines the payment options available for Plan 3 members; ratifies administrative charges assessed to members who participate in self-directed investment options.	Nine active and retired representatives of TRS, PERS and SERS, a Deferred Compensation Program participant and two investment professionals appointed by the Governor. The DRS director chairs the board. Contact the ERBB through DRS.
DRS Advisory Committee	Serves in an advisory role to the director of DRS on retirement administrative issues.	Members represent active and retired members of the retirement systems administered by DRS.
LEOFF Plan 2 Retirement Board	Policy-making board that studies pension issues, acts as fiduciary of LEOFF Plan 2, sets contribution rates and recommends pension policy to the Legislature for LEOFF Plan 2 members.	Membership consists of representatives from the Legislature, law enforcement, fire fighters and employers. PO Box 40918, Olympia, WA 98504-0918 T: (360) 586-2320 www.leoff.wa.gov