**Note 1 – Summary of Significant Accounting Policies**

Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the (city/county/district) includes the (net pension asset only/net pension asset and the related deferred outflows and deferred inflows/net pension asset and related deferred inflows). **[[1]](#Instruction_1)**

**Note X – Pension Plans**

The following table represents the aggregate pension amounts for all plans for the year 2021:

|  |  |
| --- | --- |
| **Aggregate Pension Amounts – All Plans** | |
| Pension liabilities | $ |
| Pension assets | $ |
| Deferred outflows of resources | $ |
| Deferred inflows of resources | $ |
| Pension expense/expenditures | $ |

**State Sponsored Pension Plans**

Substantially all (city/county/district’s) full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems

Communications Unit

P.O. Box 48380

Olympia, WA 98540-8380

Or the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees’ Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

|  |  |  |
| --- | --- | --- |
| **PERS Plan 1** |  |  |
| **Actual Contribution Rates** | **Employer** | **Employee\*** |
| January – June 2021 |  |  |
| PERS Plan 1 | 7.92% | 6.00% |
| PERS Plan 1 UAAL | 4.87% |  |
| Administrative Fee | 0.18% |  |
| **Total** | **12.97%** | **6.00%** |
| July – December 2021 |  |  |
| PERS Plan 1 | 10.07% | 6.00% |
| Administrative Fee | 0.18% |  |
| **Total** | **10.25%** | **6.00%** |

\* For employees participating in JBM, the contribution rate was 12.26%.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

* With a benefit that is reduced by three percent for each year before age 65; or
* With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

|  |  |  |
| --- | --- | --- |
| **PERS Plan 2/3** |  |  |
| **Actual Contribution Rates** | **Employer 2/3** | **Employee 2\*** |
| January – June 2021 |  |  |
| PERS Plan 2/3 | 7.92% | 7.90% |
| PERS Plan 1 UAAL | 4.87% |  |
| Administrative Fee | 0.18% |  |
| Employee PERS Plan 3 |  | Varies |
| **Total** | **12.97%** | **7.90%** |
| July – December 2021 |  |  |
| PERS Plan 2/3 | 6.36% | 6.36% |
| PERS Plan 1 UAAL | 3.71% |  |
| Administrative Fee | 0.18% |  |
| Employee PERS Plan 3 |  | Varies |
| **Total** | **10.25%** | **6.36%** |

\* For employees participating in JBM, the contribution rate was 15.90%.

The (city/county/district’s) actual PERS plan contributions were $\_\_\_\_\_\_\_\_ to PERS Plan 1 and $\_\_\_\_\_\_\_\_ to PERS Plan 2/3 for the year ended December 31, 2021.

**Public Safety Employees’ Retirement System (PSERS)**

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

* Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
* Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
* Function as a limited authority Washington peace officer, as defined in [RCW 10.93.020](http://apps.leg.wa.gov/rcw/default.aspx?cite=10.93.020); or
* Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

* PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
* Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

* Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, and Washington State Patrol),
* Washington State Counties,
* Washington State Cities (except for Seattle, Spokane, and Tacoma),
* Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member’s 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member’s age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2021 were as follows:

|  |  |  |
| --- | --- | --- |
| **PSERS Plan 2** |  |  |
| **Actual Contribution Rates** | **Employer** | **Employee** |
| January – June 2021 |  |  |
| PSERS Plan 2 | 7.20% | 7.20% |
| PERS Plan 1 UAAL | 4.87% |  |
| Administrative Fee | 0.18% |  |
| **Total** | **12.25%** | **7.20%** |
| July – December 2021 |  |  |
| PSERS Plan 2 | 6.50% | 6.50% |
| PERS Plan 1 UAAL | 3.71% |  |
| Administrative Fee | 0.18% |  |
| **Total** | **10.39%** | **6.50%** |

The (city/county/district’s) actual plan contributions were $\_\_\_\_\_\_\_\_ to PSERS Plan 2 and $\_\_\_\_\_\_\_\_\_\_ to PERS Plan 1 for the year ended December 31, 2021.

**Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF)**

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

* 20+ years of service – 2.0% of FAS
* 10-19 years of service – 1.5% of FAS
* 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months’ salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2021. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

|  |  |  |
| --- | --- | --- |
| **LEOFF Plan 2** |  |  |
| **Actual Contribution Rates** | **Employer** | **Employee** |
| January – June 2021 |  |  |
| State and local governments | 5.15% | 8.59% |
| Administrative Fee | 0.18% |  |
| **Total** | **5.33%** | **8.59%** |
| Ports and Universities | 8.59% | 8.59% |
| Administrative Fee | 0.18% |  |
| **Total** | **8.77%** | **8.59%** |
| **July – December 2021** |  |  |
| State and local governments | 5.12 | 8.53% |
| Administrative Fee | 0.18% |  |
| **Total** | **5.30%** | **8.53%** |
| Ports and Universities | 8.53% | 8.53% |
| Administrative Fee | 0.18% |  |
| **Total** | **8.71%** | **8.53%** |

The (city/county/district’s) actual contributions to the plan were $\_\_\_\_\_\_\_\_ for the year ended December 31, 2021.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2021, the state contributed $78,170,320 to LEOFF Plan 2. The amount recognized by the (city/county/district) as its proportionate share of this amount is $\_\_\_\_\_\_\_\_\_\_.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

* **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
* **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
* **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

* For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
* To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

|  |  |  |
| --- | --- | --- |
| **Asset Class** | **Target Allocation** | **% Long-Term Expected Real Rate of Return Arithmetic** |
| Fixed Income | 20% | 2.20% |
| Tangible Assets | 7% | 5.10% |
| Real Estate | 18% | 5.80% |
| Global Equity | 32% | 6.30% |
| Private Equity | 23% | 9.30% |
|  | **100%** |  |

**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents the (city/county/district’s) proportionate share\* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the (city/county/district’s) proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **1% Decrease**  **(6.4%)** | **Current Discount Rate**  **(7.4%)** | **1% Increase**  **(8.4%)** |
| PERS 1 | $ | $ | $ |
| PERS 2/3 |  |  |  |
| SERS 2/3 |  |  |  |
| PSERS 2 |  |  |  |
| LEOFF 1 |  |  |  |
| LEOFF 2 |  |  |  |
|  |  |  |  |

\* See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

**Pension Plan Fiduciary Net Position**

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the (city/county/district) reported its proportionate share of the net pension liabilities as follows (only report applicable plans):

|  |  |
| --- | --- |
|  | **Liability (or Asset)** |
| PERS 1 | $ |
| PERS 2/3 |  |
| SERS 2/3 |  |
| PSERS 2 |  |
| LEOFF 1 |  |
| LEOFF 2 |  |
|  |  |

Report total pension liabilities and total pension assets separately – **do not net**.

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the (city/county/district). The amount recognized by the (city/county/district) as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the (city/county/district) were as follows:

|  |  |  |
| --- | --- | --- |
|  | **LEOFF 1 Asset** | **LEOFF 2 Asset** |
| Employer’s proportionate share |  |  |
| State’s proportionate share of the net pension asset associated with the employer |  |  |
| TOTAL |  |  |

At June 30, the (city/county/district’s) proportionate share of the collective net pension liabilities was as follows (only report applicable plans):

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Proportionate**  **Share 6/30/20** | **Proportionate Share 6/30/21** | **Change in Proportion** |
| PERS 1 | % | % | % |
| PERS 2/3 |  |  |  |
| SERS 2/3 |  |  |  |
| PSERS 2 |  |  |  |
| LEOFF 1 |  |  |  |
| LEOFF 2 |  |  |  |
|  |  |  |  |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](http://apps.leg.wa.gov/rcw/default.aspx?cite=41.26.725) and all other employers contributed the remaining 61 percent of employer contributions.

**Pension Expense**

For the year ended December 31, 2021, the (city/county/district) recognized pension expense as follows:

|  |  |
| --- | --- |
|  | **Pension Expense** |
| PERS 1 | $ |
| PERS 2/3 |  |
| SERS 2/3 |  |
| PSERS 2 |  |
| LEOFF 1 |  |
| LEOFF 2 |  |
| TOTAL |  |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2021, the (city/county/district) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (prepare a separate table for each plan. It is optional to prepare a table for all plans in total):

|  |  |  |
| --- | --- | --- |
| **Plan Name** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
| Differences between expected and actual experience | $ | $ |
| Net difference between projected and actual investment earnings on pension plan investments | $ | $ |
| Changes of assumptions | $ | $ |
| Changes in proportion and differences between contributions and proportionate share of contributions | $ | $ |
| Contributions subsequent to the measurement date | $ | $ |
| TOTAL | $ | $ |

**Deferred inflow and deferred outflow amounts in these tables for all pension plans should agree to amounts presented in the financial statements.**

Deferred outflows of resources related to pensions resulting from the (city/county/district’s) contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (prepare a separate table for each plan):

|  |  |
| --- | --- |
| **Year ended December 31:** | **Plan Name** |
| 2022 | $ |
| 2023 | $ |
| 2024 | $ |
| 2025 | $ |
| 2026 | $ |
| Thereafter | $ |

The following plan is not administered by DRS. Individual municipalities’ proportionate share of the net pension liability/(asset) is available at [www.bvff.wa.gov](http://www.bvff.wa.gov). The following disclosures should be combined with those above in a manner that avoids unnecessary duplication.

**Volunteer Fire Fighters’ and Reserve Officers’ Relief and Pension Fund (VFFRPF)**

VFFRPF is a cost-sharing, multiple-employer defined benefit plan administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by [Chapter 41.24 RCW](http://apps.leg.wa.gov/rcw/default.aspx?cite=41.24). Administration costs of the VFFRPF are funded through legislative appropriation. Approximately 362 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan. In addition, the state, a nonemployer contributing entity, contributes 40 percent of the fire insurance premium tax. Retirement benefits are established in [Chapter 41.24 RCW](http://apps.leg.wa.gov/rcw/default.aspx?cite=41.24) and may be amended only the Legislature.

The VFFRPF plan does not issue a stand-alone financial report, but is included in the annual comprehensive financial report (ACFR) of the State of Washington. The State ACFR may be downloaded from the Office of Financial Management (OFM) website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

Membership in the VFFRPF includes volunteer firefighters, emergency medical technicians, and commissioned reserve law enforcement officers of participating employers. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of $50 plus $10 per year of service, for a maximum monthly benefit of $300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. The VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $214,000 and funeral and burial expenses of $2,000. Members receiving disability benefits at the time of death shall be paid $500.

Contributions

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the OSA. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member’s fee on their behalf.

The contribution rates for 2021 were as follows:

|  |  |  |
| --- | --- | --- |
| **VFFRPF** |  |  |
|  | **Firefighters** | **EMSD and Reserve Officers** |
| Municipality fee | $30 | $105 |
| Member fee | $30 | $30 |

The (city/county/district’s) actual contributions to the plan were $\_\_\_\_\_\_ for the year ended December 31, 2021. **If applicable:** The (city/county/district) has opted to pay members’ fees on their behalf. Contributions on behalf of members were $\_\_\_\_\_\_\_ for the year ended December 31, 2021.

In accordance with Chapter 41.24 RCW, the state contributes 40 percent of the fire insurance premium tax to the plan. For fiscal year 2021, the state’s fire insurance premium tax contribution was $7.7 million. The (city/county/district) received $\_\_\_\_\_\_\_ of this amount.

**Actuarial Assumptions**

The total pension asset for the VFFRPF was determined by an actuarial valuation by the Office of the State Actuary (OSA) as of June 30, 2020, and rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

* **Inflation:** 2.25%
* **Salary increases**: N/A
* **Investment rate of return:** 6.00%

The actuarial assumptions used in the valuation were based on the results of the OSA’s *2021 Report on Financial Condition and Economic Experience Study,* the *2021 Pension Experience Study*, and the *2018 Relief Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2020 valuation report.

Mortality assumptions used for this plan are consistent with assumptions used for Public Employees’ Retirement System. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

**Discount Rate**

The discount rate used to measure the total VFFRPF pension liability was 6 percent. To determine that rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 6 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 6 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the VFFRPF pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.25 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

|  |  |  |
| --- | --- | --- |
| **Asset Class** | **Target Allocation** | **% Long-Term Expected Real Rate of Return Arithmetic** |
| Fixed Income | 20% | 2.20% |
| Tangible Assets | 7% | 5.10% |
| Real Estate | 18% | 5.80% |
| Global Equity | 32% | 6.30% |
| Private Equity | 23% | 9.30% |
|  | **100%** |  |

**Sensitivity of the Net Pension Asset**

The following presents the (city/county/district’s) proportionate share of the VFFRPF net pension asset calculated using the discount rate of 6 percent, as well as what the (city/county/district’s) proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5 percent) or 1-percentage point higher (7 percent) than the current rate.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **1% Decrease**  **(5.0%)** | **Current Discount Rate**  **(6.0%)** | **1% Increase**  **(7.0%)** |
| VFFRPF | $ | $ | $ |

**Pension Plan Fiduciary Net Position**

Detailed information about the VFFRPF plan’s fiduciary net position is available in the separately issued State of Washington ACFR.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the (city/county/district) reported an asset of $\_\_\_\_\_\_ for its proportionate share of the VFFRPF plan’s net pension asset. The (city/county/district’s) proportion of the net pension asset was based on actual contributions to the plan relative to total contributions of all participating municipalities. At June 30, 2021 the (city/county/district’s) proportion was \_\_\_\_%.

The VFFRPF collective net pension asset was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2020, with update procedures used to roll forward the total pension liability to the measurement date.

For the year ended December 31, 2021, the (city/county/district) recognized pension expense of $\_\_\_\_\_\_. Deferred outflows of resources and deferred inflows of resources are not material to the VFFRPF plan.

**Instructions to preparer:**

**[[1]](#FootNote_1)** Choose one of the three methods. Please see [BARS Section 3.4.2 Pensions](https://sao.wa.gov/bars_gaap/accounting/liabilities/pensions-application-of-gasb-statement-68-accounting-and-financial-reporting-for-pensions/) for instructions on how to calculate the Restricted Net Position related to the net pension assets.

**Required Supplementary Information (RSI) - all cost-sharing employers**

Under GASB Statement 68, local governments that participate in one or more of the State’s cost-sharing, multiple employer pension plans (PERS, SERS, PSERS, TRS, and LEOFF) must present as RSI:

* [Schedule of Proportionate Share of the Net Pension Liability](https://www.sao.wa.gov/gaap_p4_rsi-statesponsoredplans_fy2018/)
* [Schedule of Employer Contributions](https://www.sao.wa.gov/gaap_p4_rsi-statesponsoredplans_fy2018/)

These are 10-year schedules. Until a full 10-year trend is compiled, local governments should present information only for those years for which information is available.