



# Washington

**WASHINGTON HAS GENERALLY KEPT** a careful eye on the health of its many pension plans, which are well funded on an aggregate basis. The state also has moved quickly to resolve potential problems. For example, the legislature suspended contributions to several large closed pension funds in the 2003-2005 biennium and planned to do so again in 2005-2007, but the 2006 supplemental budget included \$350 million for a pension stabilization account that helps position the state to recover from past missed payments. Additional funding has brought that account to \$448 million. Retiree health benefits are moderate. So far, the state has chosen not to set aside any retiree health funding for the future, but is trying to use management reforms to lower growth in health costs.

## PENSIONS

- TOTAL BILL COMING DUE: **\$48.1 billion**<sup>1</sup>
- FUNDS SET ASIDE: **\$47.9 billion**
- PORTION UNFUNDED: **\$201 million**
- PERCENT FUNDED: **99.58% as of 2006**<sup>2</sup>
- TEN YEAR FUNDING HIGH: **124% in 2000**
- TEN YEAR FUNDING LOW: **96% in 2005**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** Washington assumed an 8% return on its pension investments, the same as the 50-state median in 2006. It uses an eight-year graded smoothing period for most of its pension funds, which would tend to mute the immediate impact of sudden drops or upswings in investments. Washington has used the aggregate cost method for its pension calculations for several large funds, which doesn't provide a funding ratio, but this information is available in the pension systems' actuarial valuation. The amortization period conforms to accounting standards.

1 Pension funds include public and school employees, teachers, law enforcement and state patrol, judicial employees and volunteer firefighters.  
2 50-state mean was 82% as of December 2007.


## OTHER BENEFITS

- TOTAL BILL COMING DUE: **\$3.8 billion**<sup>1</sup>
- FUNDS SET ASIDE: **\$0**
- PORTION UNFUNDED: **\$3.8 billion**<sup>2</sup>
- PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

1 For state employees; an additional \$3.3 billion was calculated for teachers.  
2 For state employees; 70% of covered payroll, compared to a national median of 135%.

**REFORMS:** In 2007, Washington ended gain-sharing for teachers and public employees, which provided that half of investment returns exceeding 10% went to additional pension benefits for members. While popular with employees, gain-sharing can be rough on a pension fund's fiscal health since it means that states can take a hit from poor investment returns but cannot fully make up prior losses when investments rise. The state offset the repeal of gain-sharing with some benefit enhancements. In addition to setting up a pension stabilization fund, Washington earlier in the decade created an optional hybrid plan for state and local employees. In terms of non-pension benefits, Washington provides an implicit health subsidy prior to Medicare eligibility, allowing retirees to sign on to the same plan as employees. It also provides a modest cash subsidy for Medicare-eligible retirees. Officials say that in 2007, the state's management of its health care bill limited the rise in costs to 3.7%.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at [www.pewcenteronthestates.org](http://www.pewcenteronthestates.org).



The Pew Charitable Trusts applies the power of knowledge to solve today's most challenging problems. Our Pew Center on the States identifies and advances effective policy approaches to critical issues facing states.  
2005 Market Street, Suite 1700 | Philadelphia, PA 19103 | [www.pewtrusts.org](http://www.pewtrusts.org)