

**Law Enforcement Officers' and Fire Fighters' Plan 1 – Medical Study Workgroup  
Meeting Minutes  
July 8, 2008**

Department of Retirement System (DRS) Director Sandy Matheson called the meeting to order at 11:00 am. Workgroup members present were:

<u>WACOPS</u> Ken Crowder	<u>LEOFF 1 Coalition</u> Mark Curtis Dan Downs Joe Fischnaller	<u>RFFOW</u> Randy Plain Dick Warbrouck	<u>WSCFF</u> Greg Markley
<u>RSPOA</u> Jerry Taylor	<u>FOP</u> Bill Hanson	<u>LEOFF 1 Retiree</u> Bill Kantor	<u>Assoc of Cities</u> Jim Justin
<u>Assoc of Counties</u> Julie Murray	<u>City of Mountlake Terrace</u> John Caulfield	<u>State Actuary's Office</u> Dave Nelsen	<u>DRS</u> Sandy Matheson Jeff Wickman

### **Introductions and Background**

Director Matheson welcomed everyone to the meeting and invited the attendees to introduce themselves and the groups they were representing.

### **Office of the State Actuary**

Director Matheson introduced Dave Nelsen, Senior Policy Analyst at the Office of the State Actuary. Mr. Nelsen was invited to discuss what information the group needed from OSA. A general discussion ensued regarding the 2007 LEOFF 1 Medical Study report produced by OSA. The group requested that OSA present information on how the LEOFF 1 medical liability was calculated for the 2007 report and include a discussion of the following items:

- How do the pension and medical liabilities differ, and who is responsible for paying each?
- How was the \$1.745B LEOFF Plan 1 medical liability determined? Is it reduced by known forms of payment such as Medicare co-pay and employer-purchased insurance? Has there been an estimate determined of what Medicare can expect to pay toward the total liability?
- Who is primary – Medicare or the employer?
- Do employers know who is covered by Medicare?
- Is everyone covered by Medicare? If not, who is not covered?
- How many employers are covering all or some of their former LEOFF 1 employees through insurance?
- Are all the medical benefits provided by local disability boards included in the liability calculated by OSA?

There was further discussion about the valuation of LEOFF Plan 1 assets and how the calculated asset value has changed from 2000 when Senate Bill 6166 was introduced to the present actuarial value of the LEOFF Plan 1 assets. The group requested a presentation on the following items:

- Why are there different valuations, what are they, and when are they used?

**Law Enforcement Officers' and Fire Fighters' Plan 1 – Medical Study Workgroup  
Meeting Minutes  
July 8, 2008**

- What valuation method was used in developing Senate Bill 6166 of 2000? What was the value of LEOFF Plan 1 at the time of that bill, and what is it today under the same methodology?
- What are the requirements to determine if there are excess or surplus assets available to pay for unfunded medical liabilities, if any, under the Pension Protection Act (PPA) of 2006?

The group discussed House Bill 2510 passed by the 2008 Legislature. The provisions in the bill will be initially administered by the Employment Security Department which is currently responsible for the State's administration of the federal Old-Age and Survivors Insurance (OASI) program. DRS will be taking over the administration of OASI in January 2009. The Department will present information on the impacts of HB 2510 at the July 30, 2008 meeting.

In addition to these questions for the actuary, the group requested DRS provide basic factual information about defeasance of the liability – what is defeasance, who decides if the defeasance is appropriate, who can make such a decision.

Dave Nelsen will work with DRS to schedule a presentation from the State Actuary at an upcoming meeting of the group.

**Review and Approval of Minutes**

Director Matheson handed out copies of the draft minutes from the June 12, 2008 meeting. She provided copies of comments from members which were discussed. During the discussion of the motion, the following corrections to the minutes were suggested:

- The following component missing from Question 3 about taxing authority was added - What is the unused capacity of taxing authority of each jurisdiction that can be lawfully used to pay for medical expenses?
- The question about contractual rights is phrased as “What provisions applicable to LEOFF Plan 1 in RCW 41.26 are not contractual rights?”
- The phrase “recognizing surplus and excess are interchangeable for purposes of this committee” was added to the discussion about changing the word surplus to excess to be consistent with the Pension Protection Act of 2006.
- The group discussed Bill Kantor's comments to the June 12<sup>th</sup> minutes. At the June 12, 2008 meeting, Bill discussed a Facts and Questions document he prepared for the group. The group decided that all questions presented by Bill were included in the study questions. The June 12 minutes will be changed to reflect Bill Kantor's discussion of each fact and question.

There was a motion and second to approve the minutes. The minutes were approved as amended.

**Law Enforcement Officers' and Fire Fighters' Plan 1 – Medical Study Workgroup  
Meeting Minutes  
July 8, 2008**

**Study Questions**

Director Matheson handed out the updated study questions discussed and modified during the June 12, 2008 meeting. She described that DRS will provide a set of study questions and answers at each meeting that reflect any agreed upon changes as well as continuously updated answers.

Question 1 and 2

Jeff Wickman explained the new responses to the questions. Jeff asked the group whether they want DRS to look at the 4,200 LEOFF Plan 1 retirees with prior act or pre-LEOFF service to determine the original pre-LEOFF employer and then compare that list of employers with the employers they were working for at time of retirement. The group decided that this information was not necessary for the discussion of the medical liability.

Dick Warbrouck suggested question 1 f. be broadened to include all consolidation and mergers of political entities that employ or have employed LEOFF 1 members. Discussion ensued about who owns the medical liability when a LEOFF Plan 1 employer dissolves. In general, ownership of the liability should be addressed in the contract between the dissolving entity and the new entity. DRS will research what are the legal requirements if the LEOFF 1 medical liability is not addressed in the contract.

Question 3

Julie Murray discussed the information she obtained regarding the taxing authorities employers. She will provide the data she obtained to DRS who will put it in a format that allows it to be viewed in terms of funds available to pay the liability.

Question 4

Dick Warbrouck suggested question 3 was covered by Study Question 4 and could be eliminated. Group members agreed. The contractual rights questions have been consolidated into question four.

New Questions

Julie Murray requested that a question about what are the basic level of benefits and under what circumstances can they be increased be added to the list of questions. The group discussed this and concurred it should be answered to allow all readers to have the same level of knowledge.

**Next Meeting and Miscellaneous**

The next is scheduled for Wednesday July 30<sup>th</sup> at 11:00 a.m.in the President's Boardroom at North Seattle Community College. With no further business, the meeting adjourned at 1:30 p.m.