

**Law Enforcement Officers' and Fire Fighters' Plan 1 – Medical Study Workgroup
Meeting Minutes
September 9, 2008**

Department of Retirement System (DRS) Director Sandy Matheson called the meeting to order at 1:00 pm. 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>RSPOA</u> Jerry Taylor
<u>LEOFF 1 Retiree</u> Bill Kantor	<u>Assoc. of Cities</u> Jim Justin	<u>WSCFF</u> Keven Rojecki	<u>DRS</u> Sandy Matheson Jeff Wickman

Introductions and Background

Director Matheson welcomed everyone to the meeting. Attending as a guest was Bob Fuhrman from the Retired Fire Fighters of Washington.

Review and Approval of Minutes

Director Matheson asked for comments to the draft minutes from the July 30, 2008 meeting. There was a question about the reference to the 120 year lifespan projection utilized by the Office of the State Actuary (OSA). Director Matheson clarified that this was used for new hires entering the workforce. There was an extensive discussion about whether the minutes should reflect the data provided by OSA at the July 30th meeting and the status of the additional information that was requested of OSA. The Department will ask OSA to revise the letter handed out at the July 30th meeting to include the following:

- Annual payments based on eligible members.
- A breakdown of medical costs and who pays by category – Medicare, pre-Medicare and long term care.
- An explanation of how the 8 percent assumed rate of return is used, versus the 4.5 percent rate used to calculate the medical liability and the 5.5 percent risk free rate for potential plan termination.

Once the final letter has been received, it will be available for publication on the Departments' Web site. With no further discussion the minutes were approved.

Revenue Sources

Director Matheson handed out two documents prepared by Julie Murray, Policy Director for the Washington State Associations of Counties. In Julie's absence, Jim Justin from the Association of Cities provided an overview of the tax revenue sources for Cities, Counties and Fire Protection Districts.

Cities have four sources of tax revenue

- Property Tax (22%-23% of annual revenue)
- Sales Tax (21%-22% of annual revenue)
- Utility and Business and Occupation Tax (20%-21% of annual revenue)
- All Other (19%-20% of annual revenue)

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Jim stated that 38 cities have a Business and Occupation Tax and 180 cities also have a business license fee. The governing authority for each city determines how to allocate the revenue received from the tax. Over 44% of a city's annual budget goes to fund public safety. Jim also reported that 34% of cities are at 80% or more of their statutory cap.

Counties have two sources of tax revenue

- Property Tax
- Sales Tax

Fire Protection Districts only receive revenue from property taxes.

There was a discussion about the need to have a greater understanding of the revenue sources. Director Matheson agreed to set up a meeting with Jim Justin, Julie Murray and Roger Ferris to develop this information. The documentation from this meeting will be brought to the entire group for review and discussion.

Fact Book

Director Matheson handed out copies of the draft fact book and requested that the group focus on the structure of the document because the content was still in draft. The Director stated that in developing the document her goal was to keep the document short and precise in the beginning and use the data as the factual back-up to the text. The information from the Office of the State Actuary on the pension valuation and medical liability will be included in the final report.

There was extensive discussion of the chapters that should be included in the report. The group agreed to the following:

- Chapter 1 – LEOFF Plan 1 Medical Benefits (Joe Fischnaller)
- Chapter 2 – Liability of Medical Costs (DRS/Office of State Actuary)
- Chapter 3 – Revenue Sources and Taxing Authority (DRS/Local Government)
- Chapter 4 – Current LEOFF Plan 1 Funding Valuation (DRS/Office of the State Actuary)

The following specific questions were requested to be included in the report:

- Do employers have to report the GASB 45 liability as a footnote on their books?
- What is the Annual Required Contribution (ARC)?

Next Meeting and Miscellaneous

The next meeting is scheduled at 11:00 a.m. on Monday, October 20, 2008 in the President's Boardroom at North Seattle Community College. With no further business, the meeting adjourned at 2:45 p.m.