Law Enforcement Officers' and Fire Fighters' Plan 1 – Medical Study Workgroup
Meeting Minutes
July 30, 2008

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

WACOPS	LEOFF 1 Coalition	RFFOW	RSPOA
Ken Crowder	Mark Curtis Dan Downs Joe Fischnaller	Randy Plain Dick Warbrouck	Jerry Taylor
LEOFF 1 Retiree	WA. Fire Commissioners	WA. Assoc. of Counties	Assoc. of Cities
Bill Kantor	Roger Ferris	Paul Pearce	Jim Justin
Assoc. of Counties	City of Mountlake Terrace	Office of State Actuary	
Julie Murray	John Caulfield	Matt Smith Dave Nelsen	

Introductions and Background
Director Matheson welcomed everyone to the meeting and invited the attendees to introduce themselves and the groups they were representing. Attending as guests were Joe Dawson from the Washington State Retired Deputy Sheriffs' and Police Officers' Association and Dave Peery a member of the LEOFF 1 Coalition. The Director sought clarification on the official representatives for the LEOFF 1 Coalition. Dan Downs, Joe Fischnaller and Mark Curtis are representing the coalition on the study group. The minutes will be updated to reflect this change.

Review and Approval of Minutes
Director Matheson discussed the draft July 8, 2008 meeting. The changes to the minutes were accepted and approved by study group members.

Office of the State Actuary
Director Matheson introduced Matt Smith, State Actuary, and welcomed him to the meeting. Matt distributed a document with actuarial information to answer questions asked by the study group, reviewed the valuation cycle, recent Pension Funding Council activity, the purpose of Office of the State Actuary (OSA) Fiscal Notes, changing the valuation date to June 30, 2008 and the State Actuary's 6-year experience study.

Jim Justin questioned the fiscal note process and the impact of cumulative costs for proposed legislation. Matt explained that each bill proposing retirement system changes has a unique fiscal note. He noted that because LEOFF Plan 1 currently has a surplus of assets any fiscal note for a LEOFF Plan 1 proposal would show that the cost would reduce that surplus. This allows Legislators to see if they are using the surplus. OSA also made a change in 2008 to show the entire unrounded cost impact of any proposal in addition to whether the proposal would increase or decrease contribution rates.

In response to a question about why it takes so long to complete the valuation study, Matt replied that the calculations are very complex and time consuming.

In response to a question about whether the new experience study will have LEOFF Plan 1 expenditures by member by year, Matt replied that the OSA forecasts pension payments for every eligible member out 120 years. Total payments are also projected by year.

A member questioned whether the Other Post Employment Benefit (OPEB) liability study conducted by OSA in 2007 would now be done annually. Matt responded that OSA would need to understand what their authority and responsibility would be for conducting an annual study.

Chair Matheson asked if annual payments based on eligible members could be provided to the group. She noted that the data would be valuable for seeing what the future might look like. Matt cautioned that there are varying ways the data could be broken down.

Matt reviewed the Q&A handout and noted that the $1.758 billion represents the total medical liability.

There was question about why OSA used a 4.5% rate of return for the medical liability. Matt replied that using this discount rate made sense because OSA had no data about what prefunding was available to employers and the study covered a statewide group that was blended together as if they were in a single employer.

The group had an extensive discussion about why GASB created the new requirement for recording the liability, how it impacts employer accounting and bond capacity for local jurisdictions and the impact of accounting standards versus valuation standards.

Group members requested additional information on the number of active LEOFF Plan 1 members who are vested and a better understanding of Medicare coverage Part A and Part B. Sandy replied that all currently active LEOFF Plan 1 members are vested. The OSA will provide a breakdown of costs and who pays by category – Medicare, pre-Medicare and long term care.

The group discussed the 8 percent assumed rate of return versus the 5.5 percent risk free rate (3.5 percent inflation plus 2 percent growth).

Matt explained the difference between termination liability, market liability and when these can be used in relationship to using surplus assets or closing a plan.

The next step for the group is to review and understand the taxing authority data.

OSA will provide the following items in a revised document for the group:

- 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.

Next Meeting and Miscellaneous

The next meeting is scheduled at 1:00 p.m. on Tuesday, September 9, 2008 in the President's Boardroom at North Seattle Community College. With no further business, the meeting adjourned at 1:45 p.m.