



LEOFF I COALITION

Representing Active and
Retired Members of the
LEOFF I Retirement System

2007-2008
**2007-2008
Annual Report**



Annual Report

LEOFF I COALITION

By Bob Monize, President

We did not suffer a problem with the legislature this session. All House members and one half the Senators must run for re-elections this year and have their attention on those elections and a lot of problems to solve. Examples include the major transportation problems in the Seattle area, flooding backlash, and the health care issues. Several legislators had shared that they did not expect any legislation on LEOFF I for this year 2008 and were correct.

Employers did say they would like to see a consolidation of our disability boards and would like to have access to our surplus for their unfunded liabilities. They seemed to assume we would be put into a bond pension fund as a policy decision and the surplus would be available. None of this happened this session. A disability board conflict with the city of Moses Lake is a problem there. There was a Lacey city problem that was perhaps resolved with diplomacy recently. We are told that our "surplus" is nearing \$2 billion dollars in market value.



We have heard this story before in 2002. A previous claim eventually proved out to be a few hundred million short fall. Good investing fixed the problem then for 2002. A better understanding of the pension fund health will be evident in about 3 months.

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Retired Thurston Co. Sheriff's Office
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mwcurtiscraft@comcast.net

Jerry Birt, Treasurer
Retired Seattle Fire
jabirt@verizon.net

Don Daniels, Secretary
Retired Seattle Police Dept.
Washington State Law Enforcement Assoc.

Check out our website!
www.leoff1coalition.org

The LEOFF I Coalition 2007-2008 Annual Report is an informational update for active and retired members of the LEOFF I Retirement System. Comments from the public are encouraged and should be sent to:

Bob Monize
bobbymonize@peoplepc.com

The mission of the LEOFF I Coalition is to protect the integrity of the LEOFF I Law and LEOFF I Retirement Trust Fund. The LEOFF I Coalition is a 501 c 5 non profit and nonpartisan LEOFF I pension volunteer organization dedicated to LEOFF I people. LEOFF I Coalition is not a business.

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One Legislative Bill did pop up that would affect only active duty LEOFF I and LEOFF 2 people, HB 2510. It would create a way for active workers to arrange to get into Social Security and Medicare when eligible, after a “divided referendum” process by those two groups voting to stay where they are at with their pension plans, or switch to these access points into a health care of the retired future. LEOFF I actives should read this Bill carefully. Some folks may see a need to seek Medicare and Social Security who do not now qualify for post retirement health care. Many more LEOFF I folks would be much better off to stay in the existing LEOFF plan 1 retirement system. Retired LEOFF I people do not qualify to be in this vote and are NOT affected by this Bill.

Governor Gregoire has given a news announce-

ment that she wants to see legislators be frugal in spending and “batten down the hatches” and keep a fat budget reserve of at least \$1 Billion dollars. Budget writers and economists predict a hole

“...wants to see legislators be frugal in spending and ‘batten down the hatches’...”

punched in that surplus due to a revenue forecast. The hit could be \$150 to \$200 Million. (This is not pension trust money.) Our own fund has a surplus amount and also could take a dip from recent market adjustment, or “swoon”. The Governor also mentioned considering trimming the \$33.3 Billion two-year budget and to be cautious with any new

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Original Board Members (8 years)

Andy Wilson, ret. King Co SO and WSRDSPOA

Dave Peery, active Seattle Fire

Mark Curtis, ret. Thurston Co SO and WSRDSPOA

Current At-Large Board members are:

Mike Rose, active Spokane Fire

Gene Martin, ret. Yakima Fire

Rich Greenshields, ret. Everett Fire

Jerry Birt, ret. Seattle Fire

Bob Monize, President, non-voter except in a tie breaking vote of the Board

How to Become a LEOFF I Coalition Board Member

1. Be a LEOFF I Person and available the whole year for meetings, at least 7 per year.
2. Be a member of a sitting group already on the Board, such as Washington State Retired Deputy Sheriff's and Police Officers' Assoc. and ask your president to assign you, or member of the Seattle Retired Police Assn. and ask to be assigned, or member of the Seattle Fire local 27 Leoff I and ask to be assigned, or
3. Register your self as interested in one of the 5 At-Large Board positions created a few years ago to invite independent LEOFF I members to participate from the east and west. Ask our Coalition President to be appointed in the future when a position comes open. Volunteers are not easily found, what with all the interests retirees have these days. We are appreciative to have the interested people to take our places as we move on. 🐦

spending. There could be postponing of some previously approved appropriations for other things due to flooding and housing related spending. We did hear of such possible thoughts as early as December '07. However, the Appropriations Committee appropriated a quarter of one billion dollars from the Rainy Day Fund to use for future things. The Legislators have increased State spending about 33 percent in the last four years.

The "Study" of LEOFF I has been around for quite some time, at least since 1995. The more recent studies are ongoing. Employers would like to see LEOFF I medical benefits rolled back to original 1970 views of necessary medical care. But medical care has greatly moved forward to medicine of today. We are generally living longer than any of us thought would happen, including government thinking. Thus, we need to protect our assets for the long term of many years needs for necessary medical care and long term care. We expect newer demographic assumptions and newer mortality rate examined in 2009 for all pension systems and reported to the Select Joint Committee on Pension Policy. Our goal should be to keep sustainability in our defined benefit pension plan. Leave the fund alone and avoid state money having to be re-loaded from General funds later when the state has too many similar pension re-builds. Anyone wishing to see the latest "Study" on LEOFF I can see the 2007 August report at;

<http://osa.leg.wa.gov>, go to the 2007 Other Post Employment Benefits (OPEB) and click on it.

Employers are well aware they are stuck with funding LEOFF I medical and long term care and that no more assets are available to invest. Few people are still working to put money into the system.

Employers could influence the subject of con-

tributions and a pay-as-you-go medical care funding. Employees are aware that Medicare helps employers. It has been a slight bail out for employers, as has the contribution holiday and creation of LEOFF I law in 1970.

The State is not on the hook for medical liabilities. Employers own that duty. There are people who contemplate access to the pension surplus with perceived authority to use the Federal Pension Protection Act and 2007 Technical changes to get yet another bail out.

The Hawaii court case came back as the taking of pension funds was wrong. But, that Judge also ruled the State did not have to pay the money back, just do not do it again.

Most States are said to be adjusting assumptions rates for pensions. State officials had suggested a very conservative real rate of 3 percent to 3.5 percent, but, state government decided to stay at the 8 percent to assume some money would be available for local and State government. The Actuary will work on conservative goals and suggested a 6 year Actuaries report that a 65 year old male has a 50 percent chance at surviving to age 85, women to 88 years, couples to 92 years. Medical care will improve things even more. As we will tend to live longer, we will be a larger cost to State government for monthly pension pay outs. The State Investment Board is expected to review asset allocations or targets for the Commingled Trust Fund (CTF), and may make changes on investment return assumptions. The SIB has recently considered that high investment returns would not happen in the next 5 to 10 years.

While first class cities can use fines and forfeitures to help fund some problems, counties may

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**LEOFF I Coalition is a volunteer organization.
Visit their website at www.leoff1coalition.org!**

not do so, and have no tool to relieve funding for LEOFF I medical and long term care. At least some legislators are aware they must do better to fund pension systems in worse shape than others.

Some Legislators know that LEOFF I is a contract law, a powerful strong body of law, based on a right to protect. Legislators know they can NOT unlock the closed LEOFF I law, and wait for a high risk taker to open the door for a better benefit, then come in the new Bill to loot and gut the fund and law. Otherwise, legislators wait for us to fade away.

That will take a long time. Some legislators and other government officials and staff realize that pension funds may be used only for the exclusive use by LEOFF I persons. Investment returns are what assure pay outs of LEOFF I retirees. If only interests are spent, the principle should be solid in a fully funded pension plan, one that is an exclusive benefit law in the State. We already have medical benefits and do not need the protection of the Federal Protection Act of 2007. Look for small governments to pool resources and buy some insurance and may otherwise lack sustainable futures.

Even Federal legislators look to pension systems and your investments as a potential means to gain more taxes. As of August 1, 2007, US Speaker of the House Nancy Pelosi said she supports taxing the pension funds, mutual funds, equity funds. All Democratic candidates agreed with this tax idea.



Republicans did not say anything. Some other senior Democrat leaders were not so sure this idea is good. An outcome is not predicted. This idea would essentially be another “Windfall Tax”, similar to what vexes LEOFF I Fire and Law Enforcement people that did not pay into Social Security on the job, or not enough quarters. They

and widows suffer from that tax and lose a good portion of income. The State has contracts with private equity funds for investments. If the taxes double, the State will have to pay the Bill. Washington is the second largest state investor in private equity funds, behind only California.

The SIB said this state invests about 18 percent of its’ \$63 Billion in pension assets. Clearly, we would want our funds untouched by legislative meddling. The 30 percent returns of the past are simply not sustainable. The SIB will achieve what they can and are not responsible for State assumption rates higher than can be achieved. The suggested 3 percent to 3.5 percent is most probable. Our pension fund value may not be as high as it has been. These points may well be why State government now also sees why frugality in spending is necessary.

Medicare Part B issue; some cities went back and forth on the issue, and several local govern-

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LEOFF I Coalition needs your current email addresses!

Please send an email to Mark Curtis at mwcurtiscraft@comcast.net so we can update our member database and send legislative alerts. Your cooperation is greatly appreciated, thank you!

ments even wanted to avoid paying Part A. By year end 2007, no city is known to have actually done so. The City of Spokane finally decided to pay Part B. It saves them some money. No predictions for the future can be assumed on the issue. Law says employers “may” pay it, (not shall pay...). Employers are unpredictable when they are searching for a way out of responsibilities for our medical and long term care. Thus, employers are expected to keep on studying and manipulating and pushing State government to solve the problems of funding and the heck with a deal made in 1970 to bail out poorly funded local pension systems.

A few data points some of us are interested in are (one year old info from the 2006 Actuarial Valuation Report, Oct., 2007):

- Pension funding ratio was 117 percent

- LEOFF I members still working then was said to be 596
- In contrast, there were 15,718 LEOFF 2 members working
- LEOFF I Annuitants were 8,172

We still hear of confusion on LEOFF I spousal pension rights to re-marry. Your best proactive effort is to call the Department of Retirement Systems (DRS) in Tumwater and ask for your specific situation. There have been several repairs to spousal rights. The key change was Engrossed SB6380 in 2002, spear-headed by Joyce Haas. Now a LEOFF I widow can re-marry and keep the spouses benefits, assuming that widow was receiving benefits after 6/13/02.

We should remain watchful for 2009 Session that could be stressful for us. 🐉

We Need YOU!

By Mark Curtis, Vice President

If you need help locating your local Legislator, please call (360) 491-8282.

We are looking for volunteers to take your legislators to lunch and help them establish a good relationship with the LEOFF I Coalition. The Coalition will reimburse you, provided that you keep your receipt for you and the legislator. I am encouraging you to get involved in campaigns. This year, half the Washington State Senators and all the State Representatives are up for election. Elected officials are no different than you are, and if you talk to candidates you will find that 70 percent of the time they have the same beliefs as you. Ask what their position is on the State seizing the funds of the pensions that are currently designated for retirement plans in order to fund other State financial obligations. If you like what you hear get involved with projects where you can work along with the candidate. For example, help put up signs when the candidate is out on speaking engagements or go doorbelling with the

candidate. Volunteer on a job that you can work alongside the candidate so they will get to know you and you will get to know them.

Call them and ask what they need help doing. Remember, when you commit to do something – do it! Don’t bite off more than you can chew. Remember, Elected Officials are people like you and me.

The goal is that after the campaign is over, they know who you are, so there is an open door for you to come in and talk about your positions on LEOFF I Coalition or on your local issues. That is why financial contributions are good but volunteering is even better because it gives you a connection to the candidate. 🐉

**Yes, you can make a difference!
Don’t forget, LEOFF I Coalition
is a nonpartisan group.**



LEOFF I COALITION

Legislative Bills

SJR 8206: Creating the budget stabilization account in the state Constitution.

- Companion Bill: HJR 4202
- President of the Senate signed April 21, 2008
- Speaker of the House signed April 22, 2008
- Filed with the Secretary of State

HB 2510: Allowing medicare only health insurance benefits for certain employees of political subdivisions under a divided referendum.

- Companion Bill: SB 6446
- PASSED: Governor signed March 25, 2008, effective bill date June 12, 2008

HB 1824: Allowing the survivors of certain firefighters to remarry without a loss of benefits.

- DIED in the House 🏹



Thank you for your support during
the 2007 fundraising campaign!

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