



LEOFF I COALITION

Representing Active and
Retired Members of the
LEOFF I Retirement System



2003
**Annual
Report**



2003 LEOFF 1 Coalition Annual Report

Outgoing Coalition Officers:

President, Mark Curtis
Vice President, Bruce Amer
Treasurer, Mike Matson

Incoming, 2004-2005 Coalition Officers:

President, Bob Monize
Vice President, David Grayson
Treasurer, Bruce Amer
Secretary, Don Daniels

It was another busy year in the Legislature. Budget crises ruled the day and any fund with any assets to its name was fair game for plundering. Once again, your LEOFF 1 system came under direct and indirect attack. Who has been working on your behalf to protect and defend your pension system over the past three years? The LEOFF 1 Coalition that's who.

Other pension systems endorsed HB2541 and SB6249, the Asset Smoothing Corridor actuarial method to use pension funds to blend in for the low economic times for system stability. The new law will make the previous 2002 Asset Smoothing Technique bill work for a window period of 8 years.

The State Actuary indicated that the LEOFF 1 Pension system would come out of surplus in 3 to 9 years, depending on various factors involving the economy, or any pension benefits granted affecting the pension fund. Affected is RCW 41.45.035. The pension systems are said to be now more stable in ability to adjust to economic down turns. It is understandable why the other systems see this as welcome, considering the need to be more secure compared to their recent past.

For LEOFF 1, it may mean that the state may use up our surplus as benefits are paid out along the way, or until the surplus is depleted. The pension systems are assured of never falling below a level of 70% and not over market value assets of 130%, with surpluses not "recognized" until needed for funding. We were at a valuation level of \$757 million in November, 2003. Little

was in cash, but the value is thought to have improved since then. The State now seems to hold the keys to the future fund and what may happen to it. We seem to be in a similar position as what the State of Hawaii went through, i.e., the State passed a law then later controlled the funds.

Keep in mind the potential effect SB 6166 would have had on the LEOFF 1 assets. The bill would have terminated our pension plan and all funds grabbed. We fought the bill with a major assist by Attorneys Hagens-Berman, plus LEOFF 1 people did a good job of lobbying their legislators. An appeal to a lost case by the PERS and TRS pension systems resulted in a failed effort. Those pensioners sought a “gain sharing” to the retired workers and failed to prevail. Old news is that we are said to have liabilities that exceed assets, as viewed by the State and we are already moving out of surplus position as of 2003 and into 2004 as described above.

It is expected that the 2005 Legislature will see considerable financial pressures from cities, counties and fire commissioners. These employers were poised to introduce a bill in 2003 to control the surplus and move away from some medical un-funded liabilities of the pension plan. That did not happen in 2003. Eastern Washington governments were given financial help in 2002 for 2 years, and that is now over.

That predicament is expected to again cause contemplation towards an attempt to control our county and smaller city benefit of disability pension boards . First class cities still have their boards protected in statute. At the very least, expect the employers to want to avoid more contributions.

A considerable effort to avoid the loss of Boards is a main subject to be aware of and help from LEOFF 1 people will be urged by the Board this coming year. The Coalition recruited around the State to seek volunteers to fill voting member Board positions. Interim elections were held until the 3rd Thursday of May annual elections. An “at-large” position to the LEOFF 1 Board is yet to be filled. Interested parties please contact Bob Monize, incoming LEOFF 1 Coalition President, an “at-large” position to any LEOFF 1 person or beneficiary.

LEOFF 1 Coalition Treasurer’s Report

Total Contributions	\$23,505.00
Earned Interest	\$2,218.00
Total Disbursements	\$25,738.00
Beginning Net Assets	\$166,203.00
Ending Net Assets	\$166,188.00

2004 Legislative Bills of Interest:

- 1. **SB 6355** about county disability boards that needed a repair to permit a county fire fighter to serve on their Board. The bill was thought to be on the way to passing but was stalled in Rules Committee, and predicted to again come up in 2005.
- 2. **HB3174** - a Catastrophic Illness bill to re-start contributions to fund medical care, something we already have in law. But this idea would have included spouses. Contributions and spouses was not what employers supported due to liabilities. The concept was never in law and went nowhere this year.

- 3. **HB3173** to have a non-actuarial reduction for post-retirement spouses. The costs may have brought some employer concerns. An earlier bill that did pass last year will see an end of availability this summer. People interested must decide soon to use it or not at all.
- 4. **HB1889** - a managing board idea for LEOFF 1 that received no hearing.
- 5. **HB2416 and HB2914** dealt with the cap on the 1974-77 LEOFF 1 people. One measure was to lift the cap, and the other was a 70% cap. Neither passed and will see reintroduction through the Select Joint Committee on Pension Policy between sessions.

**LEOFF 1 Members
as of 9/30/03**

Retirees & beneficiaries receiving benefits.....	8,054
Terminated members entitled to but not yet receiving benefits	14
Active plan members, vested.....	991
<i>(however, we see 200 to 300 retire annually, and this number should really be closer to 750 active as of 3/31/04).</i>	
Total.....	9,059

The fight is not over. 2005 will be a critical year for LEOFF 1 members for the following reasons:

- escalating medical expenses for retirees;
- long-term care costs;
- LEOFF 1 pension system surplus as a potential source of funds.

The Coalition Board looks forward to a few new visionaries to help protect LEOFF 1 people and the pension law. We need a few people to do more than just see, but can for foresee, and stand up to the poison pens. We need to know what we are facing. Through your support, the Coalition continues to defend your pension system. Contact the Coalition via our web site: www.leoff1coalition.org.