

June 29, 2016

RECEIVED

Office of the State Actuary
PO Box 40914
Olympia, WA 98504-0914

JUL 11 2016

Office of the State Actuary

Re: LEOFF 1 TERS 1 Merger Study

Select Committee on Pension Policy:

I am a retired LEOFF 1 Firefighter; my service time of 39 years was spent with the City of Tacoma. I entered the fire service at the age of 21. The LEOFF 1 pension that I earned is the only employer pension that I am eligible to receive. I am very disturbed about the possibility of a LEOFF 1 TRS 1 merger and the resulting financial soundness of a merger.

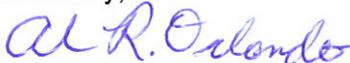
The Teachers Retirement System 1 (TRS 1) was established in 1937. Seventy-nine years after TRS 1 was established, it is now funded at 69 percent with a 3 billion dollar unfunded liability. The employer contribution for TRS 1 is set in statute at a minimum level of 5.75 percent. The current employer contribution rate is 6.23 percent increasing to 7.2 percent in 2018. There are approximately 38,500 members in TRS 1.

The LEOFF 1 retirement plan has approximately 7,700 members and is 100 percent funded. The LEOFF 1 plan is likely to be sustainable and able to pay benefits to its members. In the past several years far too many pension systems (public and private) have encountered problems in their ability to pay member benefits – benefits that members earned to live with some degree of dignity after many years in the work force. In each case I'm aware of, the problem stemmed from underfunding or complete lack of funding. The LEOFF 1 pension system should be a model for pension funding.

When discussing LEOFF 1 pension system funding government agencies, the legislature and individuals seem to always refer to "the LEOFF 1 surplus" and the plan being funded at approximately 125 percent. I find such claims to be rosy at best, harmful at worst and very misleading. Presently a surplus does **not** exist in the LEOFF 1 pension system. Any surplus is based on actuarial projections and assumed returns over the life of the pension system and mortality rate of its members. In the future there may or may not be a "surplus" depending on events in the overall economy and the return on investments in the State's pension fund. As President Warbrouck of the Retired Firefighters of Washington stated in the SPCP meeting of June 21 predicting any surplus is like "betting on a horse that hasn't been born".

The proposed merger of LEOFF 1 and TRS 1 will create a pension system with approximately 43,800 members. The result is an underfunded pension not to mention an attempt to support many on the backs of a few. SB 6668 contains a provision to reduce employer contributions to 4.24 percent from the current level of 6.23 percent. I fail to understand how merging pensions and reducing pension contributions in an underfunded pension makes any sense. In addition there has been no ruling from the IRS stating that the proposed merger meets their guidelines. The legality of the merger is in question as well. To date I have not received a satisfactory explanation of how deliberately compromising LEOFF 1 is prudent and good pension policy. I am opposed to SB 6668 and the LEOFF 1 TRS 1 merger.

Sincerely,



Al R. Orlando, Director Retired Firefighters of Washington
LEOFF 1 Member

From: [Roy Orlando](#)
To: [Office State Actuary, WA](#)
Subject: SCPP Merger Study
Date: Tuesday, July 12, 2016 1:05:57 PM
Attachments: [LEOFF1 TERS1 Merger_SCPP.docx](#)

Senator Conway Chairman SCPP,

I've attached a letter regarding the LEOFF 1 TRS 1 merger.

Al R Orlando

June 29, 2016

Office of the State Actuary
PO Box 40914
Olympia, WA 98504-0914

Re: LEOFF 1 TERS 1 Merger Study

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Al R. Orlando, Director Retired Firefighters of Washington
LEOFF 1 Member

July 12, 2016

Office of the State Actuary
PO Box 40914
Olympia, WA 98504-0914
ATTN: SCPP Merger Study

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JUL 15 2016

Office of the State Actuary

Dear Select Committee on Pensions;

I am a retired LEOFF 1 pensioner, and I went through the formation of the LEOFF 2 pension system in the mid 70's to correct the underfunding of the LEOFF 1 pension system. We have been told through the years what a bad system we had, but in 2000 the decision was made to stop further employer and employee funding of the LEOFF 1 system, giving the last members 16 years of not having to fund their own pensions. It might seem that we have a windfall or surplus of moneys now but the state will inherit any remaining funds after the last pensioner passes away. We must have been doing something right.

The Teachers or any other pension system should stand on its own and fund itself instead of combining pensioners and/or merging moneys with another pension system.

Enclosed is the letter I kept when LEOFF 2 Pension was being formed and with the statement from the Select Committee On Pensions composed of Representatives and Senators of that time.

I am opposed to this merger and SB 6668.

My question is why is the TRS 1 system only funded at 69 percent now after 80 years of being formed?

Thank you,



Ronald Scholz

1621 Robinson Rd

Sumner, WA 98390

SELECT COMMITTEE ON PENSIONS
WASHINGTON STATE LEGISLATURE

TO ALL PUBLIC EMPLOYEES:

As you have been informed, the Legislature is attempting to formulate a new retirement system. This system is to provide a single retirement plan for all employees hired after January 1, 1976, within state and local government. The purpose of this letter is to be sure that you are aware of the direction the Legislature is taking, and what its purpose is in so doing.

The Legislature is not -

- diminishing or taking away any benefit in any of the existing retirement systems; or
- taking away any commitment of the state to any of the existing retirement systems.

A member of any current system may choose to transfer to the new system.

This is not required.

The Legislature is faced with the fact that the current systems pose a serious financing problem to both employees and other taxpayers in the state. This problem is compounded by the increased mandatory contributions of both the state and local governments and the employees to the Federal Social Security program. To counter this, the Legislature is moving in the direction of fully integrating the features of Social Security and an equitable state retirement system.

As the proposal is refined, we will continue to keep you informed.

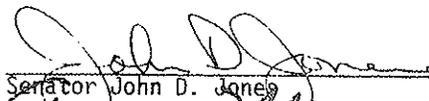
SELECT COMMITTEE ON PENSIONS



Senator Dan Marsh
Co-Chairman



Representative Frank J. Warnke
Co-Chairman



Senator John D. Jones



Representative John Bagnariol



Senator August P. Mardesich



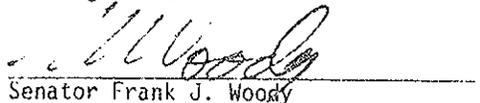
Representative Scott Blair



Senator George W. Scott



Representative Sid Flanagan



Senator Frank J. Woody



Representative Helen Sommers



Representative James P. Kuehnle

From: [Jerry Taylor](#)
To: [Gutierrez, Aaron](#)
Subject: More Merger Questions
Date: Tuesday, July 26, 2016 1:04:51 PM
Attachments: [image001.png](#)

Hi Aaron,

Here is another list of questions for the study. Sorry if some are duplicates but I wanted to get them to you before the first round table. Additionally, I know your office cannot comment on policy issues, but we are hopeful that the bill sponsors will attend the round table so that we can publicly question them about the bill concept and its presentation.

1. Why was SB 6668 introduced into the last session of the legislature with no prior solicitation of information or participation from stakeholders? (An important question because it relates to the ability of the stakeholders to trust in the promises and assurances of the legislators.)
2. At what date and where did development of the bill start?
3. Why was the earlier HB 2097 introduced on the last day to drop legislation in 2011 with no prior solicitation of information or participation from LEOFF 1 or employer stakeholders? (An important question because it relates to the ability of the stakeholders to trust in the promises and assurances of the legislators.)
4. What is the position of the Actuarial profession and professional organizations on the moving of a retirement system from surplus to one of UAAL?
5. What is the funding status of the LEOFF 1 and the TRS 1 plans?
6. What would the funding status of the combined LEOFF 1/TRS 1 pension be after the merger?
7. Why was the \$5,000 "bonus" proposal included in the bill?
8. How was the \$5,000 bonus amount determined?
9. What would be the impact of a higher "bonus" payment, i.e. \$10,000, \$25,000 or \$50,000?
10. What guarantees exist to insure that the legislature will, in the future, meet its pension funding promises, particularly in light of the fact that this proposal represents a lowering of the promised funding of the TRS 1 plan?
11. What guarantees exist to insure that the current case law for the LEOFF 1 plan as developed since its and its predecessors inception will remain in force?
12. How can future legislatures be prevented from further altering the law.
13. How many pensions plan exist in the state systems?
14. Why are there different pension plans for different employment types?
15. What similarities exist between the jobs of teachers, police officers and firefighters that make the combining of the pension plans logical and or effective?
16. What dissimilarities exist between the jobs of teachers, police officers and firefighters that make the combination of their pension plans illogical?
17. Does the legislature possess the power to raise taxes to meet its pension obligations?
18. Does the legislature have the authority to raise taxes to meet its spending obligations? If so, why does the legislature choose to raise funds by manipulation of the pension trust funds?
19. Why does the bill (SB6668) include a bonus payout to members?
20. Is using pension benefit trust funds from one plan to help heal another plan legal? Is it good actuarial policy?
21. How does Bakenhus impact such an action?

22. How does Weaver impact such an action?
23. Is Ice Miller a law firm relied upon by the state as evidenced by the state contraction for their services in other pension matters?
24. Since Ice Miller says that pension trust funds can only be used to the benefit of the beneficiaries how does using these funds to benefit members of another system or even the plan manager constitute a legal action?
25. Ice Miller states, "The exclusive benefit rule, a requirement for favorable tax treatment of a pension plan, provides that the assets of a retirement plan may only be used for the benefit of the plan participants and to defer reasonable plan expenses. The assets may not inure to the benefit of the plan sponsor."
26. What are the constitutional issues involved and how do they apply, particularly in light of Bakenhus and Weaver?
27. If the plans were merged what right and ability would the LEOFF 1 plan member have to compel the State to make the ongoing needed contributions to the TRS plan?

Jerry Taylor

gtaylor@lineangle.com



1854 NW 195th Street, #303

Shoreline, WA 98177

206.418.6331

C 206.979.9192

From: [Jerry Taylor](#)
To: [Gutierrez, Aaron](#)
Subject: Merger Study Concerns
Date: Tuesday, July 26, 2016 1:08:54 PM
Attachments: [image001.png](#)

Hi Aaron,

The following are some, but not all of our concerns.

1. Given its history there is no guarantee the Legislature will properly fund the merged plan. They have failed to fund TRS 1 and once it became time to start paying the higher premiums designed to heal TRS 1 they proposed to limit that funding and use LEOFF 1 money to offset some of the UAAL in TRS1.
2. The Legislature granted a COLA and Gainsharing to TRS 1 but then withdrew these items when it came time to pay them.
3. We see no commitment from the Legislature to honor its commitments to Teachers, Police Officers and Firefighters.
4. The fact that the proposed SB 6166 was developed in secret without stakeholder input makes it suspect and weakens the ability of stakeholders to trust the assurances made by legislators.
5. We anticipate that the makeup of the Legislature will change over time. How do we insure that new legislators unfamiliar with this process will understand and honor the commitments in the future?
6. The proposed legislation appears to violate several establish rules of law as well as the constitution and the IRS regulations. We are concerned that we will need to engage in costly and complicated litigation if a merger was passed.
7. The proposed merger dishonors the service of police officers, firefighters and teachers. The individuals most impacted by the proposal are almost all seniors and depend on the pension for their livelihood. They earned it and they earned the right for it to be properly funded so as to guarantee its timely payment. This proposal threatens the financial stability of that pension.
8. There is no guarantee the pension surplus will even exist next year. We have seen large fluctuations of the funded status of the LEOFF 1 pension plan. In fact, if the SB 6166 had passed in 2001 the plan would have gone into deficit funding status the next year. The actuary goes to some length to point out the variability of the funded status. Given the anticipated impact on the market of Brixit and the upcoming elections the funded status could well be seriously and negatively impacted during the upcoming biennium.
9. While those proposing this merger assert that the purpose of the merger is to stabilize the seriously underfunded TRS 1 plan, but it is even more clear that the purpose of the merger is to reduce the state's obligation to fund the TRS 1 system and thereby retain in excess of

\$243 million in the general fund.

Jerry Taylor

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206.418.6331

C 206.979.9192

From: [Jerry Taylor](#)
To: [Gutierrez, Aaron](#)
Subject: Merger Study General Comments
Date: Tuesday, July 26, 2016 1:17:39 PM
Attachments: [image001.png](#)

Hi Aaron,

The following are some of our General Comments about the study.

1. The proposed merger is illegal. It uses funds dedicated to the LEOFF 1 beneficiaries to diminish the state's obligation to people who are not part of the plan. I cannot image a situation where the LEOFF 1 members would not litigate this proposal. In fact the organizations representing LEOFF 1 members would be obligated to act.
2. This survey purports to be an opportunity for stakeholders to provide input to the SCPP but it fails in that it offers no opportunity for a give-and-take exchange of views and positions with actual policy makers. Hence the Legislature cannot help but be ill informed as to the implications of this proposal and will not have a clear grasp of the nuances of the proposal.
3. The inclusion of an "update" of the LEOFF 1/LEOFF 2 Merger Study confuses the issue and suggests that another LEOFF 1/LEOFF 2 merger proposal might be put forward. This is another complicated concept that is further complicated by the difference in system governance.
4. Shame on the legislators that support this proposal. The men and women who served this community at great sacrifice – some even with their lives and health are being abused simply to create a device to utilize their properly funded pension surplus as cover for reducing UAAL contributions to TRS 1.

Jerry Taylor

gtaylor@lineangle.com

RSPOA
RETIRED SEATTLE POLICE OFFICERS' ASSOCIATION

1854 NW 195th Street, #303

Shoreline, WA 98177

206.418.6331

C 206.979.9192

From: [Jerry Taylor](#)
To: [Gutierrez, Aaron](#)
Subject: Last Questions for Today
Date: Tuesday, July 26, 2016 2:41:27 PM

Aaron,

A few more questions. No more today.

1. What would be the impact on the funded status of TRS 1 if the legislature simply lowered the UAAL rates but did not merge the systems? By that I mean lowering the UAAL premiums by exactly the same amount so that the State would still get to keep the \$246 million, etc. Please show projected funding status over the years until plan maturity or full funding.
2. What is the year to year funded status for TRS 1 since 2000?
3. When was the separate UAAL rate for employers first created for TRS 1. How much was that rate? How has it been adjusted year-to-year since?
4. Besides SHB2021 what other legislation proposed and/or enacted over the various sessions since 2001 have utilized the device of pension premium reduction at reduced or would have reduced the obligation of the state to make pension contributions?
5. The TRS 1 system has been chronically underfunded. Additionally attempts to improve the system through COLA's and Gainsharing have been withdrawn. Attempts to provide UAAL contributions have been restructured at lower levels on at least two occasions. This system is underfunded and has a poor level of benefits. It appears that LEOFF 1 would simply be moved from a properly funded system and thrown on the pile of failed systems with a legislature that has never demonstrated an interest in fixing the system or improving the benefits. If LEOFF 1 were merged into this system, what kind of improvements could LEOFF 1 members expect? What protections would exist to protect LEOFF 1 members from the unwillingness of the legislature to provide proper funding for the system and to secure and protect the benefits of the members. A simple claim of Bakenhus providing the protection because it simply says if you don't like what we do, sue us.
6. Currently LEOFF 1 and LEOFF 2 are tiers within the LEOFF system (RCW 41.26). However the LEOFF Plan 1 retirement fund and the LEOFF Plan 2 retirement fund are separate trust funds. The assets of each fund may be used solely to pay for the liabilities of the associated retirement plan. The funds are commingled for investment purposes but they are accounted for separately and reported separately in both annual financial reports and annual actuarial valuations. How would the proposed merger with TRS1 impact the accounting, reporting and use of the LEOFF 1 trust funds?
7. Does the proposed merger not simply "kick the can down the road" in the quest to create a legislative answer to free up funds for other uses?
8. When may the stakeholders anticipate receiving detailed answers to our questions? These should also include responses from bill sponsors or legislative leaders of both parties as to policy issues?

Jerry

From: [Jerry Taylor](#)
To: [Gutierrez, Aaron](#)
Subject: Merger Study Observations
Date: Tuesday, July 26, 2016 12:54:43 PM
Attachments: [image001.png](#)

Greetings Aaron,

The following are some comments and observations for inclusion in the Merger Study.

1. Merger will result in two underfunded systems.

The latest funding figures are from the 2014 Valuation. In that document TRS 1 is funded at only 69%. In contrast LEOFF 1 is funded at 127%. The LEOFF 1 plan is one of the healthiest plans in the state and even the nation. In contrast, TRS 1 is one of the worst funded systems. If this bill passes, LEOFF 1 will cease to be fully funded as the combined plans would be only 87%. And, that would be after injecting \$5.5 billion of LEOFF 1 funds into TRS 1.

It should be noted that as of the 2004 valuation LEOFF 1, with 7,900 members, had \$5.5 billion in assets whereas TRS 1 with 35,800 had \$6.3 billion in assets.

It makes no sense to move a perfectly healthy pension system into deficit. In fact, it is irresponsible and a violation of the duty of our elected officials to look after the interests of the citizens.

2. Teachers and Fire Fighters and Police Officers are different.

Teachers are charged with educating our children. They work nine months a year in that effort. Of course they are burdened with other responsibilities but many have the opportunity to generate extra income or increase their professional status during the summer recess period. Their job is inside a building and generally safe from attack. We do not mean to suggest they have a lighter burden, but they certainly have a different work schedule and different duties.

Contrast that with a fire fighter. We have to staff our fire departments 24 hours a day and seven days a week. We expect our fire fighter to be highly trained and physically able to endure difficult situations. We expect our fire fighter to run into a burning building while we expect our teachers to usher our children out of a burning building. The physical toll on fire fighters is extraordinary. Most of them can count of diminished health in their senior years occasioned to some degree from the physical demands of their job. Fire Fighters are heroes. They keep us safe.

Law Enforcement Officers also must work on the 24/7 staffing mode. Most of their work involves being in the elements. We put tremendous demands of them to always perform their jobs with perfection and even threaten them with discipline and even criminal prosecution if they fail. Like the Fire Fighter, Police Officers run toward trouble not away from it. And police officers frequently die providing the services demanded by the citizens. It is stressful and dangerous but it is also essential as society cannot exist without public safety. Police Officers are heroes. They keep us safe.

The reason public safety pensions are separate from other pension systems is that government has traditionally recognized that the service provided by our police and fire services are unique and demand special construction. Simply looking at the funding status of our public safety pensions clearly shows that the State has recognized the special situation relative to police and fire. Our legislature has funded these public safety pensions will leaving our teachers to languish in deficit.

It is shameful that government would even consider turning its back on those who have dedicated their entire working life to protecting our citizens.

3. A plan already exists to take TRS out of deficit.

TRS 1 has a funding plan that will take it out of deficit by 2027. The contribution rates need to do that are already in the law and have already been passed by the legislature. Nothing further needs to be done.

4. **A money grab.**

So, if the plans are so different and the formula for healing TRS 1 is already in place, why do the merger? The answer is it is not really about making TRS 1 healthy. That plan is already in place. It is about getting money for the state coffers.

LEOFF 1 has been in surplus since 1999. In fact the pension contributions for LEOFF 1 were eliminated in 2000. It has been clear since 2000 that various legislators and other agencies wanted access to that surplus. Two bills were proposed to take money out of the system. The first bill would have taken \$200 million out of the system to be used for non-pension items. The second bill in 2001 was SB 6166 which would have terminated LEOFF 1 with the state taking all the funds. Both of these attempts failed. They failed because they would not stand up to the law. It is simply illegal to take pension money. It is illegal under contract law and under IRS rules.

Then came HB 2068 in 2010 attempting to merger LEOFF 1 into LEOFF 2. That failed. Then came HB 2097 attempting the same thing again. It also failed. The underlying goal was to get the LEOFF 1 surplus under the control of the LEOFF 2 board. That would have created a situation where funding would be available for enhanced benefits for LEOFF 2. A token \$85 million would have been freed up for the legislature by a change in state contributions. Traditionally the legislature has gotten its hands on the money not by taking it but rather by changing the contribution scheme. That is because it is illegal to take it. In 2000 the legislature freed up funds by eliminating LEOFF 1 pension contributions. So they have already had their bite of the apple and they should not be allowed another.

This new merger proposal is not so much a repair of TRS 1 as it is a freeing up of money that can stay in the state coffers. They lower the employer contribution rates to 4.24% from the currently projected 5.75% and save \$75 million in the last four months of 2016 and over \$243 million in the 2017-2019 budget. Additional savings for local government would be \$31 million in 2016 and \$100 million in 2017-2019. And, that rate of savings continues and grows through 2012 with the state getting \$1.5 billion and local government \$600 million for a total of over \$2 billion. Of course it is a money grab.

5. **Deprives Law Enforcement and Fire Fighters of fair representation.**

Over the years numerous changes and adjustments have been made to the LEOFF 1 system. Almost all of these have been housekeeping measures to correct errors in the law or to add a new benefit that had no fiscal impact. For example post retirement spouse coverage. We have been able to make these corrections because LEOFF 1 member could directly approach the legislature for redress or consideration.

One of the primary objections to the proposed LEOFF 1/LEOFF 2 merger bills is that our position in a much larger group under control of a board populated almost entirely of LEOFF 2 members would not be responsive to LEOFF 1 needs. Hence we would be under represented.

The proposed merger would merge 35,825 TRS 1 members with 7,870 LEOFF 1 members. LEOFF 1 would comprise only 18% of the membership and our ability to influence the TRS membership would be severely limited. This would not be so much of a problem if the pensions and benefits were truly similar. But they are not similar and LEOFF 1 membership would not have fair representation.

Oh, one should all look at the money. The 7,870 LEOFF 1 members would put in \$5.5 billion while the 35,825 TRS 1 members would put in only \$6.4 billion. LEOFF 1 would put in 46% and get only an 18% representation.

6. **Developed in secret.**

It appears obvious that this bill was not developed on a bar napkin and then submitted to the legislature the next day. It is a bit complicated and structured so as to create a sense of continuing to provide all existing benefits and just taking away the money. The legislators that developed this bill know who the LEOFF 1 leaders are. We have all been in Olympia frequently and Dick Warbrouck has been there almost every day. It seems extremely arrogant that they would not discuss the proposal with the stakeholder before crafting the

bill. I guess it means they thought we would object. Well, they were right there. Of course this is not new. Efforts so make changes in the pension often come this route. The bill is dropped at the last possible minute in the session with no notice. It is a direct violation of their own rules and the requirement that pension bills first go to the Select Committee on Pension Policy.

7. The bill may be illegal and could generate lawsuits

The bill recognizes the need to secure IRS approval of the plan. It is clear that if the change from a healthy pension plan to an unhealthy one is not permitted the plan could not go forward. If it is not illegal on the basis of the IRS rule it is hard to image why. The point of the rule is to protect pension plans not to immerse them into systems that are more subject to failure.

In any event stakeholders will need to engage legal representation to evaluate their rights. There are significant legal issues relating to existing contract and pension laws. Since this bill seems to be on a fast track in the legislature it may leave the stakeholders with little left in the way of resources to be heard on the issue. That could well force the stakeholders into a lawsuit.

8. Proposed \$5,000 payment is grossly inadequate.

The bill seems to recognize how unfairly the LEOFF 1 members are being treated in this proposal. It attempts to mitigate that unfairness by granting to each LEOFF 1 members a one-time payment of \$5,000. This is in exchange for \$1.2 billion dollars in surplus. Hardly a fair deal and not likely to gain many endorsement from LEOFF 1 members. The payment would amount to \$39 million and would not alter the funding status of the combined fund. Without the payment the TRS 1 funding status would go from 69% to 87%. With the payout it would still be 87%.

So why not make an offer that might attract some interest, say \$50,000? That amounts to \$394 million dollars. Not bad in exchange for \$1.2 billion. The funding status after such a payout – 84%.

Jerry Taylor

gtaylor@lineangle.com

RSPOA

RETIREES SEATTLE POLICE OFFICERS' ASSOCIATION

1854 NW 195th Street, #303

Shoreline, WA 98177

206.418.6331

C 206.979.9192

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Office of the State Actuary

About the proposal to merge the Law Enforcement Officers and Fire Fighters Pension Plan 1 with the Teacher's Retirement System.

To me this seems about the legislatures failure to properly fund the Teachers system as about all the others as well. I was a ff. for 26 years, and every two weeks when I get my pay check my contributions were taken out. If the legislature would have made those contributions we would not be having this problem no.

Please dont make this merger its the wrong way to fund the system.

Louie M Thompson

4116 76th St E

TACOMA, WA 98443

BWANA LOUIE@MSA.COM

Thank you

Louie M Thompson

From: [Josh Weiss](#)
To: [Office State Actuary, WA](#)
Cc: [Gutierrez, Aaron](#)
Subject: WSAC Comments on SCPP Merger Study
Date: Wednesday, July 27, 2016 8:44:32 AM
Attachments: [SCPP Merger Letter.pdf](#)

Please find the attached letter from WSAC regarding the SCPP study of potential merger of LEOFF 1 and TRS 1. Please feel free and contact me if you have any questions.

Josh Weiss

Washington State Association of Counties
Director of Policy and Legislative Relations / General Counsel
(360) 489-3015 office
(360) 561-3560 cell
"The Voice of Washington Counties"



Washington State
Association of Counties
The Voice of Washington Counties

206 Tenth Avenue SE
Olympia, WA 98501
P: 360-753-1886

July 27, 2016

Select Committee on Pension Policy
P.O. Box 40914
Olympia, WA 98504-0914

WSAC represents the legislative authority (commissioners, councilmembers, and councilors) from all 39 counties, and the 4 county executives. WSAC members are the budget authority for each respective county, and are responsible for ensuring that the pension contributions for the county as an employer are funded. I am writing you today to provide initial considerations that WSAC would like to see addressed in the Committee's study of the merger of LEOFF 1 and TRS 1. There are a number of questions that counties, like other public employers, will want answered when assessing a potential merger:

- 1) Would a merger require new employer contributions into the fund? Currently contributions are not required for the LEOFF 1 fund, and implementation of new contributions would have a budget impact on counties' otherwise limited general fund. WSAC's longstanding policy position is that pension funding must be provided at a level that ensures government obligations can be met. However, the bottom-line reality is that employer contributions must be balanced against the other competing demands for limited county resources, and county revenues are not keeping pace with these costs.
- 2) Will a merger result in new benefits that would result in increased employer contributions?
- 3) What guarantee will there be that LEOFF 1 employers will not be required to make additional contributions in the future?
- 4) What amount of the surplus LEOFF 1 funds will be returned to employers? Approximately 11% of LEOFF 1 contributions were made by employers. Will 11% of the surplus be returned if a merger occurs?
- 5) What "credit" will employers receive for the \$3 billion in unfunded medical liability they have undertaken through the creation of LEOFF 1? The cost of medical benefits has far outstripped employers' expectations when the fund was created: the cost of full-care facilities are not covered by Medicare; disability board determinations to cover vitamins and lifestyle drugs; and health care costs have dramatically increased generally. This obligation was part of the initial agreement when LEOFF 1 was created, and needs to be considered if a merger is contemplated.

The answers to these questions will determine WSAC's position on any pension plan merger proposal, and our members feel they are crucial to the Committee's study. Thank you for the opportunity to comment, please feel free and contact me with any questions.

A handwritten signature in blue ink that reads "Josh Weiss".

Josh Weiss
Director of Policy and Legislative Relations

From: [Gutierrez, Aaron](mailto:Aaron.Gutierrez@leg.wa.gov)
To: Office.State.Actuary.WA
Subject: FW: Pension Survey is Biased, LEOFF 1 members need *mailed survey
Date: Friday, July 29, 2016 12:40:00 PM

For merger documentation

From: Lelli, Kimberlie **On Behalf Of** Conway, Sen. Steve
Sent: Friday, July 29, 2016 11:56 AM
To: Steve Conway (steveconway@harbornet.com) <steveconway@harbornet.com>; Conway, Sen. Steve <Steve.Conway@leg.wa.gov>
Cc: Gutierrez, Aaron <Aaron.Gutierrez@leg.wa.gov>
Subject: FW: Pension Survey is Biased, LEOFF 1 members need *mailed survey

FYI

k.

From: Joyce Willms LEOFF 1 [<mailto:joyce@leoff1coalition.org>]
Sent: Thursday, July 28, 2016 8:19 PM
To: Bailey, Sen. Barbara <Barbara.Bailey@leg.wa.gov>; Conway, Sen. Steve <Steve.Conway@leg.wa.gov>; Chandler, Rep. Bruce <Bruce.Chandler@leg.wa.gov>; Hobbs, Sen. Steve <Steve.Hobbs@leg.wa.gov>; Manweller, Rep. Matt <Matt.Manweller@leg.wa.gov>; Ormsby, Rep. Timm <Timm.Ormsby@leg.wa.gov>; Schoesler, Sen. Mark <Mark.Schoesler@leg.wa.gov>; Stanford, Rep. Derek <Derek.Stanford@leg.wa.gov>; Schumacher, David <david.schumacher@ofm.wa.gov>; Frost, Marcie <marcie.frost@drs.wa.gov>; PresidentRD@comcast.net; Keller, Bob <bobk@wfse.org>; c2everett@council2.com; Boesenberg, John <jboesenberg@sbcct.edu>; Creekpaum, Annette <annettec@masonpud3.org>; Freeman, Beverly <beverly.freeman@chelanpud.org>; bev@rpecwa.org
Cc: Joyce Willms LEOFF 1 <joyce@leoff1coalition.org>; Andy Wilson <barrondog@comcast.net>; Dave Peery <fyrmandave@aol.com>; Mark Curtis <mwcurtiscraft@comcast.net>; Jerry <jabirt@verizon.net>; Gary Lentz <garylentz@aol.com>; Gene Martin <burhlem@aol.com>; Paul Johnson <blkhillstree@gmail.com>
Subject: Pension Survey is Biased, LEOFF 1 members need *mailed survey

To: Select Committee on Pension Policy Members:
Chairman, Sen. Conway; Sen. Hobbs; Sen. Bailey; Sen. Schoesler
Vice Chairman, Rep. Chandler; Rep. Manweller;
Rep. Ormsby; Rep. Stanford;
Director Schumacher, Director Frost,
Randy Davis, Bob Keller, Pat Thompson,
David Westberg, John Boesenberg, Annette Creekpaum,
Beverly Freeman, Bev Hermanson, Bob Thurston

From: LEOFF 1 Coalition

SCPP Committee Members:

For the record, the LEOFF 1 Coalition opposes any type of merger involving the LEOFF 1 retirement plan. Furthermore, it was wrong that LEOFF 1 members were not notified by mail about the survey or that their pension program was being considered for merger. At present, the way this online survey is being conducted, only unfairly skewed results will be produced, to exclude LEOFF 1 members. The average age of LEOFF 1 retirees is 78, an overwhelming majority do not have a computer or online access. Consequently, a huge portion of LEOFF 1 members cannot participate in the survey as it is presently being administered. LEOFF 1 members might never know about the survey, let alone not have means to participate. This is unfair when their opinions are supposed to be represented regarding their pension plan. To correct this approach, LEOFF 1 members need to be surveyed using a direct postal mail survey. As such, time involved for a mailed survey must be considered, leaving ample time to reply, considering summer travel schedules, 30 days after being mailed seems reasonable.

Who does the printing and mailing is important to comply with the law, including who pays for a mailing.

It's the State's responsibility to mail this survey, and no one else's. Under **RCW 43.19.736**, below, only the State department of printing has this responsibility. Section (2)(a), stipulates that the department of printing is to print materials that contain sensitive or personally identifiable information not publicly available. The State department of printing must do this printing and mailing, that's what our reading of this RCW indicates. We want to make sure the study is done right and in accordance with law.

Sincerely,

Andy Wilson, President, retired King County Sheriff's Office
Dave Peery, Secretary, retired Seattle Fire Department
Mark Curtis, Lobbyist, retired Thurston County Sheriff's Office
Jerald Birt, retired Clark County Sheriff's Office
Gene Martin, retired Yakima Fire Department
Paul Johnson, retired Olympia Police Department
Joyce Willms, Government Relations and Communications

LEOFF 1 Coalition
(360) 570-1035 - office

407 West Bay Dr. NW, Olympia, WA 98502 - location
855 Trosper Rd. SW, Suite 108, PMB 127, Tumwater, WA 98512 - mailing

www.leofflcoalition.org

Attached: RCW 43.19.736 / Print shop services–Bid solicitations–Confidential information

RCWs > Title 43 > Chapter 43.19 > Section
43.19.736

Print

43.19.733 << 43.19.736 >> 43.19.739

RCW 43.19.736

Print shop services—Bid solicitations—Confidential information.

(1) State agencies, boards, commissions, and institutions of higher education requiring the services of a print shop may use public printing services provided by the department. If a print job is put out for bid, the department must be included in the bid solicitation. All solicitations must be posted on the state's common vendor registration and bid notification system and results provided to the department. All bid specifications must encourage the use of recycled paper and biodegradable ink must be used if feasible for the print job.

(2)(a) Except as provided in (b) of this subsection, the department shall print all agency materials that contain sensitive or personally identifiable information not publicly available.

(b) If it is more economically feasible to contract with a private vendor for the printing of agency materials that contain sensitive or personally identifiable information, the department shall require the vendor to enter into a confidentiality agreement with the department to protect the information that is provided as part of the print job.

[2011 1st sp.s. c 43 § 309.]

NOTES:

Effective date—Purpose—2011 1st sp.s. c 43: See notes following RCW 43.19.003.

From: [Gutierrez, Aaron](mailto:Aaron.Gutierrez@leg.wa.gov)
To: [Office State Actuary, WA](mailto:Office.State.Actuary.WA@leg.wa.gov)
Subject: FW: LEOFF 1 Survey & Mailing Matters
Date: Thursday, August 11, 2016 10:03:18 AM

Please file this with the merger correspondence.

From: Joyce Willms LEOFF 1 [mailto:joyce@leoff1coalition.org]
Sent: Wednesday, August 10, 2016 6:15 PM
To: Gutierrez, Aaron <Aaron.Gutierrez@leg.wa.gov>
Cc: Joyce Willms LEOFF 1 <joyce@leoff1coalition.org>
Subject: LEOFF 1 Survey & Mailing Matters

Dear Aaron,

To be clear, the LEOFF 1 Coalition did not make any agreement that the LEOFF 1 Coalition would be responsible to contact the LEOFF 1 Members. LEOFF 1 Coalition did not even suggest it or entertain the thought. To the contrary, our July 28 email to the SCPP was clear on the point that passing this LEOFF 1 retirees list to anyone, outside of the State department of printing, would be a violation of RCW 43.19.736.

The fact is, private sensitive personal data is inherent in a list of LEOFF 1 retirees, and RCW 43.19.736 makes handing the LEOFF 1 list of members and their addresses to either the LEOFF 1 Coalition or the Retired Fire Fighters of Washington, contrary to law.

I am not sure what arrangements you may have made with Mr. Warbrouck regarding handing off the list of LEOFF 1 retiree names & addresses, but Dick does not speak for the LEOFF 1 Coalition, he represents the Retired Firefighters of Washington.

Changing the format of an online survey does nothing to enable people walled off from the survey because they do not have computers. With an average age of 78, a considerable majority of LEOFF 1 Members are denied access and are thus unable to participate in a meaningful debate upon a complex subject that involves potential legal issues critical to a full understanding of the financial issues involved. While a mailed survey is a reasonable answer to this dilemma, at present there are so few actual facts available as to make a mailing at this time unwarranted, unwelcome and only adds to the confusion. We have urged the SCPP and the participants in the Conway roundtable discussions to provide clarity and verifiable data to LEOFF 1 members and their representative organizations so that members will have a better grasp of the complex legal issues involved.

If a fair survey of LEOFF 1 members is being sought a more detailed questionnaire is required with input from all stakeholders. Since the State appears to be the active party in this merger study it should be incumbent upon them to seek a more informational questionnaire with detailed legal questions/options and should include comparative pro-con opinions from all affected parties. The current questionnaire fails to provide a meaningful basis which might allow LEOFF 1 respondents to make an informed decision.

The text of the LEOFF 1 Coalition's July 28 email to the SCPP is inserted below your email to Dick and me. The LEOFF 1 Coalition did not ask for the study. Let us be clear. We remain steadfastly opposed to any type of merger involving LEOFF 1.

Sincerely,
Joyce Willms

Government Relations
LEOFF 1 Coalition

(360) 570-1035 - office
(360) 790-9129 - cell

joyce@leoff1coalition.org

Location: 407 West Bay Dr. NW
Olympia, WA 98502

Mailing: 855 Trospen Rd. SW, Suite 108, PMB 127
Tumwater, WA 98512

www.leoff1coalition.org

2016 WSCFF Convention Resolution

1 SUBJECT: Principles for Merger of Pension Plans
 2 RESOLUTION #: 16-22

5 WHEREAS: The WSCFF represents both LEFOF 1 and LEOFF 2 members; and

8 WHEREAS: There have been legislative proposals introduced related to mergers of LEOFF 1
 9 with LEOFF 2 or TERS 1, and there will likely be further iterations of these types
 10 of proposals introduced in upcoming legislative session; and

13 WHEREAS: The retirement security of LEOFF members is a paramount concern; and

16 WHEREAS: LEOFF stakeholders have a strong interest in making sure they are treated fairly
 17 should a merger proposal be adopted; and

20 WHEREAS: Stakeholders are able to maximize their power and amplify their voices in the
 21 legislative process when they join together collectively with other stakeholders
 22 around a common set of principles; and

25 WHEREAS: Other LEOFF stakeholders are working on adopting a set of principles their
 26 members will insist upon if/when a merger occurs; now therefore be it

29 RESOLVED: That the assembled delegates of the WSCFF 77th Convention insist any merger
 30 involving LEOFF 1 and/or LEOFF 2:

- 31 1. Must not reduce LEOFF 1 member benefits.
- 32 2. Cannot put the funding for LEOFF 1 benefits at risk.
- 33 3. Cannot affect LEOFF 1 disability boards.
- 34 4. Cannot affect LEOFF 1 member or employer contributions.
- 35 5. Cannot modify LEOFF 1 governance.
- 36 6. Must receive IRS approval before the effective date of the bill.
- 37 7. Must follow state laws and case law protecting pension benefits and funding.
- 38 8. Must ensure the new merged fund is protected from future state underfunding.
- 39 9. Cannot modify LEOFF 2 governance.
- 40 10. Cannot increase LEOFF 2 member or employer contributions.

43 SUBMITTED BY: Pension

Committee	Action Taken	Recommendation
Pension		Do Pass
O&P		Do Pass
Floor	Adopted	

ASSIGNED DESIGNATION: