



Disability and Death Discussion

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"Securing tomorrow's pensions today."

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Today's Presentation

- Not a presentation, it's a discussion
- Background on the topic
- Discussion questions
- Next Steps



What's Being Studied?

- The actuarial model used to value disability and death benefits
- How the benefits and assumptions work together
- Can we make improvements that will allow flexibility and efficiency should benefits change in the future



Why A Study?

- Current plan design implemented over five-year period
 - One layer at a time
- Actuarial model priced each change accordingly
 - One layer at a time
- Result is a complicated model that isn't easy to change



LEOFF 2 Board's Involvement

- Directional input will give new model best chance of being flexible
- Board authorized use of an outside actuary in May
- OSA and outside actuary will conduct study and present results to the Board





Discussion Questions



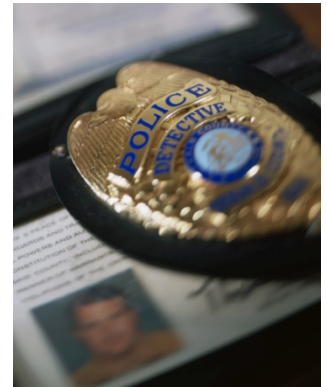
Duty vs. Non-Duty

- Do you believe your plan design will likely always distinguish between duty and non-duty disabilities/deaths?



Differences Between Police And Fire

- Police officers and fire fighters, as professions, each face unique hazards
- Do these unique hazards create needs the pension system can address that differ for police officers and fire fighters?



Benefits Beyond A Pension

- Your current plan has some insurance type benefits
 - \$150,000 life insurance
 - Various long-term disability insurances
 - Health care premium reimbursement
- Do you foresee continued expansion of insurance-type products within your pension plan?



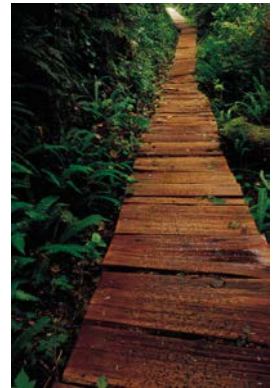
Catch-All

- Are there other classifications within death and disability benefits where members might receive additional benefits?
- For example, total/catastrophic disabilities



Next Steps

- Get a contract together
 - Complete by end of interim
- Perform study and get recommendations from outside actuary
 - Complete during 2010 Interim
- Present results
 - Ideally incorporate results into 2009 AVR (Late summer 2010)





LEOFF 2 Board Disability/Death Benefits

This handout provides information meant to facilitate a discussion at the October LEOFF 2 Board meeting regarding the LEOFF 2 Disability/Death Benefits Study. This handout includes background information on this issue and some possible policy questions to consider prior to the meeting. The feedback you provide at the meeting will help OSA develop an actuarial model for these benefits that is comprehensive, flexible, and responsive to possible future policy directions. We expect to complete this study over the remainder of this interim and the early part of 2010. We will present the results during the 2010 Interim.

Background Information

Each new death and disability layer added to the LEOFF 2 plan design expands the complexity of the actuarial model. If we were to step back and develop an entire model from scratch, instead of adding a new piece one at a time during various interims or sessions, we would likely have developed a different model. Our current model works; it's reasonable, and it's been audited. However, our concerns center on its ability to remain effective and responsive to further policy and benefit changes. After our Proposed 2009 Interim Actuarial Work Plan presentation at your May meeting, you approved this study.

This project, with its focus on improving our actuarial model, is going to be a detailed actuarial undertaking. You authorized the use of an outside actuary to assist OSA in this undertaking. Therefore, we don't see the need for the Board to get into the details of the actuarial model. However, before we contract with an outside actuary, the project will benefit from the Board's input and guidance regarding future policy and plan design changes for LEOFF 2. We are not looking for ideas about specific proposals. The purpose of this discussion at the October meeting is to brainstorm and discuss some bigger picture death and disability plan design questions.

Policy Direction Questions for the LEOFF 2 Board

Please review these questions to help prepare for the brainstorming session at the October meeting:

- ❖ Do you believe your plan design will likely always distinguish between duty and non-duty disabilities/deaths?
- ❖ Your current plan design has different presumptions for occupational diseases for police officers and fire fighters. Are there other areas of disability and death benefits plan design that you may want to be different for police officers and fire fighters?



- ❖ Your current plan has some insurance-type benefits, a \$150,000 life insurance, various long-term disability insurances, healthcare premium reimbursement. Do you foresee continued expansion of insurance type-products within your pension plan?
- ❖ Are there other classifications within death and disability benefits where members might receive additional benefits? For example, the addition of total/catastrophic disabilities was a new classification when benefits were expanded for those members.