STATE OF WASHINGTON

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD

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REGULAR BOARD MEETING
April 28, 2010

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on April 28, 2010.

Board Members Present:
Kelly Fox, Chair
Jack Simington, Vice Chair
Greg Cuoio
Darla Hartley
Pat Hepler
Jeff Holy
Mark Johnston
Glenn Olson
Ryan Martin

Staff Present:
Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Chad Standifer, Assistant Attorney General

Guests:
Mark Feldhausen, Department of Retirement Systems

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:38 a.m. The Board took a moment of silence to honor those who had fallen since the last meeting.

1) March 24, 2010 Board Meeting Minutes

It was moved that the March 24, 2010 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) CEM Benchmarking Presentation – Mark Feldhausen, Budget & Benchmarking Director

Mark Feldhausen with the Department of Retirement Systems (DRS) presented the results of fiscal year 2009 CEM Benchmarking report. The report is a comprehensive survey which reveals data comparisons of pension plan administration nationwide.

Overall, DRS performed very well despite the complexity associated with administering multiple retirement plans. The actual administrative cost per member is below the expected cost calculated by CEM for the services provided. And DRS service levels compare favorably to peers.

Mr. Feldhausen will provide a summary to the Board without CEM copyrighted materials.

3) Prohibition on Remarriage, Preliminary Follow-Up Tim Valencia, Senior Research and Policy Manager

Mr. Valencia presented a *Preliminary Follow-Up Report on Prohibition on Remarriage.* Mr. Valencia provided a background of the surviving spouses who are receiving Workers' Compensation Death Benefits. He reviewed how the survivors lose those benefits upon remarriage and how this issue affects more than just LEOFF Plan 2.

Mr. Valencia also reviewed the legislative history of the topic. The most recent legislation took place in 2010. The Duty Related Death Benefits bill (HB 2519) included a provision which would have allowed LEOFF 2 and WSPRS spouses to remarry without a loss of benefits. While HB 2519 did pass, the Senate amended the bill removing the section that allowed spouses to remarry and continue receiving their benefits but did increase the lump sum cash option.

The Board moved to bring the topic of Prohibition on Remarriage back to an upcoming meeting with options for integration of benefits, specifically to provide a survivor impact. Seconded.

MOTION CARRIED UNANIMOUSLY

4) Furloughs, Preliminary Report
Greg Deam, Research and Policy Manager
Mr. Deam provided a Preliminary Report on the topic of *Furloughs*. The report included detailed information on members who either voluntarily or involuntarily take unpaid leave as a result of the current economic condition and how their retirement benefits may be adversely affected if it occurs during their Final Average Salary period.

Mr. Deam covered the legal implications and provided a brief history of legislation that has passed in 2009 and 2010. Mr. Deam proposed two policy options.

1. Propose legislation to ensure LEOFF 2 members do not have their pensions reduced because of furloughs.
2. Coordinate with the Select Committee on Pension Policy.

The Board moved to coordinate with the Select Committee on Pension Policy and propose retro legislation to ensure LEOFF 2 members do not have their pensions reduced because of furloughs. Seconded.
MOTION CARRIED UNANIMOUSLY

5) Strategic Plan Review
Steve Nelsen, Executive Director directed the Board through a review of their *Strategic Plan.* The Board discussed 2008-2009 Actions on page 7 and have accomplished all 4 items on the Legislative Agenda.

The Board agreed they need additional work on an Alternate Revenue Source, Deferred Compensation Employer Survey, and the Web site Redesign.

The Board moved to bring the Strategic Plan back to an upcoming meeting to be updated. Seconded.
MOTION CARRIED UNANIMOUSLY

6) Ombudsman, Initial Consideration
Tim Valencia, Senior Research and Policy Manager
Tim Valencia presented an Initial Consideration on the topic of an *Ombudsman* to assist some members, or their family, in receiving all the state & federal benefits for which they qualify. Mr. Valencia explained that survivors of duty related deaths and members who are catastrophically disabled may not know where or how to apply for all of the benefits that apply to them.

An Ombudsman is a person who acts as a trusted intermediary between an organization and internal or external constituency while representing the constituent's issues. Mr. Valencia described the many benefits that go along with having an Ombudsman.

The Board moved the topic of Ombudsman forward to the Preliminary Report stage to bring back at an upcoming meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

7) Administrative Update

- **Select Committee on Pension Policy (SCPP) Update**
  Director Nelsen reported that the SCPP did not have a meeting this month.

- **Newsletter Update**
  The newsletter combined with annual statements were printed and released to member's homes in mid-April.

- **DRS Update**
  Director Nelsen provided an update on the current activities taking place at DRS. The Fish and Wildlife Service Credit transfer numbers haven't changed since the last update (March 18, 2010). To date, there are only two members left to notify of the transfer opportunity.

  Mr. Nelsen explained that DRS has been testing system changes for duty disability conversion and the recalculation of benefits for retirees. This process will be complete by the end of April.

  DRS has completed the communication plan to notify members of the rights of domestic partners due to HB 1616.

  103 requests for Interruptive Military Service Credit refunds have been received and processed by DRS. 26 members have requested bills, but have not made payment. 19 accounts have been reviewed and service credit has been granted.

  The Department recently started an interagency agreement for the 401(h) with the LEOFF 2 Board, Office of the State Actuary, and the Washington State Investment Board.

  A project team has been implemented to begin planning for Duty Related Death Benefits and Catastrophic Disability Medical Insurance.

- **Budget Update**
  Director Nelsen provided a brief overview of the final state budget including the requirement that agency staff take unpaid leave as required by the final state budget.

The Board directed staff to submit an alternate plan to avoid agency closures. Seconded.

MOTION CARRIED UNANIMOUSLY

8) Purchase of Annuity, Preliminary Follow-Up
Greg Deam, Research and Policy Manager

Greg Deam presented a Preliminary Follow-Up Report on the *Purchase of Annuity.* He explained the issue of members who have assets in excess of the purchase cost for the maximum five years of service credit currently allowed in statute and how those individuals may need another avenue to invest those assets.

Mr. Deam provided two policy options for the Board to review:

1. Introduce legislation allowing LEOFF 2 retirees to purchase an actuarially equivalent life annuity from the LEOFF Plan 2 Fund.
2. Coordinate with the Select Committee on Pension Policy (SCPP)

The Board moved the topic of Purchase of Annuity to the Final Proposal Stage, and to coordinate this issue with the SCPP. Seconded
MOTION CARRIED UNANIMOUSLY

9) Member Contributions to Benefit Improvement Account, Preliminary Report
Greg Deam, Research and Policy Manager

Greg Deam provided a Preliminary Report and presentation on Member contributions to Benefit Improvement Accounts. Mr. Deam reported that the LEOFF Plan 2 Board does not have the authority to charge additional contributions to members only for the purpose of funding benefit improvements. He reviewed the current contribution process, the alternate revenue bill, and additional member contributions.

The Board moved the topic of Member Contributions to Benefit Improvement Account to the Preliminary Follow-Up stage to be brought back at an upcoming meeting. Seconded.
MOTION CARRIED UNANIMOUSLY

10) Teleconference Policy, Initial Consideration
Shawn Merchant, Deputy Director

Shawn Merchant provided a teleconference policy for the members to review. The policy (Proposed Rule 3.1) covered issues pertaining to teleconferencing such as hazardous weather, quorum issues, and board member travel.

Mr. Merchant explained the policy is being introduced to the Board as an effort to save money as the Governor has requested.

The Board moved to bring the teleconference policy back to an upcoming meeting. Seconded.
MOTION CARRIED UNANIMOUSLY

11) Agenda Items for Next Meeting

Director Nelsen reviewed the agenda items for the upcoming meeting.

The Board moved the cancel the May 26, 2010 meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for June 18, 2010 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 1:18 p.m.