
Minutes

Law Enforcement Officers and Fire Fighters Retirement Plan 2 Board

August 29, 2003 1:00-5:00 p.m.

John A. Cherberg Building, Olympia Washington

BOARD MEMBERS PRESENT

Ted Campbell
Doug Cochran
Michael Edwards
Kelly Fox
Patrick Hepler
Mark Johnston
Maureen Morris
David Moseley
Jack Simington
Geoff Simpson

BOARD MEMBERS ABSENT

Linda Evans Parlette

CALL TO ORDER

Chris Rose called the meeting to order at 1:10 p.m. on Friday, August 29, 2003, in the John A. Cherberg Building, conference rooms A, B, and C.

Each Board member introduced themselves. Suzanne Shaw introduced herself as the Attorney assigned to the Board for legal representation. Mr. Rose reviewed the agenda with the board members. The Board approved the agenda by consensus.

DISCUSSION ON ELECTION ON BOARD OFFICERS

David Moseley questioned how critical it is that the board elect officers today. He suggested getting to know each of the members for at least for one board meeting before election. Mr. Rose stated that from his standpoint it is very critical to vote on the chair and vice chair to authorize the signing of documents for administrative items. Kelly Fox suggested voting in temporary appointments to get the board through conducting of the business. After taking care of the items that require signatures and direction then potentially the Board could elect permanent officers for either annual or biennial terms.

MOTION: Ted Campbell moved to nominate Kelly Fox for temporary Chair.

SECOND: Doug Cochran seconded the motion.

ACTION: The motion passed unanimously.

MOTION: Mark Johnston moved to nominate Jack Simington for temporary Vice Chair.

SECOND: Geoff Simpson seconded the motion.

ACTION: The motion passed unanimously.

Mr. Campbell suggested that the temporary appointment should be a two-year term. Geoff Simpson stated that a one-year term of office would be better. The Board agreed by consensus it would revisit the election for temporary Chair and temporary Vice Chair at the end of its second meeting.

PRESENTATIONS GIVEN TO THE BOARD

Suzanne Shaw, Attorney General's Office, gave a briefing on the underlying laws governing the Board. The Board is a policy making board. It has received its authority by Initiative 790 and by implementing legislation. As a policy making Board, the Board is responsible for creating and implementing policy within that mandate—generally through Board discussions, policy statements, and rules that the Board may adopt in the future. The Board is an agency under the Administrative Procedures Act, which essentially tells state agencies how they are to carry out their statutory duties.

Ms. Shaw discussed what constitutes a rule when the Board must adopt a rule and the procedure for adopting a rule. She also discussed the LEOFF Plan 2 Statutes. The law created a new Board of Trustees to manage the LEOFF Plan 2. Trustees are fiduciaries in their oversight of pension management functions and must always carry out their duties solely in the interest of the members and beneficiaries. Board decisions are to be made in good faith. They are final, they are binding, and conclusive. The Board's significant decisions will be subject to judicial review. The initiative gave the board authority to do a number of administrative acts in order to carry out its business. Implementing legislation Substitute House Bill 2197 authorizes the Board to employ staff, to adopt an annual budget, to pay expenses from the expense fund, to make contracts for a variety of purposes, and authorizes the Office of the State Actuary to provide actuarial assistance to the Board. The bill removed the LEOFF Plan 2 from the pension funding council contribution rate setting statute and authorizes the Board to set contribution rates. With the passage of the implementation statutes as well as the initiative the Board has the authority that it needs to get up and running, to make administrative decisions in advance of the many substantive decisions it will need to make later.

Chris Rose, Governor's Executive Policy Office, discussed the role of board members, their relationship with each other, the Boards relationship to other agencies, and to the public. Mr. Rose reviewed a number of laws that create the framework for the Board's operation. Mr. Rose pointed out that as a Board, the members represent the ownership interest of the public and the members of the retirement system. Through the initiative the public delegated to the Board the responsibility to be the trustees of the LEOFF Retirement Program. It is the Board's job to make sure that the program is operated responsibly for the benefit of both the general tax paying public and the active and retired members of the plan. There are a number of laws beyond the initiative and the Board's implementing legislation that guide the work of all these state agencies, including the LEOFF 2. These laws are: The Open Public Meetings Act; the Administrative Procedures Act (APA); the Public Disclosure Act; and the Ethics In Public Service Act.

Maureen Westgard, Department of Retirement Systems (DRS), introduced three Department of Retirement System's staff: Steve Nelson, Manager of Legal and Legislative Affairs; Mark Feldhausen, Director of Budget; and Zan Johnston, LEOFF Administrator. Ms. Westgard gave a briefing on the Department of Retirement Systems. This included:

- Service Delivery Business Model
- Scope of Administration
- Membership by System and Plan
- Stakeholders
- DRS Organizational Structure
- Retirement Services Division
- Information Systems Division
- Administrative Services Division
- Strategic Initiatives
- DRS Retirements and FTE's
- Balanced Scorecard
- High Customer Satisfaction, Customer Service Measures, Cost Efficient Operations, and Summary.

Matthew Smith, State Actuary, gave an overview of the State Actuary's Office. The State Actuary's office is a legislative agency. Its principal duties are to perform actuarial evaluations on all state funded or state sponsored retirement plans, contribution rates, supplemental rates, and any pension legislation that is introduced in between the biennial operating budget. Mr. Smith predicted there would be interaction between State Actuary's office and the LEOFF Board and the actuary the Board retains. The State Actuary's Office also provides staff and assistance to the Select Committee on Pension Policy. The Office will provide actuarial assistance to the LEOFF 2 Board through the initiative that was passed. The agency has 11 ½ FTE's and will also provide funding for one FTE to support the LEOFF 2 Board and the staff. The way that it was written is that expense would be initially covered in the Actuary's budget, which is part of the DRS expense fund and that would be reimbursed by the LEOFF 2 Board's expense fund, via an interagency agreement.

Ms. Shaw gave an overview of the Attorney General's Office (AG's). By statute the Attorney General's office provides all legal services to elected officials in state agencies, including boards and commissions in carrying out their official duties. It is for the Board to make its policy and

business decision within the scope of its statutory authority. Request for legal advice should be channeled through the Chair. Attorney client privilege exists to allow frank communication between an attorney and the client on legal matters without fear of disclosure. If a member of the public approaches a board member regarding privilege information, Ms. Shaw asked to be consulted before that information is actually disclosed. Other areas that were included in Ms. Shaw's briefing were:

- Role of the Attorney General's Office in Representing Boards and Commissions.
- Contact Information.
- Specialized Services.
- Outside Counsel.
- Decisions on Litigation or Appeal.
- Billing.
- Attorney-Client Privilege.
- Recurring Legal Issues for Boards.

PANEL PRESENTATIONS

Connie Michener, Department of Information Services; Ron McQueen, Department of General Administration; Patty McGuire, Department of Personnel; Yolanda Wilson, Office of Financial Management; and Chris Rose, Governor's Executive Policy Office, gave a panel presentation to the board.

Mr. Rose began with a discussion on what type of decisions need to be made by the Board and tasks associated with establishing an agency; establishing a budget; hiring staff; selecting facilities; and setting up an expense fund. Mr. Rose suggested that the Board hire an interim executive officer and a confidential secretary. It was suggested to hire temporary staff through OFM with an interagency agreement until the Board has completed the process of completing all the administrative processes of establishing the agency.

Ms. Wilson gave an overview of the Small Agency Client Services within Office of Financial Management and gave the Board a list of items that need to be accomplished in order to establish the Board. This included:

- Establish an EIN with the Dept. of Revenue.
- Master Business License.
- Unemployment Insurance Account Number.
- Retirement Department Number.
- Industrial Insurance Account Identification Number.
- Customer Service Agreement.
- Establish a set of allotments.

Ms. McGuire gave an overview of the Department of Personnel (DOP), Small Agency Assistance Unit. This included:

- Services provided by the Small Agency Assistance Unit (SAAU).
- Using SAAU Services.
- Functions Handled by the Client Agency.
- Items SAAU refers to other units or agencies within the Department of Personnel.
- Cost.
- Client agencies.

Ms. Michener gave an overview on the Department of Information Services (DIS), which included:

- Reliable, secure state government network connections.
- Telephone services.
- She provided copies of the information on services by the Department of Information Services in the form of a CD "Move Your World".

Mr. McQueen gave an overview of the Department of General Administration (GA). This included:

- Site facilities.
- Contracts for supplies, food, equipment and services.
- Rental cars.
- Public works projects.
- Surplus equipment and furniture.
- Small Agency Initiative.
- Co-location Initiative.
- Small space request form.
- Standards.

DISCUSSION ON ACTION ITEMS

Chairman Fox asked whether the summary of the fiscal notes was developed from of the fiscal note that was developed during the legislative process. Mr. Smith replied that it was. Mr. Smith also indicated that of the two fiscal notes one represented the cost estimate to DRS and the other a cost estimate for the Board itself. Chairman Fox asked if they combined the two to get a total estimate of the staffing model. Mr. Smith's answer was that it was.

Chairman Fox discussed the draft document from Mr. McQueen on space allocation, which included staffing assumptions, facility assumptions, and technology. Ms. Michener indicated that the budget does not include technology expenses. Mr. Rose emphasized that again they were placeholder budgets, so as the Board brings staff on board and make some decisions agencies can work to estimate the real cost of the decisions.

Chairman Fox indicated the first decision for the Board was to approve the fiscal year 04 budget understanding is the budget would be final until the Board hired staff and the staff could make recommendations regarding a staffing plan. Mr. Rose stated that Board's budget is not an appropriated budget so with this flexibility this Board can make the decisions. Also, OFM has a quarterly allotment process, so the Board does not have to wait a whole year to update.

Chairman Fox requested that Ms. Michener describe briefly what these technology costs are. Ms. Michener indicated that the fiscal noted underestimated what the Board's technology needs may be. There are a lot of different variables; it depends on where the Board locates and whether it is co-located with other agencies or not. There are a lot of variables that DIS can work with the staff on regarding cell phones, scan services, and telephone systems. There are connectivity costs to be considered. DIS has some models that can be used, but again it depends on where the Board decides to locate its office.

Mr. Rose stated that he and OFM Budget staff put together an alternative bare bones initial start-up approach. The assumption was that OFM, on the Boards behalf, would buy PC's and other equipment, hire two staff people and locate them in one of OFM buildings and plug them into OFM's systems.

Ms. Wilson described some of the steps to be taken to establish the agency. When SACS looks at bringing an agency on-line they do consider all the things that have been discussed previously. OFM does have some models that talk about whether the Board wants to have laptops or desktop machines. Once the Board gets these machines there has to be software loaded on them. The Board will also have to be connected and once the Board is connected, it is not just to be able to run the machines themselves, but to be able to access the network. As the Board processes financial data they will be in different systems that the Board will need to obtain access. This will involve entering into agreements with the Department of Personnel to access their system to get pay checks set up; entering into agreements with the Office of Financial to be able to access the systems to pull out the financial reports that the Board will need; and also entering into agreements with the Department of Information Services to be able to get to those systems mentioned above. OFM's Small Agency Client Services looks into all of these issues and have numerous models to look at to help the Board make its decision.

Mr. Rose discussed the process in working with the budget office. If the Board passes a budget, understanding that this is a temporary placeholder, the Board will have authority to spend money knowing that the Board is going to have re-visit its budget. One of the most urgent immediate things that the Board needs to decide is that the small agency support team can work with the Board or its staff to establish the Board as any agency. The Board's staff can build a budget proposal and then the Board can formally adopt that proposal. At that time OFM can change the allotment numbers to reflect the new budget. As the Board develops its staffing model and the cost model the Board should have Mr. Smith assess the impact on the pension fund. The passing of the Board's budget does not have to be in the form of a rule because it has to do with the Boards internal operation.

Mr. Rose indicated that the summary of the proposed budget does not include reimbursement for services rendered by the State Actuary or the Department of Retirement Systems (DRS). Assuming that the team is just doing the administrative work of getting the Board up and running

and providing advice and support in developing a future staffing plan and budget, the question is what DRS and the State Actuary would need to be reimbursed for in the next few months

Mr. Cochran stated that the Board should not adopt the budget at the detailed level so that the Board's hands are tied. At the very most, at the levels of salaries and benefits and goods and services as a category, so there would be an opportunity to cover the costs of the various agencies. Ms. Wilson asked the Board to clarify that the Board is looking at the bottom line.

Mr. Smith indicated that he is not anticipating that the State Actuary would be doing any billing until the Board reaches an interagency agreement. Mr. Smith thought that reimbursement would not happen until after executive director position has been filled.

Ms. Westgard commented that if the Board requested a study or data from DRS, the agency could do the work, accrue the hours, track it and at some point when the Board had an approved budget DRS could request reimbursement.

Mr. Rose summarized what had been discussed. If the Board adopts a motion to authorizing a budget of two hundred and fifty six thousand dollars as a placeholder budget Ms. Wilson and her group can prepare the allotments. That gives DRS and the State Actuary the ability to continue to work and negotiate with the Board on a variety of interagency agreements.

MOTION: Doug Cochran moved to adopt an amount that is consistent with the proposed budget document titled "Proposed Budget for LEOFF 2 Board through March 2004", dated August 27, 2003 that is not tied specifically to the amounts that are in the categories of goods and services or salary and benefits, but in an amount that is necessary to conduct a business in the interim between now and when staff is hired.

SECOND: Maureen Morris seconded the motion.

ACTION: The motion passed unanimously.

Mr. Rose proposed the Board authorize Chairman Fox to enter into an interagency agreement with the Office of Financial Management for temporary staffing, subject to the employees being approved by the Board, since OFM has accounting and personnel systems up and running. Later, when all the paper work is done and the system is up the staff would be transferred to the Board's agency

Chairman Fox posed the question—If the Board choose the interim route, then would those individuals develop the job description? Ms. McGuire responded that she would likely work with the interim executive director to develop the job descriptions and to post the announcement, unless the Board asked that not happen and wanted to direct someone else to do that. Ms. McGuire indicated that the interim positions could be for anywhere from two months to one year, or if the interim candidates were successful the Board could keep them as their permanent exempt employees.

MOTION: Doug Cochran moved to authorize the chair to work with OFM to bring on temporary staff, as necessary, to negotiate agreements with state agencies for services, and to sign the necessary documents to get this Board into official existence.

SECOND: Maureen Morris seconded the motion.

ACTION: The motion passed unanimously.

Ms. Morris brought the question up to the Board—Does the Board want to delegate the temporary hiring of two or three people to the Chair with the advice of a group of people, or did the Board want it to come back to the full board for discussion. A sub-committee was proposed to consist of two or three people that could take the role on. The Chair would designate the sub-committee. It was decided that a sub-committee would be formed for the search of the executive director's position and to hold the interviews.

Mr. Rose suggested the Board not meet any sooner than one month from today because it will take that much time to do the initial hire, to have someone introduced to the Board, and start working with the Board.

The Board has agreed that its next meeting will be held on October 15, 2003, from 10:00 a.m. to 2:00 p.m. It was suggested that the regular scheduled meetings would be on the second Wednesdays of the month. This will be further discussed at the October 15, 2003 meeting.

Mr. Rose told the Board that he and Cindy Fetterly would continue to work with the Board until it has its own staff.

Meeting adjourned at 5:30 p.m.

Minutes

Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board

October 17, 2003

John A. Cherberg Building, Olympia, Washington

BOARD MEMBERS PRESENT

Ted Campbell
Doug Cochran
Michael Edwards
Kelly Fox
Patrick Hepler
Mark Johnston
Maureen Morris
David Moseley
Linda Evans Parlette
Jack Simington
Geoff Simpson

CALL TO ORDER

Chair Fox called the meeting to order at 10:15 on Friday, October 17, 2003, in the John A. Cherberg Building, conference rooms A, B, and C.

Each of the Board members introduced themselves. Steve Nelsen was introduced as the new Interim Executive Director for the LEOFF 2 Board. Mr. Nelsen came from the Department of Retirement Systems as the Legal and Legislative Services Manager.

APPROVAL OF MINUTES

MOTION: Jack Simington moved to approve the August 29, 2003 LEOFF 2 Board minutes.

SECOND: Ted Campbell seconded.

ACTION: Motion passed unanimously.

Mr. Nelsen discussed the administrative updates with the Board. Mr. Nelsen asked how much the Board wanted to be involved in his decisions? The first item of administrative duties is to hire an interim Executive Assistant. Mr. Nelsen stated that he had someone in mind to offer the position to in the next week. The next item would be to acquire permanent office space. Mr. Nelsen thanked Chris Rose for his initial start-up of the Board and indicated that Mr. Rose's efforts allowed for a smooth transition.

Mr. Nelsen handed expense reimbursement forms out to each of the Board members. The Board will reimburse members for expenses that are not covered by their employer.

Chair Fox addressed the Board about having an administrative sub-committee to work with Mr. Nelsen during the initial stages of discussions and decisions. It was suggested by Board members to have Chair Fox, Maureen Morris and Jack Simington serve as the Administrative Sub-Committee for the Board. Chair Fox asked members if they had any questions or concerns. None were stated.

Chair Fox indicated that the Board would like operating policies and procedures, specifically detailing the operating obligations of the Board. Chair Fox stated that he would like them formalized at the next Board meeting.

MOTION: Doug Cochran moved to have Chair Fox, Maureen Morris, and Jack Simington act on behalf of the Board as the Administrative Sub-Committee.

SECOND: Mark Johnston seconded.

ACTION: Motion passed unanimously.

Ms. Morris had a concern with the existing fiscal note pertaining to staffing requirements (how many staff needed) and questioned what the structure of the Board should be? Geoff Simpson stated that the Board has the opportunity to keep hiring to a minimum.

Mr. Nelsen stated that the deadline for the Board to make a decision on changing the previously approved budget allotments would fall during the middle of 2004 Legislative Session. He suggested that the Board vote on a budget at the December board meeting.

Joe Dear, Executive Director, gave an overview of the State Investment Board (SIB). The agency's purpose is to establish investment policies and procedures designed exclusively to maximize return at a prudent level of risk, (RCW 43.33a.110). The investment principles considers investments not in isolation, but in the context of the investment of the particular fund as a whole, and as part

of an overall investment strategy that would incorporate risk and return objectives reasonably suited for that fund (RCW 43.33a.140.)

The State Investment Board's organizational structure is comprised of 15 board members; 10 voting and five non-voting, fifty-eight staff, and 124 investment managers under contract. Mr. Dear and the Board members appoint the voting board members. The staff receive recommendations from the voting members to make their decisions. The voting members appoint the non-voting members. The non-voting members serve on both committees and are non-bias to decisions.

The investment responsibilities of the SIB consist of retirement funds, defined contribution, deferred compensation funds, insurance funds (Labor and Industries), permanent funds, and other trusts. There are a total of 36 funds.

Mr. Dear discussed the fundamentals of investing—the accumulation and drawdown of wealth, assets under management, CTF asset allocation, retirement fund historical rates, CTF assets under management, capital markets environment Wilshire 5000, real estate geographical distribution, real estate property type distribution, private equity, and the portfolio by strategy.

The State Investment Board has open meetings for public participation. SIB is personally liable for the Board. The SIB staff is accountable to the Board and to the principal beneficiary on a monthly report.

Ms. Morris asked when there was a change in policy, if there was a choice of Washington investment and non-Washington investment, and what kinds of safe guards had been put in place? Mr. Dear replied that the Board evaluates all investments made and documents those evaluations, which are kept on file.

Mr. Dear offered to come back to the Board at a later meeting date with detailed information on the operations of the State Investment Board.

Patty McGuire, Department of Personnel, discussed the timeline for the executive search for a permanent Executive Director and hiring of staff. She asked if the Board wanted to start an immediate search? Ms. McGuire stated that there were advantages to waiting and to working with the Department of Personnel (DOP) but that the Board did not have to go through DOP's program. She noted Spring some time after session as a good time to shoot for and indicated this would give Mr. Nelsen a chance to draft qualifications and to work with the Board a bit. Ted Campbell asked Ms. McGuire what the cost would be to use DOP's Executive Search? Ms. McGuire replied that it would be 15 to 20 percent of the base annual salary. Geoff Simpson stated that it would make sense to allow the interim director, Mr. Nelsen, to assist the board work through these issues and develop a job description and not jump into hiring a permanent Executive Director immediately.

Michael Edwards stated that there are other administrative decisions—job description, staffing, and salary that the Board should focus on first. The Board decided to contact DOP at a later date after they have made a decision on when they will do the Executive Search. Ms. McGuire suggested waiting six months before doing an executive search. David Moseley stated that six months seems to be a long time to come to a decision. He suggested doing the recruitment during session in January.

Ms. Morris stated that the Board needed to discuss how the Board should operate, what type of agency do they want to be, how long it is going to take to work through the issues on hiring, and that the Board needs to come to some administrative agreement before they do the recruitment. Ms. McGuire stated that it could take approximately 90 days to complete a search. Mr. Nelsen stated that he would contact Ted Koska to invite him to a Board meeting to discuss the executive search process.

Mr. Cochran asked how long it would take for someone to be hired as the Executive Assistant, and if someone will be hired by their next meeting. Mr. Nelsen replied that he would approach someone next week and offer him or her the position as Executive Assistant. Discussions at future meetings include: decision to bring on more staff, what does the Board have in mind as a staffing model, and what functions they want performed.

Chair Fox asked the Board to approve Mr. Nelsen to hire an Executive Assistant.

MOTION: Ted moved to authorize Mr. Nelsen to hire the Interim Executive Assistant.

SECOND: Patrick Hepler seconded.

ACTION: Motion passed unanimously.

The salary for the interim executive assistant was decided on by the start-up team of \$3,200- \$4,000.

Mr. Nelsen, Interim Executive Director, discussed the statutory duties of the LEOFF2 Board. He addressed the requirements of the Board to adopt actuarial tables, assumptions and cost methodologies (I-790), and to adopt contribution rates for the LEOFF 2 Plan.

Mr. Nelsen gave the Board an introduction to the pension contribution rate-setting process. The Board adopts the required member, employer and state contribution rates. Contribution rates come in two forms: 1) supplemental rate—to pay the cost of additional benefits; and 2) base rate—to pay for the cost of the

plan. The contribution rates are calculated as a percentage of employee salary. The current rate for LEOFF 2 is 10.10 percent, which breaks down to: 5.05 percent for members, 3.03 percent for employers, and 2.02 percent for state.

Mr. Nelsen discussed the pension funding process. The LEOFF 2 pays for all pension benefits for LEOFF 2 members and their beneficiaries and is part of the Commingled Trust Fund invested by the State Investment Board, but LEOFF 2 assets are accounted for separately. Assets are added to the LEOFF 2 in one of two ways: 1) Contributions—member, employer, and state, 2) Investment earnings. Base contribution rates for all public pension plans are established on a biennial basis. Rates are adopted no later than September 30 in even-numbered years. The LEOFF 2 Board adopts the member, employer, and state rates for LEOFF Plan 2. Several factors are important in determining the base contribution rate: assets in the retirement fund, projected liabilities, long-term economic assumptions, demographic assumptions, and actual experience. The contribution rate adjustments can be adjusted in one of two ways: 1) the Legislature can change contribution rates, 2) a supplemental contribution rate may be charged to pay for benefit increases or other plan changes. These decisions are the responsibility of the Board.

Matt Smith, State Actuary, gave a presentation on the pension contribution rates. He stated that the contribution rate formula is liability minus assets, divided by future salary collected as a percentage of salary over one's working lifetime. The liability is the present value of future benefits, based on an eight percent interest rate assumption. The assets are based on actuarial value, not market value and the actuarial value smoothes the effects of short-term volatility in the market value. Mr. Smith also discussed HB 1205. An estimated 72 PERS members would be affected within the range of age 40, with an average annual salary of \$52,000 and 11 years of prior PERS service. He stated that the law change would increase the total LEOFF 2 contribution rate by 0.04 percent. The cost is split 50/30/20 between members, employers, and the state. Mr. Smith stated that the projected contribution rates for LEOFF 2 are on the rise despite a 14.3 percent estimated rate of investment return for the plan year ending September 30, 2003.

Suzanne Shaw, Office of the Attorney General, discussed the Open Public Meetings Act and the purpose of the law. Meetings must be open when a committee acts on behalf of the governing body, conducting hearings, taking testimony, or taking public comments. The scope of the act covers state boards, commissions, committees, departments, educational institutions and agencies, however it does not apply to state agencies covered by a single head. Ms. Shaw stated that an open meeting is where action is taken. She stated to be careful using e-mail to communicate with each board member and "reply to all", the courts could see this as an open meeting that a notice has not been sent out on. Penalties for violating the law could consist of a judge imposing a \$100 civil

penalty against each member. Ms. Shaw recommends not using e-mail as a regular line of communication between the Board members.

Ms. Shaw discussed the Public Disclosure Law—explaining what public records are, electronic records, making copies of records, responding to a request for records, what records are exempt, what happens if a request is denied, and records retention.

Doug Cochran recommended that all public records requests should go through Mr. Nelsen or someone on staff.

The Board discussed and decided on every third Wednesday of the month for their regular meetings. The next two meetings were decided on for Wednesday, November 19, 2003, 9:00-3:00 and Wednesday, December 17, 9:00-3:00. If a meeting is cancelled or changed, notice has to be given in advance.

Mr. Nelsen stated that he would prepare some draft Board operating policies for consideration and possible adoption by the Board at their next meeting. He would also prepare options for the adoption of the supplemental contribution rate. Ms. Morris stated that the Board needed a procedure on how something is going to be put on the agenda for future meetings. Mr. Nelsen stated that he would draft a policy and bring it back to the Board for possible adoption.

Items for the November 19, 2003, meeting include:

- Potential 2004 legislation—federal taxation of disability benefits and survivor benefits to spouses of members who die in the line of duty.
- Possible discussion on having a series of public hearings regarding potential plan changes.
- Trustee training.
- Further discussion on the budget allotments.
- Confirmation of the Chair and Vice-Chair.

It was decided by the Board that they needed another visit by the State Actuary Office for further clarification.

Mr. Nelsen stated that he would bring information back to the Board to clarify Board member compensation for time-loss.

Adjourned at 2:20 p.m.



STATE OF WASHINGTON

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

6639 Capitol Blvd., PO Box 43113 • Olympia, Washington 98504-3113 • (360) 664-7767

SPECIAL BOARD MEETING

November 19, 2003

Minutes

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met at the Department of Information Services Forum Building, Digital Academy Classroom in Olympia, Washington on November 19, 2003.

Board Members Present:

Ted Campbell
Doug Cochran
Kelly Fox, Chair
Pat Hepler
Mark Johnston
Maureen Morris
Dave Moseley
Senator Linda Evans Parlette
Jack Simington, Vice Chair
Representative Geoff Simpson

Board Members Not Present:

Michael Edwards

Kelly Fox, Chair, called the meeting to order at 9:25 a.m.

(1) October 17, 2003 Board Meeting Minutes

It was moved that the October 17, 2003 Board meeting minutes be adopted as written. Seconded.

MOTION CARRIED

(2) Introduction of Interim Executive Assistant

Interim Executive Director, Steve Nelsen, introduced Jeralyn Faulhaber as the Interim Executive Assistant to the Board. Ms. Faulhaber has worked for the Department of Retirement Systems since 1994 and served as Executive Assistant to the Director for almost six of those years.

Mr. Fox asked staff to draft a letter of thanks to Cindy Fetterly and Chris Rose, both from OFM, thanking them for their dedicated service and assistance during the Board's start-up period.

(3) Election of Chair and Vice Chair

The Board determined the positions of Chair and Vice Chair would be appointed for two-year terms and would serve consecutively.

It was moved that Kelly Fox be appointed as Chair through July 2005. Seconded.
MOTION CARRIED

It was moved that Jack Simington be appointed as Vice Chair through July 2005. Seconded.

MOTION CARRIED

(4) 2002 Actuarial Valuation Report

Matt Smith, State Actuary, discussed the results of the 2002 Actuarial Valuation Study. He went on to explain that the Actuary's Office would be introducing legislation, which would add a market value corridor safeguard to the existing asset smoothing method used to determine contribution rates for the state retirement systems. The State Actuary's recommendation is to adopt a 30% market value corridor.

It was moved that the "Smoothing Corridor" legislation be placed on the December agenda for possible action. Seconded.

MOTION CARRIED

(5) Actuarial Support for the Board

Mr. Nelsen presented the Board with contracting options for actuarial services.

It was moved that the Board enter into an interagency agreement with the Office of the State Actuary for actuarial support. Seconded. Mark Johnston opposed the motion.

MOTION CARRIED

(6) Adoption of Supplemental Contribution Rate

Mr. Nelsen explained there would a small cost to the legislation that passed, during the 2003 Legislative Session that transferred Fish and Wildlife Enforcement Officers into LEOFF.

The motion was made to contract for independent actuarial review of the supplemental contribution rate recommended by the Office of the State Actuary. Seconded.

MOTION CARRIED

(7) Process for Bringing Forward Agenda Items

*The motion was made to adopt the Board operating policy on "Agenda Items".
Seconded.*

MOTION CARRIED

Chair Fox asked the Administrative Committee to work with Mr. Nelsen and Ms. Shaw on a policy for bringing forward items requiring legislation, major benefit or plan structure modification or involved research.

It was moved that the policy for bringing forward items of substance be placed on the December agenda for discussion and review. Seconded.

MOTION CARRIED**(8) Duty-Related Disability Withdrawals**

Mr. Nelsen discussed the "Taxation of Duty-Related Disability Benefits" handout and outlined his summary.

It was moved that staff proceed with additional analysis on the "Taxation of Duty-Related Disability Benefits" for further discussion, review and possible action at the December meeting. Seconded.

MOTION CARRIED**(9) Survivor Benefits for Duty-Related Deaths**

Mr. Nelsen discussed the "Death-in-Service Survivor Benefit" handout.

It was moved that staff proceed with additional analysis on the "Survivor Benefits for Duty-Related Deaths" for further discussion, review and possible action at the December meeting. Seconded.

MOTION CARRIED**(10) Ethics Follow-Up**

Ms. Shaw followed up on her previous State Ethics presentation, highlighting specific activities that are prohibited and violate the State Ethics Laws. The Board discussed the potential of additional Ethics Training at a future meeting.

(11) Administrative Update

Ms. Shaw discussed her legal advice outlined in the memo "Authority to Compensate Members for Time Loss From Work on Board Activities".

It was moved that staff draft a letter to employers of those employees affected, asking them to allow for the release of their staff, with pay, to attend Board functions. Seconded.

MOTION CARRIED

The Board asked that bill language for reimbursing Board members and employers for time loss be prepared for the December 17, 2003 Board meeting.

(12) Draft Board Policies

Mr. Nelsen discussed the draft "Board Operating Policies".

*The motion was made to adopt the "Operating Board Policies" as amended.
Seconded.*

MOTION CARRIED

Chair Fox asked staff to prepare the Parliamentary Rules as a handout for the December 17, 2003 meeting to be used as a guide only for the administration of Board meetings.

(13) Future Agenda Items

The following were discussed as review, discussion and possible action agenda items for the December 17, 2004 meeting:

- Executive Director Recruitment
- Work Plan for Statutory Duties of the Board
- Staff Model
- Office Space
- Budget

(14) 2004 Board Meeting Schedule

The Board discussed revising the previously adopted Board Meeting Schedule for 2004.

The motion was made to rescind the previously adopted motion and schedule the LEOFF Plan 2 Board meetings on the fourth Wednesday of each month, with the exception of November and December, which will fall on the second Thursday. All 2004 Board meetings would take place in the Washington State Investment Board's Boardroom. Seconded.

MOTION CARRIED

The November 11, 2004 Board meeting will fall on Veteran's Day. The Board agreed to discuss alternatives to this date at the December 17, 2003 meeting.

(15) Public Comment

The following people delivered comments:

*Bill Hanson, WACOPS
Ed Montermini, RPEC*

Other Discussion

The Board requested that staff investigate various fiduciary educational opportunities, particular those recognized nationally, for future Board training.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for December 17, 2003 from 9:00 a.m. - 3 p.m. in the John A. Cherberg Building in Senate Conference Rooms A, B and C in Olympia, Washington, Capitol Campus.

The meeting adjourned at 2:25 p.m.



STATE OF WASHINGTON

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

6639 Capitol Blvd., PO Box 43113 • Olympia, Washington 98504-3113 • (360) 664-7767

SPECIAL BOARD MEETING

December 17, 2003

Minutes

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in Senate Conference Rooms A, B and C in the John A. Cherberg Building on the Capitol Campus in Olympia, Washington from 9:00 a.m. – 3:00 p.m. on December 17, 2003.

Board Members Present:

Doug Cochran
Michael Edwards
Kelly Fox, Chair
Pat Hepler
Mark Johnston
Maureen Morris
Dave Moseley
Senator Linda Evans Parlette
Jack Simington, Vice Chair
Representative Geoff Simpson

Board Members Not Present:

Ted Campbell

Kelly Fox, Chair, called the meeting to order at 9:15 a.m.

(1) November 19, 2003 Board Meeting Minutes

It was moved that the November 19, 2003 Board meeting minutes be adopted as written. Seconded.

MOTION CARRIED UNANIMOUSLY

(2) Actuarial Value Market Corridor Legislation

Matt Smith, State Actuary, reviewed and discussed the bill language and fiscal note for the "Actuarial Value Market Corridor" legislation to be recommended to the Legislature by the Actuary's Office in the upcoming legislative session. The SCPP voted in the affirmative to move this legislation forward for consideration to the Legislature in the 2004 Legislative Session.

It was moved to adopt the smoothing corridor legislation as recommended by the Actuary's Office for consideration by the Legislature in the 2004 Legislative Session. Seconded.

MOTION CARRIED UNANIMOUSLY

(3) Adoption of Supplemental Contribution Rate

Steve Nelsen, Interim Director, discussed the independent audit results of the State Actuary's valuation of the supplemental contribution rate due to the passage of HB 1205 (Fish and Wildlife Officers into LEOFF) during the 2003 Legislative Session.

It was moved to adopt the State Actuary's recommended rate increase for LEOFF Plan 2 to become effective February 2004, if the Department of Retirement Systems gives the necessary 30-day statutory notice to employers. Seconded.

MOTION CARRIED UNANIMOUSLY

Staff will notify the Department of Retirement Systems of the adopted rate increase.

(4) Duty-Related Disability Withdrawals

Mr. Nelsen discussed the draft legislation and bill summary for "Duty-Related Disability Withdrawals"

It was moved to accept and forward the "Duty-Related Disability Withdrawals" legislation as drafted to the Legislature for consideration in the 2004 Legislative Session. Seconded.

MOTION CARRIED UNANIMOUSLY

(5) Survivor Benefits for Duty-Related Deaths

Mr. Nelsen discussed the draft legislation and bill summary for "Duty Survivor Benefits".

It was moved to accept and forward the "Duty Survivor Benefits" legislation as drafted to the Legislature for consideration in the 2004 Legislative Session. Seconded.

MOTION CARRIED UNANIMOUSLY

(6) Board Member Time Loss

Mr. Nelsen provided background on current statutory language, which allows reimbursement to Board members for reasonable travel and expenses. He went on to present draft language, which would allow the Board to reimburse employers for expenses incurred to meet employee coverage requirements when Board members are unable to work their scheduled shift.

It was moved that staff research estimated costs and that the Administrative Committee amend the draft legislative language to include rules and/or policies surrounding what can be included for reimbursement to employers. Seconded.

MOTION CARRIED UNANIMOUSLY

(7) Board Member Lobbying

Ms. Suzanne Shaw, Assistant Attorney General, provided an overview of rules surrounding Board member lobbying. Ms. Shaw recommended that Board members keep track of any lobbying efforts to be reported to the Public Disclosure Commission on a quarterly basis.

It was moved that the Board authorize the Director to testify on behalf of the LEOFF Plan 2 Retirement Board to the Legislature on bills approved by the Board. Seconded.

MOTION CARRIED UNANIMOUSLY

It was also decided that Board members should identify whom they are testifying on behalf of when testifying before the Legislature or in discussions regarding Board approved legislation.

(8) Administrative Update

Work Plan – Mr. Nelsen reviewed the “Work Plan” modeled after the 16 statutory duties of the Board.

It was moved that the Board adopt and provide authorization for the Director to move forward with the “Work Plan recommendations” as written. Seconded.

MOTION CARRIED UNANIMOUSLY

Budget – The Board discussed current and projected future allotment allocations.

It was moved to extend authorization of the current budget through April 2004 or until changed by Board action. Seconded.

MOTION CARRIED UNANIMOUSLY

Process for Bringing Forward Legislative Agenda Items – No changes were made to the “Process for Considering New Benefit Proposals” handout from the November 19, 2003 Board meeting. The Board agreed to utilize the process noted.

(9) Parliamentary Rules of Order

Copies of the “Parliamentary Rules of Order” were distributed to Board members. The Board discussed that it would be used as a guide to conduct LEOFF Plan 2 Board meetings.

(10) 2004 Meeting Schedule

The Board reviewed the “2004 Regular Board Meeting Schedule for 2004” handout. The January 28, 2004 meeting was canceled and the November meeting moved from November 11 to November 10, 2004. Discussion of having an evening meeting on February 25, 2004 ensued with the decision to reschedule it to occur from 7:00 p.m. – 9:00 p.m.

The decision was also made to let the rest of the 2004 meeting schedule stand, with the exception of the canceled January meeting and the change in time in February. The Board agreed to decide at a later date if meetings during session were needed.

(11) Public Comment

There were no comments from the public.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for February 25, 2004 from 7:00 p.m. – 9:00 p.m. (location to be determined) and announced at a later date.

The meeting adjourned at 2:11 p.m.