



STATE OF WASHINGTON

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

P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329

SPECIAL BOARD MEETING

January 6, 2005

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington Association of Counties Building located at 206 - 10th Avenue S.E., Olympia, Washington on January 6, 2005.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Doug Cochran
Michael Edwards
Pat Hepler
Mark Johnston
Maureen Morris
David Moseley
Doug Pendergrass

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Shawn Merchant, Deputy Director
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research Policy Manager

Board Members Not Present:

Senator Linda Evans Parlette
Representative Geoff Simpson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:55 a.m.

1) December 9, 2004 Board Meeting Minutes

It was moved that the December 9, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Duty Related Disability – Final Proposal, Steve Nelsen**

Steve Nelsen, Executive Director, presented a *Final Proposal* on Duty Related Disability which included separated costs associated with sections 7(a) and 7(b) of the draft legislation (Z-0219.1). Mr. Nelsen also provided the Board with two new *fiscal notes* regarding the proposed legislation, as well as, a *letter from Oliver Consulting* addressing the contribution rate impact of duty disability benefit improvements.

It was moved that the Board adopt the total disability proposal, option #2 - 7(b). Seconded.

MOTION CARRIED UNANIMOUSLY

It was moved that the Board adopt the duty disability proposal, option #1 – 7(a). Seconded.

MOTION CARRIED

David Moseley and Maureen Morris voted against the motion because they felt that the employers could afford one or the other, not both.

It was moved that the Board adopt the original Final Proposal which combines Options 1 and 2. Seconded.

MOTION CARRIED

Doug Cochran voted against the motion because he felt the Legislature could combine the two options, if they choose to.

David Moseley and Maureen Morris voted against the motion because they felt the combined motion would increase the costs.

The Board went into Executive Session until 11:10 a.m.

3) **Executive Director Performance Review**

Kelly Fox, Chair, reviewed and provided feedback concerning the Executive Director's Performance Evaluation. Board members expressed appreciation to Steve Nelsen and the LEOFF Plan 2 Retirement Board staff.

It was moved that the Executive Director's (position #0001) salary be set at \$85,000 per year with a range of \$80,000-\$95,000 annually. Seconded.

MOTION CARRIED UNANIMOUSLY

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for January 26, 2005 from 9:30 a.m. – 12:00 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 11:14 a.m.



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REGULAR BOARD MEETING

January 26, 2005

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 January 26, 2005.

Board Members Present:

Kelly Fox, Chair
Doug Cochran
Michael Edwards
Pat Hepler
Mark Johnston
Maureen Morris
Doug Pendergrass

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research Policy Manager

Guests:

Wolfgang Opitz, Deputy Director - Office of Financial Management

Board Members Not Present:

Jack Simington, Vice Chair
David Moseley
Senator Linda Evans Parlette
Representative Geoff Simpson

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 remember Mark Noble, a fire fighter from Olympia who died of duty-related cancer on January 15, 2005.

1) January 6, 2005 Special Board Meeting Minutes

It was moved that the January 6, 2005 Board meeting minutes be adopted with a modification to agenda item #2, which should state:

David Moseley and Maureen Morris voted against the motion because they felt we could afford one or the other, but not both. Seconded.

MOTION CARRIED UNANIMOUSLY

2) Duty Disability Off-Sets – Initial Consideration, Steve Nelsen

Steve Nelsen, Executive Director, presented an Initial Consideration to the Board concerning Duty Disability Off-Sets. Mr. Nelsen provided the Board with a letter from the Office of the State Actuary concerning *LEOFF Plan 2 Board Disability Proposals-Summary*. The letter provided several examples and stated the increase in contribution rates for each off-set option. Mr. Nelsen also provided the Board with *Examples of Disability Pension Cost-Saving Provisions*. The examples included Off-Sets, Income Test, and Conversion to Service Retirement. Mr. Nelsen and staff will continue to conduct research and bring back further information to an upcoming Board meeting.

3) Administrative Update – Steve Nelsen

Legislative Session Update

Mr. Nelsen provided a legislative update to the Board and reviewed the LEOFF Plan 2 Retirement Board bills, as well as bills of interest from the Select Committee on Pension Policy. Mr. Nelsen repeated that there currently are no hearings scheduled for the bills, but the following LEOFF Plan 2 Retirement Board bills have been introduced:

HB 1269/SB 5616- Purchase of Service Credit

HB 1270/SB 5617- Post-LEOFF 2 Employment

HB 1271/SB 5615- Duty Disability Allowance

HB 1325/SB 5261- Interruptive Military Service

Quarterly Budget Update

Mr. Nelsen provided the Board with the *November 2004 Monthly Budget Reports*. Due to a time constraint, Mr. Nelsen will be discussing the quarterly budget update in further detail at the February 23, 2005 Board meeting. However, he did report that the Board is currently under budget.

Newsletter

The LEOFF Plan 2 Retirement Board newsletter is near completion and will be distributed to the LEOFF membership and employers toward the end of February.

Department of Retirement Systems

Member Annual Statement

Mr. Nelsen updated the Board on the status of the Member Annual Statement and said that the Board staff is still working with the Department of Retirement Systems' to create an estimate that will reflect the proposed changes and improvements.

Memo of Understanding

Steve Nelsen gave an update on the Memo of Understanding between the LEOFF Plan 2 Retirement Board and the Department of Retirement Systems (DRS). Mr. Nelsen stated that the draft agreement has been sent to DRS and staff is waiting for a follow-up meeting at this time.

4) Pension Funding Proposals – Wolfgang Opitz, Deputy Director

Wolfgang Opitz, Deputy Director with the Office of Financial Management, presented the Board with a handout that provided several *Pension Contribution Change Options*. Mr. Opitz explained that pension systems are currently based on the aggregate funding method. Mr. Opitz also explained that if the current funding method is left unadjusted it will drive up costs by \$413 million in the 2005-07 General Fund. The following were options that Mr. Opitz provided and explained as pension contribution change options:

- Technical Change
- Use Projected Unit Credit Method
- Phase in Rate Increase over Four Years
- Defer Contributions to Plan 1 Unfunded Liabilities and;
- Gain Sharing

The next regularly scheduled Board meeting is February 23, 2005 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 11:29 a.m.



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REGULAR BOARD MEETING

March 23, 2005

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 March 23, 2005.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Michael Edwards
Pat Hepler
Mark Johnston
David Moseley
Doug Pendergrass

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research and Policy Manager

Guests:

Carrie Boyd, Labor & Industries - Pension and Social Security Offset Manager

Board Members Not Present:

Doug Cochran
Maureen Morris
Senator Linda Evans Parlette
Representative Geoff Simpson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:39 a.m.

1) January 26, 2005 Board Meeting Minutes

It was moved that the January 26, 2005 Board meeting minutes be adopted as presented.

MOTION CARRIED UNANIMOUSLY

2) **Labor & Industries Benefits Presentation**
Carrie Boyd, Pension and Social Security Offset Manager
Carrie Boyd, Pension and Social Security Offset Manager with the Department of Labor and Industries provided the Board with a *presentation* covering the several benefits available to workers who are injured on the job or who develop occupational diseases due to on the job exposures. Ms. Boyd also reviewed the three pension options that a member may choose if he/she becomes disabled as well as, the death benefits that are available to the surviving family.

3) **Death Benefits/Occupational Illness – Initial Consideration, Tim Valencia**
Tim Valencia, Senior Research and Policy Manager presented an Initial Consideration to the Board concerning *Death Benefits/Occupational Illness*. Mr. Valencia covered the standard and special death benefits along with workers compensation issues and comparisons of other states.

Kelly Fox, Chair, introduced Officer O’Brien with the Pierce County Sheriffs’ Department and stated that he wished to testify. Chair Fox also recommended that time be added to the agenda to acknowledge guests from other organizations and agencies that are in the audience.

Officer O’Brien testified regarding his concern with Department of Labor and Industries and the way in which they handle disability claims. Chair Fox recommended that Officer O’Brien speak to the Washington Council of Police and Sheriffs (WACOPS).

4) **Actuarial Reduction Factors – Initial Consideration, Steve Nelsen**
Steve Nelsen, Executive Director, presented an *Initial Consideration* to the Board concerning the *Actuarial Reduction Factors* used to calculate survivor benefits, disability benefits, and death benefits. Mr. Nelsen also provided the Board with a memo from the Office of the State Actuary listing the *Proposed Changes to Optional Reduction Factors* for annuitants whose original benefits began before September 30, 2002.

It was moved that the “Actuarial Reduction Factors” topic move forward to the Preliminary Report stage and be brought back to an upcoming Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

5) **2005 Legislative Update – Steve Nelsen**
Steve Nelsen provided a legislative update and presented the Board with the *Status of Board Request Bills* for the 2005 Regular Session. Mr. Nelsen indicated that Board members and the public can track the status of bills on the Legislation Page of the Board’s Web site located at www.leoff.wa.gov.

6) **Administrative Update – Steve Nelsen**

Quarterly Budget Update

Mr. Nelsen provided the Board with the *February 2005 Monthly Budget Reports* and indicated that the Board is well under budget at this time. Approximately \$300,000-350,000 will be returned to the retirement fund. Mr. Nelsen also noted that updates on the budget will be provided to the Board on a regular basis.

Annual Funding Status Report

Mr. Nelsen provided the Board with the *2004 Annual Funding Status Report* that was sent to the Governor and the chairs of each legislative committee, reporting on the funding status of the LEOFF Plan 2 Retirement plan.

DRS Memo of Understanding

Steve Nelsen gave an update on the Memo of Understanding between the LEOFF Plan 2 Retirement Board and the Department of Retirement Systems (DRS). Mr. Nelsen stated that the draft agreement is still currently under review; however, with the change in administration that timeline may change.

LEOFF Plan 2 Retiree COLA

Mr. Nelsen presented the Board with a copy of the *2005 Cost of Living Adjustments* (COLA) from the Office of the State Actuary as of July 1, 2005. He also reported that there was a 1.57% inflationary adjustment in the last year.

Newsletter

The first edition of “Dual Response” received very positive feedback. The newsletter was reported to be informative, easy to read, and very helpful. Mr. Nelsen indicated that staff has received approximately 300 completed surveys to date and will be giving a final survey response report at the April 2005 Board meeting.

Next Board Meeting

Mr. Nelsen provided the Board with the *2005 Agenda Items Meeting Calendar* and reviewed the April 27, 2005 Board meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for April 27, 2005 from 9:30 a.m. – 1:00 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 12:47 p.m.



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REGULAR BOARD MEETING

April 27, 2005

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 27, 2004.

Board Members Present:

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

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, AAG
Tim Valencia, Senior Research Policy Manager

Guests:

Gayatri Eassey, Special Assistant on Boards and Commissions
Office of the Governor

Board Members Not Present:

Michael Edwards

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:44 a.m.

1) March 23, 2005 Board Meeting Minutes

It was moved that the March 23, 2005 Board meeting minutes be adopted as presented.

MOTION CARRIED UNANIMOUSLY

Kelly Fox, Chair, requested that the agenda be altered to allow for a brief presentation by Gayatri Eassey from the Governor's Office. Ms. Eassey spoke concerning the formal application process for Boards and Commissions and provided the members with an application form.

2) 2005 Interim Issues, Steve Nelsen

Steve Nelsen, Executive Director, presented the Board with a *LEOFF Plan 2 Retirement Board Interim Issues* handout. Mr. Nelsen discussed the various topics the Board requested agency staff study during the 2005 interim, based on LEOFF Plan 2 member feedback. Those topics included:

- Increasing the 2% multiplier
- Final Average Salary
- Survivor Benefits
- Early Retirement
- Dual Membership

Bud Sizemore with the Washington State Council of Fire Fighters (WSCFF) testified on access to retiree health care and gave reference to Senate Bill 5781. Mr. Sizemore stated that the issue of affordable health care is a major issue of concern to members.

3) Legislative Update, Steve Nelsen

Steve Nelsen provided a final legislative update and presented the Board with the *Status of Board Request Bills* for the 2005 Regular Session. Mr. Nelsen indicated that that the following bills were passed by the Legislature.

House Bills

HB 1269 – Purchase of Service Credit
HB 1270 – Post-LEOFF Employment
HB 1325 – Interruptive Military Service Credit

Senate Bills

SSB 5615 – Duty Disability Allowance (occupational only)

Bills of Interest

ESHB 1044 – Changing Pension Funding Methodology (no changes to LEOFF 2)
SHB 1936 – PERS Emergency Medical Techs into LEOFF 2

4) Exempt Salary Setting, Steve Nelsen

Mr. Nelsen presented the Board with a brief overview of the cost of living adjustment (COLA) that will be take place for Washington State employees in September 2005.

It was moved that the Executive Director, Steve Nelsen, be given authority to approve the 2005 COLA and future legislatively-approved salary COLAs for the executive assistant. Seconded.

MOTION CARRIED UNANIMOUSLY

5) Board Membership – Initial Consideration, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented the Board with a presentation on *Board Membership* and provided information concerning the make-up of the LEOFF Plan 2 Retirement Board. The Initial Consideration included retiree board members, board officers, the Administrative Committee, as well as, term expiration patterns.

It was moved that the Board Membership topic move forward to the Preliminary Report stage and be brought back to the May 2005 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

6) “Dual Response” Survey Follow-Up, Tim Valencia

Tim Valencia presented a survey follow-up from the “Dual Response” newsletter. The *presentation* included the survey objectives, test methodology, member familiarity with benefits and beneficiary information. Mr. Valencia also provided a *Membership Survey Report* which illustrated the results of the survey itself.

7) Administrative Update

Quarterly Budget Update

Mr. Nelsen provided the Board with the *April 2005 Monthly Budget Reports* and indicated that the Board is under budget and will close out 2005 fiscal year with a significant positive variance.

Member Annual Statements/DRS Memo of Understanding

Mr. Nelsen reported that he recently spoke with Sandy Matheson, the new Director of the Department of Retirement Systems (DRS). The Member Annual Statements and Memo of Understanding topics were not discussed in detail at this meeting. Mr. Nelsen will be following up with DRS on these items in the near future.

DRS Agency Rulemaking

Steve Nelsen provided the Board with copies of the *Proposed Rulemaking/CR-102* from the Department of Retirement Systems, which pertain to LEOFF Plan 2 beneficiary rights as well as the benefit calculation for members who retire, return to membership and then re-retire.

Next Board Meeting

Mr. Nelsen provided the Board with the *2005 Agenda Items Meeting Calendar* and reviewed the topics scheduled for the May 25, 2005 Board meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for May 25, 2005 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 12:59 p.m.



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REGULAR BOARD MEETING

May 25, 2005

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 May 25, 2005.

Board Members Present:

Jack Simington, Vice Chair
Doug Cochran
Pat Hepler
Mark Johnston
Maureen Morris
Representative Geoff Simpson

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Jerry Westby, Assistant Attorney General
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research Policy Manager

Staff not Present:

Suzanne Shaw, Assistant Attorney General

Guests:

Mark Feldhausen, Budget and Benchmarking Director
Marty McCaulay, Associate Actuary

Board Members Not Present:

Kelly Fox, Chair
Michael Edwards
David Moseley
Senator Linda Evans Parlette
Doug Pendergrass

Jack Simington, Vice Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:36 a.m.

1) **April 27, 2005 Board Meeting Minutes**

It was moved that the April 27, 2005 Board meeting minutes be adopted as presented.

MOTION CARRIED UNANIMOUSLY

2) **New Employee Introduction, Steve Nelsen**

Greg Deam, Senior Research and Policy Manager

Steve Nelsen, Executive Director introduced Greg Deam as the new Senior Research and Policy Manager for the LEOFF Plan 2 Retirement Board. Mr. Deam brings 14 years of pension experience from the Department of Retirement Systems, as well as business expertise from the private sector.

3) **Department of Retirement Systems Presentation**

Mark Feldhausen, Budget and Benchmarking Director

Mark Feldhausen, Budget and Benchmarking Director with the Department of Retirement Systems (DRS) presented the Board with a presentation of *the Fiscal Year 2004 Pension Administration Benchmarking Analysis* conducted by Cost Effectiveness Measurement (CEM), Inc. Mr. Feldhausen's presentations included comparisons between Washington and many others states.

4) **Projected Unit Credit Method - Matt Smith, State Actuary**

Matt Smith, State Actuary presented the Board with a presentation on the *Projected Unit Credit Method* (PUC). The presentation included the funding method basics, as well as, a comparison between the aggregate method and PUC. Mr. Smith also provided a graph that reflected the projected contribution rates. In conclusion, Mr. Smith stated that a switch to PUC would lower short-term rates and increase long-term rates.

5) **2% Multiplier - Initial Consideration, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented the Board with an *Initial Consideration on the 2% Multiplier*. Mr. Valencia's report included the LEOFF Plan 2 defined benefit formula (2% x Years of Service x Final Average Salary) and the varying multiplier approaches.

6) **Costs Associated with 2% Multiplier - Marty McCaulay, Associate Actuary**

Marty McCaulay, Associate Actuary with the Office of the State Actuary provided a follow-up to Mr. Valencia's presentation, as well as a memo from the Office of the State Actuary on *Changing the 2% Multiplier in the LEOFF Plan 2 Formula*, which outlined the costs of increasing the multiplier. A summary and analysis of increasing the multiplier was provided.

7) **Supplemental Contribution Rates, Steve Nelsen**

Steve Nelsen, Executive Director provided the Board with a memo from the Office of the State Actuary which included the *LEOFF Plan 2 Supplemental Contribution Rate Increases*. Mr. Nelsen also provided the *2005 Contribution Rates for Members, Employers, and the State*.

8) **Presumptive Medical for Female Fire Fighters – Initial Consideration, Tim Valencia**
Tim Valencia presented the Board with an Initial Consideration on *Presumptive Medical for Female Fire Fighters*. The report included the current presumption coverage in Washington State which is respiratory disease and heart problems after exposure, certain cancers, and certain infectious diseases. Mr. Valencia’s presentation also provided a comparison between presumptive medical coverage in other jurisdictions.

9) **Board Membership – Preliminary Report, Tim Valencia**
Tim Valencia presented the Board with a Preliminary Report on *Board Membership*. Mr. Valencia explained that under the current provisions, the LEOFF Plan 2 Retirement Board positions are all Governor appointed and consist of the following:

- Three Active Law Enforcement
- Three Active Fire Fighters
- Three Employer Representatives
- Two Legislators

Mr. Valencia provided the Board with six options to change the structure of Board membership and Board Officers.

10) **Administrative Update**

Presumptive Medical - \$150,000 Death Benefit

Mr. Nelsen reported on an Olympia Fire Fighter who died earlier this year as a result of cancer that was duty related. The Department of Labor and Industries ruled that his wife would qualify for the \$150,000 death benefit, however, in the future, as a matter of policy, occupational illnesses do not qualify for the \$150,000 death benefit.

It was moved that the staff bring back a report on Occupational Illness and the \$150,000 Death Benefit topic to the June Board meeting.

MOTION CARRIED UNANIMOUSLY

Newsletter

Mr. Nelsen reported that the next edition of “*Dual Response*” is estimated to be mailed by June 17th and delivered to members and employers by June 20th.

Web site

Mr. Nelsen provided a status report on the Web site activities. The staff will be working to restructure the site by topic as well as by date of meeting. Staff will also be posting a summary of options for contribution rates, and provide a brief overview of interim issues.

Next Board Meeting

Mr. Nelsen provided the Board with the *2005 Agenda Items Meeting Calendar* and reviewed the topics scheduled for the June 23, 2005 Board meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for June 23, 2005 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 1:46 p.m.



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**REGULAR BOARD MEETING
July 27, 2005**

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 July 27, 2005.

Board Members Present:

Kelly Fox, Chair
Doug Cochran
Pat Hepler
Jeff Holy
Mark Johnston
Maureen Morris
David Moseley
Senator Linda Evans Parlette

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research and Policy Manager

Guests:

Sandy Matheson, Department of Retirement Systems'
Martin McCaulay, Office of the State Actuary

Board Members Not Present:

Jack Simington, Vice Chair
Representative Geoff Simpson
Michael Edwards

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.

1) **May 25, 2005 Board Meeting Minutes**

It was moved that the May 25, 2005 Board meeting minutes be adopted with a correction to page three, #9. Minutes should reflect three active fire fighters rather than two.

MOTION CARRIED UNANIMOUSLY

Senator Parlette requested that the minutes provide more detail than just a summary of what took place at the meeting for those that were not in attendance.

2) **New Board Member Introduction – Steve Nelsen**

Detective Jeff Holy

Steve Nelsen, Executive Director, introduced Detective Jeff Holy from Spokane as the newest Board member to the LEOFF Plan 2 Retirement Board representing active law enforcement officers. Detective Holy's term continues until June 30, 2011.

Mark Johnston was reappointed to a new term representing active firefighters until June 30, 2011.

Senator Linda Evans Parlette was reappointed by the Senate.

3) **Department of Retirement Systems' Presentation**

Sandy Matheson, Executive Director

Sandy Matheson, Executive Director with the Department of Retirement Systems (DRS), presented the Board with the *LEOFF 2 Customer Satisfaction Survey Results*. The survey included LEOFF as well as other DRS administered systems. Overall, LEOFF customers are very satisfied with the service they receive from DRS.

Chair Fox requested a status update on the Memo of Understanding (MOU) and the Member Annual Statements. Ms. Matheson explained that the MOU is very close to completion with only one item remaining to complete. The Department is still in the process of preparing cost estimates for the Member Annual Statements, but that issue is close to completion as well.

4) **Board Elections – Chair, Vice Chair, and Administrative Committee**

Chair Fox stated that all of the current officers are willing to continue in their current board positions for the next term.

It was moved that the Board maintain the current slate of officers through September 2005. The topic of Board membership will be discussed again at the August 2005 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

5) **Supplemental Contribution Rate Adoption – Greg Deam**

Greg Deam, Senior Research and Policy Manager, presented the Board with a memo of proposed *2005 Supplemental Contribution Rates* as calculated by the Office of the State Actuary reflecting the necessary contribution rate increases resulting from legislation that passed during the 2005 legislative session. Mr. Deam provided the Board with the results

of an actuarial audit of the supplemental contribution rates from Oliver Consulting confirming the proposed rates were correct.

It was moved to adopt the Supplemental Contribution Rate increases shown below effective September 1, 2005. Seconded.

MOTION CARRIED UNANIMOUSLY

	Members	Employers	State
SSB 5615	0.23%	0.14%	0.09%
SHB 1936	0.01%	0.01%	0.00%
Total	0.24%	0.15%	0.09%

6) Final Average Salary (FAS), Initial Consideration – Greg Deam

Greg Deam presented an Initial Consideration on *Final Average Salary (FAS)*. Mr. Deam’s presentation included the current benefit formula (2% x Years of Service x FAS), background information, as well as the various policy issues. Mr. Deam included a brief summary on the FAS in Washington State plans and other states.

Costs Associated with FAS - Martin McCaulay, Office of the State Actuary

Martin McCaulay, Associate Actuary with the Office of the State Actuary, presented the Board with a presentation on the costs of possible changes the 5-Year FAS Period in LEOFF 2. The presentation included the current formula, a 2-Year FAS, and a 3-Year FAS.

7) Administrative Update

Newsletter

Mr. Nelsen provided the Board with a copy of the most recent “*Dual Response*” newsletter that was mailed to members and employers in July. He went on to say that the staff has received positive feedback on the latest edition of the newsletter.

Next Board Meeting

Mr. Nelsen provided the Board with the *2005 Agenda Items Meeting Calendar* and reviewed the topics scheduled for the August 24, 2005 Board meeting.

8) Catastrophic Disabilities, Initial Consideration – Tim Valencia

Tim Valencia, Senior Research and Policy Manager, presented an Initial Consideration on *Catastrophic Disabilities*. The report included a summary of the current disability provisions, a policy discussion to establish a special benefit for extreme disabilities, an overview of 2005 legislation, and benefit eligibility. Mr. Valencia also spoke on the issue of benefit integration involving Worker’s Compensation and Social Security disability benefits.

9) \$150,000 Death Benefit for Occupation Illness, Preliminary Report – Tim Valencia

Tim Valencia provided the Board with a Preliminary Report on the *\$150,000 Death Benefit for Occupational Illness*. The presentation incorporated standard death benefits, special death benefits, occupational disease, worker’s compensation, and federal benefits. Mr. Valencia’s report included the two policy options listed below:

-
- Policy Option 1 - Include all occupational diseases in the special death benefit
 - Policy Option 2 – Include some occupational diseases in the special death benefit

10) Executive Director COLA – Kelly Fox, Chair

Kelly Fox, Chair, discussed the Cost of Living Adjustment (COLA) that was approved by the Legislature for Washington State employees beginning in September 2005.

It was moved that the 2005 COLA be applied to the Executive Director. Seconded.

MOTION CARRIED UNANIMOUSLY

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for August 24, 2005 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 1:04 p.m.



STATE OF WASHINGTON

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

P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329

**REGULAR BOARD MEETING
August 24, 2005**

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 August 24, 2005.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Michael Edwards
Pat Hepler
Jeff Holy
Mark Johnston
Maureen Morris
David Moseley

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research and Policy Manager

Guests:

Matt Smith, Washington State Actuary
Martin McCaulay, Office of the State Actuary
Kim Tanaka, Office of the Governor

Board Members Not Present:

Doug Cochran
Senator Linda Evans Parlette
Representative Geoff Simpson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:55 a.m.

1) **July 27, 2005 Board Meeting Minutes**

It was moved that the July 27, 2005 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Actuarial Funding Policies and Goals - Matt Smith, Office of the State Actuary**

Matt Smith, Washington State Actuary, opened with the LEOFF Plan 2 *Actuarial Funding Policies and Goals*. Mr. Smith's presentation included an overview and definitions of actuarial assumptions, investment return assumptions and policy, frequency of contribution rate changes, and benefit improvements. He went on to brief the Board on what upcoming activities it should consider in planning its funding policies and goals:

- Review, revise, and adopt funding policies by December 31, 2005
- Board to receive the results of the 2004 actuarial valuation in October, 2005
- PFC/Board may adopt changes to economic assumptions in the spring of 2008
- 2001-2006 full actuarial experience study in the spring of 2008

3) **Service Credit Purchase for Injury, Initial Consideration – Tim Valencia**

Tim Valencia, Senior Research and Policy Manager, presented an Initial Consideration on *Service Credit Purchase for Injury*. The report included the current temporary duty disability provisions, a comparison between other Washington state plans, and the authorized leave of absence provisions.

The Board requested that staff conduct additional research on a plan that offers no interruption in service credit due to an on the job injury. An Initial Consideration Follow-Up report will be provided at an upcoming Board meeting.

4) **Board Meeting Attendance Policies – Tim Valencia**

Tim Valencia provided the Board with an example of a *Board Attendance Policy* and a copy of the *Boards and Commissions Membership Handbook* recently released by the Office of the Governor.

Kim Tanaka, Boards and Commissions Coordinator with the Office of the Governor, briefly explained Board member attendance and participation expectations of the Governor. The *Boards and Commissions Membership Handbook* urges all Board's to create an attendance policy based on the Governor's expectations.

Chair Fox requested that questions and comments regarding this topic be forwarded to Steve Nelsen. The Administrative Committee will meet to discuss the attendance issue and create a draft policy in September and will bring the draft policy back to the Board for possible action at the October Board meeting.

5) **LEOFF Plan 2 Retirement Board 2006 Meeting Dates – Tim Valencia**

Tim Valencia presented the *2006 Proposed Board Meeting Dates*. The dates were selected after carefully reviewing other major organizational meetings and conferences to ensure there were no conflicts.

Chair Fox instructed Board members to check their calendars against the proposed dates and to be prepared to adopt the 2006 Board meeting schedule at the October meeting.

6) Administrative Update

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director, updated the Board on issues discussed at the latest SCPP Meeting. The SCPP discussed gain sharing, consistency among plans, coordination between the LEOFF Plan 2 Retirement Board and the SCPP, and various organizational goals.

Newsletter

Mr. Nelsen suggested that a summary of the Board's pension studies from 2005 and the associated costs, which have been frequently asked for by plan members, be provided in the 2006 edition of "Dual Response". He proposed the current four-page newsletter be expanded to a six- page tri-fold to accommodate the additional information. It will cost approximately \$2,200 to include this information in the newsletter.

The Board approved the additional cost and would like the staff to move forward with the changes to the newsletter.

Next Board Meeting

Mr. Nelsen provided the Board with the *2005 Agenda Items Meeting Calendar* and reviewed the topics scheduled for the September 28, 2005 Board meeting.

7) Dual Membership, Initial Consideration – Greg Deam

Greg Deam, Senior Research and Policy Manager, presented an Initial Consideration on *Dual Membership*. Mr. Deam's presentation included definitions and features of dual membership, the members impacted, and how dual membership works in LEOFF Plan 2, as opposed to the other retirement systems.

8) Retirement Age, Initial Consideration – Greg Deam

Greg Deam provided the Board with an Initial Consideration on potential improvements to the current LEOFF Plan 2 benefit structure and the impacts associated with lowering the *Retirement Age* from 53. The report included a brief history of retirement age, an explanation of age-based and service-based retirement, blended retirement, as well as the pros and cons of each type of retirement (age-based, service-based, or blended).

Costs Associated with Retirement Age – Martin McCaulay,

Office of the State Actuary Martin McCaulay, Associate Actuary, provided a follow-up to the Retirement Age Initial Consideration and discussed the costs of *Changing the LEOFF 2 Retirement Age*. Mr. McCaulay's report incorporated the current retirement age, the impact on rates to lower the retirement age, total rate increases, the members that would be impacted, and retirement rate assumptions.

9) Member and Employer Surveys – Steve Nelsen

Steve Nelsen informed the Board that staff has completed an employer survey, which was conducted by phone and was pleased to report that staff received a 100% response rate from LEOFF Plan 2 employers. A report on the survey results will be provided at the September or October Board meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 28, 2005 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 2:58 p.m.



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PLAN 2 RETIREMENT BOARD**

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**REGULAR BOARD MEETING
September 28, 2005**

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 September 28, 2005.

Board Members Present:

Kelly Fox, Chair
Michael Edwards
Doug Cochran
Pat Hepler
Jeff Holy
David Moseley
Senator Linda Evans Parlette
Representative Geoff Simpson

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research and Policy Manager

Guests:

Rita Fanning, Washington Counties Insurance Fund
Mark Fukuhara, Washington Counties Insurance Fund
Steve Hill, Washington State Health Care Authority
Martin McCaulay, Office of the State Actuary
Richard Onizuka, Washington State Health Care Authority

Board Members Not Present:

Jack Simington, Vice Chair
Mark Johnston
Maureen Morris

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:41 a.m.

1) **August 24, 2005 Board Meeting Minutes**

It was moved that the August 24, 2005 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) Officer Elections and Board Policy

Kelly Fox, Chair, reviewed the *LEOFF Plan 2 Retirement Board Draft Operating Policies*.

It was moved that the draft operating policies be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

Chair Fox went on to lead a discussion for the officer elections. Jeff Holy nominated Jack Simington as the Vice Chair and Pat Hepler nominated Kelly Fox as the Chair for the LEOFF Plan 2 Retirement Board. There were no other nominations.

It was moved that the nomination of Jack Simington as the Vice Chair for the LEOFF Plan 2 Retirement Board be adopted by acclimation. Seconded.

MOTION CARRIED UNANIMOUSLY

It was moved that the nomination of Kelly Fox as the Chair for the LEOFF Plan 2 Retirement Board be adopted by acclimation. Seconded.

MOTION CARRIED UNANIMOUSLY

3) Retiree Health Care, Initial Consideration – Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented an Initial Consideration on *Retiree Health Care*. The report included the general state of retiree access to health care insurance and why the cost of health care insurance is rising. In addition, Mr. Valencia provided pooled, individual, and funding vehicle approaches as options that could provide access to health care insurance for LEOFF 2 retirees or assist in the funding of that insurance.

The Board requested that staff provide the Board with a follow-up presentation on 2002-2004 legislation concerning access to health care for public retirees.

4) Actuarial Issues Related to Retiree Health Care Costs

Martin McCaulay, Senior Pension Actuary – Office of the State Actuary

Martin McCaulay, Senior Pension Actuary, provided the Board with a report on *Retiree Medical Actuarial Valuations*. The report included data from the Public Employees Benefits Board (PEBB), the average monthly PEBB premium paid by Medicare retirees and subsidy, as well as sample 2006 PEBB claim costs. Mr. McCaulay went on to brief the Board on options for funding (pay-as-you-go or pre-funding), accounting issues, actuarial valuation inputs, and five plan design options.

The Board requested that staff work with the Office of the State Actuary to determine the estimated member costs for HB 2162 from the 2005 legislative session for inclusion in the Board's next newsletter.

5) **2005 Legislation – Health Care Authority Fiscal Notes**

Richard Onizuka, Director of Health Care Policy – Washington State Health Care Authority

Richard Onizuka, Director of Health Care Policy with the Washington State Health Care Authority provided the Board with an overview of the Health Care Authority fiscal notes for HB 2162 and SB 5781 from the 2005 legislative session.

6) **Local Government Retirees Access to Health Care**

Mark Fukuhara, Executive Director – Washington Counties Insurance Fund

Mark Fukuhara, Executive Director, and Rita Fanning, Deputy Director from the Washington Counties Insurance Fund presented information to the Board concerning retiree programs such as medical, dental, and vision that can be offered through employers to employees. Mr. Fukuhara went on to provide the counties that the Washington Counties Insurance Fund currently serves.

7) **Administrative Update**

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director updated the Board on the issues discussed at the latest SCPP meeting. The SCPP discussed removing the 30 year cap for LEOFF Plan 1, the potential issues surrounding interpretation of eligibility for membership in Public School Employees Retirement System (PSERS), Uniform Services Employment Reemployment Rights Act (USERRA) compliance and potential technical corrections, and that Public Employees Retirement System (PERS) Plan 3 and School Employees Retirement System (SERS) Plan 3 had received final Internal Revenue Service approval as qualified plans.

Quarterly Budget Update

Mr. Nelsen provided the Board with the *September 2005 Monthly Budget Reports* and indicated that the Board is under budget. He will continue to provide budget updates on a regular basis.

Member/Employer Surveys

Steve Nelsen discussed the option of administering another member survey by using an insert in an upcoming newsletter.

The Board requested staff bring a copy of the prior survey questions to the October 2005 Board meeting.

Next Board Meeting

Mr. Nelsen presented the *2005 Agenda Items Calendar* and reviewed the topics scheduled for the October 28, 2005 Board meeting.

8) **Health Care Policy**

Steve Hill, Administrator – Washington State Health Care Authority

Steve Hill, Administrator with the Washington State Health Care Authority presented a report on *Improving Health Care Quality and Cost in the State of Washington*. Mr. Hill began by stating the Governor's goals for health care in our state and then provided the Board with the current costs, problems, and pressures in the system. He went on discuss goals to reduce the State's health care costs, improve the quality, improve the health of Washington residents, and increase the number of insured Washington residents. He also provided the Board with five key strategies below that were discussed at the Governor's Work Group on Health Care Quality:

- Purchase high quality and cost-efficient care
- Create an improved market for buying health care
- Focus on the high health care cost population
- Support health promotion and health education of state beneficiaries
- Increase the insured population

9) **LEOFF Plan 2 Employer Benefit Survey Results**

Shawn Merchant, Deputy Director

Shawn Merchant, Deputy Director, presented the Board with a report on the *LEOFF Plan 2 Employer Benefit Survey Results*. Mr. Merchant's report included the survey goals, the questions that were asked to the employers, and the results of each category. The survey revealed the following:

- 58.53% of law enforcement officers (5,110 members) are covered by Social Security
- 6.48% of fire fighters (410 members) are covered by Social Security

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for October 28, 2005 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 2:38 p.m.



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**REGULAR BOARD MEETING
MINUTES
October 26, 2005**

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 October 26, 2005.

Board Members Present:

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

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research and Policy Manager

Guests:

Bruce Bjork, Washington State Department of Fish and Wildlife
Gary Bruebaker, Washington State Investment Board
Bill Hanson, Washington Council of Police & Sheriffs
Renee Maher, Washington Concerns of Police Survivors

Board Members Not Present:

Jeff Holy

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:44 a.m.

1) **September 28, 2005 Board Meeting Minutes**

It was moved that the September 28, 2005 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Washington State Investment Board Report – Gary Bruebaker, Chief Investment Officer**

Gary Bruebaker, Chief Investment Officer with the Washington State Investment Board provided the Board with a presentation on *Investment Performance* through the quarter ending June 30, 2005. Mr. Bruebaker included specific highlights that occurred in the Capital Markets and CTF Asset Allocation. He also explained the market value and overall net performance. In addition, he provided the Board with an update on United States and International Equity, Fixed Income, Private Equity, and Real Estate.

3) **Recent Retiree Health Care Legislation – Tim Valencia**

Tim Valencia, Senior Research and Policy Manager, provided the Board with information on *Recent Retiree Health Care Legislation Affecting LEOFF Plan 2*. The information included background on Senate Bill 5777, which permits retired and disabled employees to obtain health insurance. He also reviewed House Bill 2985, which provides individual health insurance for retired and disabled public employees, and House Bill 1371, which provided health care access for survivors of emergency service personnel killed in the line of duty. Mr. Valencia went on to explain the *Consumer Driven Health Accounts Summary*, and the *Comparison of Key Features*.

Renee Maher, Vice President - Washington Concerns of Police Survivors

Renee Maher, Vice President of Washington Concerns of Police Survivors spoke to the Board concerning medical insurance for survivors and children of officers killed in the line of duty.

It was moved that staff prepare a preliminary report on survivor medical insurance coverage and bring it back to the November Board meeting. Seconded.

4) **Fish and Wildlife Service Credit Transfer, Initial Consideration – Greg Deam**

Greg Deam, Senior Research and Policy Manager presented an *Initial Consideration Follow-Up Report on Fish and Wildlife Service Credit Transfer*. Mr. Deam's report included background information on the Public Employees Retirement System (PERS) to Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 legislation which has been in existence since 1993. He then provided three options and solutions for the costs associated with the transfers.

Chief Bruce Bjork – Enforcement Chief, Washington State Department of Fish and Wildlife

Chief Bjork, Enforcement Chief with the Washington State Department of Fish and Wildlife provided the Board with a presentation on *Fish and Wildlife Enforcement*

officers. Chief Bjork also requested that Fish and Wildlife Enforcement Officers be included into LEOFF Plan 2 due to the scope of their occupation.

Bill Hanson – Executive Director, Washington Council of Police and Sheriffs
Bill Hanson, Executive Director of the Washington Council of Police and Sheriffs Spoke to the Board concerning inclusion of Fish and Wildlife Officers into LEOFF Plan 2.

Bev Hermanson – Federation of State Employees
Bev Hermanson, with the Federation of State Employees supports the Fish and Wildlife Officers inclusion into LEOFF Plan 2 and would like the Board to consider supporting the 2006 legislation.

Wayne Johnson – Teamsters Local 760
Wayne Johnson, Teamsters Local 760 supported the proposal of Fish and Wildlife Service Credit Transfer.

Ted Holden, Fish and Wildlife Sergeant
Sergeant Holden provided a personal account of the conditions that Fish and Wildlife Enforcement Officers work under. He also explained that if he were entitled LEOFF membership for his service, he could retire at 53, but since his service credit falls under the Public Employees Retirement Systems (PERS), he will not be eligible to retire until he is 65 years old. Sergeant Holden asked the Board to consider the fairness of this issue.

It was moved that staff prepare a Preliminary Report on Fish and Wildlife Service Credit transfer and bring it back to the November Board meeting. Seconded.

5) 2006 Board Meeting Schedule Adoption

Steve Nelsen, Executive Director, reviewed the Proposed 2006 Board Meeting Schedule with the Board. The Board acknowledged that there could be potential conflicts with the following dates:

- Wednesday, March 22, 2006
- Wednesday, June 28, 2006
- Wednesday, September 27, 2006

Staff will review the different organizational meetings and bring back alternative march, June, and September meeting dates to the Board at the November meeting.

6) Administrative Update

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director updated the Board on issues discussed at the latest SCPP meeting. The SCPP is considering joint legislation with the LEOFF Plan 2 Retirement Board on Service Credit Purchase for Injury, as well as Dual Membership.

The SCPP may schedule presentations on these topics at their November meeting and then again in front of the full Committee at their December meeting.

At a previous meeting, the Board requested a formal opinion on the issue of pension benefits and contractual rights. Mr. Nelsen provided the Board with the *Contractual Rights Clause* which cited RCW's 41.04.440 and 41.04.545.

Member Survey

Mr. Nelsen presented the Board with a copy of the *Member Survey* questions that were used to conduct the most recent survey.

Next Board Meeting

Mr. Nelsen presented the *2005 Agenda Items Calendar* and reviewed the topics scheduled for the November 16, 2005 meeting.

It was moved that the topic of \$150,000 Death Benefit for Occupational Illness be moved from November to December 2005. Seconded.

- 7) **Service Credit Purchase for Injury, Initial Consideration Follow-Up – Tim Valencia**
Tim Valencia, Senior Research and Policy Manager presented the Board with an *Initial Consideration Follow-Up report on Service Credit Purchase for Injury*. Mr. Valencia's report included the current provisions of LEOFF Plan 2, a comparison of systems, the key issues surrounding this topic, as well as, policy options.

It was moved that staff prepare a preliminary report on Service Credit Purchase for Injury and bring it back to the November Board meeting. Seconded.

- 8) **Dual Membership, Initial Consideration Follow-Up – Greg Deam**
Greg Deam, Senior Research and Policy Manger provided the Board with an *Initial Consideration Follow-Up report on Dual Membership*. Mr. Deam provided a brief overview of the August 2005 Board meeting on Dual membership. He then went on to provide the limitations and options of dual membership. The options that were provided are listed below:

- Remove 30-year cap
- Add LEOFF Plan 2 indexing
- Align dual membership salary definition

It was moved that staff prepare a preliminary report on Dual Membership and bring it back to the November Board meeting. Seconded.

- 9) **Deferred Compensation as "Salary", Initial Consideration – Greg Deam**
Greg Deam, Senior Research and Policy Manager presented an *Initial Consideration on Deferred Compensation as "Salary"*. Mr. Deam's report included administrative issues and statutes, policy issues, and the following deferred compensation potential conflicts:

-
- Employer contributions
 - Payments in lieu of
 - Other similar deferred salary plans

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for Wednesday, November 16, 2005 from 9:30 a.m. – 3:00 p.m. at the Washington Association on Counties Building located at 206 – 10th Avenue S.E., Olympia, Washington 98501-1311.

There being no further business, the meeting adjourned at 2:36 p.m.



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PLAN 2 RETIREMENT BOARD**

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**REGULAR BOARD MEETING
November 16, 2005**

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in Conference Room of the Washington State Association of Counties Building located at 206 Tenth Avenue S.E., Olympia, Washington 98501 on November 16, 2005.

Board Members Present:

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

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research and Policy Manager

Guests:

Matt Smith, State Actuary
Martin McCaulay, Senior Pension Actuary

Board Members Not Present:

David Moseley

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:37 a.m.

1) **October 26, 2005 Board Meeting Minutes**

It was moved that the October 26, 2005 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) 2004 Valuation Results – Matt Smith, State Actuary

Matt Smith, State Actuary presented the key results of the 2004 LEOFF 2 Valuation and distributed the latest report. Mr. Smith noted that the LEOFF 2 retirement plan is well funded at 117%, and that funding policies are solid. All information included in the report are as of September 30, 2004.

Mr. Smith went on to say that the 2005 LEOFF 2 Valuation will be audited and used to recommend contribution rates for the 2007-2009 biennium.

3) 2006 Board Meeting Schedule Adoption

Tim Valencia, Senior Research and Policy Manager provided the Board with the currently proposed Board meeting schedule and reviewed alternative dates for the March, June and September 2006 Board meetings.

It was moved that March 29, June 21, and September 13, 2006 be adopted as the alternative Board meeting dates. Seconded.

MOTION CARRIED UNANIMOUSLY

It was moved that the 2006 Proposed Board Meeting Schedule be adopted to include the alternative dates selected above. Seconded.

MOTION CARRIED UNANIMOUSLY

Currently, all Board meetings are scheduled to take place in the Boardroom of the Washington State Investment Board. Staff will proceed with submitting the 2006 LEOFF Plan 2 Retirement Board Meeting Schedule to the Office of the Code Reviser.

4) Fish and Wildlife Service Credit Transfer – Preliminary Report, Greg Deam

Greg Deam, Senior Research and Policy Manager presented a *Preliminary Report and Presentation* regarding the transfer of past PERS 2 service credit into LEOFF 2 for Fish and Wildlife Officers.

The Board discussed if Fish and Wildlife Officers should be allowed to transfer “past” service credit to LEOFF 2, if so, how the increased costs to the plan should be covered.

Two options were provided:

Option 1 would require the Department of Fish and Wildlife to pay into the LEOFF Plan 2 retirement fund, either by lump-sum or on a member-by-member basis, an amount sufficient to fund the service credit transfer from PERS Plan 2 to LEOFF Plan 2. This amount is in addition to the amount paid by the member and includes the increase in the fund liability caused by adding the additional members to the plan.

Option 2 would require a one basis point increase in both the member and state contribution rates. This amount would also fund the service credit transfer, plus the increase in the fund liability.

**Chief Bruce Bjork – Enforcement Chief,
Washington State Department of Fish and Wildlife**

Chief Bjork, Enforcement Chief with the Washington State Department of Fish and Wildlife testified that he would like to see Fish and Wildlife Officers have the option to transfer their past service credit into LEOFF 2, however, he preferred the Department of Fish and Wildlife not be required to absorb the entire cost.

It was moved that the Fish and Wildlife Service Credit Transfer issue be forwarded to the Final Proposal level, with all options included in the report researched further and brought back to the December 8, 2005 Board meeting. Seconded.

Michael Edwards opposed the motion, requesting that only one of the options and not both, be further researched and brought back to the Board for a Final Proposal.

MOTION CARRIED

5) Administrative Update – Steve Nelsen, Executive Director

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director updated the Board on the recent meeting of the SCPP. The Board previously discussed the possibility of joint-legislative sponsorship between the SCPP and the LEOFF Plan 2 Board on two proposals for the 2005 Legislative Session – Service Credit Purchase for Injury and Dual Membership. After further discussions with the SCPP and due to the number of items on their legislative agenda this year, they didn't feel they would have adequate time to study and act on them this year. According to State Actuary Matt Smith, both of these issues will be on the SCPP agenda for study and consideration in 2006.

Mr. Nelsen noted that the LEOFF 2 Board may still pursue both of these issues this year, or could opt to wait until next year to possibly co-sponsor them with the SCPP.

Attorney General Opinion – Contractual Rights

Mr. Nelsen discussed the recent Attorney General Opinion, which states that the Legislature can amend or repeal any pension benefits when they specifically reserve the right to do so in the legislation creating the benefit. The Leave Supplement benefit is the only example in LEOFF Plan 2 where the Legislature has reserved the right to amend or repeal.

Actuarial Costs Related to Death Benefits

Mr. Nelsen stated that the costs included in State Actuary's memo would be re-distributed and discussed at the December Board meeting under the subject of the

\$150,000 Death Benefit for Occupational Illness. This issue will be presented as a Preliminary Follow-Up Report.

- 6) **Service Credit Purchase for Injury, Preliminary Report – Tim Valencia**
Tim Valencia, Senior Research and Policy Manager presented a *Preliminary Report and Presentation* on whether to increase the amount of service credit a member can purchase for an injury (temporary duty disability) from 6 to 24 months and expand the eligibility requirements to purchase this service credit to most members.

These changes would create consistency with the PERS policy established in 2005.

It was moved that the Board defer the Service Credit Purchase for Injury topic until 2006, to be worked on with the Select Committee on Pension Policy. Seconded.

MOTION CARRIED UNANIMOUSLY

- 7) **Dual Membership, Preliminary Report – Greg Deam**
Greg Deam, Senior Research and Policy Manager presented a *Preliminary Report and Presentation* on Dual Membership. Mr. Deam highlighted the restrictions of Dual Membership and offered three possible options to remedy the restrictions.

- Option 1** – Remove the 30-Year Cap
- Option 2** – Include LEOFF Plan 2 Indexing
- Option 3** – Change the Definition of “Base Salary”

It was moved that the Dual Membership issue – all options be forwarded to the Final Proposal level and brought back to the December 8, 2005 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

- 8) **Catastrophic Disability Benefits, Preliminary Report – Tim Valencia**
Tim Valencia, Senior Research and Policy Manager presented a Preliminary Report and Presentation on Catastrophic Disability Benefits. The proposal would provide members who are catastrophically disabled and incapable of substantial future employment in any capacity, to receive 70% of their final average salary, tax-free for life. Mr. Valencia went on to explain that the combined benefits from all sources would not exceed 100% of the member’s salary. Mr. Valencia discussed various offset policy options.

- Option 1** – Establish a 70% catastrophic disability benefit with Workers’ Compensation offset.
- Option 2** – Establish a 70% catastrophic disability benefits with Workers’ Compensation and Social Security offset.
- Option 3** – Establish a 70% catastrophic disability benefit with offsets for Workers’ Compensation, Social Security, out-of-state pensions, and employer paid disability insurance.

It was moved that the Catastrophic Disability Benefits – Option 2 be forwarded to the Final Proposal level and brought back to the December 8, 2005 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

9) Survivor Health Care Insurance, Preliminary Report – Tim Valencia

Tim Valencia, Senior Research and Policy Manager gave a *Preliminary Report and Presentation* on costs of and access to health care for survivors of LEOFF 2 members killed in the line of duty. Currently, access to health insurance is provided, to surviving spouses and dependent children of LEOFF 2 members killed in the line of duty, through the Public Employees' Benefit Board (PEBB). All costs are paid by the surviving spouses and dependent children.

This proposal would allow the LEOFF pension plan to pay for the PEBB health insurance for the survivors of LEOFF Plan 2 members who are killed in the line of duty. It would include survivors who are currently paying for survivor health care insurance from PEBB, future survivors who would become entitled to PEBB health care insurance, and survivors who existed prior to the 2001 legislation, which provided survivor health care access.

It was moved that the Survivor Health Care Insurance issue be forwarded to the Final Proposal level and brought back to the December 8, 2005 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

10) Board Membership, Preliminary Report Follow-Up, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a *Preliminary Follow-Up Report and Presentation* on Board Membership. Any change to the membership of the Board requires a statutory change. In June 2007, there are seven of the eleven member terms that will expire, which would put the Board at a severe continuity risk. Mr. Valencia presented several options to remedy these risks.

Option 1 – Move back the date the retirees join the Board

Option 2 – Allow either retiree or active member to be appointed

Option 3 – Stagger current employer 4-year terms of office

Option 4 – Synchronize legislator terms with legislative election cycles

Option 5 – Make legislative appointments bipartisan

It was moved that the Board Membership – Options 2, 3, 4 and 5 be forwarded to the Final Proposal level and brought back to the December 8, 2005 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

11) Survivor Benefits – Actuarial Reductions, Greg Deam

Greg Deam, Senior Research and Policy Manager presented an *Initial Consideration and Presentation* on reducing or eliminating the actuarial reductions for LEOFF 2 survivor options.

Costs of Survivor Benefits – Martin McCaulay, Office of the State Actuary

Martin McCaulay, Senior Pension Actuary with the Office of the State Actuary presented costs associated with reducing and eliminating the actuarial reductions of LEOFF 2 survivor options.

Next Board Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for Thursday, December 8, 2005 from 9:30 a.m. – 3:00 p.m. in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting was adjourned at 2:42 p.m.



STATE OF WASHINGTON

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

P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329

REGULAR BOARD MEETING

December 8, 2005

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 December 8, 2005.

Board Members Present:

Kelly Fox, Chair
Doug Cochran
Michael Edwards
Pat Hepler
Jeff Holy
Mark Johnston
Maureen Morris

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Suzanne Shaw, Assistant Attorney General

Guests:

Matt Smith, State Actuary
Marty McCaulay, Senior Pension Actuary

Board Members Not Present:

Jack Simington, Vice Chair
David Moseley
Senator Linda Evans Parlette
Representative Geoff Simpson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:50 a.m. The Board took a moment of silence to remember and honor those who have been killed in the line of duty.

1) **November 16, 2005 Board Meeting Minutes**

It was moved that the November 16, 2005 Board meeting minutes be adopted with a change to item #6, page 4. The topic of Service Credit Purchase for Injury will be deferred until 2006 to work cooperatively with the Select Committee on Pension Policy. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Catastrophic Disability Benefits, Final Proposal – Tim Valencia**

Tim Valencia, Senior Research and Policy Manager, presented the Board with a Final Proposal on *Catastrophic Disability Benefits*. The presentation included a proposal summary which would establish a LEOFF 2 catastrophic disability benefit with offsets for Workers' Compensation and Social Security Disability. The combined benefits could be 100% FAS tax-free and up to 70 LEOFF Plan 2 benefit tax-free.

The Office of the State Actuary and Oliver Consulting also provided an outside actuarial review of the *duty-related total disability benefits*. The recommended contribution rate increases contained in the *memo* from the Office of the State Actuary are below:

Employee:	0.02%
Employer:	0.01%
<u>State</u>	<u>0.01%</u>
Total	0.04%

The Board was provided a draft bill (Z-0901.2), which establishes a catastrophic disability allowance under the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board.

It was moved that the Board use the proposed bill draft (Z-0901.2) with one correction to the substantial gainful employment and move forward pursuing legislation on the topic of Catastrophic Disability. Seconded.

MOTION CARRIED UNANIMOUSLY

3) **Survivor Health Care Insurance – Final Proposal – Tim Valencia**

Tim Valencia, Senior Research and Policy Manager, provided a *Final Proposal on Survival Health Care Insurance*. Mr. Valencia's report provided an overview of the current death benefits and a proposal summary for survivor health care insurance premiums. His report also provided an in-depth look at survivor health insurance in other states.

The Office of the State Actuary also provided a memo related to LEOFF 2 Duty-Death Survivor Medical and Dental Benefits. The memo provided the results of pricing the proposed medical and dental benefits for survivors of members following duty related deaths. The contribution rate increases are below:

Employee	0.03%
Employer	0.02%
State	0.01%

It was moved that the proposal be changed to add a clause allowing for future amendments and that the administrative committee consider developing an alternative proposal with reduced fiscal impact. This topic will be brought back to the January 3, 2006 Special meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

- 4) **Fish and Wildlife Service Credit Transfer, Preliminary Follow-Up – Greg Deam**
Greg Deam, Senior Research and Policy Manager, presented the Board with a Preliminary Follow-Up Report on *Fish and Wildlife Service Credit Transfer*. As requested by the Board, Mr. Deam provided two payment options for review.

OPTION #1: Fish and Wildlife Lump Sum

- Pay in five years after all transfers are complete
- Cost is known

OPTION #2: Contribution Rate Increase

- Pre-funds liability
- Cost is an estimate
- Members and state each pay one basis point
- No cost to employers

In addition to two draft bills (*Z-0897.1 and Z-0898.1*) related to this topic, The Board was also provided a *memo* from the Office of the State Actuary which presents the results of the pricing the proposed transfer of past service credit from the Public Employees' Retirement System (PERS) Plan 2 to LEOFF Plan 2 for Fish and Wildlife Enforcement Officers'.

It was moved that the Board move forward with Option #1 and pursue legislation on the proposed bill draft. Seconded.

Pat Hepler opposed the motion partially due to possible FTE cuts.

MOTION CARRIED

- 5) **Dual Membership, Final Proposal – Greg Deam**
Greg Deam, Senior Research and Policy Manager, provided the Board with a Final Proposal on *Dual Membership*. Mr. Deam's proposal covered the thirty year cap, indexing and base salary. The Office of the State Actuary also provided a *memo* which explains in detail the results of pricing the proposed changes to the calculation of retirement benefits for LEOFF 2 benefits with dual membership.

Mr. Deam also presented the Board with a bill draft (*Z-0922.1*) related to this topic.

It was moved that the Board defer action on the topic of Dual Membership until the 2006 legislative session. In the meantime, the Board will coordinate efforts with the Select Committee on Pension Policy to work on this issue. Seconded.

MOTION CARRIED UNANIMOUSLY

6) Board Membership, Final Proposal – Tim Valencia

Tim Valencia, Senior Research and Policy Manager, provided the Board with a Final Proposal on *Board Membership*. Mr. Valencia's proposal reviewed the pattern of term expirations and provided a summary of alternate options. He also presented the draft bill (Z—0923.1) which relates to adjusting the terms of office for the LEOFF Plan 2 Board Members.

Due to a lack of quorum, the Board took no action on the topic of Board Membership.

7) Administrative Update

▪ **Select Committee on Pension Policy (SCPP)**

Steve Nelsen, Executive Director updated the Board on the issues discussed at the latest SCPP meeting. Mr. Nelsen explained that the last SCPP meeting of 2005 will be on December 13, 2005 and none of the issues that they will take action on will apply to LEOFF Plan 2.

▪ **Next Board Meeting**

The Board agreed that it would be necessary to hold a Special meeting on January 3, 2006 at 10:30 a.m. – 12:00 p.m.

8) \$150,000 Death Benefit for Occupational Illness, Preliminary Follow-Up – Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented the Board with a Preliminary Follow-Up Report on *\$150,000 Death Benefit for Occupational Illness*. Mr. Valencia's report included key issues related to death and pension benefits for LEOFF Plan 2 members who die prior to retirement.

It was moved that the \$150,000 Death Benefit for Occupational Illness – options 1 and 3 be forwarded to the Final Proposal level and brought back to the January 3, 2006 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

9) Board Attendance Policy – Shawn Merchant

Shawn Merchant, Deputy Director, led a discussion on the LEOFF Plan 2 Board Attendance Policy. In addition to reviewing the importance of an attendance policy, Mr. Merchant provided the Board with a *draft attendance policy*. Suzanne Shaw, Assistant Attorney General, recommended that the draft policy be amended to be in accordance with RCW 41.26.

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- 10) Board Education Policy, Initial Consideration – Shawn Merchant**
Shawn Merchant, Deputy Director, presented the Board with an Initial Consideration on *Board Education Policy*. Mr. Merchant provided several examples of fiduciary responsibilities and opportunities and the importance of creating this policy. He went on to provide a sample Board Education policy which was adopted by the Washington State Investment Board.
- 11) Deferred Compensation as Salary, Preliminary Report – Greg Deam**
Greg Deam, Senior Research and Policy Manager, provided the Board with a Preliminary Report on *Deferred Compensation as Salary*. Mr. Deam covered key issues such as; qualified defined contribution plans, employer contributions, and in lieu of non-includable payments.
- 12) Annual Audit of Expenditures Results – Davis Accounting and Auditing**
Steve Nelsen, Executive Director, provided the Board with the *Audited Schedule of Expenditures* for the year ended June 30, 2005. The audit identified that the Board had spent \$334,889 less than anticipated. Mr. Davis of Davis Accounting and Auditing will be available for discussion at the January 3, 2006 Special Meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for January 25, 2006 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 1:36 p.m.