



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
May 30, 2007

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 30, 2007.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Greg Cuoio
Michael Edwards
Pat Hepler
Jeff Holy
Mark Johnston
Clint Olson
Senator Linda Evans Parlette

Staff Present:

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

Guests:

Matthew Smith, State Actuary

Board Members Not Present:

Representative Geoff Simpson
Glenn Olson

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. The Board took a moment of silence to honor fallen law enforcement officers and fire fighters who had passed since the last Board meeting.

1) **December 13, 2006 Board Meeting Minutes**

It was moved that the December 13, 2006 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **2007 Legislative Session Update**

Board Legislation

Greg Deam, Senior Research and Policy Manager provided an overview of the LEOFF Plan 2 bills that did and did not pass during the 2007 Legislative Session.

PASSED

- Temporary Duty Disability (HB1261)
- Dual Membership (SHB 1264)
- Contribution Rate Process (SB 5014)
- Service Credit Transfer Waiting Period (HB 1680)
- Board Membership (SHB 1679)

DID NOT PASS

- Retiree Health Care (HB 1678 & SB 5589)
- FWEO Service Credit Transfer (HB 1687 and SB 5588)
- \$150,000 Death Benefit (SHB 1266-amended)

It was moved that the Board hire a private actuarial firm to conduct an audit of the Retiree Health Care bill (HB 1678 and SB 5589). Seconded.

MOTION CARRIED UNANIMOUSLY

Other Legislation Affecting LEOFF 2 Members

Tim Valencia, Senior Research and Policy Manager presented the Board with an overview on related legislation affecting LEOFF Plan 2. He addressed Alternate Revenue (HB 2381), which did not pass, as well as Occupational Disease Presumption (ESHB 1833), which passed, and the \$150,000 Death Benefit (SHB 1266), which passed but amended out the portion that would have affected LEOFF Plan 2 members.

It was moved that the Board move forward with the topic of Alternate Revenue and hear a follow-up report at the July meeting. Staff will also provide specific information pertaining to law enforcement officers' presumptions and female fire fighter presumption data. Seconded.

MOTION CARRIED UNANIMOUSLY

3) **Actuarial Issues for 2007-08 – Matt Smith, State Actuary**

Matt Smith, State Actuary provided the Board with an in-depth look at the *2007-08 Actuarial Issues*. He reviewed the legislative changes that will affect the contribution rate adoption process, valuation date, and changes to the timing of economic assumptions.

Mr. Smith reminded the Board of their responsibility to review supplemental contribution rates and have them adopted by July 31, 2007.

4) **Administrative Update**

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director provided an update concerning the most recent SCPP meeting. Representative Steve Conway was elected as Chair, Senator Mark Schoesler was elected as Vice Chair, and Glenn Olson was elected as an Executive Committee Member. A legislative briefing was provided at the last meeting.

2006 Independent Financial Audit Results, Steve Nelsen

Mr. Nelsen provided the Board with the *Audited Schedule of Expenditures Report* prepared by Davis Accounting Tax and Auditing Services. The audit reported no findings for the third year. For the year ending June 30, 2006, the LEOFF Plan 2 Retirement Board is in conformity with the generally accepted accounting principles accepted in the United States.

Annual Statements, Shawn Merchant

Shawn Merchant, Deputy Director updated the Board on the progress that has taken place with the new and improved annual statements. He reviewed the process that took place with the Department of Retirement Systems (DRS), and provided a *sample annual statement* for the Board to view. The new statements were sent to LEOFF 2 members in March and have received positive feedback. Since members have received their new statements, there has been an increase in on-line benefit estimates, and a clean-up in erroneous beneficiaries. DRS may be able to use this technology in the future for other plans.

DRS will be invited to the June Board Meeting to follow-up with the Board on the status of the Annual Statements Project.

DRS Rule Making, Steve Nelsen

Steve Nelsen provided a brief background on the issue concerning Duty-Related Disability for members age 50 and with 20 years of service. DRS has published rules and allowed input from various parties.

Quarterly Budget Update

Mr. Nelsen updated the Board on the budget and provided an *Allotments and Expenditures Report*. The Board continues to be under budget and there are no issues at this time.

Federal Pension Protection Act Implementation

Tim Valencia and Greg Deam have been coordinating with the Department of Retirement (DRS) Systems on the Federal Pension Protection Act Implementation. This program will be a major benefit to LEOFF members who have their health care premiums deducted from their pension benefit. A publication will be formed to determine eligibility, and if eligible, ensuring premiums are excluded for incoming taxes. Information will be posted on both the LEOFF and DRS Web sites.

2007 Newsletter Update, Steve Nelsen

There will now be an educational component included in each newsletter. The next edition of *Dual Response* is scheduled to be mailed to LEOFF 2 member homes and employers in mid-late July.

Interim Issues

The Board agreed to send a letter to the Select Committee on Pension Policy requesting cooperative work efforts with the Board on the following topics:

- Treating Employer Contributions to Deferred Compensation Plans as Salary
- Purchase of Annuity
- Inflationary Adjustment to \$150,000 Death Benefit
- Military Service Death Benefit
- Fish and Wildlife Enforcement Officer Service Credit Transfer

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for June 19, 2007 from 9:00 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 12:07 p.m.



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REGULAR BOARD MEETING
June 19, 2007

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 June 19, 2007.

Board Members Present:

Kelly Fox, Chair
Greg Cuoio
Pat Hepler
Jeff Holy
Mark Johnston
Clint Olson
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
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Linda Sullivan-Colglazier, Assistant Attorney General

Guests:

Mark Feldhausen, Budget and Benchmarking Director

Board Members Not Present:

Jack Simington, Vice Chair
Michael Edwards
Glenn Olson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:40 a.m. The Board took a moment of silence to honor the 9 fire fighters from South Carolina that died in the line of duty early morning on June 19, 2007.

1) **May 30, 2007 Board Meeting Minutes**

It was moved that the May 30, 2007 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Department of Retirement Systems (DRS) – Summary of FY06 Benchmarking Results**

Mark Feldhausen, Budget and Benchmarking Director
Mark Feldhausen, Budget and Benchmarking Director with the Department of Retirement Systems (DRS) provided a summary of the *2006 fiscal year Benchmarking Results*. Mr. Feldhausen reviewed the results of a report by CEM. The report concluded that DRS compares favorably to other public pension administrators in terms of cost-effective administration of pension benefits.

3) **Overview of LEOFF Plan 2 Survivor Benefits, Greg Deam**

Greg Deam, Senior Research and Policy Manager provided a report and presentation on specific *LEOFF Plan 2 Survivor Benefits*. Mr. Deam addressed the difference between duty and non-duty survivor benefits. He also covered benefits such as \$150,000 Death Benefit, Public Safety Officers Benefit Act, Workers Compensation Survivor Benefit, PEBB Insurance, and Tuition Waiver.

4) **Testimony from Eileen Wray Concerning Death Benefits**

Eileen Wray, widow of Detective Tom Wray provided a testimony to the Board concerning the unfortunate death of her husband. Ms. Wray requested that the Board assist her in the process of obtaining the duty related survivor benefit.

5) **Alternate Revenue – Preliminary Follow-Up Report, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up report and presentation on the topic of Alternate Revenue. His report addressed 2007 legislation which identified streamlined sales tax as a possible revenue source.

Bill Hanson, Executive Director of the Fraternal Order of Police testified concerning the need to find an alternate revenue source to fund benefits.

6) **Possible Executive Action on Executive Director Evaluation**

The Board members met in Executive Session to discuss the Executive Director's evaluation and salary adjustment.

The Board moved to adopt the Executive Director's salary increase to \$94,471 annually. Seconded.

MOTION CARRIED UNANIMOUSLY

The Board moved to adopt the proposal for the Executive Director's recognition pay in the amount of \$7,400.

MOTION CARRIED UNANIMOUSLY

7) Administrative Update

Select Committee on Pension Policy (SCPP) Update

The LEOFF Plan 2 Retirement Board and SCPP both met on the same day this month. Board Members were provided a copy of the June 19 SCPP meeting agendas.

2007 Summer Newsletter Update

Steve Nelsen, Executive Director reviewed the current newsletter topics under consideration, and asked for the Board members input for future articles.

8) Contribution Rate Stability – Initial Consideration, Greg Deam

Greg Deam, Senior Research and Policy Manager presented an Initial Consideration on the topic of Contribution Rate Stability. Mr. Deam addressed the Board's 4-year contribution rate schedule which was adopted in 2004, policy mechanisms in place to insure ongoing rate stability, and factors that influence rates.

The Board's current 4-year plan will end on July 1, 2008. Mr. Deam provided the following policy options for the members to consider:

- Variable rate based on OSA valuation
- Fixed Rate

9) Updating Strategic Plan Goal #4 (Inform the Stakeholders), Steve Nelsen

Steve Nelsen, Executive Director, reviewed the current *Strategic Plan* with the Board. He specifically addressed Goal #4 (Inform the Stakeholders), and led a discussion which initiated feedback from the members. The following were suggestions from Board members to improve stakeholder communication:

- Articles on homepage
- Provide more DRS/LEOFF 2 seminars
- Comparison information for best practices
- Provide more information for retirement planning

10) The Hidden Interactions Between Investment, Funding, and Benefit Policies, Steve Nelsen, Executive Director

Steve Nelsen, Executive Director presented the Board with a presentation on *The Hidden Interactions between Investment, Funding, and Benefit Policies*. Mr. Nelsen discussed a number of issues including divestment, investment in the local economy, the effect of investment allocations, calculating benefit cost, and legal protections regarding legislative repeals. He also provided several policy tips for trustees.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for July 25, 2007 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 2:15 p.m.



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REGULAR BOARD MEETING
July 25, 2007

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 25, 2007.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Pat Hepler
Jeff Holy
Glenn Olson
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
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Linda Sullivan-Colglazier, Assistant Attorney General

Guests:

Sandy Matheson, Director – Department of Retirement Systems
Matt Smith, State Actuary
Chris Jaspersen, Actuarial Assistant

Board Members Not Present:

Greg Cuoio
Mark Johnston
Clint Olson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:40 a.m. The Board took a moment of silence to honor fire fighters and law enforcement officers who have died in the line of duty since the last time the Board met including 2 fire fighters from Contra Costa.

1) **June 19, 2006 Board Meeting Minutes**

It was moved that the June 19, 2006 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Department of Retirement Systems (DRS) – DRS Update**
Sandy Matheson, Director

Sandy Matheson, Director of the Department of Retirement Systems (DRS) provided the Board with an *update* on administrative initiatives underway at DRS. Ms. Matheson also discussed recent successful projects related to LEOFF Plan 2 including annual statement improvements, implementation of federal Pension Protection Act benefits for public safety officers and a change in DRS policy to provide all LEOFF 2 retirees with access to tax advantages for retiree healthcare insurance. Ms. Matheson also acknowledged the continued work efforts between DRS and the LEOFF Plan 2 Retirement Board.

3) **Experience Study Overview – Matt Smith, State Actuary**

Matt Smith, State Actuary presented an overview on an *Actuarial Experience Study*. An Actuarial Experience Study is a comparison of actual experience to assumptions for demographic information like life expectancy, age at retirement, numbers of disabilities, etc. Mr. Smith explained that this type of study is periodically done to ensure that the demographic actuarial assumptions being used to calculate the projected liabilities of the plan are reasonable. The ultimate goal is to produce adequate contribution rates. The Office of the State Actuary has begun an Experience Study for all the State retirement plans, including LEOFF Plan 2, and the results are expected to be published in 2008.

4) **Reduction Factors for Survivor Retirements –**
Chris Jasperson, Actuarial Assistant

Chris Jasperson, Actuarial Assistant for the Office of the State Actuary provided a presentation on *Reduction Factors for Survivor Retirements*. Mr. Jasperson explained that the current table of Survivor Option Factors is used for both regular service retirements and for survivor retirement. The Board and Mr. Jasperson discussed the possibility of developing a separate table for survivor retirements.

It was moved that the Board review the consequences, including administrative impacts, of creating a separate table of actuarial reduction factors for survivor retirements. Seconded.

MOTION CARRIED UNANIMOUSLY

5) **Administrative Update**

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director updated the members on the latest meeting of the SCPP. The SCPP will be discussing the topic of an Annual Inflation Adjustment to the \$150,000 Death Benefit at their August meeting.

2007 Summer Newsletter Update

Mr. Nelsen informed the Board that the summer edition of Dual Response will arrive in member and retiree homes during the second week of August.

6) **Prohibition on Remarriage – Initial Consideration, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a report and presentation on the topic of *Prohibition on Remarriage*. Mr. Valencia reviewed the inconsistency between Workers' Compensation and Retirement Benefits regarding the continuation of survivor benefits when the survivor of a member who is killed in the line of duty remarries.

It was moved that the Board forward the topic of Prohibition on Remarriage to the Preliminary Report stage and bring it back to the September 26, 2007 meeting for consideration. Seconded.

MOTION CARRIED UNANIMOUSLY

7) **Adoption of Supplemental Rates**

The Board Members received a revised Supplemental Rate Increase letter from the Office of the State Actuary regarding legislation (ESHB 1833) that passed in the 2007 session concerning occupational illness presumptions for fire fighters. The recommended increases are as follows:

	MEMBERS	EMPLOYERS	STATE
ESHB 1833 (C490, L07)	0.04%	0.02%	0.02%

The members also received a letter from Marilyn Oliver with Oliver Consulting Actuaries which reviews the actuarial review of the supplemental rate increase done by the Office of the State Actuary (OSA). Ms. Oliver concluded that the rate increases shown in the letter from OSA are appropriate for funding on September 1, 2007.

The Board moved to adopt the proposed Supplemental Contribution Rate increases at 0.04% for members, 0.02% for employers, and 0.02% for the State. Seconded.

MOTION CARRIED UNANIMOUSLY

8) Presumptive Duty Related Illnesses for Law Enforcement Officers – Initial Consideration, Tim Valencia

Tim Valencia, Senior Research and Policy Manager Provided an Initial Consideration on the topic of *Presumptive Duty Related Illnesses for Law Enforcement Officers*. Mr. Valencia reviewed the certain illnesses and medical conditions that are presumed to be duty related for fire fighters. He also stated that there is currently no similar presumption in Washington for law enforcement officers.

Mr. Valencia discussed the extent of law enforcement officer presumptions in other states. He also provided information on the presumption for public safety officers including law enforcement officers at the federal level.

It was moved that the Board move forward the topic of Presumptive Duty Related Illnesses for Law Enforcement Officers to the Preliminary Report stage and bring it back to the September 26, 2007 meeting for consideration. Seconded.

MOTION CARRIED UNANIMOUSLY

9) Educational Benefits – Initial Consideration, Greg Deam

Greg Deam, Senior Research and Policy Manager provided a report and presentation on *Educational Benefits*. Mr. Deam reviewed the federal and state benefits that are available to survivors of Law Enforcement Officers and Fire Fighters killed or totally disabled in the line of duty. He also mentioned other programs such as Concerns of Police Survivors (COPS) and The National Fallen Fire Fighter Foundation (NFFF), which offer scholarships.

It was moved that the Board move forward the topic of Educational Benefits to the Preliminary Report stage and bring it back to the September 26, 2007 meeting for consideration. Seconded.

MOTION CARRIED UNANIMOUSLY

10) Executive Director COLA

Chair Fox addressed the Board concerning the Executive Director's COLA increase.

The Board moved to approve a 3.2% COLA increase for Director Nelsen effective September 1, 2007. Seconded.

MOTION CARRIED UNANIMOUSLY

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for August 22, 2007 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 2:20 p.m.



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REGULAR BOARD MEETING
August 22, 2007

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 22, 2007.

Board Members Present:

Kelly Fox, Chair
Greg Cuoio
Pat Hepler
Jeff Holy
Mark Johnston
Clint Olson
Glenn Olson
Representative Geoff Simpson

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
Linda Sullivan-Colglazier, Assistant Attorney General

Guests:

Gary Bruebaker, Chief Investment Officer
Matt Smith, State Actuary

Board Members Not Present:

Jack Simington, Vice Chair
Ryan Martin
Senator Linda Evans Parlette

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:40 a.m. The members took a moment of silence to honor fire fighters and law enforcement officers who have died in the line of duty since the last time the Board met.

1) **July 25, 2007 Board Meeting Minutes**

It was moved that the July 25, 2007 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

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

Gary Bruebaker, Chief Investment Officer with the Washington State Investment Board provided an *overview* on the organizational structure and fiduciary duties of the Washington State Investment Board. Mr. Bruebaker addressed Capital Markets, Commingled Trust Funds, and the CTF Market Value.

3) **OSA review of Economic Assumptions – Matt Smith, State Actuary**

Matt Smith, State Actuary presented a review of *Economic Assumptions*. Mr. Smith's presentation included an overview of the current economic assumptions including investment return, inflation, salary increases, and growth in system membership.

He also provided the following preliminary recommendation: 3.25% Inflation, 4.25% General Salary Growth, 7.75% Rate of Return, 0.9% Membership Growth (All Systems). The Board members will be kept apprised of changes to the recommendation via email.

4) **Retiree Life Insurance – Initial Consideration, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented an Initial Consideration on the topic of *Retiree Life Insurance*. Mr. Deam explained the difference between the purchase of term life insurance compared to a survivor benefit option at the time of retirement. He provided examples which covered defined benefit, term life, and annuity.

5) **Administrative Update**

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director updated the members on the latest meeting of the SCPP.

FY07 Budget Update

Mr. Nelsen updated the Board on the current status of the budget and also provided the FY07 year ending Allotments and Expenditures report. The LEOFF Plan 2 Retirement Board has been consistently under their projected expenses.

LEOFF Plan 2 Retirement Board State Audit

Mr. Nelsen notified the members that the LEOFF Plan 2 Retirement Board will undergo an audit that will be conducted by the State Auditor's Office. The Auditor's Office will be available to present the results of the audit to the Board at the October or November meeting.

6) Inflationary Adjustment for \$150,000 Death Benefit – Preliminary Follow-Up Report, Greg Deam

Greg Deam, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation on the *Inflationary Adjustment for \$150,000 Death Benefit*. Mr. Deam reviewed the 2007 Board proposal and explained that the \$150,000 lump sum death benefit currently is a fixed amount and is losing purchasing power over time due to inflation. He also went on to provide an update from the SCPP regarding this topic.

The Board will continue to coordinate with the Select Committee on Pension Policy (SCPP) on this issue.

7) Fish and Wildlife Enforcement Officers Service Credit Transfer – Preliminary Follow-Up Report, Greg Deam

Greg Deam, Senior Research and Policy Manager provided the Board with a Preliminary Follow-Up Report on the topic of *Fish and Wildlife Enforcement Officers Service Credit Transfer*. Mr. Deam reviewed the 2007 Board proposal and provided an update from the latest SCPP meeting. The next step for the Board will be to monitor the progress of the SCPP.

The Board will continue to coordinate with the SCPP on this issue.

8) Purchase of Annuity – Preliminary Follow-Up Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation on *Purchase of Annuity*. Mr. Valencia gave a brief history and reviewed federal and state legislation. He also addressed how defined contribution assets can be used to purchase increased defined benefits.

The Board will coordinate with the SCPP on this issue

9) Military Service Death Benefit – Initial Consideration, Tim Valencia

Tim Valencia, Senior Research and Policy Manager provided an Initial Consideration on the topic of *Military Service Death Benefit*. Mr. Valencia reviewed the current LEOFF Plan 2 benefits and legislative changes that have taken place. He also provided a comparison between the systems and the recent improvements in Washington.

The Board will coordinate with the SCPP on this issue.

10) Deferred Compensation – Preliminary Follow-Up Report, Greg Deam

Greg Deam, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation on *Deferred Compensation*. Mr. Deam reviewed the action that the Board took during 2007 on this issue. He addressed the next steps that the Board must take to move this proposal forward.

The Board moved to forward this topic to the Final Proposal stage and bring it back to an upcoming Meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

11) Agenda Items for Next Meeting

Board elections will be held at the September 26, 2007 meeting. The Board will also be discussing Actuarial Funding Mechanisms and the previous topics on the Agenda Items Calendar.

Kelly Fox was nominated as Board Chair and Jack Simington as Vice Chair. Elections will take place at the September 26, 2007 Board Meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 26, 2007 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 1:45 p.m.



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REGULAR BOARD MEETING
September 26, 2007

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 26, 2007.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Greg Cuoio
Pat Hepler
Jeff Holy
Ryan Martin
Clint Olson
Glenn Olson
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
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Linda Sullivan-Colglazier, Assistant Attorney General

Guests:

Matt Smith, State Actuary

Board Members Not Present:

Mark Johnston

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. The Board took a moment of silence to honor fire fighter and law enforcement officers who have died in the line of duty since the last time the Board met.

1) **August 22, 2007 Board Meeting Minutes**

It was moved that the August 22, 2007 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Board Elections**

Kelly Fox was appointed as Chair, Jack Simington was appointed as Vice Chair, and Glenn Olson was appointed to the serve on the Administrative Committee. Seconded.

MOTION CARRIED UNANIMOUSLY

3) **Actuarial Funding Methodology Overview – Matt Smith, State Actuary**

Matt Smith, State Actuary provided an overview on the *Actuarial Funding Methodology*. Mr. Smith discussed the aggregate funding method, the asset valuation method, and minimum contribution rates. He provided examples of the market value of assets, deferred gains and losses, and the preliminary actuarial value of assets. Mr. Smith also noted that all of the policies taken are consistent with the Board's strategic plan.

4) **Survivor Educational Benefits – Preliminary Report, Greg Deam**

Greg Deam, Senior Research and Policy Manger provided a Preliminary Report and presentation on the topic of *Survivor Educational Benefits*. Mr. Deam reviewed the key issues such as eligibility for the minor child and spouse. He provided the following three options for consideration:

1. Add Spouse to Existing Waiver Program
2. Prescribe Mandatory Coverage
3. Match Total Disability Definition

It was moved that the topic of Survivor Educational Benefits be deferred until the 2008 interim. Seconded.

MOTION CARRIED UNANIMOUSLY

5) **Administrative Update**

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director updated the members on the latest meeting of the SCPP.

Pension Funding Council Update

Mr. Nelsen informed the Board concerning the latest undertakings of the PFC. The council has been working on the current assumptions, and since there is a statutory timeframe, the assumptions will be adopted within the next week. Staff will continue to coordinate efforts with the Pension Funding Council.

LEOFF Plan 2 Retirement Board State Audit Update

Mr. Nelsen reported that the audit will be complete by the November meeting with a written report at that time.

***The Board discussed the issue of health care for all beneficiaries of members who died in line of duty deaths.**

It was moved that the Board send a letter to the Director of the Department of Retirement Systems and the Public Employee Benefits Board to begin rulemaking on the topic of health care for all beneficiaries of members who died in line of duty deaths. Seconded.

MOTION CARRIED UNANIMOUSLY

It was moved that the topic of Health Care for Beneficiaries of Line of Duty Deaths move from Initial Consideration to the Final Proposal stage for hearing in December 2008.

MOTION CARRIED UNANIMOUSLY

6) Prohibition on Remarriage – Preliminary Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager provided a Preliminary report and presentation on the topic of *Prohibition on Remarriage*. Mr. Valencia reviewed the key issues such as the financial hardship it may cause the survivors and the Labor and Industries (L&I) process for policy development. He went on to provide three policy options for consideration:

1. Pursue joint legislation with L&I
2. Board request legislation
3. Prospective application to remarries survivors

It was moved that the Board move forward with policy option #1, pursue joint legislation with L&I. Seconded.

MOTION CARRIED UNANIMOUSLY

PUBLIC TESTIMONY

Renee Maher, widow of Officer Patrick Maher provided a testimony to the Board concerning her view on the prohibition on Remarriage. Ms. Maher believes that there should not be a penalty for surviving spouses that would like to remarry. She explained the pain and hardships that women go through because of the prohibition on remarriage. Ms. Maher requested that the legislation presented to the Board be supported.

Jolin Lowry, widow of Officer William Lowry also provided her testimony concerning the prohibition on remarriage. Ms. Lowry feels that surviving spouses should have the right to remarry without being penalized.

7) **Presumptive Duty Related Illnesses for Law Enforcement Officers – Preliminary Report, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Report and presentation on *Presumptive Duty Related Illnesses for Law Enforcement Officers*. Mr. Valencia reviewed the key issue that law officers do not have medical presumptions in the state of Washington. He also provided the scope of coverage for infectious disease, heart disease, and cancer. The following three policy options were brought forward:

1. Presumption for Infectious Disease
2. Presumption for Heart Problems
3. Presumption for Cancer

It was moved that staff find additional information on the topic of Duty Related Illnesses for Law Enforcement Officers and bring it back for hearing at the November meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

8) **Reduction Factors for Survivor Retirements – Initial Consideration, Greg Deam**

Greg Deam, Senior Research and Policy Manager provided an Initial Consideration on *Reduction Factors for Survivor Retirements*. He reviewed the current process of the same factor being used for all retirement types and also explained a peer comparison of benefits.

It was moved that Board move the topic of Reduction Factors for Survivor Retirements to the Preliminary Report stage and bring it back for consideration at an upcoming meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

9) **Agenda Items for Next Meeting**

The Board discussed topic for upcoming meetings and agreed to cancel the October 24, 2007 meeting.

It was moved that the October 24, 2007 Board meeting be canceled. The next meeting will be on November 28, 2007. Seconded.

MOTION CARRIED UNANIMOUSLY

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for November 28, 2007 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 1:59 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
November 28, 2007

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 November 28, 2007.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Greg Cuoio
Jeff Holy
Mark Johnston
Ryan Martin
Glenn Olson

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
Linda Sullivan-Colglazier, Assistant Attorney General

Guests:

Matt Smith, State Actuary
Sandy Matheson, Department of Retirement Systems-Director
Carolyn Cato, Office of the State Auditor
Gwen McClanahan, Office of the State Auditor

Board Members Not Present:

Pat Hepler
Clint Olson
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 9:47 a.m. The Board took a moment of silence to honor

the fire fighters and law enforcement officers who have died in the line of duty since the last time the Board met.

1) September 26, 2007 Board Meeting Minutes

It was moved that the September 26, 2007 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

**2) Member Education and Counseling, Initial Consideration
Background – Greg Deam**

Greg Deam, Senior Research and Policy Manager presented the Board with an Initial Consideration concerning *Member Education and Counseling*.

Education and Outreach – Sandy Matheson, Director

Sandy Matheson, Director of the Department of Retirement Systems (DRS) addressed the Board with the new approaches to *Education and Outreach*. DRS plans to make it easier for members to prepare for retirement by redesigning the DRS Web site, promoting the Deferred Compensation Program, and redesigning their seminar curriculum.

Disability and Death Benefits Ombudsman – Steve Nelsen, Executive Director

Steve Nelsen, Executive Director spoke to the members concerning the possible need for a Disability and Death Benefits Ombudsman to assist members and the families with the application process.

It was moved that Board staff prepare a letter to the Criminal Justice Training Commission and State Fire Marshal to coordinate time with active LEOFF 2 members. Seconded.

MOTION CARRIED UNANIMOUSLY

3) OSA Valuation Report – Matt Smith, State Actuary

Matt Smith, State Actuary presented the 2006 Actuarial Valuation Report to the Board. Although an evaluation is performed each year, it is only used for setting contribution rates every other year. This valuation will not be used for setting rates. The plan is 100% funded and has a healthy reserve remaining from recent positive investment returns.

4) Washington State Auditor Report – Shawn Merchant, Deputy Director

Carolyn Cato and Gwen McClanahan from the Washington State Auditor's Office provided the results from the accountability and audit report for the LEOFF Plan 2 Retirement Board from the period of July 1, 2003-June 30, 2007. Ms. Cato reported that the Agency is in compliance with state laws and regulations, and its own policies and procedures. There were no finding or significant issues reported.

5) Administrative Update

Select Committee on Pension Policy (SCPP) Update
Steve Nelsen, Executive Director updated members on the latest meeting of the SCPP.

Pension Funding Council (PFC) Update

Mr. Nelsen provided an update on the PFC. There has been no change to the long term economic assumptions.

6) Presumptive Duty Related Illnesses for Law Enforcement Officers- Preliminary Follow-Up Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation on the topic of *Presumptive Duty Related Illnesses for Law Enforcement Officers*. He followed up on the current Washington state coverage and provided detail on circulatory diseases, infectious diseases, heart disease, and cancer.

It was moved that the issue of Presumptive Duty Related Illnesses be deferred until the 2008 interim. Seconded.

MOTION CARRIED UNANIMOUSLY

**7) Purchase of Annuity – Preliminary Follow-Up Report, Tim Valencia
Tim Valencia, Senior Research and Policy Manager**

Tim Valencia, Senior Research and Policy Manager provided a Preliminary Follow-Up report on *Purchase of Annuity*.

It was moved that the Board defer the topic of Purchase of Annuity until the 2008 interim. Seconded.

OPPOSED: Glenn Olson

Mr. Olson opposed because he wanted to pursue this legislation during the 2008 legislative session.

8) Reduction Factors for Survivor Retirements – Preliminary Report, Greg Deam

Greg Deam, Senior Research and Policy Manager presented Preliminary Report and Presentation on *Reduction Factors for Survivor Retirements*. Mr. Deam reviewed the issue of whether the actuarial reduction for joint and 100% survivor option used for disability and service retirements should continue to be applied to survivor retirement. He provided the Board with the following policy options:

POLICY OPTION #1

- Create a new table of actuarial factors for survivor retirements

POLICY OPTION #2

- Eliminate 100% survivor reduction factor completely for duty-related deaths

It was moved that the Board move the topic of Reduction Factors

for Survivor Retirements to the Final Proposal stage and bring back costs for policy options 1 and 2. Seconded.

MOTION CARRIED UNANIMOUSLY

9) Inflationary Adjustment for \$150,000 Death Benefit – Preliminary Follow-Up Report, Greg Deam

Greg Deam, Senior Research and Policy Manager presented the Board with a Preliminary Follow-Up Report and presentation on Inflationary Adjustment for \$150,000 Death Benefit. Mr. Deam reviewed the issue that the \$150,000 lump sum death benefit currently is a fixed amount and is losing purchasing power over time due to inflation. He provided two policy options to the Board. Option 1 would pass a resolution stating its support for the Select Committee on Pension Policy (SCPP) legislation, and option 2 the Board would introduce a different proposal for next years interim.

It was moved that the Board move forward with policy option #1 and bring the topic of Inflationary Adjustment for \$150,000 Death Benefit to the Final Proposal stage at the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

10) Military Service Death Benefit – Preliminary Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager provided a Preliminary Report and presentation on *Military Service Death Benefit*. Mr. Valencia's report included an explanation of the adequacy of benefits for members killed in military service and the 2007 legislative improvements to the PERS Plan 2 benefit. He provided two policy options to the Board. Option 1 would endorse the SCPP proposal and with option 2, the Board can consider their own alternative proposal for the next interim.

It was moved that the Board move forward with policy option #1 and bring the topic of Military Service Death Benefit to the Final Proposal stage at the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

11) Alternate Revenue – Preliminary Follow-Up Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation. Mr. Valencia followed up on the strategic plan and funding policy issues. He also addressed pre-recognition, receive-as-you-go, and using a sub-account.

It was moved that the Board move forward to the topic of Alternate Revenue to the Final Proposal stage and bring back to the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

12) 2008 Board Meeting Schedule

The Board reviewed the 2008 Proposed Board Meeting Schedule that was presented.

It was moved that the Board adopt the 2008 dates that were provided with a November 12, 2008 date rather than November 19. A final calendar will be presented at the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

13) Agenda Items for Next Meeting

The Board discussed and reviewed topics for the upcoming meetings.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for December 18, 2007 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 2:05 p.m.



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REGULAR BOARD MEETING
December 18, 2007

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 18, 2007.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Greg Cuoio
Pat Hepler
Jeff Holy
Mark Johnston
Ryan Martin
Representative Geoff Simpson

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
Linda Sullivan-Colglazier, Assistant Attorney General

Guests:

Dennis Martin, Health Care Authority
Chris Jaspersen, Office of the State Actuary

Board Members Not Present:

Glenn Olson
Senator Linda Evans Parlette

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:47 a.m. The Board took a moment of silence to honor the fire fighters and law enforcement officers who have died in the line of duty since the last meeting.

1) November 28, 2007 Board Meeting Minutes

It was moved that the November 28, 2007 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) Medical Insurance Reimbursement for Line of Duty Deaths – Final Proposal

- **Dennis Martin, Health Care Authority (HCA)**
- **Steve Nelsen, Executive Director**

Steve Nelsen, Executive Director provided a brief overview of *Medical Insurance Reimbursement for Line of Duty Deaths*. The HCA, the Department of Retirement Systems, and Board staff have been working cooperatively to resolve this issue over the last several months. A letter was provided from Steve Hill, Director of the Health Care Authority, indicating that benefits would be paid out as intended by the legislation. The PEBB Board will formerly endorse his decision at their January meeting.

Dennis Martin, Director of Policy and Legislative Relations expressed his gratitude on behalf of Steve Hill and the Health Care Authority.

3) Disability Retirement Assumptions

Steve Nelsen, Executive Director, spoke to the Board concerning *Disability Retirement Assumptions*. Mr. Nelsen commented that a number of bills have recently been passed by the Legislature concerning disability. The Office of the State Actuary would like to conduct a thorough review of all of the duty related disabilities and changes. This process would be done with an outside actuarial firm during the upcoming interim.

4) Alternate Revenue – Final Proposal, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a Final Proposal on the topic of *Alternate Revenue*. Mr. Valencia addressed key issues and provided a proposal summary. Bill draft language was provided.

It was moved that the Alternate Revenue bill draft move forward to be heard by the 2008 Legislature. Seconded.

OPPOSED: *Greg Cuoio – The Association of Washington Cities has not had a chance to see the proposed legislation.*

5) Administrative Update

Steve Nelsen announced the resignation of Clint Olson. Mr. Olson enjoyed his time on the Board and will now be traveling with his wife.

Mr. Nelsen encouraged Board Member training for 2008 and provided Jeralyn Faulhaber as a contact person if there are questions or concerns.

The spring edition of the Dual Response newsletter will be mailed to member and retiree homes after session ends.

6) Inflationary Adjustment for \$150,000 Death Benefit – Final Proposal, Greg Deam

Greg Deam, Senior Research and Policy Manager presented a Final Proposal on the *Inflationary Adjustment for \$150,000 Death Benefit*. Mr. Deam addressed key issues and provided a proposal summary. Bill draft language (Z-0708.1) and a draft fiscal note from the Office of the State Actuary (OSA) were provided.

The Board also received a letter from Oliver Consulting stating that they performed an independent actuarial review of the contribution rate increases for indexing the \$150,000 Death Benefit. Oliver Consulting agrees with the estimates from OSA.

It was moved that the Board endorse the Inflationary Adjustment for \$150,000 Death Benefit bill draft cooperatively with the Select Committee on Pension Policy and forward to the 2008 Legislature. Seconded.

MOTION CARRIED UNANIMOUSLY

7) FWEO Service Credit Transfer – Final Proposal, Greg Deam

Greg Deam, Senior Research and Policy Manager presented a Final Proposal on the *Fish and Wildlife Enforcement Officers Service Credit Transfer*. Mr. Deam addressed key issues and provided a proposal summary. Bill draft language (Z-0766.1) was given.

It was moved that the Board endorse the FWEO Service Credit Transfer bill draft cooperatively with the Select Committee on Pension Policy and forward to the 2008 Legislature. Seconded.

MOTION CARRIED UNANIMOUSLY

8) Military Service Death Benefit – Final Proposal, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a Final Proposal on *Military Service Death Benefits*. Mr. Valencia addressed key issues and provided a proposal summary. Bill draft language (Z-0799.1) and a draft fiscal note from OSA were provided.

It was moved that the Board endorse the Military Service Death Benefit bill draft cooperatively with the Select Committee on Pension Policy and forward to the 2008 Legislature. Seconded.

MOTION CARRIED UNANIMOUSLY

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- 9) **Interruptive Military Service Credit – Final Proposal, Steve Nelsen**
Steve Nelsen, Executive Director, presented a Final Proposal on *Interruptive Military Service Credit*. He addressed key issues and provided an issue paper from the Select Committee on Pension Policy. Bill draft language (Z-0802.1) was given.

It was moved that the Board endorse the Interruptive Military Service Credit bill draft cooperatively with the Select Committee on Pension Policy and forward to the 2008 Legislature. Seconded.

MOTION CARRIED UNANIMOUSLY

- 10) **Deferred Compensation as Salary – Final Proposal, Greg Deam**
Greg Deam, Senior Research and Policy Manager presented a Final Proposal on *Deferred Compensation as Salary*. Mr. Deam addressed key issues and provided a proposal summary. Bill draft language was given, but cost information from OSA was not available at this time.

It was moved that the Deferred Compensation as Salary bill draft move forward to be heard by the 2008 Legislature. Seconded.

MOTION CARRIED UNANIMOUSLY

- 11) **Reduction Factors for Survivor Retirements – Final Proposal, Greg Deam**
Greg Deam, Senior Research and Policy Manager presented a Final Proposal on *Reduction factors for Survivor Retirements*. Mr. Deam addressed key issues and provided a proposal summary. The Office of the State Actuary prepared a letter advising that in order to have an actuarial complete and audited for the second proposal, a concurrent audit of the fiscal note must take place.

It was moved that the Board defer the topic of Reduction Factors for Survivor Retirements to the interim and work cooperatively with the Office of the State Actuary. Seconded.

MOTION CARRIED UNANIMOUSLY

- 12) **Executive Director Evaluation – Possible Executive Action**
The Board met in Executive Session to discuss the Executive Director's Evaluation and salary.

It was moved that Steve Nelsen, Executive Director be moved to the top of his salary range, be authorized a 2% Cost of Living Increase effective September 1, 2008, and receive recognition pay in the amount of \$10,000. Seconded.

MOTION CARRIED UNANIMOUSLY

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for January 23, 2008 from 9:00 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 11:56 a.m.