

BOARD MEETING MINUTES

SEPTEMBER 24, 2014



TRUSTEE AND STAFF ATTENDANCE

In Attendance	Mr. Kelly Fox, Chair – Olympia Fire District
In Attendance	Mr. Jack Simington, Vice Chair – Kennewick Police Department
In Attendance	Representative Jeff Holy – Spokane Police Department (Retired)
In Attendance	Mr. Wally Loucks – Spokane County Sheriff’s Office
In Attendance	Mr. Mark Johnston – Vancouver Fire Department
In Attendance	Mr. Pat Hepler – Snohomish County Fire District 1
In Attendance	Mr. Paul Golnik – WA Fire Commissioners Association
In Attendance	Mr. David Cline – City of Tukwila
Absent	Senator Sharon Brown – WA State Senator
In Attendance	Representative Kevin Van De Wege – WA State Representative
In Attendance	Steve Nelsen – Executive Director
Absent	Tim Valencia – Deputy Director
In Attendance	Jessie Jackson, Executive Assistant
In Attendance	Jessica Burkhart – Administrative Services Manager
In Attendance	Tammy Harman – Death and Disability Ombudsman
In Attendance	Paul Neal, Senior Research and Policy Manager
In Attendance	Ryan Frost – Research Analyst
In Attendance	Dawn Cortez – Assistant Attorney General

CALL TO ORDER

The LEOFF Plan 2 Retirement Board met in the Washington State Investment conference room in Olympia, Washington on September 24th, 2014. A quorum of the members was present at this meeting.

OPENING

Chair Kelly Fox called the meeting to order at 9:32 AM and requested those present to take a moment of silence to honor those who had fallen since the last the Board meeting.

1. APPROVAL OF MINUTES

MINUTES APPROVED

It was moved to approve the Board meeting minutes from July 23, 2014. Motion seconded. The Board approved the minutes without objection.

2. WASHINGTON STATE INVESTMENT BOARD ANNUAL UPDATE

Theresa Whitmarsh, Executive Director at the Washington State Investment Board (WSIB), presented the WSIB Annual Update. Updates included new leadership appointments to the board, with Marcie Frost elected as Chair and Kelly Fox elected Vice Chair. New legislative representatives for the board are State Representative Timm Ormsby and State Senator Sharon Nelson. Ms. Whitmarsh provided an overview of the Commingled Trust Fund Performance and Market Values, the source of WSIB excellent performance, a brief market outlook and Washington’s national standing compared to other states.

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3. HCA TECHNICAL CORRECTIONS LEGISLATION

Mary Fliss, Deputy Division Director for the PEBB Division at the Washington Health Care Authority (HCA), presented an overview of the PEB Technical Correction Bill, HCA plans to introduce the bill in the upcoming legislative session. A key provision is to clean up the Domestic Partner eligibility and achieve a single statutory provision that is consistent with three domestic partner bills that were previously enacted in 2009. The second provision is to align Child Dependent Coverage and correct the conflicting language so that it reflects the benefits that are currently administered.

Ms. Fliss requested support from the LEOFF Plan 2 Retirement Board for the bill in the upcoming legislation and thanked the board for its historical support on the bill in the past.

MOTION

It was moved and seconded to provide support and endorse the bill in the upcoming session. The Board approved the motion without objection.

4. DRS ANNUAL ADMINISTRATIVE UPDATE

Marcie Frost, Executive Director at the Department of Retirement Systems (DRS) presented an annual administrative update. Ms. Frost provided a year in review covering benefit statistics for the last fiscal year and customer service related statistics from the contact and processing centers, Deferred Compensation Program statistics showing new state employee sign up has increased by 4.7%, availability of retirement planning seminars online, the operational flow of the management system and strategic initiatives for FY15. Ms. Frost spoke of the focus on customer satisfaction, team member engagement, onboarding and training of new team members and the use of the PXT in the behavioral based hiring process. DRS conducted a review of LEOFF employers and has identified issues with reporting of independent contractors. They have assessed individual employers and members as well as enhanced employer awareness and internal training about LEOFF retirements. A change to the disability review timeframe has resulted in a significant decrease in processing time from 180 days down to 30 days. Currently in progress is a new process for verification of Catastrophic Medical Reimbursement that DRS plans to roll out in November 2014.

From September 2013-August 2014 DRS processed a total of 416 LEOFF Plan 2 retirements, with 221 of these having been processed through the Online Retirement Application.

5. FY 2014 INDEPENDENT AUDIT RESULTS

Steve Davis, Davis Accounting Tax & Audit Service presented the outcomes of the FY 2014 Independent Audit Results. No official audit findings were reported.

6. SUPREME COURT DECISION UPDATE: WEA V. DRS

Paul Neal, Senior Research and Policy Manager provided an educational briefing on the recent Supreme Court decision upholding Legislature's repeal of gainsharing and the uniform COLA. Implications for the LEOFF Plan 2 could include future pension enhancement bills being subject to a reservation of rights clause.

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7. SALARY SPIKING

Ryan Frost, Research Analyst provided a follow up to the discussion of Salary Spiking in public pension plans. Pension spiking raises issues of cost and public trust. Research shows that LEOFF Plan 2 does not have a systemic spiking issue. Individual spiking could occur, creating a public trust and fairness issue which can be a risk to LEOFF Plan 2. No actuarial significance is shown.

MOTION

It was moved to develop a one page document to help explain how overtime is used in public safety. Motion seconded and carried unanimously.

8. PUBLIC COMMENT FROM JOLYN LOWRY

MOTION

It was moved to research additional information concerning Remarriage Prohibition. Staff will prepare a comprehensive report for the board at the November meeting. Motion seconded and carried unanimously.

9. CAREER EXTENSION

Paul Neal, Senior Research and Policy Manager provided a comprehensive follow up report with further research on the career change issue from the 2013 interim.

MOTION

It was moved to research and develop options to balance policies for maintaining a well designed and professionally managed plan, and enabling smaller employers more access to talent. The motion was seconded and carried unanimously.

10. ADMINISTRATIVE UPDATE

Director Nelsen to provide an update on what the LEOFF Plan 2 Board has been working on at the Select Committee of Pension Policy meeting in October.

Deputy Director, Tim Valencia is currently attending the WACOPS Conference this week. Director Nelsen will attend the conference tomorrow and present an update of what the LEOFF Plan 2 Board is working on.

The next board meeting on October 22nd is offsite. It will include an update of the board's strategic planning and a review of the results from the Expectation Interviews conducted by Director Nelsen and board members.

11. AGENDA ITEMS FOR FUTURE MEETINGS

Director Nelsen reviewed upcoming agenda items for 2014:

October Agenda to include Strategic Planning session.

November Agenda to include Career Extension and Marriage Prohibition items.

December Agenda to include items moved forward from November and legislative items.

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ADJOURNMENT

There being no further business, the meeting was adjourned at 3:00pm.

NEXT MEETING

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for October 22nd at the **Middleton Auditorium** located at 2421 Heritage Court SW, Olympia, WA 98502.