

# BOARD MEETING MINUTES

SEPTEMBER 23, 2015 - FINAL



## TRUSTEE AND STAFF ATTENDANCE

In Attendance	Mr. Kelly Fox, Chair – Olympia Fire District
Absent	Vice Chair – Vacant
In Attendance	Representative Jeff Holy – Spokane Police Department (Retired)
In Attendance	Representative Kevin Van De Wege – WA State Representative
Teleconference	Senator Judy Warnick – WA State Senator
Teleconference	Councilmember Dave Upthegrove – King County Council District 5
In Attendance	Mr. Wally Loucks – Spokane County Sheriff’s Office
In Attendance	Mr. Mark Johnston – Vancouver Fire Department
In Attendance	Mr. Paul Golnik – WA Fire Commissioners Association
In Attendance	Mr. David Cline – City of Tukwila
In Attendance	Mr. Michael White – Valley Regional Fire Authority
In Attendance	Mr. Jason Granneman – Clark County Sheriff’s Office
In Attendance	Steve Nelsen – Executive Director
In Attendance	Tim Valencia – Deputy Director
In Attendance	Jessie Jackson – Executive Assistant
Absent	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 and Policy Manager
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 23, 2015. A quorum of the members was present at this meeting.

**OPENING** | Chair Kelly Fox called the meeting to order at 9:35 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

**MOTION** | It was moved to approve the Board meeting minutes from July 22, 2015. Motion seconded. The Board approved the minutes without objection.

## 2. LEOFF AUDIT RESULTS FY 2015

Steve Davis, from Davis Accounting, Tax & Audit Service presented the outcomes of the FY 2015 Independent Audit Results. No official audit findings were reported.

## 3. SUPPLEMENTAL CONTRIBUTION RATE ADOPTION

The Board must decide whether it is necessary to increase contribution rates due to the passage of Substitute House Bill 1194, providing surviving spouses of members of the Law Enforcement

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Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement System and Washington State Patrol Retirement System (WSPRS) monthly survivor benefits regardless of remarriage. Ryan Frost, Research & Policy Manager provided an overview of this issue and three options for the Board to consider.

**Option 1:** Do not adopt a supplemental rate.

The Board would leave rates at:

Member	8.41%
Employer	5.05%
State	3.36%

**Option 2:** Adopt OSA's recommended supplemental rates.

The Board would adopt an increase in contribution rates of 0.05% for members, 0.03% for employers, and 0.02% for the state. Rates would increase to:

Member	8.46%
Employer	5.08%
State	3.38%

**Option 3:** Adopt the full normal cost.

The Board would adopt the full normal cost of the plan as presented by OSA last interim, including the cost of the new benefit. This would increase rates to:

Member	8.90%
Employer	5.34%
State	3.56%

**MOTION**

It was moved to approve Option 1, no increase in contribution rates. Motion seconded and passed unanimously. The Board moved to leave the current rates as is without objection.

## 4. ECONOMIC EXPERIENCE STUDY

Lisa Won, Deputy State Actuary and Graham Dyer, Actuarial Analyst presented the results from the Economic Experience Study performed by the Office of the State Actuary.

**NO ACTION**

The economic assumptions are reviewed every two years during odd years. The Office of the State Actuary recommends maintaining the current assumptions for total inflation, general salary growth, and annual investment return. The table below summarizes the current and recommended long-term economic assumptions that apply to LEOFF 2. They find all current economic assumptions reasonable and recommend no changes.

Assumption	Current	Recommended
Inflation	3.00%	3.00%
General Salary Growth	3.75%	3.75%
Annual Investment Return	7.50%	7.50%

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## 5. ADMINISTRATIVE FACTORS ADOPTION

The Office of the State Actuary (OSA) completed their update of several administrative factors for use in the Washington Administrative Code (WAC). These were amended as a result of the changes to the demographic assumptions adopted by the Law Enforcement Officers' and Fire Fighters' Plan 2 (LEOFF 2) Retirement Board (Board) during the 2014 Interim. The Board has the statutory responsibility to adopt administrative factors for the plan. The Department of Retirement Systems communicates factor changes to members and implements new factors effective October 2016.

Lisa Won, Deputy State Actuary, provided information to the board on the new factors below with a recommendation for adoption.

	Current	New	Change
Early Retirement Factor	0.497	0.512	3.02%
Joint & Survivor Factor	0.859	0.872	1.51%
Annuity Factor	0.0053643	0.0049520	7.69%
Service Credit Restoration Factor 1	0.2358	0.2630	11.54%
Service Credit Restoration Factor 2	0.2325	0.2601	11.87%

MOTION | It was moved that the board adopt the new administrative factors as recommended. Motion seconded and passed unanimously.

## 6. ADMINISTRATIVE UPDATE

Steve Nelsen, Executive Director provided his administrative update to the board.

SCPP UPDATE | Director Nelsen spoke to the Select Committee on Pension Policy at the September meeting.

OUTREACH ACTIVITIES | *Stand with Those Who Serve* – Tammy Harman and Tim Valencia attended and provided outreach at this event held at JBLM on August 30<sup>th</sup>.

*WSCFF Executive Board Meeting* – Director Nelsen spoke to the Public Hospital Districts appeal and the verbal decision from the Department of Retirement Systems.

## 7. CAREER EXTENSION

Paul Neal, Senior Research and Policy Manager, provided a high level overview as a follow up to the November 2014 Board discussion to review options changing standards governing when LEOFF Plan 2 retirees can return to public safety work and retain their pension. Three options were provided to the board.

**Option 1** - Maintain original position – support reintroduction and passage of HB 2479 Maintain original position – support reintroduction and passage of HB 2479.

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**Option 2** - Redraft HB 2479 to allow LEOFF Plan 2 retiree to hold a LEOFF position without losing pension in defined circumstances:

- Require change of employer
- Limit to Chief positions
- Require 25 or more years of service credit
- Limit combined pension and salary to percentage of FAS
- Limit pension eligibility to 867 hours per year

**Option 3** - Take no further action

MOTION

It was moved to approve Option 1 and maintain original position. Motion seconded. The Board voted 6 yes, 4 no.  
The Board asked to move this issue to an offsite workshop for discussion with a representative from the Department of Retirement Systems available for any questions.

## 8. DISASTER RESPONSE COVERAGE

Ryan Frost, Research and Policy Manager, provided an overview on the topic of LEOFF Plan 2 members who are called up to federal service and the benefit information for first responders to natural disasters and wildfires. They have different, and often less, pension protections than federal military members who respond to these disasters. LEOFF Plan 2 members killed while providing military service to respond to natural disasters receive only non-duty death benefits, i.e. refund of contributions. Two options were presented to the board for consideration.

**Option 1** – Provide full death and disability benefits under LEOFF Plan 2 for members who are called up to military service to respond to natural disasters and wildfires.

**Option 2** – Take no further action.

MOTION

It was moved to approve Option 1 and have staff continue to research the issue, providing a follow up at a future board meeting. Motion seconded and carried unanimously.

## 9. RETIRE ANNUITY PURCHASE

Paul Neal, Senior Research and Policy Manager presented an overview of current state law which does not allow retirees to roll over tax deferred savings into LEOFF Plan 2 to purchase an annuity. Three options were presented to the board for consideration.

**Option 1** – Propose legislation allowing retirees a one-time window to roll over money from their deferred compensation account into the LEOFF Plan 2 annuity

**Option 2** – Include LEOFF plan 1 and Washington State patrol retirees in proposed legislation

**Option 3** – Take no further action

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Dick Warbrouck, President of the Retired Fire Fighters of Washington, asked to speak to the board regarding consideration of LEOFF 1 and 2 retirees to be included in legislation.

**MOTION** | A motion to pursue Option 2 was moved. It was then moved to pursue Option 1. Motion for Option 2 was withdrawn. Motion for Option 1 was seconded. Motion carried unanimously.

## 10. ALTERNATE REVENUE

Steve Nelsen, Executive Director provided an educational briefing and the legislative actions related to Alternate Revenue. The legislature did not appropriate the Alternate Revenue payment for 2015 as prescribed in statute. The biennial operating budget passed by the legislature for 2015-2017 included a provision to transfer \$15,776,000 from the LEOFF Plan 2 Trust Fund assets to the LEOFF Plan 2 Benefit Improvement Account.

## 11. BOARD & ADMINISTRATIVE COMMITTEE ELECTIONS

The LEOFF 2 Board elects the Chair, Vice-Chair, and Administrative Committee representatives every two years at the September meeting. Board Elections are effective immediately following this meeting.

**MOTION** | It was moved to conduct elections today. The motion was seconded and carried unanimously.

**MOTION** | It was nominated that Kelly Fox be named Chair. The motion was seconded and carried unanimously.

**MOTION** | It was nominated that Jason Granneman be Vice Chair. The motion was seconded and carried unanimously.

**MOTION** | It was nominated that David Cline be the Employer Representative for the Admin Committee. The motion was seconded and carried unanimously.

## 12. 2015 MEETING DATES

Steve Nelsen, Executive Director discussed the remaining board meeting dates for 2015 and scheduling conflicts that exist for the months of October, November and December.

**MOTION** | A motion was made for the cancellation of the October 28<sup>th</sup> date. Motion seconded and carried. The offsite meeting was changed to October 15<sup>th</sup> instead.

## 13. AGENDA ITEMS FOR FUTURE MEETINGS

Steve Nelsen, Executive Director addressed topics that will be discussed at the October meeting.

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## ADJOURNMENT

There being no further business, the meeting was adjourned at 1:44pm.

NEXT MEETING	The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for October 15 <sup>th</sup> , 2015 at the Middleton Auditorium located at 2421 Heritage Ct SW, Olympia, WA 98502.
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