

BOARD MEETING MINUTES

NOVEMBER 18, 2015 - FINAL



TRUSTEE AND STAFF ATTENDANCE

In Attendance	Mr. Kelly Fox, Chair – Olympia Fire District
In Attendance	Mr. Jason Granneman – Clark County Sheriff’s Office
In Attendance	Representative Jeff Holy – Spokane Police Department (Retired)
Absent	Representative Kevin Van De Wege – WA State Representative
Absent	Senator Judy Warnick – WA State Senator
Absent	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
Absent	Mr. David Cline – City of Tukwila
In Attendance	Mr. Michael White – Valley Regional Fire Authority
In Attendance	Steve Nelsen – Executive Director
Absent	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 Board conference room in Olympia, Washington on November 18, 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 as well as those suffering from the attacks in France.

1. APPROVAL OF MINUTES

MOTION | It was moved to approve the Board meeting minutes from September 23 and October 15, 2015. Motion seconded. The Board approved the minutes without objection.

2. 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.

Two options were presented to the Board for consideration.

BOARD MEETING MINUTES

NOVEMBER 18, 2015 - FINAL



Option 1 – Direct staff to present a Final Proposal.

- Provide the unreduced survivor annuity and ability to purchase up to 5 years of service credit to members who are called up to federal service to respond to natural disasters; and are disabled or killed during that service.

Option 2 – Take no further action.

Guest speaker Colonel Kevin McMahan, Director of Manpower and Personnel (J-1) for the Washington National Guard, presented to the Board giving an overview of the Washington National Guard. He reviewed the Federal and State Authority, the differences between the Army National Guard and the Army Reserve and Duty Status Entitlements.

MOTION | It was moved to adopt Option 1 and have staff present a Final Proposal at the December 16 board meeting. The motion was seconded and passed unanimously.

3. WASHINGTON STATE INVESTMENT BOARD ANNUAL UPDATE

Theresa Whitmarsh, Executive Director of the Washington State Investment Board, presented an annual update to the Board.

4. DEPARTMENT OF RETIREMENT SYSTEMS ANNUAL UPDATE

Marcie Frost, Executive Director at the Department of Retirement Systems (DRS) presented an annual update to the Board.

5. LEOFF PLAN 2 ACTUARIAL VALUATION RESULTS

Lisa Won, Deputy State Actuary at the Office of the State Actuary (OSA) presented results and highlights of the 2014 Actuarial Valuation to the Board. This is an off-cycle valuation, not used for contribution rate setting as the current rates are adopted through the 2015-2017 biennium. This presentation was informational only, with no action required by the Board.

Lisa Won reviewed changes in participant data from the last valuation specific to LEOFF 2 members. In the period of July 1, 2013 – June 30, 2014 there were 387 active members who retired. Their average age at time of retirement was 58. They had an average service time of 27 years, and average monthly benefit of \$4400.

A summary of the 2014 Actuarial Valuation included the following information:

- Calculated contribution rates below current adopted rates, both rates remain reasonable
- Current funded status exceeds 100 percent and is considered healthy. This actuarial valuation is a snap-shot in time.
- Actuarial Value of Assets now recognizing asset gains
- Accrued liability and funded status results now use Entry Age Normal actuarial cost method, same measure used for financial reporting

BOARD MEETING MINUTES

NOVEMBER 18, 2015 - FINAL



OSA has moved some elements from the actuarial valuation report to their website, providing interactive web reports. These provide the ability to use different inputs to see how the results change. Current reports include Funded Status and Future Value and Present Value of Benefit Payments. Reports for Contribution rates and Age/Service Distributions are currently in the queue.

6. REVISED ADMINISTRATIVE FACTORS

Lisa Won, Deputy State Actuary at the Office of the State Actuary (OSA) presented a background on administrative factors. The Board adopted administrative factors at the September 2015 meeting. OSA discovered corrections/improvements after these factors were adopted and recommends the following three revisions:

- 1) Correct the application of future mortality improvements. Prior factors presented in September incorrectly applied mortality improvements in the valuation model.
- 2) Use generational mortality improvements instead of estimating an equivalent static year.
- 3) Add return of contributions death benefit to “Monthly Benefit per \$1.00 of Accumulation Factors” (aka annuity purchase factors). If member purchases additional annuity at retirement and dies before receiving monthly benefits at least equal to the cost of the purchase, the excess is paid in a lump sum.

OSA recommends that the Board adopt the final revised administrative factors in the table below. The Department of Retirement System would then communicate the factor changes to members and implement new factors to be effective October 2016.

	Factors Adopted 9/2015	Revised Factors
Early Retirement Factor	0.512	0.506
Joint & Survivor Factor	0.872	0.855
Annuity Factor	0.0049520	0.0050474
Service Credit Restoration Factor 1	0.2630	0.2559
Service Credit Restoration Factor 2	0.2601	0.2530

MOTION | It was moved to suspend the normal operating procedure. Motion seconded and passed unanimously.

MOTION | It was moved to adopt the revised factors as recommended. Motion seconded and passed unanimously.

7. ADMINISTRATIVE UPDATE

Steve Nelsen, Executive Director provided his administrative update to the Board. This included a quarterly budget update, SCPP update, and outreach activities done by staff and the Director since the last board meeting.

The Board received the ‘Recognition Award for Funding 2015’ from the Public Pension Coordinating Council. A copy of the award will be given to the Office of the State Actuary for their contribution to the Board to achieve this.

BOARD MEETING MINUTES

NOVEMBER 18, 2015 - FINAL



8. RETIREE RETURN TO WORK – COMPREHENSIVE REPORT FOLLOW-UP

Paul Neal, Senior Research and Policy Manager, provided a comprehensive follow-up report on the issue of career change and its history in past interims.

Two options were provided to the Board.

Option 1 – Direct staff to present a Final Proposal. Reintroduction of House Bill 2479. Draft legislation with fiscal note.

Option 2 - Take no further action

MOTION | It was moved to approve Option 1 and have staff present a Final Proposal. Motion seconded and carried unanimously.

9. RETIRE ANNUITY PURCHASE

Paul Neal, Senior Research and Policy Manager presented a comprehensive follow-up report on the issue of the purchase of an annuity by retirees. Current state law does not allow retirees to roll over tax deferred savings into LEOFF Plan 2 to purchase an annuity. LEOFF Plan 1 and WSPRS retirees have asked to be included in future legislation.

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

MOTION | A motion to pursue Option 1 was moved. Motion was seconded and carried unanimously.

10. 2016 MEETING CALENDAR ADOPTION

Chair Fox spoke to the Board regarding the adoption of 2016 meeting dates. Staff was directed to send out an email asking board members for their preference regarding a specific day of the week to schedule future meetings. Calendar adoption will take place at the December meeting.

11. AGENDA ITEMS FOR FUTURE MEETINGS

Staff will present Final Proposals for the issues of Disaster Response Coverage, Retiree Return to Work and Retiree Annuity Purchase at the December meeting. 2016 Calendar Adoption will also take place in December.

BOARD MEETING MINUTES

NOVEMBER 18, 2015 - FINAL



ADJOURNMENT

There being no further business, the meeting was adjourned at 1:00pm.

NEXT MEETING | The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for December 16, 2015 at the Washington State Investment Board, 2100 Evergreen Park Drive SW Suite 100, Olympia, WA 98502.