



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING
July 22, 2009

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 22, 2009.

Board Members Present:

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

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:

Theresa Whitmarsh, Acting Executive Director – WSIB
Marcie Frost, Deputy Director – DRS
Lisa Won, Associate Pension Actuary – OSA
Chris Jaspersen, Associate Pension Actuary – OSA

Board Members Not Present:

Representative Geoff Simpson

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

1) **June 23, 2009 Board Meeting Minutes**

It was moved that the June 23, 2009 Board meeting minutes be adopted with a change to reflect Senator Parlette's attendance and resignation. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Washington State Investment Board Briefing –
Theresa Whitmarsh, Acting Executive Director**

Theresa Whitmarsh, Acting Executive Director with the Washington State Investment Board (WSIB) provided the members with an *overview of the WSIB* investment responsibility, total assets under management (\$61.3 billion), and commingled trust fund performance. Ms. Whitmarsh commented that one of the challenges is managing the investment return expectations and meeting the 8% assumed rate of return in a tough environment.

Ms. Whitmarsh stated that expenses of the fund are assets of the trust and should be carefully managed and measured by the trustees. WSIB regularly measures the fund's investment performance relative to a benchmark and also monitors the costs for agency programs.

3) **Department of Retirement Systems Briefing –
Marcie Frost, Deputy Director**

Marcie Frost, Deputy Director of the Washington State Department of Retirement Systems (DRS) presented a *briefing of the department*. Ms. Frost reviewed the DRS Background, customer service standards, and particular enhancements that are underway for members.

Ms. Frost explained the recent collaboration between DRS and the Health Care Authority. She commented that it will provide shared demographic information, joint counseling for members, and a streamlining of the death notification process.

Ms. Frost provided a summary of the LEOFF Plan 2 Members Defined Benefit Access. The LEOFF Plan 2 members have registered more than any other plan at 58% of their membership.

4) **Actuarial Factors: Actuarial Policy Issues –
Lisa Won, Associate Pension Actuary**

Lisa Won, Associate Pension Actuary provided the *Actuarial Policy Issues* to the Board. Ms. Won explained that Administrative Factors adjust pensions for optional payment forms. She included information on the following four factors that the LEOFF Board must update: Early Retirement Factors, Joint and Survivor Option Factors, Monthly Benefit per Dollar of Accumulation, and Service Credit Purchase Factors.

It was moved that the Office of the State Actuary present cost information at a future meeting. The Board will bring this topic back for a Final Report. Seconded.

MOTION CARRIED UNANIMOUSLY

5) Economic Assumption Preview –

Chris Jasperson, Associate Pension Actuary

Chris Jasperson, Associate Pension Actuary presented an *Economic Assumption Preview*. Mr. Jasperson explained that the Experience Study is a review of current long term economic assumptions and how they compare with actual experience. He provided insight as to what information is used in the study such as; rate of inflation, rate of salary growth, and growth in membership.

OSA will provide the recommended economic assumptions by September 1, 2009 and the LEOFF 2 Board may adopt changes at any time. Typically the LEOFF Board will coordinate efforts with the Pension Funding Council.

6) Administrative Update

Rulemaking

Director Nelsen briefed the Board on the current Catastrophic Disability rule-making taking place at the Department of Retirement Systems.

Newsletter Update

The next edition of Dual Response has been completed with a delivery date at the end of August.

Annual Audit

Director Nelsen stated that we have been in contact with our internal auditor, Steve Davis. Mr. Davis will be beginning the audit at the end of September and have the results ready for the Board at the October meeting.

Budget

In regard to the budget, Director Nelsen noted that the LEOFF 2 staff have been implementing budget saving measures that were directed by the governor.

7) Survivor Reduction Factors – Preliminary Follow-Up, Greg Deam

Greg Deam, Senior Research and Policy Manager presented a Preliminary Follow-Up Report on *Survivor Reduction Factors*. Mr. Deam explained the current practice of using joint and survivor factors to calculate a survivor retirement and the consequences of a greater reduction for the surviving spouse. He provided the following three policy options to the Board: create a new table of actuarial factors, eliminate the survivor reduction factor prospectively, and eliminate the survivor reduction factor retrospectively.

8) Survivor Reduction Factors: Actuarial Policy Issues – Chris Jasperson, Associate Pension Actuary

Chris Jasperson, Associate Pension Actuary presented Actuarial Policy issues related to *Survivor Reduction Factors*. Mr. Jasperson briefed the Board on pre-retirement survivor benefits and provided examples for pre and post-retirement. He reviewed the preliminary rate increases and discussed pricing.

It was moved to defer the topic of Survivor Benefits to a later date. Seconded.

MOTION CARRIED UNANIMOUSLY

9) Supplemental Rate Adoption – Final Proposal, Greg Deam

Greg Deam, Senior Research and Policy Manager provided a Final Proposal for the Supplemental Rate Adoption. Mr. Deam explained that the Board must decide whether it is necessary to increase contribution rates due to the passage of HB 1953 (Fish and Wildlife Enforcement Officer's opportunity to transfer service credits into LEOFF Plan 2). He provided a review of the fiscal notes and an Actuarial Review from Oliver Consulting.

It was moved to adopt the proposed rates at the following: Employee-0.01%, Employer-0.01%, and State-0.0%. Seconded.

MOTION CARRIED UNANIMOUSLY

10) Shared Leave – Initial Consideration, Greg Deam

Greg Deam, Senior Research and Policy Manager presented an Initial Consideration on the topic of *Shared Leave*. Mr. Deam explained that shared leave is one or more employees donating their accumulated leave for the benefit of another employee. He also reviewed who and what is covered in the leave-sharing program. Mr. Deam noted that there is disparity between LEOFF employers and members regarding the pension treatment of shared leave.

The Board asked for an update at the next meeting regarding coordination efforts with the SCPP.

11) Agenda Items for Next Meeting

Mr. Nelsen mentioned that the Administrative Committee talked about canceling the August meeting. The October meeting date will also be changed due to schedule conflicts.

It was moved that the August 26, 2009 meeting of the LEOFF Plan 2 Retirement Board be cancelled. Seconded.

MOTION CARRIED UNANIMOUSLY

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 23, 2009 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 2:41 p.m.