



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 18, 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 November 18, 2009.

Board Members Present:

Kelly Fox, Chair
Greg Cuoio
Darla Hartley
Pat Hepler
Jeff Holy
Mark Johnston
Glenn Olson
Ryan Martin
Representative Geoff Simpson

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Yashonda Wilson, Office Assistant

Members Not Present

Jack Simington, Vice Chair

Guests:

Steve Davis, Davis Accounting and Auditing
Linda Carpenter, Office of the State Auditor
Steve Ryser, Office of the State Auditor
Lisa Won, Office of the State Actuary

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:42 a.m. The members took a moment of silence to honor those who had fallen since the last time the Board met, specifically Timothy Brenton, a Seattle police officer.

1) **October 21, 2009 Board Meeting Minutes**

It was moved that the October 21, 2009 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Independent Financial Audit Results, Steve Davis – Davis Accounting & Auditing**

Steve Davis, CPA with Davis Accounting & Auditing provided the *Independent Financial Audit Results* for the year ended June 30, 2009. Mr. Davis examined and assessed the LEOFF Plan 2 Board's Schedule of Expenditures using the auditing standards accepted in the United States of America.

The audit presented fairly in all material respects. Mr. Davis noted that the Board had a 10% variance of savings in the amount of \$226,945.

3) **Office of the State Auditor Accountability Audit results, Linda Carpenter – Assistant State Auditor**

Linda Carpenter and Steve Ryser, Assistant State Auditor's presented the *Washington State Auditor's Office Accountability Audit Report*. The audit concluded that the LEOFF Plan 2 Retirement Board's internal controls were adequate to safeguard public assets. The Board has also complied with state laws and regulations and our own policies and procedures in the areas of disbursements and payroll that were examined.

Ms. Carpenter had a few administrative recommendations that have already been implemented by the LEOFF Board staff.

4) **2008 Actuarial Valuation Report Results, Lisa Won – Associate Pension Actuary**

Lisa Won, Associate Pension Actuary presented the *LEOFF Plan 2 2008 Actuarial Valuation*. Ms. Won noted that there was a -1.2 percent return on market value of assets, and an 11.0 percent return on the actuarial value of assets. The funded status increased from 129 percent to 133 percent.

Ms. Won provided data related to new participants. She then spoke concerning changes in liabilities from the last valuation. Asset values and changes in assets were also discussed. Ms. Won provided a graph revealing the historical funded status.

5) **Catastrophic Disability Medical Insurance, Tim Valencia – Senior Research and Policy Manager**

Tim Valencia, Senior Research and Policy Manager provided a Preliminary Follow-Up Report on *Catastrophic Disability Medical Insurance*. The report included background information from previous reports and provided the following two options:

1. Reimburse catastrophic disability retiree medical insurance premiums for:
 - o Employer provided medical insurance
 - o COBRA and extended COBRA
2. Reimburse catastrophic disability retiree medical insurance premiums for:
 - o Employer provided medical insurance
 - o COBRA and extended COBRA
 - o Medicare Parts A & B

The Board did not take action at this time.

6) **Administrative Update**

- **Select Committee on Pension Policy (SCPP) Update**

Director Nelsen provided the latest information from the last SCPP meeting. The SCPP will be considering the \$150,000 Death Benefit issue for their December agenda. There was no action taken on other LEOFF 2 items. The SCPP has established a sub-committee for Risk Assessment. Mr. Nelsen noted that he will be attending those meetings and providing feedback to the members.
- **Pension Funding Council (PFC) Briefing**

The PFC met and discussed long term economic assumptions. No action was taken. The existing assumptions will remain in effect.
- **Department of Retirement Systems (DRS)**

DRS has been implementing several policy initiatives. The Fish and Wildlife Enforcement Officers eligible to buy back service credit into LEOFF Plan 2 were sent informational packets by DRS. A total of 86 packets were sent. 41 members requested an estimate to be created, 8 have been partially paid, and 24 have been paid in full.
- **Interruptive Military Service Credit**

Mr. Nelsen noted that 102 LEOFF Plan 2 members will receive letters in November from the Department of Retirement Systems acknowledging that they may be receiving service credits for time served in the military or a reimbursement for funds that were paid to purchase interruptive military service credit prior to the passage of the bill.

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- 7) **Member Contributions to Benefit Improvement Account, Initial Consideration**
Greg Deam – Senior Research and Policy Manager
Greg Deam, Senior research and Policy Manager presented an Initial Consideration to the Board on *Member Contributions to a Benefit Improvement Account*. Mr. Deam provided a background on the current contribution process, an overview of the alternate revenue bill, and the authority the Board would need to levy contribution rates.

The Board did not take action at this time.

- 8) **Service Credit for Shared Leave, Preliminary Follow-Up Report**
Greg Deam – Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager provided a Preliminary Follow-Up Report on *Service Credit for Shared Leave*. The report included the disparity between LEOFF members and employers regarding the pension treatment of shared leave. Mr. Deam reviewed who and what is covered and how shared leave is currently treated in state and local government. At a prior meeting, the Board chose the option that “Shared Leave” as it is defined by local bargaining agreement would be considered earnable compensation like the state program. Mr. Deam reported that there would be no supplemental rate.

The Board moved Service Credit for Shared Leave to the Final Proposal stage to be brought back to the December meeting with bill language. Seconded.

MOTION CARRIED UNANIMOUSLY

- 9) **L & I Remarriage Prohibition, Preliminary Follow-Up Report**
Tim Valencia – Senior Research and Policy Manager
Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up Report on *L& I Remarriage Prohibition*. Mr. Valencia provided a background of the surviving spouses who are receiving Workers’ Compensation Death Benefits until after they remarry. He reviewed how the survivors are penalized for remarriage and how it affects more than just LEOFF Plan 2.

Mr. Valencia covered the legislation that was introduced to the legislature during the 2007-08 Legislative Session, and provided a possible option for legislation during the 2009 Legislative Session.

The Board agreed to support Representative Kirby’s L&I Remarriage Prohibition legislation during the 2009 Session.

- 10) **Executive Director Evaluation**
The Executive Director’s evaluation has been postponed until the December 16 meeting.

11) Adopt 2010 Meeting Schedule

The members were provided a calendar of proposed 2010 meeting dates.

It was moved that the Proposed 2010 Calendar be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

12) Agenda Items for Next Meeting

Topics and Final Proposals for the December meeting were discussed. A member requested an informational briefing on Medicare. This briefing will take place in December.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for December 16, 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 1:11 p.m.