



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING

April 26, 2006

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 April 26, 2006.

Board Members Present:

Jack Simington, Vice Chair
Greg Cuoio
Michael Edwards
Pat Hepler
Jeff Holy
Mark Johnston
Maureen Morris
Clinton Olson
Senator Linda Evans Parlette
Representative Geoff Simpson

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Tim Valencia, Senior Research Policy Manager
Greg Deam, Senior Research and Policy Manager
Linda Sullivan-Colglazier, Assistant Attorney General

Board Members Not Present:

Kelly Fox, Chair

Jack Simington, Vice Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:33 a.m.

Vice Chair Simington introduced Greg Cuoio and Clint Olson as the newest members to join the LEOFF Plan 2 Retirement Board.

1) **March 29, 2006 Board Meeting Minutes**

It was moved that the March 29, 2006 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Temporary Duty Disability – Tim Valencia, Preliminary Report**

Tim Valencia, Senior Research and Policy Manager presented the Board with a preliminary report on the topic of *Temporary Duty Disability* which was last presented to the Board in November 2005. The report included an overview of the current LEOFF Plan 2 provisions, recent changes in PERS policy, a policy proposal similar to the PERS policy, and potential joint legislation coordination with the Select Committee on Pension Policy (SCPP).

Staff will research cost alternatives and bring back a Preliminary Follow-Up Report to a future board meeting.

3) **Dual Membership – Greg Deam, Preliminary Report**

Greg Deam, Senior Research and Policy Manager presented a Preliminary Report and presentation on the issue of *Dual Membership* which was initially presented to the Board in August 2005. Mr. Deam reviewed the definition of Dual Membership, key areas for actions such as; base salary, thirty-year cap, and the inflation factor for twenty years of service. In addition, the Office of the State Actuary provided a memo which contained the most recent data on LEOFF 2 members with active service in other retirement plans. The LEOFF Plan 2 Retirement Board and the SCPP will be working cooperatively on this issue during the 2006 interim.

In Summary, Mr. Deam explained possible legislative changes to include:

- Overtime included in “base salary”
- Remove thirty-year cap limitation
- Include all service to qualify for inflation factor for twenty years of service

Staff will research and bring back a Preliminary Follow-Up Report on the topic of Dual Membership to a future board meeting.

4) **Board Membership – Tim Valencia, Preliminary Report**

Tim Valencia, Senior Research and Policy Manager provided a Preliminary Report on *Board Membership* which was last presented to the Board in December 2005. The presentation included an overview of the Board member term expiration patterns as well as the members impacted. Mr. Valencia noted that several terms will expire in June 2007 and again in July 2009. The issue of replacing two active member representatives with two retiree representatives was also discussed. He then provided five different options for the Board to explore.

It was moved that options 2, 3, 4, and 5 be moved forward to the Final Proposal stage and be brought back to the May 24, 2006 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

5) Administrative Update

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director reported that the SCPP did not have their monthly meeting this month. He will report a formal work plan to the Board at the May 24, 2006 meeting.

Summer 2006 Edition of Dual Response

Mr. Nelsen provided a handout which included possible topics for the next edition of the newsletter.

Supplemental Contribution Rates

A memo was provided by the Office of the State Actuary (OSA) indicating the recommended *LEOFF Plan 2 Supplemental Rate increases*. Proposed rate increases are as follows:

| | MEMBER | EMPLOYER | STATE |
|-----------------|---------------|-----------------|--------------|
| HB 2932 | 0.02% | 0.01% | 0.01% |
| SHB 2933 | 0.01% | 0.01% | 0.00% |
| SB 6723 | 0.03% | 0.02% | 0.01% |
| TOTAL | 0.06% | 0.04% | 0.02% |

The Supplemental Rate Adoption will take place at the May 24, 2006 meeting.

**6) \$150,000 Death Benefit Inflation Adjustment –
Greg Deam, Initial Consideration**

Greg Deam, Senior Research and Policy Manager presented the Board with an Initial consideration on the topic of *\$150,000 Death Benefit Inflation Adjustment*. Mr. Deam explained the current situation of beneficiaries of members who die in the line of duty as a result of an injury or occupational illness and the \$150,000 lump sum entitlement. He also provided background information and policy issues related to the amendments of the \$150,000 Death Benefit. The LEOFF Plan 2 Retirement Board and the SCPP will be working cooperatively on this issue during the 2006 interim.

Staff will work with OSA on costs associated with this topic and bring back a Preliminary Report to a future Board meeting.

7) **LEOFF 2 Annual Statements – Shawn Merchant**

Shawn Merchant, Deputy Director provided the Board with an overview of the progress that has taken place with the *LEOFF Plan 2 Annual Statement Improvement*. Mr. Merchant explained three different cost options with *analysis and assumptions* to the Board that were provided by the Department of Retirement Systems (DRS).

The Board moved that staff continue to work with DRS to identify potential improvements for the 2007 annual statements and keep the Board apprised of new developments. Seconded.

MOTION CARRIED UNANIMOUSLY

8) **Strategic Planning Coordination – Steve Nelsen**

Steve Nelsen presented the Board with a handout that provided additional dates for the 2006 Strategic Planning Coordination.

The 2006 Strategic Planning Session will be held on June 21, 2006 following the regular Board meeting.

9) **Agenda Items for Next Meeting**

Mr. Nelsen reviewed the Agenda Items Calendar for the upcoming meeting with the Board. The Board requested that the topic of Deferred Compensation be added to the May 24, 2006 Board meeting agenda.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for May 24, 2006 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 1:27 p.m.