

BOARD MEETING MINUTES

MAY 27, 2015 – FINAL



TRUSTEE AND STAFF ATTENDANCE

In Attendance	Mr. Kelly Fox, Chair – Olympia Fire District
In Attendance	Mr. Jack Simington, Vice Chair – Kennewick Police Department
Absent	Representative Jeff Holy – Spokane Police Department (Retired)
In Attendance	Mr. Wally Loucks – Spokane County Sheriff’s Office
Teleconference	Mr. Mark Johnston – Vancouver Fire Department
In Attendance	Mr. Pat Hepler – Snohomish County Fire District 1
In Attendance	Mr. Paul Golnik – WA Fire Commissioners Association
Absent	Mr. David Cline – City of Tukwila
Absent	Representative Kevin Van De Wege – WA State Representative
In Attendance	Steve Nelsen – Executive Director
In Attendance	Tim Valencia – Deputy Director
In Attendance	Jessie Jackson – Executive Assistant
In Attendance	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 Analyst
In Attendance	Tsering Cornell – Assistant Attorney General

CALL TO ORDER

The LEOFF Plan 2 Retirement Board met in the Washington State Investment conference room in Olympia, Washington on May 27, 2015. A quorum of the members was present at this meeting.

OPENING

Chair Kelly Fox called the meeting to order at 9:32AM 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 MEETING MINUTES

Chair Fox reviewed the meeting minutes for the months of January, February, March and April of 2015.

MINUTES APPROVED

It was moved to approve the January Board meeting minutes from January 28, 2015. The motion was seconded. The Board approved the minutes without objection.

It was moved to approve the February Board meeting minutes from February 25, 2015. The motion was seconded. The Board approved the minutes without objection.

It was moved to approve the March Board meeting minutes from March 25, 2015. The motion was seconded. The Board approved the minutes without objection.

It was moved to approve the April Board meeting minutes from April 22, 2015. The motion was seconded. The Board approved the minutes without objection.

BOARD MEETING MINUTES

MAY 27, 2015 – FINAL



2. INTERIM PLANNING

Research Analyst, Ryan Frost, presented the 2015 Interim Planning items to the board. Topics for the interim include Benefit issues, Actuarial issues and Organizational/Administrative items. The following issues will have presentations scheduled for initial consideration during the interim.

BENEFITS ISSUES:

1. Social Security Bridge

- i. The Social Security Bridge option would allow retirees to take an increased retirement benefit from the LEOFF 2 Trust until the member reaches the Social Security Full Retirement Age.

2. Retiree Annuity Purchase

- i. Allowing retired members of LEOFF 2 a one-time option to purchase an annuity out of the LEOFF Plan 2 fund.

3. Individual Healthcare Savings Accounts (SB 6071)

- i. Requires employers to set up tax appropriate flexible spending accounts or voluntary employee benefit accounts that allow employees to contribute and accrue savings for retiree medical premiums.

4. Pension Garnishment (SB 6076)

- i. For felonies committed after July 1, 2015, if the felony was the result of misconduct associated with the person's service as a public employee, up to 50 percent of the monthly retirement benefit can be garnished for the costs of incarceration, probation, parole, or restitution resulting from the crime.

5. Pension Forfeiture (SB 6077/2015)

- i. If a felony crime is committed in the course of public employment by a public official or employee after the effective date of the act, the person's membership in a state retirement plan is terminated and any retirement benefit is forfeited.

6. Increasing Retirement Age (SB 5982)

- i. The normal retirement ages for PERS 2 & 3, TRS 2 & 3, SERS 2 & 3, PSERS 2, LEOFF 2, and WSPRS members are each increased by two years for persons who first become members of the retirement plan on or after July 1, 2015.

7. Military Reserve/National Guard Response to Disasters

- i. Members who are called up in either the Reserves or National Guard to respond to natural disasters, such as the Oso mudslide or the Chelan wild fires, are not eligible for the same death and disability benefits as National Guardsman or Reservists who are called up for military service in a time of war.

8. Career Extension (Tabled in 2014)

- i. The Board proposed curtailing the ability of a LEOFF Plan 2 retiree to draw a pension and work in a historically LEOFF position.
- ii. The Board's proposal was introduced in 2014 as HB 2479.
- iii. The Legislative debate revealed tension between the Board's original policy goal and the goal of allowing smaller jurisdictions to compete for law enforcement officers and fire fighters they would not otherwise be able to afford.

ACTUARIAL ISSUES:

1. Experience Study Timing

- i. Every 6 years, the demographic experience study and economic experience study are presented during the same interim. This presentation from OSA will look at moving the demographic experience to an off year cycle so that the two studies no longer overlap.

BOARD MEETING MINUTES

MAY 27, 2015 – FINAL



2. MP 2014 Mortality/Life Expectancy

- i. A presentation from OSA on the new mortality tables, and what this could mean for future contribution rates.

3. Funding Ratio Corridor/Funding Method Options

4. Economic Experience Study

ORGANIZATIONAL/ADMINISTRATIVE:

1. Board Officer Elections
2. Board Expectation Review
3. 2015 Off-site Work Session
4. DRS/CEM Benchmarking
5. DRS Administrative Update
6. WSIB Update
7. Annual Attorney General training

Director Nelsen further reviewed the administrative items due this interim.

1. Board Officer Elections - Nominations in July, election in August or September
2. Board Expectation Review – Director Nelsen to meet with board members to review expectations of staff
3. 2015 Off-site Work Session - October
4. Annual Attorney General training – May take place at June meeting

The board will have several new members joining. Councilmember Upthegrove has been appointed to the board in the vacant employer spot. The Senate spot has also been filled. There will be three Trustee spots that are ending in June, as the new term begins in July. Information has been sent out if these trustees would like to reapply.

Staff will move forward with placing these issues on our agenda items calendar for initial review presentations.

3. SUPPLEMENTAL RATE ADOPTION

Director Nelsen introduced the topic of Supplemental 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 Officers' and Fire Fighters' Retirement System (LEOFF) and Washington State Patrol Retirement System (WSPRS) monthly survivor benefits regardless of remarriage. Research Analyst, Ryan Frost presented an overview of the issue with three options the board may choose for the 15-17 biennium.

Option 1: Adopt no supplemental rate

Under this option, the Board would recommend no increase in contribution rates. This would leave rates at:

Member	8.41%
Employer	5.05%
State	3.36%

BOARD MEETING MINUTES

MAY 27, 2015 – FINAL



Option 2: Adopt OSA’s recommended supplemental rates

Under this option, the Board would recommend to adopt an increase in contribution rates of 0.07% for members, 0.04% for employers, and 0.03% for the state. This would increase rates to:

Member	8.48%
Employer	5.09%
State	3.39%

Option 3: Adopt the full normal cost

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

Member	8.92%
Employer	5.35%
State	3.57%

Last year the board decided to leave the contribution rates at their current levels for the upcoming biennium. With the addition of this new bill, there is potentially a larger gap between actual rates and what the normal cost of the plan is projected to be.

MOTION

It was moved that these three options be moved forward to the June meeting for further discussion. The motion was seconded and carried unanimously.

4. 2015 LEGISLATIVE REVIEW

Senior Research and Policy Manager, Paul Neal, presented a review of the 2015 legislative session thus far. A final budget has not yet passed at this time. The Governor, House and Senate each have proposed budgets.

PLAN FUNDING

Contribution Rates – Board’s Rates Fully Funded In All Three Proposed Budgets

The LEOFF Plan 2 Board voted to maintain the existing contribution rates, 8.41% members, 5.05% employer, and 3.36% state, through the 2015-2017 biennium. Although the Legislature has not yet passed a budget, the Board’s rates were included in each of the budgets proposed by the Governor, House, and Senate.

Benefit Improvement Account – Not Fully Funded

The 2008 Legislature promised to provide additional revenue for LEOFF Plan 2 benefit improvements and local government public safety purposes when the State economy grew by more than 5% from one fiscal biennium to the next.

The 5% revenue growth trigger was not met in 2011. The trigger was met for 2013, however, the Legislature declined to pay it, instead striking the \$10 million payment from the statute. The statutory trigger was met again for 2015.

- Governor Inslee's proposed budget appropriates \$10 million to cover the 2013 amount, but does not include the \$20 million disbursement required for 2015.
- The House's proposed budget does not fund the payment, instead amending the statute to strike the language requiring payment in 2015.

BOARD MEETING MINUTES

MAY 27, 2015 – FINAL



- The Senate's proposed budget makes the same change as the House, but then goes on to strike further statutory payments until 2019.

**LEGISLATION
PASSED
AFFECTING LEOFF
PLAN 2**

L&I Remarriage Penalty for Surviving Spouses Rescinded – HB 1194

Surviving spouses of LEOFF Plan 2 members killed in the line of duty receive a monthly benefit from Labor and Industries (L&I). Under prior law, this benefit ended upon remarriage.

HB 1194 requires LEOFF Plan 2 to assume the L&I survivor benefit if the surviving spouse of a LEOFF 2 member remarries. LEOFF Plan 2 will also pay a benefit to surviving spouses whose benefits were previously suspended due to remarriage. The bill extends the same benefit to survivors of WSPRS members killed in the line of duty.

**LEGISLATION NOT
PASSED THAT
WOULD HAVE
AFFECTED LEOFF
PLAN 2 MEMBERS**

Garnishing Public Pensions to Pay for Public Employee Incarceration – SB 6076

Public employee pensions are exempt from garnishment except in statutorily specified situations, such as a property division order related to divorce. SB 6076 proposed authorizing garnishment of public pensions to pay for the cost of incarcerating public employees serving time for a felony connected to the person's public service. Heard in the Senate, not passed out of committee.

Forfeiture of Public Pensions for Felons – SB 6077

Public employee pensions are protected from forfeiture unless the retiree is receiving a disability pension and was injured in the commission of a felony. SB 6077 proposed authorizing forfeiture of public pension if the person were convicted of a felony connected to the person's public service. Heard in the Senate, not passed out of committee.

Increasing Retirement Age – SB 5982

Proposed increasing retirement age in Washington's public retirement plans, including raising normal retirement age in LEOFF Plan 2 from 53 to 55 for new hires. Heard in Senate, not passed out of committee.

Health Care Benefit Accounts – SB 6071

Proposed authorizing tax qualified benefit accounts that LEOFF Plan 2 members could contribute to prior to retirement to pre-fund medical expenses. Introduced in Senate, not heard.

Requiring Local Governments to Offer State Deferred Compensation Program – SB 5434

Proposed requiring all DRS covered employers to offer the State Deferred Compensation Program (DCP). Also included automatic enrollment in DCP with voluntary opt out. Passed Senate Ways and Means, died in rules.

**LEGISLATION
PASSED
AFFECTING OTHER
PLANS**

PEBB Technical Corrections Bill – SB 5466 (Endorsed by LEOFF Plan 2 Board)

The Health Care Authority has repeatedly requested the Legislature to pass their clean-up bill. This year, with the Board's endorsement and assistance, they met their goal.

The bill's provisions include:

BOARD MEETING MINUTES

MAY 27, 2015 – FINAL



- Clean-up of Domestic Partner Eligibility: Two bills enacted in 2009 addressed the benefit rights of domestic partners of emergency service personnel killed in the line of duty. Both bills amended 41.05.080 in different ways. SB 5466 reconciles those amendments.
- Alignment of child dependent coverage with the Patient Protection and Affordable Care Act (PPACA) by allowing coverage of children and dependents up to age 26.

Retiree Return to Work – SCPP request (HB 1168)

Corrects drafting error in 2011 return to work bill. Allows all PERS retirees to work 867 hours in eligible position without reducing pension.

WSPRS Annuity Purchase – SCPP request (SB 5210)

The 2014 Legislature passed the LEOFF Plan 2 Board’s request bill authorizing members to purchase an annuity from the LEOFF Plan 2 trust fund at the time of retirement. SB 5210 extends that same ability to members of Washington State Patrol Retirement System.

Director Nelsen spoke in regards to testifying at the hearings for SB 6076 and SB 6077.

5. ADMINISTRATIVE UPDATE

Director Nelsen gave a summary of outreach activities that staff attended and provided outreach at since the previous board meeting. An update of administrative items was also provided.

OUTREACH ACTIVITIES

Staff members attended the WSCFF Educational Conference on April 20th-23rd. Director Nelsen was part of a panel presentation on the roles and responsibilities of the Ombudsman position. Staff provided an outreach table at the conference where they answered questions and provided informational handouts to attendees.

Staff provided an outreach table at the WASPC Spring Expo May 19-20th in Spokane.

Upcoming events staff will attend include:

WACOPS Spring Membership meeting will be on July 10th. Director Nelsen to be on panel with DRS about retirement readiness.

Association of Washington Cities will have their Annual Conference June 23rd-25th. Staff has been asked to provide materials (handouts and brochures) for members that will attend.

WSCFF will have their Annual Conference at the end of June/July. Staff will attend and provide an outreach table there.

ADMINISTRATIVE ITEMS

The Dual Response newsletter will be going out in mid-July. This newsletter will announce the board action of last year regarding the NCPERS Life Insurance policy and will kick off the open enrollment period of August/September.

Staff will be looking into and clarifying whether rulemaking or potential legislation may be necessary in regards to confidentiality of information that members provide and share with the Ombudsman when discussing their claim or asking for assistance.

BOARD MEETING MINUTES

MAY 27, 2015 – FINAL



Staff will be reaching out to board members to set up expectation interviews. Staff would also like to reach out to long term board members for possible video interviews to be posted to the LEOFF website. More information to follow.

6. AGENDA ITEMS FOR FUTURE MEETINGS

Director Nelsen reviewed upcoming items for the June 24th meeting agenda.

The following items are currently scheduled for June:
Auditing actuaries report of the fiscal note for SHB 1194
Full presentation on the Supplemental Rate Adoption

Other items tentatively scheduled for June:
End of the legislative session recap
Contingency planning if budget is not reached

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:20AM.

NEXT MEETING

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for June 24th, 2015 at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W. Olympia, WA 98502.