



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING

June 15, 2011

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 June 15, 2011.

Board Members Present:

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

Staff Present:

Steve Nelsen, Executive Director
Courtney Dutra, Deputy Director
Jessica Burkhart, Executive Assistant
Greg Deam, Senior Research and Policy Manager
Tammy Harman, Administrative Services and Communications Manager
Chad Standifer, Assistant Attorney General

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:40 a.m.

1) December 15, 2010 Board Meeting Minutes

It was moved that the December 15, 2010 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

WSPRS Governance, Davor Gjurasic

Mr. Gjurasic stated that although WSPRS did not have a specific plan for how they'd like to involve the LEOFF Plan 2 Retirement Board, they are still interested in pursuing the possibility of governance and would like to continue the conversation started last fall.

2) Supplemental Rate, OSA**Matthew Smith, State Actuary**

Director Nelsen summarized that after the recent study, OSA recommended a .02% increase for Members and .01% increase for both Employers and State. No Board action is required today, however this item will be on the agenda for July's meeting in order to be established September 1, 2011 if necessary.

Matt Smith, State Actuary provided a brief explanation of how and why the supplemental rates were being proposed. Mr. Smith explained that they determined 221 LEOFF members would be impacted by the passing of legislation that reduced State employee salaries as of July 1, 2011.

In anticipation of a statewide funding policy being established, they then looked at all systems and how salary reductions would be impacted. However, due to the decision being made late in session, they had little time to review how local government would play into this. In addition, very little data, if any, exists on specific impacts of fire fighters and law enforcement at the local level. This would increase confidence of the proposal. Suggestions on how to poll employers was explored.

3) Legislative Update**LEOFF 1/LEOFF 2 Fund Merger****Greg Deam, Senior Research and Policy Manager**

Greg Deam presented the 2011 legislative proposal for merging the LEOFF 1/LEOFF 2 retirement plans. His summary of the merger proposal explained that the plans would be financially combined, while benefits of each plan would remain unchanged. The merger would reduce the LEOFF Plan 2 state contribution rate for the 2011-13 biennium to 2.96%, leaving the member and employer rates unchanged. LEOFF Plan 1 rates for all parties would remain at 0.00%. Expenses, including legal would be at the discretion of the LEOFF Board and paid out of the combined fund. Governance of LEOFF 1 would be moved to the LEOFF Board, including adopting all actuarial assumptions and future rate settings. Adoptions by the combined Board would not be subject to legislative revision. This Bill did not pass during the 2011 Legislative session.

Chair Fox invited Members of LEOFF Plan 1 to testify. Dick Warbrouck, Jim Fossos, Jerry Taylor, and Lee Rovel all testified concerning HB 2097.

Contribution Rates

Greg Deam, Senior Research and Policy Manager

Greg Deam pointed out that contribution rates were set and adopted through June 30, 2017 during the 2010 Legislative Session. However, projections indicated that it would take the state six additional years to recover from the historic investment losses, pressure was put on legislators to underfund LEOFF Plan 2 and other pension plans as a way of reducing expenditures. The proposal was not passed.

Alternate Revenue/Benefit Improvement Account

Greg Deam, Senior Research and Policy Manager

Mr. Deam provided historical information regarding the Local Public Safety Enhancement Account (LPSEA) created in 2008 through legislation. He further reviewed the 2011 proposal to waive the first payment due September 30, 2011 if the trigger was met. The proposal was not passed.

Mr. Nelsen explained that for calculation of the trigger the deadline is June 30, 2011. Staff will make an inquiry into how calculations are made and what the trigger status is.

Remarriage Prohibition

Greg Deam, Senior Research and Policy Manager

Mr. Deam summarized the 2011 proposal to allow surviving spouses of LEOFF Plan 2 or WSPRS members killed in the course of employment may remarry and continue receiving workers' compensation survivor benefits. In addition, those spouses already suspended due to remarriage would have their benefits resumed. The proposal was not passed.

Duty-Related Heart and Stroke Presumption

Greg Deam, Senior Research and Policy Manager

Mr. Deam explained that this proposal would add strokes to the diseases that are presumptive occupations for fire fighters. In addition, it would create a presumption that death from certain heart problems or strokes is an occupational injury for law enforcement officers. The proposal was not passed.

However, another proposal was passed regarding workers compensation. In the proposal, an occupational illness study was called for. Therefore, L&I will be looking at all illness and disease claims over the next year, including those presumptive illnesses and diseases now used for fire fighters. The idea behind the study is to provide information to determine if further legislation is required for the 2013 session.

Salary Reduction

Greg Deam, Senior Research and Policy Manager

Mr. Deam explained that this bill allows members to include certain compensation reductions in their final average salary (FAS) if the reductions were an integral part of expenditure reduction efforts. The proposal passed.

4) Interim Planning

Greg Deam, Senior Research and Policy Manager

Legislative Impacts to the Board

- **Labor and Industries (L&I) Occupational Disease Study**

Mr. Deam discussed legislation that was put forth requiring L&I to conduct a study on impacts of claims that will include presumptive illnesses and diseases. Mr. Nelsen explained that L&I asked the Board and/or its staff be involved in the process somehow, but it is unclear to what capacity at this time.

- **LEOFF 1 / LEOFF 2 Merger Study**

Mr. Deam provided information on interim planning regarding the merger including a study that will be conducted by the Office of the State Actuary (OSA), assisted by the Department of Retirement Systems, input from LEOFF Plan 2 Board members and LEOFF 1 stakeholders. The study will be due to the Legislature by December 15, 2011.

A full hearing of this topic will take place at the July 27, 2011 meeting so that information can be provided to OSA as soon as possible in order to be included in the study.

Actuarial Topics for the Board

- **LEOFF 1 / LEOFF 2 Merger** (discussed under Item 1, Legislative Updates)

- **Supplemental Contribution Rates**

Mr. Deam stated a rate change would take place on September 1 and a 30-day notice to employers is required, therefore action in at the July meeting is necessary.

OSA will be providing the Long Term Economic Assumptions report in September as well as the Actuarial Valuation Report.

- **Risk Assessment**
- **Rate Setting Education**
- **Fiscal Note Education**
- **Smoothing Method Education**

Topics Deferred from 2010 Interim

- **WSPRS Governance** (discussed earlier)
- **Member Contributions to the Benefit Improvement Account**
- **Ombudsman**
- **Negative COLA**
- **Deferred Compensation as Salary**

Other Topics

- **Definition of “Fire Fighter”** – Some discussion has taken place between stakeholders and DRS outside the Board. Continued coordination is needed.

Next Steps

- **Select Committee on Pension Policy Coordination**
- **Labor and Industries Coordination**
 - Role Board may have in the L&I study
 - Coordination where Board and L&I overlap
- **Interim Schedule**

The Board would also like a study to determine whether or not medical premiums paid for by the employers could be pensionable. During this study, the LEOFF staff and Department of Retirement Systems will be working cooperatively.

The Board staff will also be researching more information on long term potential future rate increases from OSA.

Mr. Nelsen asked the Board to consider action today on sending a letter to SCPP regarding the joint study/bill. Items of interest include: Purchase of Annuities, Negative COLA, and Technical Corrections.

It was moved to direct staff to draft a letter to the select committee (SCPP) for coordination on all three items as discussed. Seconded.

MOTION CARRIED UNANIMOUSLY

It was moved to add the LEOFF 1 / LEOFF 2 Merger discussion and hearing to the July meeting as discussed. Seconded.

MOTION CARRIED UNANIMOUSLY

Mr. Cuoio explained that he had to leave the meeting early, but being his last meeting wanted expressed gratitude to the Board and staff. Mr. Cuoio was thanked by Board members for his service.

5) Administrative Update

- **Department of Retirement Systems (DRS) Update**

Director Nelsen provided an update on the latest coordination with DRS. Included is: 1) the facilitation of stakeholder meetings to discuss the definition of fire fighter and; 2) the number of members applying for and receiving catastrophic disabilities is increasing. DRS now tracks separately and reports to the Board.

- **Legislative Impacts on Agency**

Mr. Nelsen reviewed legislative activities impacting the Board budget. 1) The state hiring freeze is lifted as of July 1 and; 2) training and travel freeze will also be lifted for staff. In addition, staff salary reductions and state auditor costs will have an impact on the budget.

- **Staff Update**

Board members were informed that Jeralyn Faulhaber submitted her resignation effective May 31. Tammy Harman was introduced as the new Administrative Services and Communications Manager effective July 1. Mr. Nelsen expressed his intentions to get a newsletter out as soon as possible after she starts.

- **Budget Update**

Board members were provided a preliminary 2011-2013 biennial budget to review. Mr. Nelsen highlighted specific areas of interest and stated that the Board is well within Budget from the last biennium.

- **Select Committee on Pension Policy**

The SCPP will have their first meeting in July, before the LEOFF Board meeting, so feedback will be available before the Board meets next.

6) Agenda Items for Next Meeting

Director Nelsen reviewed the topics for the July 2011 meeting. A new Agenda Items Calendar will be available at the next meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for July 27, 2011 from 9:30 a.m. – 3:00 p.m. at the JA Cherberg Building located on the Capitol Campus. More information will follow.

There being no further business, the meeting adjourned at 1:16 p.m.