



STATE OF WASHINGTON

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

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**REGULAR BOARD MEETING**  
**June 16, 2010**

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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 16, 2010.

**Board Members Present:**

Kelly Fox, Chair  
Jack Simington, Vice Chair  
Darla Hartley  
Pat Hepler  
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  
Chad Standifer, Assistant Attorney General

**Guests:**

Matt Smith, State Actuary  
Lisa won, Actuary

**Not Present:**

Jeff Holy  
Greg Cuoio

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Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:36 a.m. The members took a moment of silence to honor those who had fallen since the last time the Board met.

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1) **April 28, 2010 Board Meeting Minutes**

*It was moved that the April 28, 2010 Board meeting minutes be adopted as presented. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

2) **Background on Today's Actuarial Agenda Items, Lisa Won – Actuary**

Lisa Won, Actuary with addressed *Today's Actuarial Agenda Items*. Her presentation included an overview of contribution rates the Board will need to adopt by July 31, 2010. She also covered supplemental contribution rates and a new process for medical benefits.

3) **2009 Preliminary AVR Results, Lisa Won – Actuary**

Lisa Won, Actuary presented the *2009 Preliminary Actuarial Valuation Results*. Ms. Won reviewed the changes in participant data, liabilities, and assets, from the last valuation and also provided a comparison of market and actuarial value of assets.

Ms. Won provided a background on the contribution rates and commented on the 2011-2013 contribution rates. A historical funded status and projection of member contribution rates were provided. Since contribution rates must be adopted by July 31, 2010, Ms. Won presented four options for the Board to consider:

1. Adopt required contribution rates
2. Adopt 100% EANC
3. Take no action (maintain current rates for 2011-2013)
4. Adopt current rates for 2011-2017

4) **Disability Experience Study, Matt Smith – State Actuary**

Matt Smith presented the *Disability Experience Study*. The study included a review of the current assumptions, the results of the last disability experience study which concluded insufficient under the new benefits, and the historical plan provisions.

Mr. Smith then concentrated on the current assumptions. The assumptions compared actual to expected disablement from 2005-09 for LEOFF 2. He covered 2005-2009 current Assumptions for duty and non-duty disablements as well as catastrophic assumptions.

Mr. Smith indicated the preliminary contribution rate impact increase in 2011-2013 would be; employee-0.35%, employer-0.21%, and state-0.14%.

The LEOFF Plan 2 disability assumption is currently 18%. Mr. Smith recommended 12% based on the study.

5) **2010 Supplemental Contribution Rates, Matt Smith – State Actuary**  
 Matt Smith, State Actuary provided the Board a preview of the *2010 Supplemental Contribution Rates*. His presentation included an analysis of the following three options:

1. Maintain current rates
2. Increase rates by change in minimum rates
3. Increase rates by changes in Aggregate contribution rates

Mr. Smith provided the total contribution rates with supplemental rates (shown below).

|                      | <b>Option A</b> | <b>Option B</b> | <b>Option C</b> |
|----------------------|-----------------|-----------------|-----------------|
| Member Rate          | 8.46%           | 8.52%           | 8.51%           |
| Local Employer Rate* | 5.24%           | 5.28%           | 5.27%           |
| State Rate           | 3.38%           | 3.40%           | 3.40%           |

\*Includes administrative expense rate of 0.16%. Effective September 1, 2010 through June 30, 2011.

6) **Payment of Medical Expenses, Preliminary Follow-Up Report**  
**Tim Valencia, Senior Research and Policy Analyst**

Tim Valencia presented a Preliminary Follow-Up Report on *Payment of Medical Expenses*. Mr. Valencia explained that part of the base contribution rate and part of the supplemental contribution rate will be used to pay for medical expense benefits. He provided the following contribution rate review to view before the adoption at the July 28 meeting:

| <b>PRELIMINARY MEDICAL EXPENSE CONTRIBUTIONS</b> |                        |                                 |       |
|--|------------------------|---------------------------------|-------|
| <b>LEOFF Plan 2</b>                              |                        |                                 |       |
| Contribution Rates                               | PEBB Survivor Benefits | Catastrophic Disability Medical | Total |
| Member Rates                                     | 0.05%                  | 0.04%                           | 0.09% |
| Employer   | 0.03%                  | 0.03%                           | 0.06% |
| State  | 0.02%                  | 0.01%                           | 0.03% |

7) **Administrative Update**

- **Select Committee on Pension Policy (SCPP) Update**  
 Director Nelsen updated the Board on the latest meeting of the SCPP. The Select Committee held their election of officers. Senator Mark Schoesler is the Chair and Representative Steve Conway is the Vice Chair. The SCPP discussed coordinating the topics of Purchase of Annuity, Furlough, and Negative COLA with the LEOFF 2 Board.
- **Department of Retirement Systems (DRS) Update**

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Director Nelsen provided a briefing on the latest news at DRS. The Department continues to diligently work on the Fish and Wildlife Service Credit Transfer and the Duty Disability Conversion. Deputy Director Frost will present a more thorough update at the July meeting.

**8) Employer Survey Report, Dave Elliott – Project Manager**

Dave Elliott, Project Manager with the Department of Commerce provided a report on the Employer Survey. Mr. Elliott conducted a survey to collect data regarding benefits for LEOFF 2 employees at 471 city, county, and state agencies. He concluded that 95% of jurisdictions employing police or deputies and 91% of jurisdiction employing fire fighters offer a deferred compensation program.

Mr. Elliott also noted the Department of Retirement Systems is the most available deferred compensation program, offered in 64% of jurisdictions.

His data revealed LEOFF 2 employees can usually self-pay for medical benefits in retirement. Only 3 jurisdictions continue to pay their employees medical benefits. Mr. Elliott also reviewed participation rates and the different benefits offered.

The Board requested a presentation from the Department of Retirement Systems on Deferred compensation at an upcoming meeting.

**9) Negative COLA, Initial Consideration –  
Greg Deam, Senior Research and Policy Analyst**

Greg Deam, Senior Research and Policy Analyst presented an Initial Consideration on the topic of *Negative COLA*. Mr. Deam reviewed the potential for a retired member's monthly pension to be reduced if there is a negative inflation. He provided an example and historical inflation data.

*The Board moved to coordinate the topic of negative COLA with the Select Committee on Pension Policy (SCPP). If the SCPP declines, the LEOFF Board will pursue on its own. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**10) Duty Related Death Benefits, Preliminary Report  
Tim Valencia, Senior Research and Policy Analyst**

Tim Valencia, Senior Research and Policy Analyst provided a Preliminary Report and presentation on *Duty Related Death Benefits*. Mr. Valencia explained surviving spouses of a member killed in the course of employment who are receiving Workers' Compensation death benefits cannot continue to receive the monthly benefit after remarriage. He provided 2 policy options with examples.

*The Board moved Duty Related Death Benefits to the*

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*Preliminary Follow-Up stage. The report will be based on Option #1 to include current changes and impacts. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**11) Teleconference Policy, Shawn Merchant – Deputy Director**

Shawn Merchant provided a teleconference policy for the members to review. The policy (Proposed Rule 3.1) covered issues pertaining to teleconferencing such as hazardous weather, quorum issues, and board member travel.

*The Board moved to adopt Proposed Rule 3.1 at the discretion of the Chair. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**12) Agenda Items for Next Meeting**

Director Nelsen reviewed the agenda items for the July meeting.

**Next Meeting**

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for July 28, 2010 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 1:25 p.m.