



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING
June 18, 2008

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 18, 2008.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Greg Cuoio
Pat Hepler
Jeff Holy
Glenn Olson
Senator Linda Evans Parlette
Ryan Martin
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 and Policy Manager
Greg Deam, Senior Research and Policy Manager

Guests:

Matt Smith, State Actuary
Chris Jaspersen, Actuarial Assistant

Board Members Not Present:

Mark Johnston

Staff Not Present:

Linda Sullivan-Colglazier, Assistant Attorney General

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:45 a.m. The Board took a moment of silence to honor those who have fallen since the last time the Board met.

1) **May 28, 2008 Board Meeting Minutes**

It was moved that the May 30, 2008 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Preliminary Experience Study Report – Matt Smith, State Actuary**

Matt Smith, State Actuary presented the *Preliminary Experience Study Report*. The report included background information and the current assumptions. Mr. Smith provided preliminary budget impacts, recommended mortality assumptions, and the contribution rate impacts. He went on to recommend termination, disability, and salary assumptions.

A letter from *Marilyn Oliver and Bartel Associates* was provided addressing the status of the Preliminary Actuarial Audit Report. Marilyn Oliver and Bartel Associates was retained by the LEOFF Plan 2 Retirement Board to perform a concurrent audit with the Office of the State Actuary.

Final Assumptions and Contribution Rates will be adopted by the Board at the July 23 Meeting and the Final Experience Study will be released in August.

3) **Preliminary Actuarial Valuation Report – Chris Jasperson, Actuarial Assistant**

Chris Jasperson, Actuarial Assistant provided the *Preliminary Actuarial Valuation Report*. Mr. Jasperson reviewed the purpose of the Actuarial Valuation and gave a detailed accounting of what is in the 2007 Actuarial Valuation as of June 30, 2007. He discussed future contributions, budget impacts, and budget impacts using the current assumption and a 4.25% salary assumption recommended by the State Actuary. He went on to provide information on liabilities, assets, and participant data. Updated projections will be available later this fall.

4) **Administrative Update**

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director briefed the Board on the latest meeting of the SCPP. The Select Committee presented National Trends on Pension Policy along with their Preliminary Experience Study Report and Actuarial Valuation. Mr. Nelsen noted that the SCPP has canceled their August meeting.

Board staff delivered a letter to the SCPP providing a brief summary of Purchase of Annuity.

The Board staff was asked to write a letter to the SCPP prioritizing LEOFF 2 interim issues before the July 15 SCPP Meeting. The Board's prioritization is as follows:

1. Fish and Wildlife Enforcement Officers Service Credit Transfer

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2. \$150,000 Death Benefit Inflation Adjustment
 3. Interruptive Military Service Credit
 4. Military Service Death Benefit
 5. Purchase of Annuity

Board Member Position

The LEOFF 2 Board currently has one vacant employer position. At this time, the Governor's Office is working to fill the vacant position. Mr. Nelsen will keep the Board apprised.

Newsletter Update

Mr. Nelsen requested that if Board members have any topics that they would like included or considered for the next edition of *Dual Response* to please submit them to staff for review.

5) Contribution Rates – Preliminary Report, Greg Deam

Greg Deam, Senior Research and Policy Manager presented a Preliminary Report and presentation on *Contribution Rates*. Mr. Deam reviewed historical rates, ongoing rate stability, and influences on contribution rates. Two policy options were provided to the Board. Option #1: Fixed Contribution Rates and Option #2: Variable Contribution Rates.

Executive Director Nelsen stated that by law Contribution Rates must be adopted by July 31.

6) Projected Improvements in Mortality – Preliminary Follow-Up Report Steve Nelsen

Steve Nelsen, Executive Director presented a Preliminary Follow-Up Report on *Projected Improvements in Mortality*. Mr. Nelsen Reviewed adopting actuarial assumptions that include recommended projected improvements in life expectancy and how this may increase plan costs.

7) Pension Treatment for Domestic Partners – Initial Consideration, Greg Deam

Greg Deam, Senior Research and Policy Manager provided an Initial Consideration presentation and report on *Pension treatment for Domestic Partners*. Mr. Deam addressed the issue that domestic partners are not treated the same as spouses for all pension benefits. Specifically, survivor health care and retirements, member contributions, the \$150,000 death benefit, and service and disability retirements are areas of concern.

*The Board moved the topic of Pension Treatment for Domestic Partners forward to the Preliminary Proposal stage to be heard at an upcoming Board meeting.
Seconded.*

MOTION CARRIED UNANIMOUSLY

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- 8) **24-Month Final Average Salary – Preliminary Report, Greg Deam**
Greg Deam, Senior Research and Policy Manager presented a Preliminary Report and presentation on *24-Month Final Average Salary*. Mr. Deam addressed shortening the Final Average Salary period from 60 to 24-months. This would increase retirement benefits and plan costs. He discussed policy issues such as consistency with other plans and pension ballooning. Two policy options were given to the Board for consideration.

The Board moved the topic of 24-Month Final Average Salary forward to the Preliminary Follow-Up stage to be heard at the October Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

- 9) **Agenda Items for Next Meeting**
Steve Nelsen reviewed the *Agenda Items Calendar* for the upcoming meeting. He also noted that there is a location change for the July 23 meeting. The meeting will be held at the John A. Cherberg Building on the Capitol Campus in Olympia, Washington.

Next Meeting – LOCATION CHANGE

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for July 23, 2008 from 9:30 a.m. – 3:00 p.m. at the John A. Cherberg Building (Conference Rooms A-C) located on the Capital Campus in Olympia, Washington.

There being no further business, the meeting adjourned at 1:03 p.m.