



STATE OF WASHINGTON

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

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**REGULAR BOARD MEETING**  
**June 23, 2009**

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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 23, 2009.

**Board Members Present:**

Greg Cuoio  
Darla Hartley  
Pat Hepler  
Jeff Holy  
Mark Johnston  
Glenn Olson  
Ryan Martin

**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  
Linda Sullivan-Colglazier, Assistant Attorney General

**Guests:**

Mark Feldhausen, Budget and Benchmarking Director (DRS)  
Sharon Whitehead, Senior Vice President, Chief Administrative Officer (WSECU)  
Kristina Walters, Vice President for Marketing (WSECU)  
Lisa Won, Associate Pension Actuary (OSA)  
Chris Jasperson, Associate Pension Actuary (OSA)

**Board Members Not Present:**

Kelly Fox, Chair  
Jack Simington, Vice Chair  
Representative Geoff Simpson

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Glenn Olson called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:35 a.m. The Board took a moment of silence to honor those who had fallen since the last time the Board met.

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1) **May 27, 2009 Board Meeting Minutes**

*It was moved that the May 27, 2009 Board meeting minutes be adopted with a change to reflect Senator Parlette's attendance. Senator Parlette's appointment with the Board ended in December 2008. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

2) **Department of Retirement Systems Benchmarking Results  
Mark Feldhausen, Budget and Benchmarking Director**

Mark Feldhausen, Budget and Benchmarking Director with the Department of Retirement Systems (DRS) presented the *2008 Summary of Defined Benefit Administration Benchmarking Analysis*. This study was conducted by CEM Benchmarking Inc. The report includes economies of scale, transaction volumes, cost environment, plan complexity, and service levels. The study concluded that DRS provides responsive and low cost member services with efficient automated systems.

3) **Member Access to Financial Planning Services, WSECU  
Sharon Whitehead – Senior Vice President, Chief Administrative Officer  
Kristina Walters – Vice President for Marketing**

Sharon Whitehead and Kristina Walters with the Washington State Employees Credit Union (WSECU) provided the members with information concerning the multiple services that the WSECU offers. Local government employees also includes law enforcement officers and fire fighters who are eligible for WSECU membership. Many workshops are available statewide to members such as; Financial Planning, Identity Theft Prevention, Credit Reporting 101, and Reengineering Your Retirement.

4) **Overview of Actuarial Factors – Lisa Won, Associate Pension Actuary**

Lisa Won, Associate Pension Actuary briefed the members on *Administrative Factors*. Ms. Won explained that the Board has the authority to adopt the following four Administrative Factors by coordinating with the Department of Retirement Systems. A follow-up presentation is scheduled for the July meeting.

- Early Retirement Factors (ERFs)
- Joint and Survivor Option Factors (JBS Factors)
- Monthly Benefit Per Dollar of Accumulation (Annuity Factors)
- Service Credit Purchase Factors

5) **Survivor Reduction Factors – Preliminary Report, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented a Preliminary Report on *Survivor Reduction Factors*. Mr. Deam discussed the current practice of using joint and survivor factors to calculate a survivor retirement and how this practice may result in a greater reduction for the surviving spouse. He provided two policy options to the members.

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*The Board moved the topic of Survivor Reduction Factors forward as a Preliminary Follow-Up Report to be brought back to an upcoming meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

- 6) **Recalculation of Retirement Benefits – Preliminary Report, Greg Deam**  
Greg Deam, Senior Research and Policy Manager provided the Board with a Preliminary Report on the *Recalculation of Retirement Benefits*. Mr. Deam reported that the implementation of new actuarial factors as a result of the last experience study resulted in significantly different retirement benefits for members with nearly identical careers. Mr. Deam provided survivor reduction factor tables to support his information and presented the Board with policy issues such as; ongoing actuarial equivalence and recalculation of existing benefits.

*The Board moved Recalculation of Retirement Benefits forward as a Preliminary Follow-Up Report. Staff will cooperate with the Office of the State Actuary to get pricing data. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

- 7) **Administrative Update – Steve Nelsen, Executive Director**  
Steve Nelsen provided the Board with the most up to date information on the Select Committee on Pension Policy (SCPP). He noted that the SCPP held their election of officers during the June meeting. The SCPP will not be meeting in July or August.
- 8) **Supplemental Contribution Rate for FWEO – Chris Jasperson, Associate Pension Actuary**  
Chris Jasperson, Associate Pension Actuary provided a presentation on *Supplemental Contribution Rate for Fish and Wildlife Enforcement Officers*. Mr. Jasperson reviewed the supplemental rate adoption process, the impact Substitute House Bill 1953 had on LEOFF 2, and how OSA arrived at the following cost:

- 0.01 Member
- 0.01 Local Government
- 0.00 State

If adopted the supplemental rates will be effective September 1, 2009. The Board will need to adopt supplemental rates by July 31.

- 9) **Supplemental Rate Adoption – Preliminary Report, Greg Deam**

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Greg Deam, Senior Research and Policy Manager presented a preliminary report on *Supplemental Rate Adoption*. Mr. Deam provided the background information on adopting supplemental rates, and the fiscal note for SHB 1953, which shows the cost of all FWEO moving their PERS service into LEOFF. Mr. Deam explained that it is necessary for the Board to make a decision whether to increase contribution rates.

*The Board moved the topic of Supplemental Rate Adoption forward to the Final Proposal stage to be brought back to the July Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**10) Purchase of Annuity – Preliminary Report, Greg Deam**

Greg Deam, Senior Research and Policy Manager provided a report and presentation on *Purchase of Annuity*. Mr. Deam reviewed the history that the Board has had with this topic since 2004.

*The Board moved the topic of Purchase of Annuity to the Final Proposal stage and be brought back to the November or December Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**11) \$150,000 Duty-Related Death Benefit – Preliminary Report, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented a Preliminary Report on the \$150,000 Duty-Related Death Benefit topic. Mr. Deam provided an overview and explained that the \$150,000 death benefit paid to survivors of public employees who die in the line of duty has not been adjusted for inflation or increased since it was created in 1996. Mr. Deam provided three options to the members; add an inflation adjustment, increase the lump-sum amount, or a combination of lump-sum and inflation adjustment.

*The Board moved the topic of \$150,000 Duty-Related Death Benefit to the Final Proposal stage and be brought back to an upcoming Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**12) Agenda Items for Next Meeting**

Director Nelsen reviewed the topics for the July meeting with the members.

**Next Meeting**

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for August 26, 2009 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 12:31 p.m.