

BOARD MEETING MINUTES

JUNE 24, 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
In Attendance	Representative Jeff Holy – Spokane Police Department (Retired)
In Attendance	Mr. Wally Loucks – Spokane County Sheriff’s Office
In Attendance	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
Absent	Councilmember Dave Upthegrove – King County Council District 5
Teleconference	Steve Nelsen – Executive Director
In Attendance	Tim Valencia – Deputy Director
In Attendance	Jessie Jackson – Executive Assistant
In Attendance	Jessica Burkhart – Administrative Services Manager
Absent	Tammy Harman – Death and Disability Ombudsman
Absent	Paul Neal – Senior Research and Policy Manager
In Attendance	Ryan Frost – Research Analyst
In Attendance	Dawn Cortez – Assistant Attorney General

CALL TO ORDER

The LEOFF Plan 2 Retirement Board met in the Washington State Investment conference room in Olympia, Washington on June 24, 2015. A quorum of the members was present at this meeting.

OPENING | Chair Kelly Fox called the meeting to order at 9:34am 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 MINUTES

MINUTES APPROVED | It was moved to approve the Board meeting minutes from May 27, 2015. Motion seconded. The Board approved the minutes without objection.

2. SUPPLEMENTAL RATE ADOPTION

Ryan Frost, Research Policy Manager, presented additional information to the board on the topic of Supplemental Rate Adoption and the policy options that could be taken due to the passage of Substitute House Bill 1194. Because the State Actuary’s fiscal note and assumptions are currently under audit by an outside actuary, the results of that audit will be reviewed by the board at a later date. No action was taken by the board at this time.

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3. EXPERIENCE TIMING STUDY

Lisa Won, Deputy State Actuary, presented an overview of the board's adoption for key actuarial processes, including the timing considerations for demographic assumptions. Economic assumptions are adopted every odd year and contribution rates are adopted every even year. The State Actuary is scheduled to conduct a demographic experience study in the same year as contribution rates are to be adopted. A one-time adjustment to the current six year cycle is proposed so that assumption changes be reviewed and adopted in a separate year from rate setting. No amendment is required to the current statutes. This proposal will receive further consideration when presented to the Department of Retirement Systems and the Pension Funding Council. No action was taken by the board at this time.

4. RETIREE PURCHASE OF ANNUITY

Ryan Frost, Research Policy Manager, presented on the topic of allowing retired LEOFF 2 members to purchase an annuity. The Legislature enacted the Board's 2013 proposal allowing retiring LEOFF Plan 2 members to roll over tax deferred savings into LEOFF Plan 2 to purchase an annuity, RCW 41.26.463. Current state law limits roll overs to the time of retirement. Staff has determined retiree annuity purchase is permissible under the internal revenue code if the LEOFF Plan 2 act were amended to allow it.

MOTION | It was moved that staff continue to research and report on this issue. The motion was seconded and carried unanimously.

5. INCOME LEVELING OPTION

Ryan Frost, Research Policy Manager, presented on the topic of income leveling, overviewing two options of Social Security Leveling and Medicare Leveling and there advantages and disadvantages. These option are designed to give members who retire between ages 53 and 67 a consistent total income before and after receiving either Medicare or Social Security benefits.

MOTION | It was moved that staff continue to research and report on this issue. The motion was seconded but failed to carry. Vice Chair Simington and Mark Johnston voted not to move this issue forward at this time.

6. INCREASING RETIREMENT AGE

Ryan Frost, Research Policy Manager, presented on the topic of increasing the retirement age of LEOFF 2 members. The sponsor of a bill introduced in the 2015 session as SB 5982, believed that due to the increase in life expectancy, the retirement age of members should increase to reflect that extra cost. Mr. Frost spoke to the impacts this would have on members as well as impacts on the state and on employers.

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MOTION

It was moved to dismiss this issue. The motion was seconded and carried unanimously. Staff was asked to provide the board with information on the years of service for the average retirement ages of Law Enforcement Officers and Fire Fighters.

7. DISASTER RESPONSE COVERAGE

Ryan Frost, Research Policy Manager, presented on the topic of disaster response coverage. LEOFF 2 members who are called up to federal service to respond to natural disasters such as the Chelan wildfires or the Oso mudslide have different, and often less, pension protections than those called into service for military reserves or the National Guard. Mr. Frost explained the current state benefits and a history of the legislation affecting these benefits. Currently, no special considerations are made for members who are called to military service to respond to natural disasters, and are killed during that service. A primary policy question is whether survivors of members who become disabled or die while called to respond to natural disasters should receive the same benefits as members who become disabled or die while serving in the military during a period of war.

MOTION

It was moved that staff continue to research and report on this issue. The motion was seconded and carried unanimously.

8. FINAL LEGISLATIVE UPDATE

Ryan Frost, Research Policy Manager, provided an overview of the most recent legislative changes as they pertain to contribution rates and the Benefit Improvement Account.

BUDGET BILL

The final budget is not yet passed. The Governor, House, and Senate each have proposed budgets and the Contribution Rates are fully funded in all three budgets.

BENEFIT IMPROVEMENT ACCOUNT

Governor proposes a \$10 million payment to the account. The House proposes cancelling the 2015 payment. The Senate also proposes cancelling the 2015 payment and has the intent of suspending the payment in 2017 to investigate whether this benefit should continue, be modified, or be terminated.

9. ADMINISTRATIVE UPDATE

Steve Nelsen, Executive Director, provided an administrative update to the board with outreach activities done by staff since the last board meeting as well and upcoming items and information for the board.

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The Washington State Fire Fighters Association held their Annual Conference on June 5th. Senior Research Policy Manager Paul Neal and Research Policy Manager Ryan Frost attended and provided outreach with a table at this event.

WACOPS Spring Meeting was held on June 10th. Executive Director Steve Nelsen and Deputy Director Tim Valencia attended and provided outreach with a table at this event. Director Nelsen gave two presentations including a legislative update and also participated on a panel discussing financial preparedness

Washington State Council of Fire Fighters will hold their Annual Convention June 30 – July 2. Director Nelsen and Research Policy Manager Ryan Frost will attend and provide outreach with a table at the event.

Staff has sent out an email request to board members to schedule their annual expectation interviews with Director Nelsen. Deputy Director Valencia has also sent out a survey to be answered by each board member and used as reference during these expectation interviews.

Director Nelsen spoke to the state budget not yet being passed and informed the board that the LEOFF Plan 2 Retirement Board agency will not have to move forward with a contingency plan or shut down on July 1st.

Staff members were given recognition. Executive Assistant Jessie Jackson celebrated a one year anniversary of employment. Ryan Frost was promoted to Research Policy Manager as of June 1st.

Two board members were recognized for the completion of their terms on the board by Director Nelsen and Chair Fox. Vice Chair Jack Simington and Pat Hepler have been with the LEOFF 2 Board since its founding in 2003 and they spoke of their gratitude to the board and staff. Staff will schedule exit interviews with each of these board members.

Chair Fox informed the board of three board members that have been appointed to the board as of July 1st. Current board member Paul Golnik will return for another term as an Employer Representative. Senator Judy Warnick will join the board July 1st in the Legislative seat and Michael White will join filling the Fire Fighter seat.

10. AGENDA ITEMS FOR FUTURE MEETINGS

Steve Nelsen, Executive Director spoke of agenda items for upcoming meetings. Items moving forward today will return as comprehensive reports to the board at future meetings. At the July meeting it will be decided if the board will meet in August or if they will chose to cancel and return in September. October's meeting will be offsite and is scheduled as a strategic planning meeting.

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ADJOURNMENT

There being no further business, the meeting was adjourned at 11:16AM.

NEXT MEETING | The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for July 22nd, 2015 at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W. Olympia, WA 98502.