



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING
July 23, 2008

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met on the Capitol Campus in the John A. Cherberg Building in Olympia, Washington on July 23, 2008.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Pat Hepler
Jeff Holy
Glenn Olson
Representative Geoff Simpson (Via Teleconference)

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:

Matt Smith, State Actuary

Board Members Not Present:

Greg Cuoio
Mark Johnston
Ryan Martin
Senator Linda Evans Parlette

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:42 a.m. The members took a moment of silence to honor those who have fallen since the last time the Board met.

1) **June 18, 2008 Board Meeting Minutes**

Due to a lack of quorum, the June 18, 2008 Minutes were not adopted. Draft Minutes will be posted on the Web site until the September 24 meeting when the members can adopt the minutes.

The Board decided to consider one motion for all final agenda items (2, 3, 4, and 5). The presentation for agenda item number includes motions for each final agenda item.

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

Matt Smith, State Actuary presented the *Final Experience Study Report*. The report was a review of the experience Study Report presented at the June meeting and a tool for the Board members to help prepare for decision making at the meeting today.

Mr. Smith reviewed the current assumptions and the changes that will take place to mortality, retirement, and termination assumptions. He also covered disability and salary increases.

Matt Smith provided the Board with an outline of the decisions that needed to be made today concerning current assumptions, policy decisions, contribution rates, and risk management.

3) **Projected Improvements in Mortality – Steve Nelsen, Executive Director**

Steve Nelsen, Executive Director presented a Final Report on *Projected Improvements in Mortality*. Mr. Nelsen reviewed adopting actuarial assumptions that include recommended projected improvements in life expectancy and how this will increase plan costs.

4) **Salary growth Assumption – Final Proposal, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a Final Proposal on *Salary Growth Assumption*. Mr. Valencia's proposal addressed the Office of the State Actuary's recommendation of a 0.25% reduction in salary growth assumption. He provided background information as well as four long term economic assumptions in statute.

Mr. Valencia noted that the Board will be coordinating with the Pension Funding Council and scheduling reviews of economic assumptions.

5) **Adoption of 2009-11 Contribution Rates – Final Proposal, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented a Final Proposal on the *Adoption on the 2009-11 Contribution Rates*. Mr. Deam reviewed the contribution rates that were adopted by the Board in December 2004. He also provided background information, policy issues, and explained that the Board must adopt member, employer, and state LEOFF Plan 2 contribution rates for the

2009-2011 biennium. Mr. Deam reviewed the following policy options with the Board:

Option #1: Used a fixed contribution rate for four years

Option #2: Change the rate periodically based on OSA recommendation/valuation

The Board Moved to adopt policy option #1 and use a fixed contribution rate of 8.45% for members, 5.07% for employers, and 3.38% for the state for the 2009-2011 biennium that included projected improvements in mortality from agenda item #3, but does not include the 0.25% reduction in salary growth assumption from agenda item #4. Seconded.

MOTION CARRIED UNANIMOUSLY

6) Administrative Update

Select Committee on Pension Policy (SCPP) Update

Executive Director Nelsen briefed the Board on the latest meeting of the SCPP. He noted that the SCPP will be cancelling their August meeting.

The Board staff delivered a letter to the Department of Labor and Industries (L&I) as requested by the members at the last meeting. A response from Judy Schurke, Director of L&I was included in the member's packets.

7) Agenda Items for Next Meeting

Mr. Nelsen reviewed the agenda items for the upcoming meeting. The Administrative Committee agreed to cancel the August 27 meeting. The topics for August will be combined with the September agenda.

The next Board meeting will take place at our regular location at the Washington State Investment Board.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 24, 2008 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 10:46 a.m.