



STATE OF WASHINGTON

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

*P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329*

**REGULAR BOARD MEETING**  
**July 26, 2006**

---

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 July 26, 2006.

**Board Members Present:**

Kelly Fox, Chair  
Jack Simington, Vice Chair  
Michael Edwards  
Pat Hepler  
Jeff Holy  
Mark Johnston  
Clint Olson  
Glenn Olson  
Senator Linda Evans Parlette

**Staff Present:**

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  
Suzanne Shaw, Assistant Attorney General

**Guests:**

Robert Klausner, Esquire  
Matt Smith, State Actuary  
Jim L. This, Strategic Planning Facilitator

**Board Members Not Present:**

Greg Cuoio  
Representative Geoff Simpson

---

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:41 a.m. The Board took a moment of silence to remember and honor those who have fallen since the last time the Board met.

---

1) **June 21, 2006 Board Meeting Minutes**

*It was moved that the June 21, 2006 Board meeting minutes be adopted as presented. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

2) **Strategic Planning Results – James L. This, P.h.D**

Dr. This presented the *Strategic Plan Revision*, which was created by the members at the June Board meeting.

The Board reviewed changes made to the goals, objectives, and tactics, and provided comments and suggestions to Dr. This.

Board members will continue to review the Strategic Plan Revision during the next month and provide comments and input to staff for the final review in August.

*This topic will be brought back to the August 23, 2006 meeting for adoption.*

3) **DROP Plans – Initial Consideration, Tim Valencia**

Tim Valencia, Senior Research and Policy Manger presented the Board with an Initial Consideration and presentation on *Deferred Retirement Option Program (DROP) Plans*. Mr. Valencia explained the background and history of the DROP and also provided information on the members that would be impacted.

Mr. Valencia also addressed various DROP design choices and challenges in creating a DROP program.

4) **DROP Plans Discussion – Robert D. Klausner, Esquire**

As a follow-up to Mr. Valencia's Initial Consideration on the topic of DROP Plans, Robert D. Klausner, Esquire at the Law Offices of Klausner and Kaufman provided an in-depth look at this topic. Mr. Klausner addressed key points such as: the objective of a DROP, DROP variations, member eligibility, and tax issues. He then provided the Board with an explanation of how to design a DROP Plan.

*It was moved that the Board move forward with the topic of *Deferred Retirement Option Programs (DROP)*. Robert Klausner will draft a no-cost DROP for the members and this topic will be revisited at the September 2006 Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

---

5) **Administrative Update**

Select Committee on Pension Policy (SCPP) Update

Shawn Merchant, Deputy Director reported that at the latest meeting of the SCPP, the topics of Temporary Duty Disability and \$150,000 Death Benefit will be heard by the committee at the September meeting. Dual Membership is scheduled for October.

Pension Funding Council Workgroup Update

Mr. Merchant briefed the members on the progress that has taken place for the Audit of the Actuarial Valuation. The workgroup reviewed responses from five vendors and selected Oliver Consulting as the winning bidder. The preliminary results will be presented at the August meeting.

Budget Update

The Deputy Director presented the Quarterly Budget Update. Board members received a copy of the May 2006 *Allotment and Expenditures Report* which reflected that expenditures are 18% lower than allocated for the year.

IT Security Audit Update

As required by the Department of Information Services, the LEOFF Plan 2 Retirement Board agency has undergone a Security Audit. Best practices were learned and positive changes have been implemented throughout the agency. The audit will be finalized and presented to the Board at the August Board meeting.

6) **2007-09 Rate Setting – Matt Smith, State Actuary**

Matt Smith, State Actuary presented the Board with a presentation and briefing on *2007-09 Rate Setting*. Mr. Smith provided a background and history of previous Board rate-setting decisions and reviewed decisions that need to be made by the LEOFF Plan 2 Retirement Board by September 2006.

The Board will receive the preliminary results of the 2005 Actuarial Valuation in August, and the 2005 Actuarial Audit Report in late August or early September. The Board will adopt the 2007-09 basic rates at the September 13, 2006 Board meeting.

7) **Deferred Compensation – Preliminary Follow-Up Report, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented a follow-up report and presentation on the topic of *Deferred Compensation*. The report included a clear definition of what is included in basic salary in regard to deferred compensation, as well as background information and policy issues.

*It was moved that the Board move forward with the topic of Deferred Compensation. Board staff will work cooperatively with The Office of the State Actuary and bring back cost information to the August 2006 Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

---

**8) Agenda Items for Next Board Meeting**

Mr. Merchant reviewed the *Agenda Items Calendar* for the upcoming meeting. The members agreed to move the topics of Temporary Duty Disability and \$150,000 Death Benefit Inflation Adjustment to September rather than August. The topic of Dual Membership was moved from August to October.

**Next Meeting**

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for August 23, 2006 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 1:23 p.m.