



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING

July 28, 2004

Minutes

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 28, 2004.

Board Members Present:

Jack Simington, Vice Chair
Pat Hepler
Mark Johnston
Senator Linda Evans Parlette
Doug Pendergrass
Doug Cochran
Michael Edwards
Maureen Morris

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research Policy Manager

Guests:

Matt Smith, State Actuary

Board Members Not Present:

Kelly Fox, Chair
David Moseley
Representative Geoff Simpson

Jack Simington, Vice Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:36 a.m.

1) June 22 & 23, 2004 Board Meeting Minutes

It was moved that the June 22 & 23, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Contribution Rate Stability**

Matt Smith, State Actuary, presented an overview of the pension funding issues related to contribution rate stability including the balance between rate stability and rate adequacy.

The LEOFF Plan 2 Retirement Board has identified contribution rate stability as one of the top four goals in their strategic plan. The Select Committee on Pension Policy (SCPP) has also identified contribution rate stability as one of their top four priorities.

Mr. Smith reviewed four options that would provide contribution rate stability:

- Minimum contribution rates
- Maximum rates of change
- Statutory fixed contribution rates and;
- Corridor funding

It was moved that the “Contribution Rate Stability” topic be placed on the September Board meeting agenda for further consideration. Seconded.

MOTION CARRIED UNANIMOUSLY

3) **Supplemental Contribution Rate Adoption**

Steve Nelsen, Executive Director, presented two letters from Oliver Consulting, the independent actuarial firm that has been hired to conduct an actuarial review of the fiscal notes for House Bill 2418 and House Bill 2419. Mr. Nelsen also provided a handout of Proposed LEOFF 2 Supplemental Contribution Rate Increases. The outside actuarial firm confirmed the State Actuary’s analysis.

Mr. Nelsen recommended that operating policy #9 be amended to provide that outside actuarial review be conducted prior to the Board voting on a Final Proposal whenever possible.

It was moved that the Board adopt the proposed Supplemental Contribution Rate and amend the LEOFF Plan 2 Board operating policy #9 for action on the August Board meeting agenda. Seconded.

MOTION CARRIED UNANIMOUSLY

Staff will notify the Department of Retirement Systems of the new supplemental contribution rate to be effective September 1, 2004.

4) **LEOFF 2 Military Service – Initial Presentation**

Tim Valencia, Senior Research Policy Manager presented an Initial Presentation on the topic of “LEOFF 2 Military Service.” The report discussed how military service which interrupts a member’s LEOFF 2 employment affects the member’s pension.

It was moved that the “LEOFF 2 Military Service” topic move forward to the Preliminary Proposal stage and be placed on the August Board meeting agenda.

MOTION CARRIED UNANIMOUSLY

5) **2005-07 Biennial Budget**

Mr. Nelsen discussed the 2005-07 Biennial Budget handout. The Board reviewed the estimated 2005-07 Biennial expenditures.

He also presented the Board with a Newsletter Outline and a description of the articles to be included. The Board discussed newsletter titles and frequency of distribution.

It was moved that "Dual Response" be adopted as the official title for the LEOFF Plan 2 Retirement Board's newsletter. Seconded.

MOTION CARRIED UNANIMOUSLY

It was moved that the 2005-07 proposed biennial budget be adopted as presented with a \$20,000 increase to publication development to include one additional newsletter per year. Seconded.

MOTION CARRIED UNANIMOUSLY

6) **Strategic Planning Follow-Up**

Mr. Nelsen provided copies of the Board's draft Strategic Plan, which was modified during the June 23, 2004 Board meeting. He also provided a revised copy for the Board to review which included a slight modification of verbiage and proposed LEOFF Plan 2 Retirement Board Organizational Values.

It was moved that the Board adopt the revised Strategic Plan and Organizational Values. The Board has the option of reviewing during the August Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

7) **Annual Summary of Benefits**

Mr. Nelsen presented the Board with sample copies of LEOFF Plan 2 Annual Retirement Statements, LEOFF Plan 2 Member Handbooks, and Summary Annual Financial Reports from the Department of Retirement Systems as examples of the type of information that could be provided to plan participants. Mr. Nelsen asked the Board to review the examples and consider the kind of information LEOFF Plan 2 members would find useful and be prepared to discuss this issue further at a future Board meeting.

8) **Administrative Update**

Select Committee on Pension Policy Coordination (SCPP)

Mr. Nelsen updated the Board on issues discussed at the latest Select Committee on Pension Policy (SCPP) Meeting. Mr. Nelsen also informed the Board that Senator Karen Fraser was elected as the Chair of the SCPP.

Actuarial Audit

Mr. Nelsen informed Board members that the agency had partnered with the Pension Funding Council and secured Milliman USA as the outside actuarial firm that will audit the State Actuary's 2003 Valuation. Milliman USA plans to present the results of the audit at the August Board meeting.

August Meeting Agenda

Mr. Nelsen provided the Board with the 2004 LEOFF Plan 2 Retirement Board meeting calendar. He went on to say that the calendar would become a regular topic of discussion to provide the opportunity for board members to bring forward agenda items for upcoming board meetings.

Annual Audit

Mr. Nelsen informed the Board that he is in the process of contracting with an audit firm to conduct the Board's annual internal audit. Mr. Nelsen expects the audit firm to present the results during the October 2004 Board meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for August 25, 2004 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 1:35 p.m.