



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**  
**August 22, 2007**

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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 August 22, 2007.

**Board Members Present:**

Kelly Fox, Chair  
Greg Cuoio  
Pat Hepler  
Jeff Holy  
Mark Johnston  
Clint Olson  
Glenn Olson  
Representative Geoff Simpson

**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:**

Gary Bruebaker, Chief Investment Officer  
Matt Smith, State Actuary

**Board Members Not Present:**

Jack Simington, Vice Chair  
Ryan Martin  
Senator Linda Evans Parlette

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Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:40 a.m. The members took a moment of silence to honor fire fighters and law enforcement officers who have died in the line of duty since the last time the Board met.

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1) **July 25, 2007 Board Meeting Minutes**

*It was moved that the July 25, 2007 Board meeting minutes be adopted as presented. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

2) **Washington State Investment Board Briefing – Gary Bruebaker, Chief Investment Officer**

Gary Bruebaker, Chief Investment Officer with the Washington State Investment Board provided an *overview* on the organizational structure and fiduciary duties of the Washington State Investment Board. Mr. Bruebaker addressed Capital Markets, Commingled Trust Funds, and the CTF Market Value.

3) **OSA review of Economic Assumptions – Matt Smith, State Actuary**

Matt Smith, State Actuary presented a review of *Economic Assumptions*. Mr. Smith's presentation included an overview of the current economic assumptions including investment return, inflation, salary increases, and growth in system membership.

He also provided the following preliminary recommendation: 3.25% Inflation, 4.25% General Salary Growth, 7.75% Rate of Return, 0.9% Membership Growth (All Systems). The Board members will be kept apprised of changes to the recommendation via email.

4) **Retiree Life Insurance – Initial Consideration, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented an Initial Consideration on the topic of *Retiree Life Insurance*. Mr. Deam explained the difference between the purchase of term life insurance compared to a survivor benefit option at the time of retirement. He provided examples which covered defined benefit, term life, and annuity.

5) **Administrative Update**

**Select Committee on Pension Policy (SCPP) Update**

Steve Nelsen, Executive Director updated the members on the latest meeting of the SCPP.

**FY07 Budget Update**

Mr. Nelsen updated the Board on the current status of the budget and also provided the FY07 year ending Allotments and Expenditures report. The LEOFF Plan 2 Retirement Board has been consistently under their projected expenses.

**LEOFF Plan 2 Retirement Board State Audit**

Mr. Nelsen notified the members that the LEOFF Plan 2 Retirement Board will undergo an audit that will be conducted by the State Auditor's Office. The Auditor's Office will be available to present the results of the audit to the Board at the October or November meeting.

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**6) Inflationary Adjustment for \$150,000 Death Benefit – Preliminary Follow-Up Report, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation on the *Inflationary Adjustment for \$150,000 Death Benefit*. Mr. Deam reviewed the 2007 Board proposal and explained that the \$150,000 lump sum death benefit currently is a fixed amount and is losing purchasing power over time due to inflation. He also went on to provide an update from the SCPP regarding this topic.

The Board will continue to coordinate with the Select Committee on Pension Policy (SCPP) on this issue.

**7) Fish and Wildlife Enforcement Officers Service Credit Transfer – Preliminary Follow-Up Report, Greg Deam**

Greg Deam, Senior Research and Policy Manager provided the Board with a Preliminary Follow-Up Report on the topic of *Fish and Wildlife Enforcement Officers Service Credit Transfer*. Mr. Deam reviewed the 2007 Board proposal and provided an update from the latest SCPP meeting. The next step for the Board will be to monitor the progress of the SCPP.

The Board will continue to coordinate with the SCPP on this issue.

**8) Purchase of Annuity – Preliminary Follow-Up Report, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation on *Purchase of Annuity*. Mr. Valencia gave a brief history and reviewed federal and state legislation. He also addressed how defined contribution assets can be used to purchase increased defined benefits.

The Board will coordinate with the SCPP on this issue

**9) Military Service Death Benefit – Initial Consideration, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager provided an Initial Consideration on the topic of *Military Service Death Benefit*. Mr. Valencia reviewed the current LEOFF Plan 2 benefits and legislative changes that have taken place. He also provided a comparison between the systems and the recent improvements in Washington.

The Board will coordinate with the SCPP on this issue.

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

Greg Deam, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation on *Deferred Compensation*. Mr. Deam reviewed the action that the Board took during 2007 on this issue. He addressed the next steps that the Board must take to move this proposal forward.

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The Board moved to forward this topic to the Final Proposal stage and bring it back to an upcoming Meeting. Seconded.

**MOTION CARRIED UNANIMOUSLY**

**11) Agenda Items for Next Meeting**

Board elections will be held at the September 26, 2007 meeting. The Board will also be discussing Actuarial Funding Mechanisms and the previous topics on the Agenda Items Calendar.

Kelly Fox was nominated as Board Chair and Jack Simington as Vice Chair. Elections will take place at the September 26, 2007 Board Meeting.

**Next Meeting**

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 26, 2007 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 1:45 p.m.