



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING
August 24, 2011

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Washington State Investment Boardroom in Olympia, Washington on August 24, 2011.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair (Via Teleconference)
Paul Golnik
Pat Hepler
Jeff Holy
Senator Honeyford
Mark Johnston
Glenn Olson
Ryan Martin
Representative Van De Wege

Staff Present:

Steve Nelsen, Executive Director
Jessica Burkhart, Executive Assistant
Greg Deam, Senior Research and Policy Manager
Tammy Harman, Administrative Services and Communications Manager
Tim Valencia, Senior Research and Policy Manager
Chad Standifer, Assistant Attorney General

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:45 a.m. The members took a moment of silence to honor those who had fallen since the last time the Board met.

Chair Fox welcomed Representative Kevin Van De Wege as the LEOFF Plan 2 Retirement Board's newest member.

1) **July 27, 2011 Board Meeting Minutes**

It was moved that the July 27, 2011 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Negative COLA – Preliminary Follow-Up Report**

Greg Deam, Senior Research and Policy Manager

Mr. Deam presented the *Negative Cost of Living Adjustment (COLA)* Preliminary Follow-Up Report. The report included an explanation of how negative inflation or deflation could cause a retiree's pension benefits to decline.

Historical inflation data and examples of negative COLA were provided. Mr. Deam explained two policy options for the members to consider.

1. Introduce legislation to mitigate deflation
2. Make no changes and keep the current COLA

This topic will be studied (pending information from the SCPP) and brought back to a future meeting.

3) **Purchase of Annuity – Preliminary Follow-Up Report**

Greg Deam, Senior Research and Policy Manager

Mr. Deam provided a Preliminary Follow-Up Report on *Purchase of Annuity*. He explained that members are limited in the amount of money they can convert to LEOFF Plan 2 by the amount required to purchase five years of service.

This topic was first reviewed by the Board during the 2004 interim following requests made to the Select Committee on Pension Policy to study this issue during the 2007-2011 interims.

Mr. Deam presented two options for the Board to consider if they choose to introduce legislation.

1. Utilize the same features as the plan 3 annuity
2. Allow plan 3 features to be optional

It was moved that the topic of Purchase of Annuity be deferred to the next interim. Seconded.

MOTION CARRIED UNANIMOUSLY

4) **Technical Corrections – Initial Consideration**

Tim Valencia, Senior Research and Policy Manager

Mr. Valencia provided an Initial Consideration on the topic of *Technical Corrections*. Technical corrections are needed to correct errors and oversights in the statutes for the definition of fire fighter concerning Emergency Medical

Technicians and language related to educational waivers for Reserve Police Officers.

The Board moved the topic of Technical Corrections to the Final Proposal stage where more data and information will be given at the December 2011 meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

5) Washington State Council of Fire Fighters Resolution 23

Greg Deam, Senior Research and Policy Manager

Mr. Deam presented an Initial Consideration on the Washington State Council of Fire Fighters (WSCFF) Resolution 23. He explained the resolution created at the 2011 WSCFF Convention has two issues:

1. Creating enhanced plans that the individual locals would fund and;
2. Creating a statewide benefit enhancement that would be funded by plan members.

Two policy considerations were provided to the Board. Benefit improvement at the local level and statewide benefits funded by members.

Chair Fox will address this issue and ask the group of members that pursued Resolution 23 if they would like to testify at an upcoming meeting.

Executive Session

Chad Standifer, Assistant Attorney General

The Board members met in Executive Session for approximately 45 minutes. The meeting was reconvened at 12:30 PM.

Public Testimony

Dick Warbrouck, President with the Retired Fire Fighters of Washington testified that he received a public disclosure response from the Attorney General's office. Mr. Warbrouck stated he has questions. Chair Fox advised Mr. Warbrouck to submit a letter with his questions to the Board.

6) Administrative Update

Steve Nelsen, Executive Director

- LEOFF 1/LEOFF 2 Merger Study
The Office of the State Actuary (OSA) will conduct the LEOFF 1/LEOFF 2 Merger Study with assistance from the Department of Retirement Systems. The first meeting is scheduled for August 30.
- Correspondence
The members were given copies of correspondence sent to and received from Treasurer McIntire. The Board sent a letter to the Treasurer asking about the scheduled September 2011 transfer to the local public safety enhancement

account. Treasurer McIntire responded and indicated the required growth level had not been met so no transfer would take place in September 2011.

Director Nelsen reviewed a letter from Bob Zutter, a paramedic for Cascade Medical Center. Mr. Zutter is inquiring about eligibility in LEOFF Plan 2 for several paramedics in his workplace.

The members requested an update on this issue at the next Board meeting.

- Supplemental Contribution Rates

The Board moved to suspend the supplemental contribution rate adoption until the survey is complete. Seconded.

MOTION CARRIED UNANIMOUSLY

- Pension Funding Council

The PFC Workgroup will start planning for the review of the Long Term Economic Assumptions that OSA will release in October.

- Select Committee on Pension Policy (SCPP) Update

Director Nelsen informed the Board that the SCPP did not meet during August. The next meeting will be held on September 20, 2011.

- Quarterly Budget Update

Director Nelsen reported that the LEOFF Plan 2 Retirement Board is under budget around 14% - \$141,000.

7) State Employees Compensation Reduction

Tim Valencia, Senior Research and Policy Manager

Mr. Valencia provided an overview of the state employee compensation reduction. His report included salary reductions, performance awards, and a salary freeze. He explained that these are all impacts of legislation from the 2011 legislative session.

8) Agenda Items for Next Meeting

Director Nelsen reviewed the upcoming agenda items for the September meeting.

The Board moved for staff to draft a letter to the Select Committee on Pension Policy requesting a study of LEOFF Plan 1 funding policies. Seconded.

MOTION CARRIED UNANIMOUSLY

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 28, 2011 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 12:46 PM.