



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING

August 25, 2004

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 25, 2004.

Board Members Present:

Kelly Fox, Chair
Pat Hepler
Mark Johnston
David Moseley
Doug Pendergrass
Doug Cochran
Maureen Morris
Representative Geoff Simpson

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
Karen Steffen and Nick Collier, Milliman USA

Board Members Not Present:

Senator Linda Evans Parlette
Jack Simington, Vice Chair
Michael Edwards

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:35 a.m.

1) July 28, 2004 Board Meeting Minutes

It was moved that the July 28, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) 2003 Valuation Report

Matt Smith, State Actuary, presented the preliminary 2003 Valuation Report for the LEOFF Plan 2 Retirement system which included estimated contribution rates, actuarial liabilities, assets, funded status and participant data. The recommended contribution rates for the 2005-07 biennium are 7.20% for members, 4.32% for employers and 2.88% for the State.

3) Independent Audit of Actuarial Valuation

Steve Nelsen, Executive Director, introduced Karen Steffen, Consulting Actuary and Nick Collier, Associate Actuary with Milliman USA. Ms. Steffen and Mr. Collier presented the Board with a draft report of the independent actuarial audit conducted by Milliman USA on the Office of the State Actuary's 2003 Valuation Report. Based upon their review of the September 30, 2003 actuarial valuation report, Milliman USA found that the actuarial work done by Office of the State Actuary was reasonable and appropriate and that the resulting contribution rates for the 2005-2007 biennium accurately reflect the actuarial assets and liabilities.

4) Duty Related Disability Benefits – Preliminary Report

Steve Nelsen presented a preliminary report which reviewed the current provisions and discussed two policy options for duty disability benefits. Mr. Nelsen explained that the first option would eliminate the actuarial reduction for duty disability calculation and provide the member with their full earned pension. It also would not change the duty disability standard or allow for favorable tax treatment.

The second option would establish a special benefit for extreme disabilities. This option creates a higher disability standard and higher level of benefit when the member is not capable of any substantial future employment and may allow for favorable tax treatment.

The Board requested that staff provide a follow-up report at the September Board meeting on an alternative option that would limit eligibility for additional benefits to members who were disabled in the course of responding to an emergency.

5) Post-LEOFF Employment – Preliminary Report

Tim Valencia, Senior Research and Policy Manager, presented a Preliminary Report on the topic of "*Post-LEOFF Employment.*" The following three key issues were discussed:

- The earlier retirement age in LEOFF Plan 2;
- The tendency for LEOFF 2 retirees to seek full-time employment during the initial years of their retirement; and
- Barriers to post-LEOFF employment in the public sector

Mr. Valencia went on to present three policy options that would resolve barriers to post LEOFF employment. The first option discussed would provide LEOFF 2 members a choice of enrolling in the PERS, SERS, TRS or PSERS retirement plan when employed in an eligible position following their LEOFF 2 employment.

The second option would remove restrictions on receiving their pension when employed in an eligible position while still accruing an additional pension.

The final option would create retire/rehire guidelines similar to the other Plan 2 systems.

The Board requested that staff provide costs associated with options 1 and 2 and present them at a future Board meeting.

6) Operating Policy #9 – Process for New Benefits Proposals

Mr. Nelsen presented the Board with an amended version of Operating Policy #9 which discusses the process for new benefit proposals. The amended policy made some terminology changes and provided that independent actuarial review of the costs of proposals would be conducted before the Board takes final action on a proposal whenever possible.

It was moved that the amended LEOFF Plan 2 Retirement Board Operating Policy #9 be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

7) Strategic Plan Review

Mr. Nelsen provided copies of the Board's Strategic Plan which was approved during the July 28, 2004 Board meeting. The Board had no suggestions or revisions to the plan.

8) Administrative Update

Select Committee on Pension Policy Update

Mr. Nelsen updated the Board on issues discussed at the latest Select Committee on Pension Policy (SCPP) Meeting. The SCPP will be presenting a proposal on members of public pension plans who are killed or disabled in the course of military service. The SCPP is also working on the topic of contribution rate stability including the possibility of annual increases to contribution rates rather than a biennial increase. The SCPP is also considering a bill which would allow elected officials to opt out of membership at the end of each term of office.

September Meeting Agenda

The Board asked that the topic of LEOFF membership for King County Medic One personnel be placed on the agenda for initial consideration at the September meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 22, 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 2:05 p.m.