
Minutes

Law Enforcement Officers and Fire Fighters Retirement Plan 2 Board

August 29, 2003 1:00-5:00 p.m.

John A. Cherberg Building, Olympia Washington

BOARD MEMBERS PRESENT

Ted Campbell
Doug Cochran
Michael Edwards
Kelly Fox
Patrick Hepler
Mark Johnston
Maureen Morris
David Moseley
Jack Simington
Geoff Simpson

BOARD MEMBERS ABSENT

Linda Evans Parlette

CALL TO ORDER

Chris Rose called the meeting to order at 1:10 p.m. on Friday, August 29, 2003, in the John A. Cherberg Building, conference rooms A, B, and C.

Each Board member introduced themselves. Suzanne Shaw introduced herself as the Attorney assigned to the Board for legal representation. Mr. Rose reviewed the agenda with the board members. The Board approved the agenda by consensus.

DISCUSSION ON ELECTION ON BOARD OFFICERS

David Moseley questioned how critical it is that the board elect officers today. He suggested getting to know each of the members for at least for one board meeting before election. Mr. Rose stated that from his standpoint it is very critical to vote on the chair and vice chair to authorize the signing of documents for administrative items. Kelly Fox suggested voting in temporary appointments to get the board through conducting of the business. After taking care of the items that require signatures and direction then potentially the Board could elect permanent officers for either annual or biennial terms.

MOTION: Ted Campbell moved to nominate Kelly Fox for temporary Chair.

SECOND: Doug Cochran seconded the motion.

ACTION: The motion passed unanimously.

MOTION: Mark Johnston moved to nominate Jack Simington for temporary Vice Chair.

SECOND: Geoff Simpson seconded the motion.

ACTION: The motion passed unanimously.

Mr. Campbell suggested that the temporary appointment should be a two-year term. Geoff Simpson stated that a one-year term of office would be better. The Board agreed by consensus it would revisit the election for temporary Chair and temporary Vice Chair at the end of its second meeting.

PRESENTATIONS GIVEN TO THE BOARD

Suzanne Shaw, Attorney General's Office, gave a briefing on the underlying laws governing the Board. The Board is a policy making board. It has received its authority by Initiative 790 and by implementing legislation. As a policy making Board, the Board is responsible for creating and implementing policy within that mandate—generally through Board discussions, policy statements, and rules that the Board may adopt in the future. The Board is an agency under the Administrative Procedures Act, which essentially tells state agencies how they are to carry out their statutory duties.

Ms. Shaw discussed what constitutes a rule when the Board must adopt a rule and the procedure for adopting a rule. She also discussed the LEOFF Plan 2 Statutes. The law created a new Board of Trustees to manage the LEOFF Plan 2. Trustees are fiduciaries in their oversight of pension management functions and must always carry out their duties solely in the interest of the members and beneficiaries. Board decisions are to be made in good faith. They are final, they are binding, and conclusive. The Board's significant decisions will be subject to judicial review. The initiative gave the board authority to do a number of administrative acts in order to carry out its business. Implementing legislation Substitute House Bill 2197 authorizes the Board to employ staff, to adopt an annual budget, to pay expenses from the expense fund, to make contracts for a variety of purposes, and authorizes the Office of the State Actuary to provide actuarial assistance to the Board. The bill removed the LEOFF Plan 2 from the pension funding council contribution rate setting statute and authorizes the Board to set contribution rates. With the passage of the implementation statutes as well as the initiative the Board has the authority that it needs to get up and running, to make administrative decisions in advance of the many substantive decisions it will need to make later.

Chris Rose, Governor's Executive Policy Office, discussed the role of board members, their relationship with each other, the Boards relationship to other agencies, and to the public. Mr. Rose reviewed a number of laws that create the framework for the Board's operation. Mr. Rose pointed out that as a Board, the members represent the ownership interest of the public and the members of the retirement system. Through the initiative the public delegated to the Board the responsibility to be the trustees of the LEOFF Retirement Program. It is the Board's job to make sure that the program is operated responsibly for the benefit of both the general tax paying public and the active and retired members of the plan. There are a number of laws beyond the initiative and the Board's implementing legislation that guide the work of all these state agencies, including the LEOFF 2. These laws are: The Open Public Meetings Act; the Administrative Procedures Act (APA); the Public Disclosure Act; and the Ethics In Public Service Act.

Maureen Westgrad, Department of Retirement Systems (DRS), introduced three Department of Retirement System's staff: Steve Nelson, Manager of Legal and Legislative Affairs; Mark Feldhausen, Director of Budget; and Zan Johnston, LEOFF Administrator. Ms. Westgard gave a briefing on the Department of Retirement Systems. This included:

- Service Delivery Business Model
- Scope of Administration
- Membership by System and Plan
- Stakeholders
- DRS Organizational Structure
- Retirement Services Division
- Information Systems Division
- Administrative Services Division
- Strategic Initiatives
- DRS Retirements and FTE's
- Balanced Scorecard
- High Customer Satisfaction, Customer Service Measures, Cost Efficient Operations, and Summary.

Matthew Smith, State Actuary, gave an overview of the State Actuary's Office. The State Actuary's office is a legislative agency. Its principal duties are to perform actuarial evaluations on all state funded or state sponsored retirement plans, contribution rates, supplemental rates, and any pension legislation that is introduced in between the biennial operating budget. Mr. Smith predicted there would be interaction between State Actuary's office and the LEOFF Board and the actuary the Board retains. The State Actuary's Office also provides staff and assistance to the Select Committee on Pension Policy. The Office will provide actuarial assistance to the LEOFF 2 Board through the initiative that was passed. The agency has 11 ½ FTE's and will also provide funding for one FTE to support the LEOFF 2 Board and the staff. The way that it was written is that expense would be initially covered in the Actuary's budget, which is part of the DRS expense fund and that would be reimbursed by the LEOFF 2 Board's expense fund, via an interagency agreement.

Ms. Shaw gave an overview of the Attorney General's Office (AG's). By statute the Attorney General's office provides all legal services to elected officials in state agencies, including boards and commissions in carrying out their official duties. It is for the Board to make its policy and

business decision within the scope of its statutory authority. Request for legal advice should be channeled through the Chair. Attorney client privilege exists to allow frank communication between an attorney and the client on legal matters without fear of disclosure. If a member of the public approaches a board member regarding privilege information, Ms. Shaw asked to be consulted before that information is actually disclosed. Other areas that were included in Ms. Shaw's briefing were:

- Role of the Attorney General's Office in Representing Boards and Commissions.
- Contact Information.
- Specialized Services.
- Outside Counsel.
- Decisions on Litigation or Appeal.
- Billing.
- Attorney-Client Privilege.
- Recurring Legal Issues for Boards.

PANEL PRESENTATIONS

Connie Michener, Department of Information Services; Ron McQueen, Department of General Administration; Patty McGuire, Department of Personnel; Yolanda Wilson, Office of Financial Management; and Chris Rose, Governor's Executive Policy Office, gave a panel presentation to the board.

Mr. Rose began with a discussion on what type of decisions need to be made by the Board and tasks associated with establishing an agency; establishing a budget; hiring staff; selecting facilities; and setting up an expense fund. Mr. Rose suggested that the Board hire an interim executive officer and a confidential secretary. It was suggested to hire temporary staff through OFM with an interagency agreement until the Board has completed the process of completing all the administrative processes of establishing the agency.

Ms. Wilson gave an overview of the Small Agency Client Services within Office of Financial Management and gave the Board a list of items that need to be accomplished in order to establish the Board. This included:

- Establish an EIN with the Dept. of Revenue.
- Master Business License.
- Unemployment Insurance Account Number.
- Retirement Department Number.
- Industrial Insurance Account Identification Number.
- Customer Service Agreement.
- Establish a set of allotments.

Ms. McGuire gave an overview of the Department of Personnel (DOP), Small Agency Assistance Unit. This included:

- Services provided by the Small Agency Assistance Unit (SAAU).
- Using SAAU Services.
- Functions Handled by the Client Agency.
- Items SAAU refers to other units or agencies within the Department of Personnel.
- Cost.
- Client agencies.

Ms. Michener gave an overview on the Department of Information Services (DIS), which included:

- Reliable, secure state government network connections.
- Telephone services.
- She provided copies of the information on services by the Department of Information Services in the form of a CD "Move Your World".

Mr. McQueen gave an overview of the Department of General Administration (GA). This included:

- Site facilities.
- Contracts for supplies, food, equipment and services.
- Rental cars.
- Public works projects.
- Surplus equipment and furniture.
- Small Agency Initiative.
- Co-location Initiative.
- Small space request form.
- Standards.

DISCUSSION ON ACTION ITEMS

Chairman Fox asked whether the summary of the fiscal notes was developed from of the fiscal note that was developed during the legislative process. Mr. Smith replied that it was. Mr. Smith also indicated that of the two fiscal notes one represented the cost estimate to DRS and the other a cost estimate for the Board itself. Chairman Fox asked if they combined the two to get a total estimate of the staffing model. Mr. Smith's answer was that it was.

Chairman Fox discussed the draft document from Mr. McQueen on space allocation, which included staffing assumptions, facility assumptions, and technology. Ms. Michener indicated that the budget does not include technology expenses. Mr. Rose emphasized that again they were placeholder budgets, so as the Board brings staff on board and make some decisions agencies can work to estimate the real cost of the decisions.

Chairman Fox indicated the first decision for the Board was to approve the fiscal year 04 budget understanding is the budget would be final until the Board hired staff and the staff could make recommendations regarding a staffing plan. Mr. Rose stated that Board's budget is not an appropriated budget so with this flexibility this Board can make the decisions. Also, OFM has a quarterly allotment process, so the Board does not have to wait a whole year to update.

Chairman Fox requested that Ms. Michener describe briefly what these technology costs are. Ms. Michener indicated that the fiscal noted underestimated what the Board's technology needs may be. There are a lot of different variables; it depends on where the Board locates and whether it is co-located with other agencies or not. There are a lot of variables that DIS can work with the staff on regarding cell phones, scan services, and telephone systems. There are connectivity costs to be considered. DIS has some models that can be used, but again it depends on where the Board decides to locate its office.

Mr. Rose stated that he and OFM Budget staff put together an alternative bare bones initial start-up approach. The assumption was that OFM, on the Boards behalf, would buy PC's and other equipment, hire two staff people and locate them in one of OFM buildings and plug them into OFM's systems.

Ms. Wilson described some of the steps to be taken to establish the agency. When SACS looks at bringing an agency on-line they do consider all the things that have been discussed previously. OFM does have some models that talk about whether the Board wants to have laptops or desktop machines. Once the Board gets these machines there has to be software loaded on them. The Board will also have to be connected and once the Board is connected, it is not just to be able to run the machines themselves, but to be able to access the network. As the Board processes financial data they will be in different systems that the Board will need to obtain access. This will involve entering into agreements with the Department of Personnel to access their system to get pay checks set up; entering into agreements with the Office of Financial to be able to access the systems to pull out the financial reports that the Board will need; and also entering into agreements with the Department of Information Services to be able to get to those systems mentioned above. OFM's Small Agency Client Services looks into all of these issues and have numerous models to look at to help the Board make its decision.

Mr. Rose discussed the process in working with the budget office. If the Board passes a budget, understanding that this is a temporary placeholder, the Board will have authority to spend money knowing that the Board is going to have re-visit its budget. One of the most urgent immediate things that the Board needs to decide is that the small agency support team can work with the Board or its staff to establish the Board as any agency. The Board's staff can build a budget proposal and then the Board can formally adopt that proposal. At that time OFM can change the allotment numbers to reflect the new budget. As the Board develops its staffing model and the cost model the Board should have Mr. Smith assess the impact on the pension fund. The passing of the Board's budget does not have to be in the form of a rule because it has to do with the Boards internal operation.

Mr. Rose indicated that the summary of the proposed budget does not include reimbursement for services rendered by the State Actuary or the Department of Retirement Systems (DRS). Assuming that the team is just doing the administrative work of getting the Board up and running

and providing advice and support in developing a future staffing plan and budget, the question is what DRS and the State Actuary would need to be reimbursed for in the next few months

Mr. Cochran stated that the Board should not adopt the budget at the detailed level so that the Board's hands are tied. At the very most, at the levels of salaries and benefits and goods and services as a category, so there would be an opportunity to cover the costs of the various agencies. Ms. Wilson asked the Board to clarify that the Board is looking at the bottom line.

Mr. Smith indicated that he is not anticipating that the State Actuary would be doing any billing until the Board reaches an interagency agreement. Mr. Smith thought that reimbursement would not happen until after executive director position has been filled.

Ms. Westgard commented that if the Board requested a study or data from DRS, the agency could do the work, accrue the hours, track it and at some point when the Board had an approved budget DRS could request reimbursement.

Mr. Rose summarized what had been discussed. If the Board adopts a motion to authorizing a budget of two hundred and fifty six thousand dollars as a placeholder budget Ms. Wilson and her group can prepare the allotments. That gives DRS and the State Actuary the ability to continue to work and negotiate with the Board on a variety of interagency agreements.

MOTION: Doug Cochran moved to adopt an amount that is consistent with the proposed budget document titled "Proposed Budget for LEOFF 2 Board through March 2004", dated August 27, 2003 that is not tied specifically to the amounts that are in the categories of goods and services or salary and benefits, but in an amount that is necessary to conduct a business in the interim between now and when staff is hired.

SECOND: Maureen Morris seconded the motion.

ACTION: The motion passed unanimously.

Mr. Rose proposed the Board authorize Chairman Fox to enter into an interagency agreement with the Office of Financial Management for temporary staffing, subject to the employees being approved by the Board, since OFM has accounting and personnel systems up and running. Later, when all the paper work is done and the system is up the staff would be transferred to the Board's agency

Chairman Fox posed the question—If the Board choose the interim route, then would those individuals develop the job description? Ms. McGuire responded that she would likely work with the interim executive director to develop the job descriptions and to post the announcement, unless the Board asked that not happen and wanted to direct someone else to do that. Ms. McGuire indicated that the interim positions could be for anywhere from two months to one year, or if the interim candidates were successful the Board could keep them as their permanent exempt employees.

MOTION: Doug Cochran moved to authorize the chair to work with OFM to bring on temporary staff, as necessary, to negotiate agreements with state agencies for services, and to sign the necessary documents to get this Board into official existence.

SECOND: Maureen Morris seconded the motion.

ACTION: The motion passed unanimously.

Ms. Morris brought the question up to the Board—Does the Board want to delegate the temporary hiring of two or three people to the Chair with the advice of a group of people, or did the Board want it to come back to the full board for discussion. A sub-committee was proposed to consist of two or three people that could take the role on. The Chair would designate the sub-committee. It was decided that a sub-committee would be formed for the search of the executive director's position and to hold the interviews.

Mr. Rose suggested the Board not meet any sooner than one month from today because it will take that much time to do the initial hire, to have someone introduced to the Board, and start working with the Board.

The Board has agreed that its next meeting will be held on October 15, 2003, from 10:00 a.m. to 2:00 p.m. It was suggested that the regular scheduled meetings would be on the second Wednesdays of the month. This will be further discussed at the October 15, 2003 meeting.

Mr. Rose told the Board that he and Cindy Fetterly would continue to work with the Board until it has its own staff.

Meeting adjourned at 5:30 p.m.