

BOARD MEETING MINUTES

SEPTEMBER 26, 2018 FINAL



TRUSTEE AND STAFF ATTENDANCE

In Attendance	Dennis Lawson, Chair – Central Pierce Fire and Rescue
Absent	Mr. Jason Granneman, Vice Chair – Clark County Sheriff’s Office
In Attendance	Representative Jeff Holy – Spokane Police Department (Retired)
In Attendance	Representative Steve Bergquist – WA State Representative
Teleconference	Senator Judy Warnick – WA State Senator
Absent	Mr. Adé Ariwoola – City of Federal Way
Absent	Mr. Dwight Dively – King County
In Attendance	Mr. Mark Johnston – Vancouver Fire Department
Absent	Mr. Michael White – Valley Regional Fire Authority
In Attendance	Mr. Pat McElligott – East Pierce County Fire and Rescue
In Attendance	Ms. Tarina Rose-Watson – Spokane Intl Airport Police Department
In Attendance	Steve Nelsen – Executive Director
In Attendance	Tim Valencia – Deputy Director
In Attendance	Jessie Jackson – Executive Assistant
In Attendance	Jessica Burkhart – Administrative Services Manager
In Attendance	Tammy Harman – Death and Disability Ombudsman
In Attendance	Jacob White – Senior Research and Policy Manager
In Attendance	Ryan Frost – Research and Policy Manager
In Attendance	Tor Jernudd – Assistant Attorney General

CALL TO ORDER

The LEOFF Plan 2 Retirement Board met in the Washington State Investment Board conference room in Olympia, Washington on September 26, 2018. A quorum of the members was present at this meeting.

OPENING

Chair Lawson called the meeting to order at 9:30 AM and requested those present to take a moment of silence to honor those who had fallen since the last the Board meeting.

1. APPROVAL OF MINUTES

MINUTES APPROVED

It was moved to approve the Board meeting minutes from July 25, 2018. Motion was seconded. The Board approved the minutes without objection.

2. PUBLIC PENSION ADMINISTRATIVE BENCHMARKING

Mark Feldhausen, Budget and Performance Management Director from the Department of Retirement Services presented an annual update on to the Board on pension administration benchmarking using fiscal data from 2017.

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3. ADMINISTRATIVE FACTORS

Corban Nemeth, Associate Policy and Data Analyst from the Office of the State Actuary gave an introduction presentation to the Board on Administrative Factors. No action was required by the Board today as factors will be adopted later this fall.

4. OUT OF JURISDICTION DUTY

Ryan Frost, Senior Research and Policy Manager provided a comprehensive report on Out of Jurisdiction Duty. Members who are injured while responding to an emergency out of their jurisdiction are not entitled to LEOFF 2 duty disability or duty death benefits.

Three policy options are before the Board for consideration:

- **Option 1** – Offer off duty members, who are injured or killed while responding to a public emergency, the same death and disability benefits as afforded to on duty members
- **Option 2** – Offer off duty members, who are injured or killed while responding to a public emergency, a lower level of benefits than granted to those injured or killed while on duty
- **Option 3** – Maintain current policy

No action was taken by the Board.

5. CAREER CHANGE ALTERNATIVES

Ryan Frost, Senior Research and Policy Manager presented a comprehensive report on career change alternatives. Since the passage of the Board's 2005 career change law, multiple issues have surfaced related to employers' interest in hiring LEOFF retirees into LEOFF positions.

The following policy options are before the Board:

- **Option 1** – Restrict the ability of LEOFF 2 Retiree to receive a pension and work in a historically LEOFF position
- **Option 2** – Create Limited Retiree Return to Work Option
- **Option 3** – Combination of Option 1 and 2

No action was taken by the Board.

6. SURVIVOR OPTION ELECTION

Jacob White, Senior Research and Policy Manager gave a comprehensive report on survivor option election. It may be considered unfair to have a member make their irrevocable retirement election for a survivor option without all the information that is important to them. Current law does not allow a member to change their survivor option after a recalculation.

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The following policy options are before the Board for consideration:

- **Option 1** – Window for all L2 Members: All LEOFF 2 retirees have a 90 day window after the receipt of their first retirement payment to change their survivor election. If a member changes their survivor election they must pay or be refunded the difference in their pension payments that they have already received. The member must provide DRS with written spousal consent to change their survivor option, if the survivor option provides the spouse with a decreased survivor benefit
- **Option 2** – Qualifying Event Window: LEOFF 2 retirees may change their survivor election if a DRS recalculation of their benefit results in a change to the benefit amount of more than:
 - a) Any change in benefit amount
 - b) 5%
 - c) 10%

The retiree has 90 days from receipt of the first recalculated pension payment to elect a new survivor benefit. If a member changes their survivor election they must pay or be refunded the difference in their pension payments that they have already received. The member must provide DRS with written spousal consent to change their survivor option, if the survivor option provides the spouse with a decreased survivor benefit

- **Option 3** – Qualifying Event Window with Further Anti-Selection Risks Mitigation: The same as Option 2 except to further mitigate anti-selection risks a retiree’s ability to change their survivor option election is limited based on the impact of the recalculation
 - If a retiree’s benefit increases due to a recalculation they may only select a larger survivor option
 - If a retiree’s benefit decreases due to a recalculation they may only select a smaller survivor option
- **Option 4** – Both Option 1 and 2

MOTION

A motion was made to move forward this topic to a final presentation. Motion was seconded. Motion passed unanimously.

7. ADMINISTRATIVE UPDATE

Steve Nelsen, Executive Director gave his administrative update to the Board.

WACOPS

Annual meeting in September. Director Nelsen spoke about what the LEOFF 2 Board is working on and answered questions.

OUTREACH ACTIVITIES

Tim Valencia presented at a financial wellness seminar for Local 27 in Puyallup.

PFC UPDATE

The Pension Funding Council met in July. They adopted contribution rates for the rest of the plans. DRS will adopt the administrative factors for the other plans. This is scheduled for board adoption in November, and will allow a coordinated roll out of this information by DRS to members.

SCPP

The Select Committee on Pension Policy took action on the two DRS issues of Month of Death Payment and Written Spousal Consent. Final action from the LEOFF 2 Board on these items will occur at the

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DRS Rulemaking

November meeting. Further coordination between the SCPP and the LEOFF 2 Board can take place in December before session starts.

Coordination of rulemaking with DRS has begun.

8. SPOUSAL CONSENT REQUIREMENT

Jacob White, Senior Research and Policy Manager presented a comprehensive report to the Board on spousal consent requirement. Under current law, a member who is retiring under LEOFF Plan 2 must provide written consent from their spouse for any survivorship option the member selects – except in the case of a joint 50% survivorship option. This means that a spouse must provide written consent even when their survivor benefit would be greater than 50%. The Department of Retirement Systems (DRS) requested the LEOFF 2 Board consider endorsing legislative action to remove spousal consent requirements for certain survivorship selections. The Office of the State Actuary draft fiscal note stated this proposal is not expected to impact the pension systems.

The following policy options are before the Board for consideration:

- **Option 1** – Endorse DRS Proposal – No longer require written spousal consent for survivor options which leave the surviving spouse a benefit greater than 50%
- **Option 2** – Continue current practice

MOTION

A motion was made to move forward this topic to a final presentation.
Motion was seconded. Motion passed unanimously.

9. MONTH OF DEATH RETIREMENT PAYMENTS

Jacob White, Senior Research and Policy Manager presented a comprehensive report to the Board on month of death payment. In the month a retiree or survivor passes away, the Department of Retirement Systems (DRS) prorates the last month benefit payment based on the number of days the person was alive in the month. Frequently this results in an invoice being sent to the family or estate to collect any amount that should have been prorated.

The following policy options are before the Board for consideration:

- **Option 1** – Pay full month of death payment
- **Option 2** – Continue current practice

MOTION

A motion was made to move forward this topic to a final presentation in November. Motion was seconded. Motion passed unanimously.

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10. COST OF SURVIVOR BENEFIT IMPROVEMENT PAYMENTS

Ryan Frost, Senior Research and Policy Manager presented an educational briefing on the cost of survivor benefit improvement. One of the goals of the LEOFF 2 Board's strategic plan is to keep the stakeholders informed. One of the ways of meeting that goal is for the Board to be briefed on the price of certain benefit improvements. No action was taken by the Board.

BOARD ACTION TAKEN

After staff presented on the five agenda topics Chair Lawson asked the Board to consider what issues they would like to move forward for final presentations. A motion was made to move forward agenda topics # 6, 8, and 9. Motion was seconded. Motion carried unanimously.

11. AGENDA ITEMS FOR FUTURE MEETINGS

Steve Nelsen, Executive Director reviewed upcoming agenda items for the remainder of the interim.

The next meeting is October 24th and is the strategic planning meeting, to be held in the WSIB boardroom, rather than offsite as in the past. We will be discussing budget and the Board's involvement of the agency budget.

In November we will have preliminary follow up presentations on Survivor Option Election, including information on Oregon's experience as requested by the Board. Final presentations on Month of Death Retirement Payments and the Spousal Consent notarization issue from DRS will occur. Follow up presentations on Definition of Child, and an initial presentation on the topic of Law Enforcement Officer with no Pension (LEOFF/PERS Eligibility Gap). An update on pricing from OSA will be given in November or December.

12. EXECUTIVE SESSION

The Board moved to Executive Session for 20 minutes to discuss potential litigation to which the LEOFF 2 Board may become a party when public knowledge regarding the discussion is likely to result in an adverse legal and or financial consequence to the LEOFF 2 Board. The executive session is expected to last 20 minutes and the Board will reconvene in open session to consider possible Board action prior to adjournment. Chair Lawson called the meeting back to order at 12:57PM. There being no further business a motion was made to adjourn.

ADJOURNMENT

MOTION

Motion was made to adjourn at 12:35PM. Motion seconded and passed unanimously.

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for October 24th, 2018 at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W. Olympia, WA 98502.