



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING
September 28, 2011

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Washington State Investment Boardroom in Olympia, Washington on September 28, 2011.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Paul Golnik
Pat Hepler
Jeff Holy
Senator Honeyford
Mark Johnston
Ryan Martin
Representative Van De Wege

Board Members Absent:

Glenn Olson

Guests:

Steve Davis, Davis Accounting Tax and Auditing Services
Theresa Whitmarsh, Executive Director (WSIB)
Matt Smith, State Actuary
Lisa Won, Actuary

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 9:40 AM. The Board members took a moment of silence to honor those who had fallen since the last time the Board met.

1) **August 24, 2011 Board Meeting Minutes**

It was moved that the August 24, 2011 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Independent Audit Results –**

Steve Davis, Davis Accounting Tax and Auditing Services

Steve Davis with Davis Accounting Tax and Auditing Services, presented the LEOFF Plan 2 Retirement Board's *Independent Audit Results* for the year ending June 30, 2011.

Mr. Davis provided an overview of the Schedule of Expenditures, the Independent Audit Report, and also supplementary information. Mr. Davis has been conducting the independent audits for the LEOFF Plan 2 Board for the last seven years and ensures that all internal controls are properly functioning. The report concluded that in all aspects the audit presented fairly in accordance with the auditing standards generally accepted in the United States.

The LEOFF Plan 2 Retirement Board was \$242,174 under budget for the biennium.

3) **Long Term Economic Assumptions –**

Matt Smith, State Actuary

Matt Smith, State Actuary, presented highlights of the current financial condition and *Long Term Economic Assumptions*.

Mr. Smith discussed budget impacts as it relates to the General Fund and the employer budgets for 2013-2015. He indicated that the financial condition has improved since his last report due to investment returns and a reduction in benefits.

He continued to provide information related to annual and historical investment returns, as well as historical system growth. Mr. Smith discussed the budget impact of a phase-in and the contribution impacts of such.

Mr. Smith acknowledged there is an opportunity to make a recommendation to the Pension Funding Council (PFC) at the next Select Committee on Pension Policy (SCPP) meeting on October 12, 2011.

The Board requested specific information related to LEOFF Plan 2 be brought back to the October 26, 2011 Board meeting.

4) **Actuarial Valuation Report –**

Lisa Won, Actuary

Lisa Won, Actuary with the Office of the State Actuary provided a report and presentation on the *2010 LEOFF Plan 2 Actuarial Valuation Results*. Ms. Won stated that the valuation is a snap-shot of the financial condition of LEOFF Plan 2.

She indicated that the return on the market value of assets was 13.21%. The funded status decreased from 128% to 124%.

Ms. Won reviewed the change of assets, the actuarial value of assets, a change in liabilities from the last LEOFF 2 valuation, and a background on contribution rates.

She indicated the current funded status still remains healthy.

5) Modifications to Actuarial Valuation Report (AVR)

Steve Nelsen, Executive Director

Executive Director, Steve Nelsen, has been working with the Office of the State Actuary to make fundamental changes to the yearly valuation report.

Mr. Nelsen discussed the importance of the AVR, which includes actuarial information, assumptions, rate calculation, and funding status. He also reviewed possible changes that may take place in the AVR with the members.

6) Administrative Update

Steve Nelsen, Executive Director

• Department of Retirement Systems (DRS) Update

Executive Director Nelsen discussed the recent cooperation with DRS to define the definition of “fire fighter”. Ongoing meetings between the agencies have been taking place.

Mr. Nelsen indicated that DRS has been facilitating meetings for the LEOFF Plan 1/LEOFF Plan 2 Merger. Additional meetings are scheduled.

• Survey Results

Mr. Nelsen reviewed the 2011 LEOFF Salary Reduction Survey conducted by David Elliott with the Department of Commerce. The survey will be used to provide data to the Office of the State Actuary (OSA) to change the supplemental contribution rate increase.

• Miscellaneous

Executive Director Nelsen noted the Governor announced a Special Legislative Session that will begin at the end of November.

7) Strategic Plan Review

Steve Nelsen, Executive Director

Executive Director Nelsen provided a review of the *LEOFF Plan 2 Board's current Strategic Plan*. He then noted the key items to take place during the 2011 interim and 2012 legislative session related to maintaining the financial integrity of the plan.

Mr. Nelsen discussed the interim agenda and the following 2012 Legislative Agenda:

- 1. Maintain Board adoption of contribution rates and assumptions**
- 2. Long-term Economic Assumptions**
- 3. Potential LEOFF 1/LEOFF 2 merger legislation**
- 4. Possible benefit changes**

The LEOFF Plan 2 Board staff will follow-up with the OSA Risk Analysis. The Strategic Plan will be revisited at a later meeting.

8) WSIB Update

Theresa Whitmarsh, Executive Director

Theresa Whitmarsh, Executive Director of the Washington State Investment Board (WSIB) provided the annual *WSIB Update*. Ms. Whitmarsh presented a report and presentation on the WSIB governance structure, CTF performance, market value, the capitol market assumptions, long and short term investment return expectations, and market volatility.

Ms. Whitmarsh explained that approximately 75-80% of the state's cost for pension benefits is generated by investment returns.

Having the WSIB maintain their disciplined approach to investing with high standards of integrity has enabled them to have a positive and dramatic impact on the state's bottom line.

Public Testimony

Chair Fox reviewed the sign-in document and called James Fossos to testify at approximately 12:45 PM. He was no longer in attendance.

9) Agenda Items for Next Meeting

Steve Nelsen, Executive Director

Executive Director Nelsen reviewed the agenda items the members will review at the October 26, 2011 LEOFF Plan 2 Retirement Board meeting:

- Long Term Economic assumptions, Matt Smith
- Long Term Economic Assumptions – Initial Consideration
- Disability Process – Alex Kasuske-Carroll and Jennifer Dahl, DRS
- Cafeteria Plans – Dave Nelsen, Legal & Legislative Services Manager
- Proposed 2012 Meeting Schedule

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for October 26, 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 12:55 PM.