

BOARD MEETING AGENDA

October 15, 2015 - 8:30 AM



LOCATION

MIDDLETON AUDITORIUM
2421 Heritage Ct SW
Olympia, WA 98502
Phone: 360.586.2320
Fax: 360.586.2329
recep@leoff.wa.gov

- | | |
|---|----------|
| 1. Welcome & Agenda Overview | 9:00 AM |
| 2. Work Session 1
LEOFF Plan 2 Funding Method | 9:10 AM |
| 3. Work Session 2
Retiree Return to Work | 10:40 AM |
| 4. Lunch / Video | 12:00 PM |
| 5. Work Session 3
Disaster Response Coverage | 1:00 PM |
| 6. Wrap Up | 2:20 PM |

Lunch is served as an integral part of the meeting.

In accordance with RCW 42.30.110, the Board may call an Executive Session for the purpose of deliberating such matters as provided by law. Final actions contemplated by the Board in Executive Session will be taken in open session. The Board may elect to take action on any item appearing on this agenda.



Work Session 1

LEOFF Plan 2 Funding Method

Issue Summary

The Board's current policy of having both a "temporary" and "long term" actuarial funding method creates confusion in fiscal notes and actuarial valuation reports.

Background

The statutorily designated actuarial funding method for LEOFF Plan 2 when the Board was first created in 2003 is the Aggregate Cost Method. This method remains in statute and is referred to by the Office of the State Actuary (OSA) as the Board's "long-term funding method." This method always keeps the plan 100% funded but produces more volatile contribution rates over time.

The Board has the authority to adopt a different actuarial funding method and has done so since the Board first began operations. From 2004 to 2008 the Board adopted a series of annual increases in the contribution rates based on the expected long-term cost of the plan or the "normal cost" of the plan using the Entry Age Normal Cost (EANC) method. Beginning in 2008, the Board adopted contribution rates equal to 100% of the expected long-term cost of the plan. This policy of setting rates equal to the expected long-term cost of the plan is referred to by OSA as the Board's "temporary funding method" and is referred to by Board staff as the Fixed Normal Cost (FNC) method. This method has been used by the Board to set contribution rates through the 2015-17 biennium with some modest deviations to reflect the Board's goal of stable contribution rates.

This method provides very stable rates but it does not account for positive or negative unfunded liability, which will fluctuate up and down depending on investment performance. The plan is funded at 113% according to the most recent actuarial valuation.

Strategic Questions

- (1) What would be the pros and cons of adopting the EANC Method as the long-term funding method for the plan?
- (2) Should the Board direct staff to work with OSA to develop options for adopting some version of the EANC method as the Board's sole actuarial funding method?



Work Session 2

Retiree Return to Work

Issue Summary

Employment arrangements that allow LEOFF Plan 2 retirees to continue drawing their pension when they return to work in LEOFF management positions undermines public confidence that the plan is well-designed and professionally managed. However, these same arrangements facilitate employers hiring desired personnel.

Background

Some employers have hired LEOFF Plan 2 retirees into LEOFF management positions but have not reported those employees in LEOFF Plan 2. Employers have turned LEOFF management positions that were historically reported in LEOFF into PERS positions by modifying the job requirements. This practice allows the retiree to continue drawing their LEOFF Plan 2 pension.

LEOFF Plan 2 retirees who are rehired into positions covered by the Public Employees' Retirement System (PERS) have the option to continue to receive their LEOFF Plan 2 pension pursuant to "Career Change" legislation sponsored by the Board in 2005. There are financial penalties for an employer if the employer improperly reports a LEOFF Plan 2 retiree as working in a PERS position when they are actually working in a LEOFF position. A number of employers have received such penalties since 2013 resulting in some public outcry to repeal the Career Change program.

The Board proposed legislation in 2014 (HB 2479) that would put LEOFF Plan 2 retirees back into LEOFF membership if they were hired into what would otherwise be LEOFF jobs except that the position is:

- a. less than full time;
- b. less than fully compensated;
- c. not fully commissioned;
- d. includes additional non-LEOFF duties; or
- e. filled by an independent contractor.

The House passed HB 2479. Due to opposition from some stakeholder groups, it died in the Senate.

Strategic Questions

- (1) What is the value to employers and members of leaving the current practice open? What is the cost to employers, members and the plan?
- (2) HB 2479 did not pass in 2014. How likely is it to pass in 2016 if stakeholder opposition remains?



Work Session 3

Disaster Response Coverage

Issue

LEOFF Plan 2 members who are called up to federal service to respond to natural disasters receive reduced non-duty death and disability benefits from LEOFF Plan 2 if they are killed or disabled in the course of that service.

Background

A number of LEOFF Plan 2 members were recently called into federal service with the National Guard, Military Reserves and the National Disaster Medical System to respond to natural disasters such as the Oso mudslide and the Chelan wildfires. A LEOFF Plan 2 member called into federal service is classified as “on-leave” from their employer.

The LEOFF Plan 2 Board and the Select Committee on Pension Policy previously recommended joint legislation to provide some pension benefit protections to members on leave for federal service in the military during a time of war:

1. A 2005 bill permitted survivors of members of all plans to purchase up to 5 years of military service credit if the member died while in the uniformed services. This bill had no effect on contribution rates.
2. A 2009 bill provided an unreduced survivor annuity to qualifying survivors of members of all systems and plans who leave public employment due to service in the National Guard or Military Reserves and die while honorably serving during a period of war. This bill had no effect on contribution rates.

*Neither of these bills provided the lump sum duty death benefit or the catastrophic duty disability benefit.

Strategic Questions

- (1) Should deaths and injuries that occur while providing public service in response to natural disasters be considered non-duty with respect to a member’s LEOFF Plan 2 pension if that service was performed for a federal agency?
- (2) Are limited pension protections such as those previously provided for military service appropriate for this kind of federal service?
- (3) Does it matter whether the federal service is provided in response to a disaster in Washington or in another state?



Meeting Feedback Form

Off-Site Meeting

October 15, 2015

This form provides an opportunity for you to evaluate today's meeting and will assist the Team in planning future off-site programs. Please let us know your thoughts. Suggestions, comments and criticisms are invited! Thank you.

MEETING EVALUATION

1. Please provide your feedback on how well your expectations were met in today's OFF-SITE MEETING

	Did Not Meet My Expectations	Partially Met My Expectations	Met My Expectations	Exceeded My Expectations	Comments
Agenda/Topics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Work Sessions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Handouts & Materials	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Opportunity to Network/Interact	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Overall Productivity of Meeting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

FACILITY EVALUATION

2. Please provide your feedback on how well your expectations were met by the facility and catering for today's OFF-SITE MEETING

	Did Not Meet My Expectations	Partially Met My Expectations	Met My Expectations	Exceeded My Expectations	Comments
Meeting Facility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Meeting Location	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Catering	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

3. Is there another topic you would have liked to discuss?

4. Please provide any other feedback that will help the team exceed your expectations for your off-site meetings.

Would you like a member of the Team to follow up with you about any comments on this evaluation?

Name (Optional)

Yes

No



PROPOSED BOARD MEETING DATES FOR 2016

JANUARY						
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SEPTEMBER						
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DECEMBER						
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PROPOSED 2016 DATES
STATE HOLIDAYS
JANUARY 27
FEBRUARY 24
MARCH 23
APRIL 27
MAY 25
JUNE 22
JULY 27
AUGUST 24
SEPTEMBER 28
OCTOBER 18
NOVEMBER 23
DECEMBER 28

MEETING LOCATION

STATE INVESTMENT BOARD
 Large Conference Room
 2100 Evergreen Park Drive SW
 Suite 100
 Olympia, WA 98502

CONTACT

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