

BOARD MEETING AGENDA

October 22, 2014 - 9:30 AM



LOCATION

STATE INVESTMENT BOARD
Large Conference Room, STE 100
2100 Evergreen Park Drive S.W.
Olympia, WA 98502
Phone: 360.586.2320
Fax: 360.586.2329
recep@leoff.wa.gov

- | | |
|---|----------|
| 1. Welcome and Overview of Agenda | 9:30 AM |
| 2. Board Expectation Results | 9:40 AM |
| 3. Strategic Plan Background and Accomplishments | 9:50 AM |
| 4. Work Session 1 | 10:25 AM |
| 5. Work Session 2 | 12:55 PM |
| 6. Wrap Up | 2:35 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.



Board Expectation Results

ATTACHMENTS:

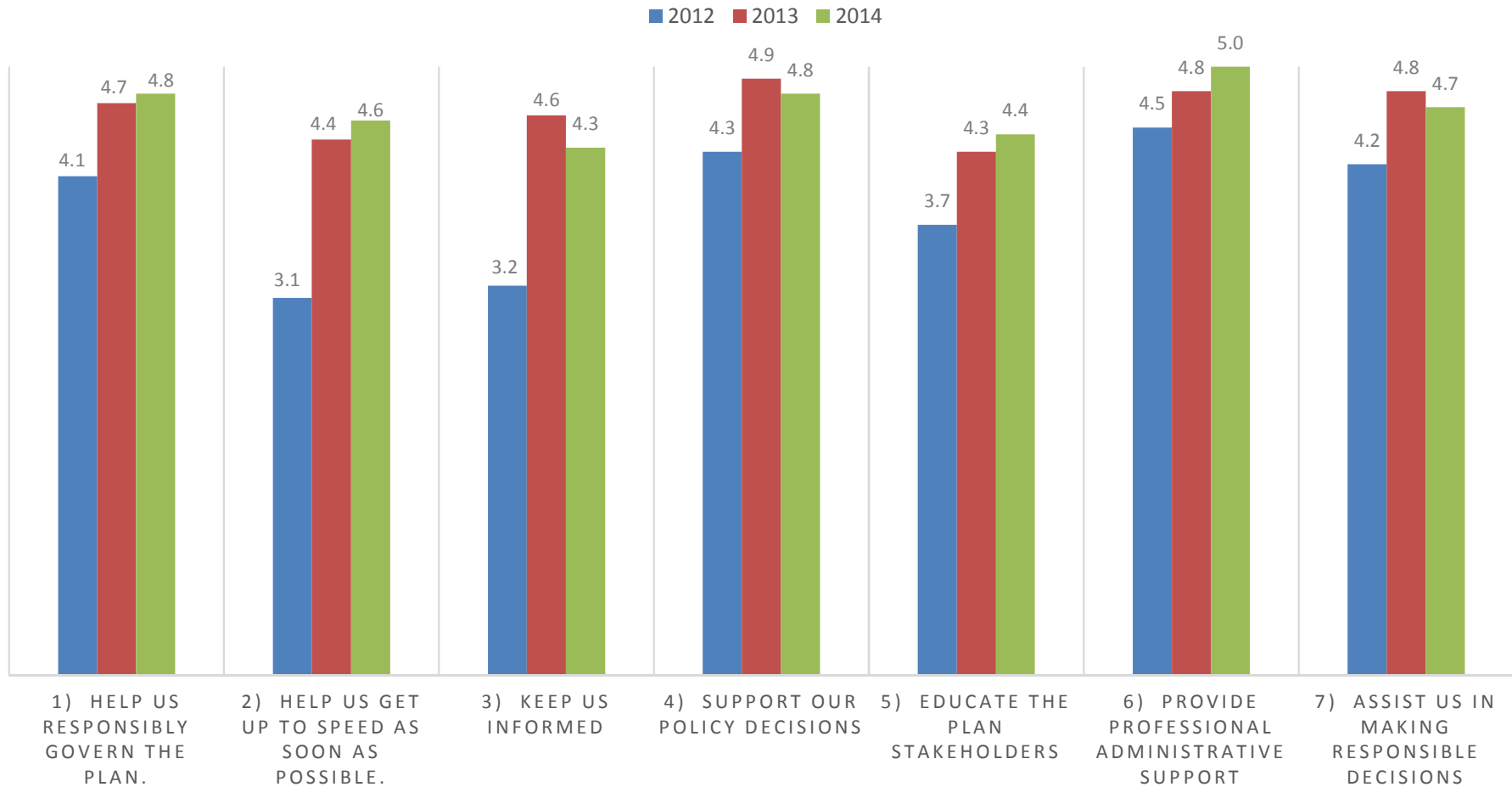
Description	Type
 Expectation Summary	Report
 Expectation Rating Comparison Chart	Report

Board Expectations



Help us responsibly govern the plan.	<p>➤ What does “responsibly govern” mean to the Board?</p> <ul style="list-style-type: none"> – Supporting this goal is the primary expectation for Board members.
Help us get up to speed as soon as possible.	<p>➤ What do new Board members need to get up to speed ASAP?</p> <ul style="list-style-type: none"> – New Board members need to participate effectively as quickly as possible.
Keep us informed.	<p>➤ What do Board members need to stay informed?</p> <ul style="list-style-type: none"> – Board members want to be fully informed when they consider policy issues at Board meetings. – Some Board members expressed a desire to receive more updates on administrative issues.
Support our policy decisions.	<p>➤ What do you need from the team in making and supporting policy decisions? Do these expectation change if the Board decision is not unanimous?</p> <ul style="list-style-type: none"> – Support the Board policy decisions and legislative recommendations before the Legislature and other State agencies. – Although Board members consider the results of the Board’s policy decisions and legislative recommendations to be very successful, there were questions about the methods used to support Board legislation.
Educate the plan stakeholders.	<p>➤ What do stakeholders need to know?</p> <ul style="list-style-type: none"> – Educate plan members, employers, legislators and the public more about LEOFF Plan 2 and Board activities. – Opportunities exist to use technology to deliver information to a wider audience.
Provide professional administrative support.	<p>➤ What are the most important administrative functions to you?</p> <ul style="list-style-type: none"> – Board members rely on the team to support their attendance at meetings and their educational activities outside of Board meetings. – Board members rely on the team to operate the agency within the guidelines established by the Board and the State. – The quality of agency employees was widely acknowledged and credited for success in this area.
Assist us in making responsible decisions.	<p>➤ What kind of assistance helps you make responsible decisions?</p> <ul style="list-style-type: none"> – Board members want to make responsible decisions for the plan. – Board members rely on the expertise and seek advice from agency team members to help achieve the Board’s mission.




2012-2014 EXPECTATION RATING COMPARISON





Strategic Plan Background and Accomplishments

ATTACHMENTS:

Description	Type
 Strategic Plan	Report
 Previous participation at Strategic Planning meetings	Report
 Strategic Plan Report of Accomplishments	Report



Strategic Plan

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GUIDING PRINCIPLES

Who We Are

Mission

- The mission of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board is to responsibly govern the pension plan for the benefit of the members.

Vision

- Well Designed, Professionally Managed

Organizational Values

- We will treat those we serve and each other with respect, fairness, and honesty.
- We will communicate openly and professionally.
- We will foster a climate of innovation, integrity, accountability, and excellence.
- We will work with those we serve to meet their needs.

PRIORITY GOALS

What We Want to Accomplish

1. Enhance the benefits for the members.
2. Provide the stakeholders with a voice in plan governance.
3. Maintain the financial integrity of the plan.
4. Inform the stakeholders.

PRIMARY STRATEGIES

What We Will Do To Achieve Our Goals

Goal One: Enhance the benefits for the members.

Objectives

- Add benefits that are affordable for stakeholders
- Identify viable alternative revenue sources for benefit enhancements

Key Tactics

- Propose legislation that improves the plan for the stakeholders
- Compare plans from other states and relevant organizations
- Obtain stakeholder input for needed changes in the plan
- Research and monitor Federal pension and tax laws
- Monitor benefits for workers injured in the line of duty
- Assess, evaluate, modify or revise existing benefits

Goal Two: Provide the stakeholders with a voice in plan governance.

Objectives

- Enhance communication media for the stakeholders
- Maintain stakeholder confidence in the integrity of the plan

Key Tactics

- Provide opportunities for member communication/feedback
- Take a leadership role in making presentations to stakeholder groups
- Solicit information about stakeholder priorities and issues
- Make presentations at public hearings
- Maintain a wide range of communication media such as Web site, newsletter and e-mail
- Inform stakeholders about opportunities for communication/feedback

Goal Three: Maintain the financial integrity of the plan.

Objectives

- Maintain prudent financial policies
- Identify additional funding mechanisms
- Maintain the stability of contribution rates

Key Tactics

- Adopt adequate contribution rates
- Adopt financially sustainable budget for board operations
- Adopt economic assumptions, actuarial tables and cost methodologies
- Commission independent audits
- Research other options for revenue
- Identify best practices from other states and organizations
- Consult with strategic partners regarding rate stability
- Ensure the reliability of rate projections
- Provide information on the fiscal reality of the plan
- Promote Fiduciary Education

Goal Four: Inform the stakeholders.

Objectives

- Manage expectations
- Increase member understanding of the balance between desired enhancements and fiscal realities
- Increase member understanding of the benefits provided in LEOFF 2 Plan

Tactics

- Provide stakeholder access to understandable fiscal and policy analysis
- Provide additional DRS LEOFF 2 seminars and workshops throughout the state
- Develop simple and direct forms of communication to the members
- Provide comparison information to best practices in other states
- Provide the LEOFF Actuarial Valuation Report as a tool for members

PERFORMANCE MEASURES

How We Will Measure Our Success

Goal	Method of Measurement	Target
4	Seminars and workshops devoted to the priorities of the Board	Make a minimum of five presentations before stakeholders each year
1	Board proposals that are approved by the Legislature	100% approval rate
1 & 2	Research supporting proposals	Every proposal includes a research component
2 & 4	Comprehensive communication program with targets and schedule	Web site Redesign by December 31, 2015
2 & 4	Feedback from the membership	Perform a membership education/engagement survey
2 & 3	Independent audits: <ul style="list-style-type: none"> Board expenses Actuary's assumptions 	Audit Targets <ul style="list-style-type: none"> Board expenses—no findings Actuary's assumptions—performed on timely basis
3	Deviation from the expected long-term cost of the plan	Maintain deviation within 10% of long-term cost
3	Current and appropriate funding policies	Review, revise and adopt funding policies for LEOFF Plan 2
3	Funded ratio under actuarial standards	At least 100%
3	Actual performance vs. projections in key planning areas	Actual expenditures will not exceed projected expenditures
2 & 4	Newsletter	Minimum of two per year
2 & 4	Web site	Provide a report on Web site activity quarterly

STRATEGIC ACTIONS

What We Will Do

Action	Goal
Study Health Care proposals	1
Adopt and maintain Contribution Rates	3
Legislative Agenda	
1. Maintain Board adoptions of contribution rates and assumptions	3
2. Study pension benefit proposals	1
Track and report on Alternate Revenue Stream	1 & 3
Employer & Member Survey	2 & 4
Web site Redesign	2 & 4
Annual Statement Improvements	4
OSA Risk Analysis Follow-Up	3

Board Member Participation At Strategic Planning



October 22, 2014

2004	2006	2010	2014
Kelly Fox	Kelly Fox	Kelly Fox	Kelly Fox
Pat Hepler	Pat Hepler	Pat Hepler	Pat Hepler
Mark Johnston	Mark Johnston	Mark Johnston	Mark Johnston
Jack Simington	Jack Simington	Jack Simington	Jack Simington
Doug Pendergrass	Jeff Holy	Jeff Holy	Jeff Holy
Michael Edwards	Michael Edwards	Ryan Martin	Wally Loucks
Doug Cochran	Clint Olson	Darla Hartley	Paul Golnik
Maureen Morris	Glenn Olson	Glenn Olson	(Vacant - Employer)
David Moseley	Greg Cuoio	Greg Cuoio	David Cline
Sen. Parlette	Sen. Parlette	(Vacant - Senate)	Sen. Brown
Rep. Simpson	Rep. Simpson	Rep. Simpson	Rep. Van de Wege

Attended Strategic Planning Meeting

Did not attend Strategic Planning Meeting

1st Time at Strategic Planning Meeting



2011-2015 Strategic Plan Report of Accomplishments

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The LEOFF Plan 2 Retirement Board’s strategic plan represents how the Board as an organization is focused on creating a financially sound and sustainable future for the member through participation of stakeholders, the employer community, and the legislature. The Team is committed to accountability toward execution of your Strategic Plan.

Review and adjustment of a strategic plan is necessary to ensure that the focus of an organization is meeting the changing needs and desires of the members and the continuously changing environment. Priority goals, objectives, and key tactics in this strategic plan provide the framework and general direction for carrying out the Board’s mission.

The Board has established and maintained four priority goals. Each of these goals have certain objectives. In 2010, the Board discussed tactics (a high level work plan) for obtaining the objectives. This document reviews the resulting accomplishments. The information below is presented similar to how it appears in the strategic plan. Accomplishments have been listed under each key tactic and are identified by a check mark (✓).

PRIORITY GOALS & OBJECTIVES

What We Want to Accomplish

What We Will Do To Achieve Our Goals

Goal One: Enhance the Benefits for the Members.

Objectives

- Add benefits that are *affordable* for stakeholders
- Identify viable alternative revenue sources for benefit enhancements

Key Tactics and Accomplishments

- **Propose legislation that improves the plan for the stakeholders**
 - ✓ 10 Issues Recommended to the Legislature/3 Passed (30%)¹ (Health Insurance for Catastrophically Disabled, Annuity Purchase, and Correction – Definition of Fire Fighter/EMT)
 - ✓ Non-Legislative Improvements

¹ 30% passage rate compared to 17% passage rate by Legislature. The Board passage rate for issues recommended since inception is 80% (35 Issues recommended, 28 passed).

- Death and Disability Ombudsman program created, funded, and staffed
 - Community College Tuition Waivers
 - Roth Option for Deferred Compensation
- **Compare plans from other states and relevant organizations**
 - ✓ Peer system benefit comparison study completed with the Washington State Institute on Public Policy
- **Obtain stakeholder input for needed changes in the plan**
 - ✓ Conducted survey regarding usage of furloughs
- **Research and monitor federal pension and tax laws**
 - ✓ Annuity Purchase and Roth Option for the Deferred Compensation Program (DRS) resulted from changes in federal regulation identified by the Team.
- **Monitor benefits for workers injured in the line of duty**
 - ✓ Death and Disability Ombudsman program created and staffed.
 - ✓ CDC/NIOSH monitored monthly for occupational disease/presumption studies or related changes.
 - ✓ Quarterly reports from DRS on disability administration reviewed.
- **Assess, evaluate, modify, or revise existing benefits**
 - ✓ 48 Research Presentations/Reports covering 32 Benefit Issues
 - ✓ Conducted hearings including 17 Actuarial presentations and 5 investment related presentations.

Goal Two: Provide the Stakeholders with a Voice in Plan Governance.

Objectives

- Enhance communication media for the stakeholders
- Maintain stakeholder confidence in the integrity of the plan

Key Tactics and Accomplishments

- **Provide opportunities for member communication/feedback**
 - ✓ Members able to comment/respond through social media outlets

- **Take a leadership role in making presentations to stakeholder groups**
 - ✓ Launched Stakeholder Conference Outreach program; Conducted outreach at 8 Stakeholder conferences
 - ✓ Attended meetings and made presentations at 33 (average 8 per year) stakeholder meetings/conferences
- **Solicit information about stakeholder priorities and issues**
 - ✓ Individual Board Member Expectation Interviews conducted every year
 - ✓ Attended Stakeholder Summit meetings as requested
- **Make presentations at public hearings**
 - ✓ Multiple presentations made to the Select Committee on Pension Policy (SCPP)
 - ✓ Testified at legislative hearings to support Board legislation
- **Maintain a wide range of communication media such as Web site, newsletter and e-mail**
 - ✓ Social Media program launched including Twitter, Facebook, YouTube, and Blogger
 - ✓ Phase 1 of website redesign completed; Phase 2 RFP scheduled for 2015
 - ✓ Electronic delivery of annual statements made available
- **Inform stakeholders about opportunities for communication/feedback**
 - ✓ Launched Stakeholder Conference Outreach program; Conducted outreach at 8 stakeholder conferences

Goal Three: Maintain the financial integrity of the plan.

Objectives

- Maintain prudent financial policies
- Identify additional funding mechanisms
- Maintain the stability of contribution rates

Key Tactics and Accomplishments

- **Adopt adequate contribution rates**
 - ✓ Predictable and stable contribution rates maintained/adopted through 2017
 - ✓ Funding Ratio maintained over 100% (2011 = 119%, 2012 = 119%, 2013 = 115%)

- **Adopt financially sustainable budget for board operations**
 - ✓ Agency operated within budget in 2011-13 and 2013-15 (to date)
 - ✓ Implemented paperless board meeting solution with estimated annual cost savings of \$20,000
- **Adopt economic assumptions, actuarial tables, and cost methodologies**
 - ✓ Economic and demographic experience studies conducted and audited by independent actuary
 - ✓ Actuarial Valuation completed every year to date
- **Commission independent audits**
 - ✓ Experience studies and fiscal notes audited by independent actuary
 - ✓ Agency financial expenses and internal policies audited by independent auditor
- **Research other options for revenue**
 - ✓ Conducted 3 public hearings and 2 Attorney General briefings on Alternate Revenue
- **Identify best practices from other states and organizations**
 - ✓ Attended national conferences discussing practices in benefit policy, administration, funding, investment, and communications
 - ✓ The funding practices adopted by the LEOFF Plan 2 Board are considered national best practices
- **Consult with strategic partners regarding rate stability**
 - ✓ Meetings held with and Office of the State Actuary
- **Ensure the reliability of rate projections**
 - ✓ Economic and demographic experience studies conducted and audited by independent actuary
 - ✓ Actuarial Valuation audited by independent actuary
 - ✓ All fiscal notes audited by independent actuary
- **Provide information on the fiscal reality of the plan**
 - ✓ Conducted hearings including 17 actuarial presentations and 5 investment related presentations

- **Promote Fiduciary Education**
 - ✓ Pre-approved training opportunities made available to trustees

Goal Four: Inform the Stakeholders

Objectives

- Manage expectations
- Increase member understanding of the balance between desired enhancements and fiscal realities
- Increase member understanding of the benefits provided in LEOFF Plan 2

Key Tactics and Accomplishments

- **Provide stakeholder access to understandable fiscal and policy analysis**
 - ✓ Presentations made at stakeholder meetings
 - ✓ Actuarial Valuations made available on website
- **Provide additional DRS LEOFF 2 seminars and workshops throughout the state**
 - ✓ 106 LEOFF Plan 2 specific presentations provided by DRS
 - ✓ 78 seminars provided by DRS which included LEOFF Plan 2 Information
 - ✓ LEOFF Plan 2 member provided priority access to full seminars
 - ✓ Seminar including LEOFF Plan 2 information made available for online viewing
- **Develop simple and direct forms of communication to the members**
 - ✓ Five newsletters delivered to members and retirees
- **Provide comparison information to best practices in other states**
 - ✓ Peer system benefit comparison study completed with Washington State Institute on Public Policy
 - ✓ The funding practices adopted by the LEOFF Plan 2 Board are considered national best practices
 - ✓ Rated as the top-funded (open) state pension plan in the country by national surveys conducted by Fitch Ratings Service, The Center for State and Local Government Excellence, and The Public Fund Survey sponsored by the National Association of State Retirement Administrators and the National Council on Teacher Retirement
 - ✓ National-recognition as the only state-wide pension plan to manage the investment losses incurred during the Great Recession and maintain 100% funding status without raising contribution rates or reducing benefits

- **Provide the LEOFF Actuarial Valuation Report as a tool for members**
 - ✓ Actuarial Valuation made available on website
 - ✓ Key demographic and economic information summarized on website and member outreach handouts

PERFORMANCE MEASURES

How We Will Measure Our Success

Goal	Method of Measurement	Target
4	Seminars and workshops devoted to the priorities of the Board	Make a minimum of five presentations before stakeholders each year <ul style="list-style-type: none"> ✓ 8 or more made every year;33 total
1	Board proposals that are approved by the Legislature	100% approval rate <ul style="list-style-type: none"> ✓ 30% approval rate (3 of 10), 80% Historical rate (2003-2014)
1 & 2	Research supporting proposals	Every proposal includes a research component <ul style="list-style-type: none"> ✓ 48 research presentations/reports covering 32 benefit issues
2 & 4	Comprehensive communication program with targets and schedule	Website redesign by December 31, 2015 <ul style="list-style-type: none"> ✓ Phase 1 of Web site redesign completed in 2012. RFP for Phase 2 redesigned expected in 2015
2 & 4	Feedback from the membership	Perform a membership education/engagement survey <ul style="list-style-type: none"> ✓ Conducted member survey on usage of furloughs
2 & 3	Independent audits: <ul style="list-style-type: none"> • Board expenses • Actuary's assumptions 	Audit Targets <ul style="list-style-type: none"> • Board expenses—no findings • Actuary's assumptions—performed on timely basis <ul style="list-style-type: none"> ✓ No audit findings from annual audit of financial expenses ✓ Actuarial work completed on time

3	Deviation from the expected long-term cost of the plan	Maintain deviation within 10% of long-term cost ✓ Costs maintained within 10% deviation
3	Current and appropriate funding policies	Review, revise, and adopt funding policies for LEOFF Plan 2 ✓ Demographic/Economic experience studies completed ✓ Education and review of funding methods completed
3	Funded ratio under actuarial standards	At least 100% ✓ Funding Ratio maintained over 100% (2011 = 119%, 2012 = 119%, 2013 = 115%)
3	Actual performance vs. projections in key planning areas	Actual expenditures will not exceed projected expenditures ✓ Agency operated under budget
2 & 4	Newsletter	Minimum of two per year ✓ 5 newsletters delivered (two years with 1 newsletter due to long sessions)
2 & 4	Website	Provide a report on website activity quarterly ✓ Activity reports monitored by staff monthly

STRATEGIC ACTIONS

What We Will Do

Action	Goal
Study health care proposals ✓ Health care insurance for catastrophically disabled legislation passed	1
Adopt and maintain Contribution Rates ✓ Stable rates adopted through 2017	3
Legislative Agenda 1. Maintain Board adoptions of contribution rates and assumptions 2. Study pension benefit proposals ✓ Contribution rates maintained and legislative modification avoided ✓ 48 staff research presentations spanning 32 benefit Issues	3 1
Track and report on Alternate Revenue Stream ✓ Conducted 3 public hearings and 2 Attorney General briefings	1 & 3
Employer & Member Survey ✓ Furlough usage study completed	2 & 4
Web site Redesign ✓ Phase 1 of Web site redesign completed in 2012 ✓ RFP for Phase 2 redesigned planned in FY2015	2 & 4
Annual Statement Improvements ✓ Electronic delivery of statement initiated ✓ Beneficiary information added	4
OSA Risk Analysis Follow-Up ✓ Actuarial probability analysis incorporated into actuarial fiscal notes, actuarial reports, and experience studies.	3



Work Session 1

ATTACHMENTS:

Description		Type
	Board Turnover Handout	Report
	Stakeholder Alignment	Report



Work Session 1

Board Turnover

Work Group

Kelly
Wally
Jeff
Kevin

Issue Summary

The Board is in the process of experiencing significant turnover. This may create challenges related to succession planning, policy continuity, and long term vacancies.

1. Succession planning: key characteristics of Board Members/desired qualities
2. Policy continuity: loss of institutional knowledge
3. Long term vacancies: quorum, stakeholder voice

Issue Background

- (1) The Board has three appointments that will expire July 1, 2015. Two of those positions are currently filled by members who have been on the Board since its inception. The Governor has recently informed boards and commissions about his policies related to appointments including a preference against reappointments for more than two terms.
- (2) Stakeholder groups are responsible for nominating Board Members. What are their criteria for deciding who they will nominate? Should the Board develop desired criteria for board members and share that with stakeholder groups?
- (3) The strategic plan is the primary expression of the Board's key expectation for the team to assist the Board in responsibly governing the plan. Significant turnover can create confusion about changing expectations. For instance, this meeting is the first time participating in the Boards strategic planning for five members on the Board.
- (4) The Board currently has a vacant employer representative position which has been vacant since December 2013. The Senate position was previously vacant for over two years. Vacancies create a challenge getting a quorum. What are the reasons for long term vacancies (not a priority for nominating organizations, difficulty finding candidates)? What is the responsibility of the Board and/or the Team when a position is vacant?

Action Plan

What are the Board's Expectations? What would you like to see done next by the Team? What would the Board like to do next?

- (1) Should the Board develop a list of desired qualities for potential Board Members to share with nominating organizations?
- (2) Should sharing the Board's strategic plan with new members or potential candidates be a greater emphasis?
- (3) Should the Team and/or board communicate with nominating organizations when a position is vacant?



Work Session 1

Stakeholder Alignment

Work Group

David
Jack
Mark
Pat
Sharon

Issue Summary

Lack of agreement among stakeholder groups creates difficulty getting legislative support for the Board's policy goals.

Issue Background

There was opposition from the Fraternal Order of Police (FOP) and the Council of Municipal and Sheriffs (COMPAS) to the Board's Career Change Fix legislation during the 2014 legislative session. The Association of Washington Cities also expressed concern over the proposal. The lack of agreement among stakeholder groups was cited by legislators as the primary cause for the bill failing to receive legislative support.

Historically, the Board meetings have operated as a forum for facilitating agreement among LEOFF stakeholder groups. Do board members consider facilitating agreement among the stakeholder groups to be a responsibility of the Board? Should the Board do more to facilitate communication between the stakeholder groups? How should the Board communicate its policy actions to stakeholder groups?

COMPAS represents a significant segment of the LEOFF member population but does not currently have a representative on the Board. How should the Board address this issue?

The multiple organizations representing employers and members will often have differing positions on issues, including LEOFF Plan 2 issues. What is the Board's responsibility for resolving these issues?

The Board has had extraordinary legislative success for its proposals that were supported by all the organizations representing employers and members. Should the Board be doing more to identify issues where there is common ground?

Action Plan

What are the Board's Expectations? What would you like to see done next by the Team? What would the Board like to do next?

1. Should the Board facilitate more meetings amongst stakeholder organizations?
2. Should the Board attempt to identify or develop common goals for all stakeholder groups?



Work Session 2

ATTACHMENTS:

Description	Type
 Benefit Improvement	Report
 Funding Ratio	Report
 Final Earnings vs Rates Chart	Report



Work Session 2

Benefit Improvement

Work Group

David
Jeff
Kevin
Pat

Issue Summary

The Board's current strategic goal of improving benefits is not clearly understood by plan members. What is the goal? Why is that the goal? What is the plan for achieving the goal?

Issue Background

The Board discussed priorities for improving benefits in the 2004 and 2006 strategic planning sessions. The Board initially prioritized duty-related death and disability benefits. The Board adjusted the plan in 2010 to deprioritize duty-related death and disability benefits because this goal had been largely accomplished. The Board prioritized low-cost improvements at that time in recognition of the budget constraints related to the economy.

The Board studied a number of general benefit improvements from 2004-2006 including: reducing the cost of providing survivor benefits, decreasing the average final salary period, lowering the retirement age, providing retiree medical insurance, and increasing the benefit multiplier from 2%. There was general consensus that increasing the multiplier was preferred because this change applied the most equally to all members. This goal also seemed properly aligned with the purpose of the retirement plan to recruit and retain desired employees. However, the costs of such a benefit improvement are very high. The Board identified several intermediary steps (such as an alternate revenue stream) which could be taken as part of a long-term plan to increase the multiplier. The 2006 long-term plan to increase the multiplier needs to be reviewed and updated. Costs for employers and members were last updated May 16, 2005. Is this still the consensus benefit to improve? How do you increase the multiplier (a flat increase for all members or target the increase to career employees)?

A recent report to the Board by the Washington State Institute for Public Policy identified LEOFF 2 as below-average in terms of the percentage of pre-retirement income provided in retirement. This finding is consistent with the concerns previously identified by the Board related to retirement adequacy (minimum of 60% of pre-retirement income; requires 30 years of service which is longer than typical public safety career).

Action Plan

1. Should the Board get updated costs from the State Actuary for increasing the multiplier?
2. Should the Board schedule a hearing to review historical analysis related to benefit improvements?
3. Should the strategic priorities for benefit improvements be adjusted?
4. Should the Team be doing more to educate stakeholder groups about the Board's priorities for benefit improvements, why those are the priorities, and the plan for achieving benefit improvements?



Work Session 2

Funding Ratio

Work Group

Kelly
Jack
Mark
Wally
Sharon

Issue Summary

The funding of LEOFF Plan 2 currently exceeds 100% which historically has created pressure to increase benefits and/or lower contribution rates. Increasing benefits or decreasing rates creates additional long term costs and sustainability risks for the plan.

Issue Background

The volatility of investment returns can result in periods of time where the funding ratio of the plan exceeds 100% even if the contributions made to the plan are equal to the expected long-term costs of the plan as is currently the case with LEOFF Plan 2. There is a strong historical correlation between the funded status of the plan and benefit improvements/rate decreases. [handout: SIB overlay slide with funding ratio]

Increasing benefits and/or decreasing contributions to the plan will increase future contribution rates.

What options exist besides improving benefits or lowering rates?

- a. Do nothing: the funding ratio will fluctuate over time based on investment returns; save the current "surplus" for next investment downturn.
- b. Use the current positive funding status as an opportunity to offset the cost of adding additional desired actuarial conservancy to the plan. Has the Board already done everything they want to do with respect to demographic and economic assumptions?
- c. Use the current positive funding status as an opportunity to offset the cost of decreasing investment return volatility (i.e. "de-risking the portfolio"). Determining the appropriate level of investment risk for the commingled trust fund is a WSIB responsibility.

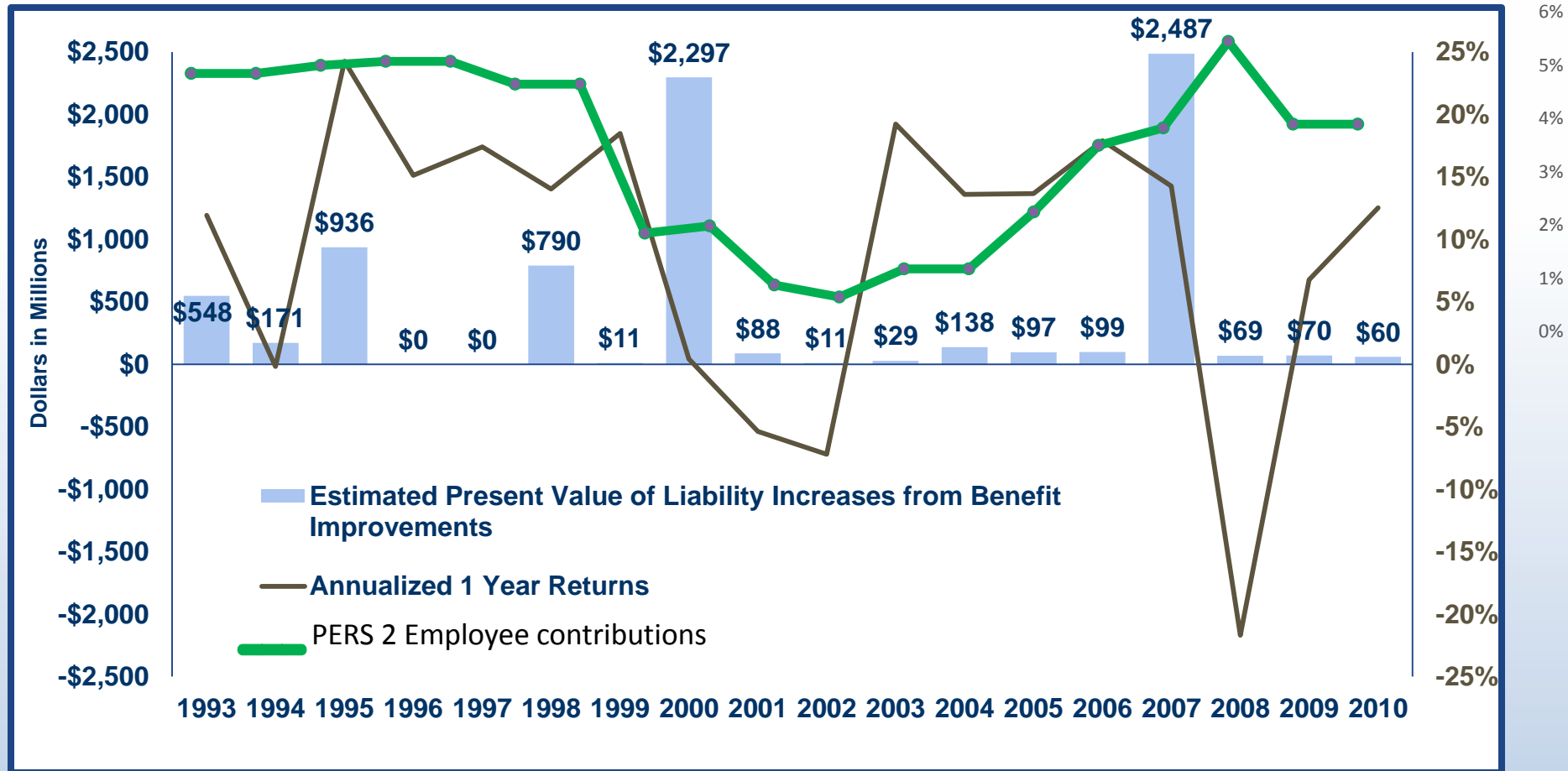
Action Plan

What are the Board's Expectations? What would you like to see done next by the Team? What would the Board like to do next?

Should the Board change any of its current strategic goals related to maintain the financial integrity of the plan or improving plan benefits based on the current funding status of the plan?

Should the Board take action to educate stakeholders and legislature regarding the Board's strategic goals and policy decisions in support of those goals?

Contribution Rates Compared to Historical Annualized Returns and Estimated Present Value of Benefit Improvement



Investment return data: State Investment Board

Benefit improvement costs and contribution rates data: Office of the State Actuary



Wrap Up

ATTACHMENTS:

Description	Type
 2015 Proposed Board Meeting Dates	Report
 Agenda Items Calendar	Report
 Meeting Feedback Form	Report



2015 PROPOSED MEETING DATES

JANUARY						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

APRIL						
S	M	T	W	T	F	S
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5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

JULY						
S	M	T	W	T	F	S
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5	6	7	8	9	10	11
12	13	14	15	16	17	18
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26	27	28	29	30	31	

OCTOBER						
S	M	T	W	T	F	S
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4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

FEBRUARY						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

MAY						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

AUGUST						
S	M	T	W	T	F	S
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2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

NOVEMBER						
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15	16	17	18	19	20	21
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29	30					

MARCH						
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8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

JUNE						
S	M	T	W	T	F	S
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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

SEPTEMBER						
S	M	T	W	T	F	S
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5	6	7	8	9	10	11
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26	27	28	29	30		

DECEMBER						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

State Holidays
Legislative Session
Proposed Board Meeting Dates
January 28
February 25
March 25
April 22
May 27
June 24
July 22
August 26
September 23
October 28
November 18
December 16

MEETING LOCATION

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

CONTACT

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Fax: 360.586.2329
recep@leoff.wa.gov



2014 AGENDA ITEMS CALENDAR

MEETING DATE	AGENDA ITEMS
January 22, 2014	2014 Legislative Update
February 26, 2014	2014 Legislative Update
March 26, 2014	2014 Legislative Update 2014 Interim Planning
April 16, 2014	Meeting Cancelled
May 28, 2014	Local Government DCP Participation, Initial Consideration Final Average Salary Protection, Initial Consideration Alternate Revenue Update SCPP Coordination Demographic Experience Study Education – OSA Annual Attorney General Training – Dawn Cortez, AAG Parliamentary Procedure Review – Dawn Cortez, AAG
June 18, 2014	Contribution Rate Setting Contribution Rate Preview – OSA Demographic Experience Study Recommendation – OSA DRS Benchmarking – Mark Feldhausen, Budget and Benchmarking Director Actuarial Audit Presentation – Mark Olleman, Milliman Alternate Revenue, Educational Briefing
July 23, 2014	Funding Pension Plan Benefits – Robert Klausner, Esquire Experience Study and Actuarial Valuation Update – Lisa Won, Actuary Actuarial Audit Presentation – Mark Olleman & Daniel Wade, Milliman Contribution Rate Adoption – Ryan Frost
August 27, 2014	Meeting Cancelled
September 24, 2014	Salary Spiking Career Extension Supreme Court Decision Update FY14 Independent Audit Results, Steve Davis Washington State Investment Board Annual Update – Theresa Whitmarsh, SIB DRS Annual Administrative Update – Marcie Frost, DRS
October 22, 2014	Strategic Planning – Off Site 2015 Proposed Meeting Calendar
November 19, 2014	Social Security Bridge Option, Initial Consideration Final Average Salary Protection, Comprehensive Report Career Extension, Comprehensive Report Remarriage Prohibition, Comprehensive Report 2015 Meeting Calendar Adoption
December 17, 2014	Local Government DCP Participation, Comprehensive Report Plan Design Education, Educational Briefing Board Self Evaluation

Meeting Feedback Form

Off-Site Strategic Planning Meeting - 10/22/14



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 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 STRATEGIC PLANNING MEETING

	Not Meeting Expectations	Partially Meeting Expectations	Meeting Expectations	Exceeding Expectation	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 STRATEGIC PLANNING MEETING.

	Not Meeting Expectations	Partially Meeting Expectations	Meeting Expectations	Exceeding Expectation	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