

BOARD MEETING MINUTES

OCTOBER 22, 2014



TRUSTEE AND STAFF ATTENDANCE

In Attendance	Mr. Kelly Fox, Chair – Olympia Fire District
In Attendance	Mr. Jack Simington, Vice Chair – Kennewick Police Department
In Attendance	Representative Jeff Holy – Spokane Police Department (Retired)
In Attendance	Mr. Wally Loucks – Spokane County Sheriff’s Office
In Attendance	Mr. Mark Johnston – Vancouver Fire Department
In Attendance	Mr. Pat Hepler – Snohomish County Fire District 1
Absent	Mr. Paul Golnik – WA Fire Commissioners Association
In Attendance	Mr. David Cline – City of Tukwila
Absent	Senator Sharon Brown – WA State Senator
In Attendance	Representative Kevin Van De Wege – WA State Representative
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	Paul Neal, Senior Research and Policy Manager
In Attendance	Ryan Frost – Research Analyst
In Attendance	Dawn Cortez – Assistant Attorney General

CALL TO ORDER

The LEOFF Plan 2 Retirement Board met at the Middleton Auditorium in Olympia, Washington on October 22nd, 2014. A quorum of the members was present at this meeting.

OPENING | Executive Director Steve Nelsen called the meeting to order at 9:40am and gave a brief overview for the day and introduced guest Facilitator Tom Nugent.

1. OVERVIEW OF AGENDA

Facilitator Tom Nugent began the meeting with the overview of the day, including four work session groups planned for board members to participate in.

2. BOARD EXPECTATION REVIEW

Facilitator Tom Nugent asked board members the ice breaker question, “What is the most important behavior you would like to see board members model?” Individual responses from the board included the following expected behaviors: cooperation, collaboration, honesty, sincerity, responsibility, commitment, respect, preparedness.

Tom reviewed results from the 2012-2014 Expectation Rating Comparison chart. The ratings were taken from Expectation Interviews conducted with Executive Director Steve Nelsen and board members on a yearly basis in 2012, 2013, and 2014. Board members shared feedback with staff on how their expectations were being met.

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3. STRATEGIC PLAN BACKGROUND AND ACCOMPLISHMENTS

Deputy Director, Tim Valencia provided an overview of the LEOFF Plan 2 Retirement Board's 2011-2015 Strategic Plan. Priority goals and objectives were reviewed as well as the strategic actions and performance measures. A Report of Accomplishments resulting from the 2011-2015 Strategic Plan tactics were highlighted, followed by a review of board member participation at previous strategic planning sessions.

4. WORK SESSION 1

Board members were divided into two groups and were asked to read, review and discuss the issue summary, background and action plan for each of the items below. The groups met and discussed their assigned topic and a representative from each provided feedback to staff and attendees.

Board Turnover (Group 1)

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.

The following points were discussed:

1. The Board wants to stress qualities of inclusiveness rather than a list of "desired" attributes that may deter people who may not possess all.
 - o Ability to attend and participate in scheduled meetings
 - o Ability to practice the organizations values; Function within parameters
 - o Work cooperatively in a Team environment
2. The strategic plan should be shared with new members or potential candidates
3. We should communicate with the organizations when a position is vacant.

Stakeholder Alignment (Group 2)

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

The following points were discussed:

1. The Board should not attempt to align stakeholder groups; Issues should be dealt with at the regular board meetings.
2. The Board has been effective when issues are unanimous. The Board must work to ensure consensus on issues.
3. Recent misalignment of stakeholders is new; Misalignment existed at the time of the Board's creation. Education and communication are important in dealing with misalignment.
4. It must be a collaborative effort to overcome angst among stakeholders. The Board should not be the organizer. It is not board member or staff responsibility to manage stakeholder organizations. The board should only be a source of information and example of collaboration. The Board needs to be better at vetting issues at the Board; The Board must take the time to have complete conversations about the issues.

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5. WORK SESSION 2

Board members were divided into two groups and were asked to read, review and discuss the issue summary, background and action plan for each of the items below. After the groups met and discussed their assigned topic, a representative from each provided feedback to staff and attendees.

Benefit Improvement (Group 1)

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?

The following points were discussed:

1. The Board should have updated cost information on potential benefit improvements
2. The Board should schedule a hearing to review historical analysis related to benefit improvements
3. The Board should not change its benefit priorities; Updated information and analysis may help redefine goals and objectives for improving benefits
4. It is the Team's responsibility to educate regarding benefit improvements, but it must be done in a manner that does not create expectations within the stakeholders

Funding Ratio (Group 2)

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.

The following points were discussed:

1. The Board should not change any of its current strategic goals related to maintaining the financial integrity of the plan or improving plan benefits based on the current funding status of the plan. The Board should continue efforts to de-risk the plan while being prepared for market volatility.
2. The Board should take action to educate stakeholders and legislature (legislators, staff, and caucus) regarding the Board's strategic goals and policy decisions in support of those goals. Must educate policy makers and stakeholders on unique characteristics of LEOFF Plan 2; Ramifications of underfunding the pension plan.

6. WRAP UP

Director Nelsen provided a brief overview of the takeaways he captured from the four work session topics discussed.

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- Board Turnover** | Staff can communicate with organizations making sure so they know there are vacancies open or that they are coming up. Checking in with reps on the board like Candace or board members themselves. Not out promoting, suggesting, recruiting individual board members.
- Stakeholder Alignment** | Staff to act as a resource on issues (questions about cost, factual data resource) but not to help with alignment outside of board meeting process.
- Benefit Improvement** | No change in short term strategic focus with promoting benefit improvements that are either no cost or low cost. Time to go back and revisit history, update the numbers on extensive benefit improvements to help with future discussions on benefit improvements.
- Funding Ratio** | Maintain current policy of funding at the expected long-term cost of the plan.

Director Nelsen addressed board members to thank them for the clear expectations they provide for staff and for the engagement and participation during discussions and workshops.

- 2015 Proposed Meeting Dates** | No action. Dates are included in the meeting materials and will be discussed at the November board meeting.
- Meeting Feedback Form** | Director Nelsen asked that board members complete the evaluation form before the adjournment of meeting.

ADJOURNMENT

There being no further business, the meeting was adjourned at 3:00pm.

- NEXT MEETING** | The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for November 19th, 2014 at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W. Olympia, WA 98502.