



STATE OF WASHINGTON

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

P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329

REGULAR BOARD MEETING
October 25, 2006

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on October 25, 2006.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Greg Cuoio
Pat Hepler
Mark Johnston
Glenn Olson
Clint Olson
Senator Linda Evans Parlette

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Linda Sullivan Colglazier, Assistant Attorney General

Guests:

David Nelsen, Department of Retirement Systems
Rick Peterson, House Finance Committee Coordinator
Diana Will, Washington State Investment Board

Board Members Not Present:

Michael Edwards
Jeff Holy
Representative Geoff Simpson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:35a.m. The Board took a moment of silence to honor brothers and sisters who have died in the line of duty since the last time the Board met.

1) **September 13, 2006 Board Meeting Minutes**

It was moved that the September 13, 2006 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Department of Retirement Systems' Customer Satisfaction Results**

David Nelsen, Retirement Services Division (RSD) Assistant Director

David Nelsen, RSD Assistant Director with the Department of Retirement Systems (DRS) presented the *2006 Customer Satisfaction Results*. Mr. Nelsen provided a detailed explanation of the various ways such as annual surveys, customer comment cards, feedback mailers and planning seminars that DRS uses to track customer satisfaction.

The overall satisfaction of the LEOFF 2 active members in 2005-2006 was 4.54 and 4.68 for LEOFF 2 retirees on a scale of 1-5 with 5 being very satisfied. These numbers are based on courtesy, timeliness, quality, and accuracy.

3) **Washington State Investment Board Briefing-**

Diana Will, Senior Investment Officer – Asset Allocation

Diana Will, Senior Investment Officer – Asset Allocation with the Washington State Investment Board provided a briefing on *LEOFF Plan 2 assets*, retirement commingled trust fund (CTF), and the Washington State Investment Board capital market assumptions.

Ms. Will stated that LEOFF Plan 2 assets in the CTF and short term assets as of September 30, 2006 were \$4,327,755,507.

4) **Alternate Revenue Source – Preliminary Follow-Up Report, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up Report on the topic of *Alternate Revenue Source*. Mr. Valencia provided an overview on alternate revenue sources such as insurance premium taxes and the Public Safety and Education Account.

**Property Tax Briefing – Rick Peterson,
House Finance Committee Coordinator**

Rick Peterson, staff with the House Finance Committee provided the Board with an overview of *Property Tax*. Mr. Peterson's presentation included a briefing on property tax limits, voting requirements, taxing districts, rate allocation, and prorationing.

5) **Administrative Update**

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director, provided an update concerning the most recent Select Committee on Pension Policy (SCPP) meeting. The SCPP has

been cooperatively working with the Board on Dual Membership, \$150,000 Death Benefit Inflation Adjustment, and Temporary Duty Disability.

Budget Update

Mr. Nelsen reviewed the *August 2006 Allotments and Expenditures* report with the Board and reported that all expenditures are at or below expected levels.

2007 Proposed Board Meeting Schedule

The members reviewed and discussed the *2007 Proposed Board Meeting Schedule*.

It was moved that the 2007 Proposed Board Meeting Schedule be adopted with a May 30, 2007 date.

MOTION CARRIED UNANIMOUSLY

Early Retirement Reduction Factors

The Chair and Executive Director met with DRS concerning the topic of Disability Early Retirement Reduction Factors within the last month. DRS is moving forward with this issue and looking into legislative and non-legislative remedies.

6) 2006 Federal Pension Protection Act Summary – Tim Valencia

Tim Valencia, Senior Research and Policy Manager reviewed the *2006 Federal Pension Protection Act Summary*. This particular piece of legislation contained the following four provisions that affect public safety plans:

- Purchase of service credit clarification
- Exception to early distribution penalty
- Retiree health deductions
- Treatment of tribal plans as government plans

7) Purchase of Annuity – Initial Consideration, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented an Initial Consideration on the Purchase of Annuity. Mr. Valencia provided background information on this topic as well as discussed annuity fundamentals, an annuity example from Washington, and the Plan 3 Annuity.

The Board moved that Purchase of Annuity be forwarded to the Preliminary Report stage and be brought back to the November meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

8) Retiree Health Care Insurance – Preliminary Follow-Up Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up Report on Retiree Health Care. The report and presentation included an overview of retiree participation in health care programs, the LEOFF Plan 2 Survey Results, and retiree health care access.

It was moved that the topic of Retiree Health Care Insurance Move forward to the Final Proposal stage and be brought back to the December 2006 meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

9) Service Credit Transfer Waiting Period – Preliminary Report, Greg Deam

Greg Deam, Senior Research and Policy Manager provided the Board with a Preliminary Report on *Service Credit Transfer Waiting Period*. Mr. Deam explained what happens to the service credit and payment for Emergency Medical Technician transfers if a member dies or becomes disabled during the five year window between the purchase and the transfer of their LEOFF Plan 2 account. He also provided the following policy options:

1. DEATH BENEFIT

Service credit and payments transfer immediately
Used in benefit calculation
Used in lump sum calculation

2. LINE OF DUTY DISABILTY

Service credit payments transfer immediately
Used in benefit calculation

3. ANY DISABILITY

Service credit and payments transfer immediately
Used in benefit calculation

The Board moved that the topic of Service Credit Transfer Waiting Period be forwarded to the Final Proposal stage with policy options 1 and 2 being brought back to the December meeting. Seconded.

MOTION CARRIED

The Board amended the motion above and moved that the topic of Service Credit Transfer Waiting Period be forwarded to the Final Proposal stage with policy options 1,2, and 3. The Board will hear the Final Proposal at the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

10) Dual Membership – Preliminary Follow-Up Report, Greg Deam

Greg Deam, Senior Research and Policy Manager presented a Preliminary Follow-Up Report on Dual Membership. Mr. Deam addressed key areas for action such as; base salary, thirty year cap, and inflation adjustment for twenty years of service. Three policy options were provided to the Board:

Policy Option #1 – Amend Base Salary Language

Policy Option #2 – Amend Thirty-Year Cap

Policy Option #3 – Add LEOFF Plan 2 to 20 year Inflation Adjustment

It was moved that the topic of Dual Membership move forward to the Final Proposal stage and be brought back to the December 2006 meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

- 11) \$150,000 Death Benefit Inflation Adjustment- Preliminary Report, Greg Deam**
Greg Deam, Senior Research and Policy Manager presented a Preliminary Report and presentation on the topic of *\$150,000 Death Benefit Inflation Adjustment*. Mr. Deam reviewed the death benefit as a fixed amount and the costs related to adding an inflation adjustment to this benefit.

It was moved that the topic of \$150,000 Death Benefit Inflation Adjustment move forward to the Final Proposal stage and be brought back to the December 2006 meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

- 12) Temporary Duty Disability – Preliminary Follow-Up Report, Tim Valencia**
Tim Valencia, Senior Research and Policy Manager provided the Board with a Preliminary Follow-Up Report on *Temporary Duty Disability (TDD)*. Mr. Valencia reviewed the problems with the current provisions of TDD, such as injuries over six months, not all members eligible for leave supplement, and injuries taking place during the final average salary period.

He also addressed the recent change in the PERS policy and the coordination items with the Select Committee on Pension Policy.

Mr. Valencia provided the Board with the following policy option:

Adopt PERS Plan 2 policy (2005 – SB 5522)

- Purchase up to 24 consecutive months
- Must be receiving Workers' Compensation benefits

It was moved that the topic of Temporary Duty Disability move forward to the Final Proposal stage and be brought back to the December 2006 meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

- 13) Agenda Items for Next Board Meeting**
Steve Nelsen, Executive Director reviewed the Agenda Items Calendar with the members. The Board agreed to cancel the November 15, 2006 meeting and move topics to December.

The Board moved to suspend operating policy #9 and schedule the topic of Purchase of Annuity for Final Proposal at the December Board meeting. Seconded.

MOTION PASSED UNANIMOUSLY

Public Testimony

Gil Hall, Daniel Schultz, and Todd Smith testified to the Board concerning the purchase of service credit, the five year waiting period, and their personal injuries.

Tom Foster testified regarding the 2% Multiplier. He asked that the Board continue to address service credit as it translates to survivor benefits.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for December 13, 2006 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 2:06 p.m.