



STATE OF WASHINGTON

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

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**REGULAR BOARD MEETING**  
**APPROVED MINUTES**  
**October 26, 2011**

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The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Washington State Investment Boardroom in Olympia, Washington on October 26, 2011.

**Board Members Present:**

David Cline  
Pat Hepler  
Jeff Holy  
Senator Honeyford  
Mark Johnston  
Glenn Olson  
Ryan Martin  
Representative Van De Wege

**Board Members Absent**

Kelly Fox, Chair  
Jack Simington, Vice Chair  
Paul Golnik

**Guests Present:**

Matt Smith, State Actuary  
David Nelsen, Assistant Director – DRS  
Alex Kasuske-Carroll, LEOFF Plan 2 Administrator – DRS  
Jennifer Dahl, Assistant Director – Retirement Services – DRS

**Staff Present:**

Steve Nelsen, Executive Director  
Jessica Burkhart, Executive Assistant  
Greg Deam, Senior Research and Policy Manager  
Tim Valencia, Senior Research and Policy Manager  
Chad Standifer, Assistant Attorney General

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Glenn Olson, Acting Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:30 AM. The members took a moment of silence to honor those who had fallen since the last time the Board met.

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Director Nelsen welcomed David Cline as the newest member of the LEOFF Plan 2 Retirement Board. Mr. Cline is the City of Tukwila Administrator.

**1) September 28, 2011 Board Meeting Minutes**

*It was moved that the September 28, 2011 Board meeting minutes be adopted as presented. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**2) Long Term Economic Assumptions**

*Matt Smith, State Actuary*

Matt Smith, State Actuary provided a report and presentation on *Long Term Economic Assumptions*. Mr. Smith addressed the Board with the current assumptions, recommended changes in long term economic assumptions, and why a “phase-in” of the investment return assumption is not recommended for LEOFF Plan 2.

Mr. Smith provided inflation and investment return assumptions and a handout on the *General Salary Growth*. Growth in LEOFF Plan 2 membership and budget impacts for the plan were discussed.

*The Board requested rate projections for the future. This information will be brought back to the November 2011 Board meeting.*

**3) Long Term Economic Assumptions – Initial Consideration**

*Tim Valencia, Senior Research and Policy Manager*

As a follow-up to Mr. Smith presentation, Tim Valencia provided the members with an Initial Consideration report and presentation on the *Long Term Economic Assumptions*. Mr. Valencia discussed the background of the Select Committee on Pension Policies (SCPP) recommendations and adoption of rates.

He provided actuarial policy considerations for the Board to review such as not adopting the recommendations, choosing to adopt the Office of the State Actuary’s (OSA) recommendations, adopting OSA’s recommendations with a five biennia phase-in, and adopting OSA recommendations with an investment return assumption reduced from 8% to 7.9% with future review.

**4) Cafeteria Plans**

*David Nelsen, Legal and Legislative Services Manager – DRS*

Dave Nelsen with the Department of Retirement Systems (DRS) presented a report on *Cafeteria Plans and Basic Salary*. Mr. Nelsen discussed whether a payment is basic salary or earned salary for services rendered. He went on to provide information on fringe benefits and how basic salary is reported. He described the process DRS follows to determine basic salary.

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**5) Duty and Catastrophic Disability**

*Alex Kasuske-Carroll, LEOFF Plan Administrator – DRS*

*Jennifer Dahl, Assistant Director Retirement Services – DRS*

Alex Kasuske-Carroll and Jennifer Dahl with the Department of Retirement Systems (DRS) provided a presentation on *Duty and Catastrophic Disability*. Prior legislation, the application, review, and disability process and determination were discussed, along with disability benefits.

**6) Administrative Update**

*Steve Nelsen, Executive Director*

- Select Committee on Pension Policy (SCPP) Update

Director Nelsen provided an update on the latest meeting of the SCPP. He stated that none of the LEOFF Plan 2 topics have been scheduled by the SCPP. The committee will have a hearing regarding the LEOFF Plan 1 Merger at their November meeting. Director Nelsen will keep the Board member informed of what took place.

**7) Proposed 2012 Meeting Schedule**

*Steve Nelsen, Executive Director*

Director Nelsen presented the *2012 Proposed Meeting Schedule*. He asked the members to review their calendars to make sure there aren't any conflicts. This item will be discussed and adopted at the November 2011 Board meeting.

*The members moved all agenda items previously scheduled for the December 14, 2011 meeting to the November 16, 2011 meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**8) Supplemental Rate**

*Greg Deam, Senior Research and Policy Manager*

Greg Deam presented the *Supplemental Rate Adoption* to the Board. Mr. Deam provided an overview of House Bill 2070 (a members based on salaries earned during the 2011-2013 biennium will not be reduced by compensation due to reduced work hours, leave without pay, temporary layoff, or reductions to current pay if the measures are an integral part of an employer's expenditure reduction efforts).

Mr. Deam discussed the following two policy options the Board can consider:

1. Adopt a zero supplemental rate based on the preliminary information from the Office of the State Actuary (OSA).
2. Delay adoption and ask for a full report from OSA at the November meeting.

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*The Board moved forward with option #1 to adopt a zero supplemental rate based on the preliminary information from the Office of the State Actuary. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**9) Agenda Items for Next Meeting**

*Steve Nelsen, Executive Director*

Director Nelsen reviewed the November agenda items. The Board discussed the Special Legislative Session that will begin on November 28. The member agreed to move all agenda items previously scheduled for December to the November 16, 2011 agenda.

**Next Meeting**

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for November 16, 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 11:05 AM.