

BOARD MEETING MINUTES

NOVEMBER 20, 2013 - Final



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	Mr. 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
In Attendance	Mr. Paul Golnik – WA Fire Commissioners Association
Absent	Mr. Glenn Olson – Clark County
In Attendance	Mr. David Cline – City of Tukwila
Absent	Senator Jim Honeyford – WA State Senator
Absent	Representative Kevin Van De Wege – WA State Representative
In Attendance	Steve Nelsen – Executive Director
In Attendance	Tim Valencia – Deputy Director
In Attendance	Jessica Burkhart – Executive Assistant
In Attendance	Tammy Harman – Administrative Services and Communications Manager
In Attendance	Paul Neal, Senior Legal Counsel
In Attendance	Ryan Frost – Research Analyst
In Attendance	Dawn Cortez – Assistant Attorney General

CALL TO ORDER

The LEOFF Plan 2 Retirement Board met in the Washington State Investment conference room in Olympia, Washington on November 20, 2013. A quorum of the members was present at this meeting.

OPENING

Chair Kelly Fox called the meeting to order at 9:39 AM and requested those present to take a moment of silence to honor those who had fallen since the last the Board meeting.

1. Approval of Minutes

MINUTES APPROVED

It was moved to approve the Board meeting minutes from September 25 and October 16, 2013. Motion seconded. The Board approved the minutes with Paul Golnik abstaining.

2. Asset Smoothing Education, Educational Briefing

Lisa Won, Senior Actuary and Aaron Gutierrez, Policy Analyst presented an Education Briefing on asset smoothing methods. Ms. Won explained that an asset smoothing method is a way of managing short term volatility in the investment market and to provide more stable contribution rates. A schedule of LEOFF Plan 2 asset smoothing and estimates of LEOFF Plan 2 contribution rates under various methods was provided.

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3. Adoption of Administrative Factors, Initial Consideration

Paul Neal, Senior Legal Counsel presented the recommended administrative factors from the Office of the State Actuary for the Board's consideration.

Mr. Neal acknowledged that the economic assumptions were changed in 2011 and the Board adopted new factors in 2012. He also stated the restoration factors needed to be adopted during the 2013 interim. Mr. Neal provided two options for the trustees to consider:

Option 1: Adopt new factors

Option 2: Retain current factors

Motion

It was moved to eliminate the Comprehensive Report and bring a Final Proposal back to the Board during the December 18, 2013 meeting. The motion was passed unanimously.

4. Promoting Individual Saving for Retirement, Comprehensive Follow-up

Paul Neal, Senior Legal Counsel presented a follow-up to this issue originally discussed at the September 25, 2013 Board meeting. He provided options for facilitating member savings for retirement, including new information on the availability of Roth options within 457 plans. Discussion followed regarding option 3 and how employers would be impacted by requiring they offer the State's Deferred Compensation Plan. Mr. Neal provided the following options for the trustees to consider:

Option 1: Authorize annuitize rollovers of tax deferred savings

Option 3: Require DRS' 457 Plan to be offered by employers

Option 4(a): Direct staff to draft legislation requiring Roth option;

Option 4(b): Ask DRS to exercise its authority to develop Roth option;

Option 4(c): Take no action at this time.

Motion

It was moved and seconded to bring options 1, 3 and 4(b) to a Final Proposal at the December 18, 2013 Board meeting. The motion was passed unanimously.

5. WSIPP Study Follow-up, Educational Briefing

Ryan Frost, Research Analyst provided a follow-up to his presentation on this study provided at the June 19, 2013 meeting. He reviewed the results discovered through staff research as requested by the Board.

Mr. Frost provided the results from the WSIPP study that indicate LEOFF Plan 2 is particularly strong in the areas of annual benefits, average salary, funded status, and low normal retirement age.

6. Administrative Update

SCPP Update

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Director Nelsen reviewed the latest Select Committee on Pension Policy meeting.

Outreach Activities

Director Nelsen reviewed outreach the agency has done since the October meeting. Presentations were given to the Kitsap Fire Fighters, COMPAS, and WACOPS. In addition, the Director, agency staff, and a couple trustees attended the Washington Fire Commissioner’s Annual Meeting, the IFEBP Annual Conference and the NCPERS Public Safety Conference.

Correspondence

The trustees were given a letter from Bill Robinson with Gallagher Benefit Services. Mr. Robinson would like the Board to consider a presentation on NCPERS Life Insurance.

7. Washington State Investment Board Presentation

Allyson Tucker, Senior Investment Officer provided an in-depth presentation regarding stakeholder assets, market values, allocation, and returns. She also explained the importance of asset allocation.

Ms. Tucker explained the process, roles, and key components of building capital market assumptions as well as commingled trust fund volatility over time, and risk and return in comparing to other major pension funds.

8. Final Average Salary Protection, Comprehensive Follow-up

Ryan Frost, Research Analyst presented the Comprehensive Follow-up Report on Final Average Salary Protection. Retirement benefits will be reduced if temporary salary reductions after July 1, 2013 occur during a member’s final average salary period.

Mr. Frost provided the following two policy options for the Board to consider:

Option 1: Take no action.

Option 2: Introduce legislation that extend protection.

Motion

It was moved and seconded to table Final Average Salary protection until a pending discovery of impact on membership. The motion was passed unanimously.

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9. Career Change, Comprehensive Follow-up

Paul Neal, Senior Legal Counsel provided a Comprehensive Follow-up Report on Career Change. Mr. Neal addressed the possible abuse of career change legislation and how it could undermine public trust. He also provided the following three policy options for consideration by the Board:

Option 1: Clarify that law enforcement or fire fighter jobs do not qualify for the Career Change law regardless of full time, fully compensated status.

Option 3: Allow reemployment in LEOFF position without suspension of pension in limited circumstances.

Option 3(a): Limited Reemployment allowing lower population and lower paying jurisdictions to attract experienced chiefs.

Option 3(b): Extend Career Change policy to allow unlimited reemployment to LEOFF Plan 2 retirees returning to any LEOFF position.

Motion | It was moved and seconded to bring options 1 and 3A to a Final Proposal at the December 18, 2013 Board meeting. The motion was passed unanimously.

10. 2014 Meeting Calendar Adoption

The trustees reviewed and discussed the 2014 proposed meeting dates.

Motion | It was moved and seconded to adopt the 2014 Proposed Calendar as presented. The motion was passed unanimously.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:00 PM.

NEXT MEETING | The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for December 18, 2013 at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W. Olympia, WA 98502.