



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING
November 28, 2007

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 November 28, 2007.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Greg Cuoio
Jeff Holy
Mark Johnston
Ryan Martin
Glenn Olson

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:

Matt Smith, State Actuary
Sandy Matheson, Department of Retirement Systems-Director
Carolyn Cato, Office of the State Auditor
Gwen McClanahan, Office of the State Auditor

Board Members Not Present:

Pat Hepler
Clint Olson
Senator Linda Evans Parlette
Representative Geoff Simpson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:47 a.m. The Board took a moment of silence to honor

the fire fighters and law enforcement officers who have died in the line of duty since the last time the Board met.

1) September 26, 2007 Board Meeting Minutes

It was moved that the September 26, 2007 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

**2) Member Education and Counseling, Initial Consideration
Background – Greg Deam**

Greg Deam, Senior Research and Policy Manager presented the Board with an Initial Consideration concerning *Member Education and Counseling*.

Education and Outreach – Sandy Matheson, Director

Sandy Matheson, Director of the Department of Retirement Systems (DRS) addressed the Board with the new approaches to *Education and Outreach*. DRS plans to make it easier for members to prepare for retirement by redesigning the DRS Web site, promoting the Deferred Compensation Program, and redesigning their seminar curriculum.

Disability and Death Benefits Ombudsman – Steve Nelsen, Executive Director

Steve Nelsen, Executive Director spoke to the members concerning the possible need for a Disability and Death Benefits Ombudsman to assist members and the families with the application process.

It was moved that Board staff prepare a letter to the Criminal Justice Training Commission and State Fire Marshal to coordinate time with active LEOFF 2 members. Seconded.

MOTION CARRIED UNANIMOUSLY

3) OSA Valuation Report – Matt Smith, State Actuary

Matt Smith, State Actuary presented the 2006 Actuarial Valuation Report to the Board. Although an evaluation is performed each year, it is only used for setting contribution rates every other year. This valuation will not be used for setting rates. The plan is 100% funded and has a healthy reserve remaining from recent positive investment returns.

4) Washington State Auditor Report – Shawn Merchant, Deputy Director

Carolyn Cato and Gwen McClanahan from the Washington State Auditor's Office provided the results from the accountability and audit report for the LEOFF Plan 2 Retirement Board from the period of July 1, 2003-June 30, 2007. Ms. Cato reported that the Agency is in compliance with state laws and regulations, and its own policies and procedures. There were no finding or significant issues reported.

5) Administrative Update

Select Committee on Pension Policy (SCPP) Update
Steve Nelsen, Executive Director updated members on the latest meeting of the SCPP.

Pension Funding Council (PFC) Update

Mr. Nelsen provided an update on the PFC. There has been no change to the long term economic assumptions.

6) Presumptive Duty Related Illnesses for Law Enforcement Officers- Preliminary Follow-Up Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation on the topic of *Presumptive Duty Related Illnesses for Law Enforcement Officers*. He followed up on the current Washington state coverage and provided detail on circulatory diseases, infectious diseases, heart disease, and cancer.

It was moved that the issue of Presumptive Duty Related Illnesses be deferred until the 2008 interim. Seconded.

MOTION CARRIED UNANIMOUSLY

**7) Purchase of Annuity – Preliminary Follow-Up Report, Tim Valencia
Tim Valencia, Senior Research and Policy Manager**

Tim Valencia, Senior Research and Policy Manager provided a Preliminary Follow-Up report on *Purchase of Annuity*.

It was moved that the Board defer the topic of Purchase of Annuity until the 2008 interim. Seconded.

OPPOSED: Glenn Olson

Mr. Olson opposed because he wanted to pursue this legislation during the 2008 legislative session.

8) Reduction Factors for Survivor Retirements – Preliminary Report, Greg Deam

Greg Deam, Senior Research and Policy Manager presented Preliminary Report and Presentation on *Reduction Factors for Survivor Retirements*. Mr. Deam reviewed the issue of whether the actuarial reduction for joint and 100% survivor option used for disability and service retirements should continue to be applied to survivor retirement. He provided the Board with the following policy options:

POLICY OPTION #1

- Create a new table of actuarial factors for survivor retirements

POLICY OPTION #2

- Eliminate 100% survivor reduction factor completely for duty-related deaths

It was moved that the Board move the topic of Reduction Factors

for Survivor Retirements to the Final Proposal stage and bring back costs for policy options 1 and 2. Seconded.

MOTION CARRIED UNANIMOUSLY

9) Inflationary Adjustment for \$150,000 Death Benefit – Preliminary Follow-Up Report, Greg Deam

Greg Deam, Senior Research and Policy Manager presented the Board with a Preliminary Follow-Up Report and presentation on Inflationary Adjustment for \$150,000 Death Benefit. Mr. Deam reviewed the issue that the \$150,000 lump sum death benefit currently is a fixed amount and is losing purchasing power over time due to inflation. He provided two policy options to the Board. Option 1 would pass a resolution stating its support for the Select Committee on Pension Policy (SCPP) legislation, and option 2 the Board would introduce a different proposal for next years interim.

It was moved that the Board move forward with policy option #1 and bring the topic of Inflationary Adjustment for \$150,000 Death Benefit to the Final Proposal stage at the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

10) Military Service Death Benefit – Preliminary Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager provided a Preliminary Report and presentation on *Military Service Death Benefit*. Mr. Valencia's report included an explanation of the adequacy of benefits for members killed in military service and the 2007 legislative improvements to the PERS Plan 2 benefit. He provided two policy options to the Board. Option 1 would endorse the SCPP proposal and with option 2, the Board can consider their own alternative proposal for the next interim.

It was moved that the Board move forward with policy option #1 and bring the topic of Military Service Death Benefit to the Final Proposal stage at the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

11) Alternate Revenue – Preliminary Follow-Up Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Follow-Up Report and presentation. Mr. Valencia followed up on the strategic plan and funding policy issues. He also addressed pre-recognition, receive-as-you-go, and using a sub-account.

It was moved that the Board move forward to the topic of Alternate Revenue to the Final Proposal stage and bring back to the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

12) 2008 Board Meeting Schedule

The Board reviewed the 2008 Proposed Board Meeting Schedule that was presented.

It was moved that the Board adopt the 2008 dates that were provided with a November 12, 2008 date rather than November 19. A final calendar will be presented at the December meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

13) Agenda Items for Next Meeting

The Board discussed and reviewed topics for the upcoming meetings.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for December 18, 2007 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 2:05 p.m.