

BOARD MEETING MINUTES

NOVEMBER 28, 2018 - FINAL



TRUSTEE AND STAFF ATTENDANCE

In Attendance	Dennis Lawson, Chair – Central Pierce Fire and Rescue
In Attendance	Mr. Jason Granneman, Vice Chair – Clark County Sheriff's Office
In Attendance	Representative Jeff Holy – Spokane Police Department (Retired)
In Attendance	Representative Steve Bergquist – WA State Representative
Absent	Senator Judy Warnick – WA State Senator
In Attendance	Mr. Adé Ariwoola – City of Federal Way
Absent	Mr. Dwight Dively – King County
In Attendance	Mr. Mark Johnston – Vancouver Fire Department
In Attendance	Mr. Pat McElligott – East Pierce County Fire and Rescue
In Attendance	Ms. Tarina Rose-Watson – Spokane Intl Airport Police Department
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	Jacob White – Senior Research and Policy Manager
In Attendance	Ryan Frost – Research and Policy Manager
In Attendance	Tor Jernudd – Assistant Attorney General

CALL TO ORDER

The LEOFF Plan 2 Retirement Board met in the Washington State Investment Board conference room in Olympia, Washington on November 28, 2018. A quorum of the members was present at this meeting.

OPENING

Chair Lawson called the meeting to order at 9:35 AM and requested those present to take a moment of silence to honor those who had fallen since the last the Board meeting, including those involved in the multi-vehicle accident on Interstate 5 this morning.

1. APPROVAL OF MINUTES

MINUTES APPROVED

It was moved to approve the Board meeting minutes from September 26 and October 24, 2018. Motion was seconded. The Board approved the minutes without objection.

2. FINANCIAL AUDIT RESULTS

The team from the State Auditor's Office provided the results of their financial statement audit of the LEOFF 2 Board's schedule of expenditures. The schedule included expenditures that occurred for the fiscal year ending June 30, 2018. An unmodified (clean) opinion on the financial statement was given. The financial statement presented fairly, in all material respects, the budgeted and actual expenditures of the Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board. Michael Hutchinson, CPA, Assistant Audit Manager performed the fieldwork for this engagement and Jim Brownell, Audit Manager supervised this engagement. Sadie Armijo, CFE, Director of State Audit and Troy Niemeyer, Assistant Director of State Audit were present at

BOARD MEETING MINUTES

NOVEMBER 28, 2018 - FINAL



the meeting as well. The report will be posted to the State Auditor's website on Monday as well on www.LEOFF.wa.gov.

3. FUNDING POLICY

Steve Nelsen, Executive Director reviewed the Board's responsibility and authority to adopt the actuarial cost method for funding LEOFF Plan 2 and all the associated funding policies. The current funding policy was reviewed as well as strategies for managing a positive funding ratio, reducing actuarial risk, use of a funded ratio corridor and tactics for managing the current funded ratio. No action was taken at this time.

4. COST OF SURVIVOR BENEFIT IMPROVEMENT

Ryan Frost, Senior Research and Policy Manager provided an educational briefing on the cost of survivor benefit improvements. One of the goals of the LEOFF 2 Board's strategic plan is to keep the stakeholders informed. To meet this goal the Board is to be briefed on the price of certain benefit improvements. The Board expressed a desire to estimate the price of providing a free 100% Joint & Survivor to annuitants as well. The Office of the State Actuary estimated that extending the benefit improvement to current annuitants adds \$235 million to the 25-year total employer cost, which is approximately a 69 basis point increase to the total employer rate. Overall, OSA estimated the employee and total employer contribution rates would each increase by approximately 330 basis points under this proposal. Over a 25-year period, OSA expects a total employer cost of this proposal to be approximately \$1.6 billion. As a result of the increase in liabilities, the funded status would decline by approximately 10 percent. No action was taken by the Board at this time.

5. LEOFF/PERS ELIGIBILITY GAP

Jacob White, Senior Research and Policy Manager presented an initial presentation on LEOFF/PERS eligibility gap. Gaps in eligibility in Law Enforcement Officers and Fire Fighters Plan 1 (LEOFF 1), Public Employees Retirement System (PERS), and Law Enforcement Officers and Fire Fighters Plan 2 (LEOFF 2) may have resulted in some career law enforcement officers and fire fighters not receiving a pension.

PUBLIC TESTIMONY - James A Fossos, Vice President of the Retired Firefighters of Washington

MOTION

A motion was made to direct staff to bring forward options for the December meeting. Motion was seconded. Motion passed unanimously.

6. ADMINISTRATIVE UPDATE

Steve Nelsen, Executive Director gave his administrative update to the Board. *During this time the audio recording machine had technical difficulties and did not capture the audio for this portion of the meeting.*

OUTREACH ACTIVITIES

Tammy Harman presented at the WSCFF District 2 meeting in Pullman on October 25th.

BOARD MEETING MINUTES

NOVEMBER 28, 2018 - FINAL



7. 2019 PROPOSED CALENDAR DISCUSSION/ADOPTION

Potential board meeting dates for 2019 are before the Board for adoption. *Due to technical difficulties with the audio recording system we were unable to capture the introduction and discussion of 2019 calendar.*

MOTION

A motion was made to adopt the proposed calendar dates as follows:

1/23/18
2/27/18
3/27/18
4/24/18
5/15/18
6/26/18
7/24/18
8/14/18
9/25/18
10/16/18
11/20/18
12/18/18

Motion was seconded. Motion passed unanimously.

8. MONTH OF DEATH RETIREMENT PAYMENTS

Jacob White, Senior Research and Policy Manager presented a final proposal to the Board on month of death payment. In the month a retiree or survivor passes away, the Department of Retirement Systems (DRS) prorates the last month benefit payment based on the number of days the person was alive in the month. Frequently this results in an invoice being sent to the family or estate to collect any amount that should have been prorated.

The following policy options are before the Board for consideration:

- **Option 1** – Pay full month of death payment
 - A)** Do not include a Reservation of Rights clause
 - B)** Include a Reservation of Rights clause
- **Option 2** – Pay full month of death payment, with reservation of rights clause
- **Option 3** – Continue current practice

MOTION

A motion was made to adopt option 1 A, Pay the full month of death payment without a Reservation of Rights clause. Motion was seconded. Motion passed unanimously.

9. AGENDA ITEMS FOR FUTURE MEETINGS

Steve Nelsen, Executive Director reviewed upcoming agenda items for December's meeting which will include an annual update from the Executive Director of the Washington State Investment Board, and a preview of the next demographic experience study from the Office of the State Actuary.

BOARD MEETING MINUTES

NOVEMBER 28, 2018 - FINAL



ADJOURNMENT

MOTION

Motion was made to adjourn at 12:20PM. Motion seconded and passed unanimously.

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for January 23rd, 2019 at the Washington State Investment Board located at 2100 Evergreen Park Drive SW, Olympia, WA 98502.