



STATE OF WASHINGTON

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

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REGULAR BOARD MEETING

December 9, 2004

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 December 9, 2004.

Board Members Present:

Kelly Fox, Chair
Doug Pendergrass
Doug Cochran
Mark Johnston
Maureen Morris
David Moseley
Michael Edwards
Pat Hepler
Representative Geoff Simpson
Senator Linda Evans Parlette

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research Policy Manager

Guests:

Matt Smith, State Actuary
Gary Bruebaker, State Investment Board

Board Members Not Present:

Jack Simington, Vice Chair

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:38 a.m.

1) November 10, 2004 Board Meeting Minutes

It was moved that the November 10, 2004 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) **Actuarial Valuation Report – Matt Smith, State Actuary**
Matt Smith, State Actuary presented the Board with the *2003 LEOFF 2 Actuarial Valuation Report*. Mr. Smith provided an overview of the key results, actuarial exhibits, participant data, and appendices.

3) **Interruptive Military Service – Final Proposal, Tim Valencia**
Tim Valencia, Senior Research and Policy Manager provided the Board with a *Military Service Credit Final Proposal*, a *letter from the Director of the Department of Retirement Systems*, and *draft legislation and fiscal notes* concerning the interruptive military service credit final proposal.

It was moved that the Board adopt the Interruptive Military Service Credit Final Proposal and move it forward for consideration by the 2005 Legislature. Seconded.

MOTION CARRIED UNANIMOUSLY

4) **Post-LEOFF Employment – Final Proposal, Tim Valencia**
Tim Valencia presented the Board with the *Final Proposal on Post-LEOFF Employment*. Mr. Valencia reviewed a *letter from the Office of the State Actuary (OSA)* concerning proposed Post-LEOFF Employment Policy Options, as well as draft legislation.

It was moved that the Board adopt the Post-LEOFF Employment Final Proposal and move it forward for consideration by the 2005 Legislature. Seconded.

MOTION CARRIED UNANIMOUSLY

5) **Investment Performance Report – Gary Bruebaker, State Investment Board**
Gary Bruebaker, Chief Investment Officer with the Washington State Investment Board (SIB) provided a presentation relating to *2004 Investment Performance* which included an overview of funds managed by the SIB and how those funds are performing.

6) **Purchase of Service Credit/Annuity – Final Proposal, Steve Nelsen**
Steve Nelsen, Executive Director, presented a *Final Proposal on the Purchase of Service Credit and Annuity* which provided background information and policy issues. The Board also reviewed a *LEOFF Plan 2 Service Credit Purchase Sample Calculation*, a *Department of Retirement Systems’ Frequently Asked Questions about Purchased Service Credit handout*, as well as two *draft legislative bills (Z-0188.1 and Z -0189.1)*.

It was moved that the Board adopt the Purchase of Service Credit Final Proposal without the additional annuity option with an amendment to the draft legislation to state an effective date of July 2006. This legislation will move forward for consideration by the 200 Legislature. Seconded.

Opposition: Pat Hepler – *“I am not opposed, I am just leaning toward annuity for reasons of flexibility.”*

MOTION CARRIED

7) **Contribution Rate Stability – Final Proposal, Steve Nelsen**

Mr. Nelsen provided the Board with a *Final Proposal on Contribution Rate Stability*, a *letter from the Office of the State Actuary (OSA)* outlining 4 years of weighted annual increases, and a *table* demonstrating the member, employer, and state contribution rates for 2005-2008. Mr. Nelsen also reviewed the *Rule Making Process* with the Board.

It was moved that the Board adopt the Contribution Rate Stability Final Proposal. Seconded.

Opposition: *Michael Edwards – “My concern is that we are not looking at and addressing volatility issues.”*

MOTION CARRIED

8) Duty Related Disability – Final Proposal, Steve Nelsen

Steve Nelsen presented a *Final Proposal on Duty Related Disability* and reviewed a *letter from OSA* outlining the proposed LEOFF 2 Disability Benefit Improvements. Mr. Nelsen also provided *draft legislation (Z-0219.1)* and a *draft fiscal note*, as well as a *letter from Oliver Consulting* addressing the actuarial review of contribution rate impact of duty disability benefit improvements.

It was moved that staff bring back the separated costs associated with 7(a) and 7(b) of the draft legislation (Z-0219.1) to a special meeting which will be held on January 6, 2004. Seconded.

MOTION CARRIED UNANIMOUSLY

9) Communications Plan – Steve Nelsen

Steve Nelsen presented the *LEOFF Plan 2 Retirement Boards’ Communications Plan* and discussed the types of media and the goals associated with each item.

10) 2005 Interim Issues – Steve Nelsen

Steve Nelsen provided an overview of the *2005 Strategic Plan Objectives and Tactics*. These are items that staff will be working on during the 2005 interim. The Board expressed an interest to have a representative from the Social Security Administration present information on social security benefits at an upcoming meeting. The Board also felt it would be beneficial to hold a Special Meeting during the Legislative session to remain updated on various proposals.

11) Administrative Update

Select Committee on Pension policy Update

Mr. Nelsen updated the Board on issues discussed and actions taken at the latest Select Committee on Pension Policy (SCPP) Meeting.

2005 Meeting Dates

The Board was provided a *2005 Board Meeting Schedule*.

Member Survey

Steve Nelsen provided the Board with *Potential Newsletter Survey Questions* as a baseline of what could be included in the LEOFF Plan 2 Retirement Board's first newsletter.

Bill Sponsorship

Steve Nelsen spoke to the Board concerning sponsorships of bills for the 2005 Legislative Session. Mr. Nelsen suggested and the Board members agreed that he and his staff would be responsible for recruiting sponsors for the Boards' legislation during the 2005 Session.

Upcoming Meetings

A Special Meeting of the LEOFF Plan 2 Retirement Board is scheduled for January 6, 2005 beginning at 9:30 a.m. at the Washington Association of Counties Building located at 206 - 10th Avenue S.E., Olympia, Washington 98501-1311.

The next regularly scheduled Board meeting is January 26, 2005 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 2:30 p.m.