

BOARD MEETING MINUTES

DECEMBER 12, 2012 – 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. Ryan Martin – Vancouver Police Department
In Attendance	Mr. Jeff Holy – Spokane Police Department (Retired)
In Attendance	Mr. Mark Johnson – Vancouver Fire Department
In Attendance	Mr. Pat Hepler – Snohomish County Fire District 1
In Attendance	Mr. Paul Golnik – WA Fire Commissioners Association
In Attendance	Mr. Glenn Olson – Clark County
Teleconference	Mr. David Cline – City of Tukwila
In Attendance	Senator Jim Honeyford – WA State Senator
In Attendance	Representative Kevin Van De Wege – WA State Representative
In Attendance	Steve Nelsen – Executive Director
In Attendance	Jessica Burkhart – Executive Assistant
In Attendance	Tammy Harman – Administrative Services and Communications Manager
In Attendance	Tim Valencia – Senior Research and Policy Manager
In Attendance	Greg Deam – Senior Research and Policy Manager
In Attendance	Ryan Frost – Research Intern
In Attendance	Dawn Cortez – Assistant Attorney General

CALL TO ORDER

The LEOFF Plan 2 Retirement Board met in the Washington State Investment boardroom in Olympia, Washington on December 12, 2012. A quorum of the members was present at this meeting.

OPENING

Chair Kelly Fox 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.

1. Approval of Minutes

MINUTES APPROVED

It was moved to approve the Board meeting minutes from November 28, 2012. Motion seconded. The Board approved the minutes without objection.

2. Washington State Investment Board Update

Theresa Whitmarsh, Executive Director of the Washington State Investment Board (WSIB) presented an annual update of performance and investments. Director Whitmarsh reviewed \$87.2 billion assets under WSIB management and Commingled Trust Fund performance and value as of September 30, 2012.

Director Whitmarsh expressed the challenges of running a global portfolio with 33 different funds in 74 different countries. Despite the challenges with a complex marketplace and competitive atmosphere, the WSIB is still performing well. Director Whitmarsh added that this is due to their long-term investment strategy. This has made Washington one of the four best funded in the nation.

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3. WSIPP Public Pensions Study

Annie Pennucci, John Bauer and Stephanie Lee with the Washington State Institute for Public Policy (WSIPP), conducted a study at the request of the Legislature. The assignment was to conduct an evaluation of the benefits provided in the pension plans offered by public employers in Washington state.

WSIPP provided a comprehensive report that reveals benefit levels and adequacy, benefit portability, and impacts from overtime and excess compensation.

4. HCA Technical Corrections Legislation

Mary Fliss, Deputy Division Director and Dennis Martin, Special Assistant for Policy and Legislature with the Washington State Health Care Authority (HCA) provided an overview of two domestic partner eligibility bills enacted in 2009.

The bills introduced in 2009 covered benefit rights of domestic partners of emergency service personnel killed in the line of duty. The HCA will propose technical corrections during the 2013 legislative session. The corrections will align child dependent coverage and address domestic partner eligibility.

5. Administrative Factors – Final Proposal

Greg Deam, Senior Research and Policy Manager presented the Final Proposal for Administrative Factors. While reviewing background information, Mr. Deam noted the last time the Board adopted administrative factors was in July 2009. The changes were adopted based on the 2001-2006 experience study and data received from the Office of the State Actuary (OSA).

OSA developed new administrative factors and updated the Board. Mr. Deam discussed two options for the members to consider.

Action Taken | *It was moved to adopt option #2; adopt Office of the State Actuary recommended factors and delay implementation to coincide with the implementation of the factors for the other systems. Motion seconded and carried unanimously.*

6. Executive Director – Personnel Issues

Executive Session – 11:05-11:25 AM

The Board members met in Executive Session to discuss the Executive Director's current salary and review a nationwide salary survey to compare similar positions.

Action Taken | *It was moved to request a salary increase for Director Nelsen to ensure his salary is comparable to similar positions nationwide. A letter will be sent to the Department of Enterprise Services to increase Director Nelsen's salary to \$114,345. Motion seconded and carried unanimously.*

It was moved to provide Director Nelsen the opportunity to become a private consultant regarding pension issues. Motion seconded and carried unanimously.

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7. Administrative Update

Director Nelsen provided the Administrative Update and indicated there are four topics that may come up during the 2013 legislative session.

Mr. Nelsen reminded the members of a former bill that passed the Legislature in 2010. The Alternate Revenue trigger will be met in September 2013.

The agency put in a budget package for the Ombudsman position that may or may not be included in the final budget.

He also communicated that the staff is looking into teleconferencing and tablets being used by members to view materials.

8. Excess Compensation – Preliminary Report

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Report on Excess Compensation. Mr. Valencia outlined the current provisions clarifying payments above “regular” earning to calculate pensions and noted the employer is responsible for the cost.

The Select Committee on Pension Policy (SCPP) is considering legislation that would expand the definition of excess compensation for all retirement plans. While the Board will be coordinating with the SCPP, Mr. Valencia provided an alternate proposal which would create an additional category of excess compensation.

9. Occupational Disease Study

Vickie Kennedy, Deputy Assistant Director of Legislative Affairs with the Department of Labor and Industries presented the findings of the Occupational Disease Study mandated by the legislature. There were no findings that impact the current LEOFF 2 occupational disease statutes.

10. Electronic Annual Statements – Final Proposal

Ryan Frost, Intern presented a Final Proposal on Electronic Annual Statements. Mr. Frost explained that the Department of Retirement Systems currently mails annual statement to LEOFF Plan 2 members. The Board paid \$11,473.84 in 2011 to have the statements created and mailed.

Mr. Frost reviewed the savings and benefits for members using the Online Account Access rather than receiving a hard copy.

Action Taken

It was moved to adopt Option #2. In lieu of receiving mailed out annual statements, members will receive and access them online. Motion seconded and carried unanimously.

11. Executive Director Bill Drafting

Director Nelsen addressed the Board concerning the drafting of legislative bills. He provided different scenarios for the Board members to consider.

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Action Taken

It was moved as policy to allow Director Nelsen authority and discretion to draft legislation on behalf of the Board. Motion seconded and approved.

Senator Honeyford opposed.

12. Work Session – Tom Nugent

Tom Nugent, Consultant led a work session with the members to review administrative roles and responsibilities and determine goals for communication with plan members.

Action Taken

It was moved to allow all members of the LEOFF Plan 2 Retirement Board to attend the Administrative Committee meetings. Motion carried unanimously.

ADJOURNMENT

There being no further business, the meeting was adjourned at 2:00 pm.

NEXT MEETING

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for January 23, 2013 at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W. Olympia, WA 98502.