



STATE OF WASHINGTON

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

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**REGULAR BOARD MEETING**  
**December 13, 2006**

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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 13, 2006.

**Board Members Present:**

Kelly Fox, Chair  
Jack Simington, Vice Chair  
Greg Cuoio  
Michael Edwards, Teleconference at 10:45 a.m.  
Pat Hepler  
Jeff Holy  
Mark Johnston  
Glenn Olson  
Clint Olson  
Senator Linda Evans Parlette  
Representative Geoff Simpson

**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

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Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:48 a.m. The Board took a moment of silence to recognize fallen Law enforcement Officers Elizabeth Nowak and Steve Cox.

**1) October 25, 2006 Board Meeting Minutes**

*It was moved that the October 25, 2006 Board meeting minutes be adopted as presented. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

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2) **Fish and Wildlife Service Credit Transfer – Final Proposal, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented a Final Proposal on *Fish and Wildlife Service Credit Transfer*. This subject has not been heard since it was not passed out of the legislature last year. Mr. Deam explained that there are approximately 70 members that are affected and would be impacted by the passage of this bill. The cost of this liability is between \$0 and \$2 million depending on how many members transfer. The proposal summary included the three following points:

- Member has five-year window to elect to transfer
- Member pays difference in contribution rates plus interest
- Fish and Wildlife pays any additional liability one year after window closes

The Board received a *letter from the Director* of the Department of Fish and Wildlife expressing his support of HB 2890 and SB 6585 allowing the Department of Fish and Wildlife Officers to transfer service credit.

Chief Bruce Bjork addressed the Board on behalf of the Department of Fish and Wildlife supporting the transfer of service credit for Fish and Wildlife Enforcement Officers.

Mike Ryherd with the Joint Council of Teamsters addressed the Board in support of the Fish and Wildlife Service Credit Transfer bill.

A copy of bill draft *Z-0331.1* was provided to the Board.

*The Board moved to forward the topic of Fish and Wildlife Enforcement Officers. Bill draft Z-0331.1 will move to the Legislature during the 2007 legislative session. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

3) **Temporary Duty Disability – Final Proposal, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager provided a Final Proposal and presentation on *Temporary Duty Disability*. Mr. Valencia discussed the problems with the current provisions, the recent expansions in PERS policy, and the coordination with the Select Committee on Pension Policy.

He provided the Board with a policy option to adopt the PERS Plan 2 policy (2005-SB 5522) which would expand service credit recovery to 24 months per incident.

A copy of bill draft *Z-0244.4* was provided to the Board.

*The Board moved to forward the topic of Temporary Duty Disability. Bill draft Z-0244.4 will move to the Legislature during the 2007 legislative session. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

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- 4) **\$150,000 Death Benefit Inflation Adjustment – Final Proposal, Greg Deam**  
Greg Deam, Senior Research and Policy Manager presented a Final Proposal and presentation on the *\$150,000 Death Benefit Inflation Adjustment*. Mr. Deam reviewed costs related to adding an inflation adjustment to this benefit and the calculations used to determine a LEOFF Plan 2 member's retirement benefit.

A copy of bill draft Z-0267.2 and a *Draft Fiscal Note* from the Office of the State Actuary were provided to the Board.

*The Board moved to forward the topic of \$150,000 Death Benefit Inflation Adjustment. Bill draft Z-0267.2 will move to the Legislature during the 2007 legislative session. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

- 5) **Dual Membership – Final Proposal, Greg Deam**  
Greg Deam, Senior Research and Policy Manager provided a Final Proposal and presentation on *Dual Membership*. Mr. Deam addressed key areas for action such as; base salary, thirty year cap, and inflation adjustment for twenty years of service. The proposal included the following:

- Redefine base salary so if a payment is defined as salary/compensation in both dual member systems, then it would be included in base salary.
- Eliminate the potential benefit reduction for members with more than thirty years of combined service in TRS or PERS Plan 1 and LEOFF Plan 2, provided they have less than 15 years of Plan 1 service.
- Add LEOFF Plan 2 to the list of plans that are allowed to use shared service to qualify for the twenty-year inflation adjustment.

Bill Hanson, Executive Director with the Washington State Fraternal Order of Police addressed the Board concerning Dual Membership. He expressed his personal concerns relating to this proposal due to the exclusion of Washington State Patrol members. Mr. Hanson does not endorse the Dual Membership legislative proposal.

The Board Members also received a copy of a *letter* from the Washington State Patrol Troopers Association opposing the Dual Membership proposal as it relates to the use of overtime in the calculation of final average salary.

A copy of bill draft Z-0.318.2 was provided to the Board.

*The Board moved to endorse the Dual Membership proposal and further seek to amend it during the legislative process to ensure equity for all LEOFF members. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

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6) **Service Credit Transfer Waiting Period – Final Proposal, Greg Deam**

Mr. Deam, Senior Research and Policy Manager provided the Board with a Final Proposal on *Service Credit transfer Waiting Period*. The key issues of death and disability during the five-year waiting period were discussed. The following is a summary of the proposal given to the Board:

- Service credit/payments transfer immediately upon death or disability
- Service credit/payments are used in calculation
- Creates options for unpaid bills

A copy of bill draft *Z-0298.1* and a *Draft Fiscal Note* from the Office of the State Actuary were provided to the Board.

*The Board moved to forward the topic of Service Credit Transfer Waiting Period. Bill draft Z-0298.1 will move to the Legislature during the 2007 legislative session. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

7) **Administrative Update**

**Select Committee on Pension Policy (SCPP) Update**

Steve Nelsen, Executive Director, provided an update concerning the most recent Select Committee on Pension Policy (SCPP) meeting. The SCPP was presented a bill summary concerning the Contribution Rate Process. The bill would amend the timing of when rates are adopted making it two months earlier. The SCPP chose to endorse this OSA request legislation.

The Board was provided with the Contribution Rate Adoption Process Bill Summary (*Z-0319.1*) and given the opportunity to ask questions.

*The Board moved to endorse the Contribution Rate Adoption Process bill during the 2007 legislative session. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**Possible Executive Action on Executive Director Salary**

Chair Fox addressed the members concerning the Executive Director's Performance Evaluation.

*The Board moved to delegate authority to the Administrative Committee. The Committee will perform the evaluation and report back to the members. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

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**8) Retiree Health Care Insurance – Final Proposal, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a Final Proposal on *Retiree Health Care*. Mr. Valencia discussed issues such as access, increasing costs vs. erosion of benefits, and frequently requested benefits. The following proposal summary was provided to the Board:

- Permit LEOFF Plan 2 retirees to purchase health care benefits from the PEBB
- All benefits costs will be paid by retirees, no direct cost to state
- FY2007 implicit subsidy \$573,667
  - \$0.33per active/non-Medicare pool participant
  - HCA fiscal note HB 2162 (2005)

*The Board moved to forward the topic Retiree Health Care Insurance. The proposed bill draft will move to the Legislature during the 2007 legislative session. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**9) Actuarial Reductions – Final Proposal, Steve Nelsen**

Steve Nelsen, Executive Director presented the Board a Final Proposal on the topic of *Actuarial Reductions*. Mr. Nelsen provided an update on the status of this topic concerning the Department of Retirement Systems. The Board discussed the opportunity of using rule-making rather than legislation.

**10) Deferred Compensation – Final Proposal, Greg Deam**

Greg Deam, Senior Research and Policy Manager provided a Final Proposal and presentation on *Deferred Compensation*. Mr. Deam reviewed the definition of basic salary and shared a proposal summary that included guaranteed and matching contributions.

A copy of bill draft Z-324.1 was provided to the Board.

*The Board moved to defer the topic of Deferred Compensation until next year to work cooperatively with the Select Committee on Pension Policy during the 2007 interim. Seconded.*

**MOTION CARRIED**

**11) Purchase of Annuity – Final Proposal, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a Final Proposal and presentation on *Purchase of Annuity*. Mr. Valencia reviewed the key issues and the proposal summary which would permit LEOFF Plan 2 retirees to purchase an actuarially equivalent life annuity from the LEOFF Plan 2 retirement fund.

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Dave Nelsen testified on behalf of the Department of Retirement Systems (DRS). Mr. Nelsen would like this issue to be explored further to see if it is allowable under the federal tax laws. He added that DRS would consult outside tax counsel to locate this information.

*The Board moved to defer the topic of Purchase of Annuity until next year to work cooperatively with the Department of Retirement Systems during the 2007 interim. Seconded.*

**MOTION CARRIED**

**12) Pension Forfeiture – Initial Consideration, Steve Nelsen**

Steve Nelsen, Executive Director provided an Initial Consideration on the topic of *Pension Forfeiture*. Mr. Nelsen reviewed a *Problematic Sanction for Public Corruption* handout written by Georgetown University Law Center and answered questions from the members.

*No motion was made on this topic. The purpose of this discussion was education of the LEOFF 2 Board members.*

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**Meeting Cancellation**

The Board moved to cancel the January 24, 2007 Board meeting due to legislative session. Seconded.

**MOTION CARRIED UNANIMOUSLY**

**Next Meeting**

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for February 28, 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 1:29 p.m.