

# BOARD MEETING MINUTES

JUNE 20, 2018 - DRAFT



## TRUSTEE AND STAFF ATTENDANCE

Absent	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
In Attendance	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. Michael White – Valley Regional Fire Authority
In Attendance	Mr. Pat McElligott – Pierce County Fire and Rescue
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
Absent	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 conference room in Olympia, Washington on June 20, 2018. A quorum of the members was present at this meeting.

### OPENING

Vice Chair Jason Granneman called the meeting to order at 9:33AM 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 May 25, 2018. Motion seconded. The Board approved the minutes without objection.

## 2. DRS REQUEST LEGISLATION

Retirement Services Manager Seth Miller from the Department of Retirement Systems, presented an overview of two issues before the Board that DRS has proposed to the Select Committee on Pension Policy for potential legislation. The proposed issues are Month-of-Death Payment Overview and Written Spousal Consent Overview. No action was taken at this time.

## 3. CAREER CHANGE ALTERNATIVES

Senior Research and Policy Manager Jacob White presented an overview of the current career change law to the Board. Since the passage of the Board’s 2005 career change law, multiple issues have surfaced related to

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employers' interest in hiring LEOFF retirees into LEOFF positions. Concerns have been brought to the Board in the past where employers narrowly crafted positions with the alleged intent of avoiding membership in LEOFF 2, so they could hire a LEOFF 2 retiree. No action was taken at this time.

## 4. SURVIVOR OPTION ELECTION

Senior Research and Policy Manager Jacob White presented an overview of what the survivor option elections currently are for a person's retirement election. It may be considered unfair to have a member make their irrevocable retirement election for a survivor option without all the information that is important to them. No action was taken at this time.

## 5. MEDICAL CONDITIONS PRESUMED TO BE DUTY-RELATED

Executive Director Steve Nelsen presented an educational briefing to the Board on medical conditions that are presumed to be duty-related. Certain medical conditions are presumed to be duty-related for Worker's Compensation and LEOFF Plan 2 pension purposes. Legislation was proposed in the 2018 session that sought to expand coverage of duty-related presumption, though this bill did not pass. No action was taken at this time.

## 6. FUNDING METHOD OPTIONS

Senior Research and Policy Manager Ryan Frost provided a comprehensive report on funding policy background and funding method options to the Board. There are a variety of funding methods used to estimate the cost of future benefits, therefore it is up to the Board to decide which method aligns best with their funding goals. No action is needed at this time. The Board will take any action at the next meeting, considering the following policy options before the Board:

1. Continue to use 2 funding methods
  - Short term: Aggregate with 100% EANC floor
  - Long term: Aggregate with 90% EANC floor 2
  
2. Change long term method to Aggregate with 100% EANC floor
  - How to manage UAAL?
  - Amortization
  - Funding ratio corridor

## 7. ADMINISTRATIVE UPDATE

Executive Director Steve Nelsen gave his administrative update to the Board.

### OUTREACH ACTIVITIES

WSCFF is holding their annual convention in Kennewick next week. Staff will attend and provide an outreach table.

### PENSION FUNDING COUNCIL

The Pension Funding Council met yesterday and are working on their proposals for rates and funding ratios. No action was taken in June. They plan to take action in July.

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SCPP

SCPP met yesterday. They will be having presentation in July for the smoothing method. All plans were set in 1977

L2 TECHNOLOGY UPDATE

We are moving from the Novus platform to a web based log in for meeting materials. Trustees will see this change when they receive an email regarding materials for the next meeting.

EXPECTATION INTERVIEWS

Executive Assistant Jessie Jackson will be contacting trustees to schedule an annual expectation interview with Executive Director Nelsen. Results from these interviews will be shared at the October offsite meeting.

## 8. CONTRIBUTION RATE SETTING OPTIONS

Senior Research and Policy Manager Ryan Frost provided an introduction to contribution rate setting, including information about the rate setting cycle and current and historical contribution rates. Setting the basic and supplemental contribution rates for the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 retirement system is one of the key responsibilities of the Board. Setting appropriate contribution rates is important to maintain the financial integrity of LEOFF Plan 2 and provides stability for employers, members, and the state with respect to amounts that must be budgeted and paid into the plan. Mr. Frost reviewed the Board's strategy and policies related to contribution rates, along with other concepts that impact rate setting.

## 9. SUPPLEMENTAL RATE OPTIONS

Senior Research and Policy Manager Ryan Frost provided a comprehensive report about supplemental contribution rates including the purpose of the supplemental rate; supplemental rate development; supplemental rate history; and the PTSD legislation from the 2018 session.

The following options are before the Board, with any action to be taken at the July 25<sup>th</sup> meeting:

1. Adopt supplemental rate increase of 0.05% member, 0.03% employer, 0.02% state effective September 1, 2018
2. Adopt recommended supplemental rate increase, along with any other contribution rate changes, effective July 1, 2019
3. Do not adopt supplemental rate

The Board requested that staff include the financial dollar amounts of these percentages for the July presentation.

## 10. AGENDA ITEMS FOR FUTURE MEETINGS

Executive Director Steve Nelsen reviewed upcoming agenda items for the July meeting. Decisions on preliminary reports from this interim will be reviewed for potential action if trustees choose to move forward any issues for potential legislation. Adoption of contribution and supplemental rates will occur at the July meeting. The valuation audit results from Milliman will occur as well as an annual update to the Board from the Department of Retirement Systems.

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## ADJOURNMENT

There being no further business, the meeting was adjourned at 12:14 PM.

### MOTION

Motion was made to adjourn. Motion was seconded. Motion passed unanimously.

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for July 25<sup>th</sup>, 2018 at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W. Olympia, WA 98502.