

BOARD MEETING MINUTES

JULY 25, 2018 DRAFT



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. Michael White – Valley Regional Fire Authority
In Attendance	Mr. Pat McElligott – East 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
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
Absent	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 July 25, 2018. A quorum of the members was present at this meeting.

OPENING

Chair Lawson called the meeting to order at 9:31 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 June 20, 2018. Motion was seconded. The Board approved the minutes without objection.

2. DRS ANNUAL UPDATE

Executive Director Tracy Guerin from the Department of Retirement Services presented an annual update from their agency.

3. VALUATION AUDIT RESULT

The Milliman team, Mark Olleman, Nick Collier and Daniel Wade, presented their results of their Valuation Audit results. They performed a full independent replication of the Office of the State Actuary's June 30, 2017 actuarial valuation audit. They agree that OSA's actuarial work is reasonable and appropriate. No changes are recommend to OSA's 2017 valuation.

BOARD MEETING MINUTES

JULY 25, 2018 DRAFT



4. FUNDING METHOD OPTIONS

Senior Research and Policy Manager Ryan Frost provided a final proposal on funding policy options. 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.

The following policy options are before the Board:

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

Deputy State Actuary Lisa Won joined Mr. Frost to clarify actuarial questions from the Board.

MOTION

It was moved to adopt the Aggregate funding method with 100% of the EANC floor as the long term funding method for the Board. Motion was seconded. Motion passed unanimously.

5. CONTRIBUTION RATE SETTING OPTIONS

Senior Research and Policy Manager Ryan Frost presented an introduction to contribution rate setting. Information about the rate setting cycle, current and historical contribution rates, a review of the Board's strategy and policies related to contribution rates, along with other concepts that impact rate setting were discussed. The following policy options are before the Board:

1. **Continuing Current Rates**
 - The rates currently collected are sufficient to fund the cost of all benefits in LEOFF 2 during the 2019-21 biennium.
 - Current rates are based on the 2015 Actuarial Valuation, include subsequent temporary and supplemental rates prior to the 2018 legislative session, and were adopted by the Board through 2021.
2. **Adopt Aggregate Rate Based on 2017 Actuarial Valuation**
 - The Aggregate rate determines the normal cost and the actuarial accrued liability. Under this method, the unfunded actuarial present value of fully projected benefits is amortized over the future payroll of the active group. The entire contribution is considered normal cost and no UAAL exists.
3. **Adopt Rates Based on 100% EANC from 2017 Actuarial Valuation Results**
 - The preliminary contribution rate levels based on the 2017 Actuarial Valuation are lower than the rates currently collected, due in part to the lower economic assumptions and changes in plan experience.
 - 100 Percent EANC - Consistent with the plan's ACM and including minimum rates under the Board's funding policy since 2008.

BOARD MEETING MINUTES

JULY 25, 2018 DRAFT



	1. Maintain Current Adopted Rates	2. Adopt Aggregate based on 2017 Actuarial Valuation*	3. Adopt 100% EANC based on 2017 Actuarial Valuation*
MEMBER	8.75%	6.44%	8.59%
EMPLOYER	5.25%	3.86%	5.15%
STATE	3.50%	2.58%	3.44%

MOTION

Motion was made to adopt option 3 for the next two biennium, 2019-2021 and 2021-2023. Motion was seconded. Motion passed unanimously.

6. ADMINISTRATIVE UPDATE

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

NEW TRUSTEE

Wally Loucks put in his resignation and the Governor's Office has chosen his replacement as of July 24, 2018. Staff expects to be notified of the new appointee in the next few days.

EXPECTATION INTERVIEWS

Expectation interviews are continuing, with approximately half of them completed so far.

OUTREACH ACTIVITIES

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

BUDGET UPDATE

Budget update from the last quarter is in the meeting materials. Currently we are under budget for the first year.

SCPP

The Select Committee on Pension Policy met last week. They had presentations on the same two issues that Seth Miller from DRS spoke to the Board about in June: Month of Death Payment and Written Spousal Consent.

7. DECISION ON PRELIMINARY REPORTS

Senior Research and Policy Managers Ryan Frost and Jacob White reviewed the following issues as the Board must determine which initial report issues to move forward with and receive comprehensive reports on during the 2018 interim.

1. Definition of Child - The LEOFF definition of "child" excludes children adopted after retirement from eligibility for benefits.

2. Out of State Duty - Members who are injured while responding to an emergency out of their jurisdiction are not entitled to LEOFF 2 duty disability or duty death benefits.

3. Disabled Members Return to Work - Disability benefits for members who recover from their disabilities are ambiguous if their previous employer refuses to hire them back.

BOARD MEETING MINUTES

JULY 25, 2018 DRAFT



- 4. PEBB Coverage for Catastrophic Retirees** - Catastrophic disability retirees and their survivors have different medical insurance access than survivors of members killed in the line of duty.
- 5. Standby Pay as Earnable Compensation** - Standby pay is not part of basic salary (reportable compensation) used in computing LEOFF Plan 2 contributions and pensions.
- 6. Career Change Alternatives** - Since the passage of the Board's 2005 career change law, multiple issues have surfaced related to employers' interest in hiring LEOFF retirees into LEOFF positions.
- 7. Survivor Option 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.
- 8. Occupational Disease Benefits** - 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 presumptions. This bill did not pass.
- 9. Spousal Consent Requirement** - Under current law, a member who is retiring under LEOFF Plan 2 must provide written consent from their spouse for any survivorship option the member selects - except in the case of a joint 50% survivorship option. This means that a spouse must provide written consent even when his or her survivor benefit would be greater than 50%.
- 10. Month-of-Death Retirement Payments** - In the month a retiree or survivor passes away, the Department of Retirement Systems 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.

MOTION

A motion was made to move forward with issues #2, 6, 7, 9, 10. Motion was seconded. Motion passed unanimously.

8. AGENDA ITEMS FOR FUTURE MEETINGS

Executive Director Steve Nelsen reviewed upcoming agenda items for the remainder of the interim. At the September meeting we will have follow up presentations for the five issues that the Board has just moved forward.

MOTION

A motion was made to cancel the August 22nd meeting. Motion was seconded. Motion passed unanimously.

9. EXECUTIVE SESSION

The Board moved to Executive Session for 30 minutes for the purpose of reviewing the performance of a state employee and/or to discuss past legal advice on the Benefit Improvement Account from the Attorney General's Office.

ADJOURNMENT

MOTION

Motion was made to adjourn at 12:35PM. Motion seconded and passed unanimously.

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 26th, 2018 at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W. Olympia, WA 98502.