

BRIGETTE K. SMITH
Executive Secretary



JAY HUGHES
Board Chair

STATE OF WASHINGTON
BOARD FOR VOLUNTEER FIREFIGHTERS & RESERVE OFFICERS
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October 14, 2016

The 247th regular meeting of the Board for Volunteer Firefighters and Reserve Officers was convened at 9:00 A.M. in Suite #112 in the James R. Larson Forum Building by Chair Jay Hughes, with Board Member Mark Watenpaugh, Board Member Martin Spani, Board Member Brian VanCamp, Board Member Miland Walling, Secretary Tamara Donovan (Mason Co. FPD #13), Senior Actuarial Analyst Michael Harbour, Actuarial Analyst Frank Serra, Deputy State Actuary Lisa Won, Senior Investment Officer Allyson Tucker, Director of Institutional Relations Chris Phillips, Confidential Secretary Hailey Blankenship, and Executive Secretary Brigitte Smith.

The Board reviewed the July 8, 2016 Meeting Minutes. It was moved by VanCamp, seconded by Watenpaugh, and carried that the minutes be approved.

FIRST HEARING OF THE PUBLIC

No public wished to speak.

OLD BUSINESS

Secretary Smith requested that the Board hold over the discussion regarding a policy for volunteers and illegal activities until the next meeting due to the turn over and the need to have additional time to bring AAG Wyatt up to speed on the issue and give her time for additional research.

Secretary Smith reminded the Board that the hearing date was set for October 27th at 6:00 pm at the Yakima Red Lion. She provided copies of the CR-102's for both the Tables WAC and the Appeals WAC that were filed with the Code Reviser's Office.

NEW BUSINESS

Senior Investment Officer Allyson Tucker and Director of Institutional Relations Chris Phillips, both from the State Investment Board, talked with the Board about the Co-mingled Trust Fund and the status of the BVFF investments as a part of that pool. Mr. Phillips introduced himself to the Board and explained that he has been hired by the SIB to help with stakeholder presentations and work as a liaison between the agencies and the SIB. He updated the Board on the composition of the State Investment Board's board. He explained that Department of Retirement Systems Director Marcy Frost took a position with CalPERS (California Public Employee's Retirement System), so Tracy Guerin was sworn in as the new director. The total assets that they invest are approximately \$112 billion. Ms. Tucker explained what the difference was between some of the asset classes. For example, Mezzanine Debt is private equity that provides lower risk. An example would be a secured loan. Venture Capital is investments in new start-up companies. It's similar to the TV Show, "Shark Tank". About 8% of the Private Equity is in Venture Capital. Public Equity and Fixed Income are very liquid, so they can easily be cashed out as needed. Private Equity is comprised of investments with a longer holding period in mind. They tend to be higher returning investments. They have been investing in private equity since 1982, which is longer than a lot of other investors. The SIB does make global investments in this portfolio, but the largest percentage of investments are in the US. In the Real Estate portfolio, the SIB makes necessity-based real estate rather than fad-based. An example would be investing in grocery stores or warehouses, because they will always be necessary vs. investing in a mini-golf course or a hotel. The Tagibles portfolio was added about seven years ago. It is capped at a maximum of 5% of their investments and contains commodities such as gas and oil. Although it is capped at 5%, it currently only represents 3 ½% of the total investments. Even so, it is the fastest growing part of their portfolio and includes farmland, energy, and timberland. Most of the investments are domestic. Each of the portfolios is managed by a

team of about 10 SIB employees. Some of the factors that the SIB currently are monitoring that could affect performance are the value of the dollar, oil prices, the exit of the UK from the European Union, and the Federal Reserve rates. When they assess investments, the SIB looks at a 50 year picture, so they don't jump in and out of investments. Because they ride out the highs and lows, they tend to make more money in the long run.

Michael Harbour and Frank Serra presented the 2015 Actuarial Valuation to the Board. Mr. Harbour informed them that there had not been any significant changes in the factors, so the valuation didn't hold any real surprises. Liabilities increase overall, and the turn-over rate increased. Line of Duty Deaths were fewer than anticipated, and the market values were 2.5% less than expected. Since the difference between Market Value and Actuarial Value is often not understood, Mr. Harbour explained that the Market Value is the present value of the fund if all the assets were sold off today. The Actuarial Value is a smoothed over a period of many years. That's why the Actuarial Value is usually higher or lower than the Market Value. Mr. Harbour told the Board that the Actuary's Office is currently working on an experience study on the relief benefits. This will include an evaluation of medical costs and trends, line of duty death benefits, disability benefits, and how long the relief benefits tend to be paid. They will have some initial observations ready for the Board at the July meeting. In addition, they will be working on the economic experience study. This study occurs every two years for all pension plans and they will come to the Board in October of 2017. They are also looking at investment returns and inflations. One of the biggest effects on assumptions is the expected rate of investment returns. Finally, Mr. Harbour thanked Secretary Smith for all of the collaboration she has done with the Actuary's Office throughout the years, and all of her years of service to the emergency responders in the state. He and his office wished her the best of luck in the new chapter of her life after her retirement.

Secretary Smith presented the Board with the budget as submitted to OFM and briefly explained the budget process from an agency perspective. Included in the budget was a decision package requesting approximately \$250,000 to fund Phase 1 of the database project to replace the Board's aging database system. Phase 1 includes hiring an expert to help conduct a feasibility study for the new system, determine different options, and help determine the costs for those options. She informed the Board that she has gone to all of the required planning meetings with OFM, CTS, and the OCIO thus far. She will be attending a ranking meeting in the next week where the different IT agencies will rank all of the projects submitted for budget approval and make recommendations to the legislature as to which ones should be approved and which ones should not.

The Board took a 10 minute recess from 10:30 am through 10:40 am.

The Board reviewed the pension participation requirement exemption requests submitted by Vashon Island Fire & Rescue for Don Bartley and Daniel Luechtefeld. The Board noted that the forms were both submitted by the same department and within a month of each other. However, the Chair of the Local Board was different on each form, as was the Chief. Secretary Smith was asked to try to determine who should have been signing the forms. After looking at the Fire Service Directory, it looked like Brigitte Brown is a commissioner and Henry (Hank) Lipe, the Chief, signed Mr. Bartley's papers. However, Mr. Luechtefeld's papers were signed by Candy McCullough, who is actually the Chair of the Commissioners, and Robert Larsen, who is the assistant chief. It was moved by Spani, seconded by Watenpaugh, and carried, that the Board grant the waivers for timeframes not to exceed the 12 weeks. However, Secretary Smith was directed to write to the department and explain that future forms must be signed by the Chair and the Chief. Any deviation should be noted in their local board minutes, which should be submitted with the paperwork.

The Board reviewed the following service level agreements and contracts:

- Washington State Board for Community & Technical Colleges for our required IT Security Compliance Audit
- Washington State Board for Community & Technical Colleges for an assessment of the effort and estimation of the cost to fund Phase 1 of the new database development project to project accurate cost projections for the 17-19 Budget Request.

The Board reviewed the 2016 Annual Survey Results. The results were positive, with ninety-six percent of the constituents rating their over-all opinion of the Board as above average to excellent. A few of the comments were:

- "You folks are the best! I have never called that I did not get great service. Keep it up!"
- "You are all wonderful ladies & very helpful! Thank you!"

- “Your department does an outstanding job. I have never had a bad experience when calling in my 24 years of service. Thank you.”
- “I appreciate that I can call your office and speak with you directly. You all have been a great resource. As a volunteer fire department I am a very part time secretary (since 2010). It has been invaluable to our office to have the professional and knowledgeable assistance your team makes readily available to us. Thank you!”
- “It is hard to improve on perfection.”

Two of the departments asked that the Board work toward providing an online system for reporting members and claims processing.

Chair Hughes noted that there was about a 45% rate of response on the surveys. He stated that he wished there was a little more participation in the survey. He thought that a 75% rate of return would be nice. Secretary Smith stated a normal return rate for an external survey is usually somewhere around 20%, so a 45% return rate isn't too bad. She explained that the agency sends surveys to 100 departments, 50 retirees, and 50 worker's comp. benefit recipients. They are sent with a self-addressed, stamped envelope to help facilitate the return of the survey. However, since the agency will be subscribing to Survey Monkey anyway, it wouldn't hurt to try to do the survey both via traditional paper and via the internet. The Board could then examine the response rate and decide if they'd like to make long-term changes to the survey format.

Chair Hughes thanked the staff and Secretary Smith for the jobs that they do. He felt that the survey results are a good gauge of how well the office is staffed and run. The Board agreed that they hear positive feedback throughout the fire service.

The Board reviewed the results of the Actuarial Survey and determined that the 2017 fees for EMSD's and Reserve Officers should remain the same as the 2016 fees. The fee amounts will be \$135 for the pension fee (\$30 member fee + \$105 municipality fee) and \$235 for the disability fee. In addition, they reviewed the cost of claims for members over the age of 65, and found no current increased liability to insure the Retire/Rehire members. As a result, it was moved by Watenpaugh, seconded by Spani, and carried that there be no surcharge for Retire/Rehire members for 2017 and that the EMSD and RO Fees be set the same as 2016.

There was some discussion regarding the Retire/Rehire members and the additional administrative work that is caused for the staff. In looking at the valuation, there is a lack of reporting follow through on the part of the departments. In 2012, there were only 37 Retire/Rehire members. By 2013, that number had more than doubled to 86. However, in 2014, that number dropped to 54, only to increase to 82 in 2015. Secretary Smith told the Board that the major swings in numbers has more to do with department paperwork errors than with actual participant fluctuations. Departments are often simply including the retire/rehire members on their annual remittances without following the required reporting process. They are either not getting the required physicals, or simply not doing the paperwork. Once they do complete the paperwork, they only submit it the first year, and not in subsequent years. As a result, it is increasing the burden on the staff to receipt the fees, then credit them back, then track the departments down, get them to do the paperwork, take the money back out of credit, re-receipt everything, and correct all of the records. Sometimes the departments just don't complete the paperwork at all (as evidenced by the drop in participants in 2014). While the retire/rehirees are not placing a greater cost to the benefit fund, they are placing an additional burden on the small staff. After some discussion, the Board directed Secretary Smith to consult with AAG Wyatt and see if there was a way that the Board could implement a penalty fee if the departments either did not complete the paperwork, or did not complete it correctly rather than placing a surcharge on the members as a whole.

The Board discussed the meeting dates for 2017. After checking calendars, it was decided that the 2017 meeting dates be set for January 24, April 28, July 21, and October 6. Since there is an administrative hearing scheduled for the 23rd, the Board asked Secretary Smith to check with AAG Wyatt and see if they could cancel the 24th date and hold the actual meeting on the 23rd if opposing council asks for another continuance. Secretary Smith stated that she would check into that, and also into the availability of the Commissioner's Conference room. If there were any potential conflicts, she would contact the Board to adjust the dates.

The Board reviewed Secretary Smith's leave and pay records.

The Board reviewed and approved (Watenpaugh moved, Spani seconded) the administrative expenditure vouchers numbered #01046 through #01116 and various travel vouchers.

There was a motion by Walling, seconded by Spani, and carried that the retirement pensions and lump-sum settlements listed below be approved effective on the listed dates (Member Watenpaugh excused himself from voting on William MacLaren's retirement due to the potential conflict of interest):

| | | <u>Effective Date</u> | <u>Amount</u> |
|-------------------------|----------------------|---------------------------|------------------|
| Adams, David T. | Whatcom #14 | 7/25/2016 | 300.00 |
| Alberthal, Elizabeth A. | Vashon Island Fire | 8/23/2016 | 210.00 |
| Andersen, Howard C. | Skamania #3 | 5/13/2016 | 4090.89 lump |
| Andrews, William J. | Lewis #5 | 2/24/2016 | 4431.57 lump |
| Anson, Jerry L. | City of White Salmon | 7/16/2016 | 172.50 @64 |
| Arnold, Phil R. | E. Jefferson F&R | 8/11/2016 | 4090.89 lump |
| Atwood, Micheal R. | Spokane #9 | 10/22/2016 | 248.70 |
| Banks, Fred R. | Walla Walla #7 | 7/16/2016 | 80.33 @ 62 |
| Barber, Gerald T. | King #2 | 7/16/2016 | 4090.89 lump |
| Bartells, Ernie R. | Yakima #5 | 6/12/2016 | 4468.83 lump |
| Bedney, Michael | Ferry/Okanog #14 | 4/9/2016 | 70.00 |
| Belding, Dan | Cowlitz #3 | 5/24/2016 | 300.00 |
| Benedict, Edwin D. | Clallam #2 | 8/11/2016 | 210.00 |
| Boad, Kenneth E. | N. Mason Reg. FA | 9/14/2016 | 5895.70 lump |
| Bradley, Alan D. | Vashon Island | 9/26/2016 | 300.00 |
| Bromily, Clark | Douglas #1 | 4/1/2016 | 300.00 |
| Brunner, Mike | Kittitas Valley F&R | 7/14/2016 | 4090.89 lump |
| Bunney, Michael J. | Chelan #9 | 10/1/2016 | 195.00 |
| Burt, JR, John E. | City of Burlington | 12/26/2012 | 5865.34 lump @60 |
| Castro, Ricardo M. | Snohomish FPD #15 | 3/6/2015 | 270.00 |
| Cates, Johanna R. | N. Mason Reg. FA | 3/10/2016 | 55.53 |
| Cline, Jay R. | City of Port Angeles | 10/14/2016 | 300.00 |
| Coleman, Harold | PE ELL | 8/21/2016 | 195.00 |
| Coleman, Larry W. | City of Port Angeles | 8/18/2016 | 300.00 |
| Cornwall, Richard D. | Stevens #2 | 1/1/2016 | 300.00 |
| Curtright, Shari L. | Grays Harbor #8 | 3/6/2016 | 300.00 |
| Davis, Robert | Camano IS. F&R | 9/15/2016 | 3847.36 lump @64 |
| Degraaff, Marvin K. | Lynden | 7/2/2016 | 300.00 |
| Dell, Stephen V. | Pierce #15 | 5/24/2016 | 195.00 |
| Duncan, Jeff L. | Okanogan #3 | 5/15/2016 | 187.50 |
| Engeland, Norman G. | Ferry/Okanog #14 | 2/28/2016 | 111.11 |
| Elliott, JR, Jerald K. | Lewis #5 | 7/6/2016 | 228.00 |
| Evans, Wanda | San Juan #2 | 9/8/2016 | 4331.53 lump |
| Fallon, Rhonda | Clallam #3 | 9/26/2016 | 150.00 |
| Ferrell, Penelope | Rosalia | 1/1/2015 | 240.00 |
| Fiman, Daniel | Thurston #16 | 1/17/2016 | 4090.89 lump |
| Fiman, Sharon | Thurston #16 | 4/2/2015 | 4090.89 lump |
| Franks, JR, Darrell | Mason #6 | 9/17/2016 | 121.50 @60 |
| Frantz, Karl | Anacortes | 10/5/2015 | 74.10 @62 |
| Gerwig, James F. | Morton | 6/14/2016 | 158.34 |
| Grasseth, Donald L. | Cowlitz 2 F&R | 8/25/2016 | 180.00 |
| Grout, Steven D. | Mason #6 | 10/4/2016 | 4331.53 lump |

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| Guske, Jack | Adams #7 | 6/11/2016 | 4572.18 lump |
| Hailey, James | Franklin #1 | 2/1/2016 | 250.00 |
| Hawkins, Raymond R. | Pierce #14 | 10/22/2015 | 4090.89 |
| Hegwer, Walter D | Coulee Dam | 9/30/2016 | 202.50 |
| Herzog, Chris N. | Clark #6 | 12/19/2014 | 102.60 @62 |
| Hewitt, Rodney E. | Monroe | 7/3/2016 | 195.00 |
| Hoover, Leslie | Concrete | 6/27/2016 | 276.00 @64 |
| Jefferson, James M. | Bonneville | 9/18/2015 | 118.13 @62 |
| Johnson, Merritt K. | Adams #5 | 2/9/2014 | 205.20 @62 |
| Kauzlarich, Gerald | Roslyn | 10/4/2016 | 187.50 |
| Kimble, Dallas | Grant #12 | 6/27/2016 | 300.00 |
| Klepac, Valentine | Whatcom #17 | 5/11/2016 | 3389.68 lump @70 |
| Knight, Ronald A. | Skamania #6 | 1/3/2012 | 2647.05 lump |
| Kopp, Gail N. | Spokane #11 | 8/28/2016 | 300.00 |
| Leister, Irvin A. | Mason #9 | 1/1/2016 | 300.00 |
| Lusk, Jenaye | Central Kitsap F&R | 10/25/2016 | 300.00 |
| Manchester, Clee | Asotin | 6/1/2016 | 73.50 |
| Maclaren, William K. | Cowlitz # 6 | 5/15/2016 | 80.50 |
| Martinez, Roel | Franklin #1 | 3/11/2016 | 266.80 @64 |
| McCathern, Paul | Spokane #11 | 10/4/2016 | 300.00 |
| Mehaffey, Terry | Okanogan #11 | 7/5/2016 | 73.43 @61 |
| Melrose, John F. | Kitsap #18 | 6/1/2016 | 80.50 |
| Meredith, Chip | Clark #10 | 6/9/2016 | 3847.36 lump @64 |
| Milanowski, Steve J. | PE ELL | 9/8/2016 | 142.50 @62 |
| Miller, Terry W. | King #20 | 10/20/2016 | 190.00 @62 |
| Moon, Martin | Skagit #5 | 10/3/2016 | 153.90 @62 |
| Moreno, JR, Manuel | Grant County Sheriff | 9/13/2016 | 4090.89 lump |
| Motes, Donald R. | Conconully | 8/18/2016 | 150.30 @60 |
| Parsons, Robert W. | Cowlitz 2 | 7/11/2016 | 228.00 @62 |
| Peters, Michael R. | Jefferson #3 | 8/24/2016 | 300.00 |
| Pleasants, Mary K. | Cowlitz-Skamania #7 | 8/13/2016 | 4572.18 lump |
| Popp, Mary K. | Jefferson #6 | 7/5/2016 | 3609.61 lump |
| Pruett, Perry L. | San Juan#2 | 1/1/2016 | 210.00 |
| Renstrom, Cheryl | Anacortes | 10/5/2015 | 74.10 |
| Ross, Layne H. | E. Pierce F&R | 6/14/2016 | 300.00 |
| Russell, David L. | Stevens #4 | 9/17/2016 | 226.20 |
| Schaller, Fred | Chelan #6 | 3/1/2015 | 270.00 |
| Schneider, Leslie P. | Stevens #5 | 10/16/2016 | 300.00 |
| Selia, Ronald E. | Snohomish #22 | 7/1/2016 | 228.00 |
| Shannon, Timothy | Lewis #15 | 4/15/2016 | 3311.50 lump @62 |
| Simmons, Alan | Pierce #23 | 8/30/2016 | 300.00 |
| Simpson, Andrew P. | Clallam #2 | 5/27/2015 | 300.00 |
| Smith, John | Benton #4 | 1/15/2015 | 4331.53 lump |
| Stuart, Sharon | Cowlitz-Skamania | 6/9/2016 | 300.00 |
| Suomela, Kerry G | Ilwaco | 4/24/2016 | 300.00 |
| Sutphin, Robert L. | Buckley | 8/7/2016 | 300.00 |
| Thompson, Brian | Riverside FA | 9/14/2016 | 300.00 |
| Thompson, Carl L. | Whitman #11 | 3/26/2016 | 300.00 |
| Tillett, Russell S | Yakima #9 | 3/8/2016 | 300.00 |
| Uhden, Ronald R. | Stevens #5 | 9/5/2016 | 250.50 |
| Vanderven, Neil R. | Jefferson #6 | 6/24/2016 | 4331.53 lump |
| Viles, Evelyn | Riverside FA | 7/2/2014 | 6144.64 lump |
| Welch, Thomas E. | Whitman #11 | 8/6/2016 | 228.00 @62 |
| White, JR, Duane | Almira | 10/1/2016 | 246.90 |
| Yost, Merlin A. | Arlington | 8/24/2016 | 300.00 |

GOOD OF THE ORDER

Secretary Smith informed the Board that Member Martin Spani was just re-appointed for another 6 year term by the Governor.

Chair Hughes addressed Secretary Smith and thanked her for the last sixteen years of dedicated service that she has provided to the Board and the 81,000 current and former firefighters, police officers, and EMT's. He said he has been with the Board since 2007, and Secretary Smith has been there the entire time. It will be extremely difficult to fill her shoes. Under her watch, the agency and the fire service have changed immensely. Pensions have increased, limits on the number of firefighters have been abolished. The vocational rehabilitation and retire/rehire programs have been implemented, and the Line of Duty Death Benefits have increased and changed to meet the changing needs of the fire service and create sibling parity. He told her that he knew that her desire has always been to leave the agency better than when she came, and she has certainly accomplished that. The other Board members echoed his sentiments, and Ms. Smith was presented with an award and a cake.

SECOND HEARING OF THE PUBLIC

Tamara Donovan asked to address Secretary Smith. She thanked her for her service and hard work. Secretary Smith was able to steer the agency through some difficult times and she will be missed. Ms. Donovan's commissioners and fire chief asked that she pass on a sincere thank you and well wishes for her next phase of life.

There was a motion by Watenpugh, seconded by Spani, and carried that the meeting be adjourned at 11:40 am.

Brigette K. Smith, Executive Secretary