

Washington State Department of Retirement Systems

Employee Retirement Benefits Board

Regular Board Meeting February 24, 2009 Minutes

Chair Steve Hill introduced himself to the Board as the newly appointed Director of the Department of Retirement Systems, and called the meeting to order at 9:30 am. Board members attended the meeting by teleconference. Present by teleconference were Michael Coleman, Chet Griffith, Carol Jensen, Judi Owens, Brian Talbott, Staci Vesneske and Kathy Whitlock.

Staff/resource personnel present: Assistant Attorney General Lara Zimmermann, Kris Heurich (by teleconference), Phil Paroian, Jeff Wickman, Cathy Cale and Wilma Eby. (Names of other attendees are not included in the minutes but are listed in the permanent record.)

A-1 Approval of Meeting Minutes - December 9, 2008

Judi Owens made a motion, seconded by Kathy Whitlock, to approve the December 9, 2008 meeting minutes as submitted. The motion passed unanimously.

Public Comment:

Nyle Soper, PERS Plan 3 member, provided comments about the change from the Horizon Funds to the Retirement Strategy Funds. He suggested adding a more conservative option to the Retirement Strategy Fund. Chair Steve Hill responded that staff will review Mr. Soper's documents and provide a response at the May ERBB meeting.

Status Reports

B-1 Record Keeping Program Update

Kris Heurich, Senior Vice President, ICMA Retirement Corporation (ICMA-RC) provided a status report of the record keeping services for the Plan 3 programs. She reported that, across the board, all member activities increased in 2008, compared to 2007. In addition to a 28 percent increase in the number of calls from Plan 3 members to a customer service representative, they also noticed an increase in the duration of the calls. On January 12th, annual statements were mailed to members in the self-directed program. Ms. Heurich reported that approximately 5.5 percent of those statements were distributed electronically. Statements for the Washington State Investment Board (WSIB) Total Allocation Portfolio (TAP) participants were mailed in February.

Reporting on fund transfers, Ms. Heurich noted that in 2008 Plan 3 members transferred approximately \$28 million from the International fund to the money market and bond funds. Also, last year members transferred approximately \$13 million from the TAP fund to the self-directed program.

B-2 Defined Contribution Plans Investment Performance

Phil Paroian, Senior Investment Officer for Public Equity at the WSIB, reported to the board that Executive Director Joe Dear is leaving WSIB to take the position of Chief Investment Officer at the California Public Employees' Retirement System. At the February 19th meeting, the WSIB appointed Chief Operating Officer Theresa Whitmarsh as interim Executive Director while the search for a new Director takes place.

Mr. Paroian also provided an investment report for the Plan 3 and Deferred Compensation programs for the quarter ended December 31, 2008. He noted that 2008 was one of the most difficult equity markets ever seen. All the equity markets around the world were down substantially over the year – most between 35 and 45 percent. The only positive return for the year was T-bills which showed a modest positive return. Additionally, the five and ten year returns are at historic lows. He noted that during the fourth quarter of 2008 there were 27 days when

the S&P 500 moved by at least 5 percent - in the 50 year period from 1950 to 2000, there were only 27 days when the S&P 500 moved by more than 5 percent.

B-3 Plan 3 Pension Legislation

Jeff Wickman, Senior Assistant Director of Policy at the Department of Retirement Systems (DRS), provided information about Plan 3 pension legislation being considered in the current legislative session.

- HB 1722 / SB 5307 - Currently newly hired members of the Public Employees' Retirement System (PERS) have 90 days to select either Plan 2 or Plan 3. If after 90 days they have not selected a plan, the member defaults to Plan 3. This bill changes the default plan for new PERS members to PERS Plan 2.
- HB 1602 / SB 5490 – Plan 2 and Plan 3 members of PERS, Teachers' Retirement System (TRS) and School Employees' Retirement System (SERS) with 30 years of service, at least age 55 and who retire under the new early retirement reduction factors are prohibited from continuing to receive a retirement benefit if they return to any public employment before age 65. This proposal would remove this restriction.
- HB 2143 - This bill changes the retiree return to work restrictions associated with the early retirement reduction factors. PERS, TRS and SERS members who have retired, or retire, using the 2008 early reduction factors and who qualify to return to work would be permitted to work up to 434 hours in a calendar year before their retirement benefit is stopped.
- HB 1600 - This bill modifies age and service credit requirements for receiving an unreduced retirement benefit to require at least five years of service credit at age 65 for Plan 3 members of the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS) and School Employees' Retirement.

Board Report

C-1 May 26, 2009 – Tentative Agenda

Chair Steve Hill reviewed the proposed agenda for the May 2009 meeting. Several board members suggested exploring other options for holding meetings by teleconference.

With no further business, the meeting adjourned at 10:05 am

Approved:

Steven R. Hill