

Minutes
Arkansas Fire and Police Pension Review Board (PRB)
Quarterly Meeting

The Arkansas Fire and Police Pension Review Board met on Wednesday, June 17, 2015 in the PRB office at 620 W. 3rd, Suite 200, Little Rock, Arkansas

Members Present: Rusty Watson, Police Employee Member, Chairman
Farris Hensley, Police Employee Member, Vice-Chairman
Bill Lundy, Fire Employee Member
Buddy Ledford, Public Member
Jimmy Bolt, Employer Member
Jim Gates, Fire Employee Member
Sara Lenehan, Employer Member
Steve Miller, Employer Member

Excused Member: Richard Drilling, DF&A Member

Staff Present: David Clark, Executive Director
Tracy Warfe, Assistant Director
Tiffiney Lewis, Secretary to the Board

Chairman Watson called the meeting to order at 9:30 a.m. and recognized a quorum and notification of the news media. Chairman Watson excused Mr. Drilling.

Notice of Appointment

Chairman Watson stated that he wanted to make notice of the appointment of two (2) new members to the Board, Sara Lenehan, Finance Officer for the City of Little Rock and Steve Miller, Finance Officer for the City of Pine Bluff.

Approval of minutes

Mr. Bolt made a motion, seconded by Mr. Gates, to approve the March 4, 2015 minutes. The motion passed unanimously. Mr. Ledford made a motion, seconded by Mr. Lundy, to approve the May 19, 2015 Audit Committee minutes. The motion passed unanimously.

Projected Insolvent/At Risk funds update

Mr. Jody Carreiro, actuary, Osborn, Carreiro & Associates (OCA), stated that two (2) plans have been previously declared Projected Insolvent: Fayetteville Fire and White Hall Fire. Mr. Carreiro informed the Board that he and Mr. Clark will visit with both locations to discuss a more detailed projection of the future of the plans and what options are available. Mr. Carreiro will report the results of both visits at the September 2, 2015 PRB meeting. Ms. Lenehan asked if the locations are aware of the pending visits. Mr. Carreiro stated that staff sent notification to the local boards and city councils in December 2014. Mr. Clark gave a list of Local Plans that have resolved problems through either consolidation or a millage increase and stated that overall there have been positive results. Mr. Carreiro advised that he will email Ms. Lenehan and Mr. Miller a copy of the "At Risk Plans" discussed from the December 2014 meeting.

2015 Legislative Session

Mr. Clark reviewed the following bills from the 2015 Legislative Session:

- SJR 10 – constitutional amendment proposal to increase the allowable millage for police and fire costs from 1 mil to 2 mil. Legislature decided to not refer this to the voters.
- SB 134 – technical correction bill effecting various areas of Local Plan code. This is now Act 1165 of 2015 effective July 22, 2015.
- HB 1054 – bill that could affect how executive sessions are held. This bill was moved to Interim Study.
- HB 1215 – bill that would require adding an additional component to the way liabilities are measured for all pension systems of the state. This bill died in a House Committee upon adjournment.
- HB 1216 – bill that seeks to add an additional section of code to allow a local pension fund board of trustees to reduce benefits for plans that are not actuarially sound or at substantial risk of ruin. This bill failed in the Senate and died upon adjournment.
- HB 1274 – bill that would amend a Claims Commission section of code to allow an additional payment of death benefits for firefighters who die in the line of duty from certain forms of cancer. This is now Act 341 of 2015 effective July 22, 2015.
- HB1851 – bill that amends the process used for appointments to the Boards of LOPFI and PRB. Candidates must be confirmed by the Senate in order for the appointments to proceed. This is now Act 1100 of 2015 effective July 22, 2015.

UALR Mapping report and Contract

Mr. Lundy asked Mr. Clark to explain the history of the UALR Mapping work. Mr. Clark stated that the PRB has been charged with handling mapping of the police and fire districts for the purpose of developing the allocation of Premium Tax monies. Further, the police and fire districts around the state rely heavily on the mapping information. Chairman Watson recognized Phyllis Poché, Director, Census State Data Center and Inderpreet “Sunny” Farmahan, Director, UALR Geographic Information Systems Laboratory, who reviewed the current mapping report. The primary goal of the mapping report is to have accurate district boundaries. Arkansas has 503 incorporated cities, 212 police districts and 479 fire districts. Mr. Farmahan advised that fire districts have the same boundaries as the incorporated cities and they are working on having all mapping digitized. Ms. Poché informed the Board that the contract for the fire and police district mapping is the same as last year with a direct cost of \$151,488. Mr. Lundy asked Mr. Clark if the contract was reviewed by staff and what were the recommendations. Mr. Clark stated that the contract has been reviewed and recommends the Board follow previous approvals for the mapping contract using only the direct cost which results in a cost of \$151,488 for the 2015/2016 year. Mr. Lundy made a motion, seconded by Mr. Bolt, to accept staff’s recommendation and approve the UALR Mapping report contract with the stated direct cost. The motion passed unanimously.

Audit Committee report

Chairman Watson recognized Mr. Hensley for the Audit Committee report. Mr. Hensley asked Mr. Clark to provide an overview of the report. Mr. Clark advised the Board that the PRB is able to leverage its relationship with LOPFI. LOPFI's audit is much more extensive, yet because of common financial reporting for both agencies, the PRB is able to benefit the examination. The Board's audit firm, BKD CPAs & Advisors, stated the 2014 audit was a good clean audit, an unqualified opinion. Mr. Hensley added that the auditors were very complimentary regarding the ease of working with staff and the level of record keeping. Ms. Lenehan asked about the internal control deficiencies stated in the management letter. Mr. Clark explained that the auditors felt that the duties in the cash disbursement cycle are not adequately segregated between the Accountant II and the CFO and that staff is working with the auditors on how to further segregate the duties with the limited number of staff. Mr. Clark stated that the other observed matter that was considered a deficiency and communicated verbally pertained to staff payroll entry into the General Ledger (GL). A second reviewer of the GL entries was needed and that has been resolved. Ms. Lenehan commented that it is generally understood that the cost of implementing a control should not exceed the benefits realized. Mr. Hensley made a motion, seconded by Mr. Gates, to approve the audit. The motion passed unanimously.

Proposed impact statements

Mr. Lundy presented two (2) proposed impact statements to the Board.

1. A proposal that would require all locally-administered Local Plans to pay off their liabilities by the year 2028. This statement would need to project the required annual payment for each Local Plan to fully fund their liabilities.
2. Impact of a Cost of Living Adjustment (COLA). The COLA would be tied to the LOPFI investment results, such as using a rolling three-year history of investment performance. This would ensure the COLA would in effect have a "circuit breaker" in that it could be suspended if the investment performance did not achieve the desired results.

Ms. Lenehan stated the first statement should also include comparative payment amounts using the 15-year and 25-year amortization schedules that are allowed under a LOPFI consolidation. And the second statement could also factor in a funded percentage of the Local Plan in determining the ability to provide a COLA. After further discussion by the Board, Mr. Carreiro stated he would provide an outline of concerns for both impact statements, pros and cons, and provide cash flow projections for the statements at the September 2, 2015 PRB meeting. Ms. Lenehan suggested that the Board revisit the Cash Flow Rule to modify the parameters. Mr. Clark advised this topic would be added to the September meeting agenda.

ASC report

Mr. Lundy stated that the Administrative Service Committee (ASC) met on June 4, 2015. The ASC made a recommendation to approve the 1.5% Career Service Award for the Executive Director. The ASC also approved Mr. Clark's recommendation to allow an increase to the second level of the CFO salary range for the Accountant II who will be promoted to the CFO position later this year. Mr. Lundy made a motion, seconded by Mr. Bolt, to approve the ASC report. The motion passed unanimously.

2015 Premium Tax Report

Mr. Carreiro presented the 2015 Premium Tax report. Mr. Carreiro stated that the UALR mapping work is instrumental in the way this report is prepared and how the Premium Tax is distributed to each location. There was an overall growth in premium tax this year, with total gross collections of just over \$57 million. Mr. Carreiro explained the allocation process for locally-administered Local Plans, LOPFI locations, consolidated Local Plans, the Additional Allocation, and Future Supplement Funds. Mr. Carreiro advised that all locations were in compliance with the exception of Altus Fire and Crossett Police. Both of these Local Plans are under the mandatory consolidation requirement since they have fewer than five (5) members. Both locations have started the consolidation process; however, since they have not finalized that work, the Board has typically allowed the Premium Tax to be withheld for the non-compliance and allow staff to work through the remaining steps to help them gain compliance. It would be at that point that their Premium Tax for the entire location would be released. Ms. Lenehan made a motion, seconded by Mr. Bolt, to accept the 2015 Premium Tax report and release of Premium Tax to Altus and Crossett, the two (2) locations that are under mandatory consolidation. The motion passed unanimously.

March 2015 financial statements

Chairman Watson advised the financial statements have been available to the Board in the meeting packets and if there were any questions they could be addressed now. Mr. Gates made a motion, seconded by Mr. Ledford, to approve the March 2015 financial statements. The motion passed unanimously.

Other Business

Mr. Lundy suggested that the Board provide recognition for the upcoming retirement of the current CFO. Mr. Clark advised he would handle this.

The Board recognized John Turbeville, Concert Wealth Management. Mr. Turbeville asked if a millage that was enacted by the voters and later reduced by city action, can the city increase the millage back up to the previously approved amount. The Board agreed to have its legal counsel provide a response at the September 2, 2015 meeting.

Chairman Watson adjourned the meeting at 11:20 a.m.

Respectfully submitted,

Approved 09/02/15

Tiffiney Lewis
Secretary to the Board