

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

The Arkansas Fire and Police Pension Review Board met on Wednesday, December 2, 2015 in the PRB office at 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas

Members Present: Rusty Watson, Police Employee Member, 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  
Richard Drilling, DF&A Member

Excused Member: Farris Hensley, Police Employee Member, Vice-Chairman

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

Chairman Watson called the meeting to order at 9:31 a.m. and recognized a quorum and notification of the news media. Chairman Watson excused Mr. Hensley.

Approval of minutes

Mr. Gates made a motion, seconded by Mr. Bolt, to approve the September 2, 2015 minutes. The motion passed unanimously.

Impact statements

Mr. Jody Carreiro, actuary, Osborn, Carreiro & Associates (OCA), provided the requested various contribution amortization methods for the Local Plans with the 17 highest Unfunded Actuarial Accrued Liability amounts. Mr. Carreiro presented and explained five (5) methods:

1. December 31, 2014, based on a five (5) year level dollar amortization.
2. Beginning in 2017, based on a twelve (12) year level dollar amortization.
3. Beginning in 2017, based on a twenty-five (25) year level dollar amortization.
4. December 31, 2014, based on a fifteen (15) year level percentage of pay, including the required contribution for the 8<sup>th</sup> year.
5. December 31, 2014, based on a twenty-five (25) year level percentage of pay, including the required contribution for the 8<sup>th</sup> year.

The Board asked a number of questions and directed Mr. Carreiro to provide a comparison of the various methods, which will include circuit breakers for COLAs at the March 2016 meeting. The purpose of the COLA discussion will be to develop further incentives to encourage consolidation. Mr. Carreiro advised he would prepare the requested information.

#### Projected Insolvent funds/At Risk funds update

Mr. Carreiro stated the projections of all 124 Fire and Police Pension Funds as of December 31, 2014 were completed and referenced the following six (6) Local Plans previously declared Projected Insolvent: Altus Fire, Arkadelphia Fire, Batesville Fire, Fayetteville Fire, Pulaski FPD #5 and White Hall Fire. Mr. Carreiro reported that after visits with Fayetteville Fire, there was no action taken by the city and he will keep the Board informed on any changes. Chairman Watson recognized Mr. Pete Reagan, Fayetteville Fire Trustee. Mr. Reagan thanked Mr. Clark, the Board and Mr. Carreiro for their many trips to Fayetteville to try to inform the city council about the Unfunded Liability and the options available to them. Chairman Watson recognized Mr. Paul Becker, Finance Officer for the City of Fayetteville. Mr. Becker stated that the City of Fayetteville chose not to consolidate at this time but is currently gathering more information. The City decided to meet again in April or May and have another consolidation study conducted. Mr. Carreiro provided three (3) recommendations:

1. The removal of Altus Fire (this Local Plan consolidated with LOPFI), Arkadelphia Fire and White Hall Fire (both Local Plans have received commitments for additional city contributions and White Hall Fire plans to consolidate in 2016) from the Projected Insolvent list.
2. Authorization for an updated Special Report for Pulaski FPD #5 in the 2016-year.
3. Declare Gassville Fire to be a Projected Insolvent Plan.

Mr. Lundy made a motion, seconded by Mr. Drilling, to accept the three (3) recommendations and retitle the proration heading as crossover point and republish the Projected Insolvent report. The motion passed unanimously.

#### Rule 4 follow up

Mr. Carreiro provided a summary of the internal procedures used in processing Cash Flow and Alternate Cash Flow Valuations for benefit increases. Mr. Carreiro suggested four (4) risk factors to be added as part of the cover letter to the Annual Actuarial Valuation to draw more attention to the actuarial position of the Local Plan. The four (4) risk factors to be included are:

1. Crossover information from GASB 67
2. Funded percentage
3. Assets to expenses ratio
4. Average rate of return compared to the assumed rate of return

In addition, the valuations will be addressed to not only the local boards of trustees but the city councils as well. Ms. Lenehan expressed that she was in favor of the additions and layout of the draft cover letter. Ms. Lenehan made a motion, seconded by Mr. Bolt, to utilize the risk factors and develop a draft cover letter to be reviewed by the Board at the March 2016 meeting. If approved by the Board, it will then be incorporated in the December 31, 2015 Annual Actuarial Valuations. The motion passed unanimously.

Actuarial services retainer

OCA has asked to continue as the actuaries for the PRB for the next two (2) years. Mr. Carreiro stated they are asking for an increase in the charge per valuation and in the retainer amounts, a proposal for increasing the fee for the Premium Tax Allocation report and a proposal for increasing fees associated with cash flow type benefit increase proposals. Ms. Lenehan made a motion, seconded by Mr. Miller, to approve the new two-year actuarial services retainer. The motion passed unanimously.

September 2015 financial statements

Mr. Bolt made a motion, seconded by Mr. Drilling, to approve the September 2015 financial statements. The motion passed unanimously.

ASC Report

Mr. Lundy stated the Administrative Services Committee (ASC) met on November 12, 2015 to review the 2016 proposed budget. Mr. Lundy reviewed the ASC recommendations:

1. Review of staff salaries per ACA 24-10-204, to make sure staff salaries are consistent with the State pay plan.
2. A proposed Cost of Living Adjustment (COLA) increase of 1% effective January 1, 2016.
3. Development of Staff Longevity Pay Plan; which will consist of a one-time annual payment equal to one day for each year of employment above 10 years with a cap of 12 days. Eligibility for longevity pay also requires staff members to have a favorable performance review in the same calendar year for which longevity pay is awarded.

Mr. Lundy mentioned that the LOPFI staff, who also serves as PRB staff, does exceptional work and the ASC is grateful for their dedicated services. Mr. Lundy made a motion, seconded by Mr. Ledford, to approve the ASC recommendations. The motion passed unanimously. Mr. Clark thanked the Board on behalf of the staff.

Review/approve proposed 2016 budget

Mr. Clark provided the Board with an overview of the proposed budget with a focus on the Office Supplies line item. The Office Supplies line item will permit the replacement of two (2) existing servers with one (1) server. The server replacement cost is to be shared with LOPFI, which will result in an approximate expenditure of \$11,775 for each agency. This proposal includes the Board waiving the current \$10,000 ceiling to capitalize a line item. Staff visited with auditors to ensure this was acceptable and they advised it was, as long as the Board agreed. The 2016 proposed budget totals \$688,540. Mr. Lundy made a motion, seconded by Mr. Bolt, to accept the proposed budget for 2016 as recommended by the Executive Director. The motion passed unanimously.

Review/approve benefit increase items

Mr. Clark reviewed the internal checklist for Rogers Fire and Russellville Police. Both meet the requirements of a PRB Recognized Investment Management and Trust Arrangement. Staff and the actuaries agree that they should be able to use an Alternate Cash Flow Valuation. Mr. Ledford made a motion, seconded by Mr. Drilling, to approve the PRB Recognized Investment Management and Trust Arrangements. The motion passed unanimously. Mr. Clark also reviewed staff action on the following five (5) benefit increase requests:

- Harrison Police approved increase to 100% of salary
- Lonoke Fire approved \$75 per month increase
- Osceola Fire approved 25% increase for paid participants and \$50 per month increase for volunteer participants
- Russellville Police denied \$175 increase; approved \$20 per month increase and increase funeral expense provision to \$10k
- Yellville Fire approved \$30 per month increase

Mr. Lundy made a motion, seconded by Mr. Drilling, to approve staff action on the 2015 benefit increases. The motion passed unanimously.

Actuarial report

Mr. Carreiro stated this agenda item was discussed earlier in the meeting.

NCPERS Code of Conduct

Mr. Lundy discussed the purpose of the National Conference on Public Employee Retirement Systems (NCPERS) Code of Conduct, which is to encourage proper fulfillment of a board's fiduciary duties. This includes having reliable ethical expectations for professional service providers. Mr. Lundy recommended that the Board adopt the NCPERS Code of Conduct and to notify the Local Plans and encourage them to adopt it as well. Mr. Lundy made a motion, seconded by Mr. Gates, to approve to adopt the NCPERS Code of Conduct. The motion passed unanimously.

Set dates/times for 2016 meetings

The Board agreed on the following dates/times for their 2016 quarterly meetings:

- March 2 – at 9:30 a.m.
- June 15 – at 9:30 a.m.
- September 7 – at 9:30 a.m.
- December 7 – at 9:30 a.m.

Election of Chair and Vice-Chair

Mr. Clark stated that per Board Rule 1 the next rotation cycles to the public representative. Mr. Ledford respectfully declined. Mr. Lundy nominated Mr. Gates to become Chairman, seconded by Mr. Bolt. The motion passed unanimously. Consistent with past practices the Board fills the Vice-Chair position with a member from the same representative group, which in this case is Fire. Therefore, Mr. Lundy will become Vice-Chair.

Upcoming Board appointments

Mr. Clark stated that Mr. Drilling is retiring and, as a result the DF&A position will open. A notification letter will be sent to the Director of the Department of Finance and Administration regarding the open position. Mr. Lundy commented that the letter also needs to convey the Board's sincere appreciation for Mr. Drilling's dedicated service. Mr. Clark advised that would be no problem at all. Mr. Clark stated that there are five other (5) Board positions that are up for re-appointment: Mr. Watson, Mr. Gates, Mr. Ledford, Mr. Miller and Ms. Lenehan and a letter will be sent asking that each person be considered to remain on the Board.

With no further business, Chairman Watson adjourned the meeting at 11:38 a.m.

Respectfully submitted,

Approved 03/02/16

Tiffiney Lewis  
Secretary to the Board