

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

The Arkansas Fire and Police Pension Review Board met on Wednesday, June 11, 2014 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
Jim Gates, Fire Employee Member
Mayor Chris Claybaker, Employer Member
Jimmy Bolt, Employer Member
Richard Drilling, DF&A Member

Excused Members: Mayor Jackie McPherson, Employer Member
Buddy Ledford, Public Member

Staff Present: David Clark, Executive Director
Tracy Warfe, Assistant Director
Crystal Holsted, Secretary to the Board

Chairman Watson called the meeting to order at 9:32 a.m. and recognized a quorum and notification of the news media. Mr. Drilling made a motion, seconded by Mr. Hensley to excuse Mr. Ledford. The motion passed unanimously. Chairman Watson welcomed Jimmy Bolt, newly appointed to the Board. Mr. Bolt stated that he is looking forward to working with the PRB and the Local Plans to make them better and healthier. Mr. Drilling made a motion, seconded by Mr. Gates to excuse Mr. McPherson. The motion passed unanimously.

Approval of minutes

Mr. Claybaker made a motion, seconded by Mr. Gates to approve the March 4, 2014 minutes. The motion passed unanimously. Mr. Hensley made a motion, seconded by Mr. Gates to approve the May 15, 2014 Audit Committee minutes. The motion passed unanimously.

Eureka Springs Fire benefit increase appeal

Mr. Clark stated that staff denied Eureka Springs Fire benefit increase request of \$50 per month because the benefit increase valuation showed they were unable to afford an increase; however, they appealed that determination. The appeal was originally requested to be placed on the December-2013 agenda; however, the Local Plan asked for a continuance so the matter was then placed on the March-2014 agenda. The Local Plan was unable to attend the March meeting due to inclement weather and they requested the appeal be moved to today's agenda. Chairman Watson welcomed Alan Epley and John Perkins, members of the Eureka Springs Fire Pension Board. Mr. Epley stated that the 1% millage assumption they received during the Alternate Cash Flow Valuation process for a benefit increase was not reasonable. Mr. Epley stated that he would like the PRB to review how rates of return for millage assumptions are calculated and verify the models used. Mr. Epley stated that Alma Fire was approved for a benefit increase using a 2% millage assumption and he does not believe this is equal. Jody Carreiro, actuary, Osborn, Carreiro & Associates (OCA) stated that the millage was addressed in a letter dated December 9, 2013. Mr. Carreiro stated that he would research Alma Fire's benefit increase request and send his findings to staff. Mr. Clark stated that he would forward those findings to the Board and the Eureka Springs city clerk. Mr. Carreiro stated that the explanation of the

assumed interest rate might appear vague; however, illustrations reflect a reasonable range of results. Mr. Carreiro provided the Board a paper version of a 10-year financial report summary for the Eureka Springs Fire Pension Fund, which included the Local Plan's millage received each year. Mr. Clark stated that for historical purposes this two (2) page report will be included in the electronic Board packet. Mr. Carreiro stated that actual millage received in 2011 was \$32,762, increasing to \$36,222 in 2012 and then decreasing to \$31,259 in 2013. Mr. Carreiro stated that we cannot factor a steady increase of millage because the facts do not support it. Mr. Claybaker stated that originally he thought OCA was too conservative; however, since serving on the Board he has watched many Local Plans that have received benefit increases and are now in a projected insolvent status. It is important to remain conservative during the benefit increase valuation process so that all retirees receive all of their entitled benefits. Mr. Claybaker made a motion, seconded by Mr. Drilling to deny the appeal of benefit increase request for Eureka Springs Fire Pension Fund. Mr. Hensley opposed. The motion passed. Mr. Hensley stated that he would like to remind the Board that we should review qualifications and fees to confirm that OCA is the best actuary for the PRB.

At Risk funds update

Mr. Clark stated that staff has received nine (9) responses from the "At Risk" plans. In summary, the plans appreciated the information; however, they would continue to follow their same course of action for monitoring investments. White Hall Fire requested for the PRB to recommend additional contributions and staff replied, which is included in your packet.

UALR Mapping report and contract

Phyllis Poché, Director, Census State Data Center and Inderpreet "Sunny" Farmahan, Director, UALR Geographic Information Systems Laboratory, reviewed the mapping report for the entire state and the scope of work completed. Mr. Farmahan stated that they are currently working on a mapping mobile application. Mr. Farmahan gave an example: boundaries have been set for over 800 fire districts; however, there are only 473 LOPFI-covered fire districts. Mr. Claybaker asked why locations have not adopted LOPFI-coverage. Mr. Gates stated that most locations do not want to complete the paperwork. Mr. Clark stated that there was an influx of adoptions during 2007-2008 so that members could retain prior service coverage before a legislative change went into effect that removed the prior service provision. In addition, LOPFI continues to make the adoption and reporting processes as simple as possible. Mr. Farmahan stated that during the annual mailings he would be happy to include a promotional LOPFI flyer. Mr. Hensley made a motion, seconded by Mr. Claybaker to accept the mapping report. The motion passed unanimously.

Ms. Poché presented the contract for the fire and police district mapping project for the state's fiscal 2014-2015 year. The total direct costs will be \$151,488. Mr. Lundy made a motion, seconded by Mr. Gates to approve the contract for the fire and police district mapping project, for fiscal 2014-2015 year, without indirect costs, in the amount of \$151,488. The motion passed unanimously. Ms. Poché thanked the Board.

Audit Committee (AC) report

Mr. Drilling stated that the AC met on May 15, 2014 and reviewed the 2013 audit. This was the first year for BKD CPAs & Advisors to complete the audit, which produced a good clean audit. BKD was comprehensive in their work and established a good working relationship with staff to assist the agency in becoming more transparent. Mr. Gates made a motion, seconded by Mr. Bolt to accept the 2013 PRB audit. The motion passed unanimously.

Administrative Services Committee (ASC) report

Mr. Lundy stated that the ASC met June 4, 2014 to review the Executive Director and that the ASC recommended a raise for the remainder of the Executive Director's salary range reset which was effective January 1, 2014. Mr. Lundy made a motion, seconded by Mr. Drilling to approve a raise for the remainder of the salary range reset, which is the equivalent of .79% for the Executive Director. The motion passed unanimously. Mr. Clark thanked the Board.

West Memphis Police DROP election

Mr. Clark stated that receipt of the 2013 Annual Financial Report for West Memphis Police reflected two (2) members enrolled in the Deferred Retirement Option Plan (DROP). A resolution to adopt DROP was not previously filed with the PRB; however, a resolution has been received and does comply with the PRB's Rules. If approved by the PRB, staff will send a letter to West Memphis Police stating the PRB approved the adoption of a 5-year DROP. Mr. Hensley made a motion, seconded by Mr. Drilling to approve the West Memphis Police Resolution to Elect Participation in DROP. The motion passed unanimously.

2013 Premium Tax report

Mr. Carreiro presented the 2013 Premium Tax report. Mr. Carreiro stated that an additional \$700 thousand was discovered during the reconciliation process; therefore, the Additional Allocation percentage increased from 63% to 80%. All locations are in compliance due to the efforts of staff. Mr. Drilling complimented staff's hard work in obtaining compliance with all locations. Mr. Clark thanked Mr. Drilling and added that this achievement was due to the efforts of the actuary, the locations and staff working together. Mr. Drilling made a motion, seconded by Mr. Bolt to accept the 2014 Premium Tax report. The motion passed unanimously.

Financial statements

Mr. Drilling made a motion, seconded by Mr. Gates to approve the March 2014 financial statements. The motion passed unanimously.

Benefit increase items

Mr. Clark reviewed the inventory log of benefit increases. The inventory log shows Fordyce Fire is pending to see if they will use the alternate cash flow valuation since they are not actuarially sound. Also included is an internal checklist for Russellville Police and their use of a PRB Recognized Investment Management and Trust Arrangement. Staff and the actuaries have reviewed and approved the checklist and the Board must accept or deny the document. Mr. Hensley made a motion, seconded by Mr. Gates to accept the PRB Recognized Investment Management and Trust Arrangement for Russellville Police. The motion passed unanimously.

With no other business to discuss, the Board adjourned at 11:58 a.m.

Respectfully submitted,

Board Approved 09/03/14

Crystal Holsted
Recording Secretary to the Board