

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

The Arkansas Fire and Police Pension Review Board met on Wednesday, March 2, 2016 in the PRB office at 620 W. 3rd, Suite 200, Little Rock, Arkansas

Members Present: Jim Gates, Fire Employee Member, Chairman
 Bill Lundy, Fire Employee Member, Vice-Chairman
 Farris Hensley, Police Employee Member
 Buddy Ledford, Public Member
 Jimmy Bolt, Employer Member
 Sara Lenehan, Employer Member
 Steve Miller, Employer Member
 Cheryl Reed, DF&A Member

Excused Member: Rusty Watson, Police Employee Member

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

Chairman Gates called the meeting to order at 9:31 a.m. and recognized a quorum and notification of the news media. Chairman Gates excused Mr. Watson. Mr. Lundy made a motion, seconded by Mr. Hensley, to excuse Mr. Watson. The motion passed unanimously.

Notice of Appointment

Chairman Gates stated that he wanted to make notice of the appointment of the new member to the Board, Cheryl Reed, Department of Finance and Administration, OAS Program Manager. Chairman Gates welcomed Ms. Reed to the Board.

Approval of minutes

Mr. Ledford made a motion, seconded by Ms. Lenehan, to approve the December 2, 2015 minutes. The motion passed unanimously.

Impact statements

Mr. Jody Carreiro, actuary, Osborn, Carreiro & Associates (OCA), provided the Board a summary of methods that could encourage Local Plans to consolidate with the addition of a Cost of Living Adjustment (COLA) to the benefit structure. The methods include circuit breakers that should provide a measure of cost containment as the COLA could be suspended in periods when investment performance did not meet a predetermined benchmark. The construct should also consider the Local Plan's funded level when determining the reasonableness of implementing an increase. After further discussion, the Board agreed to continue discussion of this topic at the June 15, 2016 PRB meeting.

Revised cover letter for annual valuations

Mr. Carreiro provided a summary of the suggested four (4) risk metrics to be added as part of the cover letter to the Annual Actuarial Valuations to draw more attention to the actuarial position of the Local Plan. The four (4) metrics to be included are:

1. Funding Percentage
2. 10-Year Average Market Rate of Return
3. Ratio of Actual Contributions to Actuarially Recommended Contributions
4. Projected Number of Years until Crossover Point

In addition, the cover letter will include short statements explaining the relevance of each risk metric and how each should be interpreted. Ms. Lenehan expressed that she was very pleased with the layout of the metrics. Ms. Lenehan made a motion, seconded by Mr. Bolt, to add these risk metrics to the Annual Actuarial Valuation cover letter beginning with the December 31, 2015 Valuations. The motion passed unanimously.

Fayetteville Attorney General Opinion request

Mr. Clark updated the Board on the recent Attorney General Opinion pertaining to the Fayetteville Fire Pension Fund. The Opinion was on the following question: Would it be an illegal exaction and potentially unconstitutional for the city to consolidate the former private pension fund of the Fayetteville Fire with the LOPFI retirement plan and by doing so, obligate Fayetteville voters to the debt going forward? The response: the proposed consolidation with LOPFI would not involve an unconstitutional lending of credit or illegal exaction on that basis. Mr. Lundy also noted the Opinion stated the financial responsibility for a Local Plan rests with the city.

Approve Board expenses

Mr. Hensley made a motion, seconded by Mr. Bolt, to approve the 2016 Board expenses. The motion passed unanimously.

2017 legislative session initial discussion

Mr. Clark reminded the Board of the significant changes to the Premium Tax formula brought about in the 2011 session. The actuaries had advised cleanup language would ultimately be needed to address the various transition pieces in code that would become obsolete. Initially it was anticipated those changes would be pursued in the 2017 session; however, the actuaries and staff are inclined to wait until the 2019 session. This should help ensure we capture all technical changes at the same time given that additional transitions are still in play as LOPFI moves to a uniform employer contribution rate for all paid service groups. The Board did not object to this plan. Mr. Clark asked the Board if they had any items they would like to pursue. Mr. Lundy stated that he would like the language in the fire pension section of code pertaining to the composition of local boards of trustees to mirror the language in the police pension section of code. For the fire pension boards, it has become a greater challenge to fill the fire chief/highest ranking member position. The police code does not have this barrier as all member positions are filled by active or retired members of the Local Plan. The fire pension code should be amended to be the same. Mr. Clark stated that he will provide a draft with the updated language at the next

PRB meeting. Mr. Hensley made a motion, seconded by Mr. Lundy, to pursue this change and review the draft of the updated language at the June 15, 2016 PRB meeting. The motion passed unanimously.

Audit Committee membership

Chairman Gates stated that given Richard Drilling's departure from the PRB, the Audit Committee membership has changed. The Board was advised that the PRB Audit Committee will now be composed of Buddy Ledford as Chairman, Farris Hensley and Jimmy Bolt.

December 2015 financial statements

Mr. Clark stated that the PRB total assets were just over \$226,000 at year end and 96.02% of the 2015 budget had been consumed. Mr. Clark stated that typically a budget year only contains 26 pay periods, but there was 27 pay periods in the 2015 year, which explains the additional expenses in the Total Personal Services category. Mr. Clark advised the Board that \$11,000.00 was reallocated from the Travel/Prof./Education/Conf. line item to the Office Supplies line item to cover additional expenses. This action is allowed in the Allocation Procedure behind PRB Rule #9 as long as the total budgeted amount for the category is not altered. Mr. Lundy made a motion, seconded by Mr. Ledford, to approve the December 2015 financial statements. The motion passed unanimously.

Review/approve benefit increase items

Mr. Clark reviewed the internal checklist for the Elkins Fire Pension Fund. Elkins Fire met 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. Lundy made a motion, seconded by Mr. Hensley, to approve the PRB Recognized Investment Management and Trust Arrangement for Elkins Fire. The motion passed unanimously. Mr. Clark also reviewed staff action on the following four (4) benefit increase requests:

- Elkins Fire denied \$100 increase; approved \$10 per month increase
- Gurdon Fire approved \$25 per month increase
- Mount Ida Fire denied \$450 increase; approved \$35 per month increase
- Rogers Fire denied 40% increase; approve 25% increase for paid participants; approved \$50 per month increase for volunteer participants

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

With no further business, Mr. Lundy made a motion, seconded by Mr. Ledford, to adjourn. The motion passed unanimously. The Board adjourned at 11:00 a.m.

Respectfully submitted,

Approved 06/15/16

Tiffiney Lewis
Secretary to the Board