

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

The Arkansas Fire and Police Pension Review Board met on Wednesday, March 4, 2015 in the PRB office at 620 W. 3rd, Suite 200, Little Rock, Arkansas

Members Present: Farris Hensley, Police Employee Member, Vice-Chairman
 Bill Lundy, Fire Employee Member
 Jimmy Bolt, Employer Member
 Richard Drilling, DF&A Member

Teleconference: Buddy Ledford, Public Member

Excused Members: Rusty Watson, Police Employee Member, Chairman
 Jim Gates, Fire Employee Member

Staff Present: David Clark, Executive Director
 Tracy Warfe, Assistant Director
 Jen Sines, Secretary to the Board

Vice-Chairman Hensley called the meeting to order at 9:30 a.m. and recognized a quorum and notification of the news media. Mr. Bolt made a motion, seconded by Mr. Drilling, to excuse Chairman Watson and Mr. Gates. The motion passed unanimously.

Approval of minutes

Mr. Lundy made a motion, seconded by Mr. Drilling, to approve the December 3, 2014 minutes. The motion passed unanimously.

Projected Insolvent/At Risk funds update

Mr. Jody Carreiro and Mr. Steve Osborn, actuaries, Osborn, Carreiro & Associates (OCA), explained that Warren Fire should be removed from the At Risk list due to improved investment earnings and actuarial positioning in mortality experience. Mr. Lundy made a motion, seconded by Mr. Drilling, to remove Warren Fire from the At Risk List. The motion passed unanimously.

2015 Legislative Session

Mr. Clark reviewed six (6) bills that are working their way through the Legislative process:

- SJR 10 – is a proposal the Municipal League presented to the Board in December 2014 about a constitutional amendment to increase the allowable millage for police and fire costs from 1 mil to 2 mil.
- SB 134 –was brought about by Code Revision and is a technical correction bill effecting various areas of Local Plan code.
- HB 1054 – is a bill that could affect how executive sessions are held. This bill would require a recording of executive sessions for compliance and the recording be

maintained for one (1) year in the event the legality of an executive session was questioned.

- HB 1215 – is a bill that would require adding an additional component to the way liabilities are measured for all pension systems of the state. Mr. Carreiro visited with the sponsor regarding this bill and because of the reporting requirements for GASB 67 and 68, there is sufficient oversight for all the retirement systems' liabilities. The Board has assumptions that it already uses to measure liabilities as well. This new component, using a 4% discount rate, does not add value to the information being published in our opinion; in fact, it would likely cause much confusion since another measurement of liabilities would be used. Mr. Lundy made a motion, seconded by Mr. Bolt to oppose this bill. The motion passed unanimously.
- HB 1216 – is a 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. There are concerns about the constitutionality of adding such a provision to code. Mr. Carreiro stated there are three (3) opinions from the Attorney General that point out possible constitutional barriers. Mr. Carreiro warned that this bill may increase legal liabilities for the PRB since they would be involved in approving benefit reductions. Mr. Lundy made a motion, seconded by Mr. Drilling, to oppose this bill because of the constitutionality and the immorality of this bill. Mr. Lundy stated that certain employees have seen opportunities to retire due to benefit increases when they normally could not have retired because of expenses. To reduce their benefits now would be immoral. The motion passed unanimously.
- HB 1274 – is a bill that would amend a Claims Commission section of code that would allow an additional payment of death benefits for firefighters who die in the line of duty from certain forms of cancer. This bill is not supposed to have any effect on the retirement systems. Mr. Lundy made a motion, seconded by Mr. Drilling, to support this bill. The motion passed unanimously.

Discussion of RFQ process for actuarial services

Vice-Chairman Hensley explained his concern regarding the actuarial service provider to the PRB. Vice-Chairman Hensley stated his concern is not with the level of service that is being provided, but with the question that may arise as to why the Board has not compared prices and services with other actuarial service entities. Vice-Chairman Hensley also inquired as to why it is a state requirement to periodically review all service providers and, in this instance, the PRB is not mandated to do so.

Mr. Drilling stated that the PRB is not a state agency, it is a regulatory Board, and that the current actuarial provider has also had a contract with the legislature for many years. Mr. Clark explained that the current actuary provides service with the premium tax distribution process and provides actuarial services to the Joint Retirement committee as well. The PRB is able to leverage an aspect of actuarial review from that relationship. This is because all other retirement systems must prepare actuarial responses to proposed legislation. The committee's actuary also provides a response. Over the years, their reports have typically been consistent with one another. This means a comparative review is being conducted.

Mr. Bolt pointed out that with the RFQ process, quality of the firm is always looked at before cost. Vice-Chairman Hensley thanked the Board for the discussion and the ability to document his concerns about conducting periodic review for professional services.

Approve Board expenses

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

Financial statements

Mr. Clark stated the PRB total assets were just over \$153,000 at year end and 91.93% of the 2014 budget had been expended. Mr. Lundy made a motion, seconded by Mr. Drilling, to approve the December 2014 financial statements. The motion passed unanimously.

Review/approve benefit increase items

Mr. Clark presented the Benton Fire Alternate Cash Flow Valuation checklist used to determine if a Local Plan uses a PRB Recognized Investment Manager and Trust Arrangement, which the position of staff and the actuaries is they do. Mr. Drilling made a motion, seconded by Mr. Bolt, to approve the checklist. The motion passed unanimously.

Mr. Clark also presented the Benton Fire benefit increase request for a ten (10) year DROP with the second five (5) years having 100% of the benefit deposited into DROP. Mr. Lundy recalled that Benton Fire was recently on the Projected Insolvent list and inquired as to how they were able to be approved for a benefit increase. Mr. Carreiro stated that Benton Fire made changes within their budget which included moving some millage to their Fire Plan. Mr. Carreiro confirmed that this is an odd situation but the plan did meet actuarial soundness. Mr. Bolt made a motion, seconded by Mr. Drilling, to approve the Benton Fire benefit increase. The motion passed unanimously.

With no other business, Mr. Lundy made a motion, seconded by Mr. Bolt, to adjourn. The motion passed unanimously. The Board adjourned at 10:18 a.m.

Respectfully submitted,

Approved 06/17/15

Jen Sines
Secretary to the Board