

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

The Arkansas Fire and Police Pension Review Board met by video conference on Wednesday, June 5, 2024 with the meeting originating from the PRB office at 620 W. 3rd Street, Suite 200, Little Rock, Arkansas.

Members Present: Lance Spicer*, Employer Member, Chairman
Farris Hensley*, Police Employee Member, Vice-Chairman
Jim Gates*, Fire Employee Member
Rusty Watson, Police Employee Member
Melanie Hazeslip, DF&A Member
**Attended in-person at the PRB office*

Excused Member: Buddy Ledford, Public Member

Staff Present: David Clark, Executive Director
Laura Nixon, Assistant Director
Lesley Weaver, Secretary to the Board

Chairman Spicer called the meeting to order at 9:30 a.m. and recognized a quorum and notification of the news media. Chairman Spicer advised Mr. Ledford would be excused.

Joint Resolution Honoring Mr. Lundy

Mr. Clark advised after Mr. Bill Lundy's passing on December 16, 2023, two fire Trustees on the LOPFI Board stated it would be a great idea to adopt a resolution between LOPFI and the PRB recognizing Mr. Lundy's service on the PRB and how instrumental he was in the development of LOPFI. The Boardroom has since been named in remembrance of Mr. Lundy as The Bill Lundy Boardroom. The resolution will be retained permanently in LOPFI's Board Rules, in the Resolutions section. Chairman Spicer, Mr. Gates, and Mr. Hensley all agreed it was very fitting and a great tribute to Mr. Lundy given his dedicated service to the PRB and the police and fire retirement community. Mr. Hensley made a motion, seconded by Mr. Gates, to approve the proposed resolution. The motion passed unanimously. The resolution is as follows:

**Joint Resolution
Board of Trustees of the
Local Police and Fire Retirement System (LOPFI)
and
Members of the Arkansas Fire and Police Pension Review Board (PRB)**

WHEREAS, the Local Police and Fire Retirement System (LOPFI) was created to provide retirement benefits for the covered police officers and firefighters of municipalities and rural fire departments across the state of Arkansas that join LOPFI, and;

WHEREAS, the Arkansas Fire and Police Pension Review Board (PRB) was established to enforce the laws governing the legal benefit payments of the local fire and police pension plans (Local Plans), and;

WHEREAS, Mr. Bill Lundy was one of the architects behind the formation of LOPFI during the 1981 General Assembly. Mr. Lundy envisioned a statewide retirement system for the covered police officers and firefighters that ensured secure lifetime retirement benefits after a career providing vital public safety to their local communities. His work has seen LOPFI evolve into a retirement system with over 35,000 active, inactive, and retired police officers, firefighters, and beneficiaries, paying more than \$200 million in annual benefits, with 771 covered police and fire departments and more than \$3 billion in assets as of December 31, 2023, and;

WHEREAS, Mr. Lundy recognized the importance of creating the PRB, during the 1983 General Assembly, to monitor the correct benefit payments, provide a standardized method to increase Local Plan benefits, and identify added funding for more than 290 Local Plans, and;

WHEREAS, Mr. Lundy began his service with the PRB at their first meeting on July 26, 1983 and continued until his untimely death on December 16, 2023. During his tenure on the PRB, which included decades as Chairman of the Board, Mr. Lundy worked with multiple legislatures to secure Premium Tax funding to help protect the benefits for the Local Plans' participants, and defray a significant portion of the employer contribution costs for LOPFI employers, and;

WHEREAS, Mr. Lundy championed professional development for LOPFI Trustees, PRB Members, and Agency staff. He encouraged Trustees, PRB Members, and staff to actively pursue educational opportunities such as those provided by the National Conference on Public Employee Retirement Systems (NCPERS), of which Mr. Lundy served on the Executive Board for many years, and;

WHEREAS, Mr. Lundy's dedication to LOPFI and the PRB will continue to be felt in the years ahead and he will be warmly remembered by those who loved and respected him.

BE IT RESOLVED, by the Board Members of the PRB and Trustees of LOPFI that this Joint Resolution be entered upon the minutes of the PRB's June 5, 2024 meeting, and the minutes of the June 6, 2024, LOPFI meeting, in recognition of the immense appreciation for the faithful service of Mr. Bill Lundy.

-LOPFI and PRB Joint Resolution concluded-

Approval of Minutes

Mr. Gates made a motion, seconded by Mr. Hensley, to approve the December 6, 2023 PRB meeting minutes. The motion passed unanimously. Mr. Hensley made a motion, seconded by Mr. Gates, to approve the May 2, 2024 Audit Committee minutes. The motion passed unanimously.

Projected Insolvent Update

Mr. Clark stated that at the December 2023 PRB meeting, officials with the City of Rogers advised the city was committed to protecting the benefits of the Local Fire Plan's benefit recipients. Mr. Clark advised that the Board packet includes City of Rogers' Resolution 24-04, passed January 9, 2024, that commits funds from the city's General Fund Unrestricted Reserves to the General Fund Local Pension Committed Reserves fund that was created to pay Local Fire Plan benefits should the Local Fire Plan assets be depleted. The City identified the unfunded

actuarial accrued liability (UAAL) as of December 31, 2022 was \$3,189,970.00, which is the amount placed in the Committed Reserves fund. Mr. Clark stated the Board would need to authorize Mr. Carreiro to provide a supplementary valuation that shows the effect the \$3,189,970 will have to the Local Plan's funded condition. Mr. Gates made a motion, seconded by Mr. Watson, to approve authorizing Mr. Carreiro to provide a supplementary valuation to the Rogers Local Fire Pension Plan and city officials no later than August 30, 2024. The motion passed unanimously.

Approve Board Expenses

Chairman Spicer advised law requires the Board to approve its yearly expenses at its first regularly scheduled meeting. Mr. Gates made a motion, seconded by Mr. Hensley, to approve the 2024 Board expenses. The motion passed unanimously.

Legal Update

Mr. Clark advised that the City of Bauxite filed a lawsuit against LOPFI because they dissolved their police department and initially argued they did not owe the unfunded accrued liability for service accrued by their former LOPFI-covered police officers. They have since amended that position; however, they want to continue receiving Premium Tax allocations even though they do not have a police department, which means they do not meet the requirements to receive Premium Tax. Mr. Clark stated as of now, we are waiting for the court to rule on motions filed by legal counsel on both sides. The Board thanked Mr. Clark for the update.

Audit Committee Report

Chairman Spicer stated that the Audit Committee met on May 2, 2024. Chairman Spicer confirmed that FORVIS stated that the December 31, 2023 audit was clean (an un-modified opinion) and the Committee recommended accepting the audit. Chairman Spicer expressed gratitude towards staff for their efforts and cooperation with the auditors for a clean audit. Mr. Gates made a motion, seconded by Mr. Hensley, to accept the audit. The motion passed unanimously. Mr. Clark thanked the Board.

ASC Report

Chairman Spicer stated the Administrative Services Committee (ASC) will meet tomorrow, June 6, 2024, at 9:30 a.m. Typically, the PRB meeting is held after the ASC meeting, but in this rare instance, it is before. Chairman Spicer advised that since he is on the ASC, he provided his review of Mr. Clark to Chairman Neal of the LOPFI Board and was very pleased with Mr. Clark's management and with staff. The LOPFI Board Chairman advised he saw no reason that the recommendation of a 4% Career Service Award for the Executive Director would not be approved. Mr. Gates made a motion, seconded by Mr. Hensley, to approve the recommendation of a 4% Career Service Award to Mr. Clark as long as the ASC approves it at their June 6th meeting. The motion passed unanimously. Mr. Clark thanked the Board.

March 2024 Financial Statements

Chairman Spicer stated the financial statements have been available in the Board packet for review and shows the year-to-date status of expenditures are in-line compared to the approved budget. Mr. Hensley made a motion, seconded by Mr. Gates, to approve the March 2024 financial statements. The motion passed unanimously.

2025 Legislative Session

Mr. Clark stated that as the workload of the PRB has continued to decrease with each passing year and ultimately the PRB should cease to exist, so it is important to identify an entity to handle the Premium Tax allocation work. PRB staff visited with Ms. Hazeslip to explore having the Department of Finance and Administration (DF&A) assume this responsibility. Ms. Hazeslip and her team agreed that this handoff was appropriate, and DF&A is willing to accept this annual project. To ensure a seamless transition, seven (7) sections of Premium Tax code will require legislative changes. All changes have been reviewed and deemed correct by staff, DF&A, and the PRB's actuary. PRB legal counsel is reviewing the markups and will provide applicable feedback. Those codes are as follows:

1. 24-11-203, Pension Review Board
2. 24-11-211, Police Supplement Program
3. 24-11-212, Future Supplement Fund
4. 24-11-213, Allocation of Premium Tax Apportionments
5. 24-11-214, Allocation of Premium Tax to Localities
6. 24-11-215, Allocation of Premium Tax, Special Provisions
7. 24-11-217, Additional Allocation

The code changes will reflect DF&A assuming the Premium Tax allocation process beginning with the June 2026 distribution cycle. Mr. Clark assured the Board that this is only a change in which entity will handle the Premium Tax allocation work and there are no changes to how Premium Tax is calculated. After further discussion, Mr. Gates made a motion, seconded by Mr. Hensley, to approve the proposed legislative changes. The motion passed unanimously.

Summary of 2023 Actuarial Valuations

Mr. Jody Carreiro, actuary, Osborn, Carreiro & Associates (OCA) provided a summary of the December 31, 2023 Annual Actuarial Valuations. Mr. Carreiro stated that 33 valuations were performed for the locally administered Fire and Police Pension Plans with a total of 2 active members and 518 benefit recipients. The total assets were \$92.9 million and a total unfunded actuarial accrued liability of \$22 million. Police Plans were 87% funded, Paid Fire Plans 71% funded, and Volunteer Plans 97% funded. The overall actual employer contributions continue to be less than the actuarially determined contributions. Mr. Carreiro stated there are no new Projected Insolvent Local Plans. However, the following five (5) Local Plans are in the 10–20-year range of remaining asset life: Dumas Fire, Earle Fire, Foreman Fire, Glenwood Fire, and Nashville Fire. These Local Plans will continue to be monitored. Mr. Hensley made a motion, seconded by Mr. Gates, to accept the Summary of Valuations. The motion passed unanimously.

2024 Premium Tax Report

Mr. Carreiro presented the 2024 Premium Tax report and reviewed the allocation process for the locally administered Local Plans, LOPFI locations, consolidated Local Plans, Additional Allocation, and Future Supplement Funds. Mr. Carreiro advised when he reviewed the reported amount for the Fire collections, he noted that it decreased, which is suspect. So, he asked DF&A and the Insurance Department to crosscheck this information to see if the calculations need to be revised. Mr. Carreiro stated both agencies are working to determine what the correct amount should be, so that the final Premium Tax Report reflects the correct receipts as well as distributions. Mr. Carreiro assured the Board that he would continue to monitor this activity, so that the final report is issued timely and in an accurate manner. Mr. Clark advised that to move forward with issuing Premium Tax allocations, this report needed to be approved by the PRB,

with the clear understanding that it would be revised once the correct Fire allocations were provided. After discussion by the Board, Mr. Hensley made a motion, seconded by Mr. Gates, to approve the 2024 Premium Tax report with the understanding that Mr. Clark and Mr. Carreiro would provide an updated report once DF&A and the Insurance Department resolved the calculation issue. The motion passed unanimously.

With no further business, the Board adjourned at 10:42 a.m.

Respectfully submitted,

Approved 12/04/2024

Lesley Weaver
Secretary to the Board