

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

The Arkansas Fire and Police Pension Review Board met on Wednesday, September 11, 2019 in the PRB office at 620 W. 3rd, Suite 200, Little Rock, Arkansas.

Members Present: Steve Miller, Employer Member, Chairman
Lance Spicer, Employer Member, Vice-Chairman
Bill Lundy, Fire Employee Member
Rusty Watson, Police Employee Member
Jim Gates, Fire Employee Member
Buddy Ledford, Public Member
Sara Lenehan, Employer Member

Excused Members: Farris Hensley, Police Employee Member
Melanie Hazeslip, DF&A Member

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

Chairman Miller called the meeting to order at 9:30 a.m. and recognized a quorum and notification of the news media. Chairman Miller advised Mr. Hensley and Ms. Hazeslip needed to be excused.

Approval of Minutes

Mr. Lundy made a motion, seconded by Mr. Watson, to approve the June 19, 2019 PRB meeting minutes. The motion passed unanimously.

Premium Tax Follow-Up

Mr. Jody Carreiro, actuary, Osborn, Carreiro & Associates (OCA) provided a follow up to the Premium Tax discussion from the June 2019 PRB meeting. At that meeting, the Board asked Mr. Carreiro to provide a review of the impact the \$4 million “floor” in the Premium Tax formula has on the Local Plans, so a decision could be made as to whether the Board should pursue legislative changes to this part of the formula. Mr. Carreiro stated the current Premium Tax formula that includes the \$4 million for state general revenues, was passed during the 2011 legislative session and implemented with the allocation in June 2012. Therefore, an appropriate comparison would be for the years of December 31, 2011 through December 31, 2018. During these seven (7) years, the money allocated to general revenue totaled about \$29 million. Using a range of interest assumptions, the total effect to the unfunded accrued liability (UAL) could have been \$35 million to \$38 million i.e. an improvement in the UAL had the Local Plans received this money instead of the state. During the same seven (7) year period, \$59 million in Premium Tax and \$13 million in Additional Allocation was received by the Local Plans. Because of changes made during the 2019 session, the Additional Allocation increased from \$1.3 million to \$2.0 million in 2019 and there is room for that number to grow. Mr. Carreiro stated the Board

has the ability to change the assumption/method for the base benefit calculation to increase these amounts without needing a change in law. Mr. Carreiro stated the Board would be better served by pursuing non-legislative means to increase income to the Local Plans. After discussion, the Board determined no legislative proposals would be considered at this time. The Board thanked Mr. Carreiro for his presentation.

PRB Meetings

Mr. Clark presented a proposal to the Board to reduce the current quarterly meeting schedule for the PRB. Since more and more locally-administered Local Plans are choosing to consolidate (assign administration of their Local Plan to the Arkansas Local Police and Fire Retirement System i.e. LOPFI), the number of Local Plans under purview of the PRB continues to decrease each year. Mr. Ledford and Mr. Gates commented that meeting twice a year, in June and December, may be a more effective use of Board members' time since all business can be handled twice a year. Mr. Clark stated the Board has the ability to call special meetings at its discretion if desired. After further discussion from the Board, Mr. Lundy made a motion, seconded by Mr. Ledford, to allow the PRB to begin meeting semi-annually i.e. twice-a-year in June and December, effective January 1, 2020. The motion passed unanimously.

Summary of 2018 Actuarial Valuations

Mr. Carreiro provided a summary of the December 31, 2018 Annual Actuarial Valuations. Mr. Carreiro stated that 71 valuations were performed for the locally administered Fire and Police Pension Plans. There were a total of 16 active members, 1 member on DROP, and 1,127 benefit recipients. The total assets applied were \$120 million, with a total unfunded actuarial accrued liability of \$54 million. Police Plans are 77% funded, Fire Plans 58% funded, and Volunteer Plans 95% funded. Overall, the actual employer contribution amounts for the Local Plans continue to be less than the actuarially determined contributions. Ms. Lenehan made a motion, seconded by Mr. Spicer, to approve the Summary of Valuation report. The motion passed unanimously.

Mr. Carreiro then reviewed six (6) locations shown in the summary of valuations that are considered Projected Insolvent. The following four (4) have previously been designated as Projected Insolvent: Batesville Fire, Fayetteville Fire, Marion Fire, and Salem Fire. This year two (2) new Local Plans should be declared Projected Insolvent: Blytheville Fire and Mammoth Spring Fire. Ms. Lenehan made a motion, seconded by Mr. Ledford, to add Blytheville Fire and Mammoth Spring Fire to the Projected Insolvent list. The motion passed unanimously. Mr. Clark advised Mammoth Spring has requested a consolidation valuation; however, if a decision is made to not proceed with consolidation, then a letter will be sent alerting them of the Projected Insolvent status. A Special Report will be issued in the 2020-year for Blytheville Fire. No updated reports are expected to be scheduled for the four (4) previously declared Projected Insolvent Local Plans. The Board thanked Mr. Carreiro for the report.

June 2019 Financial Statements

Chairman Miller 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. Ledford made a motion, seconded by Mr. Watson, to approve the June 2019 financial statements. The motion passed unanimously.

Review/Approve Benefit Increase Items

Mr. Clark reviewed staff action on the following four (4) benefit increase requests:

- Elkins Fire – approved \$30 per month increase
- Greers Ferry Fire – approved \$20 per month increase
- Gurdon Fire – approved \$35 per month increase
- Lonoke Fire – approved \$30 per month increase

Mr. Ledford made a motion, seconded by Mr. Watson, to approve staff action on these benefit increases. The motion passed unanimously.

With no further business the Board adjourned at 10:33 a.m.

Respectfully submitted,

Approved 12/11/19

Lesley Weaver
Secretary to the Board