

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

The Arkansas Fire and Police Pension Review Board met on Wednesday, September 12, 2018 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
Farris Hensley, Police Employee Member
Rusty Watson, Police Employee Member
Jim Gates, Fire Employee Member
Buddy Ledford, Public Member
Sara Lenehan, Employer Member

Excused Member: Jessica Wallace, DF&A Member

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

Chairman Miller called the meeting to order at 9:32 a.m. and recognized a quorum and notification of the news media. Chairman Miller advised Ms. Wallace needed to be excused. Mr. Lundy made a motion, seconded by Mr. Watson, to excuse Ms. Wallace. The motion passed unanimously.

Approval of minutes

Mr. Hensley made a motion, seconded by Mr. Ledford, to approve the June 13, 2018 PRB meeting minutes. The motion passed unanimously.

Future Supplement Fund

Mr. Jody Carreiro, actuary, Osborn, Carreiro & Associates (OCA), presented the three (3) Future Supplement Fund structures as requested by the Board. The structures are as follows:

1. Police starting at \$2,240, fire starting at \$1,620, and volunteer at \$324, with an annual 2% cost of living adjustment (COLA), and the additional provision that fire be brought up to parity with police in a level manner over a 7-year period.
2. Police starting at \$2,240, fire starting at \$1,620, and volunteer at \$324, with an annual 2.5% COLA, and the additional provision that fire be brought up to parity with police in a level manner over a 7-year period.
3. Police starting at \$2,000, fire starting at \$1,500, and volunteer at \$300, with an annual 2% COLA, and the additional provision that fire be brought up to parity with police in a level manner over a 7-year period.

Ms. Lenehan expressed concern regarding the effect the structures could have on reducing Additional Allocation. After further discussion from the Board, Mr. Hensley made a motion, seconded by Mr. Spicer, to increase the Additional Allocation factor from 10% to 15%; for police to start at \$2,240, fire start at \$1,620, and volunteer start at \$300; use an annual 2.5% COLA; ensure that fire is brought up to parity with police in a level manner over a 7-year period;

and that any remaining unallocated monies from one year's Additional Allocation are rolled forward to the next year's Premium Tax allocation formula. The motion passed unanimously.

Summary of 2017 actuarial valuations

Mr. Jody Carreiro provided a summary of the December 31, 2017 Annual Actuarial Valuations. Mr. Carreiro stated that 82 valuations were performed for the locally administered Fire and Police Pension Plans. There were a total of 19 active members, 2 members on DROP, and 1,562 benefit recipients. The total assets applied were \$183 million, with a total unfunded actuarial accrued liability of \$119 million and Police Plans being 75% funded, Fire Plans 52% funded, and Volunteer Plans 93% funded. Overall, the actual employer contribution amounts for the Local Plans continue to be less than the actuarially determined contributions.

Mr. Carreiro then reviewed four (4) locations shown in the summary of valuations that are considered Projected Insolvent. The following three (3) have previously been designated as Projected Insolvent: Batesville Fire, Fayetteville Fire, and Marion Fire. This year one new Local Plan should be declared Projected Insolvent: Salem Fire. Ms. Lenehan made a motion, seconded by Mr. Ledford, to add Salem Fire to the Projected Insolvent list. The motion passed unanimously. This action will result in a Special Report being issued in the 2019-year for Salem Fire. No updated reports are expected to be scheduled for the three (3) previously declared Projected Insolvent Local Plans. After further discussion, the Board thanked Mr. Carreiro for the report.

June 2018 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. Spicer, to approve the June 2018 financial statements. The motion passed unanimously.

Review/approve benefit increase items

Mr. Clark reviewed the internal checklist for Alma Fire, Dermott Fire, Eureka Springs Fire, Fordyce Fire, Harrison Fire, Harrison Police, Rogers Fire, and Siloam Springs Fire Pension Fund. Staff and the actuaries agree that these eight (8) Local Plans met the requirements of a PRB Recognized Investment Management and Trust Arrangement for the purpose of an Alternate Cash Flow Valuation. Mr. Hensley made a motion, seconded by Mr. Ledford, to approve the PRB Recognized Investment Management and Trust Arrangement for these eight (8) Local Plans. The motion passed unanimously. Mr. Clark also reviewed staff action on the following nine (9) benefit increase requests:

- Alma Fire – approved \$30 per month increase
- Dermott Fire – approved \$30 per month increase
- Eureka Springs Fire – approved \$40 per month increase
- Fordyce Fire – approved \$40 per month increase
- Hamburg Fire – approved \$20 per month increase
- Harrison Fire – approved 7% increase
- Harrison Police – approved 10% increase

- Jacksonville Police – approved 5% increase
- Siloam Springs Fire – approved 5% increase for paid; \$40 per month increase for volunteer

Mr. Lundy made a motion, seconded by Mr. Gates, to vote on each benefit increase individually. The motion passed unanimously. Mr. Lundy made a motion, seconded by Mr. Hensley, to approve the Alma Fire benefit increase. The motion passed unanimously. Mr. Lundy made a motion, seconded by Mr. Gates, to approve the Dermott Fire benefit increase. The motion passed unanimously. Mr. Lundy made a motion, seconded by Mr. Ledford, to approve the Eureka Springs Fire benefit increase. The motion passed unanimously. Mr. Lundy made a motion, seconded by Mr. Watson, to approve the Fordyce Fire benefit increase. The motion passed unanimously. Mr. Lundy made a motion, seconded by Mr. Gates, to approve the Hamburg Fire benefit increase. The motion passed unanimously. Mr. Hensley made a motion, seconded by Mr. Watson, to approve the Harrison Fire benefit increase. Mr. Lundy opposed, with the remaining Board members voting for approval; the motion passed. Mr. Hensley made a motion, seconded by Mr. Watson, to approve the Harrison Police benefit increase. Mr. Lundy opposed, with the remaining Board members voting for approval; the motion passed. Mr. Watson made a motion, seconded by Mr. Hensley, to approve the Jacksonville Police benefit increase. The motion passed unanimously. Ms. Lenehan made a motion, seconded by Mr. Watson, to approve the Siloam Springs Fire benefit increase. Mr. Lundy opposed, with the remaining Board members voting for approval; the motion passed.

Other Business

Mr. Lundy stated that he believes the PRB has made great progress over the years with the Local Plans under purview of the PRB and in the work on the Future Supplement discussion. Mr. Lundy asked the Board to consider looking at an orderly way to wind down the business of the PRB. Mr. Lundy stated the PRB could ask the Joint Retirement Committee to perform a two year study that, over a six year period, would have all remaining Local Plans consolidate with LOPFI. Mr. Hensley asked if this action would then place the remaining Local Plans under a mandatory consolidation. Mr. Lundy said that was not what he is suggesting. The concept is to properly manage how the PRB concludes its business as an agency since all Local Plans will ultimately consolidate with LOPFI. Mr. Clark stated the topic would be placed on the agenda for the December 12, 2018 PRB meeting.

With no further business the Board adjourned at 11:13 a.m.

Respectfully submitted,

Approved 12/12/18

Lesley Weaver
Secretary to the Board