

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 21, 2023 with the meeting originating from the PRB office at 620 W. 3rd, Suite 200, Little Rock, Arkansas.

Members Present: Bill Lundy*, Fire Employee Member, Chairman
Jim Gates*, Fire Employee Member, Vice-Chairman
Farris Hensley*, Police Employee Member
Rusty Watson, Police Employee Member
Buddy Ledford, Public Member
Sara Lenehan, Employer Member
Lance Spicer*, Employer Member
**Attended in-person at the PRB office*

Excused Member: Melanie Hazeslip, DF&A Member

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

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

Approval of Minutes

Mr. Spicer made a motion, seconded by Mr. Gates, to approve the December 7, 2022 PRB meeting minutes. The motion passed unanimously. Mr. Ledford made a motion, seconded by Mr. Hensley, to approve the May 3, 2023 Audit Committee minutes. The motion passed unanimously.

2023 Legislative Session

Mr. Clark stated Act 39 of the 2023 Legislative Session removed obsolete mapping language from the Premium Tax sections of code. This was the sole legislative request of the Board and the act's effective date is August 1, 2023. There were no questions from the Board.

Approve Board Expenses

Chairman Lundy advised law requires the Board to approve its yearly expenses at its first regularly scheduled meeting. Mr. Hensley made a motion, seconded by Mr. Gates, to approve the 2023 Board expenses. The motion passed unanimously.

2023 UALR Mapping Report

Mr. Clark provided the summary of the UALR mapping project activities for the fiscal year 2023. Police districts had 304 edits made to cities, fire districts had 39 boundaries updated, and 8 grant application requests were responded to. Mr. Clark noted this is the last report that will be filed since mapping is no longer required for Premium Tax purposes. Mr. Kevin Koonce, UALR Geographic Information Systems Director, stated in his final letter that he appreciated working with the PRB for 20 plus years. Staff responded on behalf of the PRB that Mr. Koonce

and the UALR team was always responsive and professional when working with the PRB. There were no questions from the Board.

Audit Committee Report

Mr. Ledford, Chairman of the Audit Committee, stated that the Audit Committee met on May 3, 2023. Mr. Ledford confirmed that FORVIS stated that the December 31, 2022 audit was clean (an un-modified opinion) and the Committee recommends accepting the audit. Mr. Ledford expressed gratitude towards staff for their efforts and cooperation with the auditors for a clean audit. Mr. Ledford made a motion, seconded by Ms. Lenehan, to accept the audit. The motion passed unanimously. Mr. Clark thanked the Board.

ASC Report

Chairman Lundy stated the Administrative Services Committee (ASC) met on June 1, 2023, at 9:30 a.m. and stated the Executive Director received a very good performance review. The ASC recommended approval of a 3% Career Service Award for the Executive Director. Chairman Lundy made a motion, seconded by Mr. Spicer, to approve the ASC's recommendation. The motion passed unanimously. Mr. Clark thanked the Board. Chairman Lundy stated it has been his pleasure to serve on the ASC since its inception, but it is time for someone new to be on the ASC and after the November 2023 meeting, another PRB Member will be appointed to take his place.

March 2023 Financial Statements

Chairman Lundy 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. Spicer, to approve the March 2023 financial statements. The motion passed unanimously.

Upcoming Vacancy on Board

Mr. Clark stated there is one Board Member position that will soon have a vacancy given Ms. Lenehan will be retiring from the City of Little Rock at the end of June. Mr. Clark advised a letter will be sent to the Governor and the Municipal League asking that the vacancy be filled. The Board and staff thanked Ms. Lenehan for her service on the PRB and wished her well in her retirement.

Summary of 2022 Actuarial Valuations

Mr. Jody Carreiro, actuary, Osborn, Carreiro & Associates (OCA) provided a summary of the December 31, 2022 Annual Actuarial Valuations. Mr. Carreiro stated that 41 valuations were performed for the locally administered Fire and Police Pension Plans with a total of 3 active members and 665 benefit recipients. The total assets were \$99.7 million and a total unfunded actuarial accrued liability of \$39 million. Police Plans were 82% funded, Paid Fire Plans 58% funded, and Volunteer Plans 99% funded. The overall actual employer contributions continue to be less than the actuarially determined contributions. Mr. Carreiro stated Rogers Fire is Projected Insolvent and recommended the Board allow him to send a letter to Rogers Fire explaining the funded condition, that the Local Plan is Projected Insolvent, and what it means. After discussion by the Board, Mr. Spicer made a motion, seconded by Ms. Lenehan, to accept the Summary of Valuations and to allow Mr. Carreiro to send the recommended letter to Rogers Fire. The motion passed unanimously. Because of the condition of Rogers Fire, Mr. Clark

proposed a recommendation from staff for eligibility to use an Alternate Cash Flow Valuation (ACF) for a benefit increase. Mr. Clark stated the recommendation is a Local Plan must have received at least 100% of the actuarial recommended employer contributions and achieved at least the five percent (5%) assumed rate of return each year for the most recent 10-year period. This recommendation is to protect the PRB and ensure the Local Plan seeking a benefit increase has sufficient assets to pay all promised benefits. If these two assumptions are not met, the Local Plan cannot use an ACF. Ms. Lenehan and Mr. Hensley thought these assumptions were too rigid. After discussion by the Board, Ms. Lenehan recommended temporarily suspending ACF valuations so the Board can revisit the topic at the December meeting. Mr. Lundy stated that when a Local Plan is approved for a benefit increase that years later cannot be afforded, the PRB is viewed as being at fault. After further discussion, Ms. Lenehan made a motion, seconded by Mr. Hensley, to temporarily suspend the use of an ACF until further discussion at the December 2023 PRB meeting. The motion passed unanimously. (Mr. Hensley departed the meeting at 10:31 a.m.)

2023 Premium Tax Report

Mr. Carreiro presented the 2023 Premium Tax report. Mr. Carreiro advised there was over a 7.5% increase in Premium Tax this year, with total gross collections just over \$83.9 million. Mr. Carreiro reviewed the allocation process for the locally administered Local Plans, LOPFI locations, consolidated Local Plans, Additional Allocation, and Future Supplement Funds. Mr. Carreiro advised all locations were in compliance. With no further questions, Mr. Gates made a motion, seconded by Ms. Lenehan, to approve the 2023 Premium Tax report with a total allocation of \$83,988,867.37. The motion passed unanimously.

With no further business, the Board adjourned at 10:48 a.m.

Respectfully submitted,

Approved 12/06/2023

Lesley Weaver
Secretary to the Board