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MINUTES
Policemen's Pension and Relief Fund
Thursday, August 16, 2012

On Thursday, August 16, 2012 at approximately 9:00 a.m., a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

Agenda Item #1. Call to Order/Roll Call

The Chairman called the meeting to order at approximately 9:00 a.m. and certified that a quorum of the Board was present. The Roll Call was as follows:

PRESENT: Ms. Sara Lenehan Acting Chairman and Treasurer; Mr. Lee Harrod, Secretary; Mr. Farris Hensley, Member; Sgt. Rusty Watson, Member; Mr. James Arnold, Member; Mr. Kevin Tendal, Member.

ABSENT: Mr. Bruce Moore.

Also present were Ms. Joan Adcock, Little Rock City Board of Director; Ms. Beth Carpenter, Assistant Attorney for the City of Little Rock; Mr. Larry Middleton, Mr. Alex Jordan and Mr. Bo Brister of Stephens Capital Management, Financial Consultant for the Fund; Mr. Roger Smith, Board Lobbyist; Ms. Debbie Pharr, Ms. Kathy Lindsey of the Administrative Pension Fund Staff.

Agenda Item #2. Notification of News Media.

The Chairman acknowledged that the media had been properly notified in a letter to the Arkansas Democrat Gazette dated August 7, 2012.

Agenda Item #3. Report from Board Financial Consultant

A. **June Financial Report.** Mr. Bo Brister, Financial Consultant for the Pension Fund, gave the July 2012 financial report and stated that on July 31, 2012, the market value of the total Fund was \$40,975,158. This represents a decrease in the account balance of (\$653,454) since June 31, 2012. The component of this change was income of \$91,287.82. There were net contribution/withdrawals of (\$997,758.88). Of the market Fund balance, approximately \$21,256,827.48 was allocated to DROP. The over-all rate of return for the Fund during the month of July was 0.93% and 5.84% year to date. The average over-all effective rate of return from (1986-2011) was approximately 7.30%. It was also noted that the First Security Bank checking account currently has a balance of \$1,056,352.87

47 Mr. Hensley asked Mr. Brister and Ms. Lenehan how much had recently been
48 removed from DROP. They explained that approximately \$1,500,000.00 has, or is
49 committed to be removed within a thirty (30), to fourth five (45) day period of time,
50 and that approximately \$3,000,000.00 has been removed from DROP accounts since
51 January 1, 2012. Mr. Hensley said that since money is no longer being contributed
52 to DROP accounts, total DROP account balances will obviously continue to decline.
53

54 Mr. Hensley also asked Mr. Middleton to explain the benefit for our Fund being a
55 member of the Pension Management Trust (PMT) that is affiliated with the
56 Arkansas Municipal League (AML). Mr. Middleton explained that the PMT was
57 established to benefit old local pension funds around the State who were being
58 charged as much as 3% by some investment groups to manage assets for their Police
59 and Fire Pension Funds. He further explained that the AML, along with Stephens
60 Capital Management, created the PMT comprised of a group of old pension plans,
61 with assets being managed by Stephens Capital Management. Additionally, a PMT
62 over site board was created by the AML. He said that Stephens Capital Management
63 charges a management fee of 1%, and of that amount, 7.5 basis points, or 7.5% of
64 the 1% is shared with the AML. Mr. Middleton said that he does believe our
65 Pension Fund benefits from being a member of in the PMT because the total fee
66 structure is relatively at a low rate.
67

68 Mr. Jordan explained that the previously referenced total percentage going to the
69 AML would amount to approximately \$7,400.00 quarterly, for a total annual cost to
70 the Fund of approximately \$30,000.00.
71

72 Mr. Hensley explained that he understood how much smaller pension funds that do
73 not have professional financial managers would potentially benefit from their
74 affiliation with the PMT, but was concerned that a much larger fund such as Little
75 Rock might not actually enjoy such benefits. He said that the recent AML
76 Legislative Resolution 26, if passed would effectively reduce benefit levels by
77 lowering the LOPFI multiplier, raise their minimum retirement age to fifty five, and
78 eliminate their COLA. He said that if passed it would effectively lower contribution
79 levels for cities at the expense of police and fire LOPFI members across the state.
80 Mr. Hensley said that he was strongly opposed to the proposal not only because it
81 lower benefit levels, but because the AML is effectively "pitting" one group of
82 retired police members against the other group of retired police members, and in his
83 opinion, that is totally unacceptable. Mr. Hensley said that the question has been
84 raised concerning exactly why Police Pension Funds such as Little Rock are paying
85 their investment money to the AML, for them to then use the money against fellow
86 retired police pension members.
87
88
89
90

91 Ms. Lenehan said there were other things in the resolution that would potentially be
92 of benefit to cities and pension funds therefore the Pension Board might want to
93 offer some suggestions for change rather than outright opposing it.
94

95 Mr. Smith told the Board that he would be reporting on the issue when giving his
96 legislative report later in the meeting.
97

98 **Agenda Item #4. Approval of July Minutes**
99

100 Ms. Lenehan made a motion to amend the July minutes starting on line 172 to read as
101 follows: “*Ms. Lenehan said that under current Governmental Accounting Standards*
102 *Board (GASB) statement #67 now have to report their share of any unfunded liability.*
103 *Therefore, when closed local pension plans consolidate with LOPFI the unfunded*
104 *liability will have to be reported. (GASB) #67 is effective for financial statements*
105 *beginning after June 15, 2013.” Mr. Arnold made a motion to approve the July minutes*
106 *as amended. The motion was seconded by Mr. Tindel, and passed by a unanimous vote*
107 *of the Board.*
108

109 **Agenda Item #5. Report from City Attorney –Ms. Beth Carpenter**
110

- 111 A. **Eddeane Garrett case** – Ms. Carpenter provided the legal report in the absence of Ms.
112 Chavis who was on maternity leave. She reported that additional research concerning two
113 components of the Garrett case is ongoing and requested the matter be tabled until the
114 October meeting.
115
- 116 B. **Resolution for surviving spouse benefits** - Ms. Carpenter told the Board that she
117 believed the Board Resolution allowing a surviving spouse to be vested after five (5)
118 years of marriage to a member had been located, thus resolving the issue.
119

120 Ms. Carpenter said, however a problem had been identified concerning the recent
121 resolution allowing Widow Members to remarry. She explained that the original
122 resolution did not have all board member signatures required by the Arkansas Fire and
123 Police Review Board (PRB). Two of the absent signatures required were that of two
124 past Board Members; Mr. Steve Young and Mr. Don Wood. Therefore, the Board
125 decided to approve a new resolution by the current Board in the event a problem
126 occurred with getting signatures from the two past members.
127

128 Local Board Resolution 2012-2 allowing qualified Widow Members to remarry was
129 prepared. Mr. Harrod made that motion to approve the resolution for submission to the
130 PRB for an actuarial valuation to be made. The motion was seconded by Mr. Arnold,
131 and passed by a unanimous vote of the Board.
132

133 Following a Board discussion, Ms Carpenter said that she would see if an additional
134 cost for the actuarial work concerning the above referenced Local Board Resolution
135 could be avoided by including it with current work the Actuary is now performing for
136 the Board, regarding a potential LOPFI consolidation with a COLA.

137 C. **Review of ACT 1244 of 2001** – Ms. Carpenter then reported on a previous issue raised
138 by Mr. Wood, concerning what he thought was a conflict of interest. She said that she
139 had reviewed the issue with Mr. Tom Carpenter, the City Attorney and they both agreed
140 there would not be conflict of interest for DROP Members who serve on the Board to
141 vote on DROP issues.

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143 **Agenda Item #6. Report of Board Lobbyist**

144
145 Mr. Smith reported concerning recent changes made during the past Arkansas
146 Legislative Secession, regarding the restructuring of the Arkansas Insurance Premium
147 Tax allocation funding formula to local fire and police pension funds. The changes
148 included allocating portions of the insurance premium taxes to all Pension Funds
149 equally with calculations biased on a consistent standard that is fifty percent (50%) of
150 base salary. He explained that although he believes it is consistent and a much more
151 equitable approach for all Pension Funds involved, the funding for some Pension Funds
152 in the State have been reduced because they had been receiving insurance premium tax
153 funding based on more than fifty percent (50%) of salary. He said that even though
154 every pension fund in the State is now receiving premium tax funding based on the
155 same percentages of salary, he cautioned the Pension Board and the City of Little Rock
156 to watch for any potential legislation in the next session that is designed to change the
157 distribution formula.

158
159 Mr. Smith reported concerning the previously referenced AML Resolution 26 that came
160 out of their annual meeting this past June. Although it could effectively subsidize
161 additional funding for old local pension plans that are under funded, by reducing city
162 contributions to LOPFI, and reduce benefits to their members, in part by creating a
163 separate lower benefit level “tier” for newly hired officers, there is absolutely no
164 mandate included in the resolution for any funding to old local pension funds. Mr.
165 Smith spoke against the proposal, and said the plan is very similar to the one that the
166 Arkansas State Police enacted several years ago for their officers.

167
168 Mr. Smith and Ms. Lenehan both said there are some sections of Municipal League
169 Resolution 26 the Board may wish to support. Mr. Hensley and Mr. Harrod agreed, but
170 also said there are several sections of Municipal League Resolution 26 that should not
171 be supported.

172
173 After a lengthy discussion by the Board, it was determined to have the City Lobbyist;
174 Mr. Wilson, Little Rock Pension Fire Board Senior Member; Mr. Reep, attend the
175 September meeting and discuss the Resolution together.

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183 **Agenda Item #7. Report of Funding Committee**

184 (This committee met at 8:30 A.M. in the Sister Cities Conference Room)

- 185
186 A. **Discussion of LOPFI consolidation** - The Funding Committee, continued their
187 discussions of a LOPFI consolidation with a COLA.

188
189 Ms. Lenehan reported she had received the annual report from Osborn, Carreiro &
190 Associates, which was needed before Mr. Carreiro could complete his work for the
191 LOPFI merger study with a COLA.

- 192
193 B. **Report on Court Fines and Fees, etc.** – Ms. Lenehan said that Mr. Lowery, from
194 the Pulaski County Sheriff’s Department, had reported that they were not receiving
195 significant funding from the warrant fee’s due to their work release and other
196 programs.

197
198 Mr. Harrod said he has been unable to identify any other potential revenue sources
199 for funding, other than from the City of Little Rock. Ms. Lenehan said that the
200 Actuary should be addressing the issue in his upcoming report to the Board.

201
202 **Agenda Item #8. Report from Board Treasurer**

- 203
204 A. **Financial Report for June** - The Treasurer submitted copies of the un-audited
205 financial report for the month of July 31, 2012. The Income/Loss to the plan year-
206 to-date was (\$386,383). The report indicated that as of July 31, 2012, the total
207 account Fund balance including the DROP was \$44,014,459. The net income/(loss)
208 for the month of July was \$1,290,154.

209
210 Copies of the July, 2012 expense and legal fee reports were also submitted. Total
211 expenditures, excluding benefit related expenses, were \$3,678.47 for the month and
212 \$30,367.96 year-to-date. Legal fees paid were \$930.00 year-to-date.

213
214 Mr. Hensley made a motion to approve the July financial, expense and legal fee
215 reports. The motion was seconded by Mr. Watson and passed by a unanimous vote
216 of the Board.

- 217
218 B. **Report on change of membership status** - Ms. Lenehan reported that Mr. Rusty
219 Watson had submitted a retirement application effective September 4, 2012, in the
220 monthly amount of \$2,370.03. Mr. Hensley made a motion to approve the
221 retirement application of Mr. Watson, and also remove Mr. James Aulwes from the
222 rolls effective July 12, 2012, and to approve the widow application of Ms. Linda
223 Aulwes, effective August 1, 2012 in the monthly amount of \$2,494.27, and to
224 approve a death benefit for Mr. James Aulwes effective August 15, 2012 in the
225 mount of \$6,500.00. The motion was seconded by Mr. Harrod, and passed by a
226 unanimous vote of the Board. The Board extended its condolences to the family of
227 Mr. Aulwes.

229 Ms. Lenehan reported the Little Rock Police Supplement checks in the amount of
230 \$1,500.00 for each Member and Widow will be disbursed in September.
231

232 **Agenda Item #9. Report from Website Facilitator – Mr. James Arnold**
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234 Mr. Arnold reported that the new Police Pension Website has been online only since
235 June 11, 2012, and had already received 9800 (hits) visitors to the site. He said that
236 additional members are signing up each day, and wanted to let everyone know that it is
237 not necessary for anyone to “sign up” when leaving a post comment on the website. He
238 said that only their first comment posting will be slightly delayed pending his approval
239 as website facilitator. He said he wanted to ask that anyone who may have any material
240 for the website to please get in touch with him.
241

242 **Agenda Item #10. Health Insurance**
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244 **A. Non Tobacco Discount for Members who Carry City Health Insurance**
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246 **B. Members Carryover of Dental When Moved to Medicare -** Ms. Lenehan said she
247 passed information concerning the two Health Insurance issues on to Mr. Moore, and
248 that Mr. Don Fugal and Mr. Jim Bradshaw with the City of Little Rock Human
249 Resources Department would be reviewing them. The matter was tabled until the
250 September meeting.
251

252 **Agenda Item #11. Fund Members Comments. (Out of Agenda Order)**
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254 No Members present, other than Board Members.
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256 **Agenda Item #12. Other Business**
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258 No other business to report.
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260 **Agenda Item #12. Adjourn Meeting**
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262 Upon conclusion of pension business, Mr. Harrod made a motion to adjourn the
263 meeting at approximately 10:47 A.M. The motion was seconded by Mr. Watson and
264 passed by a unanimous vote of the Board.
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266

267 Respectfully Submitted,
268

269 Lee Harrod
270 Board Secretary
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