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MINUTES
Policemen's Pension and Relief Fund
Thursday, September 20, 2012

5 On Thursday, September 20, 2012 at approximately 9:00 a.m., a meeting of the Board of Trustees of
6 the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister
7 Cities Conference Room at City Hall.
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10 **Agenda Item #1. Call to Order/Roll Call**

11
12 The Chairman called the meeting to order at approximately 9:00 a.m. and certified that
13 a quorum of the Board was present. The Roll Call was as follows

14
15 PRESENT: Mr. Bruce Moore, Chairman; Ms. Sara Lenehan Treasurer; Mr. Lee Harrod,
16 Secretary; Mr. Farris Hensley, Member; Mr. Rusty Watson, Member; Mr. James
17 Arnold, Member.

18
19 ABSENT: Mr. Kevin Tindle.

20
21 Also present were Ms. Joan Adcock, Little Rock City Board of Director; Ms. Beth
22 Carpenter, Attorney for the City of Little Rock; Mr. Larry Middleton, Mr. Alex Jordan
23 and Mr. Bo Brister of Stephens Capital Management, Financial Consultant for the Fund;
24 Ms. Debbie Pharr, Ms. Kathy Lindsey of the Administrative Pension Office; Mr. Odies
25 Wilson, City of Little Rock Lobbyist; Mr. Jody Carreiro, Mr. Lawrence Watts of
26 Osborn, Carreiro & Associates, Inc.
27

28 **Agenda Item #2. Notification of News Media.**

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30 The Chairman noted that the media had been properly notified in a letter to the
31 Arkansas Democrat Gazette dated September 10, 2012.
32

33 **Agenda Item #3. Report from Board Financial Consultant**

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35 A. **August Financial Report.** Mr. Bo Brister, Financial Consultant for the Pension
36 Fund, gave the August 2012 financial report and stated that on August 31, 2012, the
37 market value of the total Fund was \$41,506,748. This represents an increase in the
38 account balance of \$531,590 since July 31, 2012. The component of this change was
39 income of \$110,072.99. There were net contribution/withdrawals of \$2,039.48. Of
40 the market Fund balance, approximately \$20,819,038.17 was allocated to DROP.
41 The over-all rate of return for the Fund during the month of August was 1.28% and
42 7.18% year to date. The average over-all effective rate of return from (1986-2011)
43 was approximately 7.30%. It was also noted that the First Security Bank checking
44 account currently has a balance of \$1,570,677.78.
45
46

47 **Agenda Item #4. Discussion of Arkansas Municipal League Resolution 26**
48

49 Following a lengthy Board discussion, it was determined that Resolution 26 contained
50 two positive aspects such as a constitution provision to allow for the issuance of bonds
51 for pension purposes, and language encouraging Cities to seek voter approval of one
52 full tax mill for pension purposes, however contains a number of negative aspects that
53 would severely impact Local Pension Funds and Municipal Police Officers and Fire
54 Fighters under the State LOPFI Pension System. It was determined that the Pension
55 Fund Lobbyist, along with the City of Little Rock Lobbyist, would work with the
56 Arkansas Municipal League and Mr. Jody Carreiro, the State Actuary, prior to the next
57 Legislation Session to Draft a Resolution that would hopefully be satisfactory to all
58 parties involved.
59

60 **Agenda Item #5. Approval of the August Meeting Minutes**
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62 Mr. Hensley made a motion to approve the August minutes. The motion was seconded
63 by Mr. Watson, and passed by a unanimous vote of the Board.
64

65 **Agenda Item #6. Report from City Attorney –Ms. Beth Carpenter**
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- 67 A. **Eddeane Garrett Case** – Ms. Carpenter requested this item be tabled until Ms. Chavis
68 returns from maturity leave.
69
70 B. **Anderson QDRO** – Ms. Carpenter said this matter had been referred to the Pension
71 Funds private legal counsel, Kutak Rock, who would be reviewing it from an Employee
72 Retirement Income Security Act of 1974 (ERISA) regulation. It was therefore tabled until
73 the October meeting.
74

75 **Agenda Item #7. Report of Board Lobbyist**
76

77 Mr. Hensley said that Mr. Smith was unable to attend the meeting due to a scheduling
78 conflict, but had reported to him that he has attended a Joint Retirement Committee
79 Meeting, and that there was nothing of substance to report at the time.
80

81 **Agenda Item #8. Report of Funding Committee**

82 (This committee met at 8:30 a.m. in the Sister Cities Conference Room)
83

- 84 A. **Discussion of LOPFI consolidation** - The Funding Committee continued their
85 discussions of a LOPFI consolidation with a COLA.
86
87 B. **Report from Jody Carreiro** – Out of Agenda Order. Mr. Carreiro presented his
88 report from Osborn, Carreiro & Associate, Inc., dated September 20, 2012 to the
89 Board concerning a potential LOPFI consolidation.
90
91
92

93 Mr. Carreiro reported that reoccurring revenue sources from State Insurance
94 Premium Taxes our Fund will be receiving annually, starting with \$1,673,868 for
95 2012, along with \$500,000 the City will contribute annually from local sales tax
96 revenues, the Fund is no longer projected to run out of money, and has now been
97 removed from the Arkansas Fire and Police Pension Review Board (PRB),
98 "insolvent fund list".
99

100 He also reported that a LOPFI consolidation with NO cost of living (COLA)
101 adjustment would result in very little if any cost to the City, and that with a 3%
102 COLA, starting in 2013, the cost to the City would be \$159,168 and would increase
103 annually during the fifteen (15) year amortization period. Mr. Carreiro also
104 presented the following alternative plans for a consolidation with LOPFI.
105

106 With a one percent (1%) COLA, starting in 2013, current reoccurring revenues
107 received by the City would create a LOPFI credit the first five (5) years, but would
108 then result in additional payments the last ten (10) years of the amortization period.
109

110 With a one percent (1%) COLA, starting in 2017, current reoccurring revenues
111 received by the City would create a LOPFI credit the first ten (10) years, but would
112 then result in additional payments the last five (5) years of the amortization period.
113

114 With a two percent (2%) COLA, starting in 2013, current reoccurring revenues
115 received by the City would create a LOPFI credit the first two (2) years, but would
116 then result in additional payments the last thirteen (13) years of the amortization
117 period.
118

119 With a two percent (2%) COLA, starting in 2017, current reoccurring revenues
120 received by the City would create a LOPFI credit the first eight (8) years, but would
121 then result in additional payments the last seven (7) years of the amortization period.
122

123 At approximately 10:06 a.m. Mr. Moore excused himself from the meeting due to a
124 previous commitment, and appointed Mr. Hensley to chair the remainder of the
125 meeting. Prior to leaving he told the Board that it appeared the Fund would be able
126 to consolidate receiving a two percent (2%) COLA in 2017, and not result in an
127 additional cost to the City.
128

129 Mr. Carreiro also presented a plan with various amortization options, which would
130 amortize a LOPFI consolidation over a twenty (20) year period of time opposed to a
131 fifteen (15) year period, thus spread the cost over an additional five (5) year period
132 of time, and provide for a lower annual payment from the City. Mr. Carreiro
133 explained that although LOPFI has in the past amortized some consolidations for as
134 long as a thirty (30) year period, they had since reduced the standard amortization
135 period to the current fifteen (15) year period, and any variation from the current
136 standard would require the explicit approval of LOPFI.
137

138 Following a lengthy discussion, the Board asked Mr. Carreiro to provide an
139 additional report using an assumption with the City contributing an additional
140 \$250,000.00 annually to the Police Pension Fund, with an assumed two percent
141 (2%) annual COLA for the first five (5) years, then followed with a three (3%)
142 COLA. He was asked to include both a fifteen (15) year and twenty (20) year
143 amortization period.

144
145 Mr. Carreiro was also asked to use a scenario of one-half (1/2%) COLA beginning
146 in 2013 and increasing at the rate of one-half percent (1/2%) annually until a three
147 percent (3%) COLA is attained. Mr. Carreiro told the Board that he would be able
148 to complete the additional work prior to the October meeting, and forward a report
149 to Ms Lenehan for distribution to Board Members.

150
151 Mr. Harrod asked Mr. Carreiro what his upcoming recommendation to the PRB
152 would be concerning the funding percentage level that a Local Pension Fund would
153 be required to have before they could be considered for a benefit increase. He
154 explained that he is considering a recommendation of approximately seventy
155 percent (70%), and when asked agreed that with the current funding level at
156 approximately forty percent (40%) for the Little Rock Police pension Fund a benefit
157 increase or COLA probably would not be possible for several years without a
158 LOPFI consolidation.

159
160 Mr. Harrod said that a member of the Fund had asked if the City could provide a
161 COLA to members without going through the PRB. Ms. Lenehan explained that
162 would not be something the City would be interested in doing because without
163 going thru the PRB, it would not be calculated into the un-funded liability portion of
164 the plan that the City owes.

165
166 **Agenda Item #9. Report from Board Treasurer**

- 167
168 A. **Financial Report for August** - The Treasurer submitted copies of the un-audited
169 financial report for the month of August 31, 2012. The Income/Loss to the plan
170 year-to-date was \$2,822,221. The report indicated that as of August 31, 2012, the
171 total account Fund balance including the DROP was \$43,099,334. The net income/
172 (loss) for the month of August was \$528,116.

173
174 Copies of the August, 2012 expense and legal fee reports were also submitted.
175 Total expenditures, excluding benefit related expenses, were \$4,976.77 for the
176 month and \$35,344.73 year-to-date. Legal fees paid were \$930.00 year-to-date.

177
178 Mr. Harrod made a motion to approve the August financial report. The motion was
179 seconded by Mr. Watson and passed by a unanimous vote of the Board.

- 180
181 B. **Report on change of membership status** - Ms. Lenehan reported no changes in
182 membership status for the month of August.

184 **Agenda Item #10. Discussion of Website**

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186 Mr. Arnold reported that the website is continuing to receive multiple visitors on a daily
187 basis, but said that some members have voiced a concern regarding things posted in the
188 comment section. The Board agreed that the website is a valuable asset in terms of keeping
189 members informed, and discussed some potential changes, however decided to table the
190 matter until October for further consideration.

191

192 **Agenda Item #11. Health Insurance**

193

194 A. Non Tobacco Discount for Members who Carry City Health Insurance

195

196 B. Continuing Member's Dental and Optical when Medicare Eligible

197

198 This item was passed until next month due to Mr. Moore having to leave the meeting at
199 10:06 A.M. because he had another meeting to attend.

200

201 **Agenda Item #12. Fund Members Comments.**

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203 No Members present, other than Board Members.

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205 **Agenda Item #13. Other Business**

206

207 No other business to report.

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209 **Agenda Item #14. Adjourn Meeting**

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211 Upon conclusion of pension business, Mr. Harrod made a motion to adjourn the
212 meeting at approximately 11:15 a.m. The motion was seconded by Mr. Watson and
213 passed by a unanimous vote of the Board.

214

215

216 Respectfully Submitted,

217

218

219 Lee Harrod

220 Board Secretary

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