

MINUTES
Policemen's Pension and Relief Fund
Thursday, July 8, 2010

On Thursday, July 8, 2010 at 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
[00.00.00 into the pension audio]

Mr. Moore called the meeting to order at approximately 9:05 a.m., and certified that a quorum of the Board was present. The Roll Call was as follows:

PRESENT:	Bruce Moore	Chairman
	Sara Lenehen	Treasurer
	Farris Hensley	Secretary
	Lee Harrod	Member
	David Rowan	Member
	Don Wood	Member
	Steve Young	Member

ABSENT:

Also present were Mr. Bo Brister, Mr. Larry Middleton, and Mr. Alex Jordan, Stephens Capital Management, Financial Consultants for the Fund; Mr. John Petty, Dover Dixon Horne Law Firm, Legal Consultant for the Fund; Mr. Roger Smith, Government relations Lobbyist for the Fund; Mrs. Kathy Lindsey, Pension Fund Administrative Staff, and Rick Robinson of MetLife Investments.

Agenda Item #2. Notification of News Media.
[00.00.10 into the pension meeting audio.]

Mr. Moore stated the media had been properly notified in a letter dated June 23, 2010, to the Arkansas Democrat Gazette.

Agenda Item #3. Approval of June Minutes (not completed).
[00.00.16 into the pension meeting audio.]

Copies of the June minutes had not been previously submitted to Board members prior to the meeting because the pension staff had been directed by the Chairman to immediately stop the practice of providing assistance to the Secretary in their completion.

Item Not on Agenda. PRB letter to the Board and the Annual Report to the PRB.

[00.00.35 into the pension audio]

Mr. Young made a motion to suspend the rules and immediately discuss the issue of the PRB letter to the Little Rock Police Pension Board dated December 10, 2009, and the Annual Report submitted to the PRB due to their obvious importance to the Board and the fact that it did not appear on the Agenda. Mr. Hensley seconded the motion that passed by unanimous vote of the Board.

- A. PRB Letter to the Pension Fund — Mr. Young reviewed the facts and circumstances that lead to his awareness of the PRB’s determination that the LR Police Pension Fund was a “projected insolvent fund” (A.C.A. § 24-11-208) and that he had received an email from PRB Executive Director David Clark indicating that a letter had been sent to the pension board on December 10, 2009, that the Board never received. Mr. Young further stated that he, Mr. Hensley, and Mr. Harrod had attended the PRB meeting of December 8, 2009, that the letter from the PRB specifically identified that date as the date of the PRB’s determination, and that he had reviewed the PRB Minutes for that meeting and could not find any indication that such determination was ever made.

Mr. Young made a motion to send a letter of complaint about that matter to the PRB outlining the facts and circumstances of the failure of our fund to receive the letter from the PRB and request that, in the future, all such notifications be made by registered mail and email to ensure that all funds are properly and timely notified of such PRB determinations and that the Board send such letter by registered mail. This motion was seconded by Mr. Hensley but was tabled until the Pension Administrative staff could obtain a copy of the PRB Agenda for the December 8, 2009, at the request of Mr. Moore.

- B. Notification of Board on Annual Report to the PRB — Mr. Young then addressed the Annual Report filed by the Pension Administrative staff that he had become aware of through an email from the staff addressing another topic and that he had determined none of the police board members of the fund were aware of the report’s existence. Mr. Young asked Treasurer Lenehan under what authority or who’s authorization did she send the Annual Report to the PRB under that name of the Little Rock Police Pension Fund without providing notification of such event to the members of the Board. Ms. Lenehan responded that this is the way it had always been done.

Mr. Young made a motion that any future correspondence received or sent between the PRB and the Little Rock Police Pension Fund be immediately submitted to the members of the Board via email notification. The motion was seconded by Mr. Harrod and passed by unanimous vote of the Board.

- C. Information Contained in Annual Report to the PRB — Mr. Young then addressed a long-standing request of the Board that the Treasurer provide the pension board with information concerning the pension expenses and income minus the DROP which Mr. Lenehan had always claimed was not a “simple calculation” and “required an actuarial determination.”

Mr. Young stated the information was contained in the Annual Report filed each year by the Treasurer.

Mr. Young made a motion to direct the Treasurer to provide a monthly report that contained these amounts in her monthly financial report to the Board in accordance with the requirements contained in A.C.A. § 24-11-408(a). After considerable discussion and amendment to allow the Treasurer to make minor modifications to her financial statement made by Mr. Hensley, the motion was seconded by Mr. Harrod and passed by unanimous vote of the Board.

- D. Questions about Annual Report to the PRB — Mr. Young discussed several questions he had concerning the accuracy of the last Annual Report filed with the PRB. It was determined that he should come into the administrative staff's office to review these matters.

Agenda Item #4. Report from Stephens Capital Management.

[01.27.43 into the pension meeting audio.]

Mr. Brister, Mr. Middleton, and Mr. Jordan, Financial Consultants for the Fund, gave the June 2010 financial report and stated that on June 30, 2010, the market value of the total Fund was \$44,332,981 of which \$23,140,696.07 was allocated to DROP. This represents a decrease in the account balance of (\$844,460) since June 30, 2010. The component of this change was income of \$41,893.52 and net contributions/withdrawals of \$44,874.15. Additionally, \$598,910.54 was held in the Metropolitan Checking Account. The Funds overall market rate of return for the month of June 2010 was (1.96%) and (2.35%) calendar year to date.

The financial consultants recommended that the Board invest \$500,000 of its investments into a particular commodity but this issue was tabled until the next meeting to provide the Board members time to study the recommendation.

Agenda Item #6 [Out of Agenda Order]. Report from Dover Dixon Horne Law Firm.

[Mr. Moore went to this item on the Agenda due to the time constraints of Mr. Petty.]

[02.01.11 into the pension meeting audio.]

- A. Lawsuit Concerning Past Benefit Increases — Mr. John Petty, Legal Consultant for the Fund, reported that on June 30, 2010, the court heard oral arguments and allowed the other side to respond to issues raised that they had not previously addressed. He stated that once those briefs were submitted to the court, the judge will take the issue under advisement and issue a ruling at some time in the future.
- B.&C. Billing and Reimbursement to the Fund for Legal Services — Mr. Petty stated that on these issues, “We’ve talked about this uh, I’ve tried to address the issue as best I can. I’ve conveyed to Mr. Peace this Board’s request that he appear in person and address the issue and he has declined stating that he feels it has already been addressed. I’m sorry, I can’t give you a more satisfactory answer on that but that’s all I can say.”

- D. Over 20-year Service Bonus to Widows —Mr. Petty stated that it appears there are some conflicting statutes on this and that Mr. Peace had recommended an Attorney General's Opinion be obtained to provide guidance on this issue to the Board. Mr. Young stated that he had spoken with Mr. David Clark of the PRB who advised him that the PRB would ask their attorney to review this matter. It was determined that the Board will await the opinion of the PRB attorney before attempting to obtain an Attorney General's Opinion.
- E. Fee for Arrest Warrants — Mr. Petty stated that Roger Smith had pointed out that the statutes outlining the ability of the City to collect fees for serving warrants were directed at "Municipal Courts" rather than the current "District Courts" that he had not been able to locate anything that says the same holds true now that the Municipal Courts are District Courts and recommended an Attorney General's Opinion be obtained on this issue. Mr. Young stated that he had researched Arkansas Code and found A.C.A. § 16-17-132 that states at (a):

All fines, penalties, and costs received by the district courts shall be collected and distributed in the manner provided by laws affecting the former municipal courts, unless and until the General Assembly establishes a new method of distribution.

This item was tabled until the next pension meeting to provide Roger Smith time to contact District Court judges to determine how they handle the collection of fees in their courts.

Agenda Item #5 [Out of Agenda Order]. Report from Mr. Roger Smith.

[02.18.44 into the pension meeting audio.]

- A. Proposed Committee to Address Funding Issues — Mr. Smith, Government Relations Lobbyist for the Fund, spoke and recommended a minimum of five (5) members for the committee and a maximum of seven (7) members with at least one (1) coming from the city board and one (1) coming from the city staff. Mr. Moore stated he would like to see the committee meeting by September; however, this issue was tabled until the next Board meeting.
- C. Future Police Supplement [Out of Agenda Order] — Mr. Smith provided a little background and stated the main source for the police supplement funding was the auto insurance premiums, which are flat now because of the number of people who are not insuring their autos due to the recession.

Mr. Harrod then spoke and quoted from Jody Carriero's report to the PRB on the same topic that showed our future police supplement checks had decreased from \$767 last year to \$554.50 this year. And that amount had declined in past years after being split up over 1254 members statewide. Mr. Harrod had noticed that the Carriero report showed the LR Police Pension Fund with 336 members when we have only 314. This caused Mr. Harrod to doubt the accuracy of Mr. Carriero's figures used to calculate the other police department members statewide when computing the supplement funding.

Mr. Harrod also stated that on the police side of the Arkansas insurance premium tax funding there was \$25 million dollars available for distribution and only \$14.8 million of it was distributed with the remaining \$10.2 million (over 40%) going back to the State government with \$6.2 million of that money being used to fund the Arkansas State Police. However, on the Fire side, there was only \$20,753,000 available and over \$17.0 million was distributed leaving only approximately \$3 million (only 14%) being returned to the State government. That fact caused him concern over the obvious disparity in the formula used to determine the amount of distribution between the fire and police funds and the use of funds intended for municipal police departments being used to fund the Arkansas State Police.

- B. SB-178 Interim Study [Out of Agenda Order] — Mr. Smith reviewed the various aspects of the proposal on the LOPFI and PRB sides of the proposal. On the PRB side, Mr. Smith did not believe the Governor would want to give up the \$6.2 million funding source he has been taking from the Arkansas insurance premium tax funding for the Arkansas State Police but will have to “man up” if he wants to fix all of this.

Agenda Item #7. Report from Ms. Sara Lenehan.

[02.56.15 into the pension meeting audio.]

This item was tabled by Mr. Moore until the next meeting due to his need to excuse himself from the meeting to address an employee group.

Agenda Item #8. Report from Mr. Bruce Moore.

[02.57.26 into the pension meeting audio]

- A. Probation Fees Owed by City — Mr. Hensley asked Mr. Moore if the city had any plans to pay any additional amount of its \$500,000 debt to the pension fund? Mr. Moore stated they did not. Because Mr. Moore has long claimed the City had paid all they are required to pay of this debt under the statute of limitations as advised by the City Attorney, Mr. Hensley provided Mr. Moore with Attorney General’s Opinion #2002-324, which states that on amounts not paid into a pension fund, as required by A.C.A. § 24-11-413 [the applicable statute to this debt], “there is no time limit for the local fund’s attempt to recover the monies.” Mr. Hensley then suggested that Mr. Moore provide this Attorney General’s Opinion to the City Attorney.

Mr. Moore stated that it has long been his “official position as City Manager and Chair of this Board” that when the city has sufficient funds to repay this amount that he will do everything within his power to do so. Mr. Hensley replied that the City has an annual budget of over \$190 million with an under funded pension plan and it seemed to him that some effort could be made to repay the \$500,000 the city acknowledges they owe their retired officers. This matter was tabled until the next meeting.

- B. Administrative Secretarial Duties [03.07.22 into the pension audio] — Mr. Moore stated that City Employee Sharon Phillips was resigning her position with the City to seek private sector employment and asked Mr. Hensley if he had been able to locate anyone to help him

with completing the Minutes but before Mr. Hensley could complete his answer to this question, Mr. Moore left the meeting and appointed Mr. David Rowan to Chair the rest of the meeting. Mr. Hensley went on to state that our Pension Fund would miss the services of Ms. Phillips who was in the pension administrative staff and that he had determined that Ms. Debra Young, Mr. Young's wife, was interested in assisting with compiling the Minutes. Ms. Lenehan had previously recommended to the board that they discontinue the preparation of the Minutes but would handle the distribution of the monthly pension packet at no charge to the Board and that Mr. Hensley find someone else to pay to assist in his preparation of the Minutes. Mr. Hensley made a motion that the Board approve Ms. Young to assist with the Minutes for the same amount of \$250 monthly and authorize her to complete the past three (3) pension Minutes. Mr. Harrod seconded the motion and the motion was passed by unanimous vote of the Board with Mr. Young abstaining.

Agenda Item #9. Report from Steve Young.

[02.57.11 into the pension meeting audio.]

Mr. Moore tabled this item that involved the video streaming until the next meeting due to his meeting with an employee group.

Agenda Item #10. RFQ Process for Financial Advisor.

[02.56.28 into the pension meeting audio.]

Mr. Moore stated the presentation and interviews scheduled for the next day would start at 9:30 a.m., because one of the financial advisors had stated they would not attend.

Agenda Item #11. RFQ Process for Legal Counsel.

[02.56.49 into the pension meeting audio.]

Mr. Moore stated that August 6, 2010, is when the presentation and interviews are scheduled and a list of participants is in the Board's packet.

Agenda Item #12. Member Comments.

[02.54.59 into the pension meeting audio.]

[There were no members in attendance.]

Agenda Item #13. Other Business.

[03.13.12 into the pension meeting audio.]

Mr. Hensley asked when the Police Supplement Checks that Mr. Moore had said the City had just received would be mailed out to the membership. Ms. Phillips responded that the City would attempt to get them mailed out this month.

Mr. Hensley then stated that the Pension fund still did not have the DROP interest rates calculated by the PRB but he stated he had gotten with David Clark of the PRB who said Jody [Carrieo], State Actuary, had informed him that they would be out this weekend.

Ms. Lenehan made a motion [03.06.44 into the pension meeting audio] that the Board needed to remove Mr. Michael Strack, date of death 06-13-2010, with pension benefits of \$1,840.77, from the pension rolls and add his widow, Brenda Strack, effective 07-01-2010, in the amount of \$1,840.77, and also award the death benefits on behalf of Mr..Michael Strack of \$6,500. Mr. Hensley seconded the motion that passed by a unanimous vote of the Board.

Agenda Item #14. Adjourn Meeting.

[03.30.00 into the pension meeting audio.]

Upon conclusion of Pension Board business, Mr. Harrod made a motion to adjourn. The motion was seconded by Mr. Hensley and passed by unanimous vote of the Board at approximately 12:30 p.m.

Respectfully Submitted,

Farris Hensley
Board Secretary