

MINUTES
Policemen's Pension and Trust Relief Fund
Thursday, May 8, 2008
9:00 a.m.

On Thursday, May 8, 2008, 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.

PRESENT:	Bruce Moore	-Chairman
	Farris Hensley	-Secretary
	Sara Lenehan	-Treasurer
	Brad Furlow	-Member
	Lee Harrod	-Member
	Mike Lowery	-Member
	Albert Miller	-Member

ABSENT: None

Also present were Mr. Larry Middleton, and Mr. Bo Brister of Stephens Capital Management who are Financial Consultants for the Fund, Mrs. Erin Behring of the Dover Dixon Horne Law Firm who are Legal Consultants for the Fund, Mr. Roger Smith who is a Government Relation Lobbyists for the Fund, and Mrs. Kathy Lindsey who is the Administrative Technician for the Police Pension Fund.

Mr. Moore called the meeting to order at 9:00 a.m., certifying that a quorum of the Board was present, and that the Media had been properly notified in a letter of April 21, 2008 to the Arkansas Democrat-Gazette.

Copies of the April minutes had previously been submitted to Board members. Following their review, Mr. Harrod made a motion to approve them as submitted. Mr. Miller seconded the motion and it passed unanimously.

Mr. Middleton and Mr. Brister of Stephens Capital Management gave an April 2008 financial report, and said that on April 30, 2008, the market value of the total Fund was \$60,587,754. This represents a decrease in the account balance of (\$70,371.97) since March 31, 2008. The component of this change was income of \$61,548.00. There were net contributions/withdrawals of (\$2,389,939.). The Funds overall market rate of return for the month of April 2008 was 2.66%, and (1.50%) year-to-date through April 30, 2008. On April 30, 2008, \$24,011,703.38 was allocated to DROP.

Upon concluding the previous segment of the report, Mr. Middleton told the Board that the market is still trying to digest and quantify the issue on credit, that is continues to have implications world wide. Financial institutions are continuing to announce additional write-downs, meaning they have not fully quantified the amount of losses they are facing, because they may chose not to disclose the full amount at one time, simply may not know, or a combination of both. Mr. Middleton said that he does not believe that earnings are going to stabilize in the financial sector of the market until the third (3rd) or forth (4th) quarter of the year and that will be the earliest time there will be any sibilance of normality in regard to earnings.

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Mr. Brister reported concerning fixed income options, and said that approximately \$5,000,000 currently invested in certificates of deposits (CD) is "rolling over" during the month of May. He explained that the current rate of earnings on CD's had significantly declined, however as the credit cycle is beginning to unwind there are some buying opportunities in the financial cooperate services industries (high grade cooperate securities), that can earn in excess of six percent (6%) annually on some issues.

Mrs. Behring told the Board that both Mr. Overstreet and Mr. Peace were away, and unable to attend the meeting. In regard to the lawsuit concerning past benefit increases, she referenced the following e-mail report from Mr. Overstreet to the Board:

"Since our last meeting, opposing counsel and I have exchanged two sets of proposed stipulations with the goal being to determine what facts are not in dispute. Opposing counsel and I have discussed the possibility of submitting this case to Judge Kilgore on stipulated or agreed facts. At this time I am not optimistic that all the facts necessary for Judge Kilgore to make a decision can be agreed upon. I have approached stipulating to the facts of this case very carefully and will not enter into any agreement concerning the facts of the case without reviewing the facts and issues with the Board and the administrative staff. Currently, opposing counsel and I have found some facts we can agree on but most are still being discussed.

I expect that by the next Board meeting we will know what facts can be stipulated and which can't. I also expect that in the next sixty (60) days we will begin taking depositions of both the plaintiffs, their witnesses, and our Board members and our witnesses as I doubt that all the essential facts can be stipulated. As always, please let me know if you have any questions."

Mrs. Behring provided a brief preliminary report concerning State Statutes regarding potential exclusions from the ten percent (10%) of fines and forfeitures paid to Police Pension Funds, however said that more research has to be completed. She did report that specific State Statutory exclusions were found in regard to monetary penalties imposed by the courts of this state, court cost, restitution, and public service work supervisory fees. However, clearly no exclusion was found in regard to probation fees, and an Arkansas Attorney General opinion was found which supports the fact that the term "fines" is indeed broad enough to include probation fees. However, three (3) other specific fines were in question, and will require additional research. The matter was tabled until June.

Upon request from Mr. Moore, matters concerning reimbursement of dental insurance premiums, and ten percent (10%) of probation fees were tabled until June.

Previously submitted to Board Members were copies of the un-audited balance sheet report year-to-date through April 30, 2008. The report indicated that on April 30, 2008, the total account fund balance was approximately \$62,026,244.08, of which \$24,011,703.38 was allocated to DROP. The net (unrealized gain) increase year to date through April 30, 2008, was \$1,480,680.58.

Also previously submitted were copies of the April 2008 expense and legal fee report. Total expenditures excluding benefit related expenses, were \$4,643.71 for the month of April, and \$24,145.17 calendar year through April 30, 2008. Legal fee expenditures paid during the month of April 2008 were \$1,632.50, and totaled \$13,702.50 year to date through April 30, 2008.

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Following review of the April 2008 un-audited balance sheet report, and April 2008 expense and legal fee report, Mr. Lowery made a motion to approve the reports as submitted. Mr. Hensley seconded the motion and it passed unanimously.

Mrs. Lenehan informed the Board and stated that, "monthly meeting fees and benefits for internet services" to Board members (*payment to Board members for reimbursement of incurred cost*) would in the future have to be reported on a federal IRS 1099 form. Mr. Moore said that the IRS has begun to more closely scrutinize such cost, and that the overall issue in regard to all city employees is currently under review, and that no final decisions have been made. He did however; say that a policy for city employees will have to be developed in the future. Members of the Board asked Mrs. Behring to discuss the matter with Mr. Peace, and for him to be prepared to provide a report to the Board concerning the matter at the June meeting. The matter was tabled until June.

Mr. Smith reported concerning the following various legislative matters that had previously been discussed with the Board for consideration at the upcoming legislative secession:

The two issues involving insurance premium tax allocations are currently pending in the Local Police and Fire Retirement System (LOPFI), Interim Study Committee of which Mr. Hensley is a member. He (Mr. Smith) recommended that the matter be postponed until the committee concludes their work, and makes a final recommendation. First, of the two specific issues was to identify a portion of funding that could be used to financially assist Police Pension Funds who wish to voluntarily seek a three percent (3%) compound Cost of Living (COLA) merger with LOPFI. Second, was to increase the future police supplement paid annually by the State to all Municipal Police Officers. *Postpone action at this time.*

It has been determined that State Statutes currently provide for ten percent (10%) of all probation fees to be paid into the Police Pension Fund, therefore the matter should now be resolved at the local level or through the judicial system. *No legislative resolution is needed.*

Statutory authority to withhold renewal of drivers license until outstanding fines are paid appears to already exist, and needs to be resolved by working with local courts, that apparently can report individuals to the proper state agency. *No legislative resolution is needed.*

It has been determined that statutory authority currently exist for Police and Fire members to have their county real estate property taxes frozen in the same manner that currently exists for individuals on social security. The only requirement is for such individual to provide proof of the disability. *No legislative resolution is needed.*

Mr. Smith told the Board that he had scheduled an appointment later during the afternoon with a Legislator to discuss meeting with the Legislative Research Department, and began drafting bills in regard to, the following legislative matters:

Amend the current State Statute to make annual ethics reporting for Municipal Police Pension Fund Board Members consistent with State Ethics guideline reporting for other local, county, and State Boards and Commissions.

Amend the current State Statute, to provide specific language allowing stored property to be auctioned via internet sales.

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Amend the current State Statute to establish an effective date of July 1, 2007, in regard to benefits paid, to former spouses upon the death of a member, via Qualified Domestic Relation Orders (QDRO).

Mr. Hensley had previously submitted to Board members the following resolution to increase benefits:

It is hereby resolved by the Board of Trustees of the City of Little Rock Police Pension and Relief Fund to increase benefits, pursuant to A.C.A. 24-11-102, as amended, to present retirants, surviving spouses, members on DROP, and members who are continuing employment after DROP.

The Board of Trustees further proposes that actuarial services be secured through the Office of the Arkansas Fire and Police Pension Review Board. The Board hereby agrees to pay such charges and fees as are required by the Pension Review Board to cover the cost of such actuarial services.

Whereas, the City of Little Rock Pension Board of Trustees met on May 8, 2008, and adopted a resolution to increase benefits effective January 1, 2008.

Increase the monthly benefit of all current retirants, surviving spouses, members on DROP, and members who are continuing employment after DROP by an amount to be determined through a cash flow study, secured through the office of the Arkansas Fire and Police Pension Review Board.

Following a reading of the above referenced resolution into the minutes of the meeting, Mr. Hensley made a motion to approve the resolution as submitted, and explained that the cash flow study would first determine if the Fund could afford a benefit increase, and if so, then determine the amount of increase. Conversely, there would be no benefit increase if determined by the State Actuaries that the Fund could not afford an increase. Mr. Harrod seconded the motion, and the vote was recorded as: All Board members for the motion, with an exception of Mrs. Lenehan who abstained from the vote. The motion passed with an eighty-three percent (83%) affirmative vote. A seventy-five percent (75%) affirmative vote is required to pass such a resolution.

Mr. Harrod made a motion to approve up to \$1,000.00 for Mr. Miller to purchase a laptop computer, and printer that is required of Board members for email communications, and other pension related business. Mr. Lowery seconded the motion and it passed unanimously.

Mr. Donnie McHughes, a former Board member had requested to purchase the Pension Fund lap top computer that he had been using. Because the computer is approximately three (3) years old, there was a discussed concerning an appropriate price for Mr. McHughes to pay. Upon a recommendation from Mr. Moore, the Board decided to direct staff to ask the City Information Technology (IT) Department to value the equipment. The matter was tabled until June.

Upon conclusion of Pension Board business, Mr. Harrod made a motion to adjourn the meeting. The motion was seconded by Mr. Hensley and passed unanimously. The meeting adjourned at approximately 10:10 a.m.

Respectfully submitted,

Farris Hensley, Secretary