

MINUTES
Policemen's Pension and Trust Relief Fund
Thursday, May 14, 2009
9:00 a.m.

On Thursday, May 14, 2009 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
	Mike Lowery	-Member
	Lee Harrod	-Member
	Brad Furlow	-Member
	Albert Miller	-Member

ABSENT: None

Also present were Mr. Larry Middleton, Mr. Alex Jordan, and Mr. Bo Brister of Stephens Capital Management (Financial Consultants for the Fund), Mr. John Peace and Mr. Dean Overstreet of Dover Dixon Horne Law Firm (Legal Consultants for the Fund), Mr. Roger Smith, (Government Relation Lobbyists for the Fund), Mrs. Kathy Lindsey (Pension Fund Administrative Staff), Mr. Rusty Watson and Mr. Scott Timmons (Members of the Fund), and Ms. Janet Walker and Mr. John Shrewsbury (GenWealth Financial Advisors).

Mr. Moore called the meeting to order at approximately 9:08 a.m., certifying that a quorum of the Board was present and that the media had been properly notified in a letter dated May 6, 2009 to the Arkansas Democrat-Gazette.

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

Mr. Jordan gave the April 2009 financial report and said that on April 30 the market value of the total Fund was \$45,084,934, of which \$24,711,328.42 was allocated to the DROP. This represents an increase in the account balance of \$1,221,925 since March 31, 2009. The component of this change was income of \$138,536. There were net contributions/withdrawals of (\$66,323). Additionally, \$334,354.48 was held in the Metropolitan Bank Checking Account. The Funds overall market rate of return for the month of April 2009 was 3.19% and a negative (4.57%) year to date.

Mr. Jordan, Mr. Middleton and Mr. Brister reported on the financial markets, and said that although we have been in a recession for approximately seventeen (17) months, things should start improving in the next couple of quarters. Due in part to prior defensive posturing within the Funds portfolio, it has recently outperformed its index by approximately four hundred (400) basis points. They further explained that although the Funds portfolio experienced very good returns during April, real estate foreclosures are continuing to increase, therefore the Funds real estate allocation is a

persistent stress to the portfolio, and conversely however, the treasury market is much higher in yield than at the beginning of the year.

Mr. Smith reported concerning Senate Bill 178 and said that a meeting of an Interim Study Committee probably will not be set until the fall of 2009. He explained that the Governor has indicated that he will be appointing a committee to review Arkansas State Police funding, which often adversely impacts available funding for local Municipal Police pension funds. Upon a recommendation from Mr. Smith, Mr. Hensley made a motion for a letter to be drafted and sent to the Arkansas Fire and Police Board (PRB) on behalf of the Little Rock Police Pension Board under the signature of Chairman Moore, formally requesting that the PRB address the matter and communicate to the Governor a recommendation to have PRB representation on the committee. Mr. Furlow seconded the motion and it passed unanimously.

Mr. Overstreet reported concerning the past benefit increase lawsuit and said that he is continuing to work on the legal brief and it should be completed and filed during the month of June. He explained that the lawsuit is primarily about the interpretation of law rather than the factual aspects involved and that, Mrs. Sara Lenehan and Mr. David Rowan will be substituted as defendants in the place of previous Board members, Mr. Bob Biles and Mr. Albert Miller.

Mr. Peace reported concerning the issue of notifying members in regard to DROP interest payments. He explained that the PRB had passed a motion at its March 2009 quarterly meeting changing the procedure for calculating DROP interest. Generally, the motion mandated that retroactive to January 1, 2009, Drop interest would be calculated using a daily average balance for the calendar year of 2009, then applied to all accounts for the same calendar year period. The actual crediting of interest to DROP accounts would be done upon receipt of the 2009 certified interest rate from the PRB, received sometime after January 1, 2010. Additionally, Mr. Peace recommended that a letter be sent to DROP participants with anniversary dates in February and March explaining that the previously issued DROP statement indicating that their accounts would be credited 9.6% interest was in error, and that the previously referenced PRB adopted procedure would be implemented. There was a very lengthily discussion in regard to various aspects relating to implementation, however a final determination was not made, and the matter was tabled until June so that Mr. David Clark, Executive Director of the PRB, and their Actuary be in attendance and included in the discussion. The matter was then tabled until the June meeting.

Mr. Peace reported concerning the disabled child benefit application previously made by Mrs. Janet Wilson, and said that a letter had been received from a physician certifying that Jason Wilson, the son of deceased Retired Officer James Wilson is totally and permanently disabled. He (Mr. Peace) explained that because the child is over the age of eighteen (18) years, totally and permanently disabled, an Arkansas State Statute provides local Municipal Police Pension Funds with authority to approve or disapprove a life time benefit in the amount of \$125.00 monthly.

Mr. Miller made a motion to approve the disability benefit application of Jason Wilson. Mr. Hensley seconded the motion. During discussion, Mr. Lowery stated that he is certainly concerned for the child, however looks at it from a perspective of representing all of the Pension Fund members, and explained that just a short time ago they were unable to receive a previous PRB approved monthly

DRAFT

benefit increase of \$50.00 monthly because of the Pension Funds financial situation. Mr. Hensley said that he did not believe it should be considered a benefit increase, and that it is probably the first such application that has ever been received. He said that the vote would set a precedent should another such application ever be made. Mr. Moore indicated that he considered it a matter of policy and said that he did not want to be in a situation of having to disapprove a similar future application at a time when the financial condition of the Fund had improved because a precedent had previously been set. Mr. Scott Timmons addressed the Board and stated that as a retired member of the fund, he does not believe that \$125.00 monthly would be an extreme burden to the fund, and that the purpose of the Pension Fund is to provide for the welfare of its members. A vote was taken on the motion, and it passed unanimously with the exception of Mr. Lowery who voted against it.

Mrs. Lenehan submitted copies of the un-audited balance sheet report for April 30, 2009. Losses to the plan year-to-date through April 30, 2009 were *(\$5,037,021)*. The report indicated that as of April 30, the total account fund balance was approximately \$45,339,122 including DROP. The net over-all gain for the month of April was \$856,386.

Also submitted were copies of the April 2009 expense and legal fee report. Total expenditures, excluding benefit related expenses, were \$2,484.27 for the month of April, and \$16,418.56 calendar year through April 30, 2009. Legal fees totaled \$11,636.50 year to date through April 2009.

Following review of the April financial and expense reports, Mr. Harrod made a motion to approve them as submitted. Mr. Furlow seconded the motion and it passed unanimously.

Mrs. Lenehan reported concerning the matter of probation fee accounting from 1995, and said that calculation for the fees from January 1, 2001 through August 10, 2005 have been completed, and totaled \$94,780.68. Total fees collected from August 11, 2005 to current were previously calculated and deposited in the Pension Funds account. She explained that they are continuing to research calendar years 1995 through 2001, and the totals will be forthcoming. The matter was tabled until June.

Mr. Hensley made a motion to have a Local Police and Fire (LOPFI) consolidation merger study of the local Fund conducted because of legislation that had been enacted during the previous Legislation Secession. The legislation will allow local Police and Fire Pension Funds to retain all current reoccurring revenue streams that would, in effect, lower the Cities cost of consolidation. Following a brief discussion, Mr. Furlow seconded the motion and it passed unanimously.

The matter concerning a Presentation to the Little Rock City Board of Directors was tabled until information from the previously referenced LOPFI consolidation study is received. The estimated time to complete the study is approximately two months.

Mrs. Lindsey reported on the election results for Trustee position five (5), and told the Board that 210 ballots were received; 158 votes for Mr. David Rowan and 52 votes for Mr. Rusty Watson. Mr. Furlow made a motion to certify the election results and install Mr. Rowan in position five (5) on the Board. Additionally, to install on the Board by acclamation, Mr. Hensley in position number one (1)

and Mr. Harrod in position three (3) who ran unopposed. Mr. Lowery seconded the motion and it passed unanimously.

Mr. Harrod explained that on April 23, 2009, at 2:00 p.m. there was a meeting with Little Rock City Mayor Mark Stodola regarding funding of the Little Rock Police Pension Fund. Present at the meeting were Mr. Bruce Moore, Mr. Larry Middleton, Mr. Alex Jordan, Mr. Roger Smith, Mr. Farris Hensley, Mr. Mike Lowery and Mr. Lee Harrod. When asked, regarding the availability of federal stimulus funding for pension funds, Mayor Stodola said that he was not aware of any. During the meeting, Mayor Stodola indicated that grounds for litigation against the State of Arkansas possibly exist, due to the manner that is used in the distribution of collected state insurance premium tax funding to cities within the state.

At the current meeting, Mr. Harrod asked Mr. Moore if he would have the Little Rock City Attorney look into the matter because it was an issue that not only could provide additional funding to the City of Little Rock, but could also possibly provide an increased revenue stream for Police Pension funding. Mr. Moore told the Board that he does not want the matter to become just a City of Little Rock issue, rather prefers that it be "large city issue", and then explained that the Large City Advisory Group is looking into the matter. He said that he would keep the Police Pension Board informed of future developments regarding the matter.

There was a brief discussion regarding Tax Increment Funding (TIF), and upon a request from Mr. Harrod, Mr. Moore told the Board that he would provide the Board with a copy of Little Rock Port TIF district boundaries.

Mr. Miller who is leaving the Board indicated that he would like to purchase the lap top computer, and equipment that the Board had previously provided him. It was a consensus of the Board to allow him to make the purchase based on a previously established method of calculating depreciation. Mrs. Lenehan is to calculate the purchase price and have it communicated to Mr. Miller.

Upon conclusion of Pension Board business, Mr. Harrod made a motion to adjourn the meeting. Mr. Hensley seconded the motion, and meeting adjourned at approximately 11:09 a.m.

Respectfully Submitted,

Farris Hensley