

JOINT COMMITTEE ON PUBLIC RETIREMENT & SOCIAL SECURITY PROGRAMS

APRIL 20, 2015

MINUTES

The Joint Committee on Public Retirement and Social Security Programs met Monday, April 20, 2015 at 1:00 p.m. in Room 130, State Capitol, Little Rock, Arkansas.

Committee members present: Senators David Johnson, Senate Chair, Joyce Elliott, and Bill Sample. Representatives David Meeks, House Chair, Charles Armstrong, Lanny Fite, Bob Johnson, Jack Ladyman, Sheila Lampkin, Tim Lemons, Ron McNair, James Ratliff, and Dwight Tosh.

Call to Order

Representative Meeks called the meeting to order.

Review of Proposed Rule Changes Rule 10-3 (T-DROP) and Rule 11-1 (Survivor Benefits) Submitted by the Arkansas Teacher Retirement System (ATRS) –[Exhibit C, C-1]

Representative Meeks recognized George Hopkins, ATRS Executive Director. Mr. Hopkins discussed the proposed change to Rule 10-3 regarding T-DROP Cash Balance Accounts (CBA). Current ATRS members retiring from the T-DROP have the following choice of benefit options :

- annuitize the benefit for a higher monthly amount
- receive a one-time taxable payment
- transfer the benefit amount to a different retirement administrator
- establish a T-DROP CBA administered by ATRS

With approval of the change to Rule 10-3, interest will be credited monthly to the CBA accounts, beginning the month an account is established. Upon completion of setting up a CBA account, ATRS members will receive interest of 2% in the first full fiscal year of participation. The amount of interest will increase from 2% up to a total of 4% for completion of eight or more fiscal years. Mr. Hopkins said that the ATRS Board may periodically authorize a special ad hoc incentive payment for the CBA accounts, if it determines the payment will help retain existing T-DROP CBA account holders, and increase future participation. A motion that the rule change is reviewed was made by Senator Sample and seconded by Senator Elliott. The motion was adopted unanimously.

Mr. Hopkins said that a proposed change to Rule 11-1 references the repeal of numbering for a provision of ATRS related Arkansas Code Annotated rather than referencing a subdivision of a section of the Code. This will clarify identification of sections of the Code. A motion was made by Senator Sample and seconded by Senator Elliott that the rule is reviewed. The motion was adopted unanimously.

Review of Proposed Rule Change Regulation 408 (Regular Interest) Submitted by the Arkansas Public Employees Retirement System (APERS) [Exhibit D]

Representative Meeks recognized Gail Stone, Executive Director, APERS, to present a proposed rule change for APERS. Ms. Stone told legislators that the proposed change to Regulation 408 will clarify references in the Code to regular interest interspersed throughout the APERS related Code, primarily for purchases of service. In the past, the regulation specified the regular interest rate, when in fact it has always been the assumed rate of return for the retirement system. Going forward, the regulation will reflect the assumed rate of return as established by recommendation from the APERS actuary. This rate typically remains constant over a long period of time. Should any changes occur in the near term, the APERS Board will be able to reduce the interest rate to lower the amount of the purchase of service. A motion was made by Senator Elliott and seconded by Representative Bob Johnson that the rule is reviewed. The motion was adopted unanimously.

Summary of Request for Proposals (RFP) for Actuarial Firms, Selection and Awarding of contract [contained in binders]

Representative Meeks recognized Jill Thayer, Legal Counsel to the Director, Bureau of Legislative Research (BLR), to summarize the Request For Proposal (RFP) for actuarial firms to do work for the Joint Committee on Public Retirement and other legislative committees as needed. Ms. Thayer stated that the RFP was released March 20, 2015 and posted on the Office of State Procurement website with a deadline of April 6, 2015. She told legislators three proposals were received: They were Buck Consultants, Inc., Lewis and Ellis, Inc., and Osborn, Carreiro, and Associates, Inc. She referenced the committee member's binders containing copies of the proposals, plus a summary of each proposal, which she prepared, and pricing sheet. Representatives from the actuarial firms made presentations to the Committee. The goal of the Committee was to award a contract to one firm. Additionally, the Committee was asked to authorize the Committee Co-Chairs to approve the final form of the contract. Ms. Thayer stated that she will work with the selected firm in upcoming weeks to complete the contract based on the RFP. The contract will be presented for final approval to the Legislative Council during its meeting scheduled for May 15, 2015. Representative Meeks said the Committee will vote to award the contract following the presentations by the three actuarial firms. He then recognized Osborn, Carreiro and Associates, Inc.

Steve Osborn gave an overview of his firm's proposal. He referenced his summary, which he provided to committee members (Handout 1). Mr. Osborn believes his firm is the ideal choice as a consultant to the Committee with his firm's extensive experience in the public sector and the advantage of being located in the Little Rock area, enabling his firm to provide immediate and in-person assistance to the Committee as needed. He introduced Jody Carreiro who listed the reasons why Osborn, Carreiro and Associates would be the best choice:

- Previous work that has been performed by the firm over the preceding nine Arkansas legislative sessions
- Completion of detailed cost studies for as many as sixty pieces of legislation during a legislative Session, emphasizing the firm's capacity abilities

- Knowledge of Arkansas law and the state's public retirement systems
- Ability to meet with legislators on short notice
- Giving back to the state and community by being a local firm

Representative Meeks recognized David Dillon with Lewis and Ellis, Inc. in Dallas, Texas, who gave a Power point presentation. Mr. Dillon said that Lewis and Ellis is a large actuarial practice with four offices in Dallas, Texas. The office employs 20 actuaries across all disciplines who have broad experience with governmental agencies. Mr. Dillon said his firm can handle any actuarial question and provide assistance to the retirement systems. Lewis and Ellis has been the contractor for the Pension Benefit Guaranty Corporation (PBGC) since 2005. Lewis and Ellis is heavily involved with Medicare, Medicaid, and the Centers for Medicare and Medicaid (CMS). He said his firm will also be able to answer questions pertaining to health plan liabilities. Lewis and Ellis provides assistance to the Arkansas Insurance Department, beginning in 2005. The firm's role has expanded with the implementation of the Affordable Care Act (ACA). Incorporating legislative review, Lewis and Ellis advises and consults with the Arkansas Insurance Department on legislative items. Much of the firm's work is in healthcare reform, but its legislative intent is to provide objective analysis. Mr. Dillon said the advantages of Lewis and Ellis include:

- Extensive experience with large projects and government agencies
- The firm will provide a project manager to ensure work is completed in a timely manner
- The lead actuary will be in charge of certain areas of work responsibilities, manage retirement questions, social security disability questions, and other areas of interest

Representative Meeks recognized Buck Consultants, Inc. Pat McDonald introduced himself, Todd Kanaster, and David Driscoll. Mr. McDonald referenced his list of facts pertaining to his firm (Handout 2). He said his firm is based in Dallas, Texas with offices in Denver, and Houston. All of the firm's offices share a pool of expert retirement subject matter staff. Mr. McDonald said they propose to have the Dallas office be the lead actuary contact. David Driscoll stated that he serves as the National Public Sector Consulting Leader and said that public sector consulting is an important part of his firm's business. The firm represents retirement system clients in twelve states, including municipal, county, and state agency public retirement systems throughout the country. He stated his firm provides analyses of the impact of benefit design, the impact of changes in investment policy, and the impact of changes in plan provisions. Mr. Driscoll said the firm is well-suited for the contract work with a strong group of national subject matter resources. Todd Kanaster said he will be the supervising actuary for the contract.

A motion for the intent to award the contract to Osborn, Carreiro, and Associates, Inc. was made by Senator Johnson, Senate Co-Chair, and seconded by Senator Sample. The motion was adopted unanimously.

A motion to allow the Bureau of Legislative Research to negotiate the terms of the contract, and to allow the Co-Chairs to approve the final version of the contract was made by Senator Johnson, Senate Co-Chair, and seconded by Senator Sample. The motion was adopted unanimously.

There being no further business, the meeting adjourned at 2:25 p.m.