EXHIBIT C2
APPROVED DECEMBER 18, 2019

MINUTES

JOINT COMMITTEE ON PUBLIC RETIREMENT & SOCIAL SECURITY PROGRAMS

Friday, September, 6, 2019

The Joint Committee on Public Retirement and Social Security Programs met Friday, September 6, 2019, at 9:30 a.m., at the Hot Springs Convention Center, 134 Convention Blvd., Rooms 104-105, in Hot Springs, Arkansas.

Committee members present: Senators Bill Sample, Co-Chair; Senator Jimmy Hickey, Co-Chair, Lanny Fite (Alternative) Kim Hammer, Representatives Bruce Coleman, Les Warren, Chair; Harlan Breaux (alternate), Bruce Coleman, Brian Evans, (alternate).

Other legislators present: Senator Linda Chesterfield. Representatives Carol Dalby, David Fielding, and Danny Watson.

Representative Warren called the meeting to order and recognized Senator Sample for comments. He also recognized legislators, and the public retirement systems directors in attendance to do a brief introduction.

<u>Briefing and Review of Rule Changes Being Considered by the Statewide Public Retirement Systems</u>

Arkansas Public Employees Retirement System (APERS), Arkansas State Police Retirement Systems (ASPRS), and Arkansas Judicial Retirement Systems (AJRS)

Mr. Duncan Baird, Executive Director, Arkansas Public Employees Retirement System (APERS), was recognized and presented a PowerPoint presentation on the Arkansas Public Employees Retirement System: "Status of the System and Strengthening for the Future" [see APERS handout for more details]. Mr. Baird recognized staff members Ms. Jacobia, Twiggs, Outreach Manager, and Mr. Jon Aucoin, Communication Manager. Mr. Baird provided an overview and history of AJRS, ASPRS, and APERS.

Arkansas Judicial Retirement System (AJRS)

- Created in 1953 and governed by a 5 member board
- Active members – 139
- Retired members – 147
- Funding:
  - Employee contributions of 6% (Tier 1) or 5% (Tier II)
  - Employer contributions of 12%

- Transfers from the State Central Services and Constitutional Officers Fund to reach the actuarially determined rate necessary to fund the plan
- Funded level of 89%

Arkansas State Police Retirement System (ASPRS)

- Created in 1951 and governed by a 7 member board.
- Active Tier I members – 43
- Active Tier II members – 424
- Retired members – 724
- Funding:
  - Employer contributions of 22%.
  - Transfers from the Insurance Premium Tax to reach the actuarially determined rate necessary to fund the plan.
- Funded level of 72%

Arkansas Public Employees Retirement System (APERS)

- APERS was established in 1957 as a defined benefit plan for employees of the State of Arkansas, and serves state agencies, counties, municipalities, and other employers.

- Governed by a 9-member Board
  - 3 ex-officio members (State Treasurer, State Auditor, CFO of the State)
  - 3 state agency representatives
  - 3 non-state representatives

- Over 95,000 members
  - Retired, 37,389 (number of retirees growing)
  - Active, 46,205 (stable)
  - Deferred, 46,205

- Summary of Financial Condition
  - APERS Funded Ratio of 79% is above the national median of 72% for other public pension plans
  - Assets and Liabilit8ies (as of June 30, 2018)
    - Liabilities (present value of currently earned benefits) - $10.6 billion
    - Assets (investments) $8.4 billion – 79% funded
    - Unfunded Liability - $2.2 billion (amortized over 26 years)
  - Total benefit payments are growing each year. In 200l payments were less than $150 million. In 2018, they were approximately $530 million
  - Benefits exceeds contributions. Benefit payments were approximately $530 million in 2018, but employee/employer contributions were approximately $341 million.
  - 69.2% of APERS funding is from investment returns

- Liabilities are increasing at a steady pace, while assets are volatile. If assumption are not met, the cost of the plan could increase significantly

- Consideration when looking to the future
  - Small adjustments sooner can help avoid larger adjustments in the future
  - Work to minimize the impact to members
    - No reduction in previously earned service
    - No reduction to the amount of benefit currently received
  - Make changes that are equitable across generations
  - Study and learn from actions taken by other Arkansas pensions
- Bills discussed in the 2019, Regular Legislative Session
  - Final average salary: extend from 3 to 5 years for new employees
  - Multiplier: set at 1.8% for new employees
  - Employee contribution rate: raise to 6% for all employees
  - COLA: various proposals discussed

Mr. Clint Rhoden, Executive Director, Arkansas Teacher Retirement System, (ATRS), was recognized, and presented a PowerPoint presentation on the "Arkansas Teacher Retirement System" [see ATRS handout for more details]. Mr. Rhoden provided a brief overview, and stated the primary mission of ATRS is to recruit, retain, and reward lifetime, quality career educators.

- Governed by 15-member board of trustees
  - 11 elected by the ATRS members, and 4 serve as ex officio by virtue of their elected positions in state government
- Actuarial Status as of June 30, 2018
  - 80% funded
  - 28 year amortization period
  - Actuarial value as of June 30. 2018: $16.7 billion
  - Market value as of June 30, 2019: $17.6 billion
- Membership Data
  - Active members – 77,216
  - Retirees and Survivors – 50,083
  - T-Drop participants – 3,751
  - Working retirees – 4,003
  - Retirees 90-99 years of age – 976
  - Retirees 100 years of age or older – 31
  - Oldest retiree – 108 year old female
- Adjustments needed to keep a healthy system. Adjustments not fully implemented until July 1, 2022.
  - 5 year final average salary
  - 10-year quasi-vesting period

- Early retirement reduction increased to 10% per year
- Benefit stipend removed from base salary for COLA
- Benefit stipend reduced by $25/month
- Noncontributory multiplier reduced to 1.25%
- Outsourcing of school personnel surcharge up to 3%
- Member and employer contribution rates increased by 1%
- T-Drop amortization rate reduced to 3%

Mr. David Clark, Executive Director, Local Police and Fire Retirement System (LOPFI), and Fire and Police Pension Review Board (PRB), was recognized and presented a presentation on "LOPFI Benefit Recipients as of December 1, 2019 Payroll." [see LOPFI handout for more details]. Mr. Clark stated LOPFI is governed by a 7-member board of trustees and the Fire and Police Pension Review Board is governed by nine voting members. He stated LOPFI is in its 37th year of operation, and is still bringing in assets that are greater than what is being paid out. The system pays out approximately $120 million yearly in benefits, of which, 94% of those benefit payments remains in the state's economy. At the end of 2018, LOPFI was 76% funded. Notably, LOPFI has worked with the legislature and the Joint Retirement Committee during past legislative sessions to make adjustments to the benefit structure to ensure that career members have benefits for the remainder of their lifetime. Mr. Clark stated the board has formed a Disability Advisory Committee to discuss future plans of the benefit system.

Ms. Robyn Smith, Arkansas State Highway Employees Retirement System (ASHERS), presented a PowerPoint presentation on "Arkansas Department of Transportation." She stated in January, 2020, she will have 30 years with the Arkansas Department of Transportation (ARDOT), and is therefore, also looking forward to a pension. ASHERS is facing the same challenge as the other retirement systems; we have an ever-growing retiree population. Benefits are not aligning with current reality. People are retiring younger, living longer, and in turn retirement systems are paying out more than they originally planned. Since 1980, the average 65 year old retiree's life span has risen from 16.4 years to 19. 6 years. This means an estimated 38 additional monthly payment per retiree. This means that pension systems are paying out more, and forced to look for ways to cut expenses and increase cash flow so they can fund the lifelong benefits as promised. Ms. Smith gave a brief overview of ASHERS. She stated the following:

- Governed by a 7-member board of trustees
    - 5 are either active employees or retirees of ARDOT
- Approximately 7,353 members
    - Retired, 3,467
    - Active, 3,886
- Contributions and Payout
    - 2019 contributions, $28,531,322
    - 2019 payouts, $119,412,266

Ms. Smith stated ARDOT has taken the following action to cut expenses and increase cash flow so they can fund the lifelong benefits as promised.

- Annual COLA – Reduced from a compound 3% to a compound percentage based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) and capped at 3%
- Health Care Offset – Removed from inclusion in benefit total used to calculate the COLA
- Contributions – Increased
  - Employer rate increased from 12.9% to 14.9%
  - Employee rate increased from 6% to 6.5% in fiscal year 2020, and 7.0% in fiscal year 2021
- Interest Paid – Refund of contributions for non-vested members reduced from 5% to 3%

Financial Impact of Action Taken

- Reducing the annual COLA – Resulting in $70 million estimated reduction of unfunded liability
- Removing the Health Care Offset – Resulting in $5.5 million estimated reduction of unfunded liability
- Increasing the employer contribution rate – Resulting in $4.6 million increase in annual cash flow
- Increasing the employee rate – Resulting in $68 million projected reduction of unfunded liability over 10 years
- Reducing the interest paid for non-vested members – Resulting in estimated savings of $60,000 per year

Ms. Smith stated ASHERS is currently not pursuing any additional changes, they are waiting on an actuarial evaluation to see if additional changes are needed.

<u>Panel Discussion/Public Comments</u>

The following questions, comments, concerns, and requests were made by members of the public:

1. Is the retirement system considering a reduction in employer contributions in the future?

   Mr. Baird replied, at the August Board meeting, the Board members asked why in the past the employer contribution rate had gone down. There was a lot of runway to be covered with unfunded liability. The Board desires to maintain the employer contribution rate, therefore, currently has no plans for a reduction.

2. Has the unfunded liability payout period been reduced from 26 years to 24 years?

   Mr. Baird replied, the preliminary numbers showed the 26 years could be lowered to 24 years.

3. Currently, there are no board members elected by the membership. Does APERS support a change to include board members being elected by the membership?

   Mr. Baird replied, I am hired by the board and as far as the board's composition, this would be more of a policy question for the General Assembly.

   Senator Sample stated, this question was asked at yesterday's meeting, and we will consider looking at this issue.

4. We would like to hear from the consultant regarding the 2019, financial reports since there was an investment shortfall. Could that be arranged?

   Mr. Baird replied, our investment consultant speaks at every board meeting. They go over the quarterly results. Certainly at the next board meeting in November they will be there and we can ask them to address the FY19 numbers. I think our results were in line with other systems that have a fiscal year investment time period. Mr. Baird offered a copy of today's APERS's PowerPoint presentation, as it goes into great detail about the investment return.

5. People who are being laid off or forced to retire early are not receiving their annual bonus for the years they have worked. Those who have an anniversary date before September 30 will receive their bonuses, but anyone who has an anniversary after will not receive their bonus. I don't think this is right. I would like to know why. She stated she has sent emails to Senator Sample, Ms. Childress, the Governor, John Bridges, Director, Arkansas State Employees Association, and no one has provided an answer.

   Senator Sample stated he will try to get the audience member and answer to her question.

6. I am a member of APERS and it is obvious to me the big elephant in the room is not benefits paid out, but it is the return on a $9 billion portfolio for the last 5 years. I have a report prepared by Vanguard showing that for the last 5 years on a side-by-side comparison they could have saved APERS 5% on just the domestic portion of the portfolio - $3 billion out of the $9 billion. Mr. Baird stated a couple of weeks ago, he has a great deal of his personal assets with Vanguard. So my question is why you would not want to get Vanguard at least to present to the State how they could give you a 5% increase per year. They have managed many other big pension funds. They are the largest mutual fund in the world. So why would you not pursue their management of just the domestic equity portion (1/3) of the portfolio?

   Mr. Baird replied, as I mentioned at the Association of Arkansas of Counties meeting, I am very familiar with Vanguard. I use them personally for 401k and IRA's. So I am very interested, as expenses are very important whether it is on the investment side or administrative side. I am more than happy to meet with them and learn more about what they do for public pension plans. We do have a very important investment process. Our board members have a fiduciary responsibility and part of that responsibility is to take time to make sure they are focused on 20 years and 30 years and that is our goal from an investment perspective.

7. I have a question relating to page 22, on your first PowerPoint presentation. Pension investment risk data stops in the year 2015, but all the other data is based off 2018-2019 numbers. I was wondering do you have the actual pension investment rates based on current year-to-date data.

   Mr. Baird replied, I can get you more data on APERS actual portfolio and the standard deviation portfolio. Our Board just went through something they do every 5 years—the assets liability study where they look at the various assets classes. It contains very detailed information both on the current portfolio as well as other options they have considered. Referencing PowerPoint slide 22, is more of a national average or national median to demonstrate how things have changed. In the case of APERS, we do not have any private equity so that would be one difference between us and many other pension funds nationally, but we have many pension funds move from primarily fixed incomes to primarily other assets. Mr. Baird offered to provide information to the audience member.

8. Referencing ATRS presentation, slide 3. Two age spans were tracked, as well as the frequency of participants. Why is a longer life expectancy suddenly news in 2017?

   Mr. Rhoden replied, you cannot actually say that it is news. Everybody knows that medical advances are increasing and everybody is living longer. Nobody actually knows how long we are going to live. The actuaries are basically what I call the mathematical wizards and they are prognosticators trying to predict the future. Their predictions of it up until 2016 was a significantly shorter lifespan for everybody and that is what our long-term assumptions were based off, but in 2017, they told us we had to change to a new table. Our assumptions had to calculate for infinity basically—that we all were going to live longer and we have not had that assumption assumed yet. So it is a process that everybody kind of senses it, but it takes time before it actually gets baked into the formula. 2017 was the year it got baked into the formula where we had to take credit for it.

9. I have heard APERS called an agent system, and I saw graphs showing historical data that show an upward trajectory and widening gap with more retirees than active members. I also heard ATRS state that we have members who are in there 90s and up to108. We have increasing numbers of retirees in all of the groups because of a known generational statistic; baby boomers are our largest generation. We also know that a tipping point where baby boomers will no longer be the largest generation is expected. I would expect that a generational shift like this would produce an increase in average age among retirees and a decrease in the average age among active members in all of the retirement systems.

In those calculations for infinity, has the average ages of both retired and active members been calculated and has this expected tipping point been considered in calculating unfunded liability and the actual trajectory of income versus liability to inform considerations when looking to the future in calculating those amortizations?

Mr. Carreiro replied, Yes is the short answer, it is all cooked in and baked into that formula. What the actuaries do for each of the systems is based on the mortality, which goes all the way to when everybody is passed away and now includes an improvement so that there is an expectation and mortality will continue to improve at some rate. It has become more complicated the last few years, but it is a better model that goes all the way out for everyone. There is a point where this continually increasing benefits will began to flatten out and basically what will happen at some point in the future is that the new retirees that are being added to the system are going to become more closely equal to the folks that are dying and passing away out of the system, but that's all baked in. Mortality is only one of a whole list of assumptions that we have that takes that into account.

When I started doing actuarial work just over 30 years ago a 65 year old had a life expectancy of about 16 ½ years and today females are a little more. Today a 65 year old has a life expectancy of about 19 ½ years for males about 20 ½ years for females. That does not mean everyone walks up to the door of 85 and drops dead, what that means is that is kind of the middle. It means over half of the 65 year old population is going to pass 85 and so that's what's going on and pushing some of these things that you were talking about.

10. Mr. Rhoden, did I understand that you said what the legislature did in 2017, most of us just experienced on our check in July, and that you are not planning anything else in the near future –is that what I understand?

    Mr. Rhoden replied that is exactly right. We did some difficult adjustments and I can attest that our retirees felt it. We had to explain that to about 2,000 retirees. They had to take a $25 reduction from what they were expecting and we obviously got a lot of phone calls. The good news is that is the brunt of the reductions we are having to face in the future and we really want the reductions we already have in place or acted on based on the legislature empowerment. We really don't see a need to make any more reductions at this point.

11. If I understood correctly, you are not recommending any further changes at this time, you want to see what happens. Is the legislative body planning on doing any changes that have not been recommended by the ATRS at this time?

    Senator Sample replied, the only thing the legislative body does is carry out the wishes of the retirement systems.

12. I want to applaud the Board of the Arkansas Teacher Retirement System. You had to make some very tough decisions even with the active employees. There is a bigger penalty if you

retire with 25 years of service. Also, retirement benefits are based on your highest three years of salary, and I have no problem with this at all. These changes affected employees, but overall the board is making great decisions for our State. In addition, I want to make sure we keep our 15-member board intact. Most of them are elected by the body, and the director is appointed by the Governor. That is what we need.

13. I hope the legislative elected officials will respect our request to leave our structure (ATRS) in place as long as it works and the other systems find a way to make their systems work better.

14. When I'm comparing the other pension systems that have already taken the action the APERS system is proposing, what I don't see on the slide is any increase in contributions from the employers. What is the current contribution rate is for employers? Also, what are the specific COLA proposals are that will be considered.

    Mr. Baird replied, our current employer contribution rate is 15.32%, which is higher than the employer contribution for ASHERS and ATRS, LOPFI is more complex. The Board sets APERS contribution rate, the other systems' rates are set by statue. We were in a different position than they are. We have been at 15.32% for about 4 years now and it looks like through state fiscal year 2022 we will be at that same rate.

    Regarding the COLA, there were various items that were discussed, I think most of them tied back to the CPI in some way. It might have been the lower of 3% or CPI. I can get you a copy of the various things that our actuarial looked at as well as any legislation that was filed. The one bill that was run was by Representative House—I think his was the lower of CPI or 3%, if I remember correctly. The APERS COLA through 1999 was the lower of 3% or CPI, I think it was fixed at about 3% compound in 1999 statutorily.

15. I represent members of the Tier 2 State Police Retirement Fund. Currently, the State Police Retirement Fund is made up of Tier 1- which is about 40-plus members and Tier II currently is over 400 members. There are a couple of serious issues right now with Tier 2 retirement for state police. Currently, unlike everyone else in this room, a member of Tier 2 has to retire in 30 years versus the 28, which is a serious concern. I would like to know (1) is there any kind of movement toward changing that towards the 28 years versus the 30 and (2) there are no survivor's benefits in the untimely demise of my career, in order words if I die prior to retirement my wife would not receive my retirement benefits. Is there any movement toward any changes of that policy or rule?

    Mr. Baird replied, I am not aware of any movements, but there may be some things going on that I am not aware about at this point. Our benefits are all statutory, so from an administration perspective, we follow the statute, which is our guide. As it pertains to the state police survivor benefit. There is no automatic survivor benefit, but there is the ability to elect a survivor benefit.

16. Please consider the changes that you do make? Would you grandfather in those of us that are at least 61 years of age? We don't have an extra 30 years to work in the system to overcome any changes. If you would consider not making changes that would affect us financially this late in life I would greatly appreciate it.

    Mr. Baird replied, I think that is what we are really hear for is to get that kind of input so as we move forward we can think about ways we can minimize the impact of any changes, if there are changes. I will definitely keep that in mind, and all of the legislators hear today heard your comment as well.

17. This is a question for all of the retirement officials. On all of your slides, I saw that you're paying out a great deal and there was a large disparity between the pay-ins and the pay-outs. The slide I didn't see was how much return on your investments you are receiving to kind of close that gap. Also, how much is APERS average monthly payout to retirees?

    Mr. Baird replied, for our investment returns, I think it was slide 23, I showed the investment returns for the last 18 years. That kind of gives you an idea of where we fall in broad terms.

    The $1,200 per month –I think someone mentioned earlier and maybe yesterday it came up that our systems are very different and I don't have the exact numbers but when you look at APERS a lot of our membership is within maybe the first 7 years. I think we have a decent amount of turnover within our membership that might be different than say law enforcement or teachers so our average benefit does tend to be lower for various reasons. I think a lot of times it's simply because people may have less service and they may be choosing early retirement or they might be retiring at 65, but only have 7 years. I think part of that comes down to the calculation and the amount of service people have.

18. I know there are a lot of factors that go into benefit calculations. Do you have an average payout for someone that is fully vested that retires, and also what is the disparity between a retirement package for an APERS retiree in comparison to someone who is fully vested and retires from public service?

    Mr. Baird replied, for a state employee in one department verses one that is in another department, the formula would be the same, so it would typically depend on the years of service and the employee's salary. Public safety is different because a public safety person can be in another system in the case of state police. We administer that but it is a separate benefit from APERS.

19. A lot of APERS members feel like we don't have the representation as some of the other retirement boards do. Is there a movement or way that we can get more elected officials on our retirement board?

    Representative Les Warren replied, that was an issue that was mentioned in an earlier meeting. This is an issue the legislature will have to consider. However, Mr. Baird is working with the Board that he's been given.

20. What is the Retirement Committee's thoughts on providing methods to make benefits cuts to the Board with the ability to restore these funding levels if they improve?

    Senator Sample replied, I cannot speak for the entire committee, but I will speak for myself. I am not going to make any changes to the system. If the retirement systems ask for us to make a change then we will consider that, but as far as me arbitrary making some decisions like that, I will not.

    Representative Warren replied, I think that we have a really good working relationship with the directors of these different retirement plans and the Senator and I both spent time listening to them. We have great retirement plans here. They are all defined benefit plans, but if we are going to be successful we have to continue working together. In the package you received it shows that we are in the 2nd Quartile, we are not 1 of the 25% in the country so there is room for improvement. And what we want to do is address issues while we are still in a good position. So what we are trying to do is say we want to take care of these defined benefit plans but we want to try and make them stronger while we can. We are working very closely with this group to see what their advisors come up and then we can come up with a defined plan. We are not trying to take anything away from you, we are trying to strengthen these plans so that they are here for you as long as you retire and for the new people that come behind you when they retire. That's why your input is so important today.

    Senator Sample replied, it is our vision that in 2020, we will come back to you with whatever the systems have come up with and explain to you what their decisions are so that there will be no surprises. We want to have the majority of our work done before we go into the 2021 legislative session.

21. With APERS at 79% funded and the national median being 72% and the other Arkansas pension plans not exceeding 80%, what are the characteristics of those public pension plans that are above or closer to 100% that you are studying. What are those studies going to include?

    Mr. Baird replied, so for example when I mentioned look at what the other Arkansas pensions have done, I believe a gentleman earlier had mentioned for ATRS they phased in the 3 to 5 years final average salary. I think they did it in a way to minimize the impact to members. So the suggestion I had was to look at how other Arkansas systems have already made some changes that strengthened the plan, but do it in a way that has minimal impact.

22. Looking at active members, historically have active members increased or decreased in the last 10 years? This information can provide us with a trend.

    Mr. Rhoden replied, I've been employed at ATRS for about 18 years, and I have looked at data of our active teachers and it is kind of a complicated answer. We use to count all the substitutes at the schools as members, but because of outsourcing those substitutes are not members anymore. So there was kind of this dip in our active member counts when that trend started. For the longest, I basically had 75,000 active members in our statistics. For the past 10 years that's been a true number. The number I have this year is 77,000. So if we are a growing state, a growing population, that means more children, that means more teachers. We actually could see an increase in active educators which would actually be a boom to the system. Hopefully, that turns out.

23. What is the industry standard as an acceptable level of funding? We have talked about those numbers and I think it was stated already, but with us being at 79%, give or take, what is industry standard of what is considered good and healthy?

    Mr. Baird replied, I think that is a really complex question because every plan is different and there is a lot of assumptions that go into all of the actuarial components, so I don't know if that might be something that Jody will have a comment on.

    Mr. Carreiro stated, there is not a standard. Everybody used 80% for a long time as a place to be, but that's not really it. Let me explain why. Let's say you bought a new home and you put 25% down, your home is only 25% funded, but you can afford your house payment and you're making your house payment every month and you still got money to spend, everything's fine and you're only 25% funded. But let's say I have 80% of equity in my house, but I can't make my house payment. Which one of us is better funded; you are not me. So there's a certain amount of that which goes along with the pension plans as well. They all have a goal to be 100% funded, but where they are funded is partly a function of what they are putting in and how much of a contribution they are making. Are they keeping up with that? Those states that we looked at that are very well funded have funded at and above the recommended contribution for 30 to 40 years. They didn't do that overnight. They've more than paid their house payment for 30 to 40 years. Well what happens when you more than pay your house payment for 30 years, you pay off your house early. So it is more of a function with balancing those things. It is not a standard that everybody matches.

24. One of those things that was pointed out in Director Baird's presentation was that the last time the system was funded at 100% was in 2000-2001, which we had that economic downturn, but at the same time there was also the leadership of APERS and the government in general that started a process of making small business loans from those funds, which turned out to be a poor investment because the majority of those investments towards the small business loans failed. Director Baird were you aware of those bad investments that impacted our system?

    Mr. Baird replied, I was not aware of those bad investments. I can certainly do some research and see what I can find on that. I am very familiar with the returns and I think we are all familiar with the tech level and the great recession.

25. The legislative package in the 2019 session was aimed at the employees. Why were none of those changes directed at the employers if we share that responsibility? And the follow-up to that would be moving forward and considering the changes that are being discussed, will the burden be shared with the employers as well as the employees?

    Mr. Baird replied, I can't say why at that point in time one decision was made versus another. The Board controls the employer rate, which has increased over time. I think for many years it was at 10%, so it's up over 50%.

26. You have retirees that were under the "good old boy system" and so they are making more in retirement than what some of us are making in actual working salaries. If APERS is already in a losing situation as far as having more people drawing benefits, than benefits paid in, then you can't make changes to the retiree side without making changes to the employee side, particularly as it relates to the COLA.

    Mr. Baird replied, our COLA is statutory and set in law so we're administering the COLA based on how the plan is designed in the law. In the case of the state employee COLA, that is based on the state's pay plan, so in some ways those are very disconnected from how they operate and how they are enacted, but of course the legislature deals with both of those things.

    Ms. Robyn Smith stated, ASHERS was having the same issue when retirees got a COLA and the active employees did not, and this was an issues that weighed upon ASHERS. ASHERS in the last two years has engaged in an employee system for raises that are performance based. The other state agencies are also participating in this performance based raise initiative to raise employee salaries.

27. I would like to thank Senator Sample for his public statement on his position of "no change to the system" from his personal standpoint. I would encourage other elected representatives to express their position as well.

28. **Senator Hammer directed his question to Mr. Carreiro**. There are various state retirement systems that are producing various results and experiences. What should we be doing to hold the system that are not performing accountable?

    Mr. Carreiro replied, I don't have any suggestions at the moment. There are much better databases now than there has been in the past to compare plans all over the country and they are different. Plans that fund the recommended amount or more over time are the best funded plans. Rate returns do matter and all the plans are doing their best at that and they continue to adjust and improve, but the number one indicator of a plan that is in good shape is a plan that is consistency well-funded.

    Senator Chesterfield thanked the participants for attending the meeting**.** She stated one of the things that concerns her as a member of ATRS is the continued dwindling of the numbers that go to sustain the system. Every time administrators decide to outsource service like bus drivers and substitute teachers, they diminish the system. So if you're interested in maintaining the system let's make decisions predicated not just on today and what's convenient, but for the longevity of the system.

There being no further business, the meeting adjourned at 11:30 a.m.