

JOINT COMMITTEE ON PUBLIC RETIREMENT & SOCIAL SECURITY PROGRAMS

JANUARY 7, 2016

MINUTES

The Joint Committee on Public Retirement and Social Security Programs met Thursday, January 7, 2016 at 10:00 a.m. in Room 130, State Capitol, Little Rock, Arkansas.

Committee members present: Senators David Johnson, Senate Co-Chair, Joyce Elliott, Bruce Maloch, Bill Sample, and Larry Teague. Representatives David Meeks, House Co-Chair, Charles Armstrong, Karilyn Brown, Gary Deffenbaugh, Lanny Fite, Douglas House, Bob Johnson, Jack Ladyman, James Ratliff, and Dwight Tosh.

Other members present: Representatives Scott Baltz, Bruce Cozart, Charlotte Douglas, Kenneth Ferguson, Charlene Fite, Bill Gossage, David Hillman, Frederick Love, James Sorvillo, and Micah Neal.

Call to Order

Senator Johnson called the meeting to order.

Approval of Minutes – April 20, 2015

A motion to approve the minutes of the April 20, 2015, meeting of the Joint Committee on Public Retirement and Social Security Programs was made by Senator Elliott and seconded by Senator Sample. The motion carried.

Review of Rule Changes Proposed by the Arkansas Teacher Retirement System (ATRS)
[Exhibit D]

Senator Johnson recognized George Hopkins, Executive Director, ATRS. Mr. Hopkins reviewed the following ATRS Board proposed rules:

Rule 4.1 An amendment to Rule 4.1 is proposed to reflect legislation enacted in the 90th legislative Session. The amendment will make ATRS employees ineligible to serve on the ATRS Board to avoid any conflict of interest.

Rule 5.4 A change to Rule 5.4 is proposed to allow the ATRS Board to make changes to investment goals and guidelines through a motion by the ATRS Board.

Rule 5.6 A change to Rule 5.6 is proposed to provide consistency as it relates to changes proposed in Rule 5.4.

Rule 8-1 A change to Rule 8-1 is proposed regarding verification of the purchase of service and refunds by certified teachers in private schools. Verification was previously

performed by the Arkansas Department of Education. The change proposed in Rule 8-1 would provide for verification to be performed by the ATRS Board.

Rule 8.7 A change is proposed to Rule 8.7 to comply with legislation passed during the 90th legislative Session regarding free service for specific members of the military.

Rule 9.2 A change is proposed to Rule 9.2 to reflect legislation enacted in the 90th legislative Session to allow the ATRS Board to set a De Minimis amount when making adjustments to retirement benefits, either plus or minus.

Rule 9.4 A proposed change to Rule 9.4 would address the disability status of retirees. Members of ATRS, under the age of 60 and on disability for a total of three years, will be required to provide documentation showing they are on Social Security Disability. Or, show they are in the process of obtaining Social Security Disability. The proposed change reflects changes in the ATRS disabilities law.

Rule 10.3 A proposed change to Rule 10.3 will affect ATRS members in the Teacher Deferred Retirement Option Plan (T-DROP). The proposed rule will address active employees who seek to temporarily leave the system. These employees would receive only interest on their account during their absence. ATRS believes this will act as an incentive for employees to delay retirement.

Senator Johnson said the rules are considered accepted as reviewed without objection.

Discussion of the Submission of Names to the Governor by Senator Johnson and Representative Meeks, Co-Chairs, for the Arkansas Local Police and Fire Retirement System (LOPFI) Board of Trustees for the Position of the Retired Municipal Police Representative and for the Position of the Retired Municipal Firefighter Representative [Exhibits E, E-1]

Senator Johnson told committee members it is the responsibility of the Committee Co-Chairs to submit names to the Governor for consideration for certain appointments to the LOPFI Board of Trustees. Senator Johnson recognized David Clark, Executive Director, LOPFI. Mr. Clark referenced two letters provided to members from LOPFI on behalf of the Board of Trustees. The letters request consideration of reappointment of two members for two positions to the Board of Trustees. Mr. Clark said there are seven LOPFI trustee positions, one active police officer, one active firefighter, one retired municipal police officer, one retired municipal firefighter, two employer representatives, and one public representative. The LOPFI Board is requesting recommendation by the Committee Co-Chairs for two of the trustee positions, the retired municipal police officer and the retired municipal firefighter. Mr. Clark said the position recommendations are for reappointments of the current trustees. Mr. Jack "Tim" Hill was appointed to the retired municipal police trustee position in November 2012. Mr. Hill has requested reappointment. Retired Chief John Neal was appointed to the retired municipal firefighter trustee position in August 2012. Mr. Clark said Chief Neal also serves on the LOPFI Audit Committee, and Administrative Services. Mr. Clark said the LOPFI Board is

asking that both Mr. Hill and Chief Neal be considered for reappointment. A motion to accept the LOPFI Board recommendations for reappointment by the Co-Chairs and forwarded to the Governor was made by Representative Ladyman and seconded by Senator Elliott. The motion carried unanimously.

Discussion and Action Regarding the Submission of Names to the Governor by Members of the Joint Committee on Public Retirement for the Public Representative Position to the Arkansas Fire and Police Pension Review Board (PRB) [Exhibit F]

Senator Johnson recognized David Clark, Executive Director, PRB. Mr. Clark said the PRB Board is requesting that Mr. Buddy Ledford be considered by the Committee for reappointment to the Public Representative Trustee position. Mr. Ledford was originally appointed to the board in February 2008. Mr. Clark said that Mr. Ledford has served for 45 years in the banking industry and currently serves on the PRB Board and Audit Committee. A motion to accept the PRB recommendation of the reappointment of Mr. Ledford by the Committee and forwarded to the Governor was made by Senator Sample and seconded by Representative Bob Johnson. The motion carried unanimously.

Review of the Summary of the Actuarial Valuation Data and Results for the Local Fire and Police Pension Funds as of December 31, 2014-Reviewed by the PRB, and the Local Plan Actuarial Valuation Referenced in the Summary [Exhibit G]

Senator Johnson recognized Jody Carreiro, Actuary, Pension Review Board (PRB). Mr. Carreiro said that Osborn, Carreiro, and Associates provide actuarial services to the local Fire and Police Pension funds, which includes the closed fire and police funds. The local Fire and Police Pension funds were closed to new members on December 31, 1982. All local police and firefighters hired in 1983 and since then are now members of the LOPFI plan. Mr. Carreiro reviewed highlights of the summary report which was provided to members. There were originally 300 local funds sponsored by cities throughout the state. Currently, 124 plans remain under local control with local boards in their respective municipalities. Mr. Carreiro said that 150 plans have consolidated with LOPFI for administration of their funds by LOPFI. The consolidation of a local fund is only required when there are no longer enough people to comprise a board, which is less than five members. Approximately 2,500 people are covered under the local plans. Mr. Carreiro referenced the first page of the summary report, which lists required contributions covering 40% of paid members and 70% of volunteers. Mr. Carreiro said state law requires a matching contribution to the old fire and police plans and the closed fire and police plans. However, since all of the members are retired, there are no matching contributions. He said some municipalities have a dedicated local millage for the fire and police funds, but not all cities have levied this millage. The summary report lists the assets and liabilities of the local plans with \$181 million in unfunded liabilities.

Mr. Carreiro then referenced page 15 of the summary report and discussed implementation of the new standards of the Governmental Accounting Standards Board (GASB). Part of the GASB rules is the projection of cash flows. He said because calculations are required, the PRB Board allowed their actuary to combine cash flows

with risk factors. He described data found on page 15 of the report, which contains the market value and assets, the unfunded liability, the number of people covered, and the funding status. The funding status is aligned with the year's projection for when the fund will reach a crossover point, GASB terminology for when the fund will run out of money. Plans with an asterisk indicate funds with enough money for the long term. For plans with a projection of less than 10 years of funding, the PRB and the actuary provide assistance to those fund plans with information, additional calculations, and methods to avoid becoming insolvent.

Legislators discussed the underfunded plans and what authority, if any, the PRB has to encourage or mandate cities to pay retirees' benefits should a plan run out of money. Mr. Carreiro said the PRB does not have the authority to require cities to pay benefits. But, current state law and constitutional law would address these issues.

There being no further business, the meeting adjourned at 11:10 a.m.