

**PUBLIC EMPLOYEES RETIREMENT SYSTEM  
MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES  
SPECIAL EDUCATIONAL SEMINAR  
WEDNESDAY, JANUARY 17, 2018**

The Board of Trustees of the Arkansas Public Employees Retirement System held a Special Educational Seminar beginning at 9:00 a.m. and concluding at 3:00 p.m. on Wednesday, January 17<sup>th</sup> at the Association of Arkansas Counties.

**BOARD MEMBERS PRESENT:**

Mr. Larry Walther, (Ex-Officio Member), Vice Chair, DF&A  
Judge David Hudson, (County Employee), Fort Smith, AR  
Mr. Steve Faris (Retired State Employee), Little Rock, AR  
Ms. Candace Franks (State Employee Member), Little Rock, AR  
Mr. Dennis Milligan, (Ex-Officio Member), State Treasurer  
Ms. Gail H. Stone (Executive Director), APERS

**BOARD MEMBERS ABSENT:**

Mayor David Morris, (City Employee), Searcy, AR  
Ms. Carol Bevis, (Other, Non-State Employee), Little Rock, AR  
Mr. Daryl Bassett (State Employee Member), Sherwood, AR  
Hon. Andrea Lea, (Ex-Officio Member), State Auditor

**ADDITIONAL VISITORS PRESENT:**

Mr. Ryan Ball, Callan Associates, Inc.  
Ms. Brianne Weymouth, Callan Associates, Inc.  
Mr. David Hoffman, Gabriel Roeder Smith  
Mr. Mita Drazilov, Gabriel Roeder Smith  
Dr. John Shelnett, AR Department of Finance & Administration  
Mr. Jason Brady, AR Treasurer's Office  
Sen. Joyce Elliott, Joint Retirement Committee  
Sen. Larry Teague, Joint Retirement Committee  
Rep. Doug House, Joint Retirement Committee  
Rep. Ron McNair, Joint Retirement Committee  
Rep. Johnny Rye, Joint Retirement Committee  
Rep. Charlene Fite  
Rep. Roger Lynch  
Rep. Jon Eubanks  
Ms. Robin Smith, ASHERS  
Mr. Wade Marshall, AR Police & Fire Fund  
Ms. Barbara Brown, Bureau of Legislative Research  
Ms. Wanda Maness, Bureau of Legislative Research

**STAFF PRESENT:**

Mr. Jay Wills, APERS Deputy Director  
Mr. Carlos Borromeo, APERS Chief Investment Officer  
Ms. Jessica Middleton, APERS General Counsel  
Ms. Linda McGrath, APERS Administrative Specialist

**NEWS MEDIA NOTIFIED:**

A letter of notification of the Arkansas Public Employees Retirement System Board meeting was sent to the Arkansas Democrat-Gazette, the Associated Press, Television Station KLRT/FOX16, Radio Station KARN, and Radio Station KAAZ. This letter of notification is pursuant to A.C.A 25-19-101 (Act 93 of 1967) as amended -The Freedom of Information Act.

**WELCOME:**

Vice-chair Larry Walther welcomed everyone to the Educational Seminar and explained that Mayor Morris, the Chair, was unable to attend at the last minute due to his responsibilities in Searcy.

INVESTMENTS 101 – Presented by Mr. Ryan Ball and Ms. Brianne Weymouth of Callan Associates

Mr. Ball and Ms. Weymouth took turns describing the Investment Consultant's duties and how they assisted Trustees in managing their portfolios. They covered such areas as:

- Investment Terminology
- Asset Allocations
- Risk vs. Reward
- Individual Manager Evaluation
- Callan's Manager Search Process

Finally, they fielded a variety of questions from the audience including a query from Sen. Joyce Elliot on how Callan identified and handled Minority, Women and Disabled-run companies.

LUNCH

ACTUARY 101 – Presented by Mr. David Hoffman and Mr. Mita Drazilov of Gabriel Roeder Smith and Company

Mr. Hoffman and Mr. Drazilov gave a broad overview of the Actuary's role in any retirement system. Beginning with the difference between Defined Benefit (DB) plans and Defined Contribution (DC) plans, the actuaries reviewed the mathematics involved in the basic retirement funding equation:

$$C + I = B + E$$

(Contributions + Investments = Benefits + Expenses)

Continuing on, they explained Actuarial Assumptions, Employer Normal Costs, Funded Ratios, Experience Studies and how to read an Annual Valuation Report. Judge Hudson commented that over the past several years, the Employers had borne the brunt of rising costs due to lowering the expected investment returns and said it might be time to consider reducing benefits.


Ms. Stone discussed the effects paying Compound Interest vs. Simple Interest on Retirees' annual COLA. Mr. Faris commented that APERS should consider a simple COLA like ATRS had, or phasing in the employer contribution increase as possible tweaks.

Rep. House pointed out that the definition of "Trustee" demanded that they maintain a 100% fiduciary responsibility for the current and future members of the plan. There is no duty to the employers, staff, general public or anyone else outside plan's beneficiaries and members. The Legislature might have to consider funding issues to maintain "generational equity". He complimented the APERS Staff for coordinating such an informative session and he was pleased with the amount of dedication and devotion shown by the Trustees and acknowledged that there would be some hard decisions to be made in the future.

Vice-chair Walther thanked everyone for taking time out to attend this important and informative seminar.

NEXT QUARTERLY BOARD MEETING:

The next quarterly meeting of the APERS Board of Trustees is scheduled for Wednesday, February 14, 2017 at 9:00 a.m.

  
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Mayor David Morris, Chair

  
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Ms. Gail Stone, Executive Director