

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
ARKANSAS STATE POLICE RETIREMENT SYSTEM
FEBRUARY 16, 2017**

The regular meeting of the Board of Trustees of the Arkansas State Police Retirement System was held on Thursday, February 16, 2017 at 10:00 a.m. in the Arkansas State Police Commission Room at the State Police Headquarters, #1 State Police Plaza Drive, Little Rock, Arkansas. Lt. Brant Tosh presided.

QUORUM PRESENT:

Lt. Tosh recognized the presence of a quorum.

BOARD MEMBERS PRESENT:

Lieutenant Brant Tosh, *Chair, ASP Tier II*

Lieutenant Ben Cross *ASP Tier I*

Mr. Donny Underwood, *Citizen at Large*

Dr. John Shelnett, *Designee for Mr. Larry Walther, Director Dept. of Finance & Administration*

BOARD MEMBERS ABSENT:

Mr. Joe Miles, *Citizen at Large*

Mr. Carl "Ned" Hendrix, *Vice-Chair, Citizen at Large*

Mr. John W. Allison, *State Police Commissioner*

VISITORS PRESENT:

Major Forrest Marks, ASP

Mr. Ron Stayton, ASP

Ms. Gloria Cook, ASP

Ms. Sherry Woods, ASP

Mr. Mike Kennedy, ASP

STAFF:

Ms. Gail H. Stone, Executive Secretary, Arkansas State Police Retirement System

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

MINUTES:

A copy of the Minutes from November 17, 2016 was mailed to each Trustee prior to the meeting. Ms. Stone noted that Commissioner Allison's name had been dropped from the roster above and directed that it be added back. Lt. Cross motioned for the November Minutes to be adopted with the correction. He was seconded by Mr. Underwood and the motion passed.

SUMMARY OF RETIREES & BENEFICIARIES:

December – Mark Willis
Ronald Robinson, Disability
Nicholas Holley, Disability
Iva Jones, Beneficiary of Robert C. Jones

January – Victor Coleman, DROP Participant Retiring
Jackie Jones

February – Joyce Pattillo, QDRO of Conrad S. Pattillo
Jeanne Hill, Beneficiary of Thomas M. Hill
Gloria Chancellor, Beneficiary of Jerry H. Chancellor

DROP APPLICATIONS:

December – Karen Clark

January – David Moore

REQUEST FOR DISABILITY:

TFC Brian Burke (April 1, 2017)

The request for disability was examined by the board and after a short discussion Lt. Cross motioned to accept the doctor's reports and acknowledge that TFC Brian Burke was eligible for disability, beginning April 1, 2017. Mr. Underwood seconded the motion and it passed unanimously.

QUARTERLY REPORT FOR THE PERIOD ENDING DECEMBER 31, 2016 – Presented by Ms. Gail Stone, APERS Chief Investment Officer

Ms. Stone reviewed the last quarter's investing environment. She noted that the Federal Reserve had finally raised their target by 25 basis points. Inflation is starting to pick up and the 10-year Treasury Notes are trading at around 2.5%, which is a significant increase. Financials were the best performers during what could best be described as tumultuous quarter. International equities did well, but the strong dollar wiped out most profits.

Asset Allocation is close to the target, with the slight overweight in Domestic Equity coming from strong "post-election" stock market movement.

The Fund handily outperformed the policy target last year earning 7.29% and over the last 5, 7 and 10-year periods it had a strong showing against its peers, finishing easily in the top half or better. For the quarter, returns were flat with just a 0.01% increase.

APERS Trustees terminated Lombardia Capital at the previous day's meeting citing poor returns and organizational problems. This Domestic Equity manager has been losing assets rapidly and APERS' Board motioned to move the roughly \$419 million portfolio into an Index Fund. Other changes approved by the Trustees were folding Arkansas Energy into the Global Energy portfolio (both managed by CastleArk) and a guideline change allowing CastleArk to opportunistically short exchange-traded funds to dampen the volatility if oil suddenly drops, giving them a more defensible posture.

Renewal of Professional Service Contract

Ms. Stone reminded the Trustees that Professional Service Contracts were normally reviewed and renewed at the February meeting. ASPRS has only one contract: actuarial services supplied by Gabriel Roeder Smith. Their projected fee to be paid for Fiscal Year 2017-2018 was \$88,100. Mr. Underwood motioned to approve the service contact and was seconded by Dr. Shelnett. Motion passed.

FINANCIAL STATEMENTS FOR THE QUARTER ENDING SEPTEMBER 30, 2016:

ASPRS portfolio ended the calendar year with a Market Value of \$275.2 million. Over the last six months, the fund has paid out over \$12 million in benefits. Ms. Stone added that as of a February 15, 2017, the ASPRS portfolio had hit a new, all-time high \$282 million.

OTHER BUSINESS:

Litigation Update – Presented by Mr. Jay Wills, APERS Deputy Director

Mr. Wills explained to the Trustees that the Sligh case was still under consideration by the Arkansas Supreme Court, but was still not listed for decision. He would notify the Board via e-mail if anything changed. Other than that case, there was no other legal action threatened or pending against ASPRS.

Legislation Update:

Ms. Stone distributed a list of 10 bills currently before the Legislation. She detailed the effects that each might have upon ASPRS. Bills SB11 and SB184 were both being opposed by the APERS Trustees at the recommendation of Staff and the ASPRS Board had been advised to oppose them as well. HB1337, which mandated forfeiture of survivor benefits if the beneficiary murdered or contributed to the death of the member (Slayer Statute), was currently out for

Amendment, but Ms. Stone explained how ASPRS was being removed from the bill that covered all the other retirement systems since they had special needs and concerns that needed to be addressed separately. The last active bill was HB1338 which lowered the ASP retirement ages and increased the DROP percentage. This Bill was out for cost analysis by the actuaries. Ms. Stone advised that there were six Shell Bills that currently had no significant language in them.

Annual Approval for Board Travel Reimbursements:

Ms. Stone explained that according to *ACA §25-16-902* during the first meeting of each calendar year, the Board will establish travel reimbursement rates for Trustees performing official Board duties that take them over 50 miles from home or for educational purposes during 2017. This rate is currently set at 42 cents per mile. Lt. Cross motioned to approve reimbursement for travel under the state's guidelines. Mr. Underwood seconded the motion and it passed.

NEXT QUARTERLY BOARD MEETING:

The next quarterly Board meeting of the Arkansas State Police Retirement System will be held on Thursday, May 18, 2017 beginning at 10:00 a.m. at State Police Headquarters in Little Rock, Arkansas.

ADJOURNMENT:

There being no other business the meeting was adjourned.



LIEUTENANT BRANT TOSH
Chair, Arkansas State Police Board of Trustees



MS. GAIL H. STONE
ASPRS Executive Secretary