

**MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
JANUARY 16, 2019**

The special meeting of the Board of Trustees of the Arkansas Public Employees Retirement System was held on Wednesday, January 16, 2019 at 2:00 p.m., in the Conference Room, 124 West Capitol, Little Rock, Arkansas. Ms. Candace Franks presided.

QUORUM PRESENT:

Ms. Franks recognized the presence of a quorum.

BOARD MEMBERS PRESENT:

Ms. Candace Franks, *Chair* (State Employee Member), Little Rock, AR
Mr. David Hudson, (County Employee), Fort Smith, AR (*tele-conferenced*)
Mr. Steve Faris (Retired State Employee), Little Rock, AR
Mr. Gary Carnahan, (Other, Non-State Employee), Hot Springs, AR (*tele-conferenced in late*)
Mr. Daryl Bassett (State Employee Member), Sherwood, AR (*tele-conferenced in late*)
Mr. Jason Brady, (Ex-Officio Member), State Treasurer (proxy)
Hon. Andrea Lea, (Ex-Officio Member), State Auditor
Mr. Larry Walther, *Vice Chair*, (Ex-Officio Member), Department of Finance and Admin.
Mr. Jay Wills (APERS Deputy Director)

VISITORS PRESENT:

Mr. David Hoffman, GRS (*tele-conferenced*)
Mr. Clint Rhoden, ATRS Executive Director
Mr. Jody Carreiro. Osborne and Carreiro Actuarial Firm
Mr. Duncan Baird, Department of Finance and Admin.
Mr. Skot Covert, AR State Auditor's Office
Rep. Doug House, AR House of Representatives
Mr. John Bridges, Arkansas State Employees Assoc.
Ms. Erika Gee, Arkansas State Employees Assoc. (*tele-conferenced*)
Mr. Mike Wickline, *AR Democrat-Gazette*
Mr. Scott Bradley, Arkansas Sheriff Assoc.
Mr. Chris Villines, Arkansas Association of Counties
Mr. Shane Benbrook, Arkansas Lottery Comm.
Mr. Lex Dobbins, APERS Retiree
Ms. Fay Dobbins, APERS Retiree
Ms. Mary Grace Smith, APERS Retiree
Ms. Susan Leslie, APERS Retiree
Mr. Charles Leslie, APERS Retiree
Ms. Rita Barlow, APERS Retiree
Ms. Sheila Meddington, APERS Retiree
Ms. Cindy English, APERS Retiree
Ms. Dorothy Sigler, APERS Retiree

STAFF PRESENT:

Mr. Carlos Borromeo, APERS Chief Investment Officer
Ms. Abbi Bruno, APERS Director of Operations
Mr. Phillip Norton, APERS Director of Information Technologies
Ms. Allison Woods, APERS Director of Benefits Administration
Mr. John Owens, APERS Internal Auditor
Ms. Jessica Middleton, APERS General Counsel
Ms. Nina Gettinger, APERS Retirement Coordinator
Ms. Linda McGrath, APERS Administrative Specialist

NEWS MEDIA NOTIFIED:

An e-mail with 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 KAAY. This notification is pursuant to A.C.A 25-19-101 (Act 93 of 1967) as amended-The Freedom of Information Act.

DISCUSSION OF POSSIBLE LEGISLATION

Ms. Franks stated that the first four options discussed at the last board meeting had be drafted into bill form by Staff and the Trustees needed to review them before submitting to the General Assembly.

- #1: Change the FAC from 36 months to 60 months, for non-vested and newly hired employees.
- #2. Reduce the multiplier from 2.0% to 1.8%, for non-vested and newly hired employees.
- #3. Reduce interest on member contributions to 2%.
- #4. Increase member contribution rate to 6% on non-vested and newly hired employees.

Mr. Wills stated that he discussed these changes with Staff and there was a problem with using "non-vested". Vesting is not a fixed length of time since people can withdraw their contributions and "go back to zero", so length of time to vest moves around. Staff requested the wording to read "after such date", ideally after July 1, 2020. Also adding another Tier was problematic with programming the new computer system.

Mr. Carnahan stated his preference each change would be drafted in a separate bill, not as a single package. Other board members agreed. Mr. Wills commented they were currently written as separate bills

Mr. Wills detailed APERS past routine to process legislation changes.

(Phillip Norton and Allison Woods joined the meeting.)

Mr. Wills introduced Mr. Norton, APERS Director of Information Technologies and Ms. Woods, APERS Director of Benefits Administration. Mr. Walther asked if these proposed legislative changes could it be implemented by July 1, 2019 and Ms. Woods relayed the vendor stated it could not be done. She noted that APERS had not had this level of benefit changes in the past 10 years. Mr. Norton suggested July 1, 2020 as an alternate date.

Mr. Clint Rhoden came to table and explained how Arkansas Teacher Retirement System did their changes. ATRS went from 6% to 7% member contribution rate phasing it in at .25% per year. This affects all members, not just new hires so easier to program.

Mr. Brady asked if it was possible to split the implementation dates for vested and new hires and get the new hires into the system by December 31, 2019, then add the non-vested members at a later date. Mr. Norton allowed that should be possible. Mr. Carnahan was hesitant to bifurcate the process and felt it was better to do it for Staff to do it once and do it right, even if it takes longer.

Ms. Lea stated she was interested with the idea from ATRS of phasing in the employee contribution rate at .25% a year. She asked Mr. Hoffman for the impact on the system. He calculated that 6% across the board would be 27 basis points immediately, and rising to roughly 80 basis points, while 7% would double the basis points. Ms. Lea commented she was good with moving to all contributory members to 6% and considering raising it to 7%.

Gary Carnahan motioned to increase the rate on all contributory members from 5% to 6%, to be implemented at a rate of 0.25% over a 4-year period. He was seconded by Mr. Basset and the motion carried.

Ms. Franks stated that took care of Item #4 and urged they review the rest of the suggested modifications and vote on them.

#1: Change the FAC from 36 months to 60 months, for non-vested and newly hired employees effective July 1, 2020. Motion by Mr. Walther to adopt Item #1 and a second by Mr. Brady. Motion carries.

#2. Reduce the multiplier from 2.0% to 1.8%, for non-vested and newly hired employees beginning July 1, 2020. Motion by Mr. Walther to adopt Item #2 and a second by Mr. Brady. Motion passes.

#3. Reduce interest rate paid on all member contributions to from 4% to 2% effective July 1, 2019. Motion by Mr. Walther to adopt Item #3 and a second by Ms. Lea. Motion carries.

CLASS ACTION SUITES/SECURITIES LITIGATORS

Ms. Lea motioned to add an item to agenda regarding class action suites and was seconded by Mr. Faris. Motion passed.

Mr. Wills gave a history beginning in 2013 of APERS process in hiring Securities Litigators. He noted at that time, APERS was getting increasingly international exposure. Staff issued an

RFP/RFQ and the Board selected several firms to utilize out of the nine qualified candidates. Currently, APERS is involved in five class-actions, but no new ones recently.

Ms. Lea motioned to reconsider the list of firms APERS uses for class actions. Second by Steve Faris. Mr. Wills suggested that at the February Board meeting, Staff could provide a copy of the RFQ, in case changes needed to be made, as well as a list of APERS' current firms. Mr. Wills assured the board that legislation was not necessary and it was purely a Board matter.

Ms. Franks noted she had a motion and second. Motion carried.

The trustees discussed the need of having another board meeting before the deadline for retirement legislation.

LEGISLATION REGARDING THE COLA

Mr. Walther explained that Rep. Doug House was working on a bill (HB1256) that would give the Board authority to set the COLA rate annually, independently of the legislation. It would be a Simple (not Compounded) rate of the lesser of 3% or CPI.

After some discussion, Mr. Hudson motioned for the COLA to be set at "3% simple" with no mention of CPI. Second by Mr. Brady. After further discussion, motion failed to pass.

Mr. Walther motioned for legislation giving the board the annual option of setting the COLA between a simple 3% and CPI. Second by Bassett. Carried unanimously.

NEXT QUARTERLY BOARD MEETING:

The next quarterly meeting of the APERS Board of Trustees is scheduled for Wednesday, February 20, 2019

ADJOURNMENT:

There being no further business, the meeting was adjourned.



MS. CANDACE FRANKS, CHAIR



MR. JAY WILLS, DEPUTY DIRECTOR