

**PUBLIC EMPLOYEES RETIREMENT SYSTEM
MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES
32nd ANNUAL EDUCATIONAL SEMINAR
WEDNESDAY, OCTOBER 20, 2021**

The Board of Trustees of the Arkansas Public Employees Retirement System held its thirty-second Annual Educational Seminar beginning at 9:00 a.m. and concluding at 11:30 a.m. on Wednesday, October 20, 2021 via ZOOM video conferencing. Ms. Franks presided.

BOARD MEMBERS PRESENT:

Ms. Candace Franks (State Employee Member), *Chair*, Little Rock, AR
Mr. Larry Walther, (Ex-Officio Member), *Vice Chair*, DF&A
Mr. Gary Carnahan, (Other, Non-State Employee), Little Rock, AR
Judge David Hudson, (County Employee), Fort Smith, AR
Mayor. Joe Hurst, (Non-State Employee), Van Buren, AR
Mr. Richard Wilson (Retired), Little Rock, AR
Ms. Kaye Donham (Retired), Benton, AR
Mr. Gary Wallace (Retired Law Enforcement), Greenbrier, AR
Mr. Russell White (Retired Law Enforcement), Alma, AR
Hon. Dennis Milligan, (Ex-Officio Member), State Treasurer
Mr. Duncan Baird, (Executive Director), APERS

BOARD MEMBERS ABSENT:

Mr. Daryl Bassett (State Employee Member), Sherwood, AR
Mr. Dale Douthit (State Employee), Little Rock, AR
Hon. Andrea Lea, (Ex-Officio Member), State Auditor

ADDITIONAL VISITORS PRESENT:

Ms. Brianne Weymouth, Callan Associates, Inc.
Mr. John Jackson, Callan Associates, Inc.
Mr. David Hoffman, Gabriel Roeder Smith
Mr. Mita Drazilov, Gabriel Roeder Smith
Ms. Heidi Barry, Gabriel Roeder Smith
Mr. Brian Smith, Friday, Eldridge & Clark LLP
Mr. Paul Louthian, AR Department of Finance & Administration
Mr. Jason Brady, State Treasurer's Office (*proxy*)
Mr. Nick Henry, Auditor of State's Office

STAFF PRESENT:

Mr. Carlos Borromeo, APERS Chief Investment Officer
Ms. Usha Doolabh, APERS Investments Manager
Ms. Laura Gilson, APERS General Counsel
Mr. Jason Willett, APERS Chief Financial Officer
Ms. Allison Woods, APERS Director of Benefits
Ms. Abbi Bruno, APERS Director of Operations
Mr. Jon Aucoin, APERS Retirement Section Manager
Ms. Jennifer Taylor, APERS Director of Benefits Administration
Ms. Cheryl Wilburn, APERS Retirement Section Manager
Mr. Johnny Owens, APERS Internal Auditor
Mr. Phillip Norton, APERS Director of IT
Mr. Craig Blackard, APERS Accounting Coordinator
Ms. Jacobia Twiggs, APERS Retirement Section Manager
Ms. Linda McGrath, APERS Administrative Specialist

NEWS MEDIA NOTIFIED:

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

WELCOME

Ms. Franks welcomed everyone to APERS 32nd Educational Seminar and recognized the presence of a quorum before turning the meeting over to Mr. Baird. He noted this year they would not be focusing on investments, but instead take a more balanced approach and have three presentations to

explain the rolls of the investment consultants (Callan), the actuaries (Gabriel, Roeder, Smith) and the Trustees' fiduciary responsibility to the plan. Mr. Baird also introduced APERS' newest Board member, Kaye Donham.

INVESTMENT OVERVIEW - Presented by Ms. Brianne Weymouth and Mr. John Jackson of Callan LLC

Ms. Weymouth introduced herself and Mr. Jackson. She explained that they were co-consultants for the APERS portfolio, and she walked the Trustees through the investment process that Callan followed to help the retirement system meet their financial goals. She discussed the three key policies that govern the plan: Investment Policy (Callan and Staff), Funding Policy (Actuaries and Staff) and the Benefits Policy (Trustees and Staff – with assistance from the Actuaries)

She broke down the processes Callan followed in planning, implementation, monitoring and research/education for each of their institutional investor clients. Ms. Weymouth strongly advised all the board members, especially the new ones, to read and understand APERS Investment Policy, as it provided the board with a clear roadmap for the investment process and strategy. She also encouraged all trustees to take advantage of the "Callan College" seminars that the consultant firm provided.

Ms. Weymouth then discussed the various teams within Callan and how they all worked together to provide professional expertise to their clients. She detailed how a manager search worked behind the scenes before the final names were presented to the Board for possible addition to the portfolio and tied those processes into the recent manager searched performed for APERS. Finally, she explained how the current asset allocations were set and what Callan was doing to maintain that target allocation.

Mr. Jackson and Ms. Weymouth explained the various pages in the quarterly executive summary and how to read and understand the material presented. They wrapped up the presentation by reminding the Trustees they would be interviewing four Core Plus Real Estate Managers at the upcoming November meeting.

ACTUARIAL FUNDAMENTALS – Presented by Mr. David Hoffman and Ms. Heidi Barry of GRS Consulting

Ms. Barry gave an overview of the Actuarial fundamentals and explained the main types of retirement plans (DB vs. DC). Mr. Hoffman then detailed Actuarial Mathematics and exactly how the plan is funded through various contributions. Finally, Ms. Barry discussed Actuarial Assumptions and how they were determined. She explained that GRS conducted an Experience Study on the plan every 5 years to make sure the most accurate assumptions were used. The next APERS study will be done during the Summer of 2022.

Mr. Hoffman gave a review on how to read and understand the Annual Valuation report and the purpose of the GASB Statements the actuaries provide. He explained that the two main purposes of the Annual Valuation were to determine the financial health of the plan and to calculate the necessary Employer Rate going forward for contributions.

Ms. Barry explained what factors GRS used in performing their 5-year Experience Studies and why these updates to their Experience Tables could change contribution levels. She detailed how the Investment Return Assumption for APERS (and all pension plans) had been lowered significantly over the past twelve years and how that had impacted those plans. Investment Return Assumptions were discussed, and APERS' assumptions were compared against other state pension plans. Generally, most pension systems had been gradually decreasing their Investment Assumptions for the last several years.

<BREAK>

FIDUCIARY TRAINING – Presented by Mr. Brian Smith of Friday, Eldridge & Clark

Mr. Smith introduced himself and gave the definition fiduciary was and reviewed the fiduciary duties that are required of a trustee. He remarked that the APERS Board members came from a variety of backgrounds and experiences, but when they made decisions for the pension plan, they had to put the beneficiary's welfare foremost in their decisions. While anyone could be sued, adhering to the expected fiduciary duties would limit the board's liability. He walked the Board through A.C.A. §24-2-601 *et. seq.* which sets forth many of the requirements for State Retirement system's investments, but noted that the principles applies to all the areas of the Board's fiduciary responsibility.

He reviewed the Prudent Investor Rule (§§24-2-610 through 24-6-619) and how it applied to the Trustees. Mr. Smith explained that sometimes conflicts of interest were unavoidable, but they should be disclosed and managed if not resolved upon disclosure. The Prudent Investor Rule has two basic requirements: Duty of Care/Prudence and Duty of Loyalty. Mr. Smith gave detailed descriptions and examples of each. He explained which duties the Trustees could delegate and stressed the importance of documentation and periodic reviews.

Mr. Smith wrapped up his presentation by discussing the importance of having and adhering to the fund's investment policy. He complimented the APERS' Board for having established a very good investment policy and urged them to review it on a regular basis.

Closing Remarks

Mr. Baird noted that in the past, APERS Annual Educational seminar have focused on investing, but he hoped the Trustees appreciated this step-back to the basics. He hoped the information today would assist everyone at future meets and he thanked all the board members and presenters for attending.

NEXT QUARTERLY BOARD MEETING:

The next quarterly Board Meeting is scheduled for Wednesday, November 17, 2021 at 9:00 a.m.

ADJOURNMENT:

There being no further business, the meeting was adjourned.



Ms. Candace Franks, Chair



Mr. Duncan Baird, APERS Executive Director