

**MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
JANUARY 8, 2019**

The special meeting of the Board of Trustees of the Arkansas Public Employees Retirement System was held on Tuesday, January 8, 2019 at 9:00 a.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 (late?)
Mr. Steve Faris (Retired State Employee), Little Rock, AR
Mr. Gary Carnahan, (Other, Non-State Employee), Hot Springs, AR
Mr. Daryl Bassett (State Employee Member), Sherwood, AR
Hon. Dennis Milligan, (Ex-Officio Member), State Treasurer
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, Gabriel, Roeder, Smith
Mr. Mita Drazilov, Gabriel, Roeder, Smith
Mr. Jody Carreiro, Osborne and Carreiro Actuaries
Mr. Duncan Baird, Department of Finance and Admin.
Mr. Skot Covert, AR State Auditor's Office
Mr. Jason Brady, AR State Treasurer's Office
Rep. Doug House, AR House of Representatives
Rep. Les Warren, AR House of Representatives
Mr. Roger Smith, Lobbyist
Mr. Mike Knapp, Legislative Audit
Mr. Nicholas Poole, Arkansas State Employees Assoc.
Mr. Mike Wickline, *AR Democrat-Gazette*
Mr. Scott Bradley, Arkansas Sheriff Assoc.
Mr. Chris Villines, Arkansas Association of Counties
Ms. Karen Henson, Arkansas Game and Fish Comm.
Ms. Wanda Henry, Arkansas Game and Fish Comm.
Mr. Keith Cavaness, Arkansas District Judges Comm.
Mr. Shane Benbrook, Arkansas Lottery Comm.
Mr. Lex Dobbins, APERS Retiree
Ms. Fay Dobbins, APERS Retiree
Ms. Kay Harris, APERS Retiree
Mr. Gilbert Harris, APERS Retiree
Ms. Judy Nesbitt, APERS Retiree
Ms. Mary Grace Smith, APERS Retiree
Ms. Susan Leslie, APERS Retiree
Mr. Charles Leslie, APERS Retiree
Ms. Brenda Tillman, APERS Retiree
Ms. Rita Barlow, APERS Retiree
Ms. Valerie Lewis, APERS Retiree
Ms. Helen Davis, APERS Retiree
Ms. Brenda Grandison, APERS Retiree
Ms. Vivian Anthony, APERS Retiree

STAFF PRESENT:

Mr. Jay Wills, APERS Deputy Director
Mr. Carlos Borromeo, APERS Chief Investment Officer
Ms. Usha Doolabh, APERS Investments Manager
Ms. Abbi Bruno, APERS Director of Operations
Mr. John Owens, APERS Internal Auditor
Mr. Jason Willet, APERS Chief Financial Officer
Mr. Craig Blackard, APERS Accounting Coordinator
Ms. Jessica Middleton, APERS General Counsel
Ms. Nina Gettinger, APERS Retirement Coordinator
Ms. Jennifer Taylor, APERS Member Services Manager

Ms. Jacobia Twiggs, APERS Retirement Section Manager
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 – Presented by Mr. David Hoffman and Mr. Mita Drazilov of Gabriel, Roeder Smith

Trustees discussed various cost-saving options presented by the Actuaries and what the effects they would have on the Fund, Employers and Members.

After a lengthy dialogue, Ms. Lea motioned for proposals 1-4 be drafted for legislation. Mr. Milligan seconded. Motion carried (6:2 *Hudson and Faris*)

The board then focused on possible changes to the COLA and various options were examined. Mr. Drazilov was asked to provide by the end of the week, the cost savings for APERS on several possible COLAs ranging from 2%-3% Simple, Compounded and the lesser of CPI. Once the Trustees had a chance to evaluate them, they would meet the following week to decide which proposals to move forward with in the Legislature.

Also discussed was legislation to allow the Board to make an annual decision on the COLA amount, within set parameters rather than having a set amount codified.

Mr. Carnahan requested the actuaries provide a cost- saving analysis on proposals 8 and 11 which the Trustees could review and vote on during a teleconference the following week.

Mr. Hudson asked about the Actuarial proposed to change the Funding Policy. Mr. Drazilov explained that currently it was amortized over a 15-year period, but with the proposed legislative changes reducing benefits, 20 years was a more appropriate time period. It was decided to table this issue until the May meeting.

Consideration for a Manifest Injustice Statute

Ms. Franks explained she had asked Mr. Wills to draft policy similar to what ATRS used for Manifest Injustice and asked the Board if they has any desire to include this in APERS legislative packet.

Mr. Bassett motioned to include and was seconded by Mr. Faris.

Mr. Walther asked Mr. Wills if he felt this was necessary and Mr. Wills responded that the statute comes from a time in Teachers (ATRS) when they could not address “injustices” due to a time limit. APERS has no time limit. The two cases the Trustees had heard were just a just a matter of unfortunate demographics. As a legal matter, ATRS has IRS blessing. APERS does not have the records problem that ATRS has.

Mr. Bassett agreed to withdraw the motion and stated it could put it in a shell bill later.

INTERVIEW EXECUTIVE DIRECTOR CANDIDATES (Executive Session)

Ms. Franks took the Board into an Executive Session while they interviewed the three finalists for the APERS Executive Director position: Mr. Carolos Borromeo, Mr. Jody Careiro and Mr. Duncan Baird.

The Board came out of Executive Session. Mr. Milligan motioned to hire Mr. Duncan Baird at the minimum salary for the position with an official start date of March 31, 2019. He was second by Mr. Faris and the motion passed.

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