

APPROVED SEPTEMBER 5, 2019
EXHIBIT C

MINUTES

JOINT COMMITTEE ON PUBLIC RETIREMENT & SOCIAL SECURITY PROGRAMS

Thursday, August, 22, 2019

The Joint Committee on Public Retirement and Social Security Programs met Thursday, August 22, 2019, at 10:30 a.m., at the Hot Springs Convention Center, 134 Convention Boulevard, Hot Springs, Arkansas.

Committee members present: Senators Bill Sample, Co-Chair; Joyce Elliott, Greg Leding and Jason Rapert. Representatives Les Warren, Chair; Michelle Gray, Douglas House, Monte Hodges, John Maddox and Tippy McCullough.

Other legislators present: Senators Linda Chesterfield, Lance Eads and Kim Hammer. Representatives Justin Boyd, Cameron Cooper, Marsh Davis, David Fielding, Jack Ladyman, Johnny Rye and Keith Slape.

Senator Sample called the meeting to order, and recognized legislators in attendance and asked that they do a brief introduction.

Consideration of Motion to Approve the July 19, 2019, Meeting Meetings [[Exhibit C]

Representative House made a motion to approve the meeting minutes of July 19, 2019. The motion was seconded by Senator Elliott, and without objection, the motion carried.

Mr. Chris Villines, Executive Director, Association of Arkansas Counties (AAC), was recognized, and welcomed the committee to the AAC's annual conference. He made brief comments concerning the retirement systems and their challenges.

Review and Discussion of Possible Adjustments to the Arkansas Public Employees Retirement System (APERS) Benefit Program [Exhibit E]

Mr. Duncan Baird, Executive Director, Arkansas Public Employees Retirement System (APERS), was recognized. Mr. Baird presented a PowerPoint presentation on the Arkansas Public Employees Retirement System – “Status of the System and Strengthening for the Future” [see Exhibit E for more details]. Mr. Baird recognized board members Judge David Hudson and Mr. Larry Walters and APERS staff member Ms. Jacobia Twiggs. The presentation provided an overview and history of APERS and what the retirement system offers.

Mr. Baird stated that APERS is 79% funded, which is above the national median, and total benefit payments are growing each year, with \$530 million paid in benefits in FY18. Benefits paid exceeds contributions, approaching a \$200 million difference in benefits and contributions for FY18. The growing numbers of retirees are exceeding active members, and APERS liabilities are increasing at a steady pace, while assets are volatile.

Mr. Baird stated the following considerations for the future:

- Financial consideration
 - Financial challenges compound in size over time
 - Small adjustments can help avoid large adjustments in the future
- Policy consideration
 - Work to minimize the impact to members:
 - No reduction in previously earned service
 - No reduction in the amount of a benefit currently received
- Make Changes that are equitable across the generations
- Study and learn from the actions taken by other Arkansas pensions

Lastly, bills discussed in the 2019 Regular Session were final average salary (extend from 3 to 5 years for new employees), multiplier (set at 1.8% for new employees), employee contribution rate (raise to 6% for all employees), COLA (various proposals discussed).

Review and Discussion of Possible Adjustments to the Local Police and Fire Retirement System Benefit Program (LOPFI)

Mr. David Clark, Executive Director, (LOPFI), was recognized. He stated LOPFI has paid out \$130 million in benefits this year, and about 94% of those benefits remains in the state's economy. He also stated as far as benefit changes; the board has formed a Disability Advisory Committee to discuss future plans of the benefit system and a meeting will be held on September 16, 2019, to discuss some of the changes that will be proposed during the 2021 legislative session.

Panel Discussion on County-Related Retirement Issues

Mr. Marty Boyd, Sheriff, Craighead County, Ms. Debra Buckner, Treasurer, Pulaski County, Ms. Rita Chandler, Retired Pope County Collector, were recognized. The panel discussed the retirement system within the county system and presented their perspective on the issue.

Mr. Marty Boyd stated he is a thirty-year veteran of county law enforcement. County law enforcement officers are currently the lowest paid in law enforcement in the state. Therefore, their benefit package is the selling point in hiring. Prior to 1998, law enforcement officers received a year and a half credit for every year worked. This benefit was no longer offered after 1998. He also stated after the 2019 legislative session, they saw even more erosion of the benefit plans.

Ms. Debra Buckner thanked the committee for having the wisdom to pause, and for holding the statewide meeting. She stated she has been in public service for approximately 19 years, and that public service should not just be a calling but a respectable career path.

Ms. Debra Buckner stated if counties were funded at the appropriate level for the state inmate housing cost it is very likely that a different actuarial could be done. Their average revenue receipt of reimbursement is \$30, but their average cost is \$60. If this was considered in some sort of broader overview actuarial, it is very likely that the 15.32% that we pay now for each employee could be raised.

Ms. Rita Chandler stated there are approximately more than 37,000 retirees in the APERS system, and active retirees represent 38.4% of individuals in the retirement system, many have worked 28 plus years, just as she has, and they have played by the rules with an expectation of what would be waiting for them at the end of their career.

She state she was extremely concerned that during the 2019 legislative session that active retirees' plans were about to be changed. Ms. Chandler made the following requests and statements to the committee and the retirement plans.

1. Do not remove or reduce the 3% COLA or the compounding
2. Retirees do not see “the sky is falling” issue. The actuaries have stated their assumptions, but if you look at the gap with the states with the worst funded retirement plans and the best plans, Arkansas is not at the bottom. Arkansas ranks one of the top ten funded retirement accounts in the nation, we as retirees are proud of this status.
3. In the determination of the COLA. The COLA has been set by law at 3% for many years, but there was some discussion in the 2019 legislative session about moving that power to someone other than the legislative body. Retiree request that the power remain with our legislators. We are more connected to our legislators than a nine-member board.
4. Retirees feel like they are undeserved on the nine-member board by having only one member on the board to represent 51,522 active and inactive retirees.

Ms. Chandler stated as a retirees there is a prudent investor rule and we request that everyone use this rule in regard to all our retirement issues. This rule requires you to use judgment, care, prudence, discretion and intelligence exercised in the management of their own affairs, sort of the golden rule “do as to others as you would have them do unto you”.

Mr. Max Faulkner, Retired State Employee, was recognized. He stated he and his wife depend on his APERS retirement benefits. He stated when he heard there may be possible cuts to his APERS benefits, he reached out to his investment firm which is Vanguard. He believes Vanguard could be of benefit in helping out the retirement systems. He suggested Vanguard be allowed to provide a presentation to APERS.

There being no further business, the meeting adjourned at 11:53 a.m.