MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
MAY 21, 2014

The regular quarterly meeting of the Board of Trustees of the Arkansas Public Employees Retirement System was held on Wednesday, May 21, 2014 at 9:00 a.m., in the Conference Room, 124 West Capitol, Little Rock, Arkansas. Mr. Artee Williams presided.

QUORUM PRESENT:
Mr. Williams recognized the presence of a quorum.

BOARD MEMBERS PRESENT:
Mr. Artee Williams (State Employee Member), *Chair*, Director, Dept. of Workforce Services
Ms. Ouida Wright (State Employee Member), Conway, AR
Ms. Carol Bevis, (Other, Non-State Employee), Little Rock, AR
Mr. Bill Gaddy (State Employee Member), Little Rock, AR
Mr. Wes Goodner, State Treasurer Deputy *(proxy)*
Ms. Janet Harris, Deputy State Auditor *(proxy)*
Dr. John Shelnutt, Dept. of Finance and Administration *(proxy)*
Ms. Gail H. Stone (Executive Director), APERS

BOARD MEMBERS ABSENT:
Judge Mike Jacobs (County Employee), Clarksville, AR
Mayor Steve Northcutt (City Employee), Malvern, AR
Hon. Richard Weiss (Ex-Officio Member), Dept. of Finance and Administration
Hon. Charles Robinson, (Ex-Officio Member), State Treasurer
Hon. Charlie Daniels (Ex-Officio Member), State Auditor

VISITORS PRESENT:
Mr. Ryan Ball, Callan Associates, Inc.
Ms. Brianne Wyemouth, Callan Associates, Inc.
Mr. Mita Drazilov, Gabriel Roeder Smith & Company
Mr. David Hoffman, Gabriel Roeder Smith & Company
Ms. Jessica Middleton-Kurylo, Bureau of Legislative Audit
Mr. Marc Watts, Arkansas Municipal League
Mr. Randy Hall, Attorney for the Plaintiffs
Mr. Thomas Nichols, Attorney for the Plaintiffs
Mr. F. Thomas Curry, Attorney for Woodruff County Health Center
Mr. Burt Newell, Attorney for Woodruff County Health Center
Mr. Justin Parkey, Attorney for Craighead and Lawrence County
Mr. Ralph Myers. Woodruff County Attorney
Ms. Dorothy Poindexter, Plaintiff in Woodruff County lawsuit
Mr. Edward Armstrong, Attorney General's Office
Mr. William Dean, Arkansas State Parks
Judge Marion Humphrey, Retired Circuit Judge representing Mr. J.Y. Williams
Mr. J. Y. Williams, Jr., DHS County Operator
Judge Jack Jones, Jefferson County judge
Judge Dutch King, Jefferson County judge
Mr. Ron Jones, Jefferson County
Ms. Mary A. Hart. Retired
Ms. Patricia Rice, Court Reporter

STAFF PRESENT:
Ms. Michele Williams, APERS Deputy Director
Mr. Carlos Borromeo, APERS Chief Investment Officer
Ms. Susan Bowers, APERS Associate Director of Investments
Ms. Ellen Johnson, APERS Chief Fiscal Officer
Mr. Jay Wills, APERS Attorney Specialist
Ms. Victoria Settles, APERS Internal Auditor
Ms. Becky Walker, APERS Administrative Service Manager
Ms. Linda McGrath, APERS Administrative Specialist

EXHIBIT
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NEWS MEDIA NOTIFIED:
A letter of 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.

QUARTERLY REPORT FOR THE PERIOD ENDING MARCH 31, 2014 - Presented by Mr. Ryan Ball and Ms. Brianne Weymouth of Callan Associates, Inc.
Mr. Ball began by introducing Ms. Weymouth and explained that Mr. Dolsen had been hired away by CastleArk, so it was possible the Trustees might still see him around. Ms. Weymouth gave the Board a brief summary of her resume, and then she and Mr. Ball analyzed the stock market trends for the previous quarter.

The Asset Allocation continues to be overweight in both Domestic and International Equities driven by strong market returns. Mr. Ball noted that the fund continues to be underweight in Real Assets by about 4%; he would return to this issue later in the meeting.

For the quarter, the fund returned 1.73% which was slightly ahead of its target return. Over the past 12 months, the portfolio has earned 15.26%, putting it in the top 12% of its peers. Spanning the past two, three and four years, the fund has ranked in the top decile of similar-sized public funds. Mr. Ball attributed the outstanding performance to both the asset allocation and the underlying active managers.

- ***SSI-*** displayed continued strong performance, outperforming the benchmark by 7 basis points and finishing at the 14th percentile. Longer performance over the last five years is strong, consistently performing above the median but unable to beat the ML Convertible Index.

- ***Wellington-*** produced strong results, finishing in the 9th percentile, with positions in Information Technology and Utilities bolstering returns. Wellington's long term performance has been consistently strong over trailing time periods, and has the portfolio ranking at the 32nd percentile of peers since inception.

- ***Westwood-*** finished the quarter at the 14th percentile of the Small/Mid Cap peer group. Results for previous time periods have been mixed, with the strategy's near term performance slightly trailing the benchmark and peers, while the since-inception return remains well above the index and peers.

- ***Baillie Gifford-*** outperformed the return of the MSCI EAFE Index by nearly 200 basis points during the quarter and ranked at the 7th percentile of Callan's Broad International Growth Equity Style Group. Baillie Gifford benefitted from strong country and security selection, with overweights in Indonesia, New Zealand, and Denmark.

- ***Prudential-*** exhibited over 60 basis points in excess return versus the benchmark and finished in the top quartile of peers. This manager had roughly 40% of their sector allocations in corporate bonds and maintained a portfolio duration of 5.7 years.

- ***AQR-*** finished 173 basis points ahead of the benchmark for the quarter and ahead of the median, at the 13th percentile. Over the last two years AQR finished ahead of the median and benchmark as well.

- ***Invesco Global REITs-*** trailed its benchmark and ranked at the 39th percentile of the Callan Real Estate Global DB Style Group.

- ***Invesco Core Real Estate-*** returned 1.71% which lagged the NFI-ODCE Index by 59 basis points. A portion of the underperformance this quarter was related to the negative impact of marking debt to market as a result of falling interest rates.

Core Real Estate Manager Search
Mr. Ball reminded the Trustees that at the February meeting there had been a discussion about hiring another Core Private Real Estate Manager to speed the Fund in getting closer to its Target Asset Allocation. Since then, Callan had conducted a search and from an initial 20 managers, the

consultants had winnowed the list down to seven they felt would best complement INVESCO, the existing Core R.E. manager.

- AEW Capital Management
- Heitman Capital Management
- INVESCO Real Estate
- UBS Realty Investors
- J. P. Morgan Investment Management
- LaSalle Investment Management
- Morgan Stanley Real Estate

Mr. Ball pointed out that some of these managers had up to a 2-year "entrance queue" before any monies might be called up; the same problem they would face with the existing Core R.E manager, so despite how appealing they might be, investing with them would not get the fund any further ahead. He discussed each of the seven, highlighting the queue length, track records and fees. After a short discussion, Mr. Gaddy motioned to invite Heitman and LaSalle to give presentations at the August meeting for the approximately $250 million mandate. He was seconded by Ms. Wright and the motion carried unanimously. Ms. Stone noted that the August meeting would have a very full agenda and lunch would be provided.

Horrell Capital Management – Active vs. Passive Portfolios

Ms. Stone gave a brief summary of the history between APERS and Horrell. She explained that currently there were two accounts: an active and a passive portfolio. She distributed a report that showed, by month, the return percentage on for both portfolios. Staff had concluded that the higher fees for the active account were not justified by its performance and proposed that the Active account be closed and roll the approximately $20 million from that fund back into the Passive account.

Ms. Bevis motioned to merge the Horrell Active account into the Horrell Passive account and she was seconded by Ms. Wright. Motion passed.

PROPOSED FUNDING POLICY – Presented by Mr. Mita Drazilov and Mr. David Hoffman of Gabriel, Roeder, Smith and Company

Mr. Drazilov explained what a Funding Policy was and why APERS Board members needed to adopt a formal Funding Policy. Working from a GRS-prepared booklet, he detailed how the policy should comply with A.C.A. §24-2-401. Mr. Drazilov noted that the main reason why funding policies were suddenly becoming more important was the recent changes to GASB Statements 67 (applicable to APERS) and 68 (applicable to employers) which became effective after June 15, 2013 and June 15, 2014, respectively. Both statements require the actuary to look to "a formal, written policy related to those contributions" (i.e., funding policy) to determine the discount rate for accounting purposes.

In August, the Actuaries would bring back a proposed Funding Policy for the Board's approval. This policy would be organized into four sections: Introduction, Funding Objectives, Elements of Actuarial Funding Policy and a Glossary. Mr. Drazilov suggested that the policy be reviewed annually until the next Experience Study in three years. After that, it would be reviewed every 5 years in conjunction with each Experience Study. He itemized the eight key points to cover in the Broad Funding Objectives including Maintain stability in employer contribution rates, Promote intergenerational equity, Monitor investment return assumption versus Board's risk profile and Continue progress of systematically reducing the Unfunded Actuarial Accrued Liabilities (UAAL). Currently, the UAAL for APERS is at 75%.

Mr. Hoffman continued with the presentation and broke down the elements of the Actuarial Funding Policy. He explained the actuarial cost method and the asset valuation method, including the "4-year smoothing" and the 25% market value corridor. Mr. Hoffman reminded the Trustees of the current method of amortizing both the APERS and District Judges' parts of the plan. The suggestion was to decrease the length of the amortization period for APERS from the current closed 25-year (of June 30, 2013) down to a closed 20-year period, at which time the amortization period will remain closed and the remaining UAAL will be amortized over that period. Each year a new amortization base will be created for actuarial gains/losses based upon a new, closed 20-year period. The reason for a 20-year closed period is largely based on promoting intergenerational equity explained Mr. Drazilov.

The actuaries moved on to discuss the Funding Target. They noted that the target funded ratio is 100% and reviewed various scenarios of it being higher or lower. Mr. Drazilov noted that the employer rate should never fall below the employee rate and the contribution rate should at least be equal to the normal cost unless the funded ratio exceeded 120%. He reminded the Board that lowering the employer rate is easy, while raising it is much harder. They continued discussing Risk Management and its various components before wrapping up their presentation to the Trustees. Mr. Drazilov promised to draft a formal funding policy based upon the Trustee's feedback and present it for adoption at August 2014 meeting. These changes would be applicable starting with the June 30, 2015 annual valuation.

Ms. Stone reviewed the key statements that would comprise the formal funding policy and there was no objection to reviewing the proposed funding policy at the August meeting.

SUMMARY OF RETIREES FOR MARCH, APRIL & MAY 2014 :
The average number of new retirees had jumped from roughly 1200 annually to over 2000 and was continuing to rise as the bulk of the baby boomers passed into retirement.

MEDICAL REVIEW BOARD RECOMMENDATIONS:
The Medical Review Board met at 10:00 a.m. on Tuesday, May 13, 2014 in the APERS Library to discuss the case of Ms. Alice Rosamond.

- After review and discussion, the Medical Review Board found that Ms. Alice Rosamond was suffering from an illness or injury at the time of her termination in May 2011, which subsequently led to the disability determination.

With APERS Board approval, in accordance with ACA 24-4-511(e)(3) benefits for this member will be effective June 1, 2014.

Ms. Wright motioned to accept the recommendation of the Medical Review. She was seconded by Ms. Harris. Motion passed.

FINANCIAL STATEMENTS FOR THE QUARTER ENDING MARCH 31, 2014:
For the first 9 months of this fiscal year, APERS had paid out almost $313 million in benefits. The fund was on target to exceed last year's record payout of $397 million to members and beneficiaries. As of March 31, 2014, the market value of the fund has set a new, high-water mark of $7.2 billion; with APERS and ASPRS combined, the total fund's value stands close to $7.5 billion.

OTHER BUSINESS:
Biennial Budget Request – Presented by Ms. Gail Stone, APERS Executive Director
Ms. Stone explained that APERS was facing three major issues in the immediate future. The first issue concerned the creation and implementation of the new computerized pension administration system. Only a year into the planned two-year development schedule, APERS was under intense pressure to free itself from the State's mainframe as soon as possible. This move will affect staffing resources and to some extent money, although most of the funds have already been allocated.

The second issue facing APERS staff is the implementation of GASB Statements 67 and 68. This year APERS has to deal with Statement 67, which has mostly fallen on the actuaries to recompile the provided statistics into new spreadsheets. Statement 68, which is applicable to all reporting employers, will become effective after June 15, 2014. There is a vital need for additional people to help with the new computer system testing and preparing the GASB statements for the employers. Ms. Stone asked for a pool of ten C-117 employees (accountants and retirement counselors) that would sunset at the end of the biennium – June 30, 2017.

The final issue facing APERS is the impending retirement of four key executive personnel: Ms. Michele Williams, Ms. Susan Bowers, Ms. Becky Walker and Ms. Gail Stone. She felt it was imperative to create a high-functioning executive staff positions to replace the institutional knowledge that would soon be leaving the agency. Ms. Stone proposed adding four new positions to the senior management team now, in order to learn from departing staff and maintain continuity of operations. Those new positions would all be N906 level and provide a senior team of experts. These positions were: Chief Counsel, Director of Agency Operations, Director of Benefits Administration and Director of Information Technology. She offered the Trustees a very basic organizational chart to show how these new positions would fit into the agency.

The other budget notes included increasing Capital Outlay, Conference and Travel expenses, Cash fund and Operational Fund appropriations to accommodate the growing number of retirees and the needs of COMPASS (new computer system) development. Ms. Stone noted that this budget request had to be in place by June 22.

After a few more questions regarding the additional personnel, Ms. Bevis motioned to approve APERS' Biennial Budget as submitted and she was seconded by Ms. Wright. Motion passed.

Travel Report
Mr. Borromeo's trips were noted without comments.

Urban Institute Abstract
Ms. Stone distributed an abstract from the Urban Institute regarding Public Pensions that Mr. Gaddy had brought to her attention. Ms. Stone summarized the findings of their "exhaustive Urban Institute analysis of 660 state-administered pension plans". Their conclusion was that these plans provide lucrative retirement incomes to long-term employees, but offer little retirement security to younger, short-term workers. She likened it to the conclusions that the Pew Institute had drawn earlier – that Defined Benefit Plans were discriminatory towards anyone other than the long-term employee. She noted that few alternatives were suggested and pointed out that even in this biased article, Arkansas was ranked **B** in their grading of state's public pension plans.

LUNCH BREAK

LEGAL ISSUES – Presented by Mr. Jay Wills, APERS Attorney Specialist
Woodruff County Health Center Settlement Approval Request
Mr. Wills reminded the Trustees that at prior meetings they had discussed the lawsuit involving Woodruff County's nursing home. While the lawsuit had been tentatively settled, it was contingent on the APERS Board agreeing not to pursue any Woodruff County Nursing Home employees in the future as APERS employees. He explained the nursing home wanted assurances that after this settlement was finalized, APERS would not come back retroactively and decide that they should have been considered county employees and demand payment. Mr. Wills acknowledged that this resolution offered the Board the same protection as it had in the similar Montgomery County Nursing Home case.

From a legal standpoint, Mr. Wills stated, he had no further concerns regarding Woodruff County Nursing Home and their employees, however he expressed concern that should today's decision be appealed in court, which he was fairly certain it would be, and it was decided that these people were county employees, this would trigger the fiduciary duty of the Board to seek payment from those counties.

Mr. Randy Hall approached the Trustees and agreed that this was almost a verbatim settlement to what had been previously agreed to with Montgomery County. He stated that it was a non-appealable order since both parties agreed and only three Woodruff County Nursing Home employees had "opted-out". This agreement was entirely consistent with the rulings in the Craighead, Lawrence and Union Counties. Mr. Hall noted that the annual payroll for the Woodruff County Nursing Home was fairly stable at $3-4 million, so by his rough calculations the potential liability for the nursing home would be $40 million if APERS went back 20 years. Such a liability would not only bankrupt the nursing home, but also Woodruff County. The nursing home had worked out a tentative settlement that would put almost $150 million back in the hands of the plaintiffs towards retirement benefits.

Mr. Tom Allen, the Woodruff County Nursing Home representative, explained to the Board that the nursing home hoped that APERS would sign-off on this settlement, since Woodruff County could ill-afford to pay the plaintiffs and then turn around and pay APERS contributions if the Supreme Court later ruled that they are county employees.

Ms. Stone outlined her objections to the request to sign-off on the settlement. She noted that APERS was not a party in the Woodruff County suit, the nursing home employees gave no appearance of being county employees and APERS was prohibited from including 501(c) entities to its membership by IRS code. Furthermore, Ms. Stone pointed out that this set a dangerous precedent of allowing the courts to determine who is a member and who is not. As the law currently reads, the courts could not compel APERS to force Woodruff County Nursing Home to join the retirement system and Mr. Allen admitted in hindsight, he should have approached the APERS Board and asked for their opinion when the issue had first been brought up.

Mr. Gaddy motioned for the Board to support the Executive Director's decision and decline to sign off on the settlement. He was seconded by Ms. Bevis and the motion passed unanimously.

Jefferson County Employee Hearing
Mr. Wills brought in Mr. J. Y. Williams, Jr., a DHS County Operator and Judge Marion Humphrey, Retired Circuit Judge who was representing Mr. J.Y. Williams. Mr. Burt Newell, the Attorney for Jefferson County, and several witnesses were also introduced. Mr. Wills summed up the reason for the hearing, noting that Mr. Williams request for a summary of his credited state time about 5 years ago had uncovered the fact that he had not been reported by Jefferson County for the time he had worked under a federal grant.

The matter has come to a head now that Mr. Williams is ready to retire and APERS Deputy Director Michele Williams (no relation) reviewed his file and concluded that he probably had been a reportable, county employee during the years in question (1980 to 1986). Ms. Williams then contacted Mr. Terry Wynne, the Jefferson County attorney, to notify him of her findings and get the county's side of the case. Ms. Williams was not moved by any of Mr. Wynne's arguments and attempted three times to collect the overdue funds from Jefferson County. After the third failed attempt, Ms. Williams notified DF&A to withhold the calculated amount owed to APERS from Jefferson County's turn-back funds ($86,806). The county immediately notified their attorney, Mr. Burt Newell, who filed suit and enjoined the retirement system from collecting the funds until the Jefferson County representatives could have an Administrative Hearing before the APERS Board.

Mr. Wills explained that at the end of this hearing, the question the APERS Board would be asked to decide was: Is it appropriate for APERS Staff to intercept Jefferson County's turn-back funds. In answering this question, the Trustees would have to decide if Mr. J.Y. Williams was a Jefferson County employee during the period in question.

As the Staff Attorney, Mr. Wills presented first and handed out three identical packets of documents and had the exhibits entered and numbered. He stated that when he was finished, Judge Humphries and then Mr. Newell would have their turn. When the witnesses were exhausted, each side would make their final argument before the Board was asked for a decision.

With the procedure agreed upon by all, Mr. Wills began the hearing by explaining the steps Staff had taken since Mr. Williams had again contacted them in 2013. He noted that Staff had worked off an earnings statement provided by the Social Security Administration using the EIN (Employer Identification Number) and PRU (Primary Responsible Unit) numbers to determine who paid his salary during the period in question.

Mr. Wills called his only witness, Ms. Michele Williams, to the table and had her sworn in. When asked, she described her position, duties and experience. Ms. Williams continued, explaining how she had become aware of Mr. Williams situation and the steps she had taken to determine that he had been a Jefferson County employee. She detailed her contacts with Mr. Wynne regarding the county's underpayment and reviewed her calculations of the monies due.
Following established procedures, after the last notice had been sent to Jefferson County seeking payment for Mr. Williams' time, Staff contacted DF&A requesting an intercept of Jefferson County's turn-back funds.

Judge Humphrey declined to question Ms. Williams.

Mr. Newell cross examined Ms. Williams and questioned the validity of using the PRU versus the EIN for determining Mr. Williams' actual employer. Ms. Williams noted that she had used both, as well as the official documentation from Social Security listing wages reported from specific employers. Mr. Newell questioned Ms. Williams' knowledge of how Jefferson County Community Development distributed the federal grant money to pay Mr. William's salary. Finally, Mr. Newell had Ms. Williams comment on a counseling summary written by APERS Counselor Ms. Wilburn in October 2006.

After Mr. Newell finished his cross-examination, the APERS Trustees asked Ms. Williams several questions regarding her understanding of the EIN and PRU. Ms. Williams answered several more questions from Mr. Wills and Judge Humphrey before she was excused and Mr. Wills concluded Staff's part of the presentation.

Judge Humphrey replaced Mr. Wills at the table and called for Mr. J.Y. Williams to be sworn in. After being sworn in, Mr. Williams explained the chain of command at Jefferson County Community Development and how the federal grant money was used. He noted that he reported to the County Judge Earl Chaddick and Jefferson County Clerk/Treasurer Abe Stone and was initially housed inside the judge's office. Mr. Williams explained how Pine Bluff used the federal block grant to install natural gas lines into low income neighborhoods and then used the turn-back funds from Centerpoint Gas Company to fund additional projects in other unincorporated neighborhoods. Under Judge Humphrey's urging, Mr. Williams detailed other county officials and their duties in setting up and/or administering the federal block grant program for Jefferson County.

Mr. Newell began his cross-examination by asking Mr. Williams about paperwork he had filled subsequent to his hiring by Jefferson County Community Development. Mr. Williams stated that the forms were prepared by BKD, the CPA firm that set up the employment records for Jefferson County. Those forms listed Mr. Williams' employer as Jefferson County Community Development, however Jefferson County was the entity that applied for the federal grant that paid Mr. Williams' salary. Mr. Newell pressed on, highlighting the differences in benefits and time sheets between Mr. Williams' wife (a verified county employee) versus Mr. Williams' benefits during that time. Mr. Newell reviewed Mr. Williams' work history with the state and why he had never attempted to verify retirement service credit for the months from 1980 through 1986 before his APERS counseling appointment in 2006. He stated that prior to 2006 he was unaware that the County and State retirement was all tied together under APERS. Mr. Williams claimed he was never provided any sort of employee handbook outlining benefits, etc. while he was working for Jefferson County Community Development.

After Mr. Newell wrapped up his cross-examination regarding the source of Mr. Williams' wages, Mr. Wills took over questioning Mr. Williams. He confirmed through Mr. William's that the county had provided him a work vehicle, paid for the insurance gas and repairs on that vehicle, provided his office space and paid for the utilities of that office during his time with Jefferson County Community Development. Once Mr. Wills was finished with Mr. Williams several Board members had questions for him before he was allowed to leave the table.

Mr. Newell called for his next witness. Mr. Jack Jones, a Jefferson County judge from 1989-2006, was sworn in and sat before the Board. He stated that he was a friend and co-worker of Mr. Williams under Judge Chaddick during the time Mr. Williams worked for Jefferson County Community Development. Mr. Jones stated that he'd always thought that Mr. Williams was a contractor for the county programs. In 1979, the only way to be considered a "county employee" was to occupy a salary slot that had been created by the Jefferson County Quorum Court. Mr. Williams' position only existed as long as the federal funds were available.

Judge Humphrey asked to cross-examine the witness. He asked if Mr. Jones had anything to do with Mr. William's hiring or jobs that he was sent to do and Mr. Jones indicated he did not. Judge Humphrey requested that Mr. Wills read A.C.A 24-4-101 (17)(A)(i)(a) which defines "employees" for APERS' purposes to include those "whose compensations were payable from funds appropriated by the public employer and all otherwise eligible employees whose compensations were payable in whole or part from federal funds". Judge Humphrey asked Mr. Jones if under that provision, would he consider Mr. Williams to be a county employee? Mr. Jones repeated that he could only be a county employee if his position had been created by the Jefferson County Quorum Court.

Neither Mr. Wills nor Mr. Newell had any further questions for Mr. Jones.

Mr. Wills gave his closing argument touching on the fact that most employees have no idea if their employers are reporting them to APERS until it comes time to retire. He noted that being paid out of federal funds did not eliminate a person from being a county employee and there was no way for Mr. Williams to collect the federal grant money himself, it had to come through the county. Finally, according to Social Security records Jefferson County is shown as his employer throughout the time in question. Regardless of which satellite EIN agency he was listed under, it all fell under the same PRU: Jefferson County. This leads Staff to believe that Mr. Williams was a county employee from 1980-1986 and Jefferson County is responsible for making the past-due employer contributions. Since they have refused to do so, Staff requests that you affirm the Executive Director's decision to proceed with the intercept of their turn-back funds.

Judge Humphrey stated that he agreed with Staff's decision and directed the Board's attention to the EIN/PRU numbers. He also felt that Jefferson County was the parent employer and that they had known about this problem since 2006. No one had any desire to bankrupt the county and he was sure that a payment plan could be worked out for Jefferson County, so his client could begin to collect his earned APERS retirement.

For Mr. Newell's closing argument he focused on the theory that Mr. Williams would not be considered the "usual county employee" by the entity that he worked for from the time period of 1980-1986. Since his W2 was issued by Jefferson County Community Development and they withheld his Social Security and FICA, they would logically be considered his employer, not Jefferson County. APERS' members get benefit statements so how is it possible that Mr. Williams was not aware prior to 2006 that he had not been listed as an APERS member prior to 1986. He should have brought the issue to Jefferson County a long time ago.

Mr. Wills restated the two issues that the Board needed to make a decision upon. The principal issue was whether or not to support Staff's decision to hit Jefferson County's turn-back funds for Mr. Williams' past-due contributions ($86,806). However, in order to make that determination, it would be necessary to determine that Mr. Williams had been an employee of Jefferson County during the time in question. He suggested that the Board make decision regarding the county employee status first.

After a short discussion between various Board Members and Ms. Stone on what constitutes a "county employee", the consensus was that it varied quite a bit depending on which person/agency was asked and it was possible there were many other workers across the state that would fall under APERS description of "county employee" but had never been reported to APERS.

Ms. Harris motioned to uphold Staff's decision that Mr. Williams was indeed a county employee during the time period in question and should have been reported to APERS. She was seconded by Mr. Goodner and the motion passed unanimously.

Mr. Gaddy asked Ms. Stone to reiterate the repayment plan she had proposed earlier to Jefferson County. She said APERS had reached out to Jefferson County and explained they would be happy to work out an installment plan, just as long as the total amount was repaid <u>before</u> Mr. Williams began collecting his retirement. The Jefferson County representative had readily agreed each time, but then nothing further ever came of the discussion. Staff decided the only course of action was to intercept the turn-back funds to collect the amount owed APERS. Ms. Stone noted she was shocked when the intercept was blocked, as this had never happened before in her time with the retirement system. She felt that Staff was being generous in forgiving interest that accrued after 2006 or Jefferson County would owe over $150,000 instead of the $86, 806 that was being asked.

Ms. Wright motioned to follow through with the normal protocol for collecting outstanding employer contributions. Mr. Goodner seconded and the motion passed.

NEXT QUARTERLY BOARD MEETING:
The next quarterly meeting of the APERS Board of Trustees is scheduled for Wednesday, August 20, 2014 at 9:00 a.m. Lunch will be provided.

APERS ANNUAL EDUCATIONAL SEMINAR:
Date is set for Tuesday, October 28, 2014

ADJOURNMENT:
There being no further business, the meeting was adjourned.

Artee Williams — Gail H. Stone

MR. ARTEE WILLIAMS, CHAIR — MS. GAIL STONE, EXECUTIVE DIRECTOR