

Minutes
The Arkansas Local Police and Fire Retirement System (LOPFI)
Audit Committee Meeting

The Audit Committee of the Arkansas Local Police and Fire Retirement System met on Tuesday, May 19, 2015, in the LOPFI office located at 620 W. 3rd, Suite 200, Little Rock, Arkansas.

Members Present: Terry Henson, Fire Employee Trustee, Chairman
Bev Lambert, Public Trustee
John Neal, Retired Fire Employee Trustee (via teleconference)

Staff Present: David Clark, Executive Director
Robert Bartholmey, Chief Financial Officer
Denise Collins, Accountant II
Jen Sines, Recording Secretary to the Committee

Chairman Henson called the meeting to order at 9:00 a.m. and recognized a quorum and notification of news media.

Andy Richards, BKD CPAs & Advisors, auditor for the Board, presented the auditor's report for year ended December 31, 2014. Mr. Richards advised that LOPFI has implemented a new accounting standard, Government Accounting Standards Board (GASB) 67. He is overall very pleased with the audit results and the cooperation received from staff. Mr. Richards indicated that BKD issued an un-modified opinion over the System's financial statements, which is a clean opinion. Mr. Richards reviewed the audit report:

Statement of Fiduciary Net Position: Mr. Richards advised that this is a year-end snapshot of the assets and liabilities (the overall financial condition of the System). The Net Position restricted for pensions was \$1.467 billion in 2013, and increased to \$1.610 billion for 2014. The driver for that increase is the investments, which increased approximately 10% from \$1.346 billion in 2013 to \$1.487 billion in 2014.

Statement of Changes in Fiduciary New Position: Mr. Richards stated that total contributions decreased from \$161 million in 2013 to \$116 million in 2014. Mr. Richards advised that the 2013 contributions included assets from the Little Rock Police Pension Plan consolidation. Member Contributions increased from \$20 million in 2013 to \$22.6 million in 2014, while Employer Contributions increased from \$76 million in 2013 to \$85 million in 2014. Net Investment Income was \$211 million in 2013 compared to \$107 million in 2014, which puts the System's total additions at \$223 million in 2014 versus \$373 million in 2013.

Benefits paid to participants increased from \$55 million in 2013 to \$70 million in 2014. Mr. Bartholmey stated that this number includes approximately \$7 ½ million for the Little Rock Police Pension retirees that consolidated. Chairman Henson acknowledged that the increase reflects the life cycle of the system. Mr. Clark confirmed that the system is at the point where an increase in the rate of retirements is expected to continue to grow. Mr. Richards stated there is an overall increase in net position of \$142 million in 2014. Chairman Henson commented that the System is paying more out, yet still reflecting an increase in Net Position.

Net Pension Liability: Mr. Richards referenced Note three (3) and stated that the actuaries computed Net Pension Liability verses an actuarial accrued liability due to a new pronouncement from the GASB. He stated that this liability belongs to the System's participating employers and is not a

liability of the System. Mr. Richards went on to explain the Discount Rate Assumption. The System uses a single discount rate instead of a blended discount rate, because the projection is that the System will have sufficient assets to pay all benefits.

Required Supplementary Information: Mr. Richards presented the required supplementary information for the years 2012, 2013 and 2014 and stated the Schedule of Changes in Net Pension Liability and Related Ratio summarizes the changes in the liability. He also pointed out the System's net position has consistently increased over the last three (3) years. The Net Pension Liability as a percentage of covered payroll, was 124% in 2014 compared to 153% in 2012 which is going in the right direction. Chairman Henson inquired as to how many Local Plans have not consolidated. Mr. Clark confirmed there are still 124 Local Plans that are locally-administered. Mr. Clark also stated that the funded percentage (79.06% for 2015) is from the accounting side of the equation because of the GASB pronouncements. The actuarial funded position for 2014, for LOPFI-only, was 76%, which was up from 74% in 2013. Mr. Neal stated we are trending upward and are making steps in the right direction.

Schedule of Employer Contributions: Mr. Richards explained that the schedule shows that over the past ten (10) years, employers have made the actuarially required contributions and the contributions as a percentage of covered payroll has increased each year.

Schedule of Investments: Mr. Richards advised that the Schedule of Investment Returns shows the annual money weighted rate of return which is a new GASB requirement.

Chairman Henson commented that there is a lot more information in this audit report and is easier to understand which is appreciated. Chairman Henson asked if there is anything LOPFI can do to make it easier to prepare the audit. Mr. Richards advised that staff did a great job and stated that last year staff worked with the data processors to design new reports to help provide the needed information.

Mr. Richards stated that they are working on issuing a report that the employers and their auditors can use next year when they implement the new GASB 68 standards. Chairman Henson stated that this should be a shining example to the state of Arkansas that employers meet their mandatory contributions. Mr. Lambert stated that the report is very understandable and clear.

Mr. Lambert made a motion, seconded by Mr. Neal to accept the 2014 LOPFI audit. The motion passed unanimously.

With no other business to discuss, the Committee adjourned at 9:32 a.m.

Respectfully submitted,

Approved 6/04/2015

Jen Sines
Recording Secretary to the Committee