

Minutes
The Arkansas Local Police and Fire Retirement System Board of Trustees
Quarterly Meeting

The Arkansas Local Police and Fire Retirement System Board of Trustees met on Thursday, December 4, 2014 in the LOPFI office located at 620 W. 3rd, Suite 200, Little Rock, Arkansas.

Members Present: Mayor Mike Gaskill, Employer Trustee, Chairman
Terry Henson, Fire Employee Trustee, Vice-Chairman
John Neal, Retired Fire Employee Trustee
Catherine Cook, Employer Trustee
Bev Lambert, Public Trustee
Tim Hill, Retired Police Employee Trustee
J. Scott Baxter, Police Employee Trustee

Staff Present: David Clark, Executive Director
Tracy Warfe, Assistant Director
Jen Sines, Secretary to the Board

Chairman Gaskill called the meeting to order at 9:01 a.m. and recognized a quorum and notification of the news media.

Approval of minutes

Mr. Lambert made a motion, seconded by Ms. Cook to approve the September 4, 2014 LOPFI meeting minutes and the November 13, 2014 Investment Committee minutes. The motion passed unanimously.

2015 Legislative Session/Uniform Employer Rate

Mr. Clark presented a request from the Municipal League for support of constitutional amendments to Amendments 62 and 78. The purpose is to increase millage for police and fire retirement costs. If the legislature agrees with this proposal, local municipalities will be able to increase their millage up to four (4) mills total (two (2) for police and two (2) for fire). This proposal is solely dedicated to police and fire costs. Mr. Henson made a motion, seconded by Mr. Neal, to support the request from the Municipal League. The motion passed unanimously.

David Hoffman and Heidi Barry, actuaries with Gabriel, Roeder, Smith (GRS) presented further details regarding the uniform employer rate from the September 4, 2014 Board meeting. The presentation included the number of employers who would/would not reach the paid uniform rate of 22% over a ten (10) year span. For the year 2015, 176 employers will have contribution rates less than the 22% paid uniform rate. For the year 2024, only 11 employers are projected to have contribution rates less than the 22% paid uniform rate. Mr. Hoffman stated that if the Board decided to reduce the 22% paid uniform rate, there is a large possibility that the employer contribution rate will need to be increased again in the future. Mr. Hoffman advised that if the paid uniform rate was left at 22%, there is a chance that it will stay at this percentage for a number of years, which will help with budgeting for employers. This leaves the possibility for the investment return assumption to be lowered from the current assumed 8% should the Board choose to do so.

Mr. Clark stated the ultimate goal was to achieve a paid uniform employer contribution rate for every employer by the year 2016. Mr. Clark advised previous discussions included

increasing the 1% cap for employer contribution rate increases in the 2015 legislative session. Without raising the 1% cap, we will be unable to achieve the uniform rate for all paid service employers in the near term. However, increasing the 1% cap will likely not be well received. Chairman Gaskill mentioned a large rate increase may be difficult for some cities to reach. Ms. Cook advised from an employer standpoint, it is good to know what the increase is going to be for budgeting purposes. Mr. Clark affirmed that reaching the paid uniform employer contribution rate by the year 2016 is not a requirement. The Board did not have any questions.

Disability Review Process

Mr. Clark stated this is a carryover from the September meeting where we brought forward a proposal to complete a measured review of previously approved disability cases. Mr. Clark suggested, based on feedback from the Board, to pull this recommendation down. Mr. Henson made a motion, seconded by Mr. Lambert, to pull this recommendation. The motion passed unanimously.

Investment Consultant report

Larry Middleton, Stephens Inc., presented the third quarter investment report. LOPFI's total portfolio value at September 30, 2014, was \$1.564 billion. The market value as of December 4, 2014 was \$1.597 billion. Mr. Middleton stated there were no particular standouts for the month of September 2014. On a year to date basis, the agency is in the top one (1) percentile, at 12.27% for the trailing twelve months as of September 30, 2014, verses our index policy return of 9.31%. Mr. Middleton stated that September and October this year were particularly difficult, but since that point markets have rallied. From a macro perspective, the US economy is gaining strength and there is a high demand for US bonds.

Mr. Middleton advised three (3) managers have been in the news, the first being PIMCO, due to a change in management. Mr. Middleton confirmed that he did send a team to New York to look at their operation, and they feel comfortable recommending that the agency continue to retain PIMCO. Next, Institutional Investor ranked AIM (Hedge Fund manager) as the best small Hedge Fund manager in the country for 2014. Lastly, Chickasaw has been ranked number one (1) in the country for the one and five (5) year periods for the four (4) consecutive quarters. Mr. Middleton concluded his report.

Investment Committee report

Mr. Lambert stated that the Investment Committee (IC) met on November 13, 2014. The main topic of the meeting was to review the Brokerage & Management Proposal presentation from Colliers International for the LOPFI building. The primary focus is to increase the occupancy rate. Mr. Lambert stated that they feel Colliers International is ideally suited to be a good fit for this agency and is recommended by the Investment Committee. Mr. Lambert made a motion, seconded by Mr. Neal, to allow Mr. Clark to sign a contract with Colliers International to become the property manager. The motion passed unanimously.

September 2014 Financial Statements

Mr. Clark stated due to additional data processing projects to increase work flow efficiencies and enhance both the Member Portal and Employer Reporting Portal, the budgeted amount for the Computer Operations/Process line item was increased by moving \$485,000 from the Money Manager line item to Computer Operations/Process. This action, which does not alter the total budgeted amount allocated for the Professional Services category, is allowed by Board Rule 26 and is footnoted on the September Financial Statements. Mr. Henson made a motion,

seconded by Ms. Cook, to accept the September 2014 Financial Statements. The motion passed unanimously.

ASC report

Chairman Gaskill stated that the Administrative Services Committee (ASC) met on November 13, 2014 to review the 2015 proposed budget. The ASC reviewed the following items:

1. Review of staff salaries per ACA 24-10-204, to make sure all employee salaries are within limits consistent with the State Pay Plan.
2. A proposed Cost of Living Adjustment (COLA) increase of 1.7% to all staff with an exception of the Executive Director and Assistant Director positions, which will receive a 1% COLA
3. A proposed recognition program for the career oriented members of staff that would be built off of the sick leave program.

Chairman Gaskill confirmed that all staff salaries are in compliance with ACA 24-10-204. Chairman Gaskill advised that the ASC agreed to approve the COLAs to all staff as previously stated. Chairman Gaskill reminded the Board that this is just a Cost of Living Adjustment and that the COLA has nothing to do with the merit increases that are dealt with in individual meetings. Mr. Clark explained that a 1% COLA was recommended for the Executive Director and Assistant Director positions as to not exceed the state pay scale. Mr. Henson made a motion, seconded by Mr. Neal, to approve the recommended COLA increases. The motion passed unanimously.

Chairman Gaskill explained the proposed recognition program built off of the sick leave program. Chairman Gaskill advised the Board that the ASC had a discussion about this recommendation and decided to table this item until a later date. Mr. Baxter made a motion, seconded by Mr. Lambert, to table this item as the ASC recommended. The motion passed unanimously.

Review/approve 2015 Proposed Budget

Mr. Clark presented three (3) items that are unusual for the 2015 LOPFI budget.

- o Office Equipment Leasing/Maintenance - The internet and voice service was changed to a fiber service which took longer than anticipated. Now that the fiber service is active, real time backups to an off-site location will need to be completed to aid LOPFI and PRB with their Disaster Recovery Plan. Since this was originally budgeted for 2014, the cost has simply moved from the 2014 Budget to the 2015 Budget.
- o Office Supplies - The plan is to replace all workstations (PCs) for the nine (9) member staff and complete audio/visual updates in the Board Room.
- o Phone – This involves a redesign of the agency's website. The cost will be split 90/10 with PRB, with the 90% portion being assigned to LOPFI.

Mr. Clark went on to explain the Budget narrative and the snapshot of the 2014 budget verses the proposed 2015 budget. The 2015 LOPFI budget request is in the amount of \$11,649,882. Chairman Gaskill asked the Board to note this budget is \$2.5 million more than the 2014 budget; however, the increase is not going to members of staff, it is going to the operation of the retirement system. Mr. Clark thanked Chairman Gaskill for the clarification. Mr. Henson made a motion, seconded by Mr. Neal, to approve the 2015 LOPFI budget. The motion passed unanimously.

Mr. Lambert advised he wanted to compliment staff and that the human capital expense in the relation to the size of the retirement system is excellent. Mr. Neal agreed complementing the way staff takes care of the membership. Mr. Neal also recognized staff in comparison to other pension systems, making note of the total retirement system membership compared to the number of staff members.

Set dates/times for 2015 meetings

The Board agreed on the following dates/times for the 2015 meetings:

- March 5 – at 9:00 a.m.
- June 4 – at 10:00 a.m.
- September 3 – at 9:00 a.m.
- December 3 – at 9:00 a.m.

Upcoming Board appointments

Mr. Clark stated that LOPFI has two (2) Board positions that are up for re-appointment effective January 1, 2015. The Board agreed to submit Chairman Gaskill's and Mr. Lambert's names for re-appointment.

Roger Smith asked to approach the Board regarding the upcoming legislative session. Mr. Smith stated that there has been some talk about making LOPFI a state agency. To prevent this, Mr. Smith asked the Board to recommend Mr. Clark prepare proactive legislation to make LOPFI more transparent. Mr. Neal commented that LOPFI is already transparent and that is why he is so impressed with the agency/staff.

With no other business, Mr. Neal made a motion, seconded by Mr. Lambert, to adjourn. The Board adjourned at 10:08 a.m.

Respectfully submitted,

Approved 03/05/15

Jen Sines
Secretary to the Board