

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 Wednesday, March 5, 2014 in the LOPFI office located at 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas.

Members Present: Terry Henson, Fire Employee Trustee, Vice-Chairman  
John Neal, Retired Fire Employee Trustee  
Catherine Cook, Employer Trustee  
Bev Lambert, Public Trustee

Teleconference: Tim Hill, Retired Police Employee Trustee  
J. Scott Baxter, Police Employee Trustee

Excused Member: Mayor Mike Gaskill, Employer Trustee, Chairman

Staff Present: David Clark, Executive Director  
Tracy Warfe, Assistant Director  
Crystal Holsted, Secretary to the Board

Vice-Chairman Henson called the meeting to order at 9:04 a.m. and recognized a quorum and notification of the news media. Vice-Chairman Henson stated that the new appointments to the Board are Catherine Cook and J. Scott Baxter and welcomed both new Trustees. Mr. Lambert made a motion, seconded by Mr. Neal to excuse Chairman Gaskill. The motion passed unanimously.

Approval of minutes

Mr. Lambert made a motion, seconded by Mr. Neal to approve the December 5, 2013 minutes and the February 11, 2014 Investment Committee minutes. The motion passed unanimously.

Employer contribution rates

Mr. David Hoffman, actuary with Gabriel, Roeder, Smith (GRS) presented the 2015 paid service employer rate options to the Board. Mr. Hoffman recommended that due to the limitation in code, the 1% cap on increasing employer contributions from year to year, that the Board maintain some margin for future experience. Mr. Clark reminded the Board that this discussion addresses the changes from Act 979 of 2011 of establishing a uniform paid employer contribution rate for all LOPFI paid service locations. Since 2008, this same concept has been used for the uniform volunteer rates. It is important to keep in mind that the uniform rate under discussion is for LOPFI costs; not costs associated with Local Plans administered by LOPFI. Ms. Cook stated that a uniform paid rate would be helpful for budgeting purposes, especially, since the amount of Premium Tax funding from year-to-year is not known. Mr. Hoffman confirmed that the locations will be charged the necessary actuarial cost to properly fund the needs of LOPFI. Mr. Lambert made a motion, seconded by Mr. Neal to move towards a uniform paid employer contribution rate for CY 2015, by using a minimum of the CY 2014 rate + 1% and locations with a contribution rate greater than this amount will not move below 22%. The motion passed unanimously.

#### Investment Consultant report

Mr. Larry Middleton, Stephens Inc., presented the fourth quarter report and stated LOPFI's total portfolio at December 31, 2013, was \$1.440 billion. As of March 4, 2014, the total portfolio had increased to \$1.457 billion. The 2013-year was a very solid year for LOPFI and you will hear more about this in a moment. To avoid duplication of reports since the Investment Monitor is also on the agenda, and to be sensitive to the Board's time, Mr. Middleton concluded his report.

#### Investment Committee report

Mr. Lambert stated that the Investment Committee (IC) met on February 11, 2014 and approved the following allocations: \$20 million to Garcia Hamilton for their existing mandate; \$20 million to AIM for a new private equity mandate; and \$20 million to KKR for a new oil and gas/energy mandate. The monies to fund these allocations would come from cash. Due to time constraints with KKR's new mandate, Mr. Clark advised the Board of the IC's action and there was no dissension from the Trustees. It is now time for the Board to formally accept these allocations as approved by the IC and Mr. Lambert made this recommendation as a motion. Mr. Neal seconded the motion and it passed unanimously. Mr. Lambert concluded his report by thanking Mr. Middleton, Bo Brister, Sandy Babcock and all those who are behind the scenes for helping LOPFI's investment process.

#### Investment Monitor report

Mr. John McCann, Thistle Asset Consulting, reviewed the Executive Summary report. The Performance Evaluation Summary shows a net fund return of 17.76% for the 2013-year, which was a solid result. Mr. McCann reviewed ten (10) money managers' annual portfolios and it shows LOPFI's total portfolio is nicely diversified. Mr. McCann concluded his report.

#### Actuarial presentation

Mr. Hoffman presented the new GASB Statement No. 67 report which was provided to staff for review by them and the System's auditor. The funded ratio shown in this report is to satisfy the requirements of GASB Statement No. 67; therefore, these results will not necessarily match the valuation results. Remember, the actuarial valuations are used for funding purposes. Mr. Hoffman concluded his report.

#### Financial statements

Mr. Clark stated that for the 2013-year only 72.95% of the budget was consumed. Money manager fees were significantly less than projected, which accounted for the majority of the unused portion of the budget. Appropriate footnotes were provided for unusual items. Mr. Neal made a motion, seconded by Ms. Cook to approve the December 2013 financial statements. The motion passed unanimously.

The Board adjourned at 10:26 a.m.

Respectfully submitted,

Approved 06/05/14

Crystal Holsted  
Recording Secretary to the Board