

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, September 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
Crystal Holsted, Secretary to the Board
Jen Sines, Secretary to the Board

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

Approval of minutes

Mr. Neal made a motion, seconded by Mr. Henson to approve the June 5, 2014 minutes. The motion passed unanimously.

Investment Consultant report

Mr. Larry Middleton, Stephens Inc., presented the second quarter investment report, including a building report. LOPFI's total portfolio value at June 30, 2014, was \$1.533 billion. The market value at December 31, 2013 was \$1.440 billion. The un-reconciled market value as of September 3, 2014 was \$1.573 billion. Mr. Middleton stated this is a reflection of momentum in the markets and good choices by the Board in the selection of managers. Given the number of managers and the growth of the system, the reconciliation process has become more complex. However, you have a good team in place to perform these responsibilities. He does not know of another account that has three (3) separate groups looking at the same numbers for reconciliation processes. Mr. Middleton stated that the standout manager in this report is Chickasaw, which was up 21% for the second quarter of 2014 and the trailing 12-months the manager was up 51%. Chairman Gaskill stated that he is thankful for the diversification of LOPFI's funds and for Mr. Middleton continuing to bring opportunities to the Investment Committee. Mr. Middleton concluded his report.

GASB discussion

David Hoffman and Heidi Barry, actuaries with Gabriel, Roeder, Smith gave the presentation. Ms. Barry stated that GASB replaced Statement No. 25 with Statement No. 67, which separates funding and accounting standards. The report provided to the Board in June 2014 titled Summary Valuation Results is for funding purposes and includes the smoothing of assets. The GASB Statement No. 67 report is for accounting purposes, which does not include smoothing. The information from this report is included in your Comprehensive Annual Financial Report (CAFR). Mr. Hoffman stated the funded ratio shown in this report is to satisfy the requirements of GASB Statement No. 67; therefore, these results will not match the Summary Valuation Results. Ms. Barry stated the plan fiduciary net position (market value) as a percentage of total pension liability is 78%

funded for paid locations and 61% funded for volunteer locations. Mr. Hoffman concluded the presentation.

Staff report

Mr. Clark reviewed the plans for the retirement system, including the requests pertaining to Technology, Investment Management Services, Legislative Changes and Employer Contributions, and Staff Recruitment/Retention. Mr. Clark reviewed the following six (6) requests, which also included discussion by the Board during the explanation of each request:

1.A-Request is to mandate the remaining (99) employer locations convert to e-Payment by July 1, 2015 (June-2015 reporting cycle). Chairman Gaskill stated that rather than petitioning the locations to convert to e-Payment provide them a notice with the deadline. Mr. Henson made a motion, seconded by Mr. Neal to approve this request. Ms. Cook stated that she thinks it is a reasonable request. The motion passed unanimously.

1-B-Request is to work with the data processors to develop an online deductions process to be used by the members/retirees and respective entities via the Portal (Arrivos platform). This request includes any existing retiree would process such deductions via the Portal and any new LOPFI retiree who wants to use the deductions process must retire online once the deductions functionality is active and a receiving entity agreement affecting the retiree is in place. Mr. Ramsay stated that the appropriate disclaimer will be on all online processes; therefore, it is the member's responsibility. Chairman Gaskill stated that he would like a double verification, rather than one (1) click of a button. Mr. Clark advised that added acknowledgment could be programmed as directed. Mr. Clark stated that currently there are ten (10) locations who offer deductions for retirees. It is up to the member to entice their employer to sign the entity agreement to allow the deductions process to work. Chairman Gaskill stated that bi-annual emails should be sent to the members asking them to verify their information in the Portal. Chairman Gaskill asked for staff to create a presentation of the Member Portal features so that all Board members could review the current processes. Mr. Clark advised the reminder notice would be scheduled for a future software release and staff would prepare a presentation for the Board regarding the Portal. Chairman Gaskill recognized Byron Warren, retiree. Mr. Warren asked if LOPFI could mandate locations to complete the entity agreement to offer deductions to retirees. Mr. Clark stated LOPFI does not have that authority. Mr. Henson made a motion, seconded by Mr. Lambert to approve this request. The motion passed unanimously.

1-C-Request is to process all benefit verification letters directly via the Member Portal i.e. no paper handling by staff; handle the first paper change request for active and retired participants who have a Portal account and advise that all future paper changes would be declined and instead the change(s) would need to be handled via the Portal. Again, such advisory letters would communicate the features of the Portal including the ease and security of completing such transactions. Mr. Henson made a motion, seconded by Mr. Hill to approve this request. The motion passed unanimously.

2-Request is to allow staff to continue to work with the investment consultant, investment monitor, bank custodian, and manager/funds to provide the increased asset evaluation and fee monitoring services and build the necessary costs into the 2015 budget. Mr. Neal made a motion, seconded by Ms. Cook to approve this request. The motion passed unanimously.

3-Request is for the Board to be cautious of any legislative proposals that add cost to the system until such time as the LOPFI-only portion of the system achieves a funded level acceptable to the Board. Further, the Board should avoid benefit changes that treat differently classes (ranks) of members i.e. provide an advantage to one group over another group. And last, not allow a roll-back in employer contribution rates until such time as the system achieves a funded level acceptable to the

Board. Mr. Henson made a motion, seconded by Mr. Cook to approve this request. The motion passed unanimously.

4-Request is simply to ask that the Board remain receptive to suggestions/ideas of ways to retain and enhance the career experience for LOPFI staff. Mr. Henson made a motion, seconded by Mr. Lambert to approve this request. The motion passed unanimously.

The Board recessed at 10:28 a.m. and reconvened at 10:36 a.m.

2015 Legislative Session

Mr. Clark stated that the Premium Tax change that occurred in the 2011 session included moving all LOPFI paid locations to a uniform employer contribution rate by year 2016. There is a small number of locations, roughly 24, who will not be able to be fully increased to the uniform rate due to the limitation in code that prohibits rates from increasing more than one percent (1%) per year. A couple of initial ideas to amend law to achieve the uniform rate for all locations by 2016 include:

1) Remove the 1% cap from these 24 locations, solely for the purpose of achieving a uniform employer contribution rate.

2) Push the timeframe for reaching the uniform employer contribution rate from 2016 to 2025.

Mr. Henson stated that he would like to see a report of what the 24 locations cost will be in year-2016, 2021(+5 years), 2025 (+9 years). Mr. Hoffman stated that he would provide the report at the December 2014 LOPFI meeting. The Board agreed to revisit this discussion at the December 2014 meeting.

Disability review process

Mr. Clark stated the law allows the Board to review existing disability cases that meet certain criteria. If a retiree refuses to provide medical information, then the Board may suspend the monthly benefit until the refusal is withdrawn. If the refusal continues for one (1) year, all rights to the benefit may be revoked by the Board. There was a review of the current 370 LOPFI duty disability retirement cases (non-duty cases were not reviewed as it did not seem beneficial from a cost/benefit perspective). A number of duty disability cases were extracted because the participant met certain criteria such as: the attainment of age 55 or were within 6 months of reaching age 55; cases that were approved during the 2014 year; cases approved by social security; and cases that the Board adopted the member's physician's opinion (as those cases revealed clearly disabling conditions) and cases that were successfully appealed to the Board. By removing these cases, the 370 number was reduced to 102. Of the 102 cases, each case was reviewed, which resulted in another 40 cases being removed. The ones removed contained medical records showing multiple surgeries had been performed for the disabling condition, or the LOPFI medical advisor advised the condition was particularly bad. This proposal is to add new cases that do not fall into one of the above exclusionary categories and complete a random sampling, performed by the data processor, for a follow up review. These cases would be in addition to those that are received via a written complaint i.e. someone claims the participant is no longer disabled.

Ms. Cook stated that the random selection is okay, but every disability would need to be reviewed at some point. Mr. Henson stated that suspending the retirement benefit while the member's file is under review might stop their entire income. Mr. Henson stated that the period allotted for an appeal, should a disability be considered no longer disabled after review by a LOPFI medical advisor should be based around the Board's scheduled meetings. Chairman Gaskill recognized Bill Lundy, Little Rock Local Fire Plan. Mr. Lundy stated that if a disability review results in the retiree's benefit being stopped and the member being told they can return to work does not mean that the location will rehire that person. Furthermore, through the National Conference on Public Employee Retirement Systems (NCPERS) research, it has been proven that within two (2)

years, the member will become disabled again and they will be retired at a higher monthly benefit amount due to additional service credit. Mr. Lundy stated that the system should be prudent about disability awards. Chairman Gaskill recognized Mr. Ed Jaros, Arkansas Professional Fire Fighters Association. Mr. Jaros stated that he agrees with Mr. Lundy. Mr. Neal made a motion, seconded by Mr. Henson to table the decision until the December 2014 LOPFI meeting. The motion passed unanimously. Chairman Gaskill recognized Mr. Tommy Hudson, Little Rock Fraternal Order of Police. Mr. Hudson stated that he would like the Board to be aware that Little Rock Police has experienced occasions where unscrupulous officers who are under investigation have filed for duty disability retirement, often under the premise of having PTSD. He is concerned about the health of the retirement system in terms of the number of duty disability retirements.

Financial statements

Mr. Henson made a motion, seconded by Mr. Neal to approve the June 2014 financial statements. The motion passed unanimously.

With no other business to discuss, Mr. Henson made a motion seconded by Mr. Neal to adjourn. The motion passed unanimously. The Board adjourned at 11:20 a.m.

Respectfully submitted,

Approved 12/04/14

Jen Sines
Secretary to the Board