

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 8, 2016 in the LOPFI office located at 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas.

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

Staff Present: David Clark, Executive Director  
Tracy Warfe, Assistant Director  
Tiffiney Lewis, 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. Hill, to approve the June 2, 2016 minutes and the August 30, 2016 Investment Committee minutes. The motion passed unanimously.

2017 Legislative session

Mr. Clark provided a follow up to the discussion at the June 2, 2016 Board meeting regarding technical changes to section ACA 24-10-206. The changes are intended to aid the retirement system in its work towards meeting the requirements for a Determination Letter issued by the Internal Revenue Service. No other suggested changes were presented to the Board for the 2017 Legislative session.

Actuarial assumptions

Mr. David Hoffman and Ms. Heidi Barry, actuaries with Gabriel, Roeder, Smith & Company (GRS) discussed two (2) items. Mr. Hoffman gave a brief update from the September 3, 2015 LOPFI meeting for determining the employer contribution rates for the Local Plans under LOPFI administration. Mr. Hoffman stated that the LOPFI assumption for future payroll growth is 3.75%. However, most Local Plans do not see that type of growth. The recent observations for Local Plans under LOPFI administration has only 10 of the 44 groups achieving the payroll growth assumption. Mr. Hoffman advised the Board that GRS has recommendations should the projected employer contribution rates be negatively impacted by the lower payroll growth. No action was needed by the Board at this time.

Mr. Hoffman also gave a brief update of the progress toward the Uniform Employer Contribution Rate for paid service employers. Mr. Hoffman explained that the maximum employer contribution rate is currently 23% of payroll and will ultimately become the Uniform Rate. Mr. Hoffman stated that the Uniform Rate will change over time and if all assumptions are exactly realized in future experience, under the current amortization policy, the maximum

Uniform Rate would move toward 22% payroll; however, there is no guarantee that this will actually happen. For 2017, 164 employers are projected to be below the maximum rate. The number of employers below the maximum rate should decrease noticeably beginning in 2019. In summary, it will be several more years before all employers will arrive at the Uniform Rate.

Ms. Barry discussed the Economic Assumptions with regards to the December 31, 2016 Actuarial Valuations. The purpose of the actuarial valuations is to develop employer contribution rates which remain approximately level from year to year. The annual valuation process depends on numerous actuarial assumptions. The current major economic assumptions are:

- 7.75% rate of investment return
- 3.75% wage inflation and payroll growth
- 2.75% price inflation

Ms. Barry recommended that the Board lower the current Price Inflation from 2.75% to 2.50% and to also lower the current Investment Return Assumption from 7.75% to 7.50%. After further discussion, Mr. Neal made a motion, seconded by Mr. Baxter, to keep this topic on the agenda for an update at the December 1, 2016 meeting. The motion passed unanimously.

#### Investment Consultant report

Mr. Larry Middleton, Stephens Inc., presented the second quarter investment report. LOPFI's total portfolio value as of June 30, 2016, was \$1.658 billion. Mr. Middleton stated that LOPFI had good results over the last 90 days. As of close of business on September 7, 2016, the unaudited total portfolio value was \$1.708 billion, a \$50 million increase since June 30, 2016. Mr. Middleton reported that the Investment Committee met on August 30, 2016. The recommendation by the Investment Committee was to allocate \$20 million to Owl Rock Capital Corporation and \$10 million to PIMCO Bravo III from LOPFI's current cash position. Mr. Lambert made a motion, seconded by Mr. Neal to approve the recommendation from the Investment Committee to fund the allocations from LOPFI's current cash position. The motion passed unanimously.

#### Staff presentation

Mr. Clark explained that the purpose of the staff presentation was to show the Board how the adoption of the Member Portal has been beneficial to the Members. Mr. Clark stated that more than 75% of most transactions such as name, address, taxes and bank changes and greater than 80% of retirement applications are processed via the Member Portal. The presentation was conducted by Ms. Tracy Warfe, Assistant Director and Ms. Laura Nixon, Membership Coordinator and demonstrated how efficient and accessible the Member Portal can be for active Members and retired participants. Mr. Clark recommended to the Board to move all activity to the Member Portal effective January 1, 2017. Chairman Gaskill stated that this would help keep administrative costs down. Mr. Neal stated that he was a fan of the Member Portal and that it is a very useful tool. Mr. Neal made a motion, seconded by Ms. Cook, to approve Mr. Clark's recommendation. The motion passed unanimously.

#### Premium Tax discussion

Mr. Jody Carreiro, actuary, Osborn, Carreiro & Associates (OCA), gave a general overview of the history and various changes to the Premium Tax Allocation formula. Monies from Premium Tax are a vital source of funding used by employers to defray a portion of their police and fire retirement costs. After a brief discussion, the Board thanked Mr. Carreiro for the overview.

June 2016 financial statements

Chairman Gaskill stated the financial statements have been available in the Board Packet for review and shows current assets and liabilities and that the System is in good shape. Ms. Cook made a motion, seconded by Mr. Baxter, to approve the June 2016 financial statements. The motion passed unanimously.

With no other business to discuss, the Board adjourned at 10:41 a.m.

Respectfully submitted,

Approved 12/01/16

Tiffiney Lewis  
Secretary to the Board