

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, March 5, 2015 in the LOPFI office located at 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas.

Teleconference: 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  
Jen Sines, Secretary to the Board

Staff Present: David Clark, Executive Director  
Tracy Warfe, Assistant Director

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. Neal made a motion, seconded by Ms. Cook, to approve the December 4, 2014 minutes. The motion passed unanimously.

2015 Legislative Session

Mr. Clark reviewed seven (7) bills that are working their way through the Legislative process:

- SJR 10 – is a proposal the Municipal League presented to the Board in December 2014 regarding a constitutional amendment to increase the allowable millage for police and fire costs from 1 mil to 2 mil.
- SB 149 – is a bill proposing to add an additional section of code regarding physical fitness testing requirements for firefighters.
- HB 1054 – is a bill that could affect how executive sessions are held. This bill would require a recording of executive sessions for compliance and the recording be maintained for one (1) year in the event the legality of an executive session was questioned.
- HB 1204 – is a bill that would allow DROP monies to be left on account for LOPFI DROP participants. Mr. Clark stated a cost-study reflects this bill would cause a slight cost to the System; therefore, Mr. Clark will speak against this bill, per the Board's directive during the September 2014 Board meeting, to oppose any bill that would add a cost to the System.
- HB 1211 – is a bill that would allow up to 36 months of actual volunteer service credit to be used towards LOPFI DROP eligibility. A Member who enrolls in LOPFI DROP under this provision would have all future service credit accrual cease, including volunteer service credit. Mr. Clark stated that Gabriel, Roeder, Smith (GRS) confirmed that this bill would be cost neutral to the System. Chairman Gaskill mentioned that this bill would benefit Members with no cost to the System or the

cities. Ms. Cook agreed with Chairman Gaskill's statement. Mr. Baxter made a motion, seconded by Ms. Cook, to support this bill. The motion passed unanimously.

- HB 1215 – is a bill that would require adding an additional component to the way liabilities are measured for all pension systems of the state. Mr. Jody Carreiro, actuary for PRB, visited with the sponsor regarding this bill and because of the reporting requirements for GASB 67 and 68, there is sufficient oversight for all the retirement systems' liabilities. The Board has assumptions that it already uses to measure liabilities as well. This new component, using a 4% discount rate, does not add value to the information being published in our opinion; in fact, it would likely cause much confusion since another measurement of liabilities would be used. Mr. Neal made a motion, seconded by Mr. Lambert to oppose this bill. The motion passed unanimously.
- HB 1274 – is a bill that would amend a Claims Commission section of code that would allow an additional payment of death benefits for firefighters who die in the line of duty from certain forms of cancer. This bill is not supposed to have any effect on the retirement systems.

#### Investment Consultant report

Mr. Larry Middleton, Stephens Inc., presented the fourth quarter investment report. He first noted that LOPFI's unaudited total current value as of March 4, 2015, was \$1.615 billion. Mr. Middleton reported that the portfolio's strong performance came from US Equities and Large Cap assets. Mr. Middleton advised that their team worked hard to get good results and accurate representation on the alternative asset classes. Mr. Middleton stated he feels the Board has continued to make good choices as it relates to diversification and that his team has conducted due diligence discussions with Chickasaw and KKR as it relates to opportunities dropping oil prices may create. Mr. Middleton expressed that they have a strong team with PIMCO and thinks the Board made a good choice with retaining that manager.

Mr. Middleton stated that considerable due diligence was made in regards to property management for the LOPFI building and he continues to receive positive feedback on the new property management firm. Mr. Middleton stated that he, Mr. Clark and Kim Battles, LOPFI property manager with Colliers International, have had conversations relating to bringing the LOPFI building current with efficiency standards. Mr. Middleton advised that the air system runs at all times, even in vacant areas of the building, which effects utility bills, comfort level and marketability of the property. Mr. Middleton stated that Ms. Battles will obtain bids for lighting, controls and mechanical system improvements to bring the LOPFI building current with standards. Mr. Middleton recommended these upgrades and encouraged the Board to make the improvements at one time to ensure a larger energy rebate. Chairman Gaskill stated that the bids will be presented to the Board for approval. With no other questions Mr. Middleton concluded his report.

#### Investment Monitor

Mr. John McCann, Thistle Asset Consulting, reviewed an Executive Summary report. Mr. McCann stated the market value as of December 31, 2014 was \$1.6 billion. Mr. McCann stated the year to date rate of return of 8.16%, three (3) year rate of return of 12.67% and five (5) year rate of return of 9.53%, which he advised was excellent. Mr. McCann reviewed the twenty-six (26) money managers' results and concluded his report.

#### LOPFI Real Estate LLC

Mr. Richard Ramsay, legal counsel for LOPFI, stated that when the LOPFI building was purchased, the building was put into a separate LLC for liability purposes. Mr. Ramsay advised

that upon further review, there is a slight cost to having a separate LLC as opposed to having the building in the general LOPFI asset category. Mr. Ramsay stated there is no longer any reason for LOPFI to retain the separate LLC for the building, as the System has adequate insurance, and he sees nothing wrong with collapsing the LLC. Mr. Neal made a motion, seconded by Ms. Cook, to collapse the single LLC and move building ownership to the LOPFI System. The motion passed unanimously.

#### Actuarial Report

Ms. Heidi Barry, actuary with Gabriel, Roeder, Smith gave a presentation outlining the process for actuarial valuations including actuarial mathematics, funding objectives and actuarial assumptions. Ms. Barry also provided an overview of the new pension accounting standards, GASB Statement No. 67 for plan reporting and GASB No. 68 for employer reporting. Ms. Barry concluded her report.

#### Financial statements

Chairman Gaskill stated the financial statements have been available in the Board Packets for review. If there are any questions, Mr. Clark is available to answer them. With no questions, Mr. Lambert made a motion, seconded by Ms. Cook, to approve the December 2014 financial statements. The motion passed unanimously.

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

Respectfully submitted,

Approved 6/04/2015

Jen Sines  
Secretary to the Board