

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 7, 2019 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  
J. Scott Baxter, Police Employee Trustee  
Damon Reed, Fire Employee Trustee  
Tim Hill, Retired Police Employee Trustee  
Mayor Gary Baxter, Employer Trustee  
Andrew Branch, Public Trustee

Staff Present: David Clark, Executive Director  
Laura Nixon, Assistant Director  
Lesley Weaver, Secretary to the Board

Chairman Gaskill called the meeting to order at 9:30 a.m. and recognized a quorum and notification of the news media.

Notice of Reappointment

The Board recognized Chairman Gaskill's reappointment. Chairman Gaskill recognized the appointment of the new Public Trustee, Andrew Branch. Chairman Gaskill welcomed Mr. Branch to the Board.

Approval of Minutes

Mr. G. Baxter made a motion, seconded by Mr. Neal, to approve the December 6, 2018 LOPFI meeting minutes. The motion passed unanimously.

Legal Update

Mr. Richard Ramsay, legal counsel for LOPFI, gave an update on the request to obtain a Determination Letter from the Internal Revenue Service (IRS). Mr. Ramsay stated everything has been completed and the IRS has issued a favorable Determination Letter that shows LOPFI is operated as a qualified trust. Mr. Ramsay stated that he and his staff will monitor IRS rules for any changes that may occur. When that happens, he will alert the Board of any applicable changes that may be needed to Board Rule 35, so that LOPFI remains compliant with the IRS. The Board thanked Mr. Ramsay.

2019 Legislative Session

Mr. Clark reviewed five (5) bills that are working their way through the legislative process:

- SB72 – This is the bill that covers the Board-endorsed changes discussed at the December meeting. This bill is now Act 178 of 2019 and will be effective March 31, 2019.
- SB240 – is a proposal from the Police Chiefs Association that will allow a LOPFI retiree, including a DROP participant, to return to LOPFI-covered employment after having been

retired for at least 180 calendar days without having their retirement benefit stopped. If the retired person returns to LOPFI-covered employment under this provision, the person will not accrue additional service credit or make member contributions. The employer will be required to pay the full actuarial required contribution each month for this position and without the aid of Premium Tax. This requirement ensures no positions are removed from LOPFI coverage. Mr. Neal and Mr. Reed expressed concerns regarding the fairness, equality, and the cost effectiveness of this bill. After a lengthy discussion, Mr. G. Baxter made a motion, seconded by Mr. J. S. Baxter, to support SB240. Chairman Gaskill asked for roll call. The votes were: Mr. G. Baxter-yes, Mr. Neal-no, Mr. J. S. Baxter-yes, Mr. Reed-no, Mr. Hill-yes, and Mr. Branch-yes. With a vote four (4) to two (2), the Board voted to support SB240.

- HB1173 – is a proposal for stress-testing/analysis of public retirement systems. This bill was amended five times and the latest iteration removed the mandatory aspect of the stress-testing/analysis, unless recommended by the retirement system's actuary. In other words, this bill will codify what is already required of actuaries under their professional standards. Mr. J. S. Baxter made a motion, seconded by Mr. Neal, to not support HB1173. Chairman Gaskill asked for roll call. The votes were: Mr. G. Baxter-yes, Mr. Neal-yes, Mr. J. S. Baxter-yes, Mr. Reed-yes, Mr. Hill-yes, and Mr. Branch-no. With a vote five (5) to one (1), the Board voted to not support HB1173.
- HB1345 – is a proposal for presumptive disabilities for certain cancers affecting firefighter members. It is not anticipated to add any meaningful cost to the system as there is a mechanism in the bill to refute that a cancer was from line-of-duty-matters. This proposal is being presented by the firefighters who have agreed to ask for an amendment to include police officers, which would allow all LOPFI members to be treated equally. Mr. Reed made a motion, seconded by Mr. Neal, to support HB1345 if amended to include all LOPFI members. The motion passed unanimously.
- HB1340 – Now Act 315 strikes the unnecessary use of the word "regulations". Board Rule 4 was updated to eliminate this word in the title of the Rule and in the first paragraph. Neither change was substantive. However, Board Rule 35 uses this word in several areas, so it will need to be amended out of this Rule at the June Board meeting.

#### Disability Committee

Mr. Clark provided a follow up to an item from the December Board meeting regarding the increasing disability costs. If the Board decided to form a Committee to review these costs, it may also include an analysis of the total employer contribution costs to determine if they are reasonable and to provide a clear statement that the Committee/Board recognizes the importance of maintaining an attractive benefit structure for the career members i.e. avoid benefit reductions. The Committee membership would include Trustees and representatives from member and employer organizations. The Board agreed to review this topic at the June Board meeting as that would permit time for the referenced organizations to consider whom they may suggest for representatives.

#### Investment Consultant Report

Mr. Larry Middleton, Stephens Inc., presented the fourth quarter investment consultant report. LOPFI's total portfolio value as of December 31, 2018 was \$2.046 billion. Mr. Middleton stated the market began a downturn in October and gained momentum through mid-December. The fourth quarter was the worst quarter in the last ten (10) years due to China tariffs, talk of rising rates, and the uneasiness with mid-term elections. As of close of business on March 6, 2019, the unaudited total portfolio value was \$2.156 billion which was a 5.1%

increase from January 1, 2019 to March 6, 2019. The Board thanked Mr. Middleton for this report.

#### Investment Monitor Report

Mr. John McCann and Mr. Brendon Vavrica, AndCo Consulting, reviewed the Executive Summary report as of December 31, 2018. Mr. Vavrica stated that the year-to-date net return for 2018 was -2.59% versus the System's index of -3.86%; the three (3) year return was 5.82% versus the index of 5.63%; and the five (5) year return was 5.11% versus the index of 4.63%. So for all three (3) reporting periods, the portfolio exceeded its benchmark. Mr. McCann briefly reviewed each of the individual managers' results including an equity analysis that showed the portfolio was broadly diversified and consistent with the mandates of policy. The Board thanked Mr. Vavrica and Mr. McCann for their reports.

#### Actuary Report

Mr. David Hoffman and Ms. Heidi Barry, actuaries with Gabriel, Roeder, Smith & Company (GRS) discussed establishing the maximum LOPFI Paid Service employer contribution rate for calendar year 2020. Mr. Hoffman stated the current LOPFI paid service employer rate of 23.5% is acceptable. The Board could choose whether or not to increase the rate at this time; however, a decision is needed in order to perform the December 31, 2018 Actuarial Valuations. Mr. J. S. Baxter made a motion, seconded by Mr. Neal, to not change the maximum contribution rate; rather, the rate will remain at 23.5% for the 2020-year. The motion passed unanimously.

#### Name Trustees to Audit and Investment Committees

Chairman Gaskill stated that due to the new appointment of Mr. Branch, we need to update certain assignments to the Investment and Audit Committees. Chairman Gaskill suggested the following appointments:

- Investment Committee – Mr. Gaskill, Chairman, Mr. Neal, and Mr. Branch
- Audit Committee – Mr. Neal, Chairman, Mr. Hill, and Mr. G. Baxter

Mr. J. S. Baxter made a motion, seconded by Mr. Neal, to approve the described membership of the Investment and Audit Committees. The motion passed unanimously.

#### Updates to Board Rules 2 and 16

Mr. Clark reviewed the proposed changes to Board Rules 2 and 16. All proposed changes were reviewed and approved by LOPFI legal counsel. Mr. Clark explained the updates:

Rule 2: This Rule provides details of the computation of service time. There are two (2) areas with changes. The first proposed change effective April 1, 2019, states that wage or service credit adjustments for a month from a previous calendar year that is reported in a current reporting month shall use the employer contribution rate in effect for the month being updated. Employer contribution costs for such changes will not be eligible for funding with Premium Tax monies. The historical employer contribution rates are retained in the Employer Reporting Portal, so this change will leverage existing technology and reduce the risk of errors that can occur from manual calculations. The second change is regarding simultaneous service credit. A member hired on or after July 1, 2019, must attain a vested status in LOPFI before being eligible for simultaneous service credit at a second LOPFI-covered department. The maximum service credit that can be accrued is five (5) years. Mr. Neal made a motion, seconded by Mr. J. S. Baxter, to approve the proposed changes to Rule 2. The motion passed unanimously.

Rule 16: This Rule provides details for handling disability benefit payments. Effective on or after April 1, 2019, a member's disability benefit shall be effective the first day of the calendar month after termination of active membership and receipt of a proper application by LOPFI. Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve the proposed change to Rule 16. The motion passed unanimously.

December 2018 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. Mr. Reed made a motion, seconded by Mr. Neal, to approve the December 2018 financial statements. The motion passed unanimously.

With no further business to discuss, the Board adjourned at 11:23 a.m.

Respectfully submitted,

Approved 06/11/19

Lesley Weaver  
Secretary to the Board