

Minutes
The Arkansas Local Police and Fire Retirement System
Disability Advisory Committee Meeting

The Disability Advisory Committee (DAC), composed of members of the Arkansas Local Police and Fire Retirement System (LOPFI) Board of Trustees and representatives from member and employer organizations met on Thursday, December 12, 2019 in the LOPFI office located at 620 W. 3rd, Suite 200, Little Rock, Arkansas.

Members Present: J. Scott Baxter, Police Employee Trustee, Chairman
Mayor Gary Baxter, Employer Trustee, Vice-Chairman
(teleconference)
Damon Reed, Fire Employee Trustee
Gary Sipes, Arkansas Association of Chiefs of Police
Brad Moore, Arkansas State Firefighters Association
Chad Mosby, Arkansas Fire Chief's Association
Kevin "Bart" Simpson, Arkansas State Fraternal Order of Police
(teleconference)
Wade Marshall, Arkansas Professional Fire Fighters Association
(teleconference)

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

Chairman J. S. Baxter called the meeting to order at 10:04 a.m. and recognized a quorum and notification of the news media.

Approval of Minutes

Mr. Moore made a motion, seconded by Mr. Mosby, to approve the September 16, 2019 DAC meeting minutes. The motion passed unanimously.

Results of Research Items

At the September 12, 2019 meeting, the DAC requested staff to provide additional information at the December 12th meeting. Mr. Clark reviewed the results as follows:

1. Provide the average age and total accrued service credit for LOPFI disabilitants.

The analysis covered a 10-year period beginning January 1, 2009 and was compiled of police and fire experience. For police, there were a total of 222 disabilities (duty and non-duty) with an average accrued service credit of 9.9 years with the highest instance of occurrence in the age range of 40-44. For fire, there were a total of 126 disabilities (duty and non-duty) with an average accrued service credit of 11.3 years with the highest instance of occurrence in the age range of 40-49.

2. An analysis of a disability load to employer contribution rates for locations with high rates of disabilities.

LOPFI's actuaries provided an analysis of a potential disability load that was included in the DAC packet. The average cost of a non-duty disability is \$300,000 and the average cost of a duty disability is \$500,000. Given the high costs for disabilities, the DAC may consider the use of a 'best practices' concept for employers. This would encourage employers to have documented processes for the recruitment, retention, and use of safe-working environments for police officers and firefighters. Employers that do not follow a 'best practices' model and experience a high number of disabilities would then have a disability load added to their calculated employer contribution rate. A 'one-size-fits-all' rate is not feasible given the economic differences between the participating employers. LOPFI cannot implement an add-on cost to employer rates for high incident locations that would fully fund the cost of disabilities without creating fiscal distress for the employer. LOPFI could implement a load, such as two percent (2%), which is not funded by Premium Tax that would remain in place for a predetermined number of years.

3. Seek feedback from comparative retirement systems as to how they review their disability cases.

Comparative retirement systems have similar processes in regards to approving disability retirements; however, what appears to be materially different from LOPFI and the peer systems is some of the systems limit the amount of earnings that a disabilitant can earn once he/she is in retired status. The amount of allowed earnings range from an annual \$12,000 to \$15,000. If earnings exceed the threshold, the disability benefit is then reduced by the amount that was earned above the ceiling.

4. List the locations with the highest rate of disabilities.

The following list was compiled showing the top ten locations with the greatest number of disability cases, both duty and non-duty, separated by police and fire, and using a 10-year period beginning with January 1, 2009. Five of the top ten locations had high rates of disabilities for both police and fire. In alphabetical order, those five locations are:

1. Conway Police and Fire
 2. Fayetteville Police and Fire
 3. Fort Smith Police and Fire
 4. Little Rock Police and Fire
 5. Springdale Police and Fire
5. Provide a breakdown of the primary medical condition for disabilities by police/fire and duty/non-duty.

The top five conditions in descending order from highest to lowest were Orthopedic, Psychological, Neurological, Cardiac, and Cancer.

6. Draft a Resolution for presentation to the LOPFI Board of Trustees affirming the desire to protect the retirement benefits for career members.

A draft Resolution was provided in the DAC packet stating:

- a. The LOPFI Board of Trustees desires to protect the benefits for the career members of the system.
- b. The Board acknowledges that the covered employers receive valuable funding assistance in the form of Premium Tax to defray a significant amount of their employer contribution cost.
- c. The Board seeks to return the retirement system to a fully funded position, using as brief of a timeframe as possible for its amortization schedule, and maintain a fully funded status.
- d. Each of the covered employers bear a vital role in achieving the above points through vigorous hiring practices that seek to attract the most viable candidates for careers as police officers and firefighters.

The DAC thanked Mr. Clark for the detailed results. The DAC discussed the options to implement a disability load to employer contribution rates for locations with high rates of disabilities. (Mr. G. Baxter joined the meeting at 10:34 a.m.) The DAC also discussed implementing a 'best practices' model, i.e. encourage employers to do more comprehensive medical physicals at hiring and use on-going physicals as an employee ages. (Mr. Marshall departed the meeting at 10:37 a.m. and re-joined the meeting at 10:46 a.m.) The DAC went on to discuss how the comparative retirement systems apply an earnings limit to disabilitants. The DAC decided this may not be viable since many police officers and firefighters already have separate earnings from businesses/side-jobs. More analysis would be needed to effectively deploy this provision. Mr. Clark advised the DAC could consider categorizing disabilities as catastrophic or non-catastrophic, i.e. member loses a limb verses a slip and fall. This would require a legislative change; however, this structure may encourage members to seek robust rehabilitative measures and remain employed as a police officer/firefighter. Current law states for a duty disability retirement, the disabilitant receives the greater of 65% of their Final Average Pay (FAP) or the calculated benefit based on years of service and FAP. The benefit structure could be changed such that a duty disability deemed to be non-catastrophic is awarded something much lower than the current 65% amount. (Mr. Simpson departed the meeting at 11:02 a.m.) It was also discussed that a definite period of treatment should be established to substantiate a diagnosis for psychological matters.

Next, the DAC reviewed the draft Resolution provided in the packet for work item number six. Mr. Reed made a motion, seconded by Mr. Mosby, to approve the draft language in the Resolution and for the Resolution to be presented to the LOPFI Board at their March 2020 meeting. The motion passed unanimously.

After discussion, the DAC directed staff to provide the following at the next meeting:

- Provide suggestions for possible best practices model.
- Develop a disability load for employer contribution rates i.e. how will a load be implemented.

- Obtain feedback from LOPFI's medical advisors to determine the reasonableness of implementing a required length of treatment for a person seeking a disability for any type of psychological matter.

Set Date/Time for Next Meeting

The DAC agreed to hold their next meeting on Wednesday, March 18, 2020 at 10:00 a.m.

With no further business to discuss, the DAC adjourned at 11:27 a.m.

Respectfully submitted,

Approved 04/29/2020

Lesley Weaver
Recording Secretary to the DAC