

Minutes
Local Police and Fire Retirement System Board of Trustees
Quarterly Meeting

The Local Police and Fire Retirement System Board of Trustees met by video conference on Thursday, December 2, 2021 with the meeting originating from the LOPFI office located at 620 W. 3rd, Suite 200, Little Rock, Arkansas.

Members Present: John Neal*, Retired Fire Employee Trustee, Chairman
 J. Scott Baxter*, Police Employee Trustee, Vice-Chairman
 Damon Reed*, Fire Employee Trustee
 Tim Hill, Retired Police Employee Trustee
 Mayor Gary Baxter*, Employer Trustee
 Andrew Branch, Public Trustee
 **Attended in-person at the LOPFI office*

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

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

Approval of Minutes

Mr. G. Baxter made a motion, seconded by Mr. J. S. Baxter, to approve the September 2, 2021 LOPFI meeting minutes. The motion passed unanimously. Mr. Branch made a motion, seconded by Mr. Reed, to approve the September 23, 2021 Investment Committee meeting minutes. The motion passed unanimously. The Board also reviewed the November 4, 2021 Administrative Services Committee minutes.

North Parking Lot Renovation

Mr. Clark gave a final update on the north parking lot renovation. Due to the rain in November, there was a slight delay; however, the projected date of completion is December 10, 2021. The Board thanked Mr. Clark for the update.

Disability Load

Mr. Clark advised this topic would be moved to the June 2022 LOPFI Board meeting agenda pending the Board's decision regarding updated actuarial assumptions. No action is needed at this time.

Legislative Audit

Mr. Clark stated that Legislative Audit has provided a draft special report and staff issued a response. The next Legislative Audit Committee meeting is set for January 7, 2022 and the final report will be issued at that time. When the final report is released, Mr. Clark will ensure a copy is promptly provided to the Board. The Board thanked Mr. Clark for the update.

DROP Discussion

Mr. Clark advised this topic would be moved to the June 2022 LOPFI Board meeting agenda pending the Board's decision regarding updated actuarial assumptions. No action is needed at this time.

Legal Update

Mr. Richard Ramsay, legal counsel for LOPFI, gave a legal update. Mr. Ramsay advised there were two (2) disability appeals pending at the circuit court level. In one case, the court upheld the Board's decision. We are awaiting a decision on the second case. Mr. Ramsay stated LOPFI is currently being sued in Texas by a disability applicant who has alleged LOPFI violated the Employee Retirement Income Security Act (ERISA). Mr. Ramsay advised LOPFI is exempt from ERISA as a governmental plan; therefore, a motion for dismissal was filed. Because this is a federal case being heard in Texas, there will be unusual legal expenses borne by LOPFI. The Board thanked Mr. Ramsay for the update.

Actuarial Assumptions

Ms. Heidi Barry, actuary with Gabriel, Roeder, Smith & Company (GRS) provided a follow up to the actuarial report presented at the September 2021 LOPFI Board meeting. At the September 2021 meeting, the Board asked for additional options using a 7.25% and a 7.375% investment return assumption. Mr. J. S. Baxter stated the system's historical investment results in the report do not appear to be an accurate reflection of each year's actual return. LOPFI's actual investment results have exceeded the assumed rate of return over multiple periods. The Board has used a gradual approach to lower the return assumption over the years, which, in his opinion, has proven to be prudent. Mr. J. S. Baxter also expressed his concern regarding the qualified statement that GRS provides in the valuations being unjust. Mr. Branch voiced his concerns regarding any changes to the qualified statement. Mr. Branch stated he does not believe additional language is needed since the actuaries are meeting their reporting requirements. Mr. G. Baxter stated the Board should refrain from deciding on a change to the assumed rate of return since inaccurate information was provided. Ms. Barry advised a re-review would be performed of the actual investment return portion shown in the report. After further discussion, the Board decided to wait for a revised report from GRS and will make a decision for changes to the assumptions at the March 2022 Board meeting.

Investment Consultant Report

Mr. Middleton presented the third quarter investment report. Mr. Middleton stated the year-to-date return is 11.90%, the one-year return is 22.48%, and is expecting a strong year-end result. Mr. Middleton advised proceeds from Owl Rock Technology Fund 1 would be rolled into Owl Rock Technology Fund 2 for a total of \$15 million. And the Investment Committee met on September 23, 2021 and recommended hiring the following firms with commitment of \$30 million to each: WP Global Partners and Blue Owl Debt. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to approve these recommendations. The motion passed unanimously. The Board thanked Mr. Middleton for the report.

September 2021 Financial Statements

Chairman Neal 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. G.

Baxter made a motion, seconded by Mr. Reed, to approve the September 2021 financial statements. The motion passed unanimously.

ASC Report

Chairman Neal had Mr. Clark review the actions of the Administrative Services Committee (ASC) from their November 4, 2021 meeting. Mr. Clark advised the ASC approved a 5.4% COLA for the Chief Financial Officer, Accountant II, and all Membership Services positions and a 3% COLA, for range adjustment purposes, plus 2.4% lump-sum for the Executive Director and Assistant Director positions effective January 1, 2022. Mr. Reed made a motion, seconded by Mr. G. Baxter, to approve the ASC's recommendations. The motion passed unanimously. Mr. Clark thanked the Board.

Proposed 2022 Budget

Mr. Clark reviewed the proposed 2022 LOPFI budget, which totals \$20,313,076. Mr. Clark provided an overview of four (4) areas of the proposed 2022 budget: Audit Services, Actuarial Services, Money Managers, and Depreciation Expense. Beginning with the 2022-year, the auditors will conduct an in-depth assessment of the agency's IT systems/operations with the cost for this project to be shared with the PRB. LOPFI's portion of this cost will be \$12,000. The actuarial services item will see a reduction in the budgeted amount. The cost of issuing GASB reports for each of the consolidated Local Plans are charged directly to the assets of each Local Plan since the reporting requirements rests with those employers, not LOPFI, so these amounts will be excluded from the actuarial services line item. The increase in the money managers fees is due to the favorable markets anticipated by the managers in the 2022-year. Lastly, the depreciation expense is attributable to renovations to the front office and first floor. Mr. G. Baxter made a motion, seconded by Mr. Reed, to approve the proposed budget as presented for 2022. The motion passed unanimously.

Set Dates/Times for 2022 Meetings

The Board agreed on the following dates/times for their 2022 meetings:

- March 3 – at 9:30 a.m. – Quarterly Meeting
- June 9 – at 9:30 a.m. – Administrative Services Committee
- June 9 – at 10:00 a.m. – Quarterly Meeting
- September 1 – at 9:30 a.m. – Quarterly Meeting
- December 1 – at 9:30 a.m. – Quarterly Meeting

Elect Chair and Vice-Chair/Committee Assignments

Mr. Reed made a motion, seconded by Mr. G. Baxter, to re-elect Mr. Neal as Chairman and Mr. J. S. Baxter as Vice-Chairman. The motion passed unanimously. Chairman Neal advised that the following committees membership remain unchanged:

- Administrative Services Committee – Mr. Neal, Mr. J. S. Baxter, and Mr. G. Baxter
- Audit Committee – Mr. Neal, Mr. Hill, and Mr. G. Baxter
- Investment Committee – Mr. Neal, Mr. Reed, Mr. Branch, and Mr. G. Baxter

Upcoming Board Appointments

Mr. Clark stated there are two (2) Trustee positions up for re-appointment effective January 1st. Mr. Clark stated that Mr. J. S. Baxter and Mr. G. Baxter have agreed to have their names submitted for consideration and that letters will be sent to the Governor that these Trustees be considered for re-appointment.

With no further business to discuss, the Board adjourned at 10:57 a.m.

Respectfully submitted,

Approved 03/03/2022

Lesley Weaver
Secretary to the Board