

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 7, 2023 with the meeting originating from the LOPFI office located at 620 W. 3<sup>rd</sup>, 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 9:31 a.m. and recognized a quorum and notification of the news media.

Approval of Minutes

Mr. J. S. Baxter made a motion, seconded by Mr. Reed, to approve the September 14, 2023 LOPFI meeting minutes. The motion passed unanimously. The Board also reviewed the November 7, 2023 Administrative Services Committee minutes.

Disability Load

Mr. Clark gave an update to the disability load discussion. The number of approved disability cases from January 1, 2023 through November 20, 2023 was seven (7). There were four (4) non-duty cases and three (3) duty related cases. There are currently zero disability applications in process, and one appeal hearing set for today. In addition, there are 28 members who have indicated they may apply for disability retirement. Mr. Clark reminded the Board that if the total case count remains low, it is possible a disability load may not have to be implemented. The initial review period will continue through December 31, 2026. The Board thanked Mr. Clark for the update.

Death Audit Services

Mr. Clark gave an update regarding the system's death audit services. Given the PBI data breach, there has been no death auditing service for a period of time. A new firm, NAPHSIS, has been contracted to provide death audit services. Based on the reports that have been received thus far, their results are accurate since they have access to all vital health records from each state. Since using NAPHSIS, there have been eleven (11) deaths identified that LOPFI was not aware of with one (1) potential overpayment because of the death occurring in the past. The Board thanked Mr. Clark for the update.

### Legal Update

Mr. Ramsay, legal counsel for LOPFI, gave an update on the case regarding the person who gained access to a deceased benefit recipient's account and wrongfully converted over \$73,000 in benefits. LOPFI filed a civil suit and obtained a judgment against said person. LOPFI also requested the filing of criminal charges and the court ruled for LOPFI. At this stage, the offender is to make restitution; however, if they fail to honor that commitment, incarceration will occur. Secondly, Mr. Ramsay provided an update on the PBI data breach. PBI initially made a settlement offer but then withdrew the offer, so Mr. Ramsay will pursue action to recover LOPFI's costs. Mr. Ramsay will provide updates as both cases move forward. The Board thanked Mr. Ramsay for the update.

### Proposed Updates to Board Rule 16

Mr. Clark reviewed the proposed amendments to Board Rule 16 as requested by the Board at the September 14, 2023 meeting. The Board had Mr. Clark work with Trustee J. S. Baxter and Trustee Reed to prepare the proposed amendments, which were reviewed and approved by LOPFI legal counsel. A summary of the proposed changes are as follows:

1. Paragraph I.A., added the words "LOPFI-covered" for clarity.
2. Paragraph I.C. and six other areas of the Rule, the words "the System" were removed and replaced with "LOPFI".
3. Paragraph II.E., the words "with all information unredacted and clearly readable" were added. The sentence about faxed items was struck since LOPFI no longer has a fax line.
4. Paragraph IV.A., the words "or duty disability designation" were added to stipulate the member cannot amend the designation of an approved duty disability. The applicant selects the correct designation and supports that designation at the time of his/her application.
5. In each Duty Disability designation box, the following was added to further clarify that the descriptions for each designation are not intended to be a complete listing of the universe of disabling conditions/event/scenarios, "Some examples may include, but are not limited to".
6. Based on the Board's discussion at the September 14<sup>th</sup> meeting, the following sentence was added immediately below the duty disability designation chart "The Board shall retain the authority to determine the designation for a duty disability".

Mr. Reed stated that there is still concern in regard to the Ordinary Duty disability category with the language stating, "Injury while exercising or performing physical fitness testing/training". Mr. Hill suggested adding language to state "Injury while exercising or performing fitness testing/training that does not qualify for Catastrophic or Hazardous duty disability" to accommodate the concerns. After further discussion, Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to approve the proposed changes in the Board packet as is. The motion passed unanimously. Mr. Reed made a motion, seconded by Mr. Hill, to have staff work with legal counsel to add language to the first bullet point under the Ordinary Duty disability category in Rule 16 such as, "...that does not qualify for Catastrophic or Hazardous". The motion passed unanimously.

### Investment Consultant Report

Mr. Bo Brister, Stephens Inc., presented the third quarter investment report. LOPFI's total portfolio value as of September 30, 2023 was \$2.897 billion. Mr. Brister stated that year to

date, the portfolio is up 6.71%, versus the portfolio index of 5.85%, which makes for a great return. The Board thanked Mr. Brister for the report.

#### Analysis of DROP Provisions

Ms. Heidi Barry and Mr. Casey T. Ahlbrandt-Rains, actuaries with Gabriel, Roeder, Smith & Company (GRS) presented an analysis of Deferred Retirement Option Plan (DROP) provisions. GRS was asked to provide information on potential enhancements of the DROP, in particular, the timing of the award of the Cost-of-Living Adjustment (COLA). Mr. Ahlbrandt-Rains stated under current provisions, when a member reaches year six of DROP participation, the amount of the accrued benefit at the time of DROP election shall be redetermined, by increasing it 3%, with a 3% annual compounding COLA thereafter. The analysis performed shows the cost to the system and LOPFI-covered employers if the COLA is awarded in years 3, 4, and 5. Mr. Reed stated that he believes more research is needed after the 2023 valuations are completed because in his opinion any DROP changes need to be as cost neutral as possible. Mr. Reed went on to state that there are other potential changes to the DROP that could be explored, i.e., changing the annual interest percentage, accrual percentage, etc. The Board requested GRS provide additional information regarding changes to the annual interest award and accrual percentage for DROP i.e., the 75%/72% factors. This information will be provided at the September 2024 Board meeting since the 2023 valuations will be reviewed and approved at the June 2024 meeting. The Board thanked Mr. Ahlbrandt-Rains for the report.

#### Delinquent Account

Mr. Clark stated the mayor and city council of Bauxite disbanded their police department by ordinance on August 22, 2023. Because the city no longer has a LOPFI-covered Police Department, the city must pay the Unfunded Actuarial Accrued Liabilities (UAAL) for service credit earned by 30 former Bauxite police officers. The mayor was informed on several occasions that the city would be responsible for paying its indebtedness to LOPFI, without the aid of Premium Tax, if the city disbanded the police department. As of October 21, 2023 and November 21, 2023, the city had not remitted their required payments for the September 2023 and October 2023 reporting periods. Per Board Rule 14, Bauxite was sent formal written notice on October 23, 2023 and November 21, 2023 regarding the delinquencies. Mr. Clark advised this delinquency should be certified to the Treasurer of State, which will have all state monies due to Bauxite withheld until the total amount owed to LOPFI is paid. Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve certifying the delinquency for submission to the Treasurer of State to have the City of Bauxite's state revenue sharing withheld until their total indebtedness to LOPFI is paid. The motion passed unanimously.

#### September 2023 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. Clark noted the overages on various line items is a result of the PBI data breach. Despite those costs, the overall budget is still well positioned. Mr. Reed made a motion, seconded by Mr. G. Baxter, to approve the September 2023 financial statements. The motion passed unanimously.

### ASC Report

Chairman Neal stated the Administrative Services Committee (ASC) met on November 7, 2023, and approved:

1. A COLA of 3.7% awarded to the chief financial officer, accountant II, and all membership services positions and as a one-time lumpsum payment for the executive director and assistant director positions effective January 1, 2024. The lumpsum method is necessary because the salary ranges for these two positions are at their top level.
2. Adding Juneteenth as an authorized holiday.
3. Modifying the Career Service Award structure and adding an escalator to the maximum Longevity Pay.

Mr. J. S. Baxter made a motion, seconded by Mr. Reed, to approve the ASC's recommendations. The motion passed unanimously. Mr. Clark thanked the Board and noted that LOPFI Board Rule 4 will be updated to reflect the Juneteenth holiday in the list of authorized holidays.

### Proposed 2024 Budget

Mr. Clark reviewed the proposed 2024 LOPFI budget, which totals \$21,403,706. Mr. Clark provided an overview of five (5) areas of the proposed 2024 budget:

1. Computer Operations: The data processing vendor, Tegrity, will produce an increased number of software improvements with the primary focus on Pension Administration. The additional investment totals \$1,800,000. The plan is to have an added amount to this line item over the next few years, so that improvements can come online sooner, which will be beneficial to the members and employers.
2. Money Managers: There is an anticipated increase of \$3,030,760 from the 2023 budget. The fee amounts are estimated by the individual managers and reflect what they presently view as potential market performance in the 2024 calendar year.
3. Custodial Services: Regions have deferred increases for LOPFI for many years; however, costs related to technology improvements will have this line item adjust in 2024 followed by three percent (3%) annual increases over the next several years.
4. Insurance: This has increased because of the identity and credit monitoring coverage due to the PBI data breach.
5. Office Supplies: The Agency will replace the laptops for staff. The associated cost will be shared equally with the PRB (LOPFI pays the entire amount for the one LOPFI-only staff position). LOPFI's amount for this project will be \$16,425.

Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve the proposed budget as presented for 2024. The motion passed unanimously.

### Set Dates/Times for 2024 Meetings

The Board agreed on the following dates/times for their 2024 meetings:

- March 7 – at 9:30 a.m. – Quarterly Meeting
- June 6 – at 9:30 a.m. – Administrative Services Committee
- June 6 – at 10:00 a.m. – Quarterly Meeting
- September 12 – at 9:30 a.m. – Quarterly Meeting
- December 5 – at 9:30 a.m. – Quarterly Meeting

#### Upcoming Board Appointments

Mr. Clark stated there are three (3) Trustee positions up for re-appointment effective January 1<sup>st</sup>. Mr. Clark stated that Chairman Neal, Mr. Hill, and Mr. Reed have agreed to have their names submitted for consideration and that letters will be sent to the Governor and Joint Retirement requesting these Trustees be considered for re-appointment.

#### Election of Chair and Vice-Chair

Mr. G. Baxter made a motion, seconded by Mr. Reed, to re-elect Mr. Neal as Chairman and Mr. J. S. Baxter as Vice-Chairman. The motion passed unanimously.

#### Confirm Committee Assignments

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. G. Baxter, and Mr. Branch (until he is replaced by a new Trustee appointment)

With no further business to discuss, the Board adjourned at 11:49 a.m.

Respectfully submitted,

Approved 03/07/2024

Lesley Weaver  
Secretary to the Board