

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, June 1, 2023 with the meeting originating from the LOPFI office 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 10:00 a.m. and recognized a quorum and notification of the news media. For historical purposes, it was noted the March 2023 LOPFI Board Meeting was cancelled at the direction of the Board and not rescheduled.

Approval of Minutes

Mr. G. Baxter made a motion, seconded by Mr. Reed, to approve the December 1, 2022 LOPFI meeting minutes. The motion passed unanimously. Mr. G. Baxter made a motion, seconded by Mr. J. S. Baxter, to approve the May 3, 2023 Audit Committee meeting minutes. The motion passed unanimously.

Disability Load

Mr. Clark gave an update to the disability load discussion. At each quarterly meeting, a summary of approved disability cases will be provided to the Board for the purpose of keeping the disability load topic under review. Mr. Clark noted the number of approved disability cases from January 1, 2023 through May 15, 2023 was two. One disability being duty and the other disability being non-duty. In addition, there are three duty and one non-duty cases moving through the application process, 15 members who have indicated they may apply for disability retirement, one denied duty disability that is scheduled for a September 2023 appeal hearing, and two Ordinary Duty disability cases scheduled for appeal before the Board at the conclusion of this meeting. 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.

2023 Legislative Session

Mr. Clark stated that the Acts of the 2023 Legislative Session that may be of interest to LOPFI participants were described in a summary provided in the Board meeting packet and posted on LOPFI's website. The effective date for Acts without a stated effective date or an emergency clause will be August 1, 2023. There were no questions from the Board.

Legal Update

Mr. Richard Ramsay, legal counsel for LOPFI, advised there are two disability cases pending at the court of appeals level and are currently awaiting decisions. There was a third disability case at the circuit court; however, due to procedural problems with the petitioner's case, the case was dismissed without prejudice, meaning the case can be refiled. The Board thanked Mr. Ramsay for the update.

Investment Consultant Report

Mr. Larry Middleton, Stephens Inc., presented the first quarter investment report. LOPFI's total portfolio value as of May 31, 2023, was \$2.834 billion, which reflects an increase of \$8 million from the end of the quarter to present and the portfolio is up approximately \$38 million in the first ninety days of 2023. Mr. Middleton stated he and Mr. Clark communicate frequently regarding the LOPFI building. Given the building's attractive features, Mr. Middleton and Mr. Clark are hopeful of having a signed lease for a new tenant on the fourth floor in the coming months. Mr. Middleton went on to discuss that the System is nearing \$3 billion dollars in assets, so it is time to evaluate adding additional monies to alternative investments. Investing in alternative investments allows latitude to leverage opportunities in markets where there is dislocation. As a result of the appreciation and allocation combined, Mr. Middleton requested the Board consider increasing the allocation for alternative asset classes from the 15% threshold to 20%. Mr. Clark noted that the Board could approve increasing the allocation threshold from 15% to 20% for alternative asset classes in the interim; however, it will require a change to Board Rule 20, which will be presented at the September 2023 LOPFI meeting if the increase is approved. Mr. G. Baxter made a motion, seconded by Mr. Reed, to increase the allocation threshold for alternative asset classes from 15% to 20%. The motion passed unanimously.

Mr. Middleton introduced Gary Peterson, Founder, Douglas Swanson, Managing Partner, and Charles Bauer, Partner with EnCap Investments, L.P. Mr. Peterson provided introductory comments about their firm. Mr. Swanson presented EnCap Upstream Fund XII, an oil and gas investment firm that aggregates top quartile assets in core basins, enhances the value of acquired assets, and builds high-quality companies that are attractive to buyers. After responding to questions/comments from the Board, Chairman Neal thanked Mr. Peterson, Mr. Swanson, and Mr. Bauer for their presentation. Mr. Middleton recommended allocating \$30 million to EnCap Upstream Fund XII. After further discussion, Mr. G. Baxter made a motion, seconded by Mr. J. S. Baxter, to accept Mr. Middleton's recommendation. The motion passed unanimously.

Audit Committee Report

Mr. Neal, Chairman of the Audit Committee, stated that the Audit Committee met on May 3, 2023, and FORVIS stated that the December 31, 2022 audit was clean (an un-modified opinion), and the Committee recommends accepting the audit. Chairman Neal expressed gratitude towards staff for their efforts and cooperation with the auditors for a clean audit. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to accept the audit. The motion passed unanimously. Mr. Clark thanked the Board.

Summary of 2022 Actuarial Valuations

Ms. Heidi Barry, actuary with Gabriel, Roeder, Smith & Company (GRS) presented the December 31, 2022 Summary of Valuations. Ms. Barry provided an overview of the Summary of Valuations that included the following employer contribution rates for the 2024 calendar year:

- Uniform paid service rate will be 23.83%; an increase from 23.72%

- Maximum rate for BP1 paid employers will remain the same as the previous year at 24.00%
- Volunteer employer contribution rate will be \$60.00 per member per month. Leaving the required employer contribution rate at \$6.00 per member per month, maintains the approximate 90/10 split with Premium Tax.

The Board thanked Ms. Barry for the report.

Proposed Amendments to Board Rules 17, 20, and 29

Mr. Clark reviewed the proposed amendments to LOPFI Board Rules 17, 20, and 29 as outlined in the Board meeting packet. All proposed amendments were reviewed and approved by LOPFI legal counsel.

Rules 17 and 29: Rule 17 provides details of the administration of the LOPFI DROP and DROP for Local Plans administered by LOPFI. The proposed amendments capture the change in the age for required minimum distributions and the maximum duration of the LOPFI DROP from 7 years to 10 years. Rule 29 provides details of LOPFI's compliance with the Internal Revenue Code. The proposed amendments capture the change in the age for required minimum distributions.

Rule 20: This rule provides details of the Board's investment policy. As a result of Act 498 of 2023, the Board must establish a proxy voting process and have an annual report that describes how proxy votes were handled. The Board is authorized to delegate the voting authority to another party who follows the Board's guidelines and staff recommends the Board assign this authority to the investment consultant firm. The investment consultant will ensure all proxy votes are handled in compliance with Act 498 of 2023 and will provide the Board, at each March quarterly meeting, a written report that tabulates each proxy vote, a vote caption, LOPFI's vote, and the recommendation of company management. After the annual report is presented to the Board, it will be posted on LOPFI's website. Mr. G. Baxter made a motion, seconded by Mr. Reed, to approve the proposed amendments to Board Rules 17, 20, and 29. The motion passed unanimously.

ASC Report

Chairman Neal stated that the Administrative Services Committee (ASC) met this morning, June 1, 2023, at 9:30 a.m. Chairman Neal stated the Executive Director received a very good review and the ASC recommended approval of a 3% Career Service Award for the Executive Director. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to approve the ASC's recommendation. The motion passed unanimously. Mr. Clark thanked the Board.

March 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. G. Baxter made a motion, seconded by Mr. Reed, to approve the March 2023 financial statements. The motion passed unanimously.

With no further business to discuss, the Board adjourned at 11:18 a.m.

Respectfully submitted,

Approved 9/14/2023

Lesley Weaver
Secretary to the Board