

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 10, 2021 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.

Approval of Minutes

Mr. J. S. Baxter made a motion, seconded by Mr. Branch, to approve the March 4, 2021 LOPFI meeting minutes. The motion passed unanimously. Mr. Reed made a motion, seconded by Mr. G. Baxter, to approve the May 6, 2021 Audit Committee meeting minutes. The motion passed unanimously.

2021 Legislative Session

Mr. Clark stated the summary of acts from the 2021 Legislative Session was included in the meeting packet and have been discussed multiple times over the last few meetings. Mr. Clark advised Legislative Audit will be performing an audit of LOPFI; however, there are no further details at this time. Mr. J. S. Baxter thanked Mr. Clark and staff for keeping the membership current via the website and the LOPFI PensioNews.

North Parking Lot Renovation Update

Mr. Clark gave an update on the north parking lot renovations. Mr. Clark stated the general contractor, East Harding, has all permits and plans approved through the city to start the renovation process. Due to COVID there have been delays in some materials so the projected start date is mid-July 2021, with an anticipated three-month timeframe from start to finish. Mr. Clark advised a power pole located in the north parking lot will be removed and AT&T cables ran underground. There is an added cost which is projected to be \$33,012.00; however, a final amount has not been provided since there could be an increase for subcontractor work. Mr. J. S. Baxter stated having the cables underground would be cleaner and could, in the long run, benefit AT&T. Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve the extra

projected cost of \$33,012.00, with the understanding this amount may increase. The motion passed unanimously.

Investment Consultant Report

Mr. Larry Middleton, Stephens Inc., presented the first quarter investment report. Mr. Middleton advised the portfolio is up 3.1% for the first quarter and the portfolio value increased more than \$110 million for the 90-day period. Mr. Middleton went on to state from March 31, 2021 through present, the equity markets are up another 2%, and the year-to-date for 2021 shows the account is up 4.21%. For the trailing twelve months, the account is up 35.24% which ranks LOPFI in the top 9% of large public pension plans for the quarter. The Board thanked Mr. Middleton for the report.

Audit Committee Report

Mr. Neal, Chairman of the Audit Committee, stated that the Audit Committee met on May 6, 2021 and that BKD CPAs & Advisors stated that the December 31, 2020 audit was clean (an un-modified opinion) and the Committee recommends accepting the audit. Mr. Neal expressed gratitude towards staff for their efforts and cooperation with the auditors for a clean audit. Mr. G. Baxter made a motion, seconded by Mr. Reed, to accept the audit. The motion passed unanimously. Mr. Clark thanked the Board.

Summary of 2020 Actuarial Valuations

Ms. Heidi Barry and Mr. Casey Ahlbrandt-Rains, actuaries with Gabriel, Roeder, Smith & Company (GRS) presented a Summary of Valuations as of December 31, 2020. Ms. Barry stated legislative changes from the 2021 Session are reflected in the valuation results. Ms. Barry provided the employer contribution rates for the calendar year 2022:

- Uniform paid service rate will be 23.38%; an increase from 23.17%
- Maximum rate for BP1 paid employers will remain at 23.50%
- Volunteer employer contribution rate will be \$59.00 per member per month. Mr. Clark recommended leaving the required employer contribution rate at \$5.90 per member per month, which would maintain the approximate 90/10 split with Premium Tax.

Mr. Ahlbrandt-Rains stated beginning January 2022 a proposal is to eliminate the 20-year amortization schedule for new consolidation valuations. Instead, the valuations would be limited to a 15-year amortization schedule and apply to the current 59 locally administered Local Plans. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to approve moving to the one schedule, a 15-year amortization, beginning January 1, 2022. The motion passed unanimously. Mr. G. Baxter made a motion, seconded by Mr. Reed, to leave the required volunteer employer contribution rate the same for the 2022 year, i.e., at the current \$5.90 per member per month. The motion passed unanimously.

ASC Report

Chairman Neal stated that the Administrative Services Committee (ASC) met this morning, June 10, 2021, at 9:30 a.m. Chairman Neal stated the Executive Director received a very good review and the ASC recommended approval of a 2.5% Career Service Award for the Executive Director. Mr. J. S. Baxter made a motion, seconded by Mr. Reed, to approve the ASC's recommendation. The motion passed unanimously. Mr. Clark thanked the Board.

Legal Update

Mr. Richard Ramsay, legal counsel for LOPFI, gave an update of the current status of litigation and legal matters. Mr. Ramsay advised there has been a small uptick of Freedom of Information requests. Mr. Ramsay noted Mr. Clark and staff do a very good job in terms of protecting the privacy of the membership. Mr. Ramsay advised there are currently three (3) cases appealing the Board's determination concerning disability applications and two (2) other cases that are pending. One (1) case is regarding the release of test questions for a disability application and the other case is for the recovery of benefit payments received by a person who was not lawfully entitled to them. We anticipate the test questions case to be dismissed and have filed a lawsuit regarding the overpayment case. That case is currently set for an August hearing. Mr. Clark noted the person who received the benefit payments was arrested and admitted that the monies should not have been taken. The Board thanked Mr. Ramsay for the update.

Discuss Disability Load

Mr. Clark stated one of the changes in the 2021 Legislative Session was to implement an additional charge (disability load) for employers with excess disability experience. Act 72 of 2021, effective April 1, 2021, allows the Board to add a disability load to the applicable employers' contribution rates beginning January 1, 2022. The idea of a disability load is to fund the cost of disabilities and encourage employers to implement measures to decrease their disabilities. The concept is to measure disability experience over the next five (5) calendar years and then, if needed, apply a disability load to the employer contribution rate for employers with excess disability experience. This will allow time for the improvements offered by the Disability Advisory Committee and approved by the Board to yield their results. After discussion by the Board, Mr. Clark advised different options regarding the disability load will be presented at the September 2021 meeting. The Board thanked Mr. Clark for the update.

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

With no further business to discuss, the Board adjourned at 11:04 a.m.

Respectfully submitted,

Approved 09/02/2021

Lesley Weaver
Secretary to the Board