

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

The Arkansas Local Police and Fire Retirement System Board of Trustees met by video conference on Thursday, June 11, 2020 with the meeting originating from the LOPFI office at 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas.

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

Excused Member: Mayor Gary Baxter, Employer Trustee

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

Chairman Gaskill called the meeting to order at 10:01 a.m. and recognized a quorum and notification of the news media. Mr. Neal made a motion, seconded by Mr. Hill, to excuse Mr. G. Baxter. The motion passed unanimously.

Approval of Minutes

Mr. J. S. Baxter made a motion, seconded by Mr. Hill, to approve the March 12, 2020 LOPFI meeting minutes. The motion passed unanimously. Mr. J. S. Baxter made a motion, seconded by Mr. Reed, to approve the April 29, 2020 Disability Advisory Committee (DAC) meeting minutes. The motion passed unanimously. Mr. Neal made a motion, seconded by Mr. Hill, to approve the May 7, 2020 Audit Committee meeting minutes. The motion passed unanimously.

Disability Advisory Committee Report

Mr. J. S. Baxter, Chairman of the DAC, stated the DAC met on April 29, 2020. Mr. J. S. Baxter briefly reviewed the best practices model that was developed titled Common Components of Wellness Programs, the model for implementing a disability load to the employer contribution rate for locations with a high number of disabilities, and the feedback from LOPFI medical advisors to have a required minimum length of treatment by specifically trained physicians in the respective psychological field for applicants seeking a disability retirement based on psychological matters. Mr. J. S. Baxter made a motion, seconded by Mr. Hill, to approve the best practices model. The motion passed unanimously. Mr. Clark advised the best practices model would be posted to the LOPFI website and sent electronically to all employers. Mr. Clark then discussed the model in the Board packet of a disability load to the employer contribution rate for locations with an excess number of disabilities. Mr. Clark stated all departments would be allowed one (1) disability in a five-year measurement period. To be clear, most departments

will not have disabilities; rather, the disability experience is presently coming from a limited number of departments. When a second disability (duty or non-duty) occurs within the measurement period a 1% load would be added to the employer contribution rate. If another disability occurred within the measurement period, an additional 1% would be added to the employer contribution rate. The cap would be 2%. For the largest departments, the model would use a dollar amount of \$300,000 for non-duty or \$500,000 for duty disabilities. Mr. Reed asked for an explanation of how this load is fair for both large and small departments. Mr. David Hoffman, actuary with Gabriel, Roeder, Smith & Company (GRS) stated that while the proposed amounts will not entirely fund the costs for excess disabilities, using the 1%/2% factors for most of the departments and the \$300,000 or \$500,000 amounts for large departments will capture a sizable amount of the costs. The reason is due to the variation in the size of the reported payroll dollars across all departments. Mr. Clark then stated even though a load would be added to the employer contribution rate, the membership bears responsibility as well. Mr. Clark then revisited a concept talked about at a previous Board meeting: categorizing newly awarded duty disabilities as either catastrophic or ordinary. Chairman Gaskill recognized Mr. Tommy Hudson, retiree from the Little Rock Police Department. Mr. Hudson stated there are members who apply for disability who may or may not be disabled because they view LOPFI as a “way out”. Mr. Hudson went on to state that there has likely been instances that members have manipulated the System; therefore, action is needed to protect the System and the career member’s benefits. Mr. Hudson stated he supports the catastrophic/ordinary design that Mr. Clark described. Mr. Hill stated that he agrees with Mr. Hudson and recognized the importance of protecting the System and the career member’s benefits. Mr. Hill explained it was important to act now and not wait until the cost becomes burdensome. After discussion by the Board, it was decided to ask the DAC to reconvene and frame the injuries/illnesses to be classified as catastrophic or ordinary. The DAC’s proposal will then be presented to the Board at the September meeting to finalize for including in the 2021 Legislative Session package. Mr. Branch made a motion, seconded by Mr. J. S. Baxter, to have the DAC reconvene and draft a proposal to be presented to the Board at the September meeting classifying duty disabilities as catastrophic or ordinary. The motion passed unanimously.

### 2021 Legislative Session

Mr. Clark reviewed the actuarial report to show the cost to allow certain paid members the ability to purchase out of state service for vesting purposes in the System. Specifically, a person hired into paid LOPFI-covered employment at the minimum age of 50 may purchase a maximum of seven (7) years of transferrable honorable service from their previous organization, for credit toward the 10 years vesting requirement, once the member has attained at least five (5) years of actual LOPFI service credit. It is important to remember that this is not a Board proposal; rather, it was introduced at the last meeting. Mr. Branch stated that since the cost would be borne by the individual, he did not see a problem with this being allowed. Mr. Reed expressed his concern for members who may stair step their way to a benefit from LOPFI. After discussion by the Board, Chairman Gaskill asked for those not in favor of adding this type of purchase provision to cast a no vote. Mr. J. S. Baxter, Mr. Reed, Mr. Neal, and Mr. Hill voted to not move forward with this purchase provision. With the majority voting no, the Board decided to not support this proposal should it be presented in the 2021 Legislative Session. Mr. Clark went on to review the proposed changes to six (6) sections of LOPFI’s body of law. All proposed changes were reviewed and approved by LOPFI legal counsel. The changes are as follows:

- 24-10-405 – This section of code explains the handling of employer contributions to LOPFI. New language is being added to accommodate an employer contribution rate load for locations with high rates of disability retirements. A disability load would not be part of the existing 1% limitation on employer contribution increases or funded by Premium Tax.
- 24-10-503 – This section of code explains how to handle member contributions and service credit for temporary disabilities. LOPFI does not review disability cases that lack a “total and permanent” determination. Staff was unable to identify any instances in the last 20 years that this section of code was used. Therefore, the proposal is to strike this entire section of code.
- 24-10-507 – This section of code explains the manner LOPFI handles reciprocal service credit. Since becoming a reciprocal system in the 1999 session, LOPFI has learned the following items need to be amended:
  - Reciprocal service credit should be limited to statewide defined benefit plans. Defined contribution plans should not be included.
  - Clearly state the types of retirement that a terminated LOPFI member may use via reciprocal service credit: voluntary, early, and duty death (when the person dies in the performance of their duties at a reciprocal system).
  - Reciprocal service credit cannot be used as “actual service credit” under LOPFI. Actual service credit is necessary to attain a vested status. This condition is already stated in the definitions section of LOPFI’s code.
  - The final average pay on record with LOPFI will be used to calculate the LOPFI benefit.
- 24-10-607 – This section of code explains the disability retirement program for LOPFI.
  - Move “presumptive cancer” from the non-duty section to the duty section.
  - The word “probably” is being removed from the non-duty and duty sections to match the rest of code i.e. a disability must be total and permanent for LOPFI purposes.
  - The word “volunteer” is being introduced for clarification that a duty disability based on volunteer service shall use at least 25 years of service credit in the benefit calculation.
  - Language is being removed so that LOPFI can review an approved disability at least one time every year up to the age of 55.
  - The duration for a disabilitant’s refusal to be re-examined is being reduced from one (1) year to ninety (90) days.
  - Language is introduced that ensures only provisions in LOPFI’s body of law and rules is used for disability retirement purposes.
- 24-10-616 – This section explains the protections of the assets and benefits of LOPFI.
  - Language is introduced to not have LOPFI accept and administer the division of benefits in a divorce i.e. a QDRO. LOPFI-accepted QDROs on file will still be administered; however, no new QDROs would be reviewed or accepted.
  - Language is being introduced that stipulates lawsuits appealing a decision of the Board must be filed in Pulaski County.
- 24-10-706 – This section is a part of the DROP law for LOPFI. Due to the federal SECURE Act enacted in December 2019, the age 70 ½ condition for distributions was moved out to age 72. This will bring LOPFI’s body of law current.

Mr. Neal made a motion, seconded by Mr. Reed, to approve the proposed changes to six (6) sections of LOPFI's body of law. The motion passed unanimously.

#### Investment Consultant Report

Mr. Larry Middleton, Stephens Inc., presented the first quarter investment report. LOPFI's total portfolio value as of March 31, 2020 was \$2.112 billion. At the close of business on June 10, 2020, the unaudited total portfolio value was \$2.322 billion. Mr. Middleton advised the majority of the decline in the market has been recovered. Mr. Middleton stated that he and Mr. Clark communicate quite frequently on a variety of matters, one of those being the building LOPFI owns. In terms of the LOPFI building, there have been several ideas proposed by architects, contractors, and building management. Mr. Middleton stated we are moving forward with the proposals to add value to the property and make it more marketable to attract suitable tenants. 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 7, 2020. Mr. Neal advised that BKD CPAs & Advisors stated that the December 31, 2019 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. J. S. Baxter made a motion, seconded by Mr. Reed, to accept the audit. The motion passed unanimously. Mr. Clark thanked the Board.

#### Summary of 2019 Actuarial Valuations

Ms. Heidi Barry and Mr. David Hoffman, actuaries with GRS presented a Summary of Valuations as of December 31, 2019. Ms. Barry provided the employer contribution rates for the calendar year 2021:

- Uniform paid service rate will be 23.17%; an increase from 22.84%
- 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. Reed made a motion, seconded by Mr. Neal, to leave the required volunteer employer contribution rate the same for the 2021 year, i.e. at the current \$5.90 per member per month. The motion passed unanimously.

#### ASC Report

Chairman Gaskill stated that the Administrative Services Committee (ASC) met this morning, June 11, 2020, at 9:30 a.m. Chairman Gaskill stated the Executive Director received a very good review. 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. Neal, to approve the ASC's recommendation. The motion passed unanimously. Mr. Clark thanked the Board.

#### Board Rule 16 Proposed Amendments

Mr. Clark reviewed the proposed amendments to Board Rule 16. All changes have been reviewed and approved by LOPFI legal counsel. Board Rule 16 provides the procedures for the administration of the disability program for LOPFI and the Local Plans administered by LOPFI.

Stylistic changes include changing “Board of Trustees” to “the Board” and eliminating “group” when referring to “employers”. More substantive changes are:

1. Improved the description for who is eligible to apply for disability retirement.
2. Any applicant applying for psychological-based disability must provide opinions from physicians who are trained and credentialed in the respective field pertaining to the psychological condition. And robust treatment (six consecutive months that have at least three treatment/counseling sessions in each of those months) must occur to help substantiate the total and permanent aspect. These criteria were suggested by LOPFI’s medical advisors.
3. Language was added to ensure all evidence to be a part of the disability file must be provided directly to LOPFI. Applicants or their representatives cannot exclude the retirement system from having full disclosure of the available records if he/she expects the information to be a part of the evaluative record.
4. Paragraphs were amended to be more reflective of the variations in benefit provisions of Local Plans administered by LOPFI.
5. Language was added that places a specified duration of time an applicant has to re-open an administratively closed file. The timeframe will now have a limit of six months (180 calendar days). After the expiration of the six-month limit, the file will be permanently closed.
6. Paragraph XL was rewritten so that instances when a disability retirant wants to return to service as a police officer/firefighter, the medical release information will be easier to obtain and provide to LOPFI.

Mr. Hill made a motion, seconded by Mr. Neal, to approve the proposed amendments to Board Rule 16. The motion passed unanimously.

#### March 2020 Financial Statements

Chairman Gaskill 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 stated that due to the remote office work required from COVID-19, we will need to move some amounts from line items in the General Operating section to the Office Supplies line item as the year progresses. These types of changes are permitted under the Board’s guidelines and will be communicated to the Board. Mr. J. S. Baxter made a motion, seconded by Mr. Hill, to approve the March 2020 financial statements. The motion passed unanimously.

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

Respectfully submitted,

Approved 09/09/2020

Lesley Weaver  
Secretary to the Board