

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 on Tuesday, June 11, 2019 in the LOPFI office located at 620 W. 3rd, 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
Mayor Gary Baxter, Employer Trustee
Andrew Branch, Public 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.

Approval of Minutes

Mr. G. Baxter made a motion, seconded by Mr. J. S. Baxter, to approve the March 7, 2019 LOPFI meeting minutes, the May 7, 2019 Audit Committee minutes, and the May 14, 2019 Investment Committee minutes. The motion passed unanimously.

2019 Legislative Session Update

Mr. Clark stated that the Acts of the 2019 Legislative Session that may be of interest to LOPFI participants were described in a summary contained 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 July 24, 2019. There were no questions from the Board.

Disability Committee

Mr. Clark provided a follow up regarding the Board's intent to form a Disability Advisory Committee. The Disability Advisory Committee's role will be to look at the rate/frequency of disability retirements and their associated costs; review the overall employer contribution costs so that clear communication is provided as to LOPFI costs i.e. are they too high or are they appropriate for a public safety plan; and ultimately ask the Board to provide a statement affirming the importance of maintaining an attractive benefit structure for the career members of LOPFI. After discussion, the Board agreed the Committee should ideally be composed of one (1) representative from each of the six (6) member organizations, three (3) Trustees, and two (2) representatives from the Arkansas Municipal League (AML). Mr. Clark stated he would contact the member organizations to ask for the names of their appointees. Mr. Clark stated the Mayors could consider if they will be the AML reps to the Committee or they could determine if the AML will appoint reps. Mr. Neal made a motion, seconded by Mr. J. S. Baxter, to create the Disability Advisory Committee. 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, 2019 was \$2.130 billion. As of close of business on June 10, 2019, the unaudited total portfolio value was \$2.258 billion.

Chairman Gaskill stated the Investment Committee met on May 14, 2019. The Committee recommended allocating:

- \$10 million additional allocation to existing manager GoldenTree due to the good performance of the portfolio.
- \$20 million to Snyder Capital Management Small Cap Value Strategy.
- \$20 million to Wellington Management Company Enduring Assets Strategy.
- Reduce allocations to existing manager PIMCO from \$195 million to \$150 million to broaden diversification; terminate services of existing manager Western Asset Management Company (WAMCO) Short Duration High Yield Fund due to the underperformance of the fund; terminate services of existing manager Aberdeen due to the underperformance of the fund, quality of service, and barrier in communications.
- \$100 million to DoubleLine Total Return Strategy; \$50 million to Loomis/Sayles Credit Asset Strategy.

Mr. Neal made a motion, seconded by Mr. J. S. Baxter, to approve the recommendations from the Investment Committee to fund the new allocations and reduce allocations or terminate PIMCO, WAMCO, and Aberdeen. The motion passed unanimously.

Audit Committee Report

Mr. Neal, Chairman of the Audit Committee, stated that the Audit Committee met on May 7, 2019. Mr. Neal advised that BKD CPAs & Advisors stated that the December 31, 2018 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 2018 Actuarial Valuations

Ms. Heidi Barry and Mr. David Hoffman, actuaries with Gabriel, Roeder, Smith & Company (GRS) presented a Summary of Valuations as of December 31, 2018. Ms. Barry stated legislative changes from the 2019 Session are reflected in the valuation results. The actuarial assumptions were unchanged; however, legislative changes positively affected LOPFI paid service costs by having: the amortization period decrease 2.1 years; the funded ratio increase 0.7%; and the total normal cost decrease by 0.66% of active member payroll.

Ms. Barry provided the employer contribution rates for the calendar year 2020:

- Uniform paid service rate will be 22.84%; an increase from 22.44%
- 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 2020 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, 2019, at 9:30 a.m. Chairman Gaskill stated the Executive Director received a very good review. The ASC recommended approval of a 2% Career Service Award for the Executive Director. Mr. Branch made a motion, seconded by Mr. G. Baxter, to approve the ASC's recommendation. The motion passed unanimously. Mr. Clark thanked the Board.

Updates to Board Rule 35

Mr. Clark reviewed the updates to Board Rule 35, which have been approved by LOPFI legal counsel. Mr. Clark explained Rule 35 covers LOPFI's compliance with the Internal Revenue Code for purposes of retirement plan qualification. As a result of Act 315 of 2019, the word 'regulations' is being eliminated from various areas of Arkansas code, including sections pertaining to LOPFI. Therefore, the use of 'regulations' on page one (1), paragraphs one (1) and two (2) of the Rule are no longer needed. Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve the proposed changes to Rule 35. The motion passed unanimously.

March 2019 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. J. S. Baxter made a motion, seconded by Mr. Reed, to approve the March 2019 financial statements. The motion passed unanimously.

With no further business to discuss, the Board adjourned at 11:40 a.m.

Respectfully submitted,

Approved 09/12/19

Lesley Weaver
Secretary to the Board