

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 Thursday, June 7, 2018 in the LOPFI office located 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  
Mayor Gary Baxter, Employer Trustee

Excused Member: Bev Lambert, Public Trustee

Staff Present: David Clark, Executive Director  
Tracy Warfe, Assistant Director  
Lesley Weaver, Secretary to the Board

Chairman Gaskill called the meeting to order at 10:00 a.m. and recognized a quorum and notification of the news media. Mr. Neal made a motion, seconded by Mr. Reed, to excuse Mr. Lambert. The motion passed unanimously.

Notice of Reappointment

Chairman Gaskill noted the reappointment of Mr. J. Scott Baxter and welcomed Mayor Gary Baxter to the Board of Trustees. Chairman Gaskill also acknowledged Mr. Neal for his election to the National Conference on Public Employee Retirement Systems (NCPERS) Executive Board.

Approval of minutes

Mr. J. S. Baxter made a motion, seconded by Mr. Neal, to approve the March 8, 2018 LOPFI meeting minutes. The motion passed unanimously. Mr. Neal made a motion, seconded by Mr. Hill, to approve the May 2, 2018 Audit Committee minutes. The motion passed unanimously. Mr. Neal made a motion, seconded by Mr. J. S. Baxter, to approve the May 8, 2018 Investment Committee minutes. The motion passed unanimously.

Legal update

Mr. Richard Ramsay, legal counsel for LOPFI, gave an update to the request to obtain a favorable Determination Letter from the Internal Revenue Service (IRS). Mr. Ramsay stated everything that was required has been completed and expects a favorable letter. We can expect a final determination within the next two (2) weeks. Mr. Ramsay anticipates to have the final report at the September LOPFI meeting. There were no questions from the Board.

Investment Consultant report

Mr. Larry Middleton, Stephens Inc., presented the first quarter investment report. LOPFI's total portfolio value as of March 31, 2017 was \$2.039 billion. As of close of business on June 6, 2018, the unaudited total portfolio value was \$2.061 billion, which is about a 40 million increase as a result of a strong market.

Chairman Gaskill stated the Investment Committee met on May 8, 2018. The Committee recommended allocating:

- \$25 million to Wellington Management Company, MidCap Capital Stewards Strategy
- \$40 million to State Street Global Advisors, Passive MidCap Index
- \$50 million to Goldman Sachs, Passive Fixed Income Strategies
- \$20 million to Riverstone Credit Partners, Energy Credit Opportunities

Mr. J. S. Baxter made a motion, seconded by Mr. Neal, to approve the recommendation from the Investment Committee to fund these new allocations. The motion passed unanimously.

#### Audit Committee report

Mr. Neal, Chairman of the Audit Committee, stated that the Audit Committee met on May 2, 2018. Mr. Neal confirmed that BKD CPAs & Advisors stated that the December 31, 2017 audit was clean (an un-modified opinion) and the Committee recommends accepting the audit. Mr. Neal noted this was the earliest issued audit report in LOPFI's 36 year history. Mr. J. S. Baxter made a motion, seconded by Mr. Reed, to accept the audit. The motion passed unanimously.

#### Summary of 2017 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, 2017. In 2017, the Investment Return Assumption changed from 7.75% to 7.50% and new mortality tables were introduced.

Ms. Barry provided the employer contribution rates for the calendar year 2019:

- Uniform paid service rate will be 22.44%, an increase from 21.90%
- Maximum rate for BP1 paid employers will remain at 23.50%
- Volunteer employer contribution rate will be \$59.00 per member per month based on a 16 year amortization period.

Chairman Gaskill stated years ago many locations did not have any out-of-pocket cost for their LOPFI employer contributions because they were fully funded by Premium Tax. However, other locations carried a disproportionate weight by having a significant out-of-pocket cost. Changes are being phased in so that in a few years all paid service locations will pay 60% of their LOPFI employer contribution cost with the remaining 40% factor being funded by Premium Tax. Mr. Clark then explained the cost/funding structure for the volunteer employer contribution cost. The Board has typically used a 90/10 split, with 90% of the volunteer employer contribution cost being funded by Premium Tax. The remaining 10% portion is funded by local budgets. For the past four (4) years the required employer contribution rate has remained at \$5.60 per member per month. With the increased total employer contribution rate of \$59.00 this will move the \$5.60 amount to \$5.90 beginning January 1, 2019, if the Board approves. After discussion from the Board, Mr. Reed made a motion, seconded by Mr. Neal, to increase the required volunteer employer contribution rate to \$5.90 per member per month for calendar year 2019. The motion passed unanimously.

#### Delinquent accounts

Mr. Ramsay reviewed the proposed amendments to Board Rule 14 and an accompanying resolution. Rule 14 covers delinquent accounts for employers i.e. when payments, monthly reporting, and/or enrollment items are not properly/timely filed with LOPFI. LOPFI's body of law requires the Board to certify such delinquency to the State Treasurer, so that state monies

can be withheld pending resolution of the delinquency. Because the Board meets quarterly, and delinquencies can occur at any time throughout the year, the proposed changes in Rule 14 will allow LOPFI to timely cure any delinquency, which is important in terms of the plan's qualified status with the IRS. After discussion from the Board, Mr. J. S. Baxter made a motion, seconded by Mr. Neal, to approve the amendments to Rule 14. The motion passed unanimously. Mr. Neal made a motion, seconded by Mr. J. S. Baxter, to approve the resolution pertaining to Rule 14. The motion passed unanimously.

#### 2019 legislative session

Mr. Clark reviewed five (5) potential items for the 2019 Legislative Session. The idea behind each item is to help control the costs of LOPFI's benefit program while maintaining a respectable benefit for the career oriented members. Following is a list of the items:

1. Restrict or eliminate simultaneous service credit found in ACA 24-10-501. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to approve having an actuarial analysis of the potential cost savings performed if members are required to achieve a vested status (10 years of actual LOPFI service credit) before being eligible to use simultaneous service credit and limiting the total amount of simultaneous service credit to five (5) years. The motion passed unanimously.
2. Eliminate the increase of Final Average Pay (FAP) for deferred benefits under ACA 24-10-611(b)(1)(2)(3). Mr. Reed made a motion, seconded by Mr. Neal, to approve having an actuarial analysis of the potential cost savings performed. The motion passed unanimously.
3. Eliminate Other Service Credit Recognition under ACA 24-10-508. Mr. Neal made a motion, seconded by Mr. Reed, to approve having an actuarial analysis of the potential cost savings performed. The motion passed unanimously.
4. Eliminate the early reduced retirement provision or increase the reduction for an early reduced retirement found in ACA 24-10-606. Mr. G. Baxter made a motion, seconded by Mr. J. S. Baxter, to approve having an actuarial analysis of the potential cost savings performed. The motion passed unanimously.
5. Amend aspects of the disability provisions under ACA 24-10-607. Mr. Clark mentioned his discussion with Mr. Neal regarding a program the International Association of Firefighters has for counseling individuals with Post Traumatic Stress Disorder, etc. This program has had promising results returning firefighters to their employment. Mr. Neal made a motion, seconded by Mr. J. S. Baxter, to approve having an actuarial analysis of the potential cost savings performed. The motion passed unanimously.

#### ASC report

Chairman Gaskill stated that the Administrative Service Committee (ASC) met this morning, June 7, 2018, at 9:30 a.m. Chairman Gaskill stated that the Executive Director received a very good review. The ASC recommended approval of a 2% 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.

#### March 2018 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. G. Baxter, to approve the March 2018 financial statements. The motion passed unanimously.

With no further business to discuss, the Board adjourned at 11:33 a.m.

Respectfully submitted,

Approved 09/13/18

Lesley Weaver  
Secretary to the Board