

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, March 4, 2021 with the meeting originating from the LOPFI office located 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 9:30 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 December 10, 2020 LOPFI meeting minutes. The motion passed unanimously. Mr. Reed made a motion, seconded by Mr. G. Baxter, to approve the January 7, 2021 Investment Committee meeting minutes. The motion passed unanimously.

2021 Legislative Session Update

Mr. Clark gave an update on Senate Bill 4, Senate Bill 5, House Bill 1008, and House Bill 1205. SB4 focuses on disability retirement aspects, is now Act 72 of 2021, and will take effect April 1, 2021. SB5 covers miscellaneous changes which include Reciprocal Service Credit, administration of Qualified Domestic Relations Orders (QDRO), an appeal of a decision by the LOPFI Board will be required to be filed in Pulaski County Circuit Court, and updating the age for required distributions. Since the meeting packet was issued, SB5 was amended based on a discussion at a recent Joint Retirement Committee (JRC) meeting. As a measure to ensure SB5 is passed, the QDRO provision was extracted since some legislators felt there is a need to protect former spouses by having the retirement system remit the payment to the former spouse. Mr. Clark encouraged the membership to continue to be fully engaged and noted because of the collective efforts of the Trustees and the membership, there has been great progress. Mr. Clark went on to give an update to HB1008 which provides additional Premium Tax allocations to underfunded volunteer Local Fire plans that have consolidated with LOPFI. Mr. Clark advised HB1008 is anticipated to be presented next Monday at the JRC. Mr. Clark stated HB1205, which is the return-to-work provision for certain retirees, was amended to include those who used the early retirement provision and removed the January 1, 2020 effective date of the original enabling legislation. HB1205 should be presented on Monday at the JRC. Lastly,

Senate Bill 443 which was filed earlier this week is an appropriations bill to include LOPFI in the state budget appropriations process. Mr. Clark advised the retirement system has operated successfully for over 39 years without being a part of the budget appropriations process. Further, LOPFI is not a State Agency and it is not funded by the State as LOPFI's body of law expressly stipulates the state shall not finance the retirement. Mr. Branch asked what would be wrong with having LOPFI place its contracts or other information on the State's transparency site. Mr. Clark advised LOPFI is already transparent, as it should be, and there is legislative oversight. The retirement system has no need to be pulled into this process and the Board should not support this proposal. Chairman Neal thanked Mr. Clark for his report.

North Parking Lots Renovation Update

Mr. Clark gave a brief review of the north parking lots LOPFI purchased in August 2020. The general contractor has been working with the architectural firm and has preliminary approval from the city of Little Rock for the renovations/layout. It is anticipated that formal approval from the city and the permits will be issued in mid-March. Mr. Clark advised the Board will be kept current on the status of the renovations as more information becomes available. The Board thanked Mr. Clark for the update.

Investment Consultant Report

Mr. Larry Middleton, Stephens Inc., presented the fourth quarter investment report. Mr. Middleton advised 2020 was a very active year, particularly with the first quarter. There was extreme downturn and then a marked recovery with the economy showing strength. Mr. Middleton stated the 2020 calendar year return was a net 13.19%. LOPFI's total portfolio value as of December 31, 2020 was \$2.766 billion. As of close of business on March 3, 2021, the unaudited total portfolio value was \$2.788 billion. Mr. Middleton recommended allocating the following at the January 7, 2021 Investment Committee Meeting:

- Consolidating the current S&P 500 Index Strategy, SSGA Russell 1000 Value Index Strategy, and SSGA S&P MidCap 400 Index Strategy into the SSGA Russell 3000 Index Strategy
- \$50 million to the Wellington Emerging Market Fund
- \$30 million to HPS Investment Partners Specialty Loan Fund V

Mr. J. S. Baxter made a motion, seconded by Mr. Branch, to approve Mr. Middleton's recommendations. The motion passed unanimously. The Board thanked Mr. Middleton for the report.

Investment Monitor Report

Mr. John McCann and Mr. Brendon Vavrica, AndCo Consulting, reviewed the Executive Summary report as of December 31, 2020. Mr. McCann provided a brief update on the AndCo firm and then handed the presentation over to Mr. Vavrica. Mr. Vavrica stated that the year-to-date net return for 2020 was 13.19% versus the System's index of 14.44%. The three (3) year return was 9.48% and the five (5) year return was 9.81%, which overall were good numbers. Mr. Vavrica briefly reviewed each of the individual managers' results including an equity analysis that showed the portfolio was broadly diversified and consistent with the mandates of policy. The Board thanked Mr. McCann and Mr. Vavrica for the report.

Actuarial Report

Ms. Heidi Barry, actuary with Gabriel, Roeder, Smith & Company (GRS) presented the actuarial update. Ms. Barry explained the 2020 valuations would continue with a qualified statement pertaining to the assumed rate of return. Ms. Barry advised GRS is scheduled to perform a 4-year experience study following the completion of the December 31, 2020 actuarial valuation as requested by the Board. Ms. Barry stated the Board would need to establish the LOPFI volunteer service employer contribution rate for calendar year 2022 today or at the June 2021 LOPFI Board meeting. The Board elected to establish the LOPFI volunteer employer contribution rate for 2022 during the June meeting. The Board thanked Ms. Barry for the report.

Request to Re-Open Disability Case

Mr. Richard Ramsay, legal counsel for LOPFI, gave a brief overview of the reason for Mr. William D. Bergthold's request to appeal. The appeal concerns LOPFI staff's compliance with LOPFI Board Rule 16 in administratively closing Mr. Bergthold's duty disability case on September 29, 2019. The closing was the result of Mr. Bergthold failing to provide required information that LOPFI had requested numerous times prior to the September 2019 closing date. Since the Board implemented a 180-calendar day timeframe to reopen administratively closed cases, Mr. Bergthold was sent a certified letter on June 11, 2020 advising of this fact. The letter explained Mr. Bergthold had until December 8, 2020 to submit all previously requested items to reopen the disability case. Mr. Bergthold and his legal counsel, Mr. Keith Wren with Wren Law Firm, advised the Board they felt Mr. Bergthold should be an exception to the closing date of December 8, 2020 and gave a lengthy testimony as to why. Mr. Wren stated he had documentation to present to the Board; however, since the meeting was via teleconference, he did not know how to supply the information to the Board. Mr. Ramsay noted that Mr. Wren had ample time to submit documentation for review by the Board prior to the Board meeting; however, it was not done. Mr. Ramsay reviewed Rule 16 and noted LOPFI staff has complied with Rule 16 and that Mr. Bergthold failed to meet all requirements to have the case re-opened. After discussion, Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to not allow Mr. Bergthold to reopen his duty disability case since he did not meet the requirements per Rule 16. The motion passed unanimously.

Updates to Rule 16

Mr. Clark reviewed the proposed amendments to Board Rule 16 to accommodate the changes from Act 72 of 2021 (Senate Bill 4 of 2021). Act 72 has an effective date of April 1, 2021 for all items except the employer contribution disability load. The disability load will be addressed separately in a future Board meeting. All proposed amendments were reviewed and approved by LOPFI legal counsel. A summary of the proposed changes is as follows:

1. Paragraph IV. B. shows LOPFI may review approved disability cases at least one (1) time annually up to the age of 55. This paragraph also reduces the timeframe from one (1) year down to ninety (90) days that a disabilitant has for refusing to submit to examination.
2. Paragraph VI. has text and a chart that explains duty disabilities effective on/after April 1, 2021 shall be classified as Catastrophic Duty, Hazardous Duty, or Ordinary Duty, and provides the benefit formula for each designation. The layout is meant to offer clarity to disability applicants as to which designation applies to their case, and if approved, how the benefit will be calculated.

3. Paragraph XI. provides the types of employment ANY disability retiree is prohibited from performing if he/she wants to continue receipt of a disability retirement benefit from LOPFI.

Mr. Reed stated that these changes come at the conclusion of the work performed by the Disability Advisory Committee. Mr. Reed advised it was great to see the membership organizations working together to better the retirement system and it is appreciated. Mr. J. S. Baxter made a motion, seconded by Mr. Branch, to approve the proposed amendments to Board Rule 16 with the understanding that the abbreviation for Emergency Medical Services be corrected from (EMT) to (EMS) under the employment listing for Firefighters. The motion passed unanimously.

December 2020 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. Branch, to approve the December 2020 financial statements. The motion passed unanimously.

With no further business to discuss, the Board adjourned at 11:13 a.m.

Respectfully submitted,

Approved 06/10/2021

Lesley Weaver
Secretary to the Board