

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 Wednesday, September 9, 2020 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, 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
**Attended in-person at the LOPFI office*

Excused Member: Mayor Mike Gaskill, Employer Trustee, Chairman

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

Vice-Chairman Neal called the meeting to order at 9:31 a.m. and recognized a quorum and notification of the news media. Vice-Chairman Neal advised Mayor Gaskill would be considered excused.

Approval of Minutes

Mr. G. Baxter made a motion, seconded by Mr. Branch, to approve the June 11, 2020 LOPFI meeting minutes. The motion passed unanimously. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to approve the August 12, 2020 DAC meeting minutes. The motion passed unanimously. Mr. G. Baxter made a motion, seconded by Mr. Branch, to approve the August 18, 2020 LOPFI special meeting minutes. The motion passed unanimously.

Disability Advisory Committee Report

Mr. J. S. Baxter, Chairman of the Disability Advisory Committee (DAC) stated the DAC met on August 12, 2020 and gave a brief synopsis of the meeting. Mr. Clark reviewed the recommendations from the August 12, 2020 meeting, which were reviewed and approved by LOPFI legal counsel:

1. Create an enhanced duty disability benefit for the instances that a member is disabled due to an extreme and life-changing event. This design will be narrow in scope and apply only to rare cases. The benefit structure assumes the member fulfilled a career i.e. 28 years of paid service credit. If service credit exceeds that amount, the calculated benefit would use the higher service credit number.
2. Gave broad parameters for hazardous duty disability (previously identified as catastrophic).
3. Recognize that no disabiltant (duty or non-duty) should assume employment (governmental or private sector) that matches or closely aligns with their previous LOPFI-covered duties and continue receipt of the disability benefit.

Mr. Clark reviewed the disabilities that would be considered catastrophic, hazardous, and ordinary. Catastrophic duty disabilities would include total and permanent loss of all mobility, hearing in both ears, sight in both eyes, use of both hands, both arms, both feet, both legs, or at least two different limbs, and injuries that require physician-directed fulltime care of another party. The benefit would be calculated as the greater of 28 years of paid service or actual service credit. Hazardous duty disabilities would be a sudden/traumatic injury, with a verified date of injury, that requires constant/continuous course of medical treatment beginning on the date of injury such as total loss of a limb, majority loss of sight in one eye, majority loss of hearing in one ear, crippling burn(s), and presumptive disability cancer cases. The benefit would be calculated as the greater of 65% of final average pay or actual service credit. Ordinary duty disabilities would include all other injuries or illnesses including, but not limited to, injury while exercising or performing physical fitness testing/training, psychological matters, slip/fall incurred during a non-emergency event, cumulative injuries/illnesses over a multi-month/year timeframe. The benefit would be calculated as the greater of 15% of final average pay or actual service credit. Mr. Clark also reviewed the proposed list of employment types that should be considered as exclusions for employment for any individual that has been approved for a disability benefit from LOPFI. If a person can perform any of the duties for these positions and accepts the employment, the LOPFI disability benefit would be permanently forfeited. Mr. Clark advised once the framework is approved by the Board, and assuming the necessary legislative changes occur, Board Rule 16 will need to be amended to incorporate this design. It is anticipated that such changes can be adopted at the Board's March 2021 meeting. Vice-Chairman Neal and Mr. J. S. Baxter thanked the members of the DAC for their hard work and their efforts to better the System. There were no questions from the Board.

2021 Legislative Session

Mr. Clark reviewed the proposed 2021 legislative changes to ACA 24-10-607, which is LOPFI's body of law for disability retirement. Many of the changes were previously approved by the Board at the June 11th meeting. A summary of the most recent changes are as follows:

1. Added Catastrophic, Hazardous, and Ordinary duty disability classifications.
2. Paragraph added to prohibit a person who retired for a reason other than disability retirement to be able to return to LOPFI-covered employment and subsequently apply for disability retirement. Should a disability occur during the period of reemployment, the person would simply terminate employment and resume his/her retirement benefit.
3. Paragraph added to clarify LOPFI could terminate a disability benefit when a disablitant assumes employment (governmental or private sector) that includes matching or similar duties as those from which the person is supposed to be disabled.

Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve the proposed legislative changes. The motion passed unanimously. Mr. Clark thanked the Board.

Investment Consultant Report

Mr. Larry Middleton, Stephens Inc., thanked the Trustees for coordinating and participating in the discussion regarding the property acquisition and gave a brief update on that process. Mr. Middleton went on to present the second quarter investment report. LOPFI's total portfolio value as of June 30, 2020 was \$2.478 billion. Mr. Middleton recommended the following additional allocations:

- Move \$50 million each from Barrow Hanley and Dodge and Cox and allocate to State Street
- Move \$100 million from the Liquidation account and allocate \$20 million to each of the fixed income managers:
 - Doubleline Total Return
 - Garcia Hamilton
 - Loomis Sayles Credit Asset Trust
 - PIMCO Total Return
 - Western Asset Management Company

Mr. Reed made a motion, seconded by Mr. G. Baxter, to approve the recommendation for the \$50 million reallocation from both Barrow Hanley and Dodge and Cox and assigning the total to State Street. The motion passed unanimously. Mr. J. S. Baxter made a motion, seconded by Mr. Reed, to approve the \$100 million reallocation from the Liquidation account and assign \$20 million to each of the five fixed income managers. The motion passed unanimously. The Board thanked Mr. Middleton for the report.

Actuarial Report

Ms. Heidi Barry, actuary with Gabriel, Roeder, Smith & Company (GRS) presented the Actuarial Report. Ms. Barry explained how demographics were used in the actuarial process. Ms. Barry gave a variety of proposed revisions to the economic assumptions for both paid and volunteer groups and reviewed possible December 31, 2020 results and projections. After questions and discussion by the Board, the Board thanked Ms. Barry for her presentation.

June 2020 Financial Statements

Vice-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. Clark reiterated 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. Vice-Chairman Neal asked about the overage in the Audit Services line item. Mr. Clark advised this line item had an add on expense for the purchase of software to accommodate the early implementation of a new accounting standard for leases. Mr. Reed made a motion, seconded by Mr. G. Baxter, to approve the June 2020 financial statements. The motion passed unanimously.

With no further business to discuss, the Board adjourned at 10:46 a.m.

Respectfully submitted,

Approved 12/10/2020

Lesley Weaver
Secretary to the Board