

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, September 13, 2018 in the LOPFI office located at 620 W. 3rd, Suite 200, Little Rock, Arkansas.

Members Present: John Neal, Retired Fire Employee Trustee, Vice-Chairman
 Bev Lambert, Public Trustee
 J. Scott Baxter, Police Employee Trustee
 Damon Reed, Fire Employee Trustee
 Tim Hill, Retired Police Employee Trustee
 Mayor Gary Baxter, Employer Trustee

Excused Member: Mayor Mike Gaskill, Employer Trustee, Chairman

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

Vice-Chairman Neal called the meeting to order at 9:30 a.m. and recognized a quorum and notification of the news media. Mr. Lambert made a motion, seconded by Mr. J. S. Baxter, to excuse Mayor Gaskill. The motion passed unanimously.

Approval of Minutes

Mr. G. Baxter made a motion, seconded by Mr. Lambert, to approve the June 7, 2018 LOPFI meeting minutes. The motion passed unanimously.

Legal Update

Mr. Richard Ramsay, legal counsel for LOPFI, gave an update on the request to obtain a favorable Determination Letter from the Internal Revenue Service (IRS). Mr. Ramsay stated that a response has been received from the IRS and there are seven (7) items they have requested. Of the seven (7) items, five (5) will not require any changes by LOPFI. There are two (2) items that will involve amending Board Rule 35. Mr. Ramsay advised those amendments will be drafted and proposed to the Board at the December 6, 2018 LOPFI meeting. A response is required to be submitted to the IRS by September 20, 2018 and will include the draft changes to the Rule. Mr. Ramsay anticipates to have a final report within the first quarter of 2019.

2019 Legislative Session

Mr. Clark stated Representative Douglas House, House Co-Chair of Joint Retirement, visited the LOPFI office this morning and asked that the five (5) items listed below be communicated to the Board. The purpose is to ensure everyone is aware of his position regarding the statewide retirement systems. Rep. House will not:

1. Seek to merge the retirement systems i.e. consolidate all the plans
2. Take the members' money and divert it elsewhere
3. Convert members' assets to 401k style plans
4. Change the board composition of the retirement systems
5. Dictate the operations of the retirement systems

The Board thanked Mr. Clark for communicating Rep. House's thoughts.

Investment Consultant Report

Mr. Larry Middleton, Stephens Inc., presented the second quarter investment report. LOPFI's total portfolio value as of June 30, 2018 was \$2.076 billion. Mr. Middleton stated the portfolio is up 9.09% for the trailing 12 months. (Mr. Reed arrived at 9:47 a.m.) As of close of business on September 12, 2018, the unaudited total portfolio value was \$2.159 billion, which is about a \$120 million increase as a result of a strong market. The Board thanked Mr. Middleton for the report.

Actuarial Experience Study

Ms. Heidi Barry, actuary with Gabriel, Roeder, Smith & Company (GRS) presented the actuarial analysis of the possible cost savings of five (5) potential items for the 2019 Legislative Session. Those items are:

1. Increase the amount of the reduction used to calculate an early reduced retirement. No action was taken.
2. Eliminate the increase of Final Average Pay (FAP) used to calculate deferred retirements. This proposal would apply to current and future terminated participants. Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve this proposal. The motion passed unanimously.
3. Amend the eligibility condition and the amount of service credit available under the Simultaneous Service Credit provision. The proposed changes would apply only to new members; not current members. Mr. Reed made a motion, seconded by Mr. G. Baxter, to approve requiring members to first have at least ten (10) years of actual LOPFI service credit before being eligible for simultaneous service credit, and then limit the total amount of simultaneous service credit to five (5) years. The motion passed unanimously.
4. Eliminate the Other Service Credit (OSC) Recognition provision for current and future members. All OSC currently standing to a member's account would not be affected; this change would simply remove the ability to recognize additional OSC. Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve this proposal using a July 1, 2019 effective date. The motion passed unanimously.
5. Amend aspects of the disability process. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to approve the proposed change to require that a disability application must be filed with the Board no later than thirty (30) days after the termination of active membership and to use a July 1, 2019 effective date for this change. The motion passed unanimously. The Board chose not to introduce the term "indisputable evidence" for duty-related applications.

Mr. Clark advised draft markups of the approved proposals will be prepared for the Board to review at their December 6, 2018 meeting.

Mr. J. S. Baxter made a motion to go into executive session to discuss a disciplinary matter. Mr. G. Baxter seconded and the motion passed unanimously.

The Board went into executive session at 10:46 a.m. and reconvened into regular session at 11:10 a.m.

Mr. J. S. Baxter made a motion, seconded by Mr. Hill, to take no action concerning the Executive Director's discharge of his duties. The motion passed unanimously.

Role of a Fiduciary

Mr. Ramsay gave a presentation regarding fiduciary duties as it relates to the Board of Trustees. Mr. Ramsay reviewed who is a fiduciary, a fiduciary's responsibilities, and risks involved with fiduciary duties. Mr. Ramsay stated that the Board serves as an oversight body of the retirement system and should act in the best interest of the members. There should be no conflict of interest and if this occurs it must be fully disclosed in public. In addition, as an oversight body of the retirement system, there should be no discussion regarding disability hearings amongst the Trustees outside an Administrative Appeal Hearing. Mr. Ramsay listed the fifteen (15) best fiduciary practices, recognized the Board of Trustees has met all practices, and acknowledged several of the Trustees are Accredited Fiduciaries through the National Conference on Public Employee Retirement Systems. The Board thanked Mr. Ramsay for his presentation.

June 2018 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 advised the Board of Mr. Gary Colvin's receivable that is reflected on the financial statements. Due to Mr. Colvin's passing, the balance will need to be written off as the system can no longer recover the remaining balance due to his death. Mr. Ramsay stated he is confident that the system has satisfied its responsibilities in seeking to recover the monies. Mr. Clark also advised the Board that LOPFI still has a ninth staff position that needs to be filled. The system followed the advertising process, but that did not produce a viable candidate. The request is for the Board to consider allowing the use of an employment agency to assist with this hiring. Mr. Reed commented that the ninth position needed to be filled and an employment agency was a very good option. Mr. G. Baxter made a motion, seconded by Mr. Reed, to allow LOPFI staff to use an employment agency to assist with hiring for this open position. The motion passed unanimously. Mr. Lambert made a motion, seconded by Mr. G. Baxter, to approve the June 2018 financial statements, including writing off Mr. Colvin's balance. The motion passed unanimously.

With no further business to discuss, the Board adjourned at 11:55 a.m.

Respectfully submitted,

Approved 12/06/18

Lesley Weaver
Secretary to the Board