

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, June 9, 2022 with the meeting originating from the LOPFI office 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 10:00 a.m. and recognized a quorum and notification of the news media.

Notice of Reappointment

Chairman Neal noted the reappointment of Mr. Hill, Mr. J. S. Baxter, Mr. Reed, Mr. G. Baxter, and himself to the Board of Trustees.

Approval of Minutes

Mr. J. S. Baxter made a motion, seconded by Mr. Reed, to approve the March 3, 2022 LOPFI meeting minutes. The motion passed unanimously. Mr. Reed made a motion, seconded by Mr. Branch, to approve the April 28, 2022 Investment Committee meeting minutes. The motion passed unanimously. Mr. Hill made a motion, seconded by Mr. J. S. Baxter, to approve the May 4, 2022 Audit Committee meeting minutes. The motion passed unanimously.

IT Security Assessment Update

Mr. Clark stated FORVIS, LOPFI's audit firm, has an IT division that performed an analysis of LOPFI's infrastructure for its computer network. Based on that analysis, one of the recommendations was to develop a written IT security policy. Staff is working with the auditors to develop a security policy and once available it will be provided to the Board securely since it is not subject to public release. As the governing body, the Board will be asked to adopt the policy that directs management to ensure the policy is followed. In addition, another vendor conducted an internal and external vulnerability assessment of LOPFI's IT network. That analysis was an examination of LOPFI's IT vendor. There were a few recommended improvements that have been completed. Mr. Clark advised the plan is to continue these reviews, which will require future budgets to accommodate the costs, since technological threats continue to evolve. In that regard, we anticipate an upcoming adjustment to account 542 (office equipment-leasing/maintenance) for the cost of the external review and improvements that were implemented from that review. Even though the costs were not anticipated when the budget was developed, it was not reasonable to wait another year to have these security analysis/reviews completed. The Board concurred and thanked Mr. Clark.

Disability Load

Mr. Clark stated he visited with Chairman Neal, who agreed, to defer discussion of the Disability Load to the September 2022 Board meeting. This will allow the actuaries more time to prepare proposals for the Board to consider. Mr. Clark advised the overall goal is to reduce the frequency of disabilities and recently there has been a decrease in the number of inquiries and applications submitted. If disabilities continue to decline, a disability load may not have to be assessed. However, it is prudent to develop the specifics of a disability load so that if there are outliers, the associated employer contribution rate can be adjusted so their experience is not cost shifted to the other employers in the retirement system. After further discussion by the Board, the Board thanked Mr. Clark for the update.

DROP Discussion

Mr. Clark stated GRS has provided information on potential enhancements of the DROP Plan for consideration in the 2023 legislative session. Mr. Reed thanked GRS for their work and stated, in his opinion, moving forward with any DROP changes would not be in the best interest of the membership or employers given the current investment markets, inflation, and other variables. Mr. Branch agreed with Mr. Reed and stated his comments are very reasonable. After further discussion, the Board decided to not pursue any changes in the 2023 legislative session.

Legal Update

Mr. Richard Ramsay, legal counsel for LOPFI, gave a legal update. Mr. Ramsay advised the disability case that was filed against LOPFI in Texas and transferred to Arkansas has now been dismissed and there is only one (1) disability appeal pending at the state circuit court level. The Board thanked Mr. Ramsay for the update.

Investment Consultant Report

Mr. Larry Middleton, Stephens Inc., presented the first quarter investment report. LOPFI's total portfolio value as of March 31, 2022 was \$3.049 billion. Mr. Middleton stated the system is currently ranked in the top 25 percentile versus our peer group for one-year, 18th percentile for three- year, and 18th percentile for five-year. The Investment Committee met on May 4, 2022 and recommended allocating:

- \$30 million to SilverLake Partners 7
- \$25 million to KKR Property Partners Americas

In addition, Mr. Middleton recommended to reserve money to both new and existing managers. The managers are KKR Core Fund, PIMCO Bravo IV Fund, GoldenTree Asset Management, and WP Global Partners. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to accept Mr. Middleton's recommendations. The motion passed unanimously. The Board thanked Mr. Middleton for the report.

Audit Committee Report

Mr. Neal, Chairman of the Audit Committee, stated that the Audit Committee met on May 4, 2022 and FORVIS stated that the December 31, 2021 audit was clean (an un-modified opinion) and the Committee recommends accepting the audit. Chairman Neal expressed gratitude towards staff for their efforts and cooperation with the auditors for a clean audit. Mr. Branch made a motion, seconded by Mr. Hill, to accept the audit. The motion passed unanimously. Mr. Clark thanked the Board.

Actuarial 101/Summary of 2021 Actuarial Valuations

Ms. Heidi Barry and Mr. Casey Ahlbrandt-Rains, actuaries with Gabriel, Roeder, Smith & Company (GRS) presented an Actuarial 101 session and the December 31, 2021 Summary of

Valuations. Mr. Ahlbrandt-Rains presented the Actuarial 101 session that included a summary of the basic principles of retirement funding. Ms. Barry provided an overview of the Summary of Valuations that included the following employer contribution rates for the 2023 calendar year:

- Uniform paid service rate will be 23.72%; an increase from 23.38%
- Maximum rate for BP1 paid employers will increase from 23.50% to 24.00%
- Volunteer employer contribution rate will be \$60.00 per member per month, which will mean a required employer contribution rate of \$6.00.

The Board thanked GRS for their report.

ASC Report

Chairman Neal stated that the Administrative Services Committee (ASC) met this morning, June 9, 2022, at 9:30 a.m. Chairman Neal stated the Executive Director received a very good review and the ASC recommended approval of a 3% Career Service Award for the Executive Director. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to approve the ASC's recommendation. The motion passed unanimously. Mr. Clark thanked the Board.

2023 Legislative Session

Mr. Clark briefly reviewed the LOPFI Board Resolution adopted in March 2020 based on the work of the Disability Advisory Committee which states one of the Board's desires is to protect the current benefit structure and maintain an attractive retirement system for career members, while keeping employer contribution costs reasonable. Mr. Clark stated GRS provided an analysis for benefit multiplier increases for paid LOPFI members and proposed changes to the retirement eligibility conditions based on a request from one of the member groups. Mr. Clark stated the first analysis shows the impact if the benefit multiplier for Benefit Program 1 paid service members was increased from 2.94% to 3.0% and for Benefit Program 2 members from 3.28% to 3.36%. The second analysis shows changes to the retirement eligibility conditions for paid service members to 25, 26, or 27 years of service. Mr. Clark explained the analyses show the member contribution costs and increase in unfunded liabilities if these changes occurred. Mr. J. S. Baxter stated this information is helpful; however, in his opinion, and based on the economic conditions discussed earlier, it would not be in the best interest of the system to implement these changes at this time. The Board concurred and thanked GRS for providing the analyses.

March 2022 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. Reed made a motion, seconded by Mr. Hill, to approve the March 2022 financial statements. The motion passed unanimously.

With no further business to discuss, the Board adjourned at 11:20 a.m.

Respectfully submitted,

Approved 09/01/2022

Lesley Weaver
Secretary to the Board