

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 3, 2022 with the meeting originating from the LOPFI office located at 620 W. 3<sup>rd</sup>, 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. Reed, to approve the December 2, 2021 LOPFI meeting minutes. The motion passed unanimously.

Disability Load

Mr. Clark advised this topic would be moved to the June 2022 LOPFI Board meeting agenda pending the Board's decision regarding updated actuarial assumptions. No action is needed at this time.

DROP Discussion

Mr. Clark advised this topic would be moved to the June 2022 LOPFI Board meeting agenda pending the Board's decision regarding updated actuarial assumptions. No action is needed at this time.

Legal Update

Mr. Richard Ramsay, legal counsel for LOPFI, gave a legal update. Mr. Ramsay advised there are two (2) disability appeals pending at the state circuit court level. In addition, there is a disability case at the federal court level that was filed against LOPFI in Texas. Mr. Ramsay successfully had the case transferred to Arkansas and anticipates having more details to provide at the June 2022 LOPFI meeting. The Board thanked Mr. Ramsay for the update.

Actuarial Assumptions

Ms. Heidi Barry and Mr. Casey T. Ahlbrandt-Rains, actuaries with Gabriel, Roeder, Smith & Company (GRS) discussed four (4) items for use in the December 31, 2021 valuations:

1. GRS previously proposed a range of investment return assumptions ranging from 6.15% to 7.00%. The Board asked for additional analysis using a 7.25% and a 7.375% investment return assumption, with the goal of determining at today's

meeting which assumption to use. Ms. Barry reviewed the revised report as requested by the Board and stated an investment return assumption above 7.00% is, in GRS' opinion, not reasonable under actuarial standards. Mr. J. S. Baxter expressed his concern of immediately moving from the current 7.50% to 7.00% and is more comfortable with a gradual adjustment to 7.25% and with the understanding that the Board continues to carefully monitor the system's investment performance. All other Trustees agreed with Mr. J. S. Baxter's statement. After further discussion, Mr. Branch made a motion, seconded by Mr. G. Baxter, to move the assumed rate of return to 7.25%. The motion passed unanimously.

2. GRS suggested the Board consider an increase in the current maximum employer contribution rate to something between 23.50% and 24.00%, in conjunction with a decrease in the assumed rate of return. The LOPFI paid service maximum contribution rate has remained at 23.5% for the last five (5) years. Mr. G. Baxter expressed his concerns for the impact a rate increase would have on the cities. Mr. Clark stated that was a fair consideration and reminded the Board the paid rates are funded using a 60/40 split with the 40% portion funded by Premium Tax; therefore, the increase will not be entirely funded at the local level. Also, staff does recommend approval of this increase. The Board agreed, and after further discussion, Mr. Reed made a motion, seconded by Mr. Branch, to increase the maximum employer contribution rate from 23.50% to 24.00% of payroll. The motion passed unanimously.
3. For the past four (4) years, the required employer contribution rate for volunteers has remained at \$5.90 per member per month. After discussion from the Board, Mr. J. S. Baxter made a motion, seconded by Mr. Hill, to increase the required volunteer employer contribution rate to \$6.00 per member per month for calendar year 2023. The motion passed unanimously.
4. Mr. Ahlbrandt-Rains recommended that the LOPFI Board adopt the new demographic assumptions as presented at the September 2021 LOPFI Board meeting. After discussion by the Board, Mr. J. S. Baxter made a motion, seconded by Mr. Reed, to accept the recommended new demographic assumptions. The motion passed unanimously.

#### Investment Consultant Report

Mr. Larry Middleton, Stephens Inc., presented the fourth quarter investment report. LOPFI's total portfolio value as of December 31, 2021, was \$3.229 billion. The fourth quarter was up 5.29% and earned \$166 million. Mr. Middleton stated a decision was made to take \$125 million out of equities and this decision has served well given the recent market developments from Russia's actions in Ukraine. The Board thanked Mr. Middleton for the report.

#### Investment Monitor Report

Mr. Brendon Vavrica, AndCo Consulting, reviewed the Executive Summary report as of December 31, 2021. Mr. Vavrica stated that the 2021 net return was 17.45% versus the System's index of 12.02%; the three (3) year return was 16.54% versus the index of 15.34%; and the five (5) year return was 12.03% versus the index of 10.95%, which overall were good numbers. Mr. Vavrica stated the fund outperformed 90% of public funds around the country for the 2021-year. 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. Vavrica for the report. Mr. John McCann stated he retired as of

January 1, 2022 and expressed what a pleasure it was to work with the LOPFI Board for the past 25 years. The Board wished Mr. McCann well in his retirement. The Board took a break at 10:33 a.m. and reconvened at 10:41 a.m.

#### Proposed Updates to Board Rules

Mr. Clark provided a summary of the proposed amendments to the LOPFI Board Rules. All proposed amendments were reviewed and approved by LOPFI legal counsel. The changes included relocating six Rules to vacant Rules, which allowed a reduction of the number of Rules from 35 to 29. The table of contents and the following Rules were amended: Rules 3-7, 9, 11, 17, 20, 21, 23, and 29; Rules 30-35 were struck as was an unused Resolution for direct deposit. For Rule 4, staff unanimously agreed that a 60-day cap is reasonable for maximum sick leave accrual. This change also provides a maximum lumpsum payout of 60 days of accrued sick leave upon a staff member's retirement or death. The transition to the new 60-day cap includes compensating applicable staff members for the current sick leave balance that exceeds the new cap. The executive director respectfully declines to receive payment, making the gross one-time payout for the remaining five positions just under \$81,000. Mr. J. S. Baxter stated he agreed with all the changes except for the executive director being excluded from the payout of sick leave. Mr. J. S. Baxter, along with all other Trustees agreed the executive director position should be included since the time was earned. Mr. J. S. Baxter made a motion, seconded by Mr. Branch, to approve the changes as described, with the exception that Rule 4 be amended to include the executive director position in the lumpsum payout of accrued sick leave. The motion passed unanimously. Mr. Clark thanked the Board.

#### December 2021 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. Clark advised \$2,000 was moved from Account 550 to Account 546 under the General Operating category to accommodate an upgrade in fiber service for the internet and telephone. Mr. Clark stated the movement within a broad category, such as the General Operating category, is allowed by the LOPFI-PRB Budget Expense Allocation Procedure and requires a formal notice be presented to the Board that this action was taken. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to approve the December 2021 financial statements. The motion passed unanimously.

Before concluding the meeting Chairman Neal noted how great the north parking lot renovations turned out. The other Board members concurred.

With no further business to discuss, the Board adjourned at 11:04 a.m.

Respectfully submitted,

Approved 06/09/2022

Lesley Weaver  
Secretary to the Board