

Minutes
Local Police and Fire Retirement System Board of Trustees
Quarterly Meeting

The Local Police and Fire Retirement System Board of Trustees met on Thursday, September 1, 2022 in 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 via video conference

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

Chairman Neal called the meeting to order at 9:31 a.m. and recognized a quorum and notification of the news media.

Approval of Minutes

Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve the June 9, 2022 LOPFI meeting minutes. The motion passed unanimously.

Disability Load

Ms. Heidi Barry, actuary with Gabriel, Roeder, Smith & Company (GRS) completed a review of duty disability information for a selection of retirement systems that are comparable to LOPFI based on size and social security coverage. Ms. Barry reviewed the information and recommended that the Board engage in ongoing discussions, informed by subsequent experience-based analyses, to determine if a disability load is appropriate and the manner in which it should be implemented. Mr. Clark confirmed beginning January 1, 2022, staff began tracking the number of disabilities. The concept is to measure disability experience over the next five (5) calendar years and then, if needed, apply a disability load to the employer contribution rate for employers with excess disability experience; therefore, if a load is needed, it would not be until 2027. Mr. Clark reminded the Board that the law does require development of a load. After further discussion, the Board agreed to look at the number of disabilities on a quarterly basis and review data in order to make an informed decision. The Board thanked Ms. Barry for her presentation.

Legal Update

Mr. Richard Ramsay, legal counsel for LOPFI, gave a legal update. Mr. Ramsay advised that since the last meeting, there are two (2) disability appeal cases at the court of appeals level. Mr. Ramsay advised the system has filed an appeal for one (1) of the cases that the Board's decision was overturned at a higher court level. The other disability case, the member has appealed the circuit court's ruling in which the court upheld the Board's decision. Mr. Ramsay stated there are two (2) other items worth mentioning, one being an order LOPFI received from

the United States Bankruptcy Court ordering the system to remit a portion of a member's benefit to the chapter 13 bankruptcy trustee. Mr. Ramsay reminded the Board that a member's retirement benefit is not subject to garnishment or attachment; therefore, the appropriate response was sent, and this has since been resolved in LOPFI's favor. Secondly, a volunteer fire department is attempting to dissolve their department but has unfunded accrued liabilities on account. Under statutory authority, the department cannot dissolve until those debts are taken care of. At this time, a municipality may take over the responsibility of the unfunded accrued liabilities and adopt LOPFI coverage. Mr. Ramsay commended staff for immediately recognizing the appropriate steps to take to resolve each item quickly. The Board thanked Mr. Ramsay for the update.

2023 Legislative Session

Mr. Clark advised at this time, there are no legislative items to present in the 2023 Legislative Session. Mr. Clark stated there has been discussion by some members/member groups to propose 25 years and out for police. If there is that type of movement, it will be important to determine who will pay the cost and ensure it is applied to all members so that everyone is treated equally, meaning both police and fire. With the current economic environment and that the system is not fully funded, the Board may consider not supporting this change. Given these fiscal considerations, in the recent past, the Board has given clear directive for Mr. Clark to speak against proposed legislation if there is a cost. Mr. Reed made a motion, seconded by Mr. J. S. Baxter, to give Mr. Clark authority to speak on behalf of the Board against legislative items that would have a cost to the system. The motion passed unanimously.

Investment Consultant Report

Mr. Middleton presented the second quarter investment report. LOPFI's total portfolio value as of June 30, 2022 was \$2.720 billion. Mr. Middleton stated while there is a downturn, the results reflect well on a relative scale, and LOPFI is nicely positioned going into the fourth quarter. Mr. Middleton stated he and Mr. Clark communicate frequently on a variety of matters, one of those being the LOPFI building. In terms of the first floor, there could be progress made with obtaining tenants due to different properties selling and remodeling in the downtown area. He and Mr. Clark will meet with property management to determine the next steps to attract viable tenants. The Board thanked Mr. Middleton for the report.

Proposed Amendments to Rule 6

Mr. Clark reviewed the proposed amendments to Board Rule 6. All changes have been reviewed and approved by LOPFI legal counsel. Board Rule 6 provides the procedures for the administration of a Qualified Domestic Relations Order (QDRO). An estimated \$10,000/month of LOPFI's resources are consumed working with divorcing parties and their attorneys on QDROs. To reduce system costs, staff has proposed amendments to Rule 6 and the model QDRO. For Board Rule 6:

1. Paragraph 1 provides a statement that only QDRO's conforming to the specifications of Board Rule 6 and the model QDRO will be administered by LOPFI.
2. Paragraph 2 has distinct language for when an Alternate Payee's payment starts and that LOPFI's retiree payroll requirements will be used.
3. Paragraphs 3 and 4 add plain text stating any QDRO to be administered by LOPFI will have no alterations from the Board-approved model QDRO. Paragraph 3 also removes "the time of the marriage" language.

For the model QDRO:

1. Removed the code reference on the first page as that citation has led some individuals to wrongly opine LOPFI must adhere to this statute.
2. Reworded text throughout the document for easier reading.
3. Updated paragraphs 9 and 13 to clearly stipulate that a QDRO will only meet the Board's requirements if it conforms to Rule 6 and the model QDRO – no exceptions.
4. Introduced new paragraph 11 to afford the Participant the same protections the Alternate Payee has in paragraph 10 should a processing error incorrectly route the Participant's payment to the Alternate Payee.

Mr. Reed asked if there was a way for the system to recoup some of the cost from QDROs. Mr. Ramsay stated he was not aware of any law that would allow the system to do so. Mr. J. S. Baxter asked for staff to explore the possibility of recouping such costs. Mr. J. S. Baxter made a motion, seconded by Mr. G. Baxter, to approve the proposed amendments to Board Rule 6 and the model QDRO and have staff explore the possibility of recouping costs associated with processing QDROs. The motion passed unanimously.

Information Systems Security Policy

Mr. Clark stated FORVIS, LOPFI's audit firm, worked with staff to develop a written Information Systems Security Policy that was sent to the Board securely, as it is not subject to public release. Mr. Clark advised that the Board is requested to adopt the policy that directs management to ensure the policy is followed and that the Board is timely alerted of any proposed changes that may be needed as security threats continue to evolve. After discussion, Mr. G. Baxter made a motion, seconded by Mr. Reed, to adopt the Information Systems Security Policy. The motion passed unanimously.

June 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. Clark advised the Office Equipment-Leasing/Maintenance line item had an overage, which is the product of improvements made internally in response to the Cyber Risk Assessment. Because of this, we will need to move some amounts from line items in the General Operating section to avoid closing the year with an overage. This type of change is permitted under the Board's guidelines and will be communicated to the Board. Mr. Reed made a motion, seconded by Mr. G. Baxter, to approve the June 2022 financial statements. The motion passed unanimously.

With no further business to discuss, the Board adjourned at 10:35 a.m.

Respectfully submitted,

Approved 12/01/2022

Lesley Weaver
Secretary to the Board