

February 1, 2017

Mr. David B. Clark  
Executive Director  
Arkansas Local Police and Fire Retirement System  
620 W. 3rd, Suite 200  
Little Rock, Arkansas 72201-2212

**Re: Senate Bill 11**

Dear Mr. Clark:

You have asked us for our analysis of Senate Bill (SB) 11 as it relates to the Arkansas Local Police and Fire Retirement System (LOPFI). SB 11 modifies Arkansas State Code Title 24, Chapter 2, Subchapter 2 concerning investments. In particular, SB 11 adds a new section which prohibits transactions with restricted companies.

As we understand Senate Bill 11, the Board of Trustees of LOPFI would be responsible for identifying and possibly divesting from certain restricted companies as defined in the proposed legislation.

The potential financial effects on LOPFI are expected to be both lost investment opportunity and an increase in administrative cost. Due to unavailability of data, we are unable to quantify the financial effects on LOPFI that might result due to enactment of the proposed legislation. While we anticipate any negative impact to be relatively small, policymakers should recall that ultimately any reduction in investment earnings and all expenses of LOPFI are paid for by participating employer contributions.

Please review this letter carefully to ensure that we have understood the bill properly. The analysis in this letter should not be relied upon if there is doubt about our understanding of the bill. Our analysis relates only to the plan changes described in this correspondence. In the event that other plan changes are being considered, it is very important to remember that the results of separate actuarial analyses cannot generally be added together to produce a total. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

We did not review this bill for compliance with Federal, State, or local laws or regulations, and internal revenue code provisions nor did we attempt to determine whether these changes would contradict or negate other related State, or local laws. Such a review was not within the scope of our assignment.

Heidi G. Barry is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Respectfully submitted,

A handwritten signature in black ink that reads "David L. Hoffman". The signature is written in a cursive style with a large initial "D".

David L. Hoffman

A handwritten signature in black ink that reads "Heidi G. Barry". The signature is written in a cursive style with a large initial "H".

Heidi G. Barry, ASA, MAAA

DLH/HGB:sc