Arkansas Local Police and Fire Retirement System

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

Arkansas Local Police and Fire Retirement System

December 31, 2022 and 2021

FORVIS

111 Center Street, Suite 1600 / Little Rock, AR 72201
P 501.372.1040 / F 501.372.1250
forvis.com

Independent Auditor's Report

Board of Trustees
Arkansas Local Police and Fire Retirement System
Little Rock, Arkansas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Arkansas Local Police and Fire Retirement System (the System) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Arkansas Local Police and Fire Retirement System as of December 31, 2022 and 2021, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

PRAXITY™ Empowering Business Globally

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The schedule of administrative expenses and the schedule of investment expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative expenses and the schedule of investment expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated April 14, 2023 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

FORVIS, LLP

Little Rock, Arkansas
April 14, 2023

Arkansas Local Police and Fire Retirement System

Management's Discussion and Analysis

December 31, 2022 and 2021

This discussion and analysis of the Arkansas Local Police and Fire Retirement System (hereinafter referred to as LOPFI or the System) is for the years ended December 31, 2022 and 2021. This analysis provides a summary of the financial position of LOPFI, including highlights and comparisons. For more detailed information regarding LOPFI financial activities, the reader should also review the actual financial statements, including notes and supplementary schedules.

The basic financial statements consist of:

The *Statement of Fiduciary Net Position*, which reports the pension fund assets, liabilities, deferred inflows of resources and net position restricted for pensions at the end of the calendar year. The *Statement of Fiduciary Net Position* is prepared on the accrual basis and, for the most part, the System's net position restricted for pensions is reported on a fair value basis.

The *Statement of Changes in Fiduciary Net Position*, which reports the pension fund transactions that occurred during the calendar year where additions minus deductions equal net increase (decrease) in fiduciary net position. It is an operating statement that reports the net increase or decrease in net position restricted for pensions from the beginning of the year until the end of the year.

The *Notes to Financial Statements* are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

The *Required Supplementary Information* and *Other Supplementary Information* following the *Notes to Financial Statements* provide added historical and detailed information considered useful in evaluating the condition of LOPFI.

The following pages contain summary comparative statements of LOPFI's pension trust fund for years 2022 and 2021.

Summary Statements of Net Position Restricted for Pensions

	2022	2021	2020	2022 Percentage Change	2021 Percentage Change
Cash and cash equivalents	$ 149,370,707	$ 55,228,421	$ 95,944,189	170.46%	-42.44%
Total receivables	12,674,869	10,592,081	9,288,540	19.66%	14.03%
Prepaid expenses	14,625,139	14,035,674	13,818,816	4.20%	1.57%
Total investments, at fair value	2,594,527,517	3,186,230,192	2,694,686,125	-18.57%	18.24%
Property and equipment, net	3,347,590	3,605,971	2,909,379	-7.17%	23.94%
Other assets	88,811	123,362	183,083	-28.01%	-32.62%
Total assets	$ 2,774,634,633	$ 3,269,815,701	$ 2,816,830,132	-15.14%	16.08%
Accounts payable and accrued expenses	$ 1,097,274	$ 1,620,885	$ 1,293,456	-32.30%	25.31%
Refunds payable	220,430	214,582	277,073	2.73%	-22.55%
Due to Pension Review Board	352,372	416,560	382,300	-15.41%	8.96%
Total liabilities	1,670,076	2,252,027	1,952,829	-25.84%	15.32%
Total deferred inflows of resources	468,654	281,850	394,680	66.28%	-28.59%
Net position restricted for pensions	2,772,495,903	3,267,281,824	2,814,482,623	-15.14%	16.09%
Total liabilities, deferred inflows of resources and net position	$ 2,774,634,633	$ 3,269,815,701	$ 2,816,830,132	-15.14%	16.08%

December 31, 2022

There was decrease in total investments as a result of the negative market conditions. The total investments at fair value decrease reflects the weak performance of the financial markets in 2022 coupled with the transfer of investments to cash and cash equivalents.

December 31, 2021

There was growth in total investments as a result of the positive market conditions. The total investments at fair value increase reflects the strong performance of the financial markets in 2021 coupled with the transfer of cash and cash equivalents to investments.

Arkansas Local Police and Fire Retirement System

Management's Discussion and Analysis

December 31, 2022 and 2021

Summary Statements of Changes in Net Position Restricted for Pensions

	2022	2021	2020	2022 Percentage Change	2021 Percentage Change
Total contributions	$ 171,619,209	$ 165,689,468	$ 173,961,808	3.58%	-4.76%
Net investment income (loss)	(478,606,720)	467,050,885	326,040,500	-202.47%	43.25%
Total additions	(306,987,511)	632,740,353	500,002,308	-148.52%	26.55%
Benefit payments, including refunds and DROP distributions	184,653,916	176,064,754	156,095,858	4.88%	12.79%
Administrative expenses	3,144,494	3,876,398	3,935,408	-18.88%	-1.50%
Total deductions	187,798,410	179,941,152	160,031,266	4.37%	12.44%
Net increase in fiduciary net position	(494,785,921)	452,799,201	339,971,042	-209.27%	33.19%
Net Position Restricted for Pensions, Beginning of Year	3,267,281,824	2,814,482,623	2,474,511,581	16.09%	13.74%
Net Position Restricted for Pensions, End of Year	$ 2,772,495,903	$ 3,267,281,824	$ 2,814,482,623	-15.14%	16.09%

December 31, 2022

There was an increase to the total contributions, due to the increase in contributions from members and employers/departments into the System. The net investment income decreased as a result of the portfolio producing a return of -14.90%, while 2021 had a return of 17.45%. An increase in benefits paid to participants is a combination of the growing number of retired LOPFI members as well as the addition of retirees from the consolidated Local Plans.

December 31, 2021

There was a decrease to the total contributions, due to a decrease in agent plan mergers into the System compared to 2020. The net investment income increased as a result of the portfolio generating a return of 17.45%, while 2020 had a return of 13.19%. An increase in benefits paid to participants is a combination of the growing number of retired LOPFI members as well as the addition of retirees from the consolidated Local Plans.

Arkansas Local Police and Fire Retirement System

Statements of Fiduciary Net Position

December 31, 2022 and 2021

	2022		
	Cost-Sharing Multiple-Employer	Agent Multiple-Employer	Total
Assets			
Cash and cash equivalents	$ 135,108,466	$ 14,262,241	$ 149,370,707
Contributions receivable	10,605,824	1,119,566	11,725,390
Interest receivable	418,647	44,193	462,840
Leases receivable	440,174	46,465	486,639
Total receivables	11,464,645	1,210,224	12,674,869
Prepaid expenses	13,228,699	1,396,440	14,625,139
Investments, at fair value			
Equity securities – U.S. companies	567,570,636	59,913,558	627,484,194
Equity securities – international companies	25,234,039	2,663,741	27,897,780
Mutual funds	1,231,981,109	130,049,668	1,362,030,777
U.S. Treasury securities	36,285,612	3,830,361	40,115,973
Corporate bonds	22,404,250	2,365,024	24,769,274
Mortgage-backed securities	75,530,123	7,973,067	83,503,190
Alternative investments	381,038,437	40,222,956	421,261,393
Real estate investment trusts	6,752,168	712,768	7,464,936
Total investments, at fair value	2,346,796,374	247,731,143	2,594,527,517
Property and equipment, net of accumulated depreciation	3,027,955	319,635	3,347,590
Other assets	80,331	8,480	88,811
Total assets	2,509,706,470	264,928,163	2,774,634,633
Liabilities			
Accounts payable and accrued expenses	992,504	104,770	1,097,274
Refunds payable	199,383	21,047	220,430
Due to Pension Review Board	318,727	33,645	352,372
Total liabilities	1,510,614	159,462	1,670,076
Deferred Inflows of Resources			
Deferred amounts for leases	423,906	44,748	468,654
Net Position Restricted for Pensions	$ 2,507,771,950	$ 264,723,953	$ 2,772,495,903

Arkansas Local Police and Fire Retirement System

Statements of Fiduciary Net Position (Continued)

December 31, 2022 and 2021

	2021		
	Cost-Sharing Multiple-Employer	Agent Multiple-Employer	Total
Assets			
Cash and cash equivalents	$ 49,628,043	$ 5,600,378	$ 55,228,421
Contributions receivable	8,832,536	996,726	9,829,262
Interest receivable	415,906	46,934	462,840
Leases receivable	269,560	30,419	299,979
Total receivables	9,518,002	1,074,079	10,592,081
Prepaid expenses	12,612,402	1,423,272	14,035,674
Investments, at fair value			
Equity securities – U.S. companies	475,835,200	53,696,600	529,531,800
Equity securities – international companies	27,253,434	3,075,470	30,328,904
Mutual funds	1,917,885,086	216,427,676	2,134,312,762
U.S. Treasury securities	65,879,084	7,434,260	73,313,344
Corporate bonds	34,800,006	3,927,078	38,727,084
Mortgage-backed securities	39,572,012	4,465,585	44,037,597
Alternative investments	290,313,306	32,761,000	323,074,306
Real estate investment trusts	11,595,839	1,308,556	12,904,395
Total investments, at fair value	2,863,133,967	323,096,225	3,186,230,192
Property and equipment, net of accumulated depreciation	3,240,311	365,660	3,605,971
Other assets	110,853	12,509	123,362
Total assets	2,938,243,578	331,572,123	3,269,815,701
Liabilities			
Accounts payable and accrued expenses	1,456,521	164,364	1,620,885
Refunds payable	192,823	21,759	214,582
Due to Pension Review Board	374,319	42,241	416,560
Total liabilities	2,023,663	228,364	2,252,027
Deferred Inflows of Resources			
Deferred amounts for leases	253,269	28,581	281,850
Net Position Restricted for Pensions	$ 2,935,966,646	$ 331,315,178	$ 3,267,281,824

Arkansas Local Police and Fire Retirement System

Statements of Changes in Fiduciary Net Position

Years Ended December 31, 2022 and 2021

	2022		
	Cost-Sharing Multiple-Employer	Agent Multiple-Employer	Total
Additions			
Contributions			
Member contributions	$ 27,469,832	$ 15,259	$ 27,485,091
Employer contributions	102,227,296	39,148,323	141,375,619
Local plan administrative mergers and paid military time	49,566	2,708,933	2,758,499
Total contributions	129,746,694	41,872,515	171,619,209
Investment Income			
Net depreciation in fair value of investments	(453,522,283)	(51,439,695)	(504,961,978)
Interest, dividends and other income	30,927,895	3,507,924	34,435,819
Less investment expenses	(7,257,407)	(823,154)	(8,080,561)
Net investment loss	(429,851,795)	(48,754,925)	(478,606,720)
Total additions	(300,105,101)	(6,882,410)	(306,987,511)
Deductions			
Benefit payments, including refunds and DROP distributions	125,265,453	59,388,463	184,653,916
Administrative expenses	2,824,142	320,352	3,144,494
Total deductions	128,089,595	59,708,815	187,798,410
Net Decrease in Net Position Restricted for Pensions	(428,194,696)	(66,591,225)	(494,785,921)
Net Position Restricted for Pensions, Beginning of Year	2,935,966,646	331,315,178	3,267,281,824
Net Position Restricted for Pensions, End of Year	$ 2,507,771,950	$ 264,723,953	$ 2,772,495,903

Arkansas Local Police and Fire Retirement System

Statements of Changes in Fiduciary Net Position (Continued)

Years Ended December 31, 2022 and 2021

	2021		
	Cost-Sharing Multiple-Employer	Agent Multiple-Employer	Total
Additions			
Contributions			
Member contributions	$ 25,896,170	$ 12,988	$ 25,909,158
Employer contributions	97,841,951	38,337,174	136,179,125
Local plan administrative mergers and paid military time	66,481	3,534,704	3,601,185
Total contributions	123,804,602	41,884,866	165,689,468
Investment Income			
Net appreciation in fair value of investments	403,569,047	47,876,953	451,446,000
Interest, dividends and other income	22,586,781	2,679,557	25,266,338
Less investment expenses	(8,636,832)	(1,024,621)	(9,661,453)
Net investment income	417,518,996	49,531,889	467,050,885
Total additions	541,323,598	91,416,755	632,740,353
Deductions			
Benefit payments, including refunds and DROP distributions	117,682,480	58,382,274	176,064,754
Administrative expenses	3,465,297	411,101	3,876,398
Total deductions	121,147,777	58,793,375	179,941,152
Net Increase in Net Position Restricted for Pensions	420,175,821	32,623,380	452,799,201
Net Position Restricted for Pensions, Beginning of Year	2,515,790,825	298,691,798	2,814,482,623
Net Position Restricted for Pensions, End of Year	$ 2,935,966,646	$ 331,315,178	$ 3,267,281,824

Note 1: Reporting Entity and Summary of Significant Accounting Policies

The Arkansas Local Police and Fire Retirement System (the System or LOPFI) is a statewide retirement system for police officers and firefighters of political subdivisions of the State of Arkansas. It was established under the authority of Act 364 of 1981 and bears a fiduciary obligation to the participants of the System. LOPFI maintains a cost-sharing multiple-employer defined benefit pension plan (cost-sharing plan) for participants hired by the respective local government unit after January 1, 1983. All accumulated plan assets of the cost-sharing multiple-employer defined pension plan are available to pay any benefit (or to refund any contribution) to any plan member or beneficiary of the plan.

Political subdivisions that had a local pension and relief fund (local plan) for its police officers and firefighters prior to the establishment of LOPFI may transfer their local plan to LOPFI for administration. Local plans that are now being administered by LOPFI are included in the agent multiple-employers defined benefit pension plan for financial reporting purposes; however, the assets of the individual local plans can only be used to pay the benefit (or to refund any contribution) to plan members or beneficiaries of the individual local plan.

The assets of all plans are pooled for investment purposes.

Basis of Accounting

The accounting policies of the System have been established to conform to generally accepted accounting principles for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The System is accounted for on an economic resources measurement focus using the accrual basis of accounting. Plan member and employer contributions are recognized as additions in the period in which plan member services are performed. Benefits and refunds are recognized when paid in accordance with the terms of the Plan. Deductions are recognized as incurred.

Cash Equivalents

The System considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022, cash equivalents consisted primarily of money market accounts with brokers.

Valuation of Investments

Investments are stated at fair value in the accompanying statements of fiduciary net position. The fair value of marketable investments, including U.S. government securities, mutual funds, corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at statement of fiduciary net position dates. The fair values of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net increase in fair value of investments reflected in the accompanying statements of changes in fiduciary net position represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments.

The change in net unrealized gains or losses on investments represents the change in the difference between the cost and fair value of investments at the beginning versus the end of the year.

Deferred Inflows of Resources

The System reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statements of fiduciary net position.

Investment Income

Net investment income credited to each plan is allocated based on the plan's average balance of fiduciary net position.

Administrative Expenses

Administrative expenses are allocated to each plan based on the plan's average balance of fiduciary net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the System's management to make estimates and assumptions that affect reported amounts of asset, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities and the actuarial valuation of the System's benefits at the date of the financial statements and the reported changes in plan net position during the reporting period. Actual results may differ from those estimates.

Plan Descriptions

As of December 31, 2022 and 2021, the number of participating political subdivisions was 554 and 549, respectively. At December 31, 2022 and 2021, the System's membership consisted of the following:

	Number of Employees	
Membership Classification	**2022**	**2021**
Retired plan members or beneficiaries currently receiving benefits:		
Local plan fire without Social Security	999	1,032
Local plan police with Social Security	173	185
Local plan police without Social Security	622	655
Local plan volunteer fire	1,280	1,238
Subtotal for agent multiple-employer plans	3,074	3,110
LOPFI fire benefit program 2 – with Social Security	33	24
LOPFI fire benefit program 2 – without Social Security	220	184
LOPFI fire with Social Security	55	69
LOPFI fire without Social Security	1,389	1,291
LOPFI police benefit program 2 – with Social Security	39	22
LOPFI police benefit program 2 – without Social Security	213	210
LOPFI police with Social Security	1,598	1,544
LOPFI police without Social Security	945	858
LOPFI volunteer police benefit 4 program	2	-
LOPFI staff	6	3
LOPFI volunteer fire benefit program 3	3,729	3,496
LOPFI volunteer fire benefit program 4	21	6
LOPFI volunteer police benefit program 3	301	280
Subtotal for cost-sharing multiple-employer plans	8,551	7,987
Subtotal for retirees and beneficiaries	11,625	11,097
Active plan members:		
Local plan fire without Social Security	1	2
Local plan fire with Social Security	1	1
Local plan part paid contributory fire	2	2
Local plan volunteer fire	5	7
Subtotal for agent multiple-employer plans	9	12
LOPFI fire benefit program 2 – with Social Security	60	47
LOPFI fire benefit program 2 – without Social Security	191	183
LOPFI fire with Social Security	132	111
LOPFI fire without Social Security	2,484	2,421
LOPFI police benefit program 2 – with Social Security	67	64
LOPFI police benefit program 2 – without Social Security	233	232
LOPFI police with Social Security	2,252	2,179
LOPFI police without Social Security	1,223	1,222
LOPFI staff	6	8
LOPFI volunteer fire	6,743	6,800
LOPFI volunteer police	451	472
LOPFI volunteer fire benefit program 4	53	40
LOPFI volunteer police benefit program 4	4	4
Subtotal for cost-sharing multiple-employer plans	13,899	13,783
Subtotal for active employees	13,908	13,795
Inactive plan members entitled to but not yet receiving benefits	9,962	8,845
Total membership	35,495	33,737

Contributions: The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates are:

a. Paid service not covered by Social Security: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date

b. Paid service also covered by Social Security: 2.5% of gross pay beginning July 1, 2009; no employee contributions prior to that date

c. Paid service-benefit program 2: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date

d. Volunteer service: no employee contribution

The employer contribution rate is adjusted automatically every year to reflect changes in the composition of the employee group and other factors which affect cost. Contributions are determined on an actuarial basis in order to ensure that the individual system employers can honor their benefit commitments to covered employees. The individual entry age actuarial cost method of valuation is used in determining normal cost.

Benefit Terms: The benefits terms for the cost-sharing plan are established in accordance with the provisions of the Arkansas Code.

Benefit Program 1: Pension benefits to a member with five or more years (10 or more years for members hired on or after July 1, 2013) of credited service in force who has attained his normal retirement age consist of an annuity equal to the following:

a. For each year of paid service resulting from employment in a position not also covered by Social Security, 2.94% of his final average pay; plus

b. For each year of paid service resulting from employment in a position also covered by Social Security, 1.94% of his final average pay. In addition, if such member is retiring and if such member's age at retirement is younger than Social Security's minimum age for an unreduced retirement benefit, then such member receives a temporary annuity equal to 1% of his final average pay for each such year of paid service. Such temporary annuity terminates at the end of the calendar month in which the earliest of the following events occur: such member's death; or his attainment of such Social Security minimum age for unreduced benefits.

c. In no event will the total of *a.* plus *b.* exceed, at time of retirement, 100% of such final average pay; plus

d. Effective July 1, 2022, for each year of volunteer service, $7.61 per month, to a maximum of $304.40 monthly.

e. Before the date that the first payment of his annuity becomes due, but not thereafter, a member may elect in writing to receive his annuity as a life annuity or he may elect to have his life annuity reduced but not any temporary annuity which may be payable, and nominate a beneficiary in accordance with the provisions of one of four options. If a member does not elect an option, his annuity shall be paid to him as a life annuity.

Benefit Program 2: For each year of paid service rendered on or after the election date of Benefit Program 2 and resulting from employment in a position not also covered by Social Security, 3.28% of his or her final average pay, plus for each year of paid service rendered on or after the election date of Benefit Program 2 and resulting from employment in a position also covered by Social Security, 2.94% of his or her final average pay.

A member will receive disability benefits computed in the same manner as normal retirement benefits if the member has five or more years of credited service (or 10 years of actual service if hired on or after July 1, 2013) and terminates employment because of becoming totally and permanently disabled from non-duty related causes. If the disability is determined to be duty related, a benefit is 65% of the member's final average pay. Prior to that date, the benefit was computed as if the member had completed 25 years of service.

Deferred Retirement Option Plan (DROP): During 1993, the Arkansas General Assembly passed legislation (Acts 757 and 1004) allowing paid policemen and firefighters to elect to continue working for a period of 10 years past normal retirement age if a member of a local plan. In 2003, the Arkansas General Assembly passed legislation (Act 1734) affording paid members of LOPFI the same opportunity to continue working past normal retirement age with the maximum term being seven years.

This DROP is only available to participants having at least 20 years of paid service. In addition, Act 829 of 2015 allows up to 36 months of actual LOPFI volunteer service credit to be used toward DROP eligibility. The DROP member continues his payroll withholding, the employee's contribution is credited according to law to the defined benefit pension plan and the DROP, and the monthly benefits that would have been payable had the member elected to cease employment and receive a service retirement shall be paid into a separate DROP account. At December 31, 2022 and 2021, the DROP accounts totaled $46,293,213 and $42,171,072, respectively.

Note 2: Leases Receivable

The System leases a portion of its office space to various third parties, the terms of which expire 2022 through 2026. Payments increase based on the terms of the lease agreements. The leases were measured based upon the timing and amount of these payments at lease commencement. There are no variable payments. Revenue recognized under lease contracts during the years ended December 31, 2022 and 2021 was approximately $120,000 for both years, which includes both lease revenue and interest.

Note 3: Net Pension Liability

The components of the net pension liability of all entities participating in the cost-sharing plan at December 31, 2022 and 2021 were as follows:

	2022	2021
Total pension liability	$ 3,631,010,767	$ 3,467,641,459
Plan's fiduciary net position	2,507,771,950	2,935,966,646
Net pension liability	$ 1,123,238,817	$ 531,674,813
Plan's fiduciary net position as a percentage of total pension liability	69.07%	84.67%

Actuarial Assumptions

The total pension liability as of December 31, 2022 and 2021 was determined by actuarial valuations as of December 31, 2022 and 2021 using the following actuarial assumptions:

	2022	2021
Wage inflation	3.00%	2.00%
Price inflation	2.25%	2.25%
Investment rate of return	7.25%	7.00%

The mortality table used for the December 31, 2022 and 2021 valuations was the RP-2014 Healthy Annuitant benefit-weighted generational mortality table for males and females. The disability postretirement mortality table used was the RP-2014 Disabled Retiree benefit-weighted generational mortality table for males and females.

The actuarial assumptions used in the December 31, 2022 and 2021 calculation were based on the results of an experience study of the period 2012 to 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock – Large Cap	21.00%	4.05%
U.S. Stock – Small Cap	21.00%	4.65%
International Equity	9.00%	5.27%
Emerging Markets	9.00%	7.49%
U.S. Corporate Bonds	25.00%	-35.00%
Real Estate	5.00%	3.76%
Private Equity	10.00%	9.10%
Total	100.00%	

2021

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock – Large Cap	21.00%	4.77%
U.S. Stock – Small Cap	21.00%	5.47%
International Equity	9.00%	5.97%
Emerging Markets	9.00%	8.33%
U.S. Corporate Bonds	25.00%	0.66%
Real Estate	5.00%	4.34%
Private Equity	10.00%	9.05%
Total	100.00%	

Single Discount Rate

The single discount rate used to measure the total pension liability was 7.00% for the years ended December 31, 2022 and 2021. The single discount rate was based on the expected rate of return on pension plan investments.

The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Plan assets are expected to be invested using a strategy to achieve the expected rate of return. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the net pension liability as of December 31, 2022 calculated using a single discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	1% Decrease 6.25%	Current Single Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	$ 1,672,188,582	$ 1,123,238,817	$ 679,252,862

Note 4: Deposits and Investments

The System's deposits and investments are managed by various investment managers who have discretionary authority over the assets managed by them, within the investment guidelines established by LOPFI, under contracts with the System.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The System's deposits and investments are held by the System's custodian in the System's name. Investments are uninsured and generally consist of short-term securities, U.S. and foreign government securities, domestic and foreign corporate debt and equity securities, real estate and real estate trusts. The state law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The System's investment policy does not directly address custodial credit risk. At December 31, 2022, all of the System's deposits were either insured or collateralized with securities pledged in the System's name.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. The System's investment policy does not allow for more than 10% of the current market value of the Fixed Income Portfolio to be invested in securities rated less than BBB by Standard & Poor's, or the equivalent by a recognized rating agency. In addition, the minimum-security quality shall be B or better.

The following table summarizes the System's fixed income portfolio exposure levels and credit qualities at December 31, 2022 and 2021:

	2022	2021
Fixed Income Security Type by S&P Rating		
Corporate and Foreign Bonds		
AA	$ -	$ 4,284,494
A	12,959,187	15,047,595
BBB	11,810,087	19,394,995
	24,769,274	38,727,084
Mortgage-Backed Securities		
Not rated	83,503,190	44,037,597
	$ 108,272,464	$ 82,764,681

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's interest rate risk is controlled through duration management. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates and is expressed as a number of years. In accordance with its investment policy, the fixed income portfolio shall vary from the duration of the relative comparative indices by no more than +/-25%. As of December 31, 2022 and 2021, the System's effective duration by investment type was:

Fixed Income Security Type	Duration	
	2022	2021
U.S. Government and Government Related	1.85	2.38
U.S. Credit	1.33	1.38
Non-U.S. Credit	-0.07	0.09
Mortgage-Backed	2.29	1.06
Non-Agency Mortgage-Backed	0.04	0.03
Asset-Backed	0.02	0.04
Other	0.02	0.04
Cash	0.00	0.00
Total Duration	5.48	5.02

Rate of Return

For the years ended December 31, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -14.90% and 17.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Policies

The LOPFI Board (the Board) has been appointed by the Governor to oversee the investments of LOPFI. The Board is responsible for establishing overall financial objectives and setting the investment policy. The Board will carry out its responsibilities by acting on recommendations made to it by the Investment Committee (the Committee). The Committee shall consist of at least three trustees of the Board. An amendment to the investment policy first requires a majority approval of the Committee and then review and approval by the Board.

Note 5: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Investments by Fair Value Level				
Equity securities – diversified	$ 627,484,194	$ 627,484,194	$ -	$ -
Equity securities – foreign	27,897,780	27,897,780	-	-
Equity mutual funds	1,107,686,420	159,896,929	541,708,790	406,080,701
International equity mutual funds	48,645,472	-	48,645,472	-
Fixed income mutual funds	205,698,885	-	95,566,766	110,132,119
Real estate investment trusts	7,464,936	7,464,936	-	-
U.S. government obligations	40,115,973	-	40,115,973	-
Corporate bonds	24,769,274	-	24,769,274	-
Mortgage-backed securities	83,503,190	-	83,503,190	-
Total investments by fair value level	2,173,266,124	822,743,839	834,309,465	516,212,820
Investments Measured at the Net Asset Value (NAV) [(A)]				
Private equity funds	167,602,884			
Private debt funds	57,582,034			
Equity long/short hedge funds	37,188,703			
Real estate funds	59,438,960			
Bank recapitalization and value opportunities funds	28,116,178			
Energy funds	5,089,542			
Opportunistic credit funds	66,243,092			
Total investments measured at the NAV	421,261,393			
Total investments measured at fair value	$ 2,594,527,517	$ 822,743,839	$ 834,309,465	$ 516,212,820

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Investments by Fair Value Level				
Equity securities – diversified	$ 529,531,800	$ 523,326,576	$ -	$ 6,205,224
Equity securities – foreign	30,328,904	30,328,904	-	-
Equity mutual funds	1,683,412,967	314,167,420	1,289,333,273	79,912,274
International equity mutual funds	102,067,168	-	102,067,168	-
Fixed income mutual funds	348,832,627	186,127,528	162,705,099	-
U.S. government obligations	12,904,395	12,904,395	-	-
Corporate bonds	73,313,344	-	73,313,344	-
Collateralized mortgage obligations	38,727,084	-	38,727,084	-
Mortgage-backed securities	44,037,597	-	44,037,597	-
Total investments by fair value level	2,863,155,886	1,066,854,823	1,710,183,565	86,117,498
Investments Measured at the Net Asset Value (NAV) (A)				
Private equity funds	123,080,514			
Private debt funds	50,111,110			
Equity long/short hedge funds	42,173,638			
Real estate funds	33,226,860			
Bank recapitalization and value opportunities funds	13,150,065			
Energy funds	5,607,773			
Opportunistic credit funds	55,724,346			
Total investments measured at the NAV	323,074,306			
Total investments measured at fair value	$ 3,186,230,192	$ 1,066,854,823	$ 1,710,183,565	$ 86,117,498

(A) Certain investments that are measured using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of fiduciary net position.

Arkansas Local Police and Fire Retirement System

Notes to Financial Statements

December 31, 2022 and 2021

Investments

The valuation method for investments measured at the NAV per share (or its equivalent) is presented below.

	December 31, 2022			
	Net Asset Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Private equity funds (A)	$ 158,731,454	$ 69,977,392		
Private equity funds (A)	8,871,429	-	Semi-annually	5 Months
Private debt funds (B)	57,582,034	50,572,733		
Equity long/short hedge funds (C)	37,188,703	-	Quarterly	90 Days
Real estate funds (D)	59,438,960	-	Quarterly	45 Days
Bank recapitalization and value opportunistic funds (E)	28,116,178	2,000,000		
Energy funds (F)	5,089,542	600,983		
Opportunistic credit funds (G)	66,243,092	-	Annually	90 Days

	December 31, 2021			
	Net Asset Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Private equity funds (A)	$ 113,637,521	$ 54,222,448		
Private equity funds (A)	9,442,993	-	Semi-annually	5 Months
Private debt funds (B)	50,111,110	32,164,602		
Equity long/short hedge funds (C)	42,173,638	-	Quarterly	90 Days
Real estate funds (D)	33,226,860	-	Quarterly	45 Days
Bank recapitalization and value	13,150,065	-		
opportunistic funds (E)	5,607,773	600,983		
Energy funds (F)	55,724,346	-		
Opportunistic credit funds (G)			Annually	90 Days

(A) This category includes investments in several private companies. Most of these investments can never be redeemed with the funds. Distributions from each fund will be made as the underlying investments of the funds are liquidated.

(B) This category includes a diversified portfolio of private debt investments in transactions sponsored by private equity sponsors, including leverage buyouts, refinancing, acquisitions and growth capital. These investments can never be redeemed with the funds.

(C) This category includes investments in hedge funds that take both long and short positions in equities. Management of the funds has the ability to shift investments among differing investment strategies.

(D) This category includes several real estate funds that invest primarily in U.S. commercial real estate. Distributions from each fund will be made as the underlying investments of the funds are liquidated.

(E) This category invests primarily in performing, underperforming or nonperforming loans, asset-backed securities, residential and commercial real estate and other debt instruments. These investments can never be redeemed with the funds.

(F) This fund invests primarily in oil and gas and minerals and royalties. These investments can never be redeemed with the funds.

(G) This category includes a diversified portfolio of loans and bonds. These investments can be redeemed annually after a 90-day notice period.

Note 6: Risks and Uncertainties

The System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position.

System contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Required Supplementary Information

Arkansas Local Police and Fire Retirement System

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	$ 63,599,165	$ 63,571,932	$ 62,439,385	$ 59,701,701	$ 61,057,199	$ 52,999,883	$ 52,411,007	$ 50,466,076	$ 51,147,644
Interest on the total pension liability	240,576,582	224,826,211	210,227,380	194,307,497	182,428,731	170,545,435	157,522,879	146,226,976	134,748,677
Benefit changes	32,765,847	-	(2,985,529)	-	(24,831,215)	-	-	-	272,375
Differences between expected and actual experience	76,572,153	33,796,334	45,976,608	64,405,712	32,299,710	27,286,660	19,163,957	5,172,371	(1,779,051)
Assumption changes	(124,878,986)	24,271,181	-	-	-	219,939,183	-	53,731,281	-
Benefit payments, DROP Distributions and Refunds	(125,265,453)	(117,682,480)	(97,656,316)	(87,057,377)	(74,102,672)	(64,420,008)	(58,298,612)	(45,407,579)	(35,732,645)
Net Change in Total Pension Liability	163,369,308	228,783,178	218,001,528	231,357,533	176,851,753	406,351,153	170,799,231	210,189,125	148,657,000
Total Pension Liability, Beginning of Year	3,467,641,459	3,238,858,281	3,020,856,753	2,789,499,220	2,612,647,467	2,206,296,314	2,035,497,083	1,825,307,958	1,676,650,958
Total Pension Liability, End of Year	$ 3,631,010,767	$ 3,467,641,459	$ 3,238,858,281	$ 3,020,856,753	$ 2,789,499,220	$ 2,612,647,467	$ 2,206,296,314	$ 2,035,497,083	$ 1,825,307,958
Plan Fiduciary Net Position									
Employer contributions	$ 102,227,296	$ 97,841,951	$ 93,919,327	$ 88,524,836	$ 83,861,098	$ 77,410,021	$ 75,298,216	$ 67,624,600	$ 63,964,129
Employee contributions	27,469,832	25,896,170	26,577,992	25,157,606	24,456,628	23,351,970	21,816,086	21,187,024	21,844,747
Other contributions	49,566	66,481	98,204	180,761	87,759	54,467	38,872	34,066	56,744
Pension plan net investment income	(429,851,795)	417,518,996	290,325,750	345,816,336	(53,604,321)	227,213,213	88,592,090	1,642,306	95,052,926
Benefit payments, DROP distributions and refunds	(125,265,453)	(117,682,480)	(97,656,316)	(87,057,377)	(74,102,672)	(64,420,008)	(58,298,612)	(45,407,579)	(35,732,645)
Pension plan administrative expense	(2,824,142)	(3,465,297)	(3,590,651)	(3,041,397)	(3,553,631)	(2,950,772)	(2,665,399)	(2,482,123)	(2,258,660)
Net Change in Plan Fiduciary Net Position	(428,194,696)	420,175,821	309,674,306	369,580,765	(22,855,139)	260,658,891	124,781,253	42,598,294	142,927,241
Plan Fiduciary Net Position, Beginning of Year	2,935,966,646	2,515,790,825	2,206,116,519	1,836,535,754	1,859,390,893	1,598,732,002	1,473,950,749	1,431,352,455	1,288,425,214
Plan Fiduciary Net Position, End of Year	$ 2,507,771,950	$ 2,935,966,646	$ 2,515,790,825	$ 2,206,116,519	$ 1,836,535,754	$ 1,859,390,893	$ 1,598,732,002	$ 1,473,950,749	$ 1,431,352,455
Net Pension Liability, End of Year	$ 1,123,238,817	$ 531,674,813	$ 723,067,456	$ 814,740,234	$ 952,963,466	$ 753,256,574	$ 607,564,312	$ 561,546,334	$ 393,955,503
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	69.07%	84.67%	77.68%	73.03%	65.84%	71.17%	72.46%	72.41%	78.42%
Covered Payroll	$ 392,522,925	$ 392,522,925	$ 386,909,993	$ 371,574,513	$ 356,157,157	$ 339,098,676	$ 329,344,355	$ 320,487,331	$ 310,870,608
Plan's Net Pension Liability as a Percentage of Covered Payroll	286.16%	135.45%	186.88%	219.27%	267.57%	222.13%	184.48%	175.22%	126.73%

Note: This schedule is presented to illustrate the requirement to show 10 years of information for the cost-sharing multiple-employer defined benefit pension plan. However, until a full 10-year trend is compiled, years for which the information is available will be presented.

Arkansas Local Police and Fire Retirement System

Required Supplementary Information

Schedule of Employer Contributions

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2013	$ 58,394,334	$ 58,394,334	$ -	$ 296,617,370	19.69%
12/31/2014	63,964,129	63,964,129	-	310,870,608	20.58%
12/31/2015	67,624,600	67,624,600	-	320,487,331	21.10%
12/31/2016	75,298,216	75,298,216	-	329,344,355	22.86%
12/31/2017	77,410,021	77,410,021	-	339,098,676	22.83%
12/31/2018	83,861,098	83,861,098	-	356,127,157	23.55%
12/31/2019	88,524,836	88,524,836	-	371,574,513	23.82%
12/31/2020	93,919,327	93,919,327	-	386,909,993	24.27%
12/31/2021	97,841,951	97,841,951	-	392,522,925	24.93%
12/31/2022	102,227,296	102,227,296	-	414,280,752	24.68%

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, 2020.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years beginning January 1, 2022
Asset Valuation Method	5-Year smoothed market, 20% corridor
Wage Inflation	3.25%
Price Inflation	2.50%
Salary Increases	3.75% to 18.25%, including inflation
Investment Rate of Return	7.50%, as adopted by the Board
Retirement Age	Experience-based table of rates that condition. Last updated for the 2017 study of the period 2012-2016.
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

Other Information:

Notes	There were no changes in benefits, methods or assumptions in the December 31, 2020 actuarial valuation. There were benefit provision changes for the December 31, 2020 actuarial valuation. They include Act 72 of 2021 related to duty disabiltiy benefits, Acts 374 of 2021 related to reciprocal service and final average pay and Act 344 of 2021 related to return to service for retirees.

Arkansas Local Police and Fire Retirement System

Required Supplementary Information

Schedule of Investment Returns

Fiscal Year Ending	Annual Money-Weighted Rate of Return, Net of Investment Expense
12/31/2013	17.33%
12/31/2014	6.80%
12/31/2015	-0.05%
12/31/2016	5.76%
12/31/2017	14.48%
12/31/2018	-2.59%
12/31/2019	19.00%
12/31/2020	13.19%
12/31/2021	17.45%
12/31/2022	-14.90%

Note: This schedule provides the returns for the cost-sharing multiple-employer defined benefit pension plan and the agent multiple-employers defined benefit pension plans.

Supplementary Information

Arkansas Local Police and Fire Retirement System

Schedule of Administrative Expenses

Years Ended December 31, 2022 and 2021

	2022	2021
Personal Services		
Staff expense	$ 1,164,633	$ 905,350
Professional Services		
Computer operations/process	999,963	2,055,324
Audit services	121,800	102,600
Actuarial services	357,848	388,994
Legal services	177,936	140,000
Medical advisor/related	31,762	45,691
Total professional services	1,689,309	2,732,609
General Operating Expense		
Insurance expense	56,886	56,304
Office equipment	48,762	33,403
Office supplies	7,925	21,890
Printing	24,951	23,210
Telephone	32,024	31,696
Postage	20,923	17,099
Publications	717	722
Travel/professional education/conferences	26,493	18,225
Miscellaneous	(1,073)	2
Board/kitchen supplies	3,072	3,167
Total general operating expense	220,680	205,718
Total expenses	3,074,622	3,843,677
Depreciation expense	69,872	32,721
Total Administrative Expenses	$ 3,144,494	$ 3,876,398

Arkansas Local Police and Fire Retirement System

Schedule of Investment Expenses

Years Ended December 31, 2022 and 2021

	2022	2021
Investment consulting fees	$ 860,000	$ 860,000
Money manager fees	6,741,111	8,347,003
Custodial fees	216,000	216,000
Investment monitor expenses	263,450	238,450
Total investment expenses	$ 8,080,561	$ 9,661,453

FORVIS

111 Center Street, Suite 1600 / Little Rock, AR 72201
P 501.372.1040 / **F** 501.372.1250
forvis.com

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Arkansas Local Police and Fire Retirement System
Little Rock, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Arkansas Local Police and Fire Retirement System (the System), which comprise the statement of fiduciary net position as of December 31, 2022, and the related statements of changes in fiduciary net position, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

PRAXITY™ Empowering Business Globally

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Little Rock, Arkansas
April 14, 2023