




Arkansas Local Police and Fire Retirement System

**Independent Auditor's Reports, Financial Statements,
and Supplementary Information**

December 31, 2024 and 2023



**Arkansas Local Police and Fire Retirement System
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December 31, 2024 and 2023**

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Arkansas Local Police and Fire Retirement System (System) as of and for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, 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 Opinion

We conducted our audits 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 (*Government Auditing Standards*). 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.

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 GAAS, 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 audits were 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 GAAS. 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 15, 2025 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 Mazars, LLP

**Little Rock, Arkansas
April 15, 2025**

**Arkansas Local Police and Fire Retirement System
Management's Discussion and Analysis
December 31, 2024 and 2023**

This discussion and analysis of the Arkansas Local Police and Fire Retirement System (hereinafter referred to as LOPFI or System) is for the years ended December 31, 2024 and 2023. This analysis provides a summary of the financial position of LOPFI, including highlights and comparisons. For more detailed information regarding LOPFI's financial activities, the reader should also review the actual financial statements, including notes and supplementary schedules.

The basic financial statements consist of:

The *Statements 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 *Statements 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 *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 2024 and 2023.

**Arkansas Local Police and Fire Retirement System
Management's Discussion and Analysis
December 31, 2024 and 2023**

Summary Statements of Net Position Restricted for Pensions

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2024 Percentage Change</u>	<u>2023 Percentage Change</u>
Cash and cash equivalents	\$ 190,911,753	\$ 111,179,672	\$ 149,370,707	71.71%	-25.57%
Total receivables	11,760,907	12,588,740	12,674,869	-6.58%	-0.68%
Prepaid expenses	18,235,853	15,777,924	14,625,139	15.58%	7.88%
Total investments, at fair value	3,446,374,577	3,054,545,531	2,594,527,517	12.83%	17.73%
Property and equipment, net	3,289,260	3,840,265	3,347,590	-14.35%	14.72%
Other assets	185,429	178,402	88,811	3.94%	100.88%
Total assets	<u>\$3,670,757,779</u>	<u>\$3,198,110,534</u>	<u>\$2,774,634,633</u>	<u>14.78%</u>	<u>15.26%</u>
Accounts payable and accrued expenses	\$ 1,804,726	\$ 2,200,515	\$ 1,097,274	-17.99%	100.54%
Refunds payable	231,786	237,261	220,430	-2.31%	7.64%
Due to Pension Review Board	415,314	394,966	352,372	5.15%	12.09%
Total liabilities	<u>2,451,826</u>	<u>2,832,742</u>	<u>1,670,076</u>	<u>-13.45%</u>	<u>69.62%</u>
Total deferred inflows of resources	<u>597,797</u>	<u>775,076</u>	<u>468,654</u>	<u>-22.87%</u>	<u>65.38%</u>
Net position restricted for pensions	<u>3,667,708,156</u>	<u>3,194,502,716</u>	<u>2,772,495,903</u>	<u>14.81%</u>	<u>15.22%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$3,670,757,779</u>	<u>\$3,198,110,534</u>	<u>\$2,774,634,633</u>	<u>14.78%</u>	<u>15.26%</u>

December 31, 2024

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 2024 coupled with the transfer of investments to cash and cash equivalents.

December 31, 2023

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 2023 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, 2024 and 2023**

Summary Statements of Changes in Net Position Restricted for Pensions

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2024 Percentage Change</u>	<u>2023 Percentage Change</u>
Total contributions	\$ 211,579,927	\$ 197,034,202	\$ 171,619,209	7.38%	14.81%
Net investment income (loss)	480,071,654	429,484,614	(478,606,720)	11.78%	189.74%
Total additions	<u>691,651,581</u>	<u>626,518,816</u>	<u>(306,987,511)</u>	<u>10.40%</u>	<u>304.09%</u>
Benefit payments, including refunds and DROP distributions	213,044,645	200,916,498	184,653,916	6.04%	8.81%
Administrative expenses	5,401,496	3,595,505	3,144,494	50.23%	14.34%
Total deductions	<u>218,446,141</u>	<u>204,512,003</u>	<u>187,798,410</u>	<u>6.81%</u>	<u>8.90%</u>
Net increase (decrease) in fiduciary net position	473,205,440	422,006,813	(494,785,921)	12.13%	185.29%
Net position restricted for pensions, beginning of year	<u>3,194,502,716</u>	<u>2,772,495,903</u>	<u>3,267,281,824</u>	<u>15.22%</u>	<u>-15.14%</u>
Net position restricted for pensions, end of year	<u><u>\$ 3,667,708,156</u></u>	<u><u>\$ 3,194,502,716</u></u>	<u><u>\$ 2,772,495,903</u></u>	<u><u>14.81%</u></u>	<u><u>15.22%</u></u>

December 31, 2024

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 increased as a result of an increasing investment portfolio and the investment portfolio producing a return of 15.13%, while 2023 had a return of 15.90%. 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, 2023

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 increased as a result of the portfolio producing a return of 15.90%, while 2022 had a return of -14.90%. 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, 2024 and 2023

	2024		
	Cost-Sharing Multiple- Employer	Agent Multiple- Employer	Total
ASSETS			
Cash and Cash Equivalents	\$ 174,100,814	\$ 16,810,939	\$ 190,911,753
Receivables			
Contributions receivable	9,737,064	940,198	10,677,262
Interest receivable	422,084	40,756	462,840
Leases receivable	566,139	54,666	620,805
Total Receivables	10,725,287	1,035,620	11,760,907
Prepaid Expenses	16,630,075	1,605,778	18,235,853
Investments, at Fair Value			
Equity securities – U.S. companies	689,603,048	66,587,133	756,190,181
Equity securities – international companies	57,345,937	5,537,246	62,883,183
Mutual funds	1,697,969,100	163,953,592	1,861,922,692
U.S. Treasury securities	83,723,344	8,084,212	91,807,556
Corporate bonds	11,527,658	1,113,095	12,640,753
Mortgage-backed securities	108,158,800	10,443,667	118,602,467
Alternative investments	487,152,905	47,038,824	534,191,729
Real estate investment trusts	7,419,590	716,426	8,136,016
Total Investments, at Fair Value	3,142,900,382	303,474,195	3,446,374,577
Property and equipment, net of accumulated depreciation	2,999,621	289,639	3,289,260
Other assets	169,101	16,328	185,429
Total Assets	3,347,525,280	323,232,499	3,670,757,779
LIABILITIES			
Accounts payable and accrued expenses	1,645,809	158,917	1,804,726
Refunds payable	211,376	20,410	231,786
Due to Pension Review Board	378,743	36,571	415,314
Total Liabilities	2,235,928	215,898	2,451,826
Deferred Inflows of Resources			
Deferred amounts for leases	545,157	52,640	597,797
Net Position Restricted for Pensions	\$ 3,344,744,195	\$ 322,963,961	\$ 3,667,708,156

Arkansas Local Police and Fire Retirement System
Statements of Fiduciary Net Position
December 31, 2024 and 2023

(Continued)

	2023		Total
	Cost-Sharing Multiple- Employer	Agent Multiple- Employer	
ASSETS			
Cash and Cash Equivalents	\$ 100,985,843	\$ 10,193,829	\$ 111,179,672
Receivables			
Contributions receivable	10,290,964	1,038,802	11,329,766
Interest receivable	420,403	42,437	462,840
Leases receivable	723,138	72,996	796,134
Total Receivables	11,434,505	1,154,235	12,588,740
Prepaid Expenses	14,331,280	1,446,644	15,777,924
Investments, at Fair Value			
Equity securities – U.S. companies	656,140,451	66,232,866	722,373,317
Equity securities – international companies	35,817,147	3,615,495	39,432,642
Mutual funds	1,498,752,003	151,288,709	1,650,040,712
U.S. Treasury securities	52,407,435	5,290,170	57,697,605
Corporate bonds	16,379,947	1,653,443	18,033,390
Mortgage-backed securities	73,375,916	7,406,794	80,782,710
Alternative investments	434,154,844	43,824,946	477,979,790
Real estate investment trusts	7,453,033	752,332	8,205,365
Total Investments, at Fair Value	2,774,480,776	280,064,755	3,054,545,531
Property and equipment, net of accumulated depreciation	3,488,159	352,106	3,840,265
Other assets	162,045	16,357	178,402
Total Assets	2,904,882,608	293,227,926	3,198,110,534
LIABILITIES			
Accounts payable and accrued expenses	1,998,754	201,761	2,200,515
Refunds payable	215,507	21,754	237,261
Due to Pension Review Board	358,752	36,214	394,966
Total Liabilities	2,573,013	259,729	2,832,742
Deferred Inflows of Resources			
Deferred amounts for leases	704,011	71,065	775,076
Net Position Restricted for Pensions	<u>\$ 2,901,605,584</u>	<u>\$ 292,897,132</u>	<u>\$ 3,194,502,716</u>

**Arkansas Local Police and Fire Retirement System
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2024 and 2023**

	2024		
	Cost-Sharing Multiple- Employer	Agent Multiple- Employer	Total
Additions			
Contributions			
Member contributions	\$ 38,109,594	\$ 10,489	\$ 38,120,083
Employer contributions	126,805,848	45,841,703	172,647,551
Local plan administrative mergers and paid military time	52,259	760,034	812,293
Total Contributions	<u>164,967,701</u>	<u>46,612,226</u>	<u>211,579,927</u>
Investment Income			
Net appreciation in fair value of investments	387,172,336	39,081,942	426,254,278
Interest, dividends, and other income	57,367,856	5,790,825	63,158,681
Less investment expenses	<u>(8,484,830)</u>	<u>(856,475)</u>	<u>(9,341,305)</u>
Net Investment Income	<u>436,055,362</u>	<u>44,016,292</u>	<u>480,071,654</u>
Total Additions	<u>601,023,063</u>	<u>90,628,518</u>	<u>691,651,581</u>
Deductions			
Benefit payments, including refunds and DROP distributions	152,978,189	60,066,456	213,044,645
Administrative expenses	<u>4,906,263</u>	<u>495,233</u>	<u>5,401,496</u>
Total Deductions	<u>157,884,452</u>	<u>60,561,689</u>	<u>218,446,141</u>
Net Increase in Net Position Restricted for Pensions	443,138,611	30,066,829	473,205,440
Net Position Restricted for Pensions, Beginning of Year	<u>2,901,605,584</u>	<u>292,897,132</u>	<u>3,194,502,716</u>
Net Position Restricted for Pensions, End of Year	<u>\$ 3,344,744,195</u>	<u>\$ 322,963,961</u>	<u>\$ 3,667,708,156</u>

**Arkansas Local Police and Fire Retirement System
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2024 and 2023**

(Continued)

	2023		Total
	Cost-Sharing Multiple- Employer	Agent Multiple- Employer	
Additions			
Contributions			
Member contributions	\$ 33,268,911	\$ 10,420	\$ 33,279,331
Employer contributions	115,963,410	40,290,148	156,253,558
Local plan administrative mergers and paid military time	24,297	7,477,016	7,501,313
Total Contributions	<u>149,256,618</u>	<u>47,777,584</u>	<u>197,034,202</u>
Investment Income			
Net appreciation in fair value of investments	354,354,563	37,381,903	391,736,466
Interest, dividends, and other income	40,913,057	4,316,039	45,229,096
Less investment expenses	(6,767,070)	(713,878)	(7,480,948)
Net Investment Income	<u>388,500,550</u>	<u>40,984,064</u>	<u>429,484,614</u>
Total Additions	<u>537,757,168</u>	<u>88,761,648</u>	<u>626,518,816</u>
Deductions			
Benefit payments, including refunds and DROP distributions	140,671,453	60,245,045	200,916,498
Administrative expenses	3,252,081	343,424	3,595,505
Total Deductions	<u>143,923,534</u>	<u>60,588,469</u>	<u>204,512,003</u>
Net Increase in Net Position Restricted for Pensions	393,833,634	28,173,179	422,006,813
Net Position Restricted for Pensions, Beginning of Year	<u>2,507,771,950</u>	<u>264,723,953</u>	<u>2,772,495,903</u>
Net Position Restricted for Pensions, End of Year	<u>\$ 2,901,605,584</u>	<u>\$ 292,897,132</u>	<u>\$ 3,194,502,716</u>

Note 1. Reporting Entity and Summary of Significant Accounting Policies

The Arkansas Local Police and Fire Retirement System (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 benefit 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, 2024 and 2023, 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 fair 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.

Arkansas Local Police and Fire Retirement System
Notes to Financial Statements
December 31, 2024 and 2023

Deferred Inflows of Resources

The System reports an acquisition of net assets 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 assets, 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.

Arkansas Local Police and Fire Retirement System
Notes to Financial Statements
December 31, 2024 and 2023

Plan Descriptions

As of December 31, 2024 and 2023, the number of participating political subdivisions was 557 and 555, respectively. At December 31, 2024 and 2023, the System’s membership consisted of the following:

Membership Classification	Number of Employees	
	2024	2023
Retired plan members or beneficiaries currently receiving benefits		
Local plan fire without Social Security	980	1,011
Local plan police with Social Security	152	168
Local plan police without Social Security	581	611
Local plan volunteer fire	1,216	1,280
Subtotal for agent multiple-employer plans	<u>2,929</u>	<u>3,070</u>
LOPFI fire benefit program 2 – with Social Security	33	24
LOPFI fire benefit program 2 – without Social Security	262	213
LOPFI fire with Social Security	65	73
LOPFI fire without Social Security	1,635	1,536
LOPFI police benefit program 2 – with Social Security	44	27
LOPFI police benefit program 2 – without Social Security	243	227
LOPFI police with Social Security	1,838	1,757
LOPFI police without Social Security	1,071	983
LOPFI volunteer police benefit 4 program	5	1
LOPFI staff	6	6
LOPFI volunteer fire benefit program 3	4,279	4,014
LOPFI volunteer fire benefit program 4	32	7
LOPFI volunteer police benefit program 3	357	328
Subtotal for cost-sharing multiple-employer plans	<u>9,870</u>	<u>9,196</u>
Subtotal for retirees and beneficiaries	<u>12,799</u>	<u>12,266</u>
Active plan members		
Local plan fire without Social Security	1	1
Local plan fire with Social Security	1	1
Local plan part paid contributory fire	1	1
Local plan volunteer fire	4	4
Subtotal for agent multiple-employer plans	<u>7</u>	<u>7</u>
LOPFI fire benefit program 2 – with Social Security	64	73
LOPFI fire benefit program 2 – without Social Security	202	198
LOPFI fire with Social Security	155	128
LOPFI fire without Social Security	2,610	2,546
LOPFI police benefit program 2 – with Social Security	72	76
LOPFI police benefit program 2 – without Social Security	254	241
LOPFI police with Social Security	2,390	2,325
LOPFI police without Social Security	1,218	1,242
LOPFI staff	7	7
LOPFI volunteer fire	6,697	6,673
LOPFI volunteer police	471	446
LOPFI volunteer fire benefit program 4	49	52
LOPFI volunteer police benefit program 4	10	13
Subtotal for cost-sharing multiple-employer plans	<u>14,199</u>	<u>14,020</u>
Subtotal for active employees	<u>14,206</u>	<u>14,027</u>
Inactive plan members entitled to but not yet receiving benefits	<u>10,534</u>	<u>10,266</u>
Total membership	<u><u>37,539</u></u>	<u><u>36,559</u></u>

Arkansas Local Police and Fire Retirement System
Notes to Financial Statements
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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: 9.5% of gross pay beginning July 1, 2023; 8.5% of gross pay beginning July 1, 2009; 6% prior to that date
- b. Paid service also covered by Social Security: 3.5% of gross pay beginning July 1, 2023; 2.5% of gross pay beginning July 1, 2009; no employee contributions prior to that date
- c. Paid service-benefit program 2: 9.5% of gross pay beginning July 1, 2023; 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, 3% of his final average pay; plus
- b. For each year of paid service resulting from employment in a position also covered by Social Security, 2% 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, 2024, for each year of volunteer service, \$8.36 per month, to a maximum of \$334.40 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, 3.34% of his or her final average pay beginning July 1, 2023, 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, 3% of his or her final average pay beginning July 1, 2023.

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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, the member will receive a benefit regardless of the total amount of credited service. The disability will be designated as Catastrophic Duty (as if the member accrued 28 years of paid service), Hazardous Duty (65% of final average pay), or Ordinary Duty (15% of final average pay).

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 five years. The maximum term was extended to 10 years in 2023.

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, 2024 and 2023, the DROP accounts totaled \$49,311,827 and \$46,594,913, respectively.

Note 2. Leases Receivable

The System leases a portion of its office space to various third parties, the terms of which expire 2025 through 2030. 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, 2024 and 2023 was approximately \$140,000, 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 were as follows at December 31:

	<u>2024</u>	<u>2023</u>
Total pension liability	\$ 4,241,349,168	\$ 3,951,335,469
Plan’s fiduciary net position	<u>3,344,744,195</u>	<u>2,901,605,584</u>
Net pension liability	<u>\$ 896,604,973</u>	<u>\$ 1,049,729,885</u>
Plan’s fiduciary net position as a percentage of total pension liability	78.86%	73.43%

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Actuarial Assumptions

The total pension liability as of December 31, 2024 and 2023 was determined by actuarial valuations as of December 31, 2024 and 2023 using the following actuarial assumptions:

	<u>2024</u>	<u>2023</u>
Wage inflation	3.00%	3.00%
Price inflation	2.25%	2.25%
Investment rate of return	7.25%	7.25%

The mortality table used for the December 31, 2024 and 2023 valuations was the Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables for males and females. The disability postretirement mortality table used was the Pub-2010 Disabled Retiree benefit-weighted generational mortality table for males and females.

The actuarial assumptions used in the December 31, 2024 and 2023 calculation were based on the results of an experience study of the period 2017 to 2020.

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.

2024		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Stock – Large Cap	21.00%	5.05%
U.S. Stock – Small Cap	21.00%	5.57%
International Equity	9.00%	6.16%
Emerging Markets	9.00%	7.79%
U.S. Corporate Bonds	25.00%	2.67%
Real Estate	5.00%	4.62%
Private Equity	10.00%	9.11%
	<hr/>	
Total	100.00%	
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Arkansas Local Police and Fire Retirement System
Notes to Financial Statements
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2023		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock – Large Cap	21.00%	5.62%
U.S. Stock – Small Cap	21.00%	5.86%
International Equity	9.00%	6.92%
Emerging Markets	9.00%	8.95%
U.S. Corporate Bonds	25.00%	2.29%
Real Estate	5.00%	3.61%
Private Equity	10.00%	9.48%
Total	<u>100.00%</u>	

Single Discount Rate

The single discount rate used to measure the total pension liability was 7.25% for the years ended December 31, 2024 and 2023. 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, 2024 and 2023 calculated using a single discount rate of 7.25%, 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:

	2024		
	1% Decrease	Current Single Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Net pension liability	\$ 1,533,296,120	\$ 896,604,973	\$ 379,933,227
	2023		
	1% Decrease	Current Single Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Net pension liability	\$ 1,645,880,133	\$ 1,049,729,885	\$ 567,746,158

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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, 2024 and 2023, 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 fair 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:

	<u>2024</u>	<u>2023</u>
Fixed Income Security Type by S&P Rating		
Corporate and Foreign Bonds		
AAA	\$ 6,511,423	\$ -
AA	6,129,330	-
A	-	7,029,880
BBB	-	11,003,510
	<u>12,640,753</u>	<u>18,033,390</u>
Mortgage-Backed Securities		
Not rated	<u>118,602,467</u>	<u>80,782,710</u>
	<u>\$ 131,243,220</u>	<u>\$ 98,816,100</u>

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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, 2024 and 2023, the System’s effective duration by investment type was:

<u>Fixed Income Security Type</u>	<u>Duration (in Years)</u>	
	<u>2024</u>	<u>2023</u>
U.S. Government and Government Related	0.76	1.65
U.S. Credit	0.96	1.18
Non-U.S. Credit	0.14	0.00
Mortgage-Backed	2.87	2.56
Non-Agency Mortgage-Backed	0.00	0.02
Asset-Backed	0.04	0.03
Other	0.01	0.02
Cash	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
Total Duration	<u>4.78</u>	<u>5.46</u>

Rate of Return

For the years ended December 31, 2024 and 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.13% and 15.90%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Foreign Currency Risk

This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The System’s exposure to foreign currency risk derives from its investment in international equities. The System’s investment policy permits it to hold up to 10% of total investments in international equities. At December 31, 2024 and 2023, the System had no investments denominated in foreign currency.

Investment Policies

The LOPFI Board (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 (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

Fair value is the price that would be received to sell an asset 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
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; 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
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Arkansas Local Police and Fire Retirement System
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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:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2024				
Investments by Fair Value Level				
Equity securities – diversified	\$ 756,190,181	\$ 756,190,181	\$ -	\$ -
Equity securities – foreign	62,883,183	62,883,183	-	-
Equity mutual funds	1,638,026,335	240,509,024	1,397,517,311	-
International equity mutual funds	62,050,394	-	62,050,394	-
Fixed income mutual funds	161,845,963	-	-	161,845,963
Real estate investment trusts	8,136,016	8,136,016	-	-
U.S. government obligations	91,807,556	-	91,807,556	-
Corporate bonds	12,640,753	-	12,640,753	-
Mortgage-backed securities	118,602,467	-	118,602,467	-
Total investments by fair value level	<u>2,912,182,848</u>	<u>1,067,718,404</u>	<u>1,682,618,481</u>	<u>161,845,963</u>
Investments Measured at the Net Asset Value (NAV) ^(A)				
Private equity funds	211,030,634			
Private debt funds	96,787,927			
Equity long/short hedge funds	48,126,241			
Real estate funds	44,484,973			
Bank recapitalization and value opportunities funds	23,170,088			
Energy funds	13,170,065			
Opportunistic credit funds	97,421,801			
Total investments measured at the NAV	<u>534,191,729</u>			
Total investments measured at fair value	<u>\$ 3,446,374,577</u>	<u>\$ 1,067,718,404</u>	<u>\$ 1,682,618,481</u>	<u>\$ 161,845,963</u>

Arkansas Local Police and Fire Retirement System
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December 31, 2024 and 2023

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2023				
Investments by Fair Value Level				
Equity securities – diversified	\$ 722,373,317	\$ 722,373,317	\$ -	\$ -
Equity securities – foreign	39,432,642	39,432,642	-	-
Equity mutual funds	1,376,997,459	169,973,193	1,207,024,266	-
International equity mutual funds	55,536,799	-	55,536,799	-
Fixed income mutual funds	217,506,454	-	100,926,562	116,579,892
Real estate investment trusts	8,205,365	8,205,365	-	-
U.S. government obligations	57,697,605	-	57,697,605	-
Corporate bonds	18,033,390	-	18,033,390	-
Mortgage-backed securities	80,782,710	-	80,782,710	-
Total investments by fair value level	<u>2,576,565,741</u>	<u>939,984,517</u>	<u>1,520,001,332</u>	<u>116,579,892</u>
Investments Measured at the Net Asset Value (NAV) ^(A)				
Private equity funds	143,866,604			
Private debt funds	126,614,290			
Equity long/short hedge funds	41,370,412			
Real estate funds	50,604,011			
Bank recapitalization and value opportunities funds	25,898,854			
Energy funds	15,676,150			
Opportunistic credit funds	73,949,469			
Total investments measured at the NAV	<u>477,979,790</u>			
Total investments measured at fair value	<u>\$ 3,054,545,531</u>	<u>\$ 939,984,517</u>	<u>\$ 1,520,001,332</u>	<u>\$ 116,579,892</u>

(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.

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Investments

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

	December 31, 2024			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds ^(A)	\$ 211,030,634	\$ 50,998,093		
Private debt funds ^(B)	96,787,927	70,788,281		
Equity long/short hedge funds ^(C)	48,126,241	-	Quarterly	90 Days
Real estate funds ^(D)	28,408,030	-	Quarterly	45 Days
Real estate funds ^(D)	16,076,943	-	Quarterly	90 Days
Bank recapitalization and value opportunistic funds ^(E)	23,170,088	2,000,000		
Energy funds ^(F)	13,170,065	26,230,736		
Opportunistic credit funds ^(G)	97,421,801	-	Annually	90 Days

	December 31, 2023			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds ^(A)	\$ 143,866,604	\$ 68,425,131		
Private equity funds ^(A)	107,339,724	32,953,557		
Private debt funds ^(B)	19,274,566	-	Quarterly	90 Days
Equity long/short hedge funds ^(C)	41,370,412	-	Quarterly	90 Days
Real estate funds ^(D)	29,202,064	-	Quarterly	45 Days
Real estate funds ^(D)	21,401,947	-	Semi-annually	5 Months
Bank recapitalization and value opportunistic funds ^(E)	25,898,854	2,000,000		
Energy funds ^(F)	15,676,150	21,618,982		
Opportunistic credit funds ^(G)	73,949,469	-	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.

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- (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.

Note 7. Related-Party Transactions

The executive director and staff of System serve as executive director and staff for the Arkansas Fire and Police Pension Review Board (PRB); the System receives all revenue and pays all expenses for the PRB. The portion of revenues and expenses attributable to the PRB is allocated to the due to/from PRB account on the System's books; due to this arrangement, a payable to PRB is recorded, which amounted to \$415,314 and \$394,967 at December 31, 2024 and 2023, respectively. The allocation of expenses is determined by each respective board through the use of an administrative committee composed of members of both boards.

Required Supplementary Information

**Arkansas Local Police and Fire Retirement System
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 73,455,160	\$ 65,784,489	\$ 63,599,165	\$ 63,571,932	\$ 62,439,385	\$ 59,701,701	\$ 61,057,199	\$ 52,999,883	\$ 52,411,007	\$ 50,466,076
Interest on the total pension liability	283,589,112	260,533,628	240,576,582	224,826,211	210,227,380	194,307,497	182,428,731	170,545,435	157,522,879	146,226,976
Benefit changes	-	-	32,765,847	-	(2,985,529)	-	(24,831,215)	-	-	-
Differences between expected and actual experience	85,947,616	134,678,038	76,572,153	33,796,334	45,976,608	64,405,712	32,299,710	27,286,660	19,163,957	5,172,371
Assumption changes	-	-	(124,878,986)	24,271,181	-	-	-	219,939,183	-	53,731,281
Benefit payments, DROP Distributions and Refunds	(152,978,189)	(140,671,453)	(125,265,453)	(117,682,480)	(97,656,316)	(87,057,377)	(74,102,672)	(64,420,008)	(58,298,612)	(45,407,579)
Net Change in Total Pension Liability	290,013,699	320,324,702	163,369,308	228,783,178	218,001,528	231,357,533	176,851,753	406,351,153	170,799,231	210,189,125
Total Pension Liability, Beginning of Year	3,951,335,469	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
Total Pension Liability, End of Year	<u>\$ 4,241,349,168</u>	<u>\$ 3,951,335,469</u>	<u>\$ 3,631,010,767</u>	<u>\$ 3,467,641,459</u>	<u>\$ 3,238,856,753</u>	<u>\$ 3,020,856,753</u>	<u>\$ 2,789,499,220</u>	<u>\$ 2,612,647,467</u>	<u>\$ 2,206,296,314</u>	<u>\$ 2,035,497,083</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 126,805,848	\$ 115,963,410	\$ 102,227,296	\$ 97,841,951	\$ 93,919,327	\$ 88,524,836	\$ 83,861,098	\$ 77,410,021	\$ 75,298,216	\$ 67,624,600
Employee contributions	38,109,594	33,268,911	27,469,832	25,896,170	26,577,992	25,157,606	24,456,628	23,351,970	21,816,086	21,187,024
Other contributions	52,259	24,297	49,566	66,481	98,204	180,761	87,759	54,467	38,872	34,066
Pension plan net investment income	436,055,362	388,500,550	(429,851,795)	417,518,996	290,325,750	345,816,336	(53,604,321)	227,213,213	88,592,090	1,642,306
Benefit payments, DROP distributions and refunds	(152,978,189)	(140,671,453)	(125,265,453)	(117,682,480)	(97,656,316)	(87,057,377)	(74,102,672)	(64,420,008)	(58,298,612)	(45,407,579)
Pension plan administrative expense	(4,906,263)	(3,252,081)	(2,824,142)	(3,465,297)	(3,590,651)	(3,041,397)	(3,553,631)	(2,950,772)	(2,665,399)	(2,482,123)
Net Change in Plan Fiduciary Net Position	443,138,611	393,833,634	(428,194,696)	420,175,821	309,674,306	369,580,765	(22,855,139)	260,658,891	124,781,253	42,598,294
Plan Fiduciary Net Position, Beginning of Year	2,901,605,584	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
Plan Fiduciary Net Position, End of Year	<u>\$ 3,344,744,195</u>	<u>\$ 2,901,605,584</u>	<u>\$ 2,507,771,950</u>	<u>\$ 2,935,966,646</u>	<u>\$ 2,515,790,825</u>	<u>\$ 2,206,116,519</u>	<u>\$ 1,836,535,754</u>	<u>\$ 1,859,390,893</u>	<u>\$ 1,598,732,002</u>	<u>\$ 1,473,950,749</u>
Net Pension Liability, End of Year	<u>\$ 896,604,973</u>	<u>\$ 1,049,729,885</u>	<u>\$ 1,123,238,817</u>	<u>\$ 531,674,813</u>	<u>\$ 723,067,456</u>	<u>\$ 814,740,234</u>	<u>\$ 952,963,466</u>	<u>\$ 753,256,574</u>	<u>\$ 607,564,312</u>	<u>\$ 561,546,334</u>
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	78.86%	73.43%	69.07%	84.67%	77.68%	73.03%	65.84%	71.17%	72.46%	72.41%
Covered Payroll	\$ 500,119,588	\$ 459,976,329	\$ 414,280,752	\$ 392,522,925	\$ 386,909,993	\$ 371,574,513	\$ 356,157,157	\$ 339,098,676	\$ 329,344,355	\$ 320,487,331
Plan's Net Pension Liability as a Percentage of Covered Payroll	179.28%	228.21%	271.13%	135.45%	186.88%	219.27%	267.57%	222.13%	184.48%	175.22%

**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
12/31/2015	\$ 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	-	356,157,157	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%
12/31/2023	115,963,410	115,963,410	-	459,976,329	25.21%
12/31/2024	126,805,848	126,805,848	-	500,119,588	25.36%

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, 2022.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	18 years beginning January 1, 2024
Asset Valuation Method	5-Year smoothed market, 20% corridor
Wage Inflation	3.00%
Price Inflation	2.50%
Salary Increases	3.50% to 18.00%, including inflation
Investment Rate of Return	7.25%, as adopted by the Board
Retirement Age	Experience-based table of rates that condition. Last updated for the 2021 study of the period 2017-2020.
Mortality	The healthy post-retirement tables used were the Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables, set forward one year for males, and two years for females. The disability post-retirement mortality tables used were the Pub-2010 Amount-Weighted General Disabled Retiree tables for males and females. The death-in-service mortality tables used were the Pub-2010 Amount-Weighted General Below Median Income Employee tables for males and females. Fifty percent of deaths-in-service were assumed to be duty related. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

Other Information:

Notes There were no changes in methods or assumptions in the December 31, 2022 actuarial valuation. There were benefit provision changes for the December 31, 2022 actuarial valuation. The wage inflation assumption decreased from 3.25% to 3.00%. The salary increases range changed from 3.75% to 18.25%, including inflation to 3.50% to 18.00% including inflation.

**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
12/31/2015	-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%
12/31/2023	15.90%
12/31/2024	15.13%

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Personal Services		
Staff expenses	\$ 1,038,714	\$ 998,854
Professional Services		
Computer operations/process	3,096,477	1,501,443
Audit services	146,750	130,500
Actuarial services	386,300	373,000
Legal services	190,919	150,000
Medical advisor/related	17,482	31,139
Total Professional Services	<u>3,837,928</u>	<u>2,186,082</u>
General Operating Expense		
Insurance expense	258,862	123,851
Office equipment	42,216	34,693
Office supplies	30,824	18,430
Printing	25,362	43,364
Telephone	24,944	31,511
Postage	25,401	41,005
Publications	971	1,494
Travel/professional education/conferences	38,594	36,955
Board/kitchen supplies	1,840	2,642
Total General Operating Expense	<u>449,014</u>	<u>333,945</u>
Total Expenses	5,325,656	3,518,881
Depreciation Expense	<u>75,840</u>	<u>76,624</u>
Total Administrative Expenses	<u>\$ 5,401,496</u>	<u>\$ 3,595,505</u>

**Arkansas Local Police and Fire Retirement System
 Schedule of Investment Expenses
 Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Investment consulting fees	\$ 860,000	\$ 860,000
Money manager fees	7,887,855	6,106,498
Custodial fees	280,000	216,000
Investment monitor expenses	<u>313,450</u>	<u>298,450</u>
Total investment expenses	<u>\$ 9,341,305</u>	<u>\$ 7,480,948</u>

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 the 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 (*Government Auditing Standards*), the financial statements of Arkansas Local Police and Fire Retirement System (System), which comprise the statement of fiduciary net position as of December 31, 2024, 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 15, 2025.

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.

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 Mazars, LLP

**Little Rock, Arkansas
April 15, 2025**