

ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM
COMPILED ANNUAL ACTUARIAL VALUATIONS REPORT
AS OF DECEMBER 31, 2012



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June 27, 2013

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

Submitted in this report are the compiled results of the **annual actuarial valuations** for the Arkansas Local Police and Fire Retirement System (LOPFI). **The date of the valuation** was December 31, 2012. The purpose of the valuation is to measure funding progress in relation to the actuarial cost method, to determine employer contribution rates and to determine actuarial information for Governmental Accounting Standards Board (GASB) Statement No. 25.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the System only in its entirety and only with the permission of the Board. This report should not be relied on for any purpose other than the purpose described.

Results of the 2012 actuarial valuations indicate that aggregate actuarial accrued liabilities are 65% covered by assets. This result includes the 164 local police and fire pension and relief funds which are closed to new hires and for which LOPFI also serves as administrative agent. Continued receipt of computed employer and member contributions will improve this financial condition and allow LOPFI to continue to operate in sound condition in accordance with the actuarial principles of level cost financing.

LOPFI also administers a number of the relief and pensions funds which were closed to employees hired after December 31, 1982. A summary of the results of valuations for those groups are shown in Section C of this report.

The valuations were based upon data furnished us (beginning in February, 2013) concerning active and retired members and system assets. The cooperation of the Executive Director and the LOPFI staff in furnishing the materials required for these valuations is acknowledged with appreciation. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the data provided by LOPFI staff.

The actuarial methods and assumptions used in making the valuations are shown in Section D of this report. The assumptions are established by the Board after consulting with the actuary. The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions and methods used in this report are reasonable and appropriate for the purpose for which they have been used. However, other assumptions and methods could also be reasonable and could result in materially different results. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that are deemed to be immaterial.


Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic and demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, this report is complete and accurate and was made in accordance with standards of practice promulgated by the Actuarial Standards Board and in conformance with Title 24 of the Arkansas Code. The actuarial assumptions used for the valuation produce results which, individually and in the aggregate, are reasonable.

The actuaries submitting this report are independent of the plan sponsor.

One or more of the actuaries submitting this statement are Members of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



David L. Hoffman



Heidi G. Barry, ASA, MAAA

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SECTION A
FINANCIAL PRINCIPLES

Financial Principles and Operational Techniques of LOPFI

Local Police and Fire Retirement System

Promises Made, and To Be Paid For. As each year is completed, the system in effect hands an "IOU" to each member then acquiring a year of service credit -- the "IOU" says: "The Arkansas Local Police and Fire Retirement System owes you one year's worth of retirement benefits, payments in cash commencing when you qualify for retirement."

The related *key financial questions* are:

Which generation of taxpayers contributes the money to cover the IOU?

The present taxpayers, who receive the benefit of the member's present year of service?

Or the future taxpayers, who happen to be in Arkansas at the time the IOU becomes a cash demand?

LOPFI intends that this year's taxpayers contribute the money to cover the IOUs being handed out this year. By following this principle, *the employer contribution rate will remain approximately level from generation to generation* -- our children and our grandchildren will contribute the same percents of pay we contribute now.

(There are systems which have a design for deferring contributions to future taxpayers lured by a lower contribution rate now and putting aside the fact that the contribution rate must relentlessly grow much greater over decades of time -- consume now, and let your children face your financial pollution after you've retired).

An inevitable by-product of the level-cost design is the accumulation of reserve assets, for decades, and the income produced when the assets are invested. *Invested assets are a by-product and not the objective.* *Investment income* becomes in effect *the third contributor* for benefits to employees, and is interlocked with the contribution amounts required from employees and employers.

Translated to actuarial terminology, this level-cost objective means that the contribution rates must total at least the following:

Normal Cost (the cost of members' service being rendered this year)

... plus ...

Interest on Unfunded Actuarial Accrued Liabilities (unfunded actuarial accrued liabilities are the difference between: liabilities for members' service already rendered; and the accrued assets of the governmental unit in the plan).

Computing Contributions To Support System Benefits. From a given schedule of benefits and from the employee data and asset data furnished, the actuary determines the contribution rates to support the benefits, by means of ***an actuarial valuation and a funding method.***

An actuarial valuation has a number of ingredients such as: the rate of investment return which plan assets will earn; the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit; the rates of mortality; the rates of disability; the rates of pay increases; and the assumed age or ages at actual retirement.

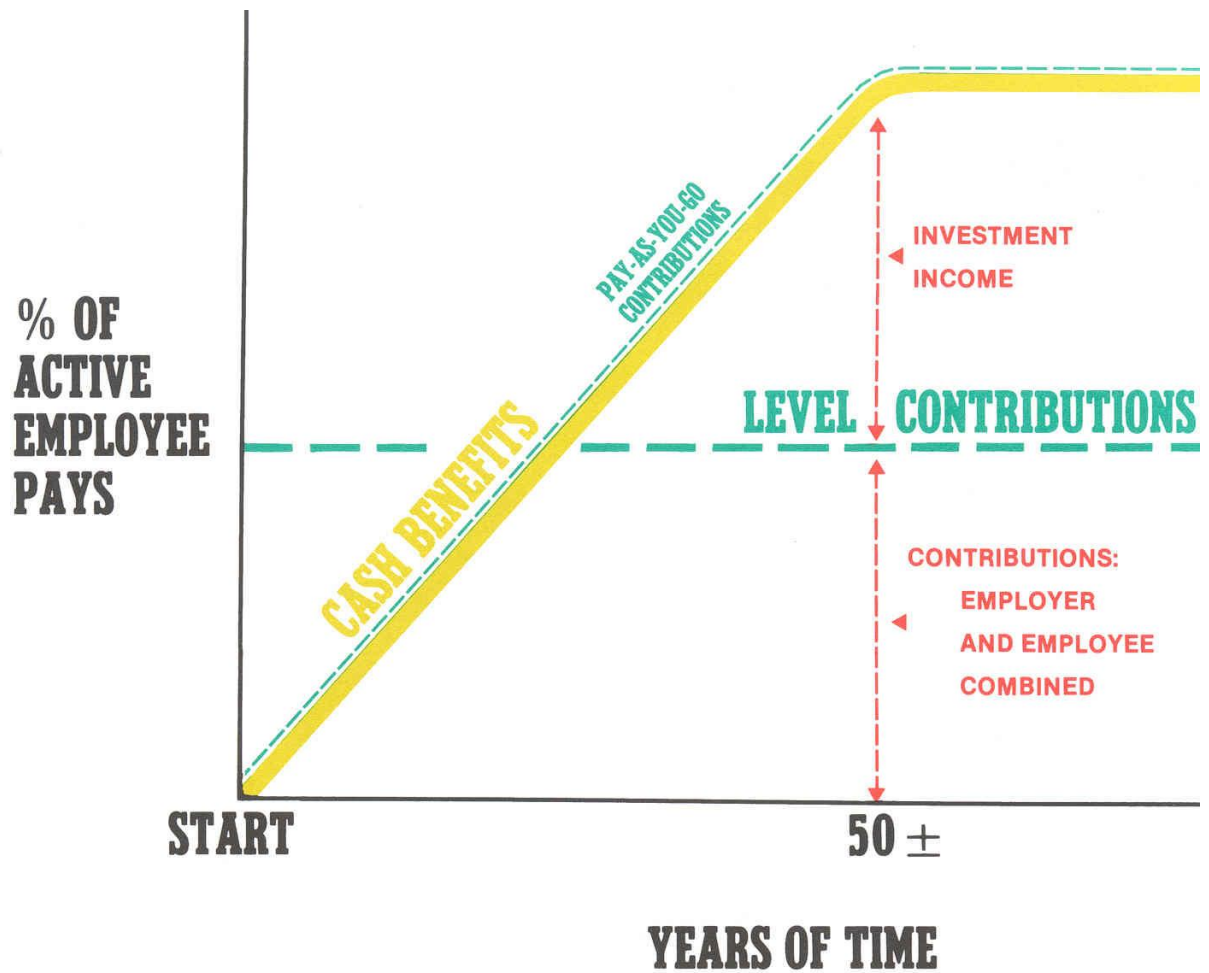
In making an actuarial valuation, the system must assume what the above experience will be for the next year and for decades in the future. Only the subsequent actual experience of the System can indicate the degree of accuracy of the assumptions.

Reconciling Differences Between Assumed Experience and Actual Experience. Once actual experience has occurred and been observed, it will not coincide exactly with assumed experience, regardless of the wisdom of the assumptions and regardless of the skill of the actuary and the calculations made. The future can be predicted with considerable but not complete precision, except that inflation seems to defy reliable prediction.

LOPFI copes with these continually changing differences by having ***annual actuarial valuations,*** separately for each participating paid employer group and in aggregate for participating volunteer employer groups. Each annual actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continually changing employer contribution rates.

The size of an annual change in a paid plan employer contribution rate is usually less than one percent of payroll (up or down), particularly for the larger groups, where happenings to one or two employees have little effect on the group's status.

To avoid causing employer budget problems, LOPFI provides a maximum annual increase of one percent of payroll for any one participating employer (not including the effect of any benefit changes throughout the year).



CASH BENEFITS LINE. This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

LEVEL CONTRIBUTION LINE. Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

Economic Risk Areas

- Rates of investment return
- Rates of pay increase
- Changes in active member group size

Non-Economic Risk Areas

- Ages at actual retirement
- Rates of mortality
- Rates of withdrawal of active members (turnover)
- Rates of disability

The Actuarial Valuation Process

The *actuarial valuation* is the mathematical process by which the contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:

- A. ***Covered people data***, furnished by plan administrator, including:
 - Retired lives now receiving benefits
 - Former employees with vested benefits not yet payable
 - Active employees
- + B. ***Asset data*** (cash & investments), furnished by plan administrator
- + C. ***Assumptions concerning future financial experiences in various risk areas***, which assumptions are established by the Board of Trustees after consulting with the actuary
- + D. ***The funding method*** for determining employer contributions (the long-term, planned pattern for employer contributions)
- + E. ***Mathematically combining the assumptions, the funding method, and the data***
- = F. Determination of:
 - Plan financial position***
 - and/or ***New Employer Contribution Rate***

SECTION B

BENEFIT PROVISIONS AND VALUATION DATA

Arkansas Local Police and Fire Retirement System
Brief Summary as of December 31, 2012 of LOPFI Coverage for
BENEFIT PROGRAM 1 PAID SERVICE
Benefits and Conditions Evaluated and/or Considered
(Section references are to Arkansas Code of 1987, including
amendments from 2013 General Assembly Session)

Voluntary Retirement. Section 24-10-604. A member may retire with an age & service annuity after both (i) completing 5 years (10 years for members hired on or after July 1, 2013) of credited service, and (ii) attaining his normal retirement age. The normal retirement age is age 60 for a member with less than 20 years credited service, age 55 for a member with at least 20 years credited service or any age for a member with 28 or more years of credited service.

Compulsory Retirement. Section 24-10-605. Established by each employer.

Paid Service. Section 24-10-102(13). Covered employment which is half-time employment or more, and for which a minimum dollar amount is paid. For each calendar month in 1981, the minimum is \$500 for the month. For each later calendar year, the \$500 is indexed for inflation (Consumer Price Index). Accordingly, the monthly minimum during 2012 was \$1,307.

Volunteer Service. Section 24-10-102(14). Covered employment which cannot be classified as Paid Service.

Final Average Pay. Section 24-10-102(16)(A). The average of a member's monthly pay during the period of 36 consecutive months of credited Paid Service producing the highest monthly average, which period is contained within the 120 consecutive months of credited Paid Service immediately preceding retirement. Not applicable to Volunteer Service.

Age & Service Annuity. Section 24-10-602. The annuity, payable monthly for life, equals a specified amount multiplied by the member's number of years of credited service. The amount depends upon the conditions related to covered employment:

A. ***Paid Service Not Covered by Social Security.*** For each year of such service, 2.94% of the member's final average pay.

B. ***Paid Service Also Covered by Social Security.*** For each year of such service, 1.94% of the member's final average pay. In addition, there is a temporary annuity equal to 1.0% of the member's final average pay for each year of service, payable to normal Social Security retirement age.

C. At time of retirement, the total of A plus B cannot exceed 100% of final average pay.

Early Annuity. Section 24-10-606. A member may retire with an early annuity after both (i) completing 20 years of credited service, and (ii) attaining age 50 or (iii) after completing 25 years of credited paid service. The early annuity amount, payable monthly for life, is computed in the same manner as an age & service annuity, based upon his service and pay record to time of early retirement, but reduced to reflect the fact that his age when payments begin is younger than his normal retirement age. The amount of the reduction is 1/2 of 1% (.005) for each month his age at early retirement is younger than his normal retirement age (age 55 for members with 25 years of credited paid service).

Vested Termination Annuity. Section 24-10-611. If a member leaves LOPFI-covered employment (i) before attaining his early retirement age, and (ii) after completing 5 years (10 years for members hired on or after July 1, 2013) of credited service, he becomes eligible for a vested termination annuity; provided he lives to his normal retirement age and does not withdraw his accumulated contributions. The vested annuity amount, payable monthly for life from his normal retirement age, is computed in the same manner as an age & service annuity, based upon his service and pay record to time of leaving LOPFI coverage. However, final average pay is increased by one-half of any increase in the inflation index for the period from termination of employment to beginning of annuity payments.

Non-Duty Disability Annuity. Section 24-10-607(a)(1)(A). A member with 5 or more years (10 or more years for members hired on or after July 1, 2013) of credited service who becomes totally and permanently disabled from other than duty-connected causes receives a non-duty disability annuity computed in the same manner as an age & service annuity, based upon his service and pay record to time of disability.

Duty Disability Annuity. Section 24-10-607(c)(1)(A). A member who becomes totally and permanently disabled from duty-connected causes receives a duty disability annuity computed in the same manner as an age & service annuity, based upon his service and pay record to time of disability. The minimum annuity payable is 65% of the member's final average pay.

Non-Duty Death-in-Service. Paid Member. Section 24-10-608(a)(1). Upon the death, from other than duty-connected causes, of a Paid Service member who had completed 5 years (10 years for members hired on or after July 1, 2013) of paid service, his eligible surviving dependents receive the following benefits:

(a) The surviving spouse receives an annuity equal to the Option B50 annuity (joint and 50% survivor benefit) computed based upon the deceased member's service (and pay) record to time of death. Minimum of 20% of member's final average pay, or \$125 monthly if greater.

(b) While a spouse benefit is payable, each dependent child under age 18 (age 23 if full time student) receives 10% of member's final average pay, or \$25 monthly if greater. The totals for 4 or more children cannot exceed 30% of final average pay, or \$125 monthly if greater.

(c) While no spouse benefit is payable, each dependent child under age 18 (age 23 if full time student) receives 20% of member's final average pay, or \$25 monthly if greater. The total for 3 or more children cannot exceed 50% of final average pay, or \$125 monthly if greater.

(d) If there is neither spouse nor child at time of member's death, each dependent parent receives 20% of final average pay.

Duty Death-in-Service. Section 24-10-608(b)(1). Upon the death of a Paid Service member from duty-connected causes, regardless of length of service, his eligible surviving dependents receive the same benefits as for Non-Duty Death, except that if credited service at time of death is less than 25 years, credited service is increased to 25 years.

Benefit Changes After Retirement. Section 24-10-612. There is an annual redetermination of monthly benefit amount, beginning the July first following 12 months of retirement. The redetermined amount is 3.0% of the monthly benefit from the preceding July.

Member Contributions. Sections 24-10-404 and 24-10-613. Each member contributes 8.5% of his covered pay if his covered employment is resulting in Paid Service credit and is not covered by Social Security. For other covered employment conditions, each member contributes 2.5% of his covered pay. Individual member deposit accounts do not receive interest credit. If a member leaves LOPFI-covered employment before an annuity is payable on his behalf, the member may choose to have his accumulated contributions refunded to him. If he dies, his accumulated contributions are refunded to his designated beneficiary.

Employer Contributions. Section 24-10-405. Each employer contributes the remainder amounts necessary to finance his employees' participation in LOPFI. Contributions to LOPFI are determined based upon level-rate principles, so that contribution rates do not have to increase over decades of time.

DROP (Deferred Retirement Option Plan). Sections 24-10-701 through 24-10-708. Paid service members who have attained age 55 with at least 20 years of service or members with at least 28 years of service may participate. A participant with 28 years of service will receive 75% of his accrued benefit at time of DROP election while in the DROP, payable into the participant's DROP account (which will be credited with 6% interest annually). A participant with less than 28 years of service will receive 72% of his accrued benefit at time of DROP election while in the DROP, payable into the participant's DROP account (which will be credited with 6% interest annually). The duration of participation in the DROP shall not exceed 7 years. When a member has reached year 6 of participation in the DROP, the amount of the accrued benefit at the time of DROP election shall be redetermined. The redetermined amount shall be the amount of the benefit as of the immediately preceding July 1 increased by 3%. The redetermined amount shall be payable only when the member elects to cease employment and receive a service retirement and shall not be added to the plan account. Employer and employee contributions continue and are used to finance System benefits (i.e., they are not deposited to the participant's DROP account). For additional details please refer to Arkansas Code, Title 24, Chapter 10, Subchapter 7.

LOPFI
Illustrations of Normal Benefit Amounts
for Sample Combinations of Service & Pay

***FOR PAID SERVICE WHICH IS NOT COVERED BY
SOCIAL SECURITY***

**(The Applicable Benefit Program is Years of Paid Service
times 2.94% of FAP ⁽¹⁾)**

Final Average Pay (FAP) ⁽¹⁾	LOPFI BENEFIT ⁽²⁾	
	\$	% of FAP
<u>32 Years of Service ⁽³⁾</u>		
\$ 1,800	\$ 1,693	94 %
2,200	2,070	94
2,600	2,446	94
3,000	2,822	94
3,400	3,199	94
<u>28 Years of Service ⁽³⁾</u>		
\$ 1,800	\$ 1,482	82 %
2,200	1,811	82
2,600	2,140	82
3,000	2,470	82
3,400	2,799	82
<u>20 Years of Service ⁽³⁾</u>		
\$ 1,800	\$ 1,058	59 %
2,200	1,294	59
2,600	1,529	59
3,000	1,764	59
3,400	1,999	59

(1) "Final Average Pay" means the monthly average of an employee's pays during the period of 36 consecutive months when they were highest, contained within his last 120 months of paid service.

(2) Amounts shown are rounded to the nearest dollar; actual amounts will be calculated to the nearest cent.

(3) With 28 or more years of service the employee is eligible for normal retirement. With 20 or more years of service the employee is eligible for normal retirement at age 55. With fewer than 20 years, the eligibility age is 60.

LOPFI
Illustrations of Normal Benefit Amounts
for Sample Combinations of Service & Pay

FOR PAID SERVICE WHICH IS COVERED BY SOCIAL SECURITY

(The Applicable Benefit Program is Years of Paid Service times: 1.94% of FAP ⁽¹⁾ for life, plus 1.0% of FAP ⁽¹⁾ temporary to full Social Security retirement age)

Final Average Pay (FAP) ⁽¹⁾	LOPFI Benefit ⁽³⁾		Estimated Social Security ⁽²⁾	Estimated Monthly Total		Percent of FAP	
	To SSRA	At SSRA		To SSRA	At SSRA	To SSRA	At SSRA
32 Years of Service ⁽⁴⁾							
\$1,800	\$ 1,693	\$ 1,117	\$ 1,084	\$ 1,693	\$ 2,201	94 %	122 %
2,200	2,070	1,366	1,224	2,070	2,590	94	118
2,600	2,446	1,614	1,364	2,446	2,978	94	115
3,000	2,822	1,862	1,504	2,822	3,366	94	112
3,400	3,199	2,111	1,644	3,199	3,755	94	110
28 Years of Service ⁽⁴⁾							
\$1,800	\$ 1,482	\$ 978	\$ 1,084	\$ 1,482	\$ 2,062	82 %	115 %
2,200	1,811	1,195	1,224	1,811	2,419	82	110
2,600	2,140	1,412	1,364	2,140	2,776	82	107
3,000	2,470	1,630	1,504	2,470	3,134	82	104
3,400	2,799	1,847	1,644	2,799	3,491	82	103
20 Years of Service ⁽⁴⁾							
\$1,800	\$ 1,058	\$ 698	\$ 1,084	\$ 1,058	\$ 1,782	59 %	99 %
2,200	1,294	854	1,224	1,294	2,078	59	94
2,600	1,529	1,009	1,364	1,529	2,373	59	91
3,000	1,764	1,164	1,504	1,764	2,668	59	89
3,400	1,999	1,319	1,644	1,999	2,963	59	87

(1) "Final Average Pay" means the monthly average of an employee's pays during the period of 36 consecutive months when they were highest, contained within his last 120 months of paid service.

(2) "Estimated Social Security" means, for an employee covered by Social Security, an employee's estimated OASDI retirement benefit is based upon an estimated "average indexed monthly earnings" for an employee retiring at normal Social Security retirement age (SSRA) in 2012. It does not include any amounts which might be payable to an eligible spouse or children. Final average pay is assumed to be equal to Average Indexed Monthly Earnings. The results assume no Social Security covered earnings after retirement. Note that a member may draw a reduced Social Security benefit as early as age 62. This is an estimate. Individuals can receive an estimate from the Social Security Administration based on their actual earnings history.

(3) Amounts shown are rounded to the nearest dollar; actual amounts will be calculated to the nearest cent.

(4) With 28 or more years of service the employee is eligible for normal retirement. With 20 or more years of service the employee is eligible for normal retirement at age 55. With fewer than 20 years, the eligibility age is 60.

Arkansas Local Police and Fire Retirement System
Brief Summary as of December 31, 2012 of LOPFI Coverage for
BENEFIT PROGRAM 2 PAID SERVICE
Benefits and Conditions Evaluated and/or Considered
(Section references are to Arkansas Code of 1987, including
amendments from 2013 General Assembly Session)

The provisions for Benefit Program 2 employers are the same as those for Benefit Program 1 employers with the following exception:

Age & Service Annuity. Section 24-10-602. The annuity, payable monthly for life, equals a specified amount multiplied by the member's number of years of credited service. The amount depends upon the conditions related to covered employment:

A. Paid Service Not Covered by Social Security.

- **Paid Service Before Adoption of Benefit Program 2.** For each year of such service, 2.94% of the member's final average pay.
- **Paid Service After Adoption of Benefit Program 2.** For each year of such service, 3.28% of the member's final average pay.
- At time of retirement, the total cannot exceed 100% of final average pay.

B. Paid Service Also Covered by Social Security.

- **Paid Service Before Adoption of Benefit Program 2.** For each year of such service, 1.94% of the member's final average pay, plus a temporary annuity equal to 1.0% of the member's final average pay for each year of service, payable to normal Social Security retirement age.
- **Paid Service After Adoption of Benefit Program 2.** For each year of such service, 2.94% of the member's final average pay.
- At time of retirement, the total cannot exceed 100% of final average pay.

**Arkansas LOcal Police and Fire Retirement System
Brief Summary as of December 31, 2012
of LOPFI Coverage for *VOLUNTEER SERVICE*
Benefits and Conditions Evaluated and/or Considered
(Section references are to Arkansas Code of 1987, including
amendments from 2013 General Assembly Session)**

Voluntary Retirement. Section 24-10-604. A member may retire with an age & service annuity after both (i) completing 5 years (10 years for members hired on or after July 1, 2013) of credited service, and (ii) attaining his normal retirement age. The normal retirement age is age 60 for a member with less than 20 years credited service, age 55 for a member with at least 20 years credited service or any age for a member with 28 or more years of credited service.

Compulsory Retirement. Section 24-10-605. Established by each employer.

Paid Service. Section 24-10-102(13). Covered employment which is half-time employment or more, and for which a minimum dollar amount is paid. For each calendar month in 1981, the minimum is \$500 for the month. For each later calendar year, the \$500 is indexed for inflation (Consumer Price Index). Accordingly, the monthly minimum during 2012 was \$1,307.

Volunteer Service. Section 24-10-102(14). Covered employment which cannot be classified as Paid Service.

Age & Service Annuity. Section 24-10-102(16)(A). The annuity, payable monthly for life, equals a specified amount multiplied by the member's number of years of credited service. The amount depends upon the conditions related to covered employment:

Volunteer Service. For each year of Benefit Program 3 Volunteer Service, \$5.00 monthly, to a maximum of \$200 monthly for all volunteer service. Beginning in 2003, each July 1 these amounts are indexed for inflation by any percentage increase in the inflation index for the period from December 2003 to the December immediately preceding July 1, for members retiring in the next 12 months. Accordingly, the basic benefit factor reflected in the December 31, 2012 valuations was \$6.28 monthly.

For each year of Benefit Program 4 Volunteer Service, \$10.00 monthly, to a maximum benefit of \$400 monthly for all volunteer service. Beginning in 2013, each July 1 these amounts are indexed for inflation by any percentage increase in the inflation index for the period from December 2011 to the December immediately preceding July 1, for members retiring in the next 12 months. Accordingly, the basic benefit factor reflected in the December 31, 2012 valuations was \$10.17 monthly.

Early Annuity. Section 24-10-606. A member may retire with an early annuity after both (i) completing 20 years of credited service, and (ii) attaining age 50. The early annuity amount, payable monthly for life, is computed in the same manner as an age & service annuity, based upon his service record to time of early retirement, but reduced to reflect the fact that his age when payments begin is younger than his normal retirement age. The amount of the reduction is 1/2 of 1% (.005) for each month his age at early retirement is younger than his normal retirement age.

Vested Termination Annuity. Section 24-10-611. If a member leaves LOPFI-covered employment (i) before attaining his early retirement age, and (ii) after completing 5 years (10 years for members hired on or after July 1, 2013) of credited service, he becomes eligible for a vested termination annuity; provided he lives to his normal retirement age (and does not withdraw any accumulated contributions). The vested annuity amount, payable monthly for life from his normal retirement age, is computed in the same manner as an age & service annuity, based upon his service record to time of leaving LOPFI coverage.

Non-Duty Disability Annuity. Section 24-10-607(a)(1)(A). A member with 5 or more years (10 or more years for members hired on or after July 1, 2013) of credited service who becomes totally and permanently disabled from other than duty-connected causes receives a non-duty disability annuity computed in the same manner as an age & service annuity, based upon his service record to time of disability.

Duty Disability Annuity. Section 24-10-607(c)(1)(A). A member who becomes totally and permanently disabled from duty-connected causes receives a duty disability annuity computed in the same manner as an age & service annuity, based upon his service and pay record to time of disability. If the member had less than 25 years of service at time of disability, credited service is increased to 25 years.

Non-Duty Death-in-Service. Volunteer Member. Section 24-10-609. Upon the death, from other than duty-connected causes, of a Volunteer member who had completed 5 years (10 years for members hired on or after July 1, 2013) of volunteer service, or who was eligible for normal retirement, his eligible surviving dependents receive the following benefits:

(a) The surviving spouse receives an annuity equal to the Option B50 annuity (joint and 50% survivor benefit) computed based upon the deceased member's service record to time of death.

(b) Each dependent child under age 18 (age 23 if full time student) receives \$15 monthly. The totals for 3 or more children cannot exceed \$40 monthly.

Duty Death-in-Service. Section 24-10-608(b)(1). Upon the death of a Paid Service member from duty-connected causes, regardless of length of service, his eligible surviving dependents receive the same benefits as for Non-Duty Death, except that if credited service at the time of death is less than 25 years, credited service is increased to 25 years.

Benefit Changes After Retirement. Section 24-10-612. There is an annual redetermination of monthly benefit amount, beginning the July first following 12 months of retirement. The redetermined amount is 3.0% of the monthly benefit from the preceding July.

Member Contributions. For Volunteer Service credit, members do not contribute.

Employer Contributions. Section 24-10-405. Each employer contributes the amounts necessary to finance all employees participation in LOPFI. Contributions to LOPFI are determined based upon level-rate principles, so that contribution rates do not have to increase over decades of time.

**LOPFI Covered Groups and Covered Persons
(Excluding Local Funds)**

LOPFI Staff	Valuation Groups	Active Members				Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	% Increase	
12/31/2007	1	8	\$ 415,984	\$51,998	N/A	4.1 %
12/31/2008	1	8	459,432	57,429	10.4 %	0.1
12/31/2009	1	8	487,527	60,941	6.1	2.7
12/31/2010	1	8	514,466	64,308	5.5	1.5
12/31/2011	1	8	543,380	67,923	5.6	3.0
12/31/2012	1	8	574,418	71,802	5.7	1.7

**LOPFI Covered Groups and Covered Persons
(Excluding Local Funds)**

Paid Police Covered by Social Security	Valuation Groups	Active Members				Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	% Increase	
12/31/1989	54	457	\$ 7,803,548	\$17,076	4.3 %	4.6 %
12/31/1990	62	517	9,386,818	18,156	6.3	6.1
12/31/1991	73	614	11,618,980	18,923	4.2	3.1
12/31/1992	78	683	13,483,829	19,742	4.3	2.9
12/31/1993	89	806	16,407,154	20,356	3.1	2.7
12/31/1994	98	916	19,373,328	21,150	3.9	2.7
12/31/1995	110	1,053	23,212,618	22,044	4.2	2.5
12/31/1996	117	1,145	26,154,080	22,842	3.6	3.3
12/31/1997	128	1,211	28,971,065	23,923	4.7	1.7
12/31/1998	134	1,346	33,301,863	24,741	3.4	1.6
12/31/1999	141	1,480	38,187,948	25,803	4.3	2.7
12/31/2000	150	1,493	39,080,134	26,176	1.4	3.4
12/31/2001	152	1,497	42,193,903	28,186	7.7	1.6
12/31/2002	158	1,556	46,480,114	29,872	6.0	2.4
12/31/2003	154	1,583	49,757,738	31,433	5.2	1.9
12/31/2004	154	1,583	51,235,812	32,366	3.0	3.3
12/31/2005	154	1,614	53,061,186	32,876	1.6	3.4
12/31/2006	161	1,680	57,466,068	34,206	4.0	2.5
12/31/2007	166	1,787	62,170,244	34,790	1.7	4.1
12/31/2008	163	1,838	66,243,983	36,041	3.6	0.1
12/31/2009	172	1,905	71,687,015	37,631	4.4	2.7
12/31/2010	175	1,906	72,900,413	38,248	1.6	1.5
12/31/2011	176	1,931	74,098,384	38,373	0.3	3.0
12/31/2012	175	1,948	75,476,200	38,745	1.0	1.7

**LOPFI Covered Groups and Covered Persons
(Excluding Local Funds)
(Continued)**

Paid Police Not Covered by Social Security	Valuation Groups	Active Members				Inflation
		Number	Annual Payroll	Average Pay	% Increase	Increase % (CPI)
12/31/1989	14	426	\$ 8,769,222	\$20,585	7.5 %	4.6 %
12/31/1990	14	539	11,392,678	21,137	2.7	6.1
12/31/1991	14	629	13,997,170	22,253	5.3	3.1
12/31/1992	14	693	16,891,924	24,375	9.5	2.9
12/31/1993	14	735	18,643,459	25,365	4.1	2.7
12/31/1994	14	866	22,959,944	26,513	4.5	2.7
12/31/1995	14	1,002	27,042,274	26,988	1.8	2.5
12/31/1996	14	1,087	31,394,960	28,882	7.0	3.3
12/31/1997	14	1,154	35,468,514	30,735	6.4	1.7
12/31/1998	14	1,220	39,052,564	32,010	4.1	1.6
12/31/1999	14	1,257	42,319,350	33,667	5.2	2.7
12/31/2000	15	1,300	45,395,466	34,920	3.7	3.4
12/31/2001	15	1,310	47,997,431	36,639	4.9	1.6
12/31/2002	14	1,309	51,013,420	38,971	6.4	2.4
12/31/2003	14	1,344	54,363,935	40,449	3.8	1.9
12/31/2004	15	1,369	57,397,946	41,927	3.7	3.3
12/31/2005	15	1,410	60,652,180	43,016	2.6	3.4
12/31/2006	14	1,455	64,982,903	44,662	3.8	2.5
12/31/2007	14	1,479	68,484,220	46,304	3.7	4.1
12/31/2008	14	1,507	72,880,723	48,361	4.4	0.1
12/31/2009	14	1,544	77,374,468	50,113	3.6	2.7
12/31/2010	14	1,562	76,993,476	49,292	(1.6)	1.5
12/31/2011	14	1,558	79,332,711	50,920	3.3	3.0
12/31/2012	14	1,604	83,272,934	51,916	2.0	1.7

**LOPFI Covered Groups and Covered Persons
(Excluding Local Funds)
(Continued)**

Paid Fire Covered by Social Security	Valuation Groups	Active Members				Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	% Increase	
12/31/1989	3	17	\$ 363,844	\$21,403	6.2 %	4.6 %
12/31/1990	3	22	475,090	21,595	0.9	6.1
12/31/1991	3	23	497,074	21,612	0.1	3.1
12/31/1992	2	23	535,463	23,281	7.7	2.9
12/31/1993	2	24	601,457	25,061	7.6	2.7
12/31/1994	2	22	544,619	24,755	(1.2)	2.7
12/31/1995	2	24	642,998	26,792	8.2	2.5
12/31/1996	2	24	658,401	27,433	2.4	3.3
12/31/1997	2	16	413,344	25,834	(5.8)	1.7
12/31/1998	2	15	427,149	28,477	10.2	1.6
12/31/1999	2	15	443,877	29,592	3.9	2.7
12/31/2000	3	20	550,930	27,547	(6.9)	3.4
12/31/2001	4	34	1,091,894	32,115	16.6	1.6
12/31/2002	5	34	1,236,009	36,353	13.2	2.4
12/31/2003	6	34	1,297,597	38,165	5.0	1.9
12/31/2004	7	58	1,881,084	32,432	(15.0)	3.3
12/31/2005	10	62	2,137,350	34,473	6.3	3.4
12/31/2006	13	71	2,459,152	34,636	0.5	2.5
12/31/2007	19	84	3,224,208	38,383	10.8	4.1
12/31/2008	20	85	3,310,078	38,942	1.5	0.1
12/31/2009	21	90	3,794,410	42,160	8.3	2.7
12/31/2010	23	99	4,092,787	41,341	(1.9)	1.5
12/31/2011	23	104	4,155,015	39,952	(3.4)	3.0
12/31/2012	22	101	4,221,364	41,796	4.6	1.7

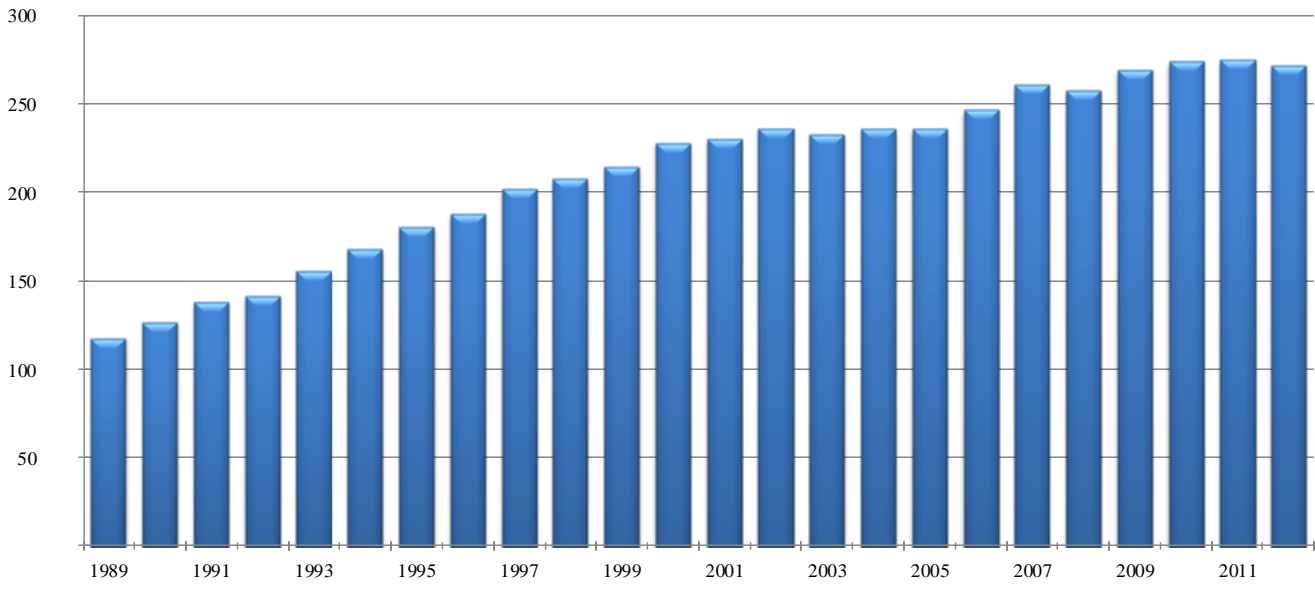
**LOPFI Covered Groups and Covered Persons
(Excluding Local Funds)
(Continued)**

Paid Fire Not Covered by Social Security	Valuation Groups	Active Members				Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	% Increase	
12/31/1989	47	601	\$ 11,449,004	\$19,050	4.4 %	4.6 %
12/31/1990	48	661	13,207,386	19,981	4.9	6.1
12/31/1991	48	741	15,470,155	20,877	4.5	3.1
12/31/1992	48	825	18,328,407	22,216	6.4	2.9
12/31/1993	51	912	21,238,851	23,288	4.8	2.7
12/31/1994	54	1,003	24,431,883	24,359	4.6	2.7
12/31/1995	55	1,115	28,317,948	25,397	4.3	2.5
12/31/1996	55	1,216	32,183,785	26,467	4.2	3.3
12/31/1997	58	1,334	37,011,225	27,745	4.8	1.7
12/31/1998	58	1,417	41,048,974	28,969	4.4	1.6
12/31/1999	58	1,549	47,249,417	30,503	5.3	2.7
12/31/2000	60	1,680	52,268,378	31,112	2.0	3.4
12/31/2001	59	1,732	57,430,283	33,158	6.6	1.6
12/31/2002	59	1,821	64,691,073	35,525	7.1	2.4
12/31/2003	59	1,888	70,635,697	37,413	5.3	1.9
12/31/2004	60	1,956	76,826,671	39,277	5.0	3.3
12/31/2005	57	2,029	81,650,944	40,242	2.5	3.4
12/31/2006	59	2,122	88,041,571	41,490	3.1	2.5
12/31/2007	61	2,245	95,882,874	42,710	2.9	4.1
12/31/2008	60	2,202	98,780,987	44,860	5.0	0.1
12/31/2009	61	2,360	108,383,023	45,925	2.4	2.7
12/31/2010	61	2,374	110,404,238	46,506	1.3	1.5
12/31/2011	61	2,415	114,640,275	47,470	2.1	3.0
12/31/2012	60	2,478	118,625,189	47,871	0.8	1.7

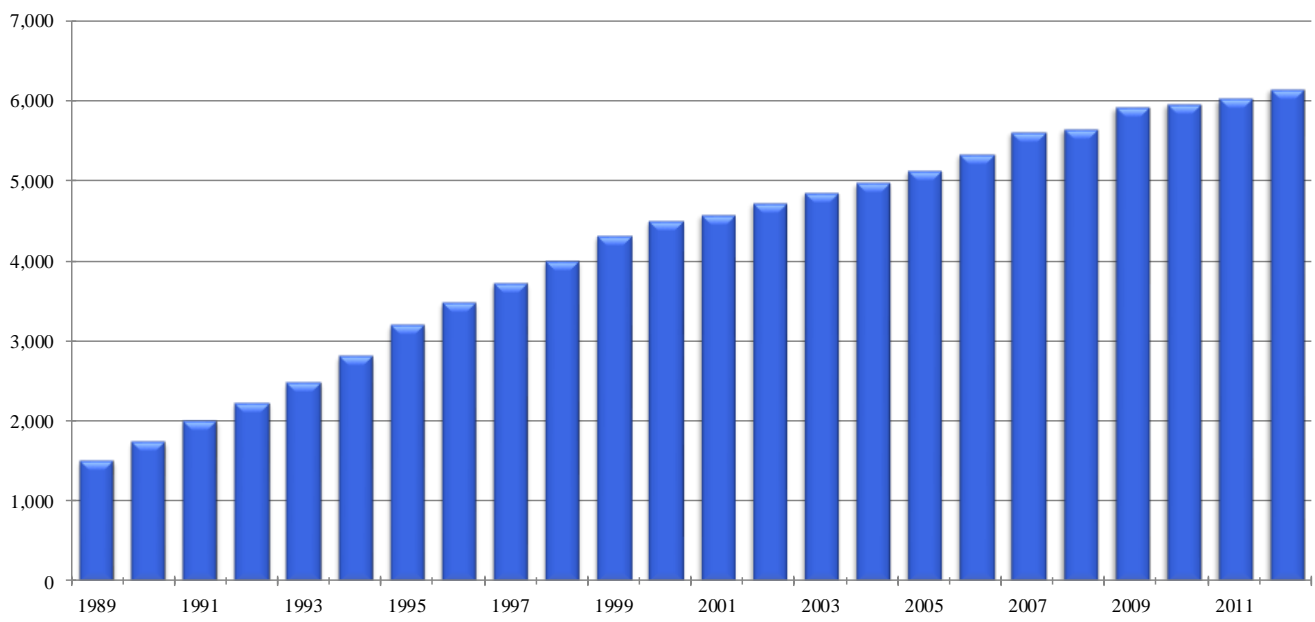
**LOPFI Covered Groups and Covered Persons
(Excluding Local Funds)
(Continued)**

	Valuation Groups	Active Members				Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	% Increase	
Total Paid						
12/31/1989	118	1,501	\$ 28,385,618	\$18,911	5.2 %	4.6 %
12/31/1990	127	1,739	34,461,972	19,817	4.8	6.1
12/31/1991	138	2,007	41,583,379	20,719	4.6	3.1
12/31/1992	142	2,224	49,239,623	22,140	6.9	2.9
12/31/1993	156	2,477	56,890,921	22,968	3.7	2.7
12/31/1994	168	2,807	67,309,774	23,979	4.4	2.7
12/31/1995	181	3,194	79,215,838	24,801	3.4	2.5
12/31/1996	188	3,472	90,391,226	26,034	5.0	3.3
12/31/1997	202	3,715	101,864,148	27,420	5.3	1.7
12/31/1998	208	3,998	113,830,550	28,472	3.8	1.6
12/31/1999	215	4,301	128,200,592	29,807	4.7	2.7
12/31/2000	228	4,493	137,294,908	30,558	2.5	3.4
12/31/2001	230	4,573	148,713,511	32,520	6.4	1.6
12/31/2002	236	4,720	163,420,616	34,623	6.5	2.4
12/31/2003	233	4,849	176,054,967	36,307	4.9	1.9
12/31/2004	236	4,966	187,341,513	37,725	3.9	3.3
12/31/2005	236	5,115	197,501,660	38,612	2.4	3.4
12/31/2006	247	5,328	212,949,694	39,968	3.5	2.5
12/31/2007	261	5,603	230,177,530	41,081	2.7	4.1
12/31/2008	258	5,640	241,675,203	42,850	4.3	0.1
12/31/2009	269	5,907	261,726,443	44,308	3.4	2.7
12/31/2010	274	5,949	264,905,380	44,529	0.5	1.5
12/31/2011	275	6,016	272,769,765	45,341	1.8	3.0
12/31/2012	272	6,139	282,170,105	45,964	1.4	1.7

LOPFI Covered Groups - Paid Service



LOPFI Active Member Count - Paid Service



**LOPFI Covered Groups and Covered Persons
(Excluding Local Funds)
(Continued)**

Volunteer Police	Valuation Groups	Active Members				Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	% Increase	
12/31/1989	4	3	N/A	N/A	N/A	N/A
12/31/1990	1	1				N/A
12/31/1991	2	2				3.1%
12/31/1992	4	5				2.9
12/31/1993	4	5				2.7
12/31/1994	8	10				2.7
12/31/1995	8	9				2.5
12/31/1996	9	10				3.3
12/31/1997	10	14				1.7
12/31/1998	7	8				1.6
12/31/1999	8	10				2.7
12/31/2000	8	9				3.4
12/31/2001	10	16				1.6
12/31/2002	19	49				2.4
12/31/2003	24	55				1.9
12/31/2004	24	55				3.3
12/31/2005	32	70				3.4
12/31/2006	38	91				2.5
12/31/2007	51	118				4.1
12/31/2008	42	123				0.1
12/31/2009	44	139				2.7
12/31/2010	58	174				1.5
12/31/2011	72	230				3.0
12/31/2012	69	224				1.7

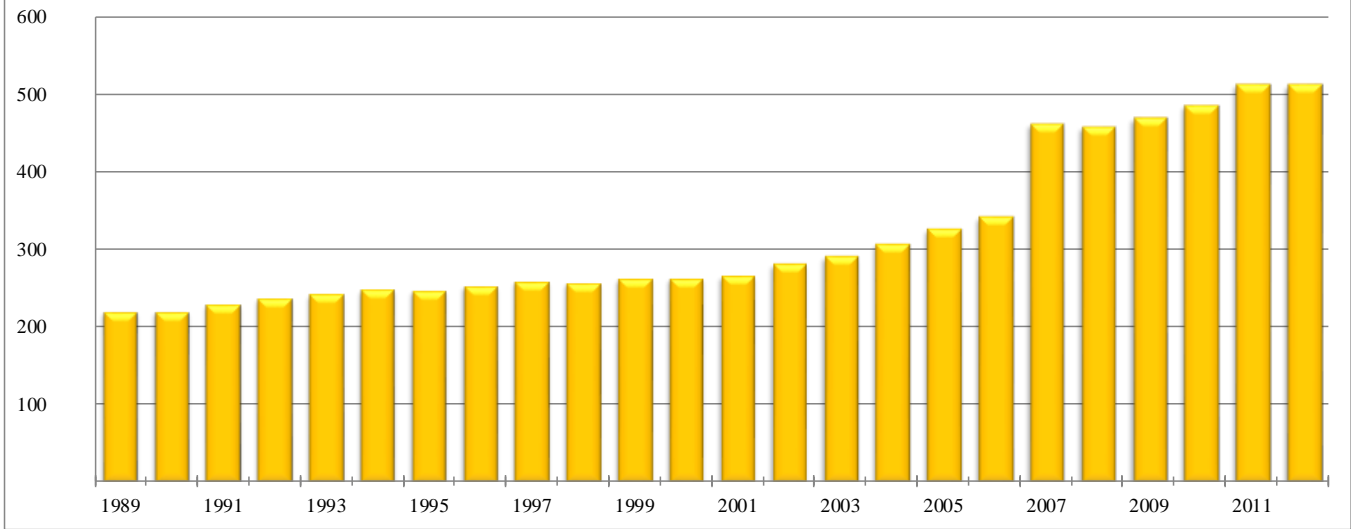
**LOPFI Covered Groups and Covered Persons
(Excluding Local Funds)
(Continued)**

Volunteer Fire	Valuation Groups	Active Members				Inflation
		Number	Annual Payroll	Average Pay	% Increase	Increase % (CPI)
12/31/1989	215	1,623	N/A	N/A	N/A	N/A
12/31/1990	218	1,823				N/A
12/31/1991	226	2,005				3.1%
12/31/1992	232	2,167				2.9
12/31/1993	237	2,370				2.7
12/31/1994	239	2,452				2.7
12/31/1995	238	2,684				2.5
12/31/1996	243	2,895				3.3
12/31/1997	248	3,063				1.7
12/31/1998	249	3,175				1.6
12/31/1999	253	3,397				2.7
12/31/2000	254	3,481				3.4
12/31/2001	255	3,585				1.6
12/31/2002	261	3,809				2.4
12/31/2003	266	4,033				1.9
12/31/2004	282	4,351				3.3
12/31/2005	293	4,580				3.4
12/31/2006	303	4,814				2.5
12/31/2007	410	6,502				4.1
12/31/2008	415	6,480				0.1
12/31/2009	424	6,412				2.7
12/31/2010	427	6,560				1.5
12/31/2011	440	6,804				3.0
12/31/2012	442	6,805				1.7

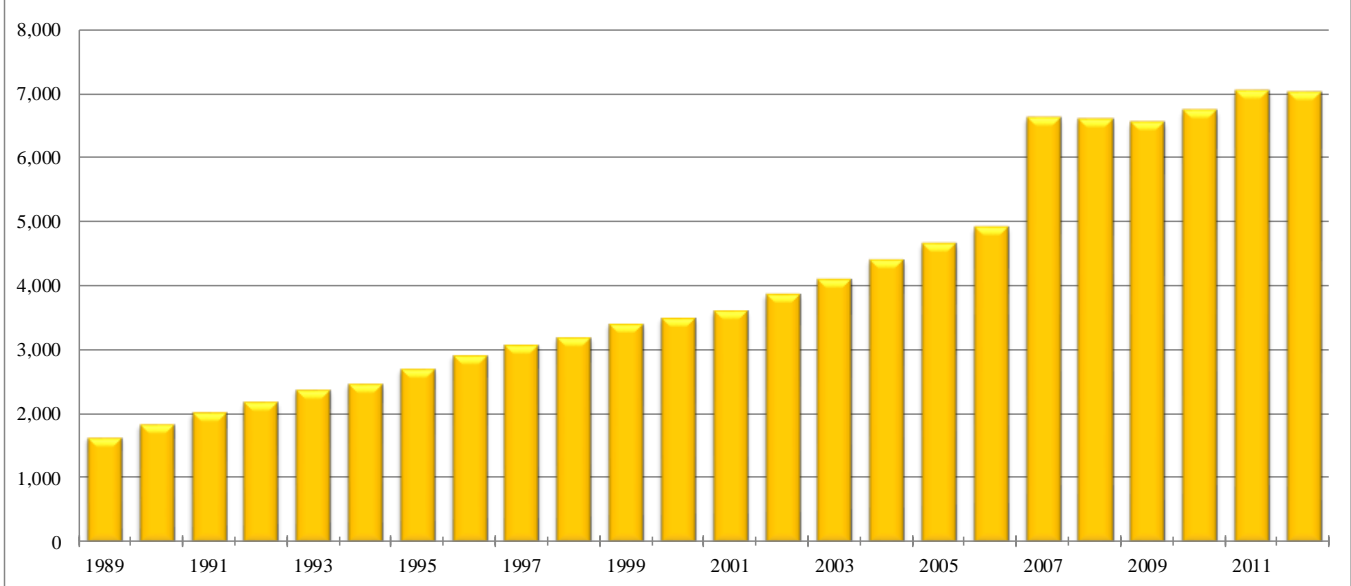
**LOPFI Covered Groups and Covered Persons
(Excluding Local Funds)
(Concluded)**

	Valuation Groups	Active Members				Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	% Increase	
12/31/1989	219	1,626	N/A	N/A	N/A	N/A
12/31/1990	219	1,824				N/A
12/31/1991	228	2,007				3.1%
12/31/1992	236	2,172				2.9
12/31/1993	241	2,375				2.7
12/31/1994	247	2,462				2.7
12/31/1995	246	2,693				2.5
12/31/1996	252	2,905				3.3
12/31/1997	258	3,077				1.7
12/31/1998	256	3,183				1.6
12/31/1999	261	3,407				2.7
12/31/2000	262	3,490				3.4
12/31/2001	265	3,601				1.6
12/31/2002	280	3,858				2.4
12/31/2003	290	4,088				1.9
12/31/2004	306	4,406				3.3
12/31/2005	325	4,650				3.4
12/31/2006	341	4,905				2.5
12/31/2007	461	6,620				4.1
12/31/2008	457	6,603				0.1
12/31/2009	468	6,551				2.7
12/31/2010	485	6,734				1.5
12/31/2011	512	7,034				3.0
12/31/2012	511	7,029				1.7

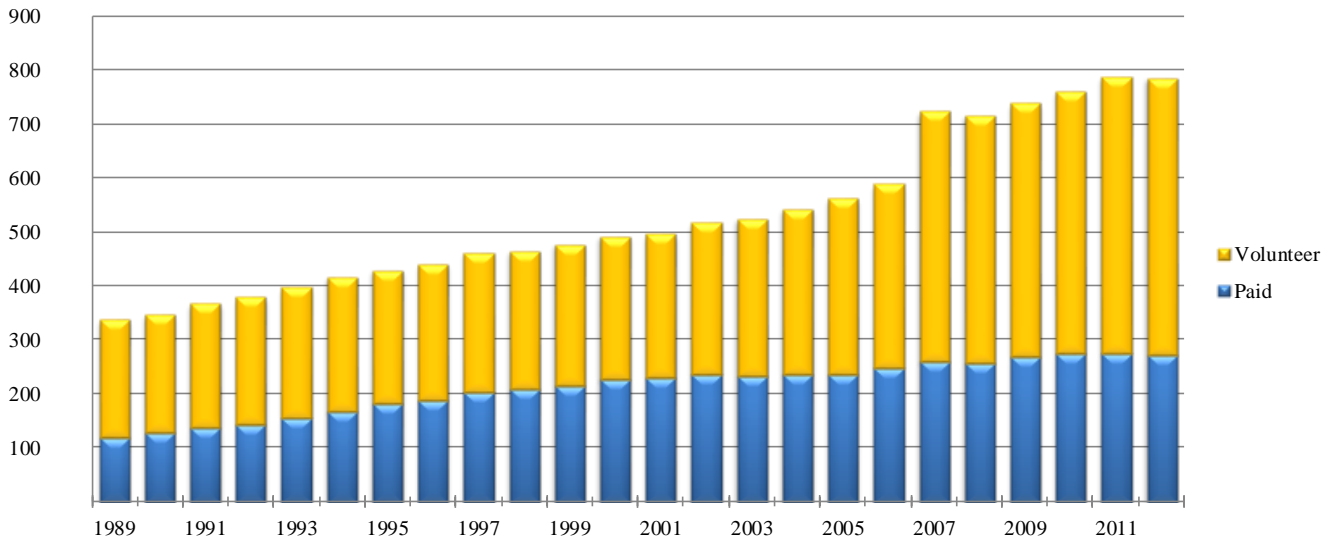
LOPFI Covered Groups - Volunteer Service



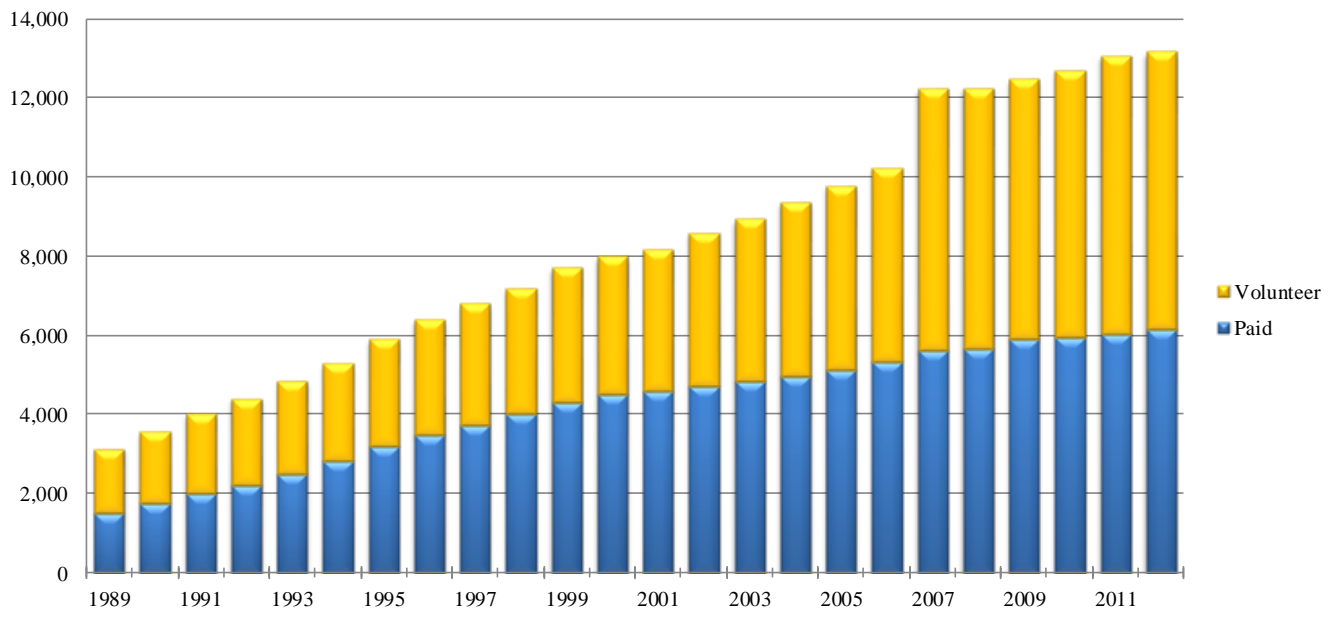
LOPFI Active Member Count - Volunteer Service



LOPFI Covered Groups - Paid and Volunteer Combined



LOPFI Active Member Count - Paid and Volunteer Combined



**LOPFI (Excluding Local Funds)
Paid Service Active Members – December 31, 2012
Attained Age and Years of Service**

Attained Age	Years of Service at Valuation Date							Totals*	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Annual Payroll
Under 20	1							1	\$ 22,465
20-24	229	19						248	7,481,813
25-29	574	212	40					826	29,345,782
30-34	374	471	169	76				1,090	44,515,731
35-39	187	280	400	155	71			1,093	50,677,663
40-44	124	145	312	379	151	38		1,149	57,260,405
45-49	61	78	91	211	261	133	22	857	46,276,534
50-54	30	27	40	94	165	177	21	554	31,043,358
55-59	13	31	24	28	47	57	13	213	10,911,793
60-64	7	12	18	10	17	12	3	79	3,407,345
65-69	1		2	3	9	2	2	19	857,992
70+	3	1	3	1		1	1	10	369,224
Totals	1,604	1,276	1,099	957	721	420	62	6,139	\$ 282,170,105

* Includes DROP Participants.

Average Age: 39.1 years

Average Service: 11.9 years

Average Pay: \$45,964

As a comparison, 6,016 paid service members participated in LOPFI on December 31, 2011.

LOPFI Staff is included in the table above.

**LOPFI (Excluding Local Funds)
 Volunteer Service Active Members – December 31, 2012
 Attained Age and Years of Service**

Attained Age	Years of Service at Valuation Date							Total Number
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
Under 20	72							72
20-24	613	52						665
25-29	430	283	60					773
30-34	364	275	204	65				908
35-39	290	195	185	134	65			869
40-44	253	236	182	163	128	34		996
45-49	202	186	149	165	113	103	21	939
50-54	134	134	123	147	111	80	36	765
55-59	93	76	96	93	73	53	22	506
60-64	46	59	55	51	40	32	16	299
65-69	32	41	21	12	10	4	8	128
70+	18	39	23	11	3	5	10	109
Totals	2,547	1,576	1,098	841	543	311	113	7,029

Average Age: 41.0 years

Average Service: 9.9 years

As a comparison, 7,034 volunteer service members participated in LOPFI on December 31, 2011.

**Benefit Program 2 Employers
December 31, 2012
(Included in Paid Service Schedules)**

Employer	Number of Active Members*	Payroll
Bella Vista Paid Police	26	\$ 1,138,167
Bella Vista Paid Fire	37	1,893,866
Fayetteville Paid Police	112	5,858,992
Fayetteville Paid Fire	108	5,526,340
Fort Smith Paid Police	163	7,882,524
Fort Smith Paid Fire	139	7,174,780
Hot Springs Paid Police	103	5,033,530
Hot Springs Paid Fire	77	3,850,197
Marion Paid Police	28	998,565
Total BP2	793	\$ 39,356,961

** Includes DROP participants, if any.*

Retirants and Beneficiaries* Added to and Removed From Rolls Comparative Statement

LOPFI Paid Service

		Added		Removed		End of Year		% Increase in Annual Allowance	Average	
		No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance		Annual Allowance	% Increase in Allowance
December 31, 2007	Retirement	120	\$ 1,834,311	14	\$ 210,138	504	\$7,320,959	28.51 %	\$14,526	1.48 %
	Survivor of active	12	80,577	5	22,320	68	361,411	19.22	5,315	6.94
	Survivor of retired	3	28,971	3	9,917	22	137,368	16.10	6,244	16.10
December 31, 2008	Retirement	120	1,896,855	6	25,908	618	9,191,906	25.56	14,874	2.40
	Survivor of active	7	50,387	-	-	75	411,798	13.94	5,491	3.31
	Survivor of retired	1	4,408	2	8,225	21	133,551	(2.78)	6,360	1.86
December 31, 2009	Retirement	106	2,288,426	13	136,647	711	11,343,685	23.41	15,955	7.27
	Survivor of active	14	106,529	3	13,914	86	504,413	22.49	5,865	6.81
	Survivor of retired	3	26,940	1	4,677	23	155,814	16.67	6,775	6.53
December 31, 2010	Retirement	138	2,819,765	11	144,330	838	14,019,120	23.59	16,729	4.85
	Survivor of active	10	100,894	8	62,685	88	542,622	7.58	6,166	5.13
	Survivor of retired	25	191,680	19	144,024	29	203,470	30.59	7,016	3.56
December 31, 2011	Retirement	193	4,940,414	12	88,382	1,019	18,871,152	34.61	18,519	10.70
	Survivor of active	11	63,152	4	28,540	95	577,234	6.38	6,076	(1.46)
	Survivor of retired	7	66,463	1	6,838	35	263,095	29.30	7,517	7.14
December 31, 2012	Retirement	244	4,714,486	14	140,145	1,249	23,445,493	24.24	18,771	1.36
	Survivor of active	6	60,138	9	30,482	92	606,890	5.14	6,597	8.57
	Survivor of retired	9	107,013	3	44,081	41	326,027	23.92	7,952	5.79

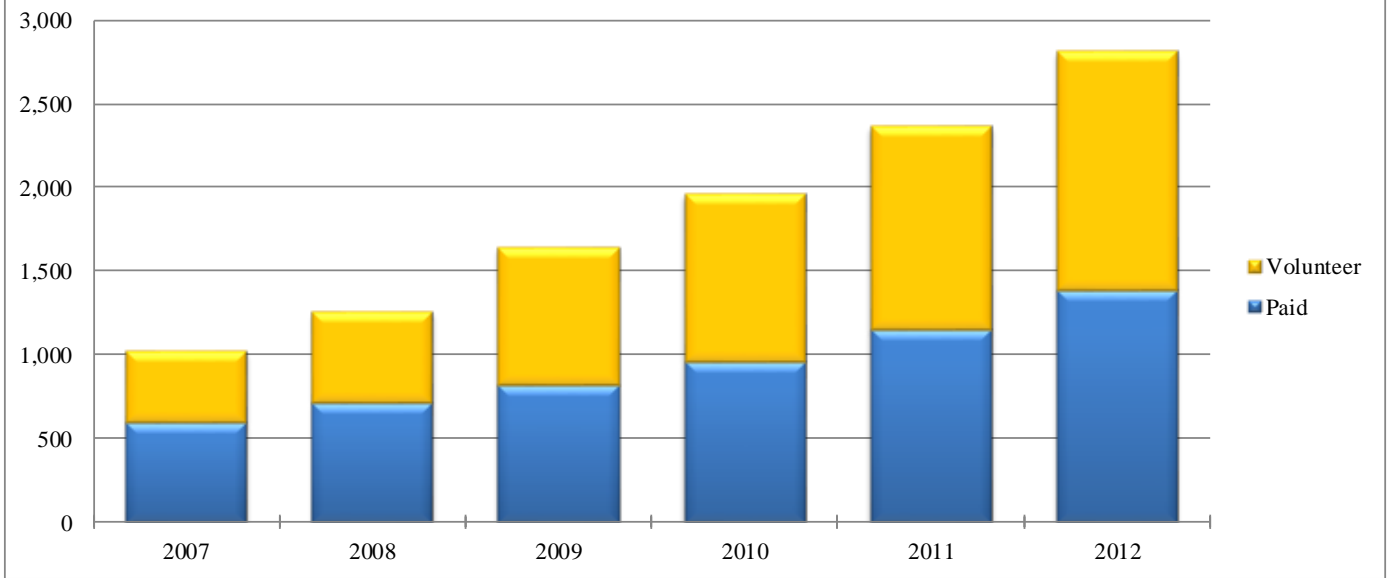
* Includes DROP members.

**Retirants and Beneficiaries Added to and Removed From Rolls
Comparative Statement
(Continued)**

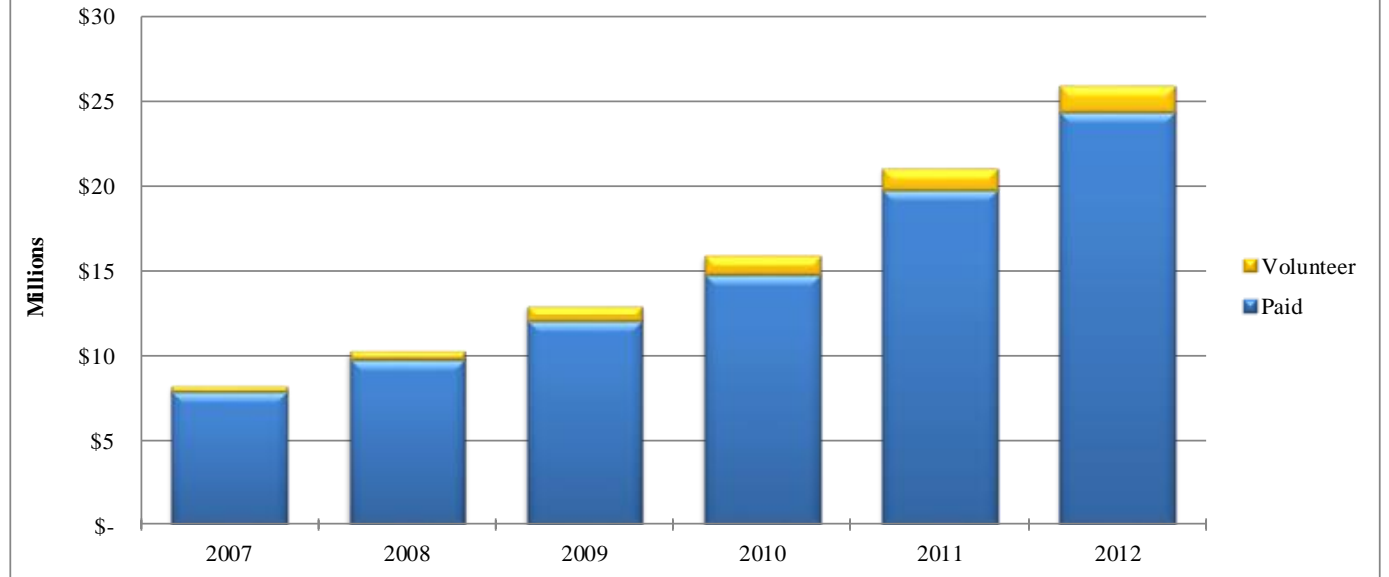
LOPFI Volunteer Service

		Added		Removed		End of Year		% Increase in Annual Allowance	Average	
		No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance		Annual Allowance	% Increase in Allowance
December 31, 2007	Retirement	105	\$ 108,046	12	\$ 10,337	366	\$350,150	38.71 %	\$957	3.46 %
	Survivor of active	14	3,896			41	15,115	34.73	369	(11.30)
	Survivor of retired	7	3,879	1	689	19	11,158	40.04	587	(4.24)
December 31, 2008	Retirement	106	134,401	9	6,415	463	478,136	36.55	1,033	7.94
	Survivor of active	15	4,235	2	452	54	18,898	25.03	350	(5.15)
	Survivor of retired	6	5,511	1	375	24	16,294	46.03	679	15.67
December 31, 2009	Retirement	272	359,520	14	10,099	721	827,557	73.08	1,148	11.13
	Survivor of active	14	4,482	2	873	66	22,507	19.10	341	(2.57)
	Survivor of retired	13	12,309	4	1,227	33	27,376	68.01	830	22.24
December 31, 2010	Retirement	182	213,270	16	15,511	887	1,025,316	23.90	1,156	0.70
	Survivor of active	12	5,150	3	1,464	75	26,193	16.38	349	2.35
	Survivor of retired	29	25,603	20	15,326	42	37,653	37.54	897	8.07
December 31, 2011	Retirement	195	232,470	18	17,746	1,064	1,240,040	20.94	1,165	0.78
	Survivor of active	21	9,896	-	-	96	36,089	37.78	376	7.74
	Survivor of retired	18	16,523	2	771	58	53,405	41.83	921	2.68
December 31, 2012	Retirement	215	229,048	24	25,481	1,255	1,443,607	16.42	1,150	(1.29)
	Survivor of active	15	3,735	3	868	108	38,956	7.94	361	(3.99)
	Survivor of retired	14	15,241	4	3,162	68	65,484	22.62	963	4.56

LOPFI Retirants and Beneficiaries - Member Count



LOPFI Retirants and Beneficiaries - Total Annual Benefits



**Retirants and Beneficiaries* Added to and Removed From Rolls
Comparative Statement
(Continued)**

Local Paid Service

		Added		Removed		End of Year		% Increase in Annual Allowance	Average	
		No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance		Annual Allowance	% Increase in Allowance
December 31, 2007	Retirement	20	\$ 719,958	18	\$ 234,794	796	\$15,720,379	3.18 %	\$19,749	2.92 %
	Survivor of active		986	2	16,012	4	41,381	(26.64)	10,345	10.04
	Survivor of retired	20	324,366	12	116,168	220	2,714,265	8.31	12,338	4.37
December 31, 2008	Retirement	39	1,076,014	25	384,056	810	16,412,337	4.40	20,262	2.60
	Survivor of active	3	83,382	-	-	7	124,763	201.50	17,823	72.29
	Survivor of retired	18	346,417	22	173,580	216	2,887,102	6.37	13,366	8.33
December 31, 2009	Retirement	10	438,424	22	292,992	798	16,557,769	0.89	20,749	2.40
	Survivor of active	17	227,302	1	1,500	23	350,565	180.98	15,242	(14.48)
	Survivor of retired	20	286,266	29	327,986	207	2,845,382	(1.45)	13,746	2.84
December 31, 2010	Retirement	118	2,666,918	28	406,946	888	18,817,741	13.65	21,191	2.13
	Survivor of active	-	1,890	-	6,122	23	346,333	(1.21)	15,058	(1.21)
	Survivor of retired	187	2,875,614	154	2,286,964	240	3,434,032	20.69	14,308	4.09
December 31, 2011	Retirement	34	991,101	21	321,147	901	19,487,695	3.56	21,629	2.07
	Survivor of active	3	24,618	2	25,746	24	345,205	(0.33)	14,384	(4.48)
	Survivor of retired	15	287,361	12	139,014	243	3,582,379	4.32	14,742	3.03
December 31, 2012	Retirement	35	1,122,749	25	431,333	911	20,179,111	3.55	22,151	2.41
	Survivor of active	-	2,005	1	4,214	23	342,996	(0.64)	14,913	3.68
	Survivor of retired	28	631,844	19	210,681	252	4,003,542	11.76	15,887	7.77

* Includes DROP members.

** Data corrections in 2010.

**Retirants and Beneficiaries Added to and Removed From Rolls
Comparative Statement
(Concluded)**

Local Volunteer Service

		Added		Removed		End of Year		% Increase in Annual Allowance	Average	
		No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance		Annual Allowance	% Increase in Allowance
December 31, 2007	Retirement	39	\$ 65,303	14	\$ 22,176	401	\$632,065	7.32 %	\$1,576	0.64 %
	Survivor of active	1	1,846			2	3,374	120.81	1,687	10.41
	Survivor of retired	24	34,027	2	2,473	121	155,084	25.54	1,282	2.72
December 31, 2008	Retirement	130	240,216	5	7,007	526	865,274	36.90	1,645	4.38
	Survivor of active	3	5,327	-	-	5	8,701	157.89	1,740	3.14
	Survivor of retired	45	63,123	10	12,266	156	205,941	32.79	1,320	2.96
December 31, 2009	Retirement	128	196,439	20	30,294	634	1,031,419	19.20	1,627	(1.09)
	Survivor of active	9	12,556	-	-	14	21,257	144.31	1,518	(12.76)
	Survivor of retired	43	59,514	17	23,031	182	242,424	17.72	1,332	0.91
December 31, 2010	Retirement	48	87,376	23	34,348	659	1,084,447	5.14	1,646	1.17
	Survivor of active	-	211	-	-	14	21,468	0.99	1,533	0.99
	Survivor of retired	131	181,383	113	151,528	200	272,279	12.32	1,361	2.18
December 31, 2011	Retirement	21	37,674	25	35,673	655	1,086,448	0.18	1,659	0.79
	Survivor of active	-	217	-	-	14	21,685	1.01	1,549	1.04
	Survivor of retired	25	35,876	15	18,322	210	289,833	6.45	1,380	1.40
December 31, 2012	Retirement	9	24,510	24	38,642	640	1,072,316	(1.30)	1,675	0.96
	Survivor of active	-	185	2	2,511	12	19,359	(10.73)	1,613	4.13
	Survivor of retired	14	24,689	22	30,267	202	284,255	(1.92)	1,407	1.96

* Data corrections in 2010.

LOPFI (Excluding Local Funds)
Paid Service Retirants and Beneficiaries* – December 31, 2012
Tabulated by Attained Ages

Attained Ages	Age & Service Retirants		Disability Retirants		Survivor Beneficiaries	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 10					10	\$ 42,993
10-14					15	55,993
15-19					10	51,896
20-24			1	\$23,673	3	56,940
25-29			3	\$ 59,379		
30-34			9	108,931	4	33,160
35-39	9	\$ 92,862	35	681,241	4	39,874
40-44	15	212,702	77	1,736,930	18	120,219
45-49	48	1,023,254	87	2,028,568	12	100,704
50-54	136	3,335,034	93	2,201,131	16	149,417
55-59	199	4,497,317	54	1,210,013	5	27,094
60-64	223	3,151,159	31	691,900	22	140,676
65-69	120	1,135,658	23	438,468	12	99,665
70-74	59	518,392	6	115,017		
75-79	17	112,142	3	67,095	1	7,186
80-84	1	4,627			1	7,100
85-89						
90 & Over						
Totals	827	\$14,083,147	422	\$9,362,346	133	\$932,917

* Includes DROP members.

LOPFI (Excluding Local Funds)
Volunteer Service Retirants and Beneficiaries – December 31, 2012
Tabulated by Attained Ages

Attained Ages	Age & Service Retirants		Disability Retirants		Survivor Beneficiaries	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 10					9	\$ 1,339
10-14					15	2,581
15-19					11	2,006
20-24					1	191
25-29						
30-34			2	\$ 280	3	1,556
35-39	7	\$ 3,247	6	2,139	9	3,327
40-44	16	8,184	20	8,662	10	4,647
45-49	46	43,970	11	4,560	10	4,029
50-54	84	95,548	20	14,953	19	12,321
55-59	158	234,347	10	7,933	13	9,039
60-64	289	322,977	12	11,492	24	17,381
65-69	236	272,380	3	3,620	18	11,754
70-74	189	234,547	1	550	16	16,927
75-79	97	109,230	1	993	8	7,328
80-84	37	51,347			9	8,643
85-89	10	12,648			1	1,371
90 & Over						
Totals	1,169	\$1,388,425	86	\$55,182	176	\$104,440

**LOPFI (Closed Plan Members)
Paid Service Retirants and Beneficiaries* – December 31, 2012
Tabulated by Attained Ages**

Attained Ages	Age & Service Retirants		Disability Retirants		Survivor Beneficiaries	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 10						
10-14					1	\$ 1,500
15-19					1	14,730
20-24					2	10,740
25-29						
30-34						
35-39						
40-44					1	6,956
45-49	2	\$ 11,045				
50-54	37	1,021,024	7	\$ 189,499	5	104,080
55-59	155	3,961,471	13	298,994	9	202,596
60-64	164	3,939,328	26	626,024	38	723,344
65-69	173	3,822,767	26	551,624	38	722,700
70-74	127	2,600,583	9	149,866	44	663,629
75-79	82	1,560,582	14	282,574	50	731,739
80-84	41	696,470	7	110,296	53	739,383
85-89	22	299,610	1	12,351	24	337,231
90 & Over	4	36,303	1	8,700	9	87,910
Totals	807	\$17,949,183	104	\$2,229,928	275	\$4,346,538

* Includes DROP members.

**LOPFI (Closed Plan Members)
 Volunteer Service Retirants and Beneficiaries – December 31, 2012
 Tabulated by Attained Ages**

Attained Ages	Age & Service Retirants		Disability Retirants		Survivor Beneficiaries	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 10						
10-14						
15-19						
20-24						
25-29						
30-34						
35-39						
40-44						
45-49	2	\$ 2,400				
50-54	42	77,543	1	\$ 1,200	1	\$ 1,200
55-59	71	117,022	3	3,672	5	7,556
60-64	99	166,790	5	6,360	13	16,656
65-69	120	204,113	2	2,400	33	49,054
70-74	103	176,090	2	2,460	24	35,838
75-79	77	139,398	1	1,200	29	39,333
80-84	48	74,476	2	3,000	46	64,096
85-89	44	63,888			39	54,507
90 & Over	18	30,304			24	35,374
Totals	624	\$1,052,024	16	\$20,292	214	\$303,614

LOPFI Participating Group By Type
December 31, 2012

<u>Political Subdivision</u>	<u>POLICE</u>			<u>FIRE</u>			<u>OTHER</u>
	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	
Alma						X	
Altheimer	X					X	
Altus	X		X			X	
Amity	X		X			X	
Antioch						X	
Appleton Rural						X	
Arch Street FPD #16						X	
Arkadelphia					X	X	
Arkansas City						X	
Ash Flat	X		X		X	X	
Ashdown	X		X			X	
Atkins	X					X	
Augusta	X					X	
Austin	X						
Avoca						X	
Bald Knob	X		X			X	
Barling	X		X	X		X	
Barton-Lexa						X	
Batesville					X	X	
Bauxite	X						
Bay	X		X			X	
Bay Village						X	
BDR FD#1						X	
Bearden						X	
Beaver Lake				X		X	
Beaverfork						X	
Beebe				X		X	
Bella Vista	X			X		X	
Belleville						X	
Benton	X		X		X		
Bentonville	X				X	X	
Bergman						X	
Berryville	X					X	
Bethel Heights	X		X		X		
Big Creek						X	
Bigelow						X	
Bigger-Reyno						X	
Biscoe						X	
Bismarck Fire Pro Association						X	
Black Rock	X						
Blytheville	X		X		X		
Bono	X		X				
Bono FID						X	
Booneville						X	
Boston Mountain						X	
Bradford	X					X	
Bradley	X					X	
Brinkley		X			X	X	
Brookland						X	

LOPFI Participating Group By Type
December 31, 2012 (Continued)

<u>Political Subdivision</u>	<u>POLICE</u>			<u>FIRE</u>			<u>OTHER</u>
	<u>Paid</u> <u>With SS</u>	<u>Paid</u> <u>W/O SS</u>	<u>Volunteer</u> <u>Service</u>	<u>Paid</u> <u>With SS</u>	<u>Paid</u> <u>W/O SS</u>	<u>Volunteer</u> <u>Service</u>	
Bruno Fire Protection District						X	
Bryant	X		X		X	X	
Buena Vista						X	
Buford						X	
Bull Shoals	X		X	X		X	
Burnt Ridge						X	
Butterfield						X	
Cabot	X				X	X	
Caddo Valley	X					X	
Cairo						X	
Caldwell						X	
Calico Rock						X	
Calion						X	
Calvert Township						X	
Camden		X			X	X	
Cammack Village	X		X				
Camp						X	
Cane Creek						X	
Capps-Batavia						X	
Caraway	X					X	
Carlisle	X					X	
Carthage						X	
Cash						X	
Cave City	X					X	
Cave Springs	X		X			X	
Center						X	
Center Grove						X	
Centerton	X					X	
Central City	X					X	
Chambersville						X	
Charleston						X	
Charlotte						X	
Cherokee Village	X		X	X			
Cherry Hill						X	
Cherry Valley	X					X	
Chidester						X	
Chimes						X	
Choctaw						X	
Cincinnati						X	
Clarendon	X					X	
Clarksville	X					X	
Clinton	X			X		X	
Coal Hill	X					X	
Colt						X	
Compton Vol Fire Assoc						X	
Concord	X						
Conway	X				X		
Conway Co.						X	

LOPFI Participating Group By Type
December 31, 2012 (Continued)

<u>Political Subdivision</u>	<u>POLICE</u>			<u>FIRE</u>			<u>OTHER</u>
	<u>Paid</u> <u>With SS</u>	<u>Paid</u> <u>W/O SS</u>	<u>Volunteer</u> <u>Service</u>	<u>Paid</u> <u>With SS</u>	<u>Paid</u> <u>W/O SS</u>	<u>Volunteer</u> <u>Service</u>	
Cooterneck						X	
Cord						X	
Coming	X					X	
Cotter	X					X	
Cotton Plant	X					X	
Cottonwood Rural Fire Assoc						X	
County Line						X	
Cove Rural						X	
Crawfordsville						X	
Crossett	X		X		X	X	
Crow Mountain Fire Protection District						X	
Crystal Fire Protection District #24						X	
Curtis Rural						X	
Dalton						X	
Damascus						X	
Danville						X	
Dardanelle						X	
De Queen	X				X	X	
Deann						X	
Decatur	X					X	
Deer						X	
Dermott	X					X	
Des Arc	X					X	
Desha						X	
Devalls Bluff	X					X	
Dewitt	X					X	
Diaz	X					X	
Dierks	X		X				
District 7 Crawford County						X	
Dodd Mountain						X	
Dover	X		X			X	
Dumas						X	
Dyess						X	
Earle						X	
East Camden	X					X	
El Dorado		X	X		X		
Elaine						X	
Elkins	X		X	X		X	
Elm Springs	X						
Emmet						X	
EMP Rural Fire Association						X	
England						X	
Etowah						X	
Eudora						X	
Eureka Springs	X				X	X	
Evansville						X	
Evening Shade						X	
Fairfield Bay	X					X	

LOPFI Participating Group By Type
December 31, 2012 (Continued)

<u>Political Subdivision</u>	<u>POLICE</u>			<u>FIRE</u>			<u>OTHER</u>
	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	
Fairview Fire Protection District						X	
Fairview Rural Fire District						X	
Farmington	X			X		X	
Fayetteville		X			X		
Fire District #6 Crawford Co						X	
Fisher						X	
Flippin	X					X	
Floral						X	
Fordyce						X	
Foreman	X					X	
Forrest City	X		X		X	X	
Fort Smith		X			X		
Fox						X	
Frenchport						X	
Garland						X	
Gassville	X		X	X		X	
Gentry	X		X			X	
Gillett	X					X	
Glenwood	X		X			X	
Goshen	X		X				
Goshen Fire Dist Assoc						X	
Gosnell						X	
Gould						X	
Grady						X	
Gravel Ridge					X	X	
Gravette	X					X	
Grayson Fire Assoc						X	
Green Forest	X					X	
Greenbrier						X	
Greenland	X		X				
Greenwood	X				X	X	
Greers Ferry	X					X	
Grover Township						X	
Grubbs						X	
Gum Springs						X	
Gurdon						X	
Guy Community						X	
Hackett	X					X	
Hagarville RFD #3						X	
Halley						X	
Hamburg						X	
Hampton	X		X			X	
Hand Cove Fire Prot Dist						X	
Hardin						X	
Hardy	X					X	
Harmon						X	
Harrell						X	
Harrisburg	X					X	

LOPFI Participating Group By Type
December 31, 2012 (Continued)

<u>Political Subdivision</u>	<u>POLICE</u>			<u>FIRE</u>			<u>OTHER</u>
	<u>Paid</u> <u>With SS</u>	<u>Paid</u> <u>W/O SS</u>	<u>Volunteer</u> <u>Service</u>	<u>Paid</u> <u>With SS</u>	<u>Paid</u> <u>W/O SS</u>	<u>Volunteer</u> <u>Service</u>	
Harrison	X		X		X		
Hartford			X			X	
Haskell	X					X	
Hazen						X	
Heber Springs	X				X	X	
Hector			X				
Helena-West Helena		X	X		X	X	
Hensley						X	
Hermitage	X					X	
Hickory Creek						X	
Hickory Ridge						X	
Higginson	X		X			X	
Highfill	X					X	
Highway 15 South						X	
Highway 286 East						X	
Highway 70 West FPA						X	
Hilltop						X	
Hilltop						X	
Holiday Island					X	X	
Holland						X	
Hollis						X	
Holly Grove	X		X			X	
Hon						X	
Hope					X	X	
Hopewell Fire District						X	
Horatio						X	
Hot Springs		X			X		
Hot Springs Village	X			X		X	
Hoxie	X		X		X	X	
Hughes						X	
Humphrey	X					X	
Huntington						X	
Huntsville	X		X			X	
Huttig	X					X	
Imboden						X	
Inspiration Point Rural Fire Protection						X	
Ione Community Fire						X	
Jacksonville	X				X		
Jasper	X					X	
Johnson	X						
Johnson Area				X		X	
Johnson County Rfd #1						X	
Johnson County Rfd #2						X	
Johnson County Rfd #4						X	
Johnson County Rfd #5						X	
Johnson County Rfd #7						X	
Johnson County Rfd #8						X	
Joiner						X	

LOPFI Participating Group By Type
December 31, 2012 (Continued)

<u>Political Subdivision</u>	<u>POLICE</u>			<u>FIRE</u>			<u>OTHER</u>
	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	
Jonesboro		X			X		
Joplin						X	
Judsonia	X					X	
Junction City						X	
Keiser						X	
Kensett	X					X	
Keo						X	
Kibler	X						
Knoxville						X	
Krooked Kreek						X	
Lake City	X					X	
Lake Hamilton				X		X	
Lake Maumelle Area RFD						X	
Lake Village	X					X	
Lakeview		X	X				
Lamar	X					X	
Landis						X	
Lavaca	X		X			X	
Lawson-Urbana						X	
Lazy Acres Vfd						X	
Leachville	X					X	
Lead Hill						X	
Lepanto	X					X	
Leslie						X	
Lewisville	X					X	
Liberty						X	
Lincoln	X			X		X	
Linwood-Moscow						X	
Little Flock	X		X			X	
Little Rock		X			X		
Lockesburg						X	
London Rural						X	
Lone Rock						X	
Lonoke	X					X	
LOPFI Staff							X
Louann						X	
Lowell	X		X		X	X	
Luxora	X					X	
Lynne						X	
Magazine						X	
Magnolia	X		X		X	X	
Malvern	X				X	X	
Mammoth Springs						X	
Manila	X		X			X	
Mansfield	X					X	
Marble						X	
Marianna	X			X		X	
Marion	X		X	X		X	

LOPFI Participating Group By Type
December 31, 2012 (Continued)

<u>Political Subdivision</u>	<u>POLICE</u>			<u>FIRE</u>			<u>OTHER</u>
	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	
Marked Tree	X					X	
Marmaduke	X					X	
Marshall	X					X	
Marvell	X		X			X	
Maumelle		X			X	X	
Mayflower	X			X		X	
Maynard						X	
McCroy	X					X	
McGehee	X		X		X	X	
McNeil						X	
McRae	X					X	
Melbourne						X	
Melrose						X	
Mena					X	X	
Midland						X	
Mineral Springs	X					X	
Monette	X					X	
Monticello					X	X	
Montrose	X					X	
Morning Star						X	
Morning Star FPA				X		X	
Moro						X	
Morrilton						X	
Morrow						X	
Mount Holly						X	
Mount Ida						X	
Mountain Home	X		X		X	X	
Mountain Pine	X						
Mountain View	X		X			X	
Mountainburg	X					X	
Mt Judea Area						X	
Mulberry	X					X	
Murfreesboro						X	
Nashville					X	X	
Natural Dam						X	
New Blaine Rural						X	
Newark						X	
Newport	X		X		X	X	
Nob Hill						X	
Norphlet			X			X	
North Crossett						X	
North Little Rock		X			X		
North Pulaski FPD						X	
Northeast Benton Co.						X	
Northeast Greene County Fire District						X	
Northeast Lakeside						X	
Northeast Saline County Fire Dept						X	
City of Northside						X	

LOPFI Participating Group By Type
December 31, 2012 (Continued)

<u>Political Subdivision</u>	<u>POLICE</u>			<u>FIRE</u>			<u>OTHER</u>
	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	
Northside Fire Dept						X	
Oak Grove						X	
Oil Trough						X	
Ola	X		X			X	
Oppello	X					X	
Osceola	X		X		X	X	
Ouachita Co FD #1						X	
Oxley						X	
Ozark	X		X	X		X	
Pangburn	X					X	
Paragould	X				X	X	
Paris						X	
Parkin						X	
Parks						X	
Parthenon						X	
Patterson	X					X	
Pea Ridge	X					X	
Peel						X	
Perla			X				
Perryville	X					X	
Philadelphia						X	
Piggott						X	
Pine Bluff		X	X		X		
Pine Ridge						X	
Pine Village						X	
Pineville						X	
Plainview						X	
Pleasant Plains	X						
Pleasant Plains						X	
Plumerville						X	
Pocahontas	X				X	X	
Ponca						X	
Portland						X	
Pottsville	X		X			X	
Prairie Grove	X		X	X		X	
Prescott						X	
Pulaski Co #5					X	X	
Pyatt Rural Fire & Def Assoc						X	
Ravenden	X					X	
Rector	X					X	
Redfield	X		X			X	
Richwood						X	
Rison	X					X	
Riverdale						X	
Rockport	X						
Rogers	X				X		
Rose Bud						X	
Round Mountain						X	
Rudd's Crossing						X	

LOPFI Participating Group By Type
December 31, 2012 (Continued)

<u>Political Subdivision</u>	<u>POLICE</u>			<u>FIRE</u>			<u>OTHER</u>
	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	<u>Paid With SS</u>	<u>Paid W/O SS</u>	<u>Volunteer Service</u>	
Russell						X	
Russellville	X				X		
Salem	X		X			X	
Salem-Saline Co						X	
Saratoga						X	
Sardis Fire Protection District						X	
Scott						X	
Scranton Rural						X	
Se Jefferson Co						X	
Searcy	X		X		X	X	
Sedgwick Fire Improvement District						X	
Shady Grove Fire & Rescue						X	
Shannon Hills	X		X				
Shannon Hills FD						X	
Shaw						X	
Sheridan						X	
Sherwood	X						
Siloam Springs	X				X	X	
Sixth District						X	
Smackover	X					X	
Smyrna						X	
Snowball						X	
South Carroll Co Fire Assoc						X	
South Greene County						X	
South Mountain						X	
Southbend						X	
Southside						X	
Sparkman			X			X	
Springdale	X				X		
St. Francis						X	
Stamps	X					X	
Star City	X		X			X	
Stephens						X	
Strawberry						X	
Strickler						X	
Strong						X	
Stuttgart	X				X	X	
Sulphur Springs						X	
Summit						X	
Sunnyland Rural						X	
Sunset Rural						X	
Swifton	X					X	
Taylor						X	
Texarkana		X			X		
Thornton						X	
Tillar						X	
Timbo						X	
Tinsman						X	
Tontitown				X		X	

**LOPFI Participating Group By Type
December 31, 2012 (Concluded)**

Political Subdivision	POLICE			FIRE			OTHER
	Paid With SS	Paid W/O SS	Volunteer Service	Paid With SS	Paid W/O SS	Volunteer Service	
Town Of Rondo						X	
Tracey Area FD 5						X	
Trumann	X				X	X	
Tuckerman	X					X	
Tull Fire & Rescue						X	
Turrell						X	
Tyronza	X		X			X	
Umpire						X	
Valley Springs						X	
Van Buren	X		X		X		
Vandervoort Rural						X	
Velvet Ridge Fire Protection District						X	
Vilonia	X					X	
Viola						X	
Wabbaseka						X	
Waldo			X			X	
Waldron	X					X	
Walnut Ridge	X		X		X	X	
Ward	X		X	X		X	
Warren					X	X	
Washington						X	
Water Valley						X	
Wedington						X	
Weiner	X					X	
Wescon						X	
Wesley						X	
West Fork	X		X			X	
West Memphis	X				X		
West Point						X	
West Pulaski						X	
Western Greene Co Fire						X	
Western Grove						X	
Wheatley	X		X			X	
Wheeler						X	
White Bluff-Rye Hill						X	
White Hall	X					X	
Whitehouse						X	
Wickes RVFD #2						X	
Williams Junction						X	
Wilmar						X	
Wilmot						X	
Wilson						X	
Wilton						X	
Woodlawn						X	
Wright-Pastoria						X	
Wynne	X				X	X	
Y-City						X	
Yellville						X	
Zinc						X	

SECTION C
VALUATION RESULTS

LOPFI
Average Computed Employer Contribution Rate
For Paid Service Members

Computed December 31, 2012
For Plan Year Beginning January 1, 2014

Contributions	% of Active Payroll #
Normal Cost of Benefits:	
Age and Service	13.60%
Casualty	2.34%
Refunds	0.67%
Total	<u>16.61%</u>
Unfunded Accrued Liabilities *	<u>9.16%</u>
Total Contribution Requirement	25.77%
Member Portion @	6.80%
Employer Portion before Application of 24-10-405(h)(1) 1% Limit	18.97%
Employer Portion after Application of 24-10-405(h)(1) 1% Limit	18.97%

Includes DROP participant payroll.

* Unfunded actuarial accrued liabilities are amortized over a 22.3-year period.

@ Weighted average, Social Security covered members contribute 2.50% of pay while members not covered by Social Security contribute 8.50% of pay.

LOPFI
Computed Employer Contributions
For Paid Service Members by Valuation Groups
December 31, 2012@

Group	Number of Active Members	Number of Valuation Groups with Indicated Computed Employer Contributions Expressed as Percents of Active Member Payroll									Totals
		Under 9.00%	9.00% -9.99%	10.00% -10.99%	11.00% -11.99%	12.00% -12.99%	13.00% -13.99%	14.00% -14.99%	15.00% -15.99%	16.00% & Above	
LOPFI Staff	8									1	1
Paid Police:											
W/SS	1,948	1	2	1	2	2	9	5	9	144	175
W/O SS	1,604	-	-	2	1	1	1	2	2	5	14
Paid Fire:											
W/SS	101	-	-	-	-	-	-	-	-	22	22
W/O SS	2,478	-	-	-	3	3	1	-	5	48	60
December 31, 2012 *#	6,139	1	2	3	6	6	11	7	16	220	272
December 31, 2011	6,016	3	3	6	6	12	6	17	19	203	275
December 31, 2010	5,949	7	6	6	13	6	17	18	27	174	274
December 31, 2009	5,907	8	8	8	5	11	20	17	33	159	269
December 31, 2008 *#	5,640	13	7	4	12	17	17	27	26	135	258
December 31, 2007	5,603	16	7	3	12	16	17	31	23	136	261
December 31, 2006	5,328	13	6	6	7	23	17	30	21	124	247
December 31, 2005	5,115	10	9	6	15	19	14	26	22	115	236
December 31, 2004 #	4,966	13	5	11	14	15	19	22	29	108	236
December 31, 2003 *	4,849	44	10	19	20	31	27	24	13	45	233
December 31, 2002 #	4,720	47	15	15	16	26	29	21	21	46	236
December 31, 2001	4,573	116	10	31	13	14	17	11	4	14	230
December 31, 2000 *#	4,493	81	19	19	15	26	11	14	12	31	228
December 31, 1999	4,301	57	22	37	32	29	14	11	5	8	215

* After changes in actuarial valuation assumptions.

After legislated benefit increases.

@ Rules established by Board policy to implement uniform paid service rule applied on and after December 31, 2011. All paid service employer rates increased by the maximum allowed under law.

LOPFI
Computed Employer Contribution Rate
For Volunteer Service Members

Computed December 31, 2012
For Plan Year Beginning January 1, 2014

Contributions	\$ Per Member Per Month
Normal Cost of Benefits:	
Age and Service	\$ 22.73
Casualty	1.63
Refunds	-
Total	<u>24.36</u>
Unfunded Accrued Liabilities *	<u>29.39</u>
Total Contribution Requirement	53.75
Member portion	-
Employer portion	\$ 53.75

* Unfunded actuarial accrued liabilities were amortized over a 26 year period.

LOPFI
Computed Employer Contributions
For Volunteer Service Members by Valuation Groups
December 31, 2012

Group	Number of Active Members	Number of Valuation Groups with Indicated Computed Employer Contributions Expressed as Dollars Per Month Per Active Member												Totals
		Under \$10	From \$10 to \$15	From \$15 to \$20	From \$20 to \$25	From \$25 to \$30	From \$30 to \$35	From \$35 to \$40	From \$40 to \$45	From \$45 to \$50	From \$50 to \$55	From \$55 to \$60	\$60 and Over	
Volunteer Police	224	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	69
Volunteer Fire	6,805	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	442
December 31, 2012 *	7,029	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	511
December 31, 2011	7,034	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	512
December 31, 2010	6,734	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	485
December 31, 2009	6,551	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	468
December 31, 2008 *	6,603	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	457
December 31, 2007	6,620	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	461
December 31, 2006	4,905	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	341
December 31, 2005	4,650	1	2	13	49	96	65	32	23	23	8	3	10	325
December 31, 2004	4,406	1	1	13	49	109	62	27	15	14	3	2	10	306
December 31, 2003 *	4,088	2	5	26	80	95	44	11	7	10	3	3	4	290
December 31, 2002 #	3,858	10	17	54	103	47	22	8	6	4	1	2	6	280
December 31, 2001 *	3,601	62	114	55	18	7	3	1	-	2	1	1	1	265
December 31, 2000 #	3,490	79	81	60	16	12	3	4	1	1	1	3	1	262
December 31, 1999	3,407	69	110	48	14	6	2	3	3	2	-	1	3	261

* After changes in actuarial valuation assumptions.

After legislated benefit increases.

LOPFI
Computed Employer Contributions
for Volunteer Service Members by Valuation Groups
December 31, 2012
(Continued)

Group	Number of Active Members	Number of Valuation Groups with Indicated Computed Employer Contributions Expressed as Dollars Per Month Per Active Member												Totals
		Under \$4	From \$4 to \$6	From \$6 to \$7	From \$7 to \$8	From \$8 to \$9	From \$9 to \$10	From \$10 to \$11	From \$11 to \$12	From \$12 to \$13	From \$13 to \$14	From \$14 to \$18	\$18 and Over	
December 31, 1998 *#	3,183	19	10	6	7	13	10	19	23	20	41	53	35	256
December 31, 1997	3,077	14	11	7	5	8	11	17	33	19	49	53	31	258
December 31, 1996 *#	2,905	10	11	4	10	11	18	20	32	30	36	46	24	252
December 31, 1995	2,693	28	12	17	26	27	36	20	26	18	11	13	12	246
December 31, 1994	2,462	15	13	14	30	42	31	26	22	16	14	14	10	247
December 31, 1993	2,375	13	14	20	47	33	24	35	14	14	12	7	8	241
December 31, 1992	2,172	8	9	15	37	38	38	29	21	16	10	11	4	236

* After changes in actuarial valuation assumptions.

After legislated benefit increases.

LOPFI
Reported Accrued Assets Available for Benefits
December 31, 2012

Group Type	No. #	Employer Accumulation Account	Members' Deposit Account	Retirement Reserve Account &	Totals @
LOPFI Staff	1	\$ 459,950	\$ 45,898	\$ -	\$ 505,848
Paid Police W/SS	175	86,138,270	7,428,696		93,566,966
Paid Police W/O SS	14	183,585,350	70,159,900	-	253,745,250
Paid Fire W/SS	22	5,760,921	1,262,779	-	7,023,700
Paid Fire W/O SS	<u>60</u>	<u>270,027,695</u>	<u>97,761,114</u>	-	<u>367,788,809</u>
Subtotal	271	545,512,236	176,612,489	-	722,124,725
Volunteer Police and Fire	511	23,080,534	-	-	23,080,534
Retirants and Beneficiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,308,212</u>	<u>312,308,212</u>
Totals	783	\$ 569,052,720	\$ 176,658,387	\$ 312,308,212	\$ 1,058,019,319

The Employer Accumulation Account represents employer contributions accumulated for the payment of annuities.

The Members' Deposit Account represents employee contributions for (1) monthly annuities upon future retirements and (2) refunds upon termination if a monthly annuity is not payable.

The Retirement Reserve Account represents employer and employee contributions accumulated for monthly annuities being paid to present retired lives.

Number of employers with active participants as of December 31, 2012. Totals include accounts for employers with no active participants as of December 31, 2012.

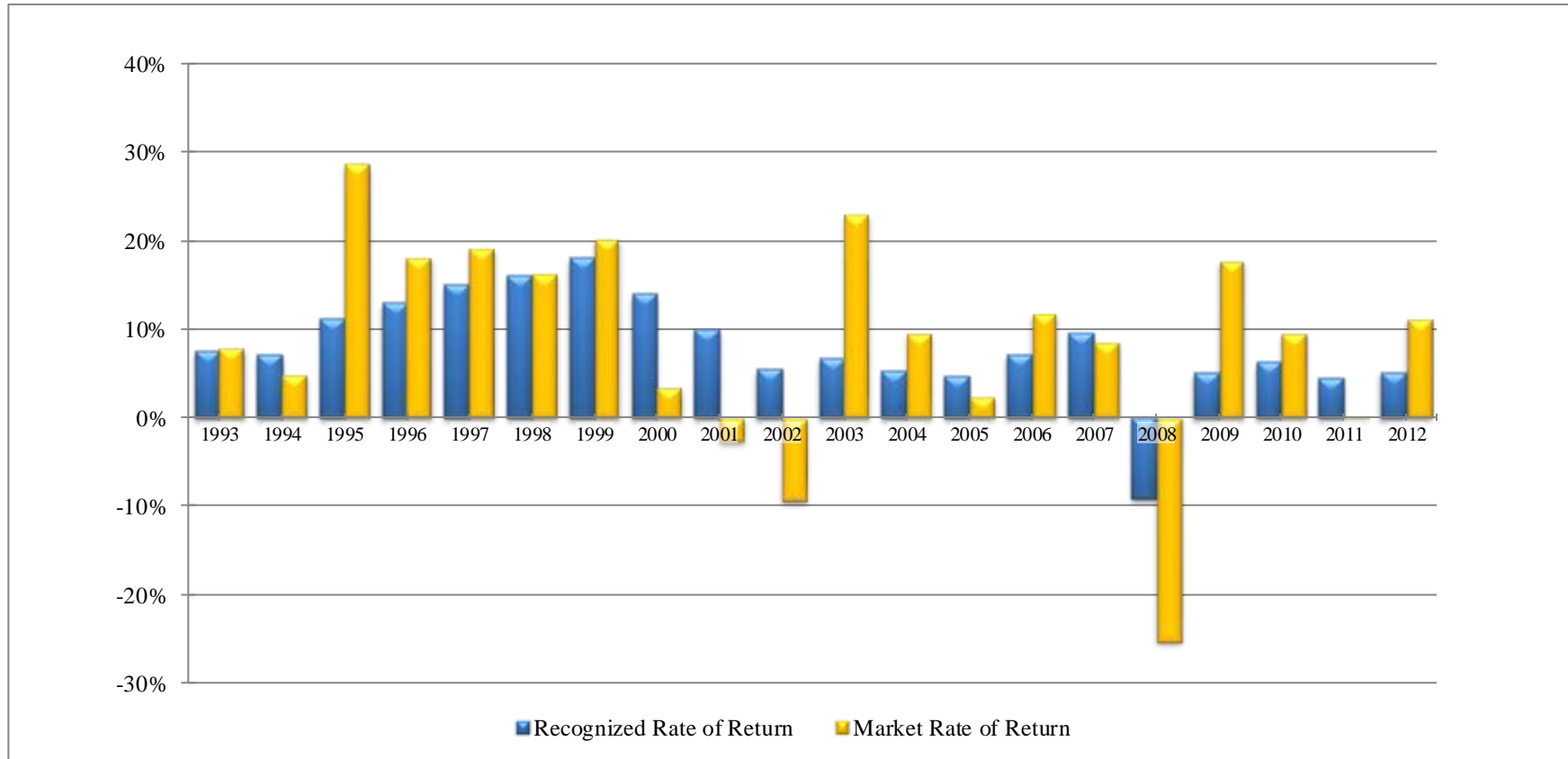
& Includes DROP Reserve Account.

@ Does not include assets of \$94,370,460 invested by LOPFI on behalf of Relief and Pension Funds under LOPFI administration.

LOPFI
Development of Funding Value of Retirement System Assets
(Including Assets of Pension and Relief Fund Plans Under LOPFI Administration)

Year Ended December 31:	2007	2008	2009	2010	2011	2012
A. Funding Value Beginning of Year	\$724,746,827	\$827,546,002	\$788,633,082	\$878,958,364	\$982,154,992	\$1,070,685,918
B. Market Value End of Year	833,278,709	657,194,235	827,769,490	955,781,853	1,001,672,848	1,158,753,904
C. Market Value Beginning of Year	736,511,192	833,278,709	657,194,235	827,769,490	955,781,853	1,001,672,848
D. Non-Investment Net Cash Flow	31,978,254	39,182,990	49,499,030	46,538,504	43,975,999	42,804,915
E. Investment Income						
E1. Market Total: B - C - D	64,789,263	(215,267,464)	121,076,225	81,473,859	1,914,996	114,276,141
E1(a). Assumed Rate of Return	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
E2. Amount for Immediate Recognition	59,258,876	67,771,000	65,070,608	72,178,209	80,331,439	87,367,070
E3. Amount for Phased-In Recognition E1-E2	5,530,387	(283,038,464)	56,005,617	9,295,650	(78,416,443)	26,909,071
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 x E3	1,106,077	(56,607,693)	11,201,123	1,859,130	(15,683,289)	5,381,814
F2. First Prior Year	4,573,141	1,106,077	(34,259,555)	11,201,123	1,859,130	(15,683,289)
F3. Second Prior Year	(6,865,141)	4,573,141	1,106,077	(34,259,555)	11,201,123	1,859,130
F4. Third Prior Year	1,319,258	(6,865,141)	4,573,141	1,106,077	(34,259,555)	11,201,123
F5. Fourth Prior Year	<u>11,428,710</u>	<u>1,319,258</u>	<u>(6,865,142)</u>	<u>4,573,140</u>	<u>1,106,079</u>	<u>(34,259,554)</u>
F6. Total Recognized Investment Gain	11,562,045	(56,474,358)	(24,244,356)	(15,520,085)	(35,776,512)	(31,500,776)
G. Funding Value End of Year: A + D + E2 + F6	827,546,002	878,025,634	878,958,364	982,154,992	1,070,685,918	1,169,357,127
120% Corridor		788,633,082	993,323,388	1,146,938,224	1,202,007,418	1,390,504,685
80% Corridor		525,755,388	662,215,592	764,625,482	801,338,278	927,003,123
Funding Value End of Year:		788,633,082	878,958,364	982,154,992	1,070,685,918	1,169,357,127
H. Difference between Market & Funding Value	5,732,707	(131,438,847)	(51,188,874)	(26,373,139)	(69,013,070)	(10,603,223)
I. Recognized Rate of Return	9.56%	(9.22)%	5.02%	6.28%	4.44%	5.12%
J. Market Rate of Return	8.61%	(25.24)%	17.75%	9.57%	0.20%	11.17%
K. Ratio of Funding Value to Market Value	99.31%	120.00%	106.18%	102.76%	106.89%	100.92%

LOPFI Comparison of Annual Market Rate to Funding Rate



LOPFI
Summary of Valuation Assets, Actuarial Accrued Liabilities and Average Contribution Rate
Excluding Pension and Relief Funds Under LOPFI Administration

Paid Participants

Valuation Date ^	Valuation Groups	Active Members	Actuarial Accrued Liabilities	Valuation Assets	Assets/ Liabilities*	Average Contribution Rate ¹	Average Contribution Rate ²	Amortization Period
12/31/1995	181	3,194	\$ 72,577,171	\$ 97,412,994	134 %	11.36 %		30
12/31/1996 #+	188	3,472	93,046,084	123,339,438	133	10.88		30
12/31/1997	202	3,715	111,523,686	153,499,754	138	10.55		30
12/31/1998 #+	208	3,998	147,606,801	189,595,998	128	11.35		30
12/31/1999	215	4,301	174,627,344	238,203,534	136	10.41		30
12/31/2000 +	228	4,493	218,238,282	292,881,609	134	11.51		30
12/31/2001 #	230	4,573	199,231,298	339,296,397	170	7.15		30
12/31/2002 +	236	4,720	291,184,122	367,122,230	126	10.38		30
12/31/2003 #	233	4,849	370,735,495	399,726,460	108	11.09		30
12/31/2004 +	236	4,966	470,078,530	429,104,830	91	14.82		30
12/31/2005	236	5,115	526,635,441	483,789,282	92	15.04		30
12/31/2006	247	5,328	603,842,363	555,752,156	92	15.11		30
12/31/2007	261	5,603	699,800,039	644,631,782	92	15.16	15.44 %	30
12/31/2008 #+	258	5,640	825,417,767	662,380,764	80	15.30	15.69	30
12/31/2009	269	5,907	946,423,135	622,560,540	66	17.25	18.79	30
12/31/2010	274	5,949	1,012,194,055	664,246,931	66	17.03	19.21	30
12/31/2011	275	6,016	1,077,498,958	698,331,958	65	18.01	19.63	30
12/31/2012	272	6,139	1,140,675,782	741,339,106	65	18.97	19.41	30
12/31/2012 #	272	6,139	1,144,683,034	741,339,106	65	18.97	18.97	22.4
12/31/2012 #+	272	6,139	1,144,065,505	741,339,106	65	18.97	18.97	22.3

* If this ratio approximates 100%, it indicates that financial activity is operating within an expected range of reasonableness.
After changes in actuarial valuation assumptions.
+ After legislated benefit increases and Board policy changes.
^ Rules established by Board policy to implement uniform paid service rule applied on and after December 31, 2011. All paid service employer rates increased by the maximum allowed under law.
1 With Section 24-10-405(h)(1) cap on rate increases as a result of plan experience.
2 Without Section 24-10-405(h)(1) cap on rate increases as a result of plan experience.

LOPFI
Summary of Valuation Assets, Actuarial Accrued Liabilities and Average Contribution Rate
Excluding Pension and Relief Funds Under LOPFI Administration (Continued)

Volunteer Participants

Valuation Date	Valuation Groups	Active Members	Actuarial Accrued Liabilities	Valuation Assets	Assets/Liabilities*	Average Contribution Rate &
12/31/1995	246	2,693	\$ 3,122,936	\$ 3,321,253	106 %	\$ 10.32
12/31/1996 #+	252	2,905	4,202,938	4,143,074	99	13.63
12/31/1997	258	3,077	5,079,848	5,049,479	99	14.36
12/31/1998 #+	256	3,183	6,339,040	6,172,383	97	14.71
12/31/1999	261	3,407	7,421,534	7,804,389	105	14.05
12/31/2000 +	262	3,490	8,554,865	9,638,082	113	14.76
12/31/2001 #	265	3,601	8,814,220	10,923,088	124	14.13
12/31/2002 +	280	3,858	14,587,662	11,956,886	82	24.02
12/31/2003 #	290	4,088	19,207,277	13,069,692	68	27.46
12/31/2004	306	4,406	22,136,019	13,673,013	62	30.72
12/31/2005	325	4,650	26,240,543	16,517,560	63	32.30
12/31/2006	341	4,905	30,139,607	18,430,385	61	33.91
12/31/2007	461	6,620	42,720,023	22,236,583	52	39.15
12/31/2008 #	457	6,603	47,019,246	17,508,921	37	46.14
12/31/2009	468	6,551	48,890,402	17,034,083	35	49.15
12/31/2010	485	6,734	52,068,716	19,655,706	38	49.62
12/31/2011	512	7,034	56,421,727	21,564,055	38	51.56
12/31/2012	511	7,029	60,375,370	23,703,257	39	53.37
12/31/2012 #	511	7,029	60,215,143	23,703,257	39	53.75

* *If this ratio approximates 100%, it indicates that financial activity is operating within an expected range of reasonableness.*

After changes in actuarial valuation assumptions.

+ *After legislated benefit increases and board policy changes.*

& *Beginning with the December 31, 2006 valuation, volunteer employers are not separately experience rated for employer contribution rate purposes.*

LOPFI
Summary of Valuation Assets, Actuarial Accrued Liabilities and Average Contribution Rate
Excluding Pension and Relief Funds Under LOPFI Administration (Continued)

Retirants and Beneficiaries

Valuation Date	Valuation Groups	Active Members	Actuarial Accrued Liabilities	Valuation Assets	Assets/ Liabilities*
12/31/1995	-	-	\$ 4,481,762	\$ 5,331,275	119 %
12/31/1996 +	-	-	5,828,171	6,714,604	115
12/31/1997	-	-	8,108,160	8,810,636	109
12/31/1998	-	-	10,027,020	10,962,655	109
12/31/1999	-	-	13,364,856	14,462,943	108
12/31/2000	-	-	16,360,731	16,943,763	104
12/31/2001 #	-	-	19,316,724	19,853,584	103
12/31/2002 +	-	-	28,897,704	27,629,725	96
12/31/2003 #	-	-	38,810,117	39,864,734	103
12/31/2004	-	-	48,878,672	48,455,552	99
12/31/2005	-	-	65,530,656	65,115,240	99
12/31/2006	-	-	79,179,485	80,827,514	102
12/31/2007	-	-	95,286,950	100,568,257	106
12/31/2008 #	-	-	122,445,893	122,445,893	100
12/31/2009	-	-	152,859,019	152,859,019	100
12/31/2010	-	-	189,166,801	189,166,801	100
12/31/2011	-	-	245,094,370	245,094,370	100
12/31/2012	-	-	300,498,018	308,554,826	103
12/31/2012 #	-	-	308,554,826	308,554,826	100

* If this ratio approximates 100%, it indicates that financial activity is operating within an expected range of reasonableness.

After changes in actuarial valuation assumptions.

+ After legislated benefit increases and board policy changes.

LOPFI
Summary of Valuation Assets, Actuarial Accrued Liabilities and Average Contribution Rate
Excluding Pension and Relief Funds Under LOPFI Administration (Concluded)

TOTAL PLAN

Valuation Date	Valuation Groups	Active Members	Actuarial Accrued Liabilities	Valuation Assets	Assets/ Liabilities*
12/31/1995	427	5,887	\$ 80,181,869	\$ 106,065,522	132 %
12/31/1996 #+	440	6,377	103,077,193	134,197,116	130
12/31/1997	460	6,792	124,711,694	167,359,869	134
12/31/1998 #+	464	7,181	163,972,861	206,731,036	126
12/31/1999	476	7,708	195,413,734	260,470,866	133
12/31/2000 +	490	7,983	243,153,878	319,463,454	131
12/31/2001 #	495	8,174	227,362,242	370,073,069	163
12/31/2002 +	516	8,578	334,669,488	406,708,841	122
12/31/2003 #	523	8,937	428,752,889	452,660,886	106
12/31/2004 +	542	9,372	541,093,221	491,233,395	91
12/31/2005	561	9,765	618,406,640	565,422,082	91
12/31/2006	588	10,233	713,161,455	655,010,055	92
12/31/2007	722	12,223	837,807,012	767,436,622	92
12/31/2008 #+	715	12,243	994,882,906	802,335,578	81
12/31/2009	737	12,458	1,148,172,556	792,453,642	69
12/31/2010	759	12,683	1,253,429,572	873,069,438	70
12/31/2011	787	13,050	1,379,015,055	964,990,383	70
12/31/2012	783	13,168	1,501,549,170	1,073,597,189	71
12/31/2012 #	783	13,168	1,513,453,003	1,073,597,189	71
12/31/2012 #+	783	13,168	1,512,835,474	1,073,597,189	71

* If this ratio approximates 100%, it indicates that financial activity is operating within an expected range of reasonableness.

After changes in actuarial valuation assumptions.

+ After legislated benefit increases.

Other Results Associated with the Determination of Employer Contribution Rates

Terminated Vested Results

The following table contains information regarding terminated vested member data used in the December 31, 2012 valuation. It includes projected benefits and the actuarial accrued liabilities associated with these benefits. The projected benefit reflects our best estimate of the ultimate benefit. The ultimate benefit will be based on the final average pay at termination increased for the total change (one half the change for paid service benefits) in the Consumer Price Index (CPI) for the period from 3 months immediately preceding the date of termination to the CPI for the period 3 months immediately preceding the benefit commencement date.

The December 31, 2012 valuation included 5,753 terminated vested members from 740 political subdivisions.

<u>Service Type</u>	<u>Number</u>	<u>Projected Benefits</u>	<u>Actuarial Accrued Liabilities</u>	<u>Average Age</u>
Paid	2,490	\$ 11,462,125	\$ 54,942,942	41.3
Volunteer	3,263	3,259,010	15,783,000	45.5
Total	5,753	14,721,135	70,725,942	43.7

Active Inactive Results

Active Inactive refers to members who have terminated service with an employer, but are currently active with a different employer in LOPFI. The following table contains information regarding the active inactive member data used in the December 31, 2012 valuation. It includes the actuarial accrued liabilities associated with the service accrued from the terminated employer.

The December 31, 2012 valuation included 3,060 active inactive members from 593 political subdivisions.

<u>Service Type</u>	<u>Number</u>	<u>Actuarial Accrued Liabilities</u>	<u>Average Age</u>
Paid	1,427	\$ 77,741,807	40.9
Volunteer	1,633	2,940,741	39.1
Total	3,060	80,682,548	39.9

**Other Results Associated with the
Determination of Employer Contribution Rates
(Concluded)**

Retired Results

The following table contains information regarding retired member data used in the December 31, 2012 valuation. When a member retires, a reserve transfer is made to the Retirement Reserve Account to fully fund the liabilities associated with the benefit recipient.

The December 31, 2012 valuation included 2,706 retired members from 645 political subdivisions.

<u>Service Type</u>	<u>Number</u>	<u>Annual Benefits</u>	<u>Actuarial Accrued Liabilities</u>	<u>Average Age At Valuation Date</u>	<u>Average Age At Retirement</u>
Paid	1,275	\$ 21,850,022	\$ 290,418,808	55.0	51.5
Volunteer	1,431	1,548,047	18,410,957	62.1	59.8
Total	2,706	23,398,069	308,829,765	58.8	55.9

**Derivation of Actuarial Gain (Loss)
Year Ended December 31, 2012
(LOPFI and Local Plans Combined)**

The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year-by-year comparative schedule.

(1)	UAAL at start of year	\$ 583,470,169
(2)	Employer normal cost from last valuation	34,917,118
(3)	Actual employer contributions	66,648,849
(4)	Interest accrual: (1) x .08 + [(2)-(3)] x (.08/2)	45,408,344
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	597,146,782
(6)	Change from benefit changes*	224,522
(7)	Change from revised actuarial assumptions	21,134,360
(8)	Expected UAAL after changes	618,505,664
(9)	Actual UAAL at end of year	636,458,514
(10)	Gain (Loss) (8) - (9)	(17,952,850)
(11)	Gain (Loss) as percent of actuarial accrued liabilities at start of year	\$1,654,156,087 (1.1)%

* Includes unfunded liability associated with Local Pension Funds added during year.

Valuation Date December 31	Actuarial Gain (Loss) as a Percentage of Beginning Accrued Liabilities
2002	(5.2) %
2003	(1.5)
2004	(5.3)
2005	(3.5)
2006	(0.2)
2007	0.4
2008	(12.8)
2009	(2.9)
2010	(0.7)
2011	(1.9)
2012	(1.1)

**Results for Local Plans under LOPFI Administration
Paid Service Plans as of December 31, 2012**

Political Subdivision	Actuarial Accrued Liability	Valuation Assets	Unfunded Actuarial Accrued Liability	2014 Total Employer Rate*
Bald Knob Paid Police	\$ -	\$ 5,004	\$ (5,004)	16.72%
Barling Paid Fire	292,601	254,117	38,484	23.19%
Bella Vista Paid Fire	4,803,889	1,990,530	2,813,359	33.61%
Benton Paid Police	3,267,061	1,668,112	1,598,949	28.66%
Blytheville Paid Police	3,381,288	2,385,567	995,721	18.35%
Brinkley Paid Police	630,053	591,518	38,535	12.79%
Cabot Paid Police	997,614	2,518,168	(1,520,554)	21.12%
Clarendon Paid Police	318,674	134,575	184,099	33.06%
Clinton Paid Fire	172,258	139,143	33,115	40.29%
Conway Paid Police	9,923,578	4,285,123	5,638,455	36.24%
Conway Paid Fire	9,652,797	3,481,085	6,171,712	31.04%
El Dorado Paid Police	4,861,101	(2,924,987)	7,786,088	37.41%
El Dorado Paid Fire	7,109,295	691,482	6,417,813	38.66%
Forrest City Paid Police	2,207,216	(231,247)	2,438,463	31.31%
Forrest City Paid Fire	3,031,106	2,331,652	699,454	30.13%
Fort Smith Paid Police	24,681,528	7,641,672	17,039,856	31.36%
Fort Smith Paid Fire	34,902,373	15,942,926	18,959,447	38.94%
Heber Springs Paid Police	1,727,780	1,411,849	315,931	26.15%
Helena - West Helena Paid Police	2,312,953	878,165	1,434,788	27.68%
Helena - West Helena Paid Fire	3,580,297	655,389	2,924,908	34.39%
Hot Springs Paid Police	23,149,983	10,774,523	12,375,460	35.42%
Hot Springs Paid Fire	17,999,989	503,741	17,496,248	48.22%
Hot Springs Village Paid Fire	608,853	107,293	501,560	26.31%
Hoxie Paid Fire	115,013	84,485	30,528	26.93%
Jonesboro Paid Police	11,872,252	11,040,675	831,577	20.12%
Jonesboro Paid Fire	14,189,338	811,088	13,378,250	36.49%
Lonoke Paid Police	50,473	(42,103)	92,576	18.68%
Lowell Paid Police	74,399	(145,326)	219,725	15.32%
Lowell Paid Fire	1,116,657	665,054	451,603	28.32%
Magnolia Paid Police	2,065,304	1,435,334	629,970	24.35%
Magnolia Paid Fire	2,428,227	1,917,223	511,004	27.91%
Malvern Paid Police	1,232,818	1,584,451	(351,633)	17.92%
Marianna Paid Police	752,776	463,031	289,745	26.20%
McCory Paid Police	64,908	(41,752)	106,660	20.69%
McGehee Paid Police	284,858	422,181	(137,323)	12.10%
Mountain Home Paid Fire	3,947,640	2,322,326	1,625,314	31.57%

* The Total Employer Rate is the rate charged on the combined LOPFI and Local Plan payroll.

**Results for Local Plans under LOPFI Administration
Paid Service Plans as of December 31, 2012
(Concluded)**

Political Subdivision	Actuarial Accrued Liability	Valuation Assets	Unfunded Actuarial Accrued Liability	2014 Total Employer Rate*
North Little Rock Paid Police	\$ 26,051,604	\$ 3,647,073	\$ 22,404,531	26.89%
North Little Rock Paid Fire	30,538,772	10,710,959	19,827,813	34.26%
Paragould Paid Police	2,662,692	764,401	1,898,291	27.12%
Paragould Paid Fire	1,848,102	1,214,082	634,020	20.32%
Pocahontas Paid Fire	1,023,764	645,547	378,217	38.42%
Searcy Paid Police	4,191,918	1,769,360	2,422,558	31.19%
Searcy Paid Fire	4,679,158	435,475	4,243,683	33.46%
Stuttgart Paid Police	2,099,242	2,002,184	97,058	17.59%
Stuttgart Paid Fire	4,346,048	1,771,309	2,574,739	47.35%
Trumann Paid Fire	466,922	296,938	169,984	22.99%
Van Buren Paid Fire	1,925,084	182,303	1,742,781	24.65%
Walunt Ridge Paid Fire	1,128,080	466,023	662,057	30.54%
Wynne Paid Fire	457,339	234,437	222,902	28.92%

** The Total Employer Rate is the rate charged on the combined LOPFI and Local Plan payroll.*

**Results for Local Plans under LOPFI Administration
Volunteer Service Plans as of December 31, 2012**

Political Subdivision	Actuarial Accrued Liability	Valuation Assets	Unfunded Actuarial Accrued Liability	2014 Total Employer Rate*
Alzheimer Volunteer Fire	\$ 65,569	\$ 25,568	\$ 40,001	\$ 104.05
Arkansas City Volunteer Fire	39,561	(31,355)	70,916	43.43
Atkins Volunteer Fire	213,228	241,603	(28,375)	5.40
Bald Knob Volunteer Fire	243,508	96,335	147,173	68.52
Barling Volunteer Fire	99,128	135,863	(36,735)	5.40
Bay Volunteer Fire	92,213	100,260	(8,047)	5.40
Bearden Volunteer Fire	111,327	120,570	(9,243)	5.40
Bella Vista Volunteer Fire	53,328	14,913	38,415	37.78
Belleville Volunteer Fire	74,786	130,263	(55,477)	5.40
Biscoe Volunteer Fire	103,628	9,376	94,252	98.08
Caddo Valley Volunteer Fire	143,097	125,082	18,015	18.20
Caldwell Volunteer Fire	55,741	94,962	(39,221)	5.40
Calico Rock Volunteer Fire	100,108	112,253	(12,145)	5.40
Calion Volunteer Fire	99,018	118,538	(19,520)	5.40
Cammack Village Volunteer Fire	31,581	64,792	(33,211)	-
Caraway Volunteer Fire	210,750	(153,416)	364,166	158.86
Carthage Volunteer Fire	117,564	86,460	31,104	37.33
Cash Volunteer Fire	12,236	9,510	2,726	10.44
Cave City Volunteer Fire	165,519	45,390	120,129	31.65
Chidester Volunteer Fire	63,607	47,909	15,698	16.56
Clinton Volunteer Fire	392,771	360,359	32,412	17.88
Coal Hill Volunteer Fire	90,285	18,916	71,369	37.79
Conway Volunteer Fire	31,956	11,699	20,257	176.51
Cooterneck Volunteer Fire	153,266	(18,365)	171,631	83.29
Cotter Volunteer Fire	40,988	40,368	620	5.81
Cotton Plant Volunteer Fire	110,346	76,637	33,709	40.01
Danville Volunteer Fire	120,060	62,560	57,500	19.53
Devalls Bluff Volunteer Fire	168,431	43,141	125,290	67.00
Diaz Volunteer Fire	126,364	57,758	68,606	86.34
Dover Volunteer Fire	114,692	54,964	59,728	44.68
Farmington Volunteer Fire	214,084	185,156	28,928	17.29
Fisher Volunteer Fire	46,448	13,240	33,208	20.47
Forrest City Volunteer Fire	5,480	3,453	2,027	7.92
Garland Volunteer Fire	54,557	53,175	1,382	7.35
Gosnell Volunteer Fire	57,776	8,960	48,816	16.92
Gould Volunteer Fire	43,010	61,044	(18,034)	5.40

* The Total Employer Rate is the rate charged on the combined LOPFI and Local Plan active member count.

**Results for Local Plans under LOPFI Administration
Volunteer Service Plans as of December 31, 2012
(Continued)**

Political Subdivision	Actuarial Accrued Liability	Valuation Assets	Unfunded Actuarial Accrued Liability	2014 Total Employer Rate*
Grover Township Volunteer Fire	\$ 87,184	\$ 54,767	\$ 32,417	\$ 24.52
Grubbs Volunteer Fire	44,553	30,071	14,482	13.76
Hampton Volunteer Fire	266,706	105,606	161,100	64.80
Hardin Volunteer Fire	100,595	69,933	30,662	55.81
Hardy Volunteer Fire	220,671	198,645	22,026	14.85
Harrisburg Volunteer Fire	83,758	189,366	(105,608)	5.40
Hartford Volunteer Fire	32,453	51,839	(19,386)	5.40
Helena - West Helena Volunteer Fire	145,690	17,675	128,015	99.81
Hermitage Volunteer Fire	110,550	(11,679)	122,229	108.42
Holiday Island Volunteer Fire	21,974	6,469	15,505	20.37
Holly Grove Volunteer Fire	54,558	57,410	(2,852)	5.40
Hot Springs Village Volunteer Fire	72,405	(3,351)	75,756	28.92
Hoxie Volunteer Fire	42,754	3,289	39,465	24.45
Humphrey Volunteer Fire	29,942	39,344	(9,402)	5.40
Imboden Volunteer Fire	262,909	66,043	196,866	77.99
Jasper Volunteer Fire	141,691	46,271	95,420	75.77
Joiner Volunteer Fire	85,597	46,956	38,641	26.69
Jonesboro Volunteer Fire	17,910	(108,072)	125,982	743.25
Lake City Volunteer Fire	137,540	96,719	40,821	16.87
Lavaca Volunteer Fire	101,531	60,416	41,115	25.68
Lockesburg Volunteer Fire	139,374	88,768	50,606	31.68
Lowell Volunteer Fire	34,830	60,021	(25,191)	5.40
Luxora Volunteer Fire	55,867	149,274	(93,407)	5.40
Magazine Volunteer Fire	149,554	4,810	144,744	76.56
Magnolia Volunteer Fire	159,735	127,975	31,760	36.15
Marked Tree Volunteer Fire	237,511	321,875	(84,364)	5.40
Marshall Volunteer Fire	343,959	(8,181)	352,140	153.79
Marvell Volunteer Fire	173,215	127,591	45,624	31.75
McNeil Volunteer Fire	67,943	85,473	(17,530)	5.40
McRae Volunteer Fire	61,955	8,404	53,551	34.56
Melbourne Volunteer Fire	139,043	(75,472)	214,515	79.84
Mineral Springs Volunteer Fire	53,180	69,949	(16,769)	5.40
Monette Volunteer Fire	178,876	9,012	169,864	72.21
Montrose Volunteer Fire	37,138	17,335	19,803	33.31
Moro Volunteer Fire	65,875	40,617	25,258	41.00

* The Total Employer Rate is the rate charged on the combined LOPFI and Local Plan active member count.

**Results for Local Plans under LOPFI Administration
Volunteer Service Plans as of December 31, 2012
(Continued)**

Political Subdivision	Actuarial Accrued Liability	Valuation Assets	Unfunded Actuarial Accrued Liability	2014 Total Employer Rate*
Mountain Home Volunteer Fire	\$ 106,696	\$ (64,925)	\$ 171,621	\$ 83.28
Mountain View Volunteer Fire	627,645	252,263	375,382	79.22
Murfreesboro Volunteer Fire	170,621	(164,983)	335,604	157.70
Norphlet Volunteer Fire	78,263	64,296	13,967	14.00
North Crossett Volunteer Fire	83,332	(44,174)	127,506	44.99
Paragould Volunteer Fire	38,581	(48,020)	86,601	260.86
Parkin Volunteer Fire	132,004	22,140	109,864	48.61
Perla Volunteer Fire	16,646	(14,391)	31,037	329.55
Perryville Volunteer Fire	115,322	103,000	12,322	14.08
Plainview Volunteer Fire	143,227	86,329	56,898	31.69
Plumerville Volunteer Fire	360,247	79,155	281,092	97.53
Pocahontas Volunteer Fire	123,959	60,922	63,037	41.98
Portland Volunteer Fire	154,898	182,150	(27,252)	5.40
Prescott Volunteer Fire	190,666	197,244	(6,578)	5.40
Rison Volunteer Fire	362,861	175,511	187,350	70.42
Russell Volunteer Fire	62,739	20,578	42,161	37.86
Searcy Volunteer Fire	91,712	(159,617)	251,329	746.77
Shannon Hills FD Volunteer Fire	81,199	16,898	64,301	27.71
Sheridan Volunteer Fire	172,362	171,404	958	5.69
Sparkman Volunteer Fire	226,954	177,895	49,059	32.12
St. Francis Volunteer Fire	46,481	1,405	45,076	58.59
Stephens Volunteer Fire	153,342	171,008	(17,666)	5.40
Strong Volunteer Fire	81,668	88,372	(6,704)	5.40
Stuttgart Volunteer Fire	88,686	30,104	58,582	166.78
Sulphur Springs Volunteer Fire	61,731	35,510	26,221	75.00
Swifton Volunteer Fire	153,405	69,488	83,917	51.01
Thornton Volunteer Fire	234,069	(19,551)	253,620	155.03
Tillar Volunteer Fire	51,310	57,780	(6,470)	5.40
Tracy Area Volunteer Fire	37,239	27,172	10,067	13.04
Trumann Volunteer Fire	61,813	65,050	(3,237)	5.40
Tuckerman Volunteer Fire	84,484	23,759	60,725	26.47
Turrell Volunteer Fire	22,492	(2,307)	24,799	250.04
Tyronza Volunteer Fire	225,869	13	225,856	75.53
Vilonia Volunteer Fire	180,856	136,170	44,686	20.09
Viola Volunteer Fire	145,927	(29,652)	175,579	70.14

* The Total Employer Rate is the rate charged on the combined LOPFI and Local Plan active member count.

**Results for Local Plans under LOPFI Administration
 Volunteer Service Plans as of December 31, 2012
 (Concluded)**

Political Subdivision	Actuarial Accrued Liability	Valuation Assets	Unfunded Actuarial Accrued Liability	2014 Total Employer Rate*
Wabbeska Volunteer Fire	\$ 74,852	\$ (17,276)	\$ 92,128	\$ 95.99
Waldo Volunteer Fire	55,158	11,384	43,774	27.53
Walnut Ridge Volunteer Fire	379,308	92,430	286,878	135.59
Washington Volunteer Fire	39,698	27,032	12,666	20.34
West Point Volunteer Fire	63,530	50,280	13,250	28.49
Wheatley Volunteer Fire	84,670	88,319	(3,649)	5.40
Wilmot Volunteer Fire	71,340	82,421	(11,081)	5.40
Wilson Volunteer Fire	139,605	112,992	26,613	25.89
Wynne Volunteer Fire	224,350	219,768	4,582	7.09

** The Total Employer Rate is the rate charged on the combined LOPFI and Local Plan active member count.*

LOPFI Level Dollar Contributions December 31, 2012

For Employers With Active Members in Other Departments

Department		Actuarial Accrued Liabilities	Funding Value Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	UAAL Amortization Level Dollar Contribution	
Name	Number				Years	\$ Contributions
City of Caddo Valley Paid Fire	268233	\$ 91,928	\$ 49,371	\$ 42,557	12	\$ 5,869
City of Flippin Paid Fire	630032	48,899	79,123	(30,224)	15	-
City of Gentry Paid Fire	704832	2,364	2,537	(173)	12	-
Town of Highfill Paid Fire	885032	24,277	47,049	(22,772)	14	-

For Employers With No Active Members

Department		Actuarial Accrued Liabilities	Funding Value Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	UAAL Amortization Level Dollar Contribution	
Name	Number				Years	\$ Contributions
City of Calion Paid Police	276322	\$ 10,786	\$ 13,035	\$ (2,249)	12	\$ -
City of Chidester Paid Police	338723	11,016	17,182	(6,166)	12	-
City of Cushman Paid Police	431622	24,935	23,016	1,919	12	265
City of Dyess Paid Police	526622	-	10,325	(10,325)	14	-
City of Friendship Paid Police	665322	43,971	29,279	14,692	12	2,026
City of Hartford Paid Police	843522	389,725	34,520	355,205	13	46,704
City of Hector Paid Police	865622	51,479	89,588	(38,109)	14	-
City of Huntington Paid Police	971722	28,539	21,457	7,082	15	860
City of Joiner Paid Police	1040522	40,260	54,437	(14,177)	15	-
City of Junction City Paid Police	1061822	81,425	134,787	(53,362)	12	-
City of Mount Ida Paid Police	1448622	52,260	82,412	(30,152)	12	-
City of Newark Paid Police	1497422	729	49,145	(48,416)	12	-
City of Parkin Paid Police	1626822	966	1,643	(677)	15	-
City of Perla Paid Police	1628422	49,779	34,085	15,694	12	2,164
City of Portland Paid Police	1671322	25,775	26,290	(515)	14	-
City of Strong Paid Police	1843022	130,445	(179,699)	310,144	28	29,166
City of Sulphur Springs Paid Police	1873222	191,043	114,589	76,454	13	10,053
City of Waldo Paid Police	1991722	35,223	76,664	(41,441)	13	-
City of Wilmot Paid Police	2100822	126,117	(195,855)	321,972	28	30,278
City of Yellville Paid Police	2139322	64,873	102,777	(37,904)	12	-

- (1) These results assume contributions begin January 1, 2014 and are applicable in periods where no active members are reported.
- (2) Departments currently with their reported assets exceeding their actuarial accrued liabilities could still be liable for contributions at a later date, depending upon future economic and demographic experience.
- (3) In addition, reports were provided for Cammack Village Volunteer Fire, Conway Volunteer Fire, Jonesboro Volunteer Fire and Perla Volunteer Fire. These are all combined plans with no active members.
- (4) These departments were identified for inclusion in this calculation, by LOPFI Staff.
- (5) New calculations are needed, as of December 31, 2013, for any of these departments that again are without active members.

Comments and Conclusion

Comment A: The December 31, 2012 actuarial valuations establish employer contribution rates for the fiscal year beginning in calendar year 2014. Contribution rates for 272 paid service valuation groups were computed. In addition, Local Relief and Pension Fund groups under LOPFI administration were included to develop combined employer contribution rates for affected employers. The computed uncapped rate before consideration of changes in actuarial assumptions and legislated benefit changes for LOPFI paid service employers is 19.41%; decreasing from 19.63% a year ago. The average contribution rate after consideration of these changes is 18.97% and is uncapped and based on a 22.3-year amortization period. This rate reflects the Board policy of increasing all individual location employer rates by 1% of pay until all or most employer rates can be merged into a single uniform paid service employer rate.

Comment B: Due to changes enacted in the 2007 Session of the Arkansas General Assembly, all volunteer service employers participating in LOPFI are charged a uniform rate for the calendar year. For calendar year 2014 that rate is \$53.75 per member per month. This rate was computed as \$51.56 in the prior valuation.

Comment C: Overall experience for the year ending December 31, 2012 was unfavorable. Experience losses totaled \$17,952,850 (see page C-15). The source of the loss was primarily the result of lower than assumed return on investments. Experience gains in other economic and demographic experience areas mitigated the investment losses somewhat. The market value rate of return for the year ended December 31, 2012 was 11.17% while the recognized rate of return was 5.12%. The ratio of funding value of assets to market value of assets is currently 100.9%. The scheduled recognition of past market investment losses may provide upward pressure on computed employer contribution rates in the future.

Comment D: Actuarial accrued liabilities, including both LOPFI and Local Pension and Relief Funds under LOPFI administration, totaled \$1,805,815,641 while valuation assets totaled \$1,169,357,127. Hence, actuarial accrued liabilities are 65% covered by valuation assets as of December 31, 2012. Excluding the Local Funds, accrued liabilities are 71% covered by valuation assets.

Comment E: The December 31, 2012 actuarial valuation reflects benefit provision changes and the adoption of new demographic assumptions. The impact of these changes on employer contribution rates, unfunded actuarial accrued liabilities, and funded ratios are shown on pages E-1 and C-9 to C-12.

Recommendation: We recommend that the Section 24-10-405(h)(1) limits be removed (or at least increased). This limit hinders the complete implementation of the single paid service employer rate and may, over the long run, impair the ability to maintain a sound retirement plan.

Conclusion: The Retirement System's financial objective is to meet long-term benefit obligations through contributions that remain approximately level from year-to-year as a percent of active member payroll. Continued receipt of these contributions is the best guarantee that the System will be able to pay all promised benefits when due.

SECTION D

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

**Summary of
FINANCIAL ASSUMPTIONS USED FOR LOPFI ACTUARIAL VALUATIONS
Assumptions Adopted by Board of Trustees After Consulting With Actuary**

The actuarial assumptions used in making the valuations are shown in this section of the report.

ECONOMIC ASSUMPTIONS -----

The investment return rate used in making the valuation was 8.0% per year, compounded annually (net after administrative expenses). This rate of return is not the assumed real rate of return. The real rate of return is defined to be the portion of investment return which is more than the wage inflation rate. With a 4.0% recognition of wage inflation, the 8.0% investment return rate translates to an assumed real rate of return of 4.0%.

Price inflation was assumed to be 3.0% a year. This assumption was utilized to increase the basic benefit factor for volunteer members.

Pay increase assumptions for individual active members are summarized in Schedule A-5. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4.0% recognizes wage inflation.

Total active member payroll is assumed to increase 4.0% a year, which is the portion of the individual pay increase assumptions attributable to wage inflation.

The number of active members is assumed to continue at the present number for LOPFI plans.

NON-ECONOMIC ASSUMPTIONS -----

The mortality table used to measure retired life mortality was the RP-2000 Combined Projected to 2017 Table, set forward two years for men. Related values are shown in Schedule A-1. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional 10 years. For death-in-service mortality, one hundred percent of the post-retirement mortality tables were used. Fifty percent of deaths-in-service were assumed to be duty related. These assumptions include a margin for future mortality improvements.

The probabilities of retirement for members eligible to retire are shown in Schedule A-3.

The probabilities of withdrawal from service and death-in-service are summarized in Schedule A-4, and the *probabilities of disability* are summarized in Schedule A-2.

An individual entry age actuarial cost method of valuation was used in determining age & service allowance normal costs and the allocation of actuarial present values between service rendered before and after the valuation date. The entry-age actuarial cost method has the following characteristics:

- (i) the annual normal costs for each individual active member, payable from the member's actual date of employment to the member's projected date of retirement are sufficient to accumulate the actuarial present value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is: (a) a constant percentage of the member's year by year projected covered pay for paid service plans, or (b) an increasing dollar amount for volunteer service plans.

Differences in the past between assumed experience and actual experience ("actuarial gains and losses") are inevitable and become part of accrued liabilities. In LOPFI, cumulative actuarial losses and gains are the same as unfunded (or overfunded) accrued liabilities.

Unfunded accrued liabilities are amortized to produce contribution amounts (principal and interest) which are (a) level percent of payroll contributions over a period of future years for paid service plans, or (b) increasing dollar amounts for volunteer service plans.

For Benefit Program 3 volunteer service plans the contribution rates from the December 31, 2002 valuation were developed based on a \$5.00 per month basic benefit factor. This factor is \$6.28 effective July 1, 2013 and is assumed to increase at the assumed rate of price inflation in future years. For Benefit Program 4 volunteer service plans the contribution rates from the December 31, 2012 valuation were developed based on a \$10.00 per month basic benefit factor. This factor is \$10.17 effective July 1, 2013 and is assumed to increase at the assumed rate of price inflation in future years.

OTHER TECHNICAL ASSUMPTIONS -----

Decrements are assumed to occur at the middle of the valuation year.

The probability of being married, for death-in-service benefits, is assumed to be 90%.

Members who are eligible to participate in the DROP are assumed to participate in the DROP program in such a manner that is the most advantageous to them.

Future service credit is always assumed to accrue at the rate of 1 year of credit every 12 calendar months. Lower service accrual rates (service breaks or less-than-full-time employment) or higher service accrual rates (addition of military credit or reinstatement of prior service) are reflected as they are reported. Any lower or higher accrual rates may result in small financial gains or losses when reported.

The form of benefit payment assumed in the valuation for paid service and volunteer service plans is the Five Year Certain and Life Option. For local plans under LOPFI administration, the assumed form of benefit payment is 100% joint and survivor for police plans and the Life Option for fire plans. For local fire plans under LOPFI administration who have adopted Act 397, the assumed form of benefit payment is 100% joint and survivor.

Employer contribution dollars were assumed to be ***paid in equal installments*** throughout the employer fiscal year.

Present assets (cash & investments) were used based on a smoothed market value.

The data about persons now covered and about present assets were furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic and demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

**Illustration of Computed Employer Contributions
22.3-Year Open Amortization Period**

**LOPFI Paid Service
(Based on Projected Future Payroll)**

Year Ended December 31,	Active Payroll	Normal Cost	Payment for Amortization of UAL	Computed Employer Rate	Annual Employer Dollar Contribution
2012	\$ 100,000	9.81%	9.16%	18.97%	\$ 18,970
2013	104,000	9.81%	8.89%	18.70%	19,451
2014	108,160	9.81%	8.63%	18.44%	19,949
2015	112,486	9.81%	8.38%	18.19%	20,464
2016	116,986	9.81%	8.14%	17.95%	20,996
2017	121,665	9.81%	7.90%	17.71%	21,548
2018	126,532	9.81%	7.67%	17.48%	22,118
2019	131,593	9.81%	7.45%	17.26%	22,709
2020	136,857	9.81%	7.23%	17.04%	23,321
2021	142,331	9.81%	7.02%	16.83%	23,954
2022	148,024	9.81%	6.81%	16.62%	24,609
2023	153,945	9.81%	6.62%	16.43%	25,288
2024	160,103	9.81%	6.42%	16.23%	25,991
2025	166,507	9.81%	6.24%	16.05%	26,719
2026	173,168	9.81%	6.05%	15.86%	27,473
2027	180,094	9.81%	5.88%	15.69%	28,254
2028	187,298	9.81%	5.71%	15.52%	29,063
2029	194,790	9.81%	5.54%	15.35%	29,902
2030	202,582	9.81%	5.38%	15.19%	30,771
2031	210,685	9.81%	5.22%	15.03%	31,671
2032	219,112	9.81%	5.07%	14.88%	32,605
2033	227,877	9.81%	4.92%	14.73%	33,572
2034	236,992	9.81%	4.78%	14.59%	34,575
2035	246,472	9.81%	4.64%	14.45%	35,615
2036	256,330	9.81%	4.50%	14.31%	36,693
2037	266,584	9.81%	4.37%	14.18%	37,811
2038	277,247	9.81%	4.25%	14.06%	38,970
2039	288,337	9.81%	4.12%	13.93%	40,172
2040	299,870	9.81%	4.00%	13.81%	41,419

This illustration is not intended to exactly predict future employer contributions but instead is intended to illustrate the general trend of future contributions based upon current benefit structure and assumed future economic and demographic activity. It is unlikely that future contributions will match exactly for any given year those rates shown above.

**Illustration of Computed Employer Contributions
26-Year Closed Amortization Period**

**LOPFI Benefit Program 3 Volunteer Service
(Based on Projected Benefit Factors)**

Year Ended December 31,	Basic Benefit Factor@	Active Members	Normal Cost	Payment for Amortization of UAL	Computed Employer Rate	Annual Employer Dollar Contribution
2012	\$ 6.28	10	\$ 24.36	\$ 29.39	\$ 53.75	\$ 6,450
2013	6.47	10	25.09	30.27	55.36	6,643
2014	6.66	10	25.84	31.18	57.02	6,842
2015	6.86	10	26.62	32.12	58.74	7,049
2016	7.07	10	27.42	33.08	60.50	7,260
2017	7.28	10	28.24	34.07	62.31	7,477
2018	7.50	10	29.09	35.09	64.18	7,702
2019	7.73	10	29.96	36.14	66.10	7,932
2020	7.96	10	30.86	37.22	68.08	8,170
2021	8.20	10	31.79	38.34	70.13	8,416
2022	8.45	10	32.74	39.49	72.23	8,668
2023	8.70	10	33.72	40.67	74.39	8,927
2024	8.96	10	34.73	41.89	76.62	9,194
2025	9.23	10	35.77	43.15	78.92	9,470
2026	9.51	10	36.84	44.44	81.28	9,754
2027	9.80	10	37.95	45.77	83.72	10,046
2028	10.09	10	39.09	47.14	86.23	10,348
2029	10.39	10	40.26	48.55	88.81	10,657
2030	10.70	10	41.47	50.01	91.48	10,978
2031	11.02	10	42.71	51.51	94.22	11,306
2032	11.35	10	43.99	53.06	97.05	11,646
2033	11.69	10	45.31	54.65	99.96	11,995
2034	12.04	10	46.67	56.29	102.96	12,355
2035	12.40	10	48.07	57.98	106.05	12,726
2036	12.77	10	49.51	59.72	109.23	13,108
2037	13.15	10	51.00	61.51	112.51	13,501
2038	13.54	10	52.53	0.00	52.53	6,304
2039	13.95	10	54.11	0.00	54.11	6,493
2040	14.37	10	55.73	0.00	55.73	6,688

@ Basic benefit factor - \$5.00 per month for each year of service beginning July 1, 2003. Increased by price inflation on July 1, 2004 and every July 1 thereafter. This factor is \$6.28 effective July 1, 2013. For purposes for this illustration, the factor was assumed to increase by 3% a year, compounded.

This illustration is not intended to exactly predict future employer contributions but instead is intended to illustrate the general trend of future contributions based upon current benefit structure and assumed future economic and demographic activity. It is unlikely that future contributions will match exactly for any given year those rates shown above.

Schedule A-1
Single Life Retirement Values
Based on the RP-2000 Combined Projected to 2017 Table
and 8.0% Interest
(first used for December 31, 2012 valuations)

Sample Attained Ages	Value at Retirement: \$1.00 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women
45	\$140.76	\$144.71	35.48	40.05
50	135.22	140.50	30.80	35.29
55	127.96	134.83	26.25	30.61
60	118.85	127.35	21.90	26.04
65	107.86	117.98	17.83	21.70
70	94.81	106.88	14.07	17.68
75	80.17	94.15	10.72	14.02
80	64.67	79.99	7.83	10.76

Sample Attained Ages	Benefit Increasing 3% Yearly	Portion of Age 55 Lives Still Alive	Sample Attained Ages
55	\$100	100 %	55
60	116	97	60
65	134	92	65
70	156	84	70
75	181	73	75
80	209	56	80

**Schedule A-2
Probabilities of Disability Retirement**

**PAID SERVICE MEMBERS
(First used for December 31, 2012 Valuations)**

Sample Ages	Percent Becoming Disabled within Next Year	
	Non-Duty	Duty
20	0.07 %	0.09 %
25	0.07	0.09
30	0.10	0.11
35	0.13	0.16
40	0.20	0.24
45	0.31	0.37
50	0.52	0.63
55	0.91	1.09
60	1.36	1.63

**VOLUNTEER SERVICE MEMBERS
(First used for December 31, 2003 Valuations)**

Sample Ages	Percent Becoming Disabled within Next Year	
	Non-Duty	Duty
20	0.07 %	0.00 %
25	0.07	0.00
30	0.07	0.00
35	0.07	0.00
40	0.18	0.01
45	0.23	0.01
50	0.43	0.02
55	0.79	0.04
60	1.24	0.06

Schedule A-3
Probabilities of Retirement for Members Eligible to Retire
(First used for December 31, 2012 Valuations)

PAID SERVICE MEMBERS

Retirement Ages	Percents of Active Members Retiring within Next Year		Years of Service	Percents of Active Members Retiring within Next Year
	Early	Normal		
45-49	3 %			
50-54	3			
55		20 %	28	25 %
56		20	29	15
57		20	30	15
58		20	31	20
59		20	32	35
60		20	33	40
61		20	34	100
62		25		
63		25		
64		25		
65		50		
66		60		
67		70		
68		80		
69		90		
70+		100		

A member was assumed eligible for retirement after attaining age 55 with 20 years of service or age 60 with 5 years of service or any age with 28 or more years of service. A member was assumed to retire with 100% probability at 34 or more years of service credit.

A member was assumed eligible for a reduced benefit after attaining age 50 with 20 or more years of service or any age with 25 or more years of paid service credit.

The probabilities of retirement shown above represent ultimate termination of employment (whether or not the member participates in the DROP).

Schedule A-3
Probabilities of Retirement for Members Eligible to Retire (Concluded)
(First used for December 31, 2012 Valuations)

VOLUNTEER SERVICE MEMBERS

Retirement Ages	Percents of Active Members Retiring within Next Year	
	Early	Normal
Under 50		20 %
50-54	2 %	20
55-59		15
60-64		15
65-69		20
70-74		30
75+		100

A member was assumed to be eligible for retirement after 28 years of service, attaining age 55 with 20 years of service, or age 60 with 5 years of service.

A member was assumed eligible for a reduced benefit after attaining age 50 with 20 or more years of service.

Schedule A-4
Rates of Separation (excluding deaths and disability)
From Active Employment Before Retirement
(First used for December 31, 2012 Valuations)

PAID SERVICE MEMBERS

Sample Ages	Years of Service	% of Active Members Separating within Next Year
ALL	0	18.00 %
	1	16.00
	2	13.00
	3	11.00
	4	10.00
25	5 & Over	8.56
30		7.20
35		5.52
40		4.40
45		3.52
50		2.80
55		0.80
60		0.00

VOLUNTEER SERVICE MEMBERS

Sample Ages	Years of Service	% of Active Members Separating within Next Year
ALL	0	23.00 %
	1	21.00
	2	19.00
	3	17.00
	4	15.00
25	5 & Over	8.50
30		8.50
35		8.50
40		8.50
45		8.50
50		8.50
55		8.50
60		8.50

Schedule A-5
Pay Increase Assumptions
For an Individual Paid Service Member
(First used for December 31, 2012 Valuations)

Pay Increase Assumptions			
For an Individual Member			
Sample	Merit and	Base	Increase
Ages	Seniority	(Economic)	Next Year
1	15.0%	4.0%	19.0%
2	9.0%	4.0%	13.0%
3	4.0%	4.0%	8.0%
4	3.0%	4.0%	7.0%
5	2.0%	4.0%	6.0%
6	1.5%	4.0%	5.5%
7	1.5%	4.0%	5.5%
8	1.5%	4.0%	5.5%
9	1.0%	4.0%	5.0%
10	1.0%	4.0%	5.0%
11	0.5%	4.0%	4.5%
12	0.5%	4.0%	4.5%
13	0.5%	4.0%	4.5%
14	0.5%	4.0%	4.5%
15	0.5%	4.0%	4.5%
16	0.5%	4.0%	4.5%
17	0.5%	4.0%	4.5%
18	0.5%	4.0%	4.5%
19	0.5%	4.0%	4.5%
20+	0.5%	4.0%	4.5%

Investment Return and Inflation: Past and Future

Inflation Distortions

Inflation's impact on investment return is not uniform from year to year. A common expectation for Real Investment Return (the portion of Total Return remaining after Price Inflation) is in the area of 3% to 4% annually.

Over the last 30 years, Real Return exceeded that range on average. However, for parts of the period it was actually negative. It is very difficult to maintain a long-term portfolio allocation during periods of negative real return.

Annual Investment Return (including Income) expressed as REAL RETURN (Remainder after Price Inflation)

No. Years Ended December	Inflation (CPI)	Cash Equiv. (T Bills)	Bonds (Long Term)		Stocks (S & P 500)	Real Return for Sample Fund		
			US Treasury	Corporate (Sol. Bro.)		A	B	C
1/2008	0.1	1.5	25.8	8.7	(37.1)	(0.6)	(11.5)	(20.1)
1/2009	2.7	(2.5)	(17.1)	0.3	23.2	1.7	8.0	13.1
1/2010	1.5	(1.4)	8.5	10.7	13.4	9.7	10.4	11.0
1/2011	3.0	(2.9)	24.5	14.6	(0.9)	11.2	7.1	3.8
1/2012	1.7	(1.6)	1.6	8.8	14.1	7.2	8.9	10.4
5/1980	9.2	(1.3)	(6.9)	(6.2)	4.3	(2.6)	(0.4)	1.3
5/1985	4.8	5.2	11.5	12.3	9.4	10.7	10.2	9.8
5/1990	4.1	2.6	6.4	6.1	8.6	6.7	7.2	7.6
5/1995	2.8	1.5	10.0	9.1	13.4	10.0	10.8	11.3
5/2000	2.5	2.6	4.9	3.2	15.4	7.7	10.0	11.7
5/2005	2.5	(0.4)	5.1	6.6	(2.0)	3.4	2.0	0.7
5/2010	2.2	0.0	3.3	3.6	0.1	3.1	2.6	2.0
5/2011	2.3	(1.0)	8.2	6.4	(2.5)	4.6	2.7	1.1
5/2012	1.8	(1.4)	7.4	8.5	(0.1)	5.7	4.2	2.8
30/2012	2.9	1.4	6.8	6.7	7.7	6.9	7.2	7.3

Sample Funds (only three of many reasonable samples)

	A	B	C
Cash: T-Bills	10 %	10 %	10 %
Bonds: US	30	20	10
Bonds: Corp	30	20	15
Stock	30	50	65

For many pension plans, Benefit Increases after Retirement have fallen short of keeping up with inflation. The retired life group has been hurt more than the active life group. The investment return necessary for the indexing of benefits after retirement probably cannot be realized during a period of high inflation.

Changes in Economic Assumptions within an Economic Environment of Inflation

There is powerful motivation to increase the assumed Investment Return used in actuarial calculations, with or without a related increase in Employee Pay Base, because such an assumption change decreases computed contributions. A contribution rate decrease (i) offers relief for employer budget problems and/or (ii) offers a "no cost" way to provide benefit increases.

The wisdom of Investment Return assumed for the future can be determined only by future events. Will the investment record of the next 30 years be the same as the last 30 Years? Will it be like the 5-year period ended in 1980? Better? Worse? What will happen when "Baby Boomers" swell the retired population?



SECTION E

GOVERNMENTAL ACCOUNTING STANDARD BOARD DISCLOSURES

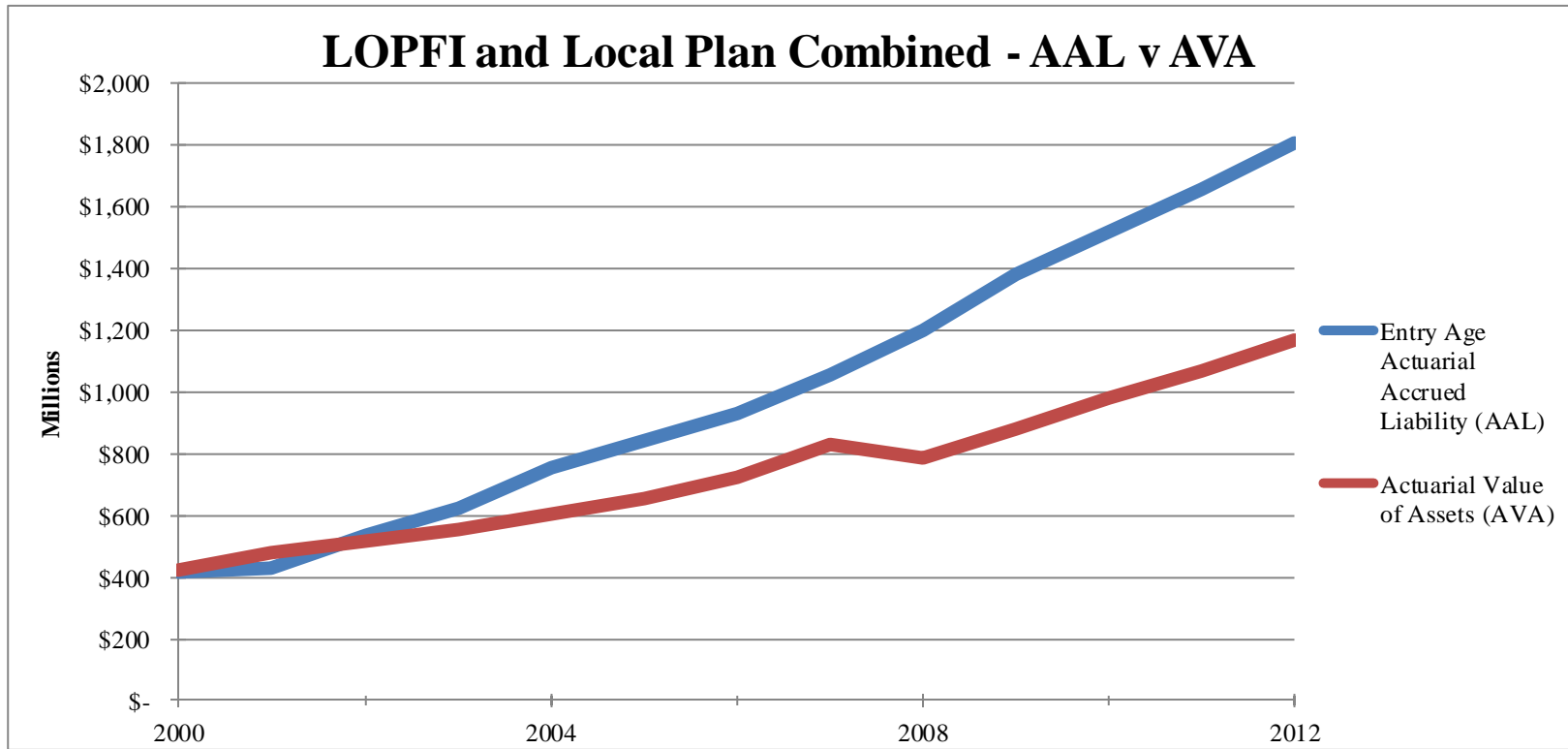
This information is presented in draft form for review by the System's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the System's financial statements.

LOPFI and Local Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c) = (b) - (a)	Funded Ratio (d) = (a)/(b)	Annual Valuation Payroll (e)	UAAL as a Percentage of Valuation Payroll (f) = (c)/(e)
12/31/2000 *	\$ 425,122,202	\$ 416,222,207	\$ (8,899,995)	102%	\$ 142,778,723	-
12/31/2001 +	\$ 481,431,953	\$ 428,840,581	\$ (52,591,372)	112%	\$ 152,883,342	-
12/31/2002 *	\$ 515,600,263	\$ 534,533,175	\$ 18,932,912	96%	\$ 163,420,616	12%
12/31/2003 +	\$ 553,057,228	\$ 625,021,624	\$ 71,964,396	88%	\$ 178,850,477	40%
12/31/2004 *	\$ 601,798,909	\$ 754,004,285	\$ 152,205,376	80%	\$ 193,670,943	79%
12/31/2005	\$ 653,546,976	\$ 842,926,984	\$ 189,380,008	78%	\$ 207,890,440	91%
12/31/2006	\$ 724,746,827	\$ 927,816,659	\$ 203,069,832	78%	\$ 222,107,556	91%
12/31/2007	\$ 827,546,002	\$ 1,054,599,720	\$ 227,053,718	78%	\$ 235,337,218	96%
12/31/2008 *+	\$ 788,633,082	\$ 1,200,515,663	\$ 411,882,581	66%	\$ 245,775,341	168%
12/31/2009	\$ 878,958,364	\$ 1,379,093,412	\$ 500,135,048	64%	\$ 265,123,993	189%
12/31/2010	\$ 982,154,992	\$ 1,519,527,855	\$ 537,372,863	65%	\$ 268,424,127	200%
12/31/2011	\$ 1,070,685,918	\$ 1,654,156,087	\$ 583,470,169	65%	\$ 275,850,081	212%
12/31/2012	\$ 1,169,357,127	\$ 1,785,298,810	\$ 615,941,683	65%	\$ 284,595,308	216%
12/31/2012 +	\$ 1,169,357,127	\$ 1,806,433,170	\$ 637,076,043	65%	\$ 284,595,308	224%
12/31/2012 *+	\$ 1,169,357,127	\$ 1,805,815,641	\$ 636,458,514	65%	\$ 284,595,308	224%

+ After changes in actuarial valuation assumptions.
* After legislated benefit increases and Board policy changes.

LOPFI and Local Plan Combined - AAL v AVA



LOPFI and Local Plan
Schedule of Employer Contributions

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
12/31/1995	\$ 11,795,077	100%
12/31/1996	\$ 14,650,814	100%
12/31/1997	\$ 16,402,732	100%
12/31/1998	\$ 18,221,992	100%
12/31/1999	\$ 19,522,826	100%
12/31/2000	\$ 22,321,326	100%
12/31/2001	\$ 22,420,300	100%
12/31/2002	\$ 18,261,057	100%
12/31/2003	\$ 18,712,140	100%
12/31/2004	\$ 26,925,018	100%
12/31/2005	\$ 30,184,341	100%
12/31/2006	\$ 39,758,875	100%
12/31/2007	\$ 43,362,966	100%
12/31/2008	\$ 49,518,628	100%
12/31/2009	\$ 53,051,887	100%
12/31/2010	\$ 58,654,842	100%
12/31/2011	\$ 61,818,119	100%
12/31/2012	\$ 66,648,849	100%

Short Condition Test Comparative Statement

LOPFI Plan

LOPFI Paid Service

Valuation Date	Actuarial Accrued Liabilities for				Portion of		
	Member Contributions	Current	Active and Inactive	Actuarial Value of Assets	Present Values Covered by Assets		
		Retirees and Beneficiaries	Members, Employer Financed Portion		(1)	(2)	(3)
December 31	(1)	(2)	(3)				
1999	\$ 33,169,622	\$ 12,909,768	\$ 141,457,722	\$ 247,098,752	100 %	100 %	142 %
2000	38,648,453	17,159,916	179,589,829	309,386,866	100	100	141
2001	42,169,151	18,706,212	157,062,147	358,552,550	100	100	190
2002 *	52,884,501	28,132,104	238,299,621	394,018,928	100	100	131
2003 +	60,644,400	37,589,290	310,091,095	438,411,941	100	100	110
2004 *	67,066,543	46,771,629	403,011,987	475,622,588	100	100	90
2005 *	78,117,772	62,901,548	448,517,669	546,315,508	100	100	90
2006	87,986,534	76,104,654	515,855,829	633,759,848	100	100	91
2007	95,667,812	90,980,880	675,497,118	740,968,085	100	100	92
2008 +*	107,486,154	116,390,986	717,931,676	778,148,309	100	100	77
2009	126,212,081	142,789,842	820,211,054	765,350,382	100	100	61
2010	142,979,396	176,648,898	869,214,659	840,895,829	100	100	60
2011	159,770,407	229,845,487	917,728,551	928,182,921	100	100	59
2012	176,658,387	282,746,539	964,017,395	1,031,482,975	100	100	59
2012 +	176,658,387	290,143,869	968,024,647	1,031,482,975	100	100	58
2012 +*	176,658,387	290,143,869	967,407,118	1,031,482,975	100	100	58

LOPFI Volunteer Service

Valuation Date	Actuarial Accrued Liabilities for				Portion of		
	Member Contributions	Current	Active and Inactive	Actuarial Value of Assets	Present Values Covered by Assets		
		Retirees and Beneficiaries	Members, Employer Financed Portion		(1)	(2)	(3)
December 31	(1)	(2)	(3)				
1999	\$ -	\$ 455,088	\$ 7,421,534	\$ 8,232,117	- %	100 %	105 %
2000	-	495,360	8,554,865	10,076,713	-	100	112
2001	-	610,512	8,814,220	11,520,519	-	100	124
2002 *	-	765,612	12,138,097	12,689,913	-	100	98
2003 +	-	1,220,827	19,207,277	14,248,945	-	100	68
2004	-	2,107,043	22,136,019	15,610,807	-	100	61
2005	-	2,629,108	26,240,543	19,106,574	-	100	63
2006	-	3,074,831	30,139,607	21,250,207	-	100	60
2007	-	4,306,070	42,720,023	26,468,537	-	100	52
2008 +	-	6,054,907	47,019,246	24,187,269	-	100	39
2009	-	10,069,177	48,890,402	27,103,260	-	100	35
2010	-	12,517,903	52,068,716	32,173,609	-	100	38
2011	-	15,248,883	56,421,727	36,807,462	-	100	38
2012	-	17,751,479	60,375,370	42,114,214	-	100	40
2012 +	-	18,410,957	60,215,143	42,114,214	-	100	39

+ After changes in actuarial valuation assumptions.

* After legislated benefit increases and Board policy changes.

Short Condition Test Comparative Statement

Closed Plan

Local Paid Service

Valuation Date	Actuarial Accrued Liabilities for				Actuarial Value of Assets	Portion of Present Values Covered by Assets			
	Member Contributions	Retirees and Beneficiaries	Active and Inactive Members, Employer Financed Portion						
							(1)	(2)	(3)
December 31	(1)	(2)	(3)		(1)	(2)	(3)		
1999	\$ 4,615,167	\$108,288,576	\$ 53,678,292	\$ 105,586,494	100 %	93 %	0 %		
2000	4,163,798	126,783,114	54,516,455	105,186,843	100	80	0		
2001	4,682,058	125,820,973	54,734,475	110,983,891	100	84	0		
2002 *	5,184,816	135,985,913	59,683,011	108,424,415	100	76	0		
2003 +	5,239,318	176,372,120	12,200,655	99,627,902	100	54	0		
2004	5,618,009	166,420,994	36,722,211	107,970,936	100	62	0		
2005	5,785,163	188,485,578	24,147,182	85,936,612	100	43	0		
2006	5,894,420	194,874,926	6,274,855	67,629,449	100	32	0		
2007	6,087,324	201,530,961	927,380	58,271,540	100	26	0		
2008 +	4,586,196	189,690,459	725,693	(14,784,011)	0	0	0		
2009	3,163,233	185,486,259	29,522,904	80,902,787	100	42	0		
2010	2,849,033	215,795,003	34,266,295	102,556,180	100	46	0		
2011	2,450,310	226,494,886	32,836,591	99,201,212	100	43	0		
2012	2,123,678	238,390,117	30,171,864	88,851,483	100	36	0		
2012 +	2,123,678	248,990,760	28,111,237	88,851,483	100	35	0		

Local Volunteer Service

Valuation Date	Actuarial Accrued Liabilities for				Actuarial Value of Assets	Portion of Present Values Covered by Assets			
	Member Contributions	Retirees and Beneficiaries	Active and Inactive Members, Employer Financed Portion						
							(1)	(2)	(3)
December 31	(1)	(2)	(3)		(1)	(2)	(3)		
1999	\$ 1,492	\$ 1,053,780	\$ 201,268	\$ 196,095	100 %	18 %	0 %		
2000	1,162	1,182,504	392,143	471,780	100	40	0		
2001	834	1,185,540	390,975	374,993	100	32	0		
2002 *	-	1,299,876	159,624	467,007	100	36	0		
2003 +	998	2,097,817	357,827	768,440	100	37	0		
2004	345	3,743,244	406,261	2,594,578	100	69	0		
2005	1,966	5,951,007	149,448	2,188,282	100	37	0		
2006	2,739	7,312,004	296,260	2,107,323	100	29	0		
2007	2,194	8,036,483	208,366	1,837,840	100	23	0		
2008 +	2,279	10,495,474	132,593	1,081,515	100	10	0		
2009	3,065	12,395,214	350,181	5,601,935	100	45	0		
2010	12,433	12,964,889	210,630	6,529,374	100	50	0		
2011	16,968	13,046,463	295,814	6,494,323	100	50	0		
2012	17,401	12,751,112	295,468	6,908,455	100	54	0		
2012 +	17,401	13,196,487	540,604	6,908,455	100	52	0		

+ After changes in actuarial valuation assumptions.

* After legislated benefit increases and Board policy changes.