

**Twenty Fourth Comprehensive Annual  
Financial Report  
Fiscal Year Ended  
December 31, 2006**

**620 West Third Street, Suite 200  
Little Rock, AR 72201  
(501) 682-1745  
*www.lopfi-prb.com***

*Prepared by:*  
**Arkansas Local Police and Fire Retirement System  
David B. Clark, Executive Director  
Robert A. Bartholmey, Chief Financial Officer**

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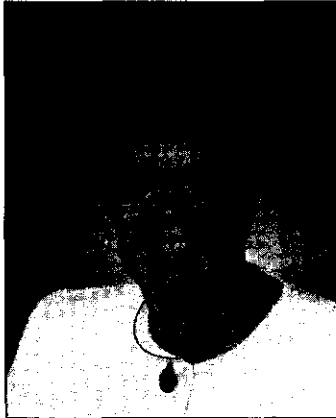
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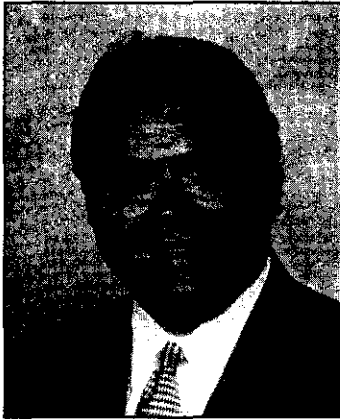


**Introductory  
Section**

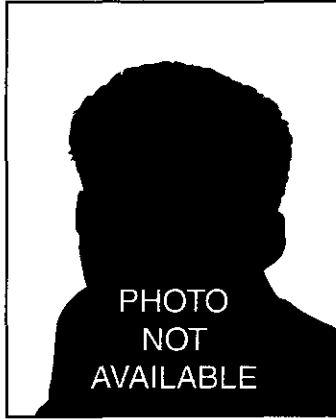
# BOARD OF TRUSTEES



**JOANNE BUSH**  
Chairman, Employer Trustee  
*Lake Village*  
Term Expires Jan. 1, 2010



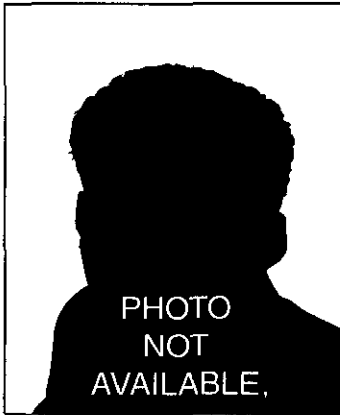
**MIKE GASKILL**  
Employer Trustee  
*Paragould*  
Term Expires Jan. 1, 2011



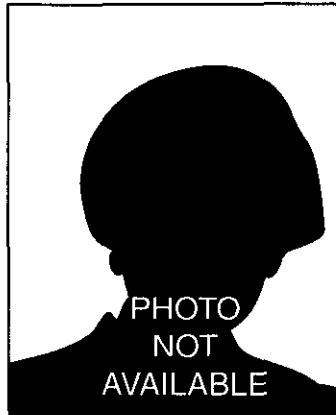
**TIMOTHY WEBB**  
Employee Trustee  
*Searcy*  
Term Expires Jan. 1, 2010



**DAN CURTNER**  
Employee Trustee  
*Forrest City*  
Term Expires Jan. 1, 2008



**VAN ALEXANDER**  
Retired Fire Trustee  
*Bryant*  
Term Expires Jan. 1, 2008



**DONNA ADKINS**  
Retired Police Trustee  
*Hot Springs*  
Term Expires Jan. 1, 2008



**TROY WATERS**  
Public Trustee  
*Marshall*  
Member *Espiritus*

# Certificate of Achievement

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arkansas Local Police  
and Fire Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# LOPFI

## ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

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Little Rock, Arkansas 72201-2223  
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## LETTER OF TRANSMITTAL

May 30, 2007

Board of Trustees  
Arkansas Local Police and Fire Retirement System  
620 W. 3rd, Suite 200  
Little Rock, AR 72201-2223

Dear Board Members:

I am pleased to provide to you the Comprehensive Annual Financial Report (CAFR) of the Arkansas Local Police and Fire Retirement System (LOPFI) for the year ended December 31, 2006. As each year has rolled by the quality of the CAFR has improved such that a clear picture of the System's operations is present. This year's report continues with that theme.

### An Overview of LOPFI

LOPFI is a statewide defined benefit retirement program for police officers and firefighters of political subdivisions in the State of Arkansas. The benefit structure of the System is governed by State law as well as Board policy, which is established by a 7-member Board of Trustees. An Executive Director is appointed by the Board to administer the system in a manner consistent with law and Board policy.

The responsibility for the disclosure of the financial condition of the System is borne by the management of LOPFI. Internal controls are in use so that reasonable assurance is present in the safeguarding of assets and fair presentation of the financial statements, supporting schedules, and statistical tables.

### The 2006-Year

In 2006, LOPFI continued the process of offering educational seminars to the members and covered employer groups. Staff visited several areas of the state to describe the benefit structure, how retirement benefits are computed, explained how to use the new web site-based benefit calculator available to members, and discussed the financial condition of the system. The seminars were first introduced in 2002 and have remained quite popular as evidenced by the active participation of the attendees. The ability for members and representatives from employer groups to interact with staff allows questions to be answered in a relaxed, but informative setting.

In August, LOPFI learned of the death of a well respected Trustee. Mr. Troy Waters, a member of the Board since 2003, passed away on August 28, 2006. Mr. Waters was an active member of the Board who consistently balanced the need for a strong financial position of the Fund with an equally important goal of improving the retirement benefits available to the membership. His concern for the police officers and firefighters of the state was evident by the diligent service he provided to the System. Although he is gone, he shall not be forgotten. LOPFI remains grateful for the contributions Mr. Waters made during his tenure as a Trustee.

# LETTER OF TRANSMITTAL

(Continued)

Lastly, in December LOPFI assisted with the transfer of the eligible police officers of the Bryant Police Department from the public employees retirement system to LOPFI. This was the first municipal police department to complete this type of transfer, which is permitted by Arkansas law. Because of the success of this transition it is anticipated that other eligible municipal police departments will make the same type of transfer to LOPFI. The System certainly welcomes them all.

## A Brief Summary of the Financial Information

The following schedule is a summary of the System's additions and deductions for the years ended December 31, 2006 and December 31, 2005.

	December 31, 2006	December 31, 2005
Additions	\$ 118,320,104	\$ 63,577,052
Deductions	29,102,233	23,457,794
Net Change	\$ 89,217,871	\$ 40,119,258

Additions increased by \$ 54,743,052 as a result of the growth in contributions and net investment income. Deductions increased by \$ 5,644,439 due to the additional payout of benefits, which included an increase in the deferred retirement option plan distributions. Greater explanation of the financial condition, which is found in the Management's Discussion and Analysis can be located on page 19 in the Financial Section of this report.

## The System's Financial Condition

LOPFI's funding objective is to meet long-term benefit promises through contributions based upon level-rate principles. These principles strive to have contributions remain approximately level as a percent of member payroll over decades of time. The Schedule of Funding Progress beginning on page 32 of this report reflects the progress of meeting this objective. As of December 31, 2006, the funded ratio for the entire LOPFI portfolio was 78%, which was a small, but welcomed increase as compared to the previous year. The improvement in the funded condition was attributable to a solid investment performance for the 2006-year. LOPFI remains a well-funded plan, which assures members their retirement benefits are secure. Further detail on the funded condition of LOPFI can be found in the Actuarial Section of this report.



# LETTER OF TRANSMITTAL

(Continued)

## Investment Activity

The LOPFI portfolio produced a 10.6% return for the year ended December 31, 2006. Given that the assumed rate of the return is 8%, the benefits of an investment portfolio that is well diversified are obvious. Accordingly, the System will continue to employ diversification in the years ahead. Please review the Investment Section of this report to better understand the investment performance.

## Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LOPFI for its comprehensive annual financial report for the fiscal year ended December 31, 2005. This was the fourth consecutive year that LOPFI has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## Conclusion

This report was created as a result of the combined efforts of LOPFI staff and advisors working together. The report's purpose is to provide sufficient detail to visibly convey that integrity is maintained in the overall management of LOPFI. As in previous years, LOPFI received an unqualified opinion from our independent auditor on the financial statements included in this report. The opinion of the auditor can be located on page 18 in this report.

Copies of this report are made available to Legislative Audit, Legislative Council and all participating employer groups. In addition, through its design, we are hopeful that all readers of this report will find it convenient, easy to read, and informative.

I appreciate the opportunity to work with a dedicated and skilled staff that genuinely enjoys providing the best possible service to all of our members. Finally, I wish to express to all active and retired members and participating employer groups that staff does value your input regarding LOPFI. If you have comments on how we may better serve you, please feel free to contact me or a member of staff.

Respectfully,



David B. Clark

Executive Director

# Administrative Organization

## STAFF

David B. Clark  
*Executive Director*

Robert A. Bartholmey  
*Chief Financial Officer*

## ACTUARY

*Gabriel, Roeder, Smith and Company*  
David Hoffman  
Southfield, Michigan

## LEGAL COUNSEL

*Eichenbaum, Liles & Heister, P.A.*  
Richard L. Ramsay  
Little Rock, Arkansas

## AUDITOR

*William T. Kinneman, CPA*  
Little Rock, Arkansas

## DATA PROCESSING

*Quality Computer Systems*  
Cathy L. Young  
Columbia, Missouri

## INVESTMENT MANAGEMENT

- *Aberdeen Asset Management*
- *Barrow, Hanley, Mewhinney & Strauss*
- *Brandywine Group Trust*
- *Davis, Hamilton, Jackson & Associates*
- *Dodge & Cox*
- *Fisher Investments*
- *Pacific Investment Management Company (PIMCO)*
- *Provident Investment Counsel*
- *State Street Global Advisors*
- *Wellington Management Company*
- *Western Asset Management Company (WAMCO)*

## INVESTMENT CONSULTANT

*Stephens, Inc.*  
Larry Middleton

# Summary of LOPFI Plan Provisions

## PURPOSE

The Arkansas Local Police and Fire Retirement System (LOPFI) is a statewide retirement plan for police officers and firefighters of political subdivisions of the State of Arkansas. It is a non-profit entity established under the authority of Act 364 of 1981, and bears a fiduciary obligation to the political subdivisions and their employees, who are its participants.

## ADMINISTRATION

The general administration and the responsibility for insuring the proper operation of the system is vested in a seven member Board of Trustees. All Trustees are appointed by the Governor. The normal term of office for a Trustee is four years. Four of the appointed Trustees are employee representatives: an active firefighter and an active police officer and a retired firefighter and a retired police officer are selected from lists submitted by the Joint Committee on Public Retirement and Social Security Programs. Two members are employer trustees, who represent the political subdivisions of the state. They are not members of the System, but their political subdivisions must have covered employees in the System. The employer trustees are selected from among a list submitted by the Arkansas Municipal League. These members must possess management experience and may be elected or appointed city officials. The remaining member is the public trustee, who represents the citizenry of the State of Arkansas. The public trustee is not a member of any governing body of a political subdivision of the State and is selected from a list submitted by the Legislative Joint Committee on Public Retirement and Social Security programs. A list of the Board of Trustees and their terms of office is included in this report.

The Board of Trustees has vested the day to day management of LOPFI with an Executive Director. The Executive Director acts as an advisor to the Board on all matters pertaining to the System and, with the approval of the Board, employs the remaining staff and seeks professional consultants needed to operate the System.

## PARTICIPATION

LOPFI became effective July 1, 1981 and has different provisions for participation.

(1) Political subdivisions which had a local pension and relief fund for its firefighters and police officers as of July 1, 1981:

(a) All employees hired after January 1, 1983 (operative date), who would have participated under the "old plans", will become LOPFI members.

(b) By voluntary mutual agreement of a political subdivision's governing body and the LOPFI Board, arrangement can be made for the "old plan" to be administered by LOPFI. This is NOT MANDATORY AND DOES NOT MEAN THERE WOULD BE A CHANGE IN THE BENEFIT PROVISIONS APPLICABLE TO "OLD PLAN" MEMBERS. It would be a change only in administrative structure.

(2) Political subdivisions which did not have a local pension and relief fund for its firefighters and police officers as of July 1, 1981:

(a) Effective July 1, 1981, no new "old plans" may be established.

(b) The governing body of a political subdivision may elect to cover its firefighters and police officers under LOPFI. Memberships become effective the first day of the month after the LOPFI Board is notified that the local governing body has elected to provide such coverage.

## CREDITED SERVICE

Credited service is the combination of an employee's years of covered employment in paid service and volunteer service. Service may be counted as both paid service and volunteer service for the same period of time, but must be earned under different employers.

Because LOPFI is a statewide retirement system with many participating political subdivisions, credited service can be a combination of service with several employers.

### **NORMAL RETIREMENT**

A member may retire after completing both age and service requirements. The minimum service retirement age is 55, if the member has at least 20 years of service. For those desiring retirement with less than twenty years of service, but who have at least five years of service, the minimum age is 60 or a member may retire at any age with 28 years of credited service.

### **EARLY RETIREMENT**

A member may retire with an early retirement benefit after completing both: 1) age 50; and, 2) have at least 20 years of credited service. With early retirement the benefit is computed as a normal benefit, but is then reduced to account for the fact that benefit payments began at a younger age. The amount of the reduction is 1/2 of 1% per month for each month that the retirant is younger than 55.

### **DEFERRED RETIREMENT**

If a member leaves LOPFI-covered employment (1) before attaining his early retirement age, and (2) after completing 5 years of credited service, he/she 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 at 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.

### **FINAL AVERAGE PAY**

Final Average Pay is the average of a member's monthly pay during the 36 consecutive months of paid service producing the highest income, which is contained within the last 120 months of paid service. In the majority of cases, this is the last 3 years of employment. The pays usable in the determination of final average pay are limited by the following tests: pays used during any one annual segment are

usable only to the extent that such pays do not exceed 31% of the total pays in the final average pay period (4 contiguous segments); and that if the final average pay period is less than four full years, the maximum usable 31% shall be increased proportionally. Final Average Pay is not applicable to volunteer service.

### **AGE AND SERVICE BENEFIT**

The normal retirement benefit is payable monthly to the member for life. The monthly benefit equals a specified amount multiplied by the member's number of years of credited service. The monthly amount depends on: 1) the amount and type of credited service the member has; 2) whether or not the member's paid service is covered by Social Security; and, 3) the member's final average pay. The following formulas apply under the stated conditions:

(a) Paid service position not covered by Social Security

$2.7\% \times \text{FAP} \times \text{Years of Service}$

(b) Paid service position covered by Social Security

$2.7\% \times \text{FAP} \times \text{Years of Service}$

until first eligible for an unreduced Social Security Benefit

THEN  $1.7\% \times \text{FAP} \times \text{Years of Service}$

when first eligible for unreduced Social Security Benefit

(c) Volunteer

$\$5.35 \text{ per month} \times \text{Years of Service}$  ( The \$5.35 Benefit is indexed annually for inflation).

The maximum benefit for paid service is 80% of FAP. For volunteer service the maximum benefit is \$200 per month, indexed annually for inflation.

### **DUTY DISABILITY BENEFIT**

A member who becomes totally and permanently disabled from duty-related injury or disease is eligible for a disability benefit. The benefit shall either be equal to 65% of final average pay or equal to the annuity paid to retirants

for each year of paid service resulting from employment as provided for in A.C.A. 24-10-602, whichever is greater.

### **NON-DUTY DISABILITY BENEFIT**

A paid member with five (5) or more years of credited service who becomes totally and permanently disabled from causes other than duty-related receives a non-duty benefit computed in the same manner as an age and service benefit, but based upon actual service and final average pay at time of disability.

### **SURVIVOR BENEFIT**

Upon the death of a member from duty-related causes, regardless of length of service, the surviving spouse receives an annuity equal to the Option B50 annuity, computed as if the member had 25 years of credited service. When a paid member dies from non-duty related causes, who has at least five (5) years of credited service the surviving spouse benefit is the same as a B50 annuity but is computed upon the deceased member's service and pay record at time of death.

### **POST RETIREMENT ADJUSTMENT**

Beginning the first July following twelve (12) months of retirement, there is an annual redetermination of the monthly benefit amount. The redetermined amount shall be the amount of the benefit as of the immediately preceding July 1 increased by three percent (3%).

### **OPTIONAL FORMS OF PAYMENT**

When a LOPFI member makes application for retirement, benefits are calculated in four optional forms and the member selects the one that best fits his/her retirement needs. The election of the form of payment is made immediately prior to the receipt of the first benefit check and once it is made, it is irrevocable, except with the death of a beneficiary, or divorce or other marriage dissolution after retirement.

The options are:

Option A60: Under Option A60 a retirant receives an annuity for life, with the added provision that if he/she dies before being paid a total of 60 monthly payments, the same amount will be continued to his/ her designated beneficiary until a

total of 60 monthly payments have been made. Option A60 pays an amount equal to 100% of the life benefit.

Option A120: This option has the same general provisions as Option A60 but the guaranteed payment period is 120 months rather than 60 months. This option pays a benefit equal to 98% of the life benefit.

Option B50: Under Option B50 a retirant receives a reduced monthly lifetime benefit with the added provision that should he/she die before his/her beneficiary, the beneficiary will receive a monthly benefit for life equal to 50% of the reduced amount received by the retirant.

Option B75: Option B75 has the same general provisions as Option B50, but the percent of the reduced life benefit to the designated beneficiary is 75% instead of 50%.

### **DEFERRED RETIREMENT OPTION PLAN (DROP)**

The Deferred Retirement Option Plan (DROP) allows a paid service member who has attained at least 28 years of service or who has attained at least 20 years of paid service and is at least age 55, to accumulate a portion of their retirement benefit, without terminating employment, in a separate account. The member defers receipt of benefits as described below.

For purposes of DROP, credited service shall not include volunteer service or other credited service that was purchased. However, military service credit earned under A.C.A. 24-10-502 shall count towards the total credited service.

When a member elects to enter DROP, their monthly retirement benefit is calculated as though that person were leaving employment at that time. For members that have at least 28 years of service and elect to participate in DROP, 75% of the member's monthly benefit is placed into the member's DROP account. For members who have at least 20 years but less than 28 years of service and are at least age 55 before electing to participate in DROP, 72% of the member's monthly benefit is placed into the member's DROP account. The member's DROP account balance earns interest at the rate of 6% annually. During the DROP period the employee contributions for contributory members, and employer contributions shall continue and are credited to the retirement system.

The member may remain in DROP up to a maximum of 5 years. At the conclusion of the DROP period the member shall terminate employment and begin receiving their monthly retirement benefit they would have received had they retired at the time they entered DROP. At the option of the member, the member shall receive their DROP balance as either a lump-sum payment equal to the payments into their DROP account; or as a monthly annuity that is the actuarial equivalent of the lump-sum and paid in the form of one of the annuity options under A.C.A. 24-10-603; or another form of payment if another form is approved by the LOPFI Board of Trustees.

If a member dies during the DROP period a lump-sum payment equal to their DROP account balance shall be paid to their survivor(s) or, if none, their estate.

If a member becomes disabled during the DROP period, the member shall be treated as though they had concluded their DROP participation.

#### **PARTIAL-ANNUITY and LUMP-SUM OPTION**

Any vested member who does not terminate LOPFI-covered employment, and is eligible for an unreduced annuity and who was not eligible or did not elect to participate in the DROP, may elect to participate in the partial-annuity and lump-sum option.

A member who elects to participate in this option shall be eligible to receive, at the time of retirement, a lump-sum distribution in an amount not exceeding one month of benefit for each completed month of service beyond eligibility for an unreduced retirement benefit. The lump-sum shall not exceed an amount equal to 60 months of retirement benefits.

If a member elects to participate in the partial-annuity and lump-sum option, the member's retirement benefit shall be reduced by an amount that is the actuarial equivalent of the withdrawal amount.

#### **MEMBER CONTRIBUTIONS**

Employee contribution rates are dependent upon the type of service being rendered and whether or not that service is also covered by Social Security. The different employee contribution rates are:

- (1) Paid service not covered by Social Security: 6% of pay.
- (2) Paid service also covered by Social Security: No contribution.
- (3) Paid service under Benefit Program 2: 6% of pay.
- (4) Volunteer service: No contribution.

#### **EMPLOYER CONTRIBUTIONS**

LOPFI requires that each employer make contributions in order to finance the benefits that political subdivisions have promised their employees. Initial contribution rates for employers are varied based on age at time of employment. However, the actuary adjusts these rates annually to reflect each employer's individual experience rating. A chart showing current employer contribution rates is included in this report.

# Summary of Plan Provisions

## for Local Fire and Police Pension and Relief Funds

### Under LOPFI Administration

#### HISTORY

Legislative action dating back to 1921 and 1937 provided cities and towns with the option to establish retirement and relief fund programs for firefighters and policemen, respectively. However, such authority was cancelled with the effective date of LOPFI, July 1981. Therefore, all current relief funds were established prior to this date.

#### ADMINISTRATION

By voluntary mutual agreement, the City's governing body may enter into a management agreement for the administration of a local relief plan with the LOPFI Board of Trustees. Under the arrangement, coverage provided by LOPFI is administrative only and does not change the benefit structure of the relief plan.

#### PARTICIPANTS

Under the relief plans, membership is extended to certified uniformed paid and volunteer personnel of police and fire departments in cities and towns with established plans.

#### CREDITED SERVICE

Credited service is the combination of an employee's years of covered employment in paid and /or volunteer service. For police members and paid fire members, only service credit that is accrued under 1 employer is counted. However, volunteer members may combine service of five year increments or more from other employers for retirement.

#### NORMAL RETIREMENT

A member may retire with 20 years of service regardless of age.

#### SERVICE BENEFIT

##### Paid Members

Annual benefits equal 50% of final pay of final rank for firefighters and 50% of the highest salary for police officers. The minimum benefit is \$4,200 per year. If more than 20 years of service credit is accrued, \$240 annually is granted for each additional year of service credit, up to \$1,200 for 25 years of service. For retirants who accrue more than 25 years service and are age 60, an additional benefit of 1.25% of final pay is payable for each year over 25 years of service to a maximum of 100% of final pay or salary.

##### Volunteer Members

The minimum annual benefit is \$1200 per year. An additional benefit of \$120 annually for each year of service over 20 is granted up to a maximum amount of \$1800 annually for 25 years of service or more.

#### DISABILITY RETIREMENT

Members with a total and permanent physical or mental disability resulting from a duty related injury are granted 65% of final pay as attached to rank. Members found to be suffering with a non-duty disability are granted 50% of final pay or highest compensation.

Volunteer members receive a disability benefit that equals the same as a regular retirement benefit. The minimum is \$100 per month.

#### SURVIVOR BENEFITS

A widow receives the same amount the member was receiving or eligible for, excluding the 1.25% additional formula for service over 25 years. Surviving children may receive \$1,500 annually up to age 19 for fire, up to age 18 for police or until marriage if it occurs before the age limit. The age limit may be extended to age 23 if attending college.

The spouse of a volunteer member receives the benefit the member received or would have received. Surviving children may receive \$300 annually up to age 19 or marriage, whichever occurs first.

#### MEMBER CONTRIBUTIONS

Paid members contribute 6% of salary if they do not participate in social security. For members participating in social security, the required contribution is 4% of salary. Volunteer members contribute \$12 per year.

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# Financial Section



# Independent Auditor's Report

William T. Kinneman  
CERTIFIED PUBLIC ACCOUNTANT

ONE FINANCIAL CENTRE, SUITE 400  
650 S. SHACKLEFORD ROAD  
LITTLE ROCK, AR 72211

(501) 223-3581

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## Independent Auditor's Report

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

I have audited the accompanying statements of plan net assets of Arkansas Local Police and Fire Retirement System defined benefit pension plan at December 31, 2006 and 2005 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of Arkansas Local Police and Fire Retirement System defined benefit pension plan at December 31, 2006 and 2005 and the related changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audits were made primarily for the purpose of expressing an opinion on the basic financial statements taken as a whole. The accompanying supplementary Management Discussion and Analysis including the Summary of Comparative Statements of Plan Net Assets and Changes in Plan Net Assets for 2006 and 2005, and the Schedule of Funding Progress and Employer Contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. The Schedule of Administrative and Investment Expenses and the Schedule of Actual Versus Budgeted Expenses are presented for purposes of additional analysis and are not required by generally accepted accounting principles. Such additional information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*William T. Kinneman*

April 27, 2007  
Little Rock, Arkansas

# Arkansas Local Police and Fire Retirement System

## Required Supplementary Information

### Management Discussion and Analysis

The basic financial statements contained in this section of the Comprehensive Annual Financial Report consist of:

The Statement of Plan Net Assets, which reports the pension fund assets, liabilities, and net assets available at the end of the calendar year. The Statement of Plan Net Assets is prepared on the accrual basis and for the most part, the plan's net assets are reported on a fair value basis.

The Statement of Changes in Plan Net Assets, which reports the pension fund transactions that occurred during the calendar year where Additions – Deductions = Net Change in Net Assets. It is an operating statement that reports the net increase or decrease in net plan assets from the beginning of the year until the end of the year.

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

The Required Supplementary Information and Schedules following the Notes to the Financial Statements provide added historical and detailed information considered useful in evaluating the condition of the Arkansas Local Police and Fire Retirement System (LOPFI).

The following pages contain summary comparative statements of LOPFI's pension trust fund for years 2006 and 2005.

**Arkansas Local Police and Fire Retirement System**  
**Year ended December 31, 2006**

**Summary of Comparative Statements of Plan Net Assets**

	As of <u>December 31, 2006</u>	As of <u>December 31, 2005</u>	Percent <u>Change</u>
Cash and short-term investments	\$ 27,625,836	\$ 26,220,967	5.35 %
Invested securities lending collateral	75,978,765	52,584,186	44.90
Total receivables	5,648,615	3,754,760	50.44
Prepaid expense and other assets	96,375	92,236	4.49
Investments	699,814,777	613,978,776	13.98
Land, building, furniture and equipment	4,135,411	4,146,570	(0.27)
<b>Total assets</b>	<u>\$ 813,299,779</u>	<u>\$ 700,777,495</u>	16.06
Accounts payable and accrued expenses	\$ 465,278	\$ 550,411	(15.47)
Refunds payable	37,040	45,825	(19.17)
Due to Pension Review Board	307,504	303,752	1.23
Collateral for securities on loan	75,978,765	52,584,186	44.90
<b>Total liabilities</b>	<u>76,788,587</u>	<u>53,484,174</u>	43.59
<b>Net assets held for pension benefits</b>	<u>736,511,192</u>	<u>647,293,321</u>	13.78
<b>Total liabilities and net assets held for pension benefits</b>	<u>\$ 813,299,779</u>	<u>\$ 700,777,495</u>	16.06 %

The increase in cash and short-term investments and the increase in investments reflect continuing improvement in financial markets. Investments were also bolstered by the receipt of \$1.15 million in assets from local plans consolidating into LOPFI during the year. Total receivables were higher due to the fact that overall expense to the employer groups in the system grew at a faster rate than the dollars received from the State Insurance Tax Turnback program resulting in more employer groups owing money at the end of the year. The decrease in land, building, furniture and equipment reflects the normal process of depreciating the fixed assets. Securities lending collateral is higher due to increased securities lending activity.

**Arkansas Local Police and Fire Retirement System**  
**Year ended December 31, 2006**

**Summary of Comparative Statements of Changes in Plan Net Assets**

	Year ended <u>December 31, 2006</u>	Year ended <u>December 31, 2005</u>	Percent <u>Change</u>
Contributions	\$ 52,014,257	\$ 46,821,836	11.09 %
Net investment income	66,305,847	16,755,216	295.73
Total additions	<u>118,320,104</u>	<u>63,577,052</u>	86.11
Benefits paid	22,945,150	20,588,418	11.45
Refunds of contributions	1,280,366	882,766	45.04
Administrative expenses	1,170,219	1,156,384	1.20
Deferred retirement option distributions	3,706,498	830,226	346.44
Total deductions	<u>29,102,233</u>	<u>23,457,794</u>	24.06
Net increase in plan net assets	89,217,871	40,119,258	122.38
Plan net assets-beginning of year	647,293,321	607,174,063	6.61
Plan net assets-end of year	<u>\$ 736,511,192</u>	<u>\$ 647,293,321</u>	13.78 %

Contributions increased as a result of a 5.33 % increase in active membership. This membership growth was due to a combination of new hires in existing LOPFI covered employer groups along with the consolidation of several Local Plans into LOPFI and also 31 new departments which adopted LOPFI coverage. Net investment income posted a large increase this year due to continued improving market conditions resulting in increased unrealized gains. Benefits paid increased as a result of both an increase in retired LOPFI members and the addition of retirees from the newly consolidated Local Plans. Administrative expenses showed moderate growth for the current year, again a reflection of the growth of the System. Deferred Retirement Option Plan (DROP) distributions increased as a result of the retirement of several Old Plan members who had taken advantage of the 10 year DROP provision, which resulted in increased DROP account balances.

**Arkansas Local Police and Fire Retirement System**  
**Year ended December 31, 2006**

**Summary of Comparative Statements of Plan Net Assets**

	As of <u>December 31, 2005</u>	As of <u>December 31, 2004</u>	Percent <u>Change</u>
Cash and short-term investments	\$ 26,220,967	\$ 13,872,704	89.01 %
Invested securities lending collateral	52,584,186	70,548,673	(25.46)
Total receivables	3,754,760	5,057,864	(25.76)
Prepaid expense and other assets	92,236	84,706	8.89
Investments	613,978,776	587,921,607	4.43
Land, building, furniture and equipment	4,146,570	1,608,496	157.78
<b>Total assets</b>	<u>\$ 700,777,495</u>	<u>\$ 679,094,050</u>	3.19
Accounts payable and accrued expenses	\$ 550,411	\$ 537,028	2.49
Refunds payable	45,825	75,069	(38.96)
Due to Pension Review Board	303,752	759,217	(59.99)
Collateral for securities on loan	52,584,186	70,548,673	(25.46)
<b>Total liabilities</b>	<u>53,484,174</u>	<u>71,919,987</u>	(25.63)
<b>Net assets held for pension benefits</b>	<u>647,293,321</u>	<u>607,174,063</u>	6.61
<b>Total liabilities and net assets held for pension benefits</b>	<u>\$ 700,777,495</u>	<u>\$ 679,094,050</u>	3.19 %

The increase in cash and short-term investments and the increase in investments reflect continuing improvement in financial markets. Investments were also bolstered by the consolidation of 11 Local Plans into LOPFI which brought \$4.8 million in assets into the system. Total receivables were lower due to an increase in dollars received from the State Insurance Tax Turnback program resulting in fewer employer groups owing money at the end of the year. Prepaid expenses increased from a combination of an increase in fiduciary liability insurance paid in 2005 as well as the creation of an escrow account for the new LOPFI building. The increase in land, building, furniture and equipment reflect the completion of the renovation of the new LOPFI office building, and the subsequent relocation of the LOPFI office staff. Additional information on capital asset activity can be found to Note # 4 in the notes to the Financial Statements. The amount due to the PRB decreased due to the fact that no funds were distributed from the Department of Finance and Administration to cover the operating expenses for the Pension Review Board. Securities lending collateral is lower due decreased lending activity.

**Arkansas Local Police and Fire Retirement System**  
**Year ended December 31, 2006**

**Summary of Comparative Statements of Changes in Plan Net Assets**

	Year ended <u>December 31, 2005</u>	Year ended <u>December 31, 2004</u>	Percent <u>Change</u>
Contributions	\$ 46,821,836	\$ 46,159,324	1.43 %
Net investment income	16,776,456	46,531,092	(63.95)
Total additions	<u>63,598,292</u>	<u>92,690,416</u>	(31.39)
Benefits paid	20,588,418	17,669,863	16.52
Refunds of contributions	882,766	1,278,586	(30.96)
Administrative expenses	1,177,624	1,034,523	13.83
Deferred retirement option distributions	830,226	1,770,312	(53.10)
Total deductions	<u>23,479,034</u>	<u>21,753,284</u>	7.93
Net increase in plan net assets	40,119,258	70,937,132	(43.44)
Plan net assets-beginning of year	607,174,063	536,236,931	13.22
Plan net assets-end of year	<u>\$ 647,293,321</u>	<u>\$ 607,174,063</u>	6.61 %

Contributions increased as a result of a 7.04% increase in active membership. This membership growth was due to a combination of new hires in existing LOPFI covered employer groups along with the consolidation of 11 Local Plans into LOPFI and also 25 new departments which adopted LOPFI coverage. For the second year in a row, net investment income decreased from the previous year as a result of market values increasing at a slower rate causing a reduction in unrealized gains in the current year. The total number of retirees increased by 15.55% resulting in an increase in Benefits Paid. Although the percentage increase of retirees was much greater than the percentage increase in Benefits Paid, the number of volunteer retirees (who traditionally receive a lower dollar benefit than retirees from a paid department) made up a larger percentage of total retirees. Administrative expenses increased in 2005 due to the filling of a one staff position which was vacant for all of 2004, as well as additional expense incurred when the staff relocated to the new LOPFI building. Fewer local plan DROP members leaving service accounted for the decrease in Deferred Retirement Option distributions.

**Arkansas Local Police and Fire Retirement System**

**Statement of Plan Net Assets**

**December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>		
Cash and short-term investments	\$ 27,625,836	\$ 26,220,967
Receivables:		
Contributions receivable	3,598,777	2,116,426
Accrued interest and dividends	2,040,449	1,627,745
Other receivables	9,389	10,589
Total receivables	<u>5,648,615</u>	<u>3,754,760</u>
Prepaid expense		73,496
Investments at fair value:		
U. S. Government and state obligations	116,887,034	109,214,012
Corporate obligations	50,730,416	43,236,090
Foreign bonds	888,170	1,525,251
Fixed income collective trusts	42,665,622	39,858,762
Common and preferred stocks	167,274,936	136,001,680
Equity mutual collective trusts	321,368,599	284,142,981
Total investments	<u>699,814,777</u>	<u>613,978,776</u>
Invested securities lending collateral	<u>75,978,765</u>	<u>52,584,186</u>
Land, building, furniture and equipment-at cost	4,135,411	4,146,570
Other assets	<u>96,375</u>	<u>18,740</u>
	<u>\$ 813,299,779</u>	<u>\$ 700,777,495</u>
 <b><u>Liabilities and net assets held in trust for pension benefits</u></b>		
<b><u>Liabilities:</u></b>		
Accounts payable and accrued expenses	\$ 465,278	\$ 550,411
Refunds payable	37,040	45,825
Due to Pension Review Board	307,504	303,752
Collateral for securities on loan	75,978,765	52,584,186
<b>Total liabilities</b>	<u>76,788,587</u>	<u>53,484,174</u>
 <b>Net assets held in trust for pension benefits:</b>		
(See Schedule of Funding Progress)	<u>736,511,192</u>	<u>647,293,321</u>
	<u>\$ 813,299,779</u>	<u>\$ 700,777,495</u>

See accompanying notes.

## Arkansas Local Police and Fire Retirement System

### Statement of Changes in Plan Net Assets

Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b><u>Additions:</u></b>		
<b>Contributions:</b>		
Member contributions	\$ 9,594,183	\$ 8,954,827
Employer contributions	41,270,116	33,217,304
Local plan administrative mergers and paid military time	1,149,958	4,649,705
<b>Total contributions</b>	<u>52,014,257</u>	<u>46,821,836</u>
<b>Investment income:</b>		
Net increase in fair value of investments	56,435,176	8,474,902
Interest, dividends, and other income	12,635,154	11,276,593
Investment expenses	(2,930,905)	(3,193,249)
Total investing income before securities lending	<u>66,139,425</u>	<u>16,558,246</u>
From securities lending activity:		
Securities lending income	3,607,093	2,477,367
Securities lending expenses:		
Borrower rebates	(3,384,932)	(2,215,822)
Management fees	(55,739)	(64,575)
Net income from securities lending activities	<u>166,422</u>	<u>196,970</u>
<b>Total investment income</b>	<u>66,305,847</u>	<u>16,755,216</u>
<b>Total additions</b>	<u>118,320,104</u>	<u>63,577,052</u>
 <b><u>Deductions:</u></b>		
Benefits paid	22,945,150	20,588,418
Refunds of contributions	1,280,366	882,766
Administrative expenses	1,170,219	1,156,384
Deferred retirement option distributions	3,706,498	830,226
<b>Total deductions</b>	<u>29,102,233</u>	<u>23,457,794</u>
<b>Net increase in plan net assets</b>	<u>89,217,871</u>	<u>40,119,258</u>
 <b>Plan net assets-beginning of year</b>	 <u>647,293,321</u>	 <u>607,174,063</u>
 <b>Plan net assets-end of year</b>	 <u>\$ 736,511,192</u>	 <u>\$ 647,293,321</u>

See accompanying notes.



## Arkansas Local Police and Fire Retirement System

### Notes to the Financial Statements

December 31, 2006 and 2005

#### Note 1: Plan Description

The Arkansas Local Police and Fire Retirement System (LOPFI) maintains a defined benefit pension plan for local police officers and firefighters hired by the respective local governmental unit after January 1, 1983. LOPFI is an agent PERS responsible for the operation and maintenance of the plan in accordance with Act 364 of the 1981 Arkansas General Assembly. As of December 31, 2006 and 2005, the number of participating political subdivisions was 342 and 334 respectively. At that date membership consisted of the following:

<u>Membership classification</u>	<u>Number of employees</u>	
	<u>2006</u>	<u>2005</u>
Retirees and beneficiaries currently receiving benefits:		
LOPFI police without social security	82	73
Local plan police without social security	347	346
LOPFI police with social security	260	229
LOPFI policemen benefit program 2 without social security	25	3
LOPFI fire without social security	71	69
LOPFI fire with social security	5	3
Local plan fire without social security	570	574
LOPFI volunteer fire	304	254
Local volunteer fire	476	374
Local plan police with social security	95	85
LOPFI volunteer police	9	9
LOPFI firemen benefit program 2-with social security	4	2
LOPFI policemen benefit program 2-with social security	6	3
LOPFI firemen benefit program 2 without social security	26	10
Subtotal for retirees and beneficiaries	2,280	2,034
Active employees:		
Local police with social security	1	1
LOPFI police with social security	1,631	1,576
LOPFI police without social security	1,094	1,068
Local plan police without social security	9	11
LOPFI firemen with social security	43	36
LOPFI firemen without social security	1,834	1,752
Local plan firemen without social security	21	29
LOPFI volunteer firemen	4,814	4,580
Local plan volunteer firemen	14	15
LOPFI volunteer police	91	70
LOPFI firemen benefit program 2 with social security	24	26
LOPFI firemen benefit program 2 without social security	281	277
LOPFI policemen benefit program 2 with social security	39	38
LOPFI police benefit program 2 without social security	358	342
Subtotal for active employees	10,254	9,821
Terminated Vested Members	3,103	2,927
Total membership	15,637	14,704

**Arkansas Local Police and Fire Retirement System**  
**Notes to the Financial Statements**  
**December 31, 2006 and 2005**

**Note 1: Plan Description (continued):**

Included in the above figures for 2006 and 2005 respectively are 1,533 and 1,487 members of the local fire and police pension plans now administered by LOPFI. LOPFI has absorbed both the old plan assets and responsibilities. The benefits of these members are the same as under the local plan legislation. The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by social security. The different employee contribution rates are:

- a. Paid service not covered by social security: 6% of gross pay
- b. Paid service also covered by social security: no employee contribution
- c. Volunteer service: no employee contribution
- d. Paid service-benefit program 2: 6% of gross pay

The employer contribution rate is adjusted automatically every year to reflect changes in the composition of the employee group and other factors which affect cost. Contributions are determined on an actuarial basis in order to insure that the individual system employers can honor their benefit commitments to covered employees. An individual entry age actuarial cost method of valuation is used in determining normal cost. Because LOPFI is an agent PERS, contribution rates vary from unit to unit, but are all actuarially computed.

**Benefit Program 1:** Pension benefits to a member with five or more years of credited service in force who has attained his normal retirement age consists of an annuity equal to the following:

- (a) For each year of paid service resulting from employment in a position not also covered by social security, 2.7% of his final average pay (2.2% for those with retirement date prior to July 1, 2003); plus
- (b) For each year of paid service resulting from employment in a position also covered by social security, 1.7% of his final average pay (1.2% for those with retirement date prior to July 1, 2003). In addition, if such member is retiring and if such member's age at retirement is younger than social security's minimum age for an unreduced retirement benefit, then such member receives a temporary annuity equal to 1% of his final average pay for each such year of paid service. Such temporary annuity terminates at the end of the calendar month in which the earliest of the following events occur: such member's death; or his attainment of such social security minimum age for unreduced benefits.
- (c) In no event will the total of (a) plus (b) exceed, at time of retirement, 80% of such final average pay; plus
- (d) Effective July 1, 2006, for each year of volunteer service, \$5.35 per month, to a maximum of \$214.00 monthly; Effective July 1, 2005, \$5.26 per month, to a maximum of \$210.40.
- (e) Before the date that the first payment of his annuity becomes due, but not thereafter, a member may elect in writing to receive his annuity as a life annuity or he may elect to have his life annuity reduced but not any temporary annuity which may be payable, and nominate a beneficiary in accordance with the provisions of one of four options. If a member does not elect an option, his annuity shall be paid to him as a life annuity.

**Arkansas Local Police and Fire Retirement System**  
**Notes to the Financial Statements**  
**December 31, 2006 and 2005**

**Note 1: Plan Description (continued)**

**Benefit Program 2:** For each year of paid service rendered on or after the election date of Benefit 2 and resulting from employment in a position not also covered by social security, 3.1% of his or her final average pay, plus for each year of paid service rendered on or after the election date of Benefit Program 2 and resulting from employment in a position also covered by social security, 2.6% of his or her final average pay.

A member will receive disability benefits computed in the same manner as normal retirement benefits if the member has 5 or more years of credited service and terminates employment because of becoming permanently disabled from non-duty related causes. If the disability is determined to be duty related, a benefit is received regardless of the amount of service. Effective July 1, 2001, the duty related disability benefit is 65% of the member's final average pay. Prior to that date, the benefit was computed as if the member had completed 25 years of service.

**Deferred Retirement Option Plan (DROP)**

During 1993 the Arkansas General Assembly passed legislation (Acts 757 and 1004) allowing paid policemen and firefighters to elect to continue working for a period of ten years if a member of a Local Plan and five years if a member of LOPFI past normal retirement age. This deferred retirement option plan ("DROP") is only available to participants having at least 20 years of service. The DROP member continues his payroll withholding (if a contributory member), the employee's contribution is credited according to law to the defined benefit pension plan and the DROP, and the monthly benefits that would have been payable had the member elected to cease employment and receive a service retirement shall be paid into a separate DROP account. At final termination of employment, the employee is paid the balance in his DROP account. At December 31, 2006 and 2005, the DROP accounts totaled \$12,044,341 and \$11,082,611 respectively.

**Note 2: Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

LOPFI prepares its financial statements using the accrual basis of accounting. Employee and employer contributions are recognized when due and pursuant to formal commitments, as well as statutory or contractual requirements; expenses are recorded when the corresponding liabilities are incurred; and benefits and refunds are recognized when due and payable.

**Furniture and Equipment**

Furniture and equipment are capitalized at cost when acquired. The threshold for capitalization is \$1,000. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over useful lives of 3 to 10 years for equipment and furniture, and 30 years for buildings. Depreciation expense for 2006 and 2005 was \$114,310 and \$102,944 respectively.

## Arkansas Local Police and Fire Retirement System

### Notes to the Financial Statements

December 31, 2006 and 2005

#### Note 2: Summary of Significant Accounting Policies and Plan Asset Matters (continued)

##### Cash and Investment Collateralization

Cash balances represent both operating cash accounts held by banks and investment cash held on deposit with the investment custodian. All operating cash accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. By using the "sweep account" concept, cash balances each night are transferred into an investment trust money market account collateralized as other investments. The bank has pledged pooled U. S. Government Agency Obligations held at the Federal Reserve Bank for all amounts held in trust.

##### Method Used to Value Investments

Per GASB No. 25, and effective for 1997, the investments are stated at fair value and are priced by the investment custodian using the last trade price information as supplied by various price data vendors. At December 31, 2006 and 2005, the System did not have investments in any one organization, other than those issued by the U. S. government, which represented greater than five percent of plan net assets.

##### Categories of Asset Risks

Credit Risk-As a matter of practice, there are no overall limitations for credit risk exposures within the portfolio. Each portfolio is managed in accordance with operational guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality of overall portfolios. The invested securities lending collateral, as well as open ended mutual funds, are not considered securities, and are not categorized for custodial credit risk.

##### Ratings Dispersion Detail

<u>Credit Rating Level</u>	<u>Corporate and Foreign Bonds</u>	<u>Mortgage Obligations</u>
Agencies		\$ 37,636,814
AAA or better	\$ 41,600,116	
BBB to B or unrated	\$ 11,425,779	
Total	<u>\$ 53,025,595</u>	<u>\$ 37,636,814</u>

Foreign Currency Risk-The Plan has essentially no investments denominated in foreign currency that would give rise to any exposure.

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The effective duration of fixed income investments by fixed income managers ranges from 3.42 to 7.87 years.

##### Securities Lending Program

The board of trustees' investment policy permits the pension trust funds to participate in a securities lending program. Securities lending provides an additional investment option by enhancing current income sources. Under this program, collateralized loans of certain securities are made to eligible broker/dealers who participate in the securities lending program. In turn, the borrower pays a predetermined fee to the lender.

## Arkansas Local Police and Fire Retirement System

### Notes to the Financial Statements

December 31, 2006 and 2005

#### **Note 2: Summary of Significant Accounting Policies and Plan Asset Matters (continued)**

##### **Securities Lending Program**

As custodian for the pension trust funds, Regions Bank provides securities lending services through a partnership with The Bank of New York. The Bank of New York initiated its U.S. lending program in 1977 and its non-U.S. lending program in 1988. As Lending Agent, The Bank of New York requires loans to be collateralized for 102% of market value plus accrued interest for fixed income securities and 102% of market value for equities. Both cash and U.S. Government securities are acceptable collateral. All loans are marked-to-market daily to ensure that the margin is properly maintained for the duration of the loan, thereby reducing marginal price risk. At December 31, 2006 and 2005, the term to maturity of the securities lent is matched with the term to maturity of the investment of the cash collateral. These loans can be terminated on demand by either the lender or borrower. LOPFI cannot pledge or sell non-cash collateral unless the borrower defaults. As of December 31, 2006 and 2005 LOPFI had lending arrangements outstanding with a total market value for securities lent of \$111,495,713 and \$72,198,930, and a total market value for securities received as collateral of \$114,266,282 and \$74,214,185, respectively, resulting in no credit risk to LOPFI. Under the indemnified program, The Bank of New York is responsible for the replacement of the lender's securities that are not returned as a result of a borrower's insolvency, performing daily marks-to-market, ensuring proper collateralization, and compliance with reinvestment guidelines. Securities lending revenue is shared on a percentage basis between the lender, LOPFI, and the lending agent, The Bank of New York, net of rebates. As a result, there is an incentive for the lending agent to maximize lending earnings. The split is applicable for both positive and negative earnings and there are no hidden fees associated with the program. In addition, The Bank of New York does not charge any money management fee on the reinvestment of cash collateral. Under the current agreement, LOPFI receives 70% of the net securities lending revenue with The Bank of New York receiving 30%. Regions Bank, the custodian, does not receive any revenue from this securities lending arrangement. The net income earned from securities lending was \$166,422 for 2006 and \$196,970 for 2005.

#### **Note 3: Contributions and Reserves**

The respective units of local government are obligated by State law to make all required contributions to the LOPFI plan. The required contributions are expressed as a percentage of covered payroll and are actuarially determined using an individual entry age actuarial cost method. Costs of administering the plan is financed from either the contributions or investment income. State law specifies net assets be segregated into the following reserves:

	<u>2006</u>	<u>2005</u>
Member's Deposit Account	\$ 93,208,510	\$ 82,458,955
Employer Accumulation Account	351,752,994	291,954,962
Retirement Reserve Account	279,505,347	261,796,793
Income-Expense Account	0	0
Deferred Retirement Option Plan	12,044,341	11,082,611
	<u>\$ 736,511,192</u>	<u>\$ 647,293,321</u>

**Arkansas Local Police and Fire Retirement System**  
**Notes to the Financial Statements**  
**December 31, 2006 and 2005**

**Note 4: Employee Pension Program**

LOPFI employees are covered by the Arkansas Public Employee Retirement Systems (APERS). The plan is a defined benefit plan covering all of the employees of LOPFI. APERS board of trustees sets the contribution percentage that entities will contribute on behalf of the entity's employees. Benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. Members are eligible for full benefits (1) at age sixty-five with five years of actual service, (2) at any age with twenty-eight years of service, or (3) under the contributory plan, at age sixty with twenty years of actual service, or under the non-contributory plan, at age fifty-five with thirty-five years of credited service. The normal retirement benefit is determined by the member's final average salary and the number of years of service. A member may retire with a reduced benefit at age fifty-five with at least five years of actual service or any age with twenty-five years of actual service. LOPFI's contributions to the plan on behalf of its employees were \$46,202 for 2006, \$38,683 for 2005, and \$28,730 for 2004.

**Arkansas Local Police and Fire Retirement System**

**Required Supplementary Information**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (d)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/95	\$ 166,697,056	\$ 184,722,940	\$ 18,025,884	90%	\$ 92,609,526	19%
12/31/96*	200,004,954	242,501,504	42,496,550	82	114,814,558	37
12/31/97	242,849,773	279,592,905	36,743,132	87	129,797,633	28
12/31/98*+	295,664,808	328,182,052	32,517,244	90	135,372,764	28
12/31/99*	361,113,458	369,233,854	8,120,396	98	136,976,242	6
12/31/00*	425,122,202	416,222,207	(8,899,995)	102	142,778,723	-
12/31/01*	481,431,953	428,840,581	(52,951,372)	112	152,883,342	-
12/31/02	515,600,263	534,533,175	18,932,912	96	163,420,616	12
12/31/03 +	553,057,228	620,393,297	67,336,069	89	181,429,964	37
12/31/04*	601,798,909	754,004,285	152,205,376	80	193,586,972	79
12/31/05	636,316,197	823,038,981	186,722,784	77	207,342,091	90
12/31/06	724,746,827	927,816,659	203,069,832	78	222,107,556	91

\* After legislated benefit increases for LOPFI members

+ After changes in actuarial assumptions

**Schedule of Employer Contributions**

Fiscal year ending	Annual Required Contribution	Percent Contributed
12/31/95	\$ 11,795,077	100%
12/31/96	14,650,814	100%
12/31/97	16,402,732	100%
12/31/98	18,221,992	100%
12/31/99	19,522,826	100%
12/31/00	22,321,326	100%
12/31/01	22,420,300	100%
12/31/02	18,261,057	100%
12/31/03	16,346,749	100%
12/31/04	26,925,018	100%
12/31/05	30,184,341	100%
12/31/06	39,758,875	100%

**Note to the required supplementary information**

**Actuarial methods & assumptions for valuation performed December 31, 2006**

The entry age normal actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience ("actuarial gains and losses") become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest) which are expressed as a percent of payroll. The amortization period used for the December 31, 2006 valuations was 30 years using a level percent open method. The actuarial value of assets is based on a five year smoothed market method. The investment return rate used is 8% per year. The inflation rate assumed is 4% per year. Projected salary increase assumptions are based on 4% to 9.6% increases and a wage inflation rate of 4% per year. A cost of living adjustment (COLA) is based on a 3% compound escalator for the LOPFI plan only. A number of local plans under LOPFI administration have guaranteed post-retirement benefit increases.

See accompanying Independent Auditor's Report.

**Arkansas Local Police and Fire Retirement System**  
**Schedule of Administrative and Investment Expenses**  
**Years ended December 31, 2006 and 2005**

<u>Personnel Services</u>	<u>2006</u>	<u>2005</u>
Staff salaries	\$ 239,596	\$ 212,765
Social security tax	27,595	24,469
Staff retirement plan contribution	46,202	38,683
Health insurance	39,608	42,007
Unemployment insurance	630	770
Total personnel services	353,631	318,694
<u>Professional Services</u>		
Actuarial services	199,050	179,000
Professional accounting services	8,050	7,800
Legal consultation	88,142	103,138
Data processing	231,567	202,713
Medical advisor	31,944	32,570
Total professional services	558,753	525,221
<u>Communications</u>		
Printing	18,744	31,623
Telephone	7,586	9,598
Postage	11,643	12,866
Meetings and travel	16,735	13,340
Total communications	54,708	67,427
<u>Miscellaneous</u>		
Insurance-bond and property	70,473	66,039
Office rent		22,652
Office equipment rent	3,718	3,791
Depreciation	114,310	102,944
Publications	2,499	1,031
Office supplies	6,717	9,948
Other Miscellaneous	1,511	2,226
Interest paid to Pension Review Board	6,662	36,411
Total miscellaneous	205,890	245,042
<b>Total administrative expenses</b>	<b>1,172,982</b>	<b>1,156,384</b>
<u>Investment expenses</u>		
Investment manager fees	2,554,905	2,781,844
Custodial fees	216,000	233,861
Investment consulting fee	160,000	151,544
Investment monitoring fee		26,000
<b>Total investment expenses</b>	<b>2,930,905</b>	<b>3,193,249</b>
 <b>Total administrative and investment expenses</b>	 <b>\$ 4,103,887</b>	 <b>\$ 4,349,633</b>

See accompanying Independent Auditor's Report.



**Arkansas Local Police and Fire Retirement System**  
**Schedule of Actual versus Budgeted Expenses**  
**Year ended December 31, 2006**

	<u>Budgeted</u>	<u>Actual</u>	Favorable (Unfavorable)
<b><u>Personnel Services</u></b>	376,240	353,631	22,609
<b><u>Professional Services</u></b>			
Actuarial services	206,650	199,050	7,600
Professional accounting services	8,200	8,050	150
Legal consultation (1)	87,000	88,142	(1,142)
Data processing	258,200	231,567	26,633
Medical advisor	34,000	31,944	2,056
Total professional services	<u>594,050</u>	<u>558,753</u>	<u>35,297</u>
<b><u>Communications</u></b>			
Printing	23,500	18,744	4,756
Telephone	8,500	7,586	914
Postage	17,500	11,643	5,857
Meetings and travel	26,900	16,735	10,165
Total communications	<u>76,400</u>	<u>54,708</u>	<u>21,692</u>
<b><u>Miscellaneous</u></b>			
Insurance-bond and property	70,504	70,473	31
Office rent (2)	51,280		51,280
Office equipment and furniture (3)	30,750		30,750
Office equipment rent	5,900	3,718	2,182
Depreciation	114,310	114,310	-
Publications	2,700	2,499	201
Office supplies	9,800	6,717	3,083
Other miscellaneous	5,100	1,511	3,589
Interest paid to Pension Review Board	14,907	6,662	8,245
Total miscellaneous	<u>305,251</u>	<u>205,890</u>	<u>99,361</u>
<b>Total administrative expenses</b>	<u>1,351,941</u>	<u>1,172,982</u>	<u>178,959</u>
<b><u>Investment expenses</u></b>			
Investment manager fees	2,826,749	2,554,905	271,844
Custodial fees	216,000	216,000	-
Investment consulting fee	160,000	160,000	-
<b>Total investment expenses</b>	<u>3,202,749</u>	<u>2,930,905</u>	<u>271,844</u>
<b>Total administrative and investment expenses</b>	<u>\$4,554,690</u>	<u>\$4,103,887</u>	<u>\$ 450,803</u>

(1)Legal expense is higher due to lawsuit by former Executive Director.

(2)Office rent is eliminated against rent income since LOPFI owns the building.

(3)Fixed asset additions are not recorded as expense although board budgets expenditures.

See accompanying Independent Auditor's Report.



# Stephens Inc.

Larry Middleton  
Senior Vice President

March 2007

Dear Trustees:

On behalf of the Arkansas Local Police and Fire Retirement System (LOPFI) Plan, we have prepared a year-end review of the Plan's investment returns and the portfolio's targeted/actual allocations among their respective asset classes. The Plan's investments are consistent with the stated Investment Policy.

LOPFI's portfolio structure is based on the Fund's Investment Policy and the targeted asset mix is consistent with the long-term investment objectives and risk parameters of the Plan. The portfolio's current allocations fall in the permissible range as stated in the Investment Policy and are as follows:

	<b>Allocation As of 12/31/06</b>	<b>Permissible Range</b>
<b>Domestic Equities</b>		
Value	18	15-30%
Growth	16	15-30%
Small	12	10-20%
<b>Foreign Equities</b>	9	0-10%
<b>Index</b>	13	5-15%
<b>US Bonds</b>	26	20-50%
<b>Foreign Bonds</b>	6	0-10%
<b>Cash</b>	0	0-20%

LOPFI earned 10.6%\* for the fiscal year ended 2006 (as reported by GRS/Thistle Asset Consulting) versus the comparative index return of 11.0% and the Plan has earned an annualized return of 8.1% for the past 9 years, which is consistent with the actuarial assumed rate. These positive investment results have been achieved in spite of the challenging investment market that was experienced in 2001 and 2002.

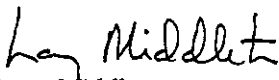
The value of the LOPFI Plan grew by 12.9% for the year ending December 31, 2006 with an ending total of \$720.6 million\*\*, which benefited from plan contributions and the positive earnings results.

Investment Bankers  
[www.stephens.com](http://www.stephens.com)

111 Center Street Suite 2120 P.O. Box 3507 Little Rock, Arkansas 72203 501-377-3493 Fax 501-377-2683

The Plan's investment operations continue to meet the long-term objectives of the Plan and its participants under the purview of the Trustees.

Sincerely,

  
Larry Middleton

\* Thistle Asset Consulting employs monthly time-weighted performance measurement techniques. We use the market value of the portfolio, with accruals as of the trade date. We do not use the performance of a composite portfolio but the performance of the actual plan's portfolio. These reporting techniques are consistent with the Charter Financial Analyst Institute performance presentation standards.

\*\* As reported on a non-accrual basis from the custodian (Regions Bank) bank statements dated 12/13/06.

*The statements contained herein, while not guaranteed, are taken from sources we consider to be reliable. Month-end statements should remain as your documents of record. Past performance is no guarantee of future results.*

# LOPFI INVESTMENT PERFORMANCE

## Ten Year History to 12/31/06

<b>ANNUAL VALUES</b>					
Investment Return % (TW*) For Period					
[Asset Market Value (millions) End of Period]					
Period Ended	Total Fund	Inflation + 3%**	Equities	Fixed Income	Cash
12/31/96	16.8% [\$229.25]	6.4%	27.6% [\$146.18]	2.5% [\$72.28]	3.7% [\$10.79]
12/31/97	17.3% [\$286.85]	4.7%	25.8% [\$172.04]	10.1% [\$98.12]	4.8% [\$16.69]
12/31/98	16.1% [\$351.65]	4.6%	20.5% [\$218.27]	10.2% [\$122.28]	5.1% [\$11.10]
12/31/99	20.3% [\$435.07]	5.7%	32.7% [\$297.18]	-0.5% [\$125.39]	5.1% [\$12.50]
12/31/00	2.3% [\$458.10]	6.6%	-0.6% [\$296.76]	7.8% [\$147.63]	9.81% [\$13.72]
12/31/01	-0.8% [\$466.21]	4.7%	-2.9% [\$245.47]	4.1% [\$156.23]	2.9% [\$64.51]
12/31/02	-10.42% [\$428.70]	5.5%	-19.0% [\$243.61]	7.9% [\$172.32]	0.4% [\$12.77]
12/31/03	22.82% [\$529.86]	4.9%	33.54% [\$329.87]	7.86% [\$185.33]	5.97% [\$14.66]
12/31/04	8.79% [\$601.35]	6.6%	10.75% [\$363.27]	4.78% [\$211.48]	11.50% [\$11.31]
12/31/05	2.92% [\$637.94]	6.6%	4.71% [\$366.01]	-0.37% [\$247.11]	19.68% [\$-29.35]
12/31/06	10.60% [\$720.75]	5.8%	13.32% [\$488.73]	4.47% [\$267.16]	-9.68% [\$-35.15]

### QUARTERLY VALUES (RETURNS)

Period Ended	Total Fund	Equities	Fixed Income
12/31/2006	4.94%	6.63%	1.27%

EQUITIES means common stocks and real estate  
 FIXED INCOME means long-term debt investment and convertibles  
 CASH means cash and cash equivalents (short term debt)  
 TOTAL FUND means equities plus fixed income plus cash

\* Time-weighted

\*\*December 31 to December 31

# ARKANSAS LOPFI RETIREMENT SYSTEM

## Performance Report as of December 31, 2006

Manager	Wellington	Pacific Financial	State Street Global Advisors	Provident	Fisher Investments	Brandywine	EAFE	Davis, Hamilton, Jackson	PIMCO	WAMCO	Aberdeen Asset Management	Total Fund
<b>Style</b>	Large Cap Growth Equity	Large Cap Value Equity	Equity Core	Small Cap Growth Equity	Int'l. Equity	Int'l. Equity	Int'l. Equity	Fixed Income	Int'l. Fixed Income	Agg. Fixed Income	Int'l. Fixed Income	<b>Total Fund</b>
<b>Comparative Index</b>	Russell 1000 Growth	Russell 1000 Value	S&P 500	Russell 2000 Growth	MSCI EAFE	MSCI EAFE	MSCI EAFE	LBGC	LBGC Int.	LBAB	Citigroup Non-US Dollar Bond	63% Stocks, 37% Bonds (broad)
<b>Quarterly Returns*</b>												
<b>Manager</b>	4.8%	7.1%	7.3%	9.0%	9.6%	9.7%	10.3%	1.0%	1.1%	1.9%	2.2%	4.9%
<b>Index</b>	5.9%	8.0%	6.7%	8.8%	10.4%	10.4%	10.4%	1.0%	1.0%	1.2%	2.1%	5.3%
<b>One Year</b>												
<b>Manager</b>	5.0%	17.4%	15.9%	13.4%	19.2%	25.4%	25.7%	4.3%	4.6%	5.5%	7.0%	10.6%
<b>Index</b>	9.1%	22.3%	15.8%	13.4%	26.9%	26.9%	26.9%	3.8%	4.1%	4.3%	6.9%	12.8%
<b>Three Years</b>												
<b>Manager</b>	8.3%	8.7%	N/A	8.6%	18.70%	N/A	N/A	N/A	3.1%	4.2%	2.7%	7.4%
<b>Index</b>	6.9%	15.1%	N/A	10.5%	20.4%	N/A	N/A	N/A	2.9%	3.7%	2.9%	9.2%
<b>Annualized Returns Since Inception (1/1/98)*</b>												
<b>Manager</b>	5.4%	12.3%	12.4%	7.9%	14.9%	24.7%	22.1%	3.2%	4.2%	4.7%	5.6%	7.5%
<b>Index</b>	3.0%	8.6%	12.1%	4.0%	15.4%	22.4%	22.9%	2.8%	3.5%	4.0%	5.8%	7.0%
<b>Relative Rank in Universe (1 is best)</b>												
<b>Quarter</b>	73	51	22	32	79	77	59	59	64	20	N/A	52
<b>One Year</b>	75	48	30	39	100	76	74	88	86	53	N/A	53
<b>Three Years</b>	36	93	N/A	85	66	N/A	N/A	N/A	62	33	N/A	70
<b>Five Years</b>	8	62	N/A	71	50	N/A	N/A	N/A	N/A	N/A	N/A	58
<b>Account Managed (000's omitted)</b>												
	\$115,548	\$66,432	\$90,115	\$92,831	\$13,298	\$22,874	\$25,621	\$30,296	\$82,050	\$72,591	\$42,666	\$720,748
<b>% of Total Fund</b>												
<b>Original</b>	20%*	23%	0%	15%*	1%	3%	2%	5%	15%*	15%	7%	100%
<b>Current</b>	16%	9%	13%	13%	2%	3%	4%	4%	11%	10%	6%	100%
<b>(Original Range)</b>	(15-30)	(15-30)		(10-20)					(20-50)		(0-10)	

\* Returns above include cash equivalents and take into account the weighting of cash flows from the date of each individual transaction  
 \*\* The total fund at 12/31/2006 (720,748,000) includes funds from the Liquidation Account and Dodge & Cox in the amount of \$2,080,000 and \$64,346,000 respectively

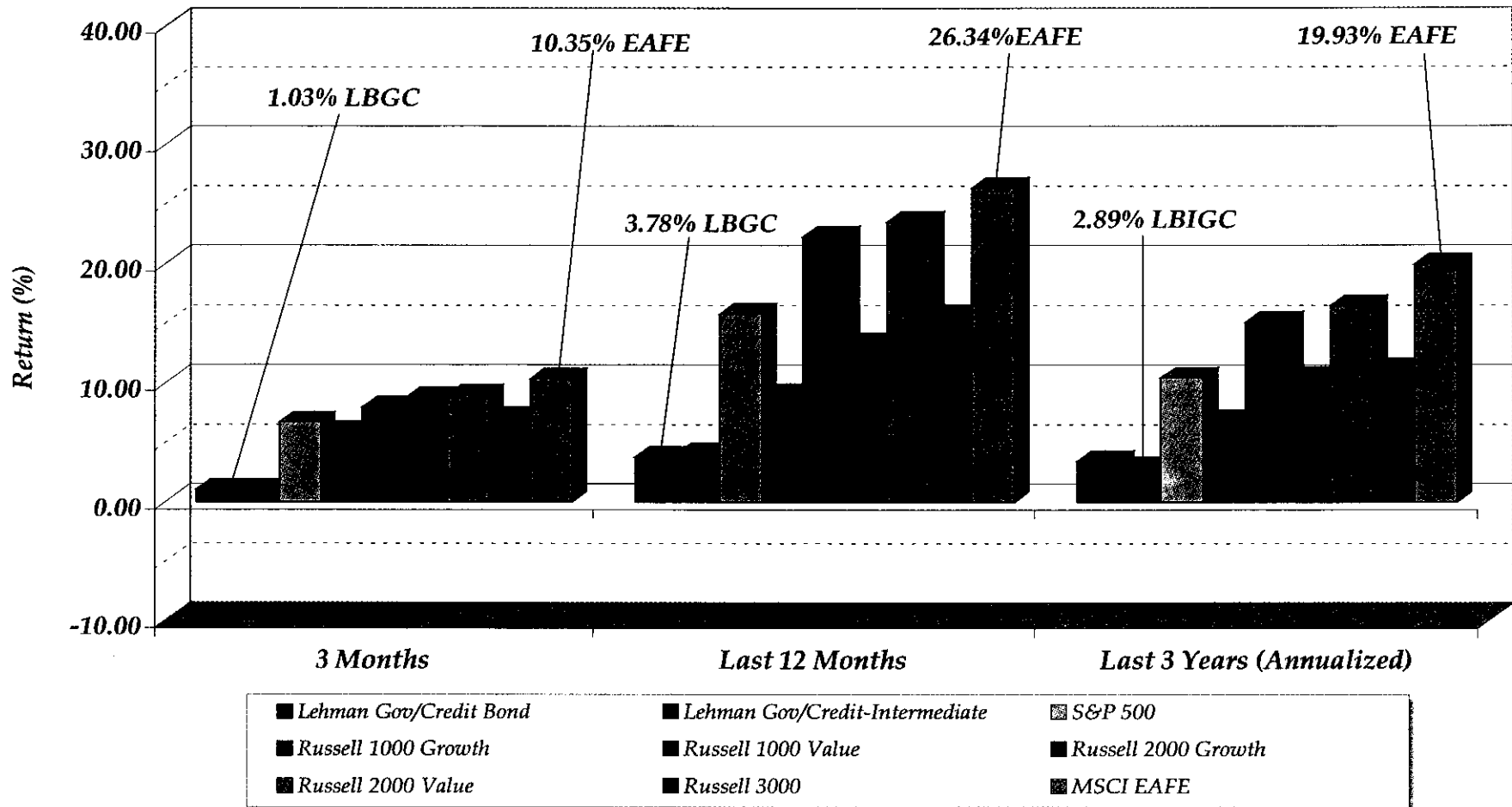
**ARKANSAS LOPFI RETIREMENT SYSTEM**

**TOTAL ANNUAL RETURNS 2002 - 2006  
(Time-weighted)**

<u>Manager</u>	<u>Annual Return</u>					<u>5 Years Annualized (Shorter periods as indicated)</u>	
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>		
Wellington	-21.70%	34.51%	14.75%	5.46%	4.99%	6.00%	
Pacific Financial	-9.44%	23.84%	8.70%	0.73%	17.43%	7.60%	
Provident	-30.07%	52.22%	8.08%	4.39%	13.37%	6.37%	
Fisher	-15.38%	41.22%	17.65%	19.34%	19.15%	14.86%	
EAFE I-Shares				11.63%	25.67%	22.06%	2 years, 7 months
PIMCO		6.90%	2.63%	1.98%	4.60%	4.23%	4 years, 3 months
WAMCO		4.66%	4.71%	2.54%	5.45%	4.69%	4 years, 3 months
Aberdeen	23.17%	19.71%	11.38%	-9.21%	7.04%	9.80%	
SSGA Index Plus					15.87%	12.38%	1 year, 11 months
Brandywine Intl. Eq.					25.40%	24.72%	1 year, 11 months
DHJ					4.28%	3.24%	1 year, 11 months
Dodge & Cox					12.94%	12.94%	1 year
<b>TOTAL FUND</b>	<b>-10.42%</b>	<b>22.27%</b>	<b>8.79%</b>	<b>2.92%</b>	<b>6.29%</b>	<b>6.29%</b>	

# Index Comparison

## December 31, 2006

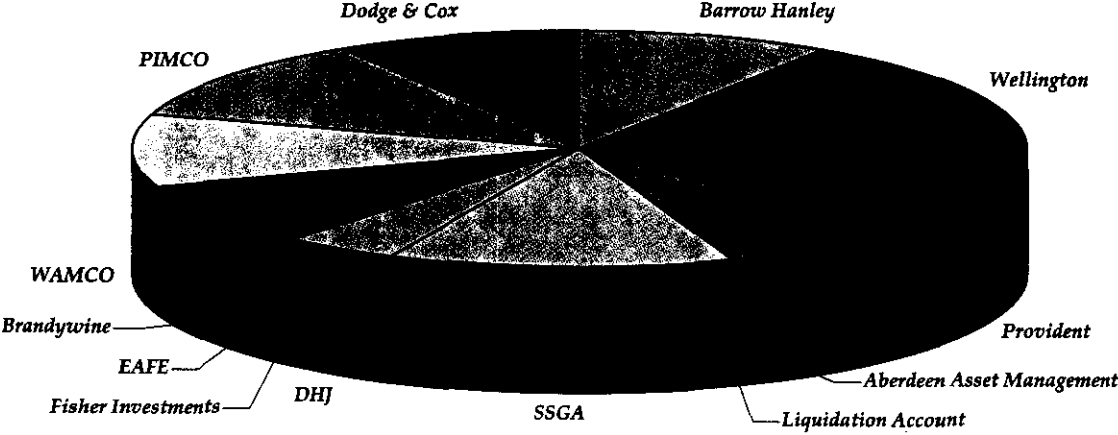




# LOPFI

## Asset Allocation

### as of December 31, 2006



■ Barrow Hanley	■ Wellington	■ Provident	■ Aberdeen Asset Management
■ Liquidation Account	■ SSGA	■ DHJ	■ Fisher Investments
■ EAFE	■ Brandywine	□ WAMCO	■ PIMCO
■ Dodge & Cox			

**Arkansas Local Police & Fire Retirement System  
Schedule of Investment Expenses  
As of December 31, 2006**

Professional / Consultant	Nature of Service	Amount
Wellington - Large Cap Growth - Equity	Money Manager	\$ 445,131.70
Barrow, Hanley - Large Cap Value - Equity	Money Manager	\$ 229,883.00
Aberdeen Asset - International Fixed Income	Money Manager	\$ 175,186.91
State Street - Large Cap Core Equity	Money Manager	\$ 180,519.33
Fisher Investments - International Equity	Money Manager	\$ 89,134.94
Brandywine - International Equity	Money Manager	\$ 138,358.35
Davis, Hamilton - Core Fixed Income	Money Manager	\$ 72,673.14
Provident - Small Cap Growth Equity	Money Manager	\$ 876,885.00
PIMCO - International Fixed Income	Money Manager	\$ 257,484.15
WAMCO - Aggregate Fixed Income	Money Manager	<u>\$ 89,648.70</u>
Total Investment Fees		<u>\$ 2,554,905.22</u>
Regions Bank	Custodial Service	<u>\$ 216,000.00</u>
Stephens	Investment Consultant	<u>\$ 160,000.00</u>

Information on investment management and consulting fees can be found in the Financial Section in the Schedule of Administrative and Investment Expenses on page 33.

**Arkansas Local Police & Fire Retirement System  
Schedule of Broker Commissions**

<u>BROKER</u>	<u>COMMISSION</u>	<u>GROSS AMOUNT</u>
GOLDMAN SACHS & CO**00005	256.00	3,309,793,811.96
SANFORD C.BERNSTEIN INC**00013	904.00	1,129,490.05
JEFFERIES & CO INC**00019	16.00	19,699.60
ARNHOLD & S BLEICHOEDER**00031	32.00	61,563.20
MORGAN STANLEY & CO INC**00050	1,537.48	256,926,514.05
J P MORGAN SECURITIES INC**00060	1,176.00	1,167,727.82
LEHMAN BROTHERS INC**00074	1,086.90	184,044,483.80
ESI**00100	180.00	85,815.00
MERRILL LYNCH PIERCE FENNER**00161	2,147.50	66,728,853.54
KEEFE BRUYETTE & WOODS INC**00345	432.00	529,040.91
CREDIT SUISSE FIRST BOSTON LLC	1,416.00	382,871,464.11
JANNEY MONTGOMERY SCOTT INC**00374	296.00	312,199.41
CITIGROUP GLOBAL MARKETS INC	1,616.00	2,892,350.82
CIBC WORLD MARKETS CORP	40.00	76,565.20
BAIRD ROBERT W**00547	336.00	4,710,764.68
R B C DOMINION SEC CORP**00569	148.00	383,851.88
DEUTSCHE BANC ALEX BRN**00573	1,848.25	91,415,423.43
UBS SECURITIES LLC	2,588.50	104,109,634.58
CANTOR FITZGERALD**00696	692.80	998,774.42
DAVENPORT & CO**00715	20.00	11,386.20
RAYMOND JAMES & ASSOC INC**00725	240.00	262,955.57
HOWARD WEIL LABOUISE FRIEDCHS**00760	556.00	688,690.92
BANK OF AMERICA SECURITIES**00773	848.00	88,424,895.44
STIFEL NICOLAUS & CO INC**00793	156.00	1,024,460.74
BEAR STE**05090	1,242.00	1,353,556.44
INVESTMENT TECH CORP INTL**06164	34,012.85	93,145,007.96
INSTINET**06826	1,098.77	3,095,751.43
WEEDEN & CO INC**09883	236.00	494,333.95
FP MAGLIO & CO**34333	21.00	54,556.25
INSTITUTIONAL DIRECT INC**49547	72.00	39,590.10
LIQUIDNET INC**50091	980.00	2,079,924.09
SANDLER O'NEILL & PARTNERS LP**52002	204.00	265,122.91
KNIGHT SECURITIES**52759	24.00	14,056.26
JONES & ASSOCIATES INC**54814	128.10	186,772.11
MIDWEST RESEARCH SEC**54959	460.00	568,904.37
BEAR STEARNS & CO**57079	1,492.00	16,926,970.07
SIMMONS & CO INTERNATIONAL**57575	192.00	158,175.36
BURNHAM SEC INC**57611	96.00	78,799.68
PRUDENTIAL EQUITY GRP**58425	12.00	15,367.62
SIDOTI & CO LLC**59525	36.00	68,952.60
S.G.COWEN & CO**59526	184.00	139,500.10
PICKERING ENERGY PARTNERS**59833	92.00	197,508.09
PETRIE PARKMAN & CO INC **70806	276.00	501,205.14
PIPELINE TRADING SYSTEMS	6.00	22,788.24
DOWLING & PARTNERS**71761	96.00	73,186.98
Longbow Securities LLC	92.00	76,537.42
MASSACHUSETTS FIN SERV CO**82669	646.48	687,815.21
RYAN BECK & CO**82913	368.00	651,481.80
ISI GROUP INC**83213	84.00	108,400.44
MIDWOOD SECURITIES **83718	36.00	169,171.38
BUCKINGHAM RESEARCH GRP INC**85704	312.00	243,683.04
TOTAL BROKER COMMISSIONS	61,068.63	4,620,087,536.37

## Highest Portfolio Holdings by Manager Top Three Holdings As of December 31, 2006

	FISHER	LIQUIDATION	BARROW, HANLEY	DAVIS, HAMILTON	WAMCO	PIMCO
1	UBS AG-NEW ISIN# CH0024899483	MUTUAL FUNDS	ALTRIA GROUP INC. COM.	FHLMC	FNMA #10716'	U.S. TREASURY NOTE
MATURITY	N/A	N/A	N/A	9/15/11	1/1/34	2/15/10
Fair Value	\$458,508	\$1,495,032	\$2,411,542	\$2,410,201	\$13,630,165	\$14,764,021
Book Value	\$204,150	\$1,495,032	\$1,183,419	\$2,418,133	\$13,630,165	\$15,628,716
Percent of Fund	3.45%	72.33%	3.64%	8.04%	18.91%	18.24%
2	VOLVO AKTEIBOLAGET ADR B	1ST NATIONAL BANK OF BLYTHEVILLE CD	WELLPOINT INC.	FNMA	FNMA #23859	U.S. TREASURY NOTE
MATURITY	N/A	2/1/08	N/A	6/15/09	1/15/33	6/30/07
Fair Value	\$453,750	\$309,903	\$2,289,879	\$2,312,171	\$3,937,266	\$6,209,969
Book Value	\$146,671	\$309,903	\$2,143,774	\$2,308,321	\$3,937,266	\$6,213,148
Percent of Fund	3.41%	14.99%	3.45%	7.71%	5.46%	7.67%
3	ORIX CORP SPONSORED ADR	1ST NATIONAL BANK OF PARAGOULD CD	CONOCO / PHILLIPS COM	FHLMC	GNMA #9700	U.S. TREASURY NOTE
MATURITY	N/A	9/18/07	N/A	6/15/11	1/15/33	10/15/09
Fair Value	\$440,400	\$261,076	\$2,216,060	\$2,199,675	\$2,844,305	\$5,114,924
Book Value	\$144,607	\$261,076	\$1,918,326	\$2,208,809	\$2,844,305	\$5,141,996
Percent of Fund	3.31%	12.63%	3.34%	7.34%	5.91%	6.32%

Please contact LOPFI for a complete list of the portfolio's holdings.

## Investment Summary Year Ended December 31, 2006

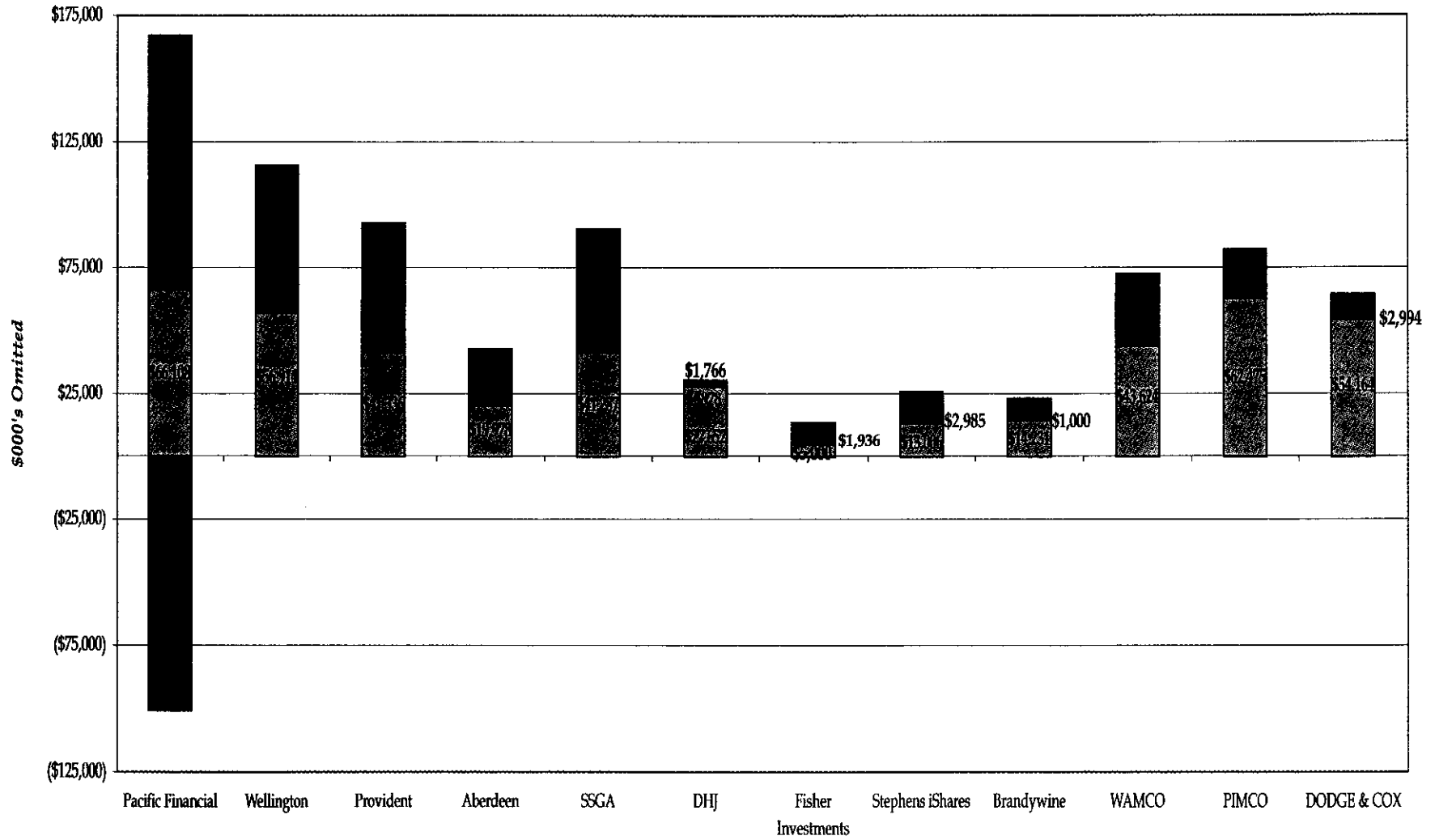
<u>Type of Investment</u>	December 31, 2006		<u>% of Total</u>
	<u>Cost Value</u>	<u>Fair Value</u>	
Cash and Short Term Investments	\$ 27,625,836	\$ 27,625,836	3.8%
Investments:			
U.S. Government Obligations	117,656,468	116,887,034	16.0%
Corporate Obligations	51,217,340	50,730,416	6.9%
Foreign Bonds	932,080	888,170	0.1%
Fixed Income Collective Trusts	27,345,172	42,665,622	5.8%
Common and Preferred Stocks	141,454,871	167,274,936	22.9%
Equity Mutual Collective Trusts	247,275,262	321,368,599	43.9%
	<u>\$ 585,881,193</u>	<u>\$ 699,814,777</u> *	<u>95.6%</u>
Land and Building	\$ 4,135,411	\$ 4,200,000	0.6%

<u>Type of Investment</u>	December 31, 2005		<u>% of Total</u>
	<u>Cost Value</u>	<u>Fair Value</u>	
Cash and Short Term Investments	\$ 26,220,967	\$ 26,220,967	4.1%
Investments:			
U.S. Government Obligations	110,161,956	109,214,012	16.9%
Corporate Obligations	44,100,054	43,236,090	6.7%
Foreign Bonds	1,578,319	1,525,251	0.2%
Fixed Income Collective Trusts	27,345,172	39,858,762	6.2%
Common and Preferred Stocks	126,215,751	136,001,680	21.1%
Equity Mutual Collective Trusts	242,212,280	284,142,981	44.1%
	<u>\$ 551,613,532</u>	<u>\$ 613,978,776</u> *	<u>95.2%</u>
Land and Building	\$ 4,048,782	\$ 4,400,000	0.7%

\* Per Statements of Plan Net Assets on Page 24.

## Arkansas LOPFI Retirement System Growth In Assets By Manager (Since 12/31/97) December 31, 2006

December 31, 2006



Original Amount
  Net Cash Flow
  Inv. Gain/Loss

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# Actuarial Section





# ACTUARY'S LETTER

GABRIEL, ROEDER, SMITH & COMPANY  
Consultants & Actuaries

One Towne Square • Suite 800 • Southfield, Michigan 48076 • 248-799-9000 • 800-521-0498 • fax 248-799-9020

June 13, 2007

The Board of Trustees  
Arkansas Local Police and Fire Retirement System  
Little Rock, Arkansas 72201

The fundamental financial objective of LOPFI is to establish and receive contributions which, when expressed in terms of the percentage of active member payroll, will remain approximately level from generation to generation of local citizens, and when combined with present assets and future investment return will be sufficient to meet the financial obligations of LOPFI to present and future retirees and beneficiaries.

To test how well the fundamental objective is being achieved, annual actuarial valuations are made, individually for each paid service coverage group. These valuations adjust employer contributions, up or down as the case may be, for differences in the past year between assumed financial experiences and actual financial experiences.

As of December 31, 2006, actuarial valuations were made for 588 employer groups. Summary information about the resulting new employer contribution rates is shown in the annual report. Results of the 2006 actuarial valuations indicate that aggregate actuarial accrued liabilities are 78% covered by assets. This is an increase from 77% last year. The increase in this percentage is the result of scheduled contributions to the plan. These results include the 72 local police and fire pension and relief funds which are closed to new hires and for which LOPFI also serves as administrative agent. Valuation results for those groups are summarized in the annual report and are provided to the local fund and to the LOPFI administrative staff.

The actuarial valuations are based upon financial and participant data which is prepared by Retirement System staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among LOPFI members and their beneficiaries. The data is reviewed by us for internal and year-to-year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The non-economic assumptions were adopted by the Board of Trustees and were based upon actual experience of LOPFI during the years 1997 through 2002. Economic assumptions used in the December 31, 2006 valuation are based upon an economic assumption study as of December 31, 2000. Assets are valued according to a method that fully recognizes expected investment return and averages unanticipated market return over a five-year period. The assumptions utilized in this valuation, in our opinion, meet the parameters established by the Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the introductory section. We provided the information used in the supporting schedules in the actuarial section and the Schedules of Funding Progress in the financial section, as well as the employer contribution rates that were the basis for the annual required contributions shown in the Schedule of Employer Contributions also in the financial section.

On the basis of the 2006 valuations, it is our opinion that the contribution rates recommended in the most recent actuarial report are sufficient to meet LOPFI's financial objective.

Respectfully submitted,



David L. Hoffman



Mita D. Drazilov

DLH:hgb

**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.

**NON-ECONOMIC ASSUMPTIONS -----**

*The mortality table* used to measure retired life mortality was the 1983 Group Annuity Mortality Table, set forward one year for men and set forward one year for women. 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, fifty percent of the post-retirement mortality tables were used. Fifty percent of deaths-in-service were assumed to be duty related.

*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 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 \$5.48 effective July 1, 2007 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.

-----  
The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.).

## 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	
12/31/1985	39	218	\$ 3,066,418	\$14,066	10.7 %	3.8 %
12/31/1986	42	276	4,170,832	15,112	7.4	1.1
12/31/1987	48	342	5,333,703	15,596	3.2	4.4
12/31/1988	54	413	6,759,766	16,367	4.9	4.4
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	155	1,616	53,106,550	32,863	1.5	3.4
12/31/2006	161	1,680	57,466,068	34,206	4.1	2.5

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

Paid Police Not Covered by Social Security	Valuation Groups	Active Members				Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	% Increase	
12/31/1985	13	214	\$ 3,386,482	\$15,825	6.3 %	3.8 %
12/31/1986	13	283	4,798,324	16,955	7.1	1.1
12/31/1987	13	321	5,812,570	18,108	6.8	4.4
12/31/1988	14	410	7,849,599	19,145	5.7	4.4
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	16	1,412	60,677,812	42,973	2.5	3.4
12/31/2006	14	1,455	64,982,903	44,662	3.9	2.5

**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	
12/31/1985	2	12	\$ 210,238	\$17,520	7.1 %	3.8 %
12/31/1986	2	14	254,921	18,209	3.9	1.1
12/31/1987	2	16	321,457	20,091	10.3	4.4
12/31/1988	3	19	382,949	20,155	0.3	4.4
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

**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	
12/31/1985	39	256	\$ 3,838,880	\$14,996	9.2 %	3.8 %
12/31/1986	40	346	5,619,219	16,241	8.3	1.1
12/31/1987	45	439	7,335,514	16,710	2.9	4.4
12/31/1988	47	514	9,377,770	18,245	9.2	4.4
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	1003	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

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

Total Paid Police and Fire	Valuation Groups	Active Members				Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	% Increase	
12/31/1985	93	700	\$ 10,502,018	\$15,003	9.3 %	3.8 %
12/31/1986	97	919	14,843,296	16,152	7.7	1.1
12/31/1987	108	1,118	18,803,244	16,819	4.1	4.4
12/31/1988	118	1,356	24,370,084	17,972	6.9	4.4
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	238	5,119	197,572,656	38,596	2.3	3.4
12/31/2006	247	5,328	212,949,694	39,968	3.6	2.5



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

Volunteer Police	Valuation Groups	Active Members			Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	
12/31/1985	2	2	N/A	N/A	N/A
12/31/1986	2	2			N/A
12/31/1987	3	8			N/A
12/31/1988	3	2			N/A
12/31/1989	4	3			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	69			3.4
12/31/2006	38	91			2.5

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

Reporting Date	Number of Groups	Number of Persons	Active Members			Million Dollars of Assets
			Number	Percentage of Total	Percentage of Total	
12/31/1985	166	756	N/A	N/A	N/A	N/A
12/31/1986	185	1020				N/A
12/31/1987	202	1238				N/A
12/31/1988	207	1422				N/A
12/31/1989	215	1623				N/A
12/31/1990	218	1823				N/A
12/31/1991	226	2005				3.1
12/31/1992	232	2167				2.9
12/31/1993	237	2370				2.7
12/31/1994	239	2452				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	294	4,579				3.4
12/31/2006	303	4,814				2.5

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

Total Volunteer	Valuation Groups	Active Members			Inflation Increase % (CPI)
		Number	Annual Payroll	Average Pay	
12/31/1985	168	758	N/A	N/A	N/A
12/31/1986	187	1,022			N/A
12/31/1987	205	1,246			N/A
12/31/1988	210	1,424			N/A
12/31/1989	219	1,626			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	326	4,648			3.4
12/31/2006	341	4,905			2.5

**LOPFI (Excluding Local Funds)  
Paid Service Active Members – December 31, 2006  
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	2							2	\$ 47,496
20-24	216	7						223	6,462,539
25-29	653	163	4					820	26,985,141
30-34	397	530	158	11				1,096	41,650,631
35-39	252	381	434	119	5			1,191	49,410,073
40-44	111	151	266	298	96	2		924	40,794,263
45-49	49	52	106	209	159	3	1	579	26,711,181
50-54	41	40	42	66	94	4		287	12,552,122
55-59	39	21	23	35	18	2	1	139	5,654,958
60-64	16	12	9	9	5	1	1	53	2,098,186
65-69	7	2	4	1				14	583,104
<b>Totals</b>	<b>1,783</b>	<b>1,359</b>	<b>1,046</b>	<b>748</b>	<b>377</b>	<b>12</b>	<b>3</b>	<b>5,328</b>	<b>\$ 212,949,694</b>

Average Age: 37.4 years

Average Service: 9.1 years

Average Pay: \$39,968

As a comparison, 5,119 paid service members participated in LOPFI on December 31, 2005.

**LOPFI (Excluding Local Funds)  
 Volunteer Service Active Members – December 31, 2006  
 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	
Under 20	52							52
20-24	421	48						469
25-29	362	227	25					614
30-34	298	210	122	11				641
35-39	325	231	184	76	10			826
40-44	207	192	177	105	70	3		754
45-49	120	141	147	117	70	14	2	611
50-54	78	96	84	70	68	11	5	412
55-59	52	59	47	53	28	9	7	255
60-64	42	24	19	27	21	7	4	144
65-69	24	22	8	7	3	6	4	74
70+	14	21	3	7	2	4	2	53
<b>Totals</b>	<b>1,995</b>	<b>1,271</b>	<b>816</b>	<b>473</b>	<b>272</b>	<b>54</b>	<b>24</b>	<b>4,905</b>

Average Age: 39.4 years

Average Service: 8.2 years

As a comparison, 4,648 volunteer service members participated in LOPFI on December 31, 2005.

**LOPFI**  
**Computed Employer Contributions**  
**For Paid Service Members by Valuation Groups**  
**December 31, 2006**

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	
Paid Police											
W/SS	1,680	7	2	6	2	12	13	18	12	89	161
W/O SS	1,455	3	4	-	2	2	-	3	-	-	14
Paid Fire											
W/SS	71	-	-	-	-	-	-	-	1	12	13
W/O SS	<u>2,122</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>9</u>	<u>4</u>	<u>9</u>	<u>8</u>	<u>23</u>	<u>59</u>
December 31, 2006	5,328	13	6	6	7	23	17	30	21	124	247
December 31, 2005	5,119	11	7	4	17	21	17	24	20	118	239
December 31, 2004 #	4,966	13	5	11	14	15	19	22	29	108	236
December 31, 2004	4,966	39	14	19	20	26	29	23	19	47	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
December 31, 1998 *#	3,998	56	16	25	44	23	15	13	5	11	208
December 31, 1997	3,715	52	23	45	24	22	10	17	1	8	202
December 31, 1996 *#	3,472	46	16	42	29	20	15	9	6	5	188
December 31, 1995	3,194	23	20	39	43	28	15	7	2	4	181
December 31, 1994	2,807	20	15	39	47	23	11	4	2	7	168
December 31, 1993	2,477	20	30	42	35	14	6	3	4	2	156
December 31, 1992	2,224	21	26	45	26	12	3	5	2	2	142
December 31, 1991 *	2,007	6	18	38	45	15	10	2	1	3	138
December 31, 1990	1,739	2	2	3	5	13	26	16	33	27	127

\* After changes in actuarial valuation assumptions.

# After legislated benefit increases.

**LOPFI**  
**Computed Employer Contributions**  
**For Volunteer Service Members by Valuation Groups**  
**December 31, 2006**

Group	Number of Active Members	Number of Valuation Groups with Indicated Computed Employer Contributions Expressed as Dollars Per Month Per Active Member												Totals
		Under \$10.00	From \$10.00 to \$14.99	From \$15.00 to \$19.99	From \$20.00 to \$24.99	From \$25.00 to \$29.99	From \$30.00 to \$34.99	From \$35.00 to \$39.99	From \$40.00 to \$44.99	From \$45.00 to \$49.99	From \$50.00 to \$54.99	From \$55.00 to \$59.99	\$60.00 and Over	
Volunteer Police	91	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	38
Volunteer Fire	4,814	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	303
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	4,648	1	1	15	48	96	66	33	25	20	8	2	11	326
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

Group	Number of Active Members	Number of Valuation Groups with Indicated Computed Employer Contributions Expressed as Dollars Per Month Per Active Member												Totals
		Under \$4.00	From \$4.00 to \$5.99	From \$6.00 to \$6.99	From \$7.00 to \$7.99	From \$8.00 to \$8.99	From \$9.00 to \$9.99	From \$10.00 to \$10.99	From \$11.00 to \$11.99	From \$12.00 to \$12.99	From \$13.00 to \$13.99	From \$14.00 to \$17.99	\$18.00 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
December 31, 1991 *	2,007	5	11	11	27	37	48	29	28	11	9	8	4	228
December 31, 1990	1,824	-	1	1	2	10	22	40	60	40	32	8	4	220

\* After changes in actuarial valuation assumptions.

# After legislated benefit increases.

**Benefit Program 2 Employers**  
**(Included in Paid Service Schedules)**

Employer	Number of Active Members	Amount
Beaver Lake Paid Fire	1	\$ 40,320
Bella Vista Paid Police	21	756,796
Bella Vista Paid Fire	24	1,012,930
Fayetteville Paid Police	115	5,694,484
Fayetteville Paid Fire	96	4,446,069
Fort Smith Paid Police	158	6,656,800
Fort Smith Paid Fire	115	5,199,899
Hot Springs Paid Police	86	3,591,724
Hot Springs Paid Fire	70	3,215,361
Marion Paid Police	19	649,203
<b>Total BP2</b>	<b>705</b>	<b>\$ 31,263,586</b>



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

Year Ended December 31:	1998	1999	2000	2001	2002	2003	2004	2005	2006
A. Funding Value Beginning of Year	\$242,849,773	\$295,664,808	\$361,113,458	\$425,122,202	\$481,431,953	\$515,600,263	\$553,057,228	\$601,798,909	\$653,546,976
B. Market Value End of Year	351,899,268	435,069,000	462,792,915	463,744,442	427,217,730	528,547,847	599,204,559	636,316,197	736,511,192
C. Market Value Beginning of Year	290,832,408	351,899,268	435,069,000	462,792,915	463,744,442	427,217,730	528,547,847	599,204,559	636,316,197
D. Non-Investment Net Cash Flow	12,743,644	11,038,983	12,639,439	13,494,801	7,582,456	2,825,533	19,053,696	22,397,530	24,082,243
E. Investment Income									
E1. Market Total: B - C - D	48,323,216	72,130,749	15,084,476	(12,543,274)	(44,109,168)	98,504,584	51,603,016	14,714,108	76,112,752
E1(a). Assumed Rate of Return	7.5%	7.5%	7.5%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%
E2. Amount for Immediate Recognition	18,691,620	22,588,822	27,557,488	32,390,220	38,817,854	41,361,042	45,006,726	49,039,814	53,247,048
E3. Amount for Phased-In Recognition E1-E2	29,631,596	49,541,927	(12,473,012)	(44,933,494)	(82,927,022)	57,143,542	6,596,290	(34,325,706)	22,865,704
F. Phased-In Recognition of Investment Income									
F1. Current Year: 0.20 x E3	5,926,319	9,908,385	(2,494,602)	(8,986,699)	(16,585,404)	11,428,708	1,319,258	(6,865,141)	4,573,141
F2. First Prior Year	6,071,325	5,926,319	9,908,385	(2,494,602)	(8,986,699)	(16,585,404)	11,428,708	1,319,258	(6,865,141)
F3. Second Prior Year	4,400,389	6,071,325	5,926,319	9,908,385	(2,494,602)	(8,986,699)	(16,585,404)	11,428,708	1,319,258
F4. Third Prior Year	5,514,425	4,400,389	6,071,325	5,926,319	9,908,385	(2,494,602)	(8,986,699)	(16,585,404)	11,428,708
F5. Fourth Prior Year	(532,687)	5,514,427	4,400,390	6,071,327	5,926,320	9,908,387	(2,494,604)	(8,986,698)	(16,585,406)
F6. Total Recognized Investment Gain	21,379,771	31,820,845	23,811,817	10,424,730	(12,232,000)	(6,729,610)	(15,318,741)	(19,689,277)	(6,129,440)
G. Funding Value End of Year: A + D + E2 + F6	295,664,808	361,113,458	425,122,202	481,431,953	515,600,263	553,057,228	601,798,909	653,546,976	724,746,827
H. Difference between Market & Funding Value	56,234,460	73,955,542	37,670,713	(17,687,511)	(88,382,533)	(24,509,381)	(2,594,350)	(17,230,779)	11,764,365
I. Recognized Rate of Return	16.08%	18.07%	13.98%	9.91%	5.48%	6.70%	5.28%	4.79%	7.08%
J. Market Rate of Return	16.26%	20.18%	3.42%	(2.67%)	(9.43%)	22.98%	9.59%	2.41%	11.74%
K. Ratio of Funding Value to Market Value	84.02%	83.00%	91.86%	103.81%	120.69%	104.64%	100.43%	102.71%	98.40%

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**LOPFI**  
**Reported Accrued Assets Available for Benefits (Cost Value)**  
**December 31, 2006**

<u>Group Type</u>	<u>No. #</u>	<u>Employer Accumulation Account</u>	<u>Members' Deposit Account</u>	<u>Retirement Reserve Account &amp;</u>	<u>Total @</u>
Paid Police W/SS	161	\$ 63,865,459	\$ 263,989		\$ 64,129,448
Paid Police W/O SS	14	124,897,701	37,082,489	-	161,980,190
Paid Fire W/SS	13	1,873,161	409,692	-	2,282,853
Paid Fire W/O SS	59	161,918,305	50,230,364	-	212,148,669
Subtotal	247	352,554,626	87,986,534	-	440,541,160
Volunteer Police	38	97,050	-	-	97,050
Volunteer Fire	303	13,727,296	-	-	13,727,296
Subtotal	341	13,824,346	-	-	13,824,346
Retirants and Beneficiaries	-	-	-	80,776,573	80,776,573
Total	588	\$ 366,378,972	\$ 87,986,534	\$ 80,776,573	\$ 535,142,079

**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, 2006. Totals include accounts for employers with no active participants as of December 31, 2006.*

@ Does not include assets of \$56,998,846 invested by LOPFI on behalf of Relief and Pension Funds under LOPFI administration.

& Includes DROP Reserve Account.

**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
12/31/86	97	919	\$ 5,521,949	\$ 6,020,364	109 %	- %
12/31/87	108	1,118	9,590,384	9,728,697	101	-
12/31/88	118	1,356	14,771,508	14,870,110	101	-
12/31/89	118	1,501	19,316,282	20,102,433	104	-
12/31/90	127	1,739	25,598,294	26,638,818	104	-
12/31/91 #	138	2,007	28,374,656	36,516,135	129	-
12/31/92	142	2,224	37,077,482	47,889,617	129	-
12/31/93 @	156	2,477	46,556,168	66,541,016	143	10.82
12/31/94	168	2,807	59,089,005	78,271,672	132	11.46
12/31/95	181	3,194	72,577,171	97,412,994	134	11.36
12/31/96 #+	188	3,472	93,046,084	123,339,438	133	10.88
12/31/97	202	3,715	111,523,686	153,499,754	138	10.55
12/31/98	208	3,998	126,526,059	189,595,998	150	9.39
12/31/98 #+	208	3,998	147,606,801	189,595,998	128	11.35
12/31/99	215	4,301	174,627,344	238,203,534	136	10.41
12/31/00	228	4,493	205,214,829	292,881,609	143	9.78
12/31/00 +	228	4,493	218,238,282	292,881,609	134	11.51
12/31/01 #	230	4,573	199,231,298	339,296,397	170	7.15
12/31/02	236	4,720	245,303,677	367,122,230	150	7.43
12/31/02 +	236	4,720	291,184,122	367,122,230	126	10.38
12/31/03	233	4,849	345,943,167	399,726,460	116	11.11
12/31/03 #	233	4,849	370,735,495	399,726,460	108	11.09
12/31/04	236	4,966	424,472,076	429,104,830	101	11.78
12/31/04 +	236	4,966	470,078,530	429,104,830	91	14.82
12/31/05	238	5,119	527,317,113	483,789,282	92	15.04
12/31/06	247	5,328	610,737,917	555,752,156	91	15.11

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

# After changes in actuarial valuation assumptions.

@ Valuation assets based on smoothed-market value beginning December 31, 1993 (cost basis prior to this date).

+ 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 (Continued)**

**Volunteer Participants**

Valuation Date	Valuation Groups	Active Members	Actuarial Accrued Liabilities	Valuation Assets	Assets/Liabilities*	Average Contribution Rate
12/31/86	187	1,022	\$ 217,472	\$ 242,378	111 %	\$ -
12/31/87	205	1,246	403,829	409,235	101	-
12/31/88	210	1,424	641,693	727,887	113	-
12/31/89	219	1,626	690,838	743,023	108	-
12/31/90	219	1,824	1,242,840	974,615	78	-
12/31/91 #	228	2,007	1,363,736	1,419,691	104	-
12/31/92	236	2,172	1,697,104	1,691,725	100	-
12/31/93 @	241	2,375	2,125,680	2,306,668	109	9.48
12/31/94	247	2,462	2,604,592	2,712,264	104	10.31
12/31/95	246	2,693	3,122,936	3,321,253	106	10.32
12/31/96 #+	252	2,905	4,202,938	4,143,074	99	13.63
12/31/97	258	3,077	5,079,848	5,049,479	99	14.36
12/31/98	256	3,183	5,641,387	6,172,383	109	13.30
12/31/98 #+	256	3,183	6,339,040	6,172,383	97	14.71
12/31/99	261	3,407	7,421,534	7,804,389	105	14.05
12/31/00	262	3,490	8,178,580	9,638,082	118	13.43
12/31/00 +	262	3,490	8,554,865	9,638,082	113	14.76
12/31/01 #	265	3,601	8,814,220	10,923,088	124	14.13
12/31/02	280	3,858	11,567,315	11,956,886	103	15.79
12/31/02 +	280	3,858	14,587,662	11,956,886	82	24.02
12/31/03	290	4,088	18,769,761	13,069,692	70	27.93
12/31/03 #	290	4,088	19,207,277	13,069,692	68	27.46
12/31/04	306	4,406	22,136,019	13,673,013	62	30.72
12/31/05	326	4,648	26,258,540	16,517,560	63	32.33
12/31/06	341	4,905	30,139,607	18,430,385	61	33.91

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

# After changes in actuarial valuation assumptions.

@ Valuation assets based on smoothed-market value beginning December 31, 1993 (cost basis prior to this date).

+ 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 (Continued)**

**Retirants and Beneficiaries**

Valuation Date	Valuation Groups	Active Members	Actuarial Accrued Liabilities	Valuation Assets	Assets/ Liabilities*
12/31/89	-	-	\$ 519,000	\$ 503,427	97 %
12/31/90	-	-	995,966	966,600	97
12/31/91	-	-	1,721,400	1,691,501	98
12/31/91 #	-	-	1,516,885	1,691,501	112
12/31/92	-	-	1,864,953	2,477,618	133
12/31/93	-	-	2,780,124	3,495,960	126
12/31/94	-	-	3,211,812	3,898,615	121
12/31/95	-	-	4,481,762	5,331,275	119
12/31/96 +	-	-	5,828,171	6,714,604	115
12/31/97	-	-	8,108,160	8,810,636	109
12/31/98	-	-	10,027,020	10,962,655	109
12/31/99	-	-	13,364,856	14,462,943	108
12/31/00	-	-	16,360,731	16,943,763	104
12/31/01 #	-	-	19,316,724	19,853,584	103
12/31/02	-	-	27,417,828	27,629,725	101
12/31/02 +	-	-	28,897,704	27,629,725	96
12/31/03	-	-	40,352,228	39,864,734	99
12/31/03 #	-	-	38,810,117	39,864,734	103
12/31/04	-	-	48,878,672	48,455,552	99
12/31/05	-	-	65,530,656	65,115,240	99
12/31/06	-	-	72,283,931	80,827,514	112

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

# After changes in actuarial valuation assumptions.

@ Valuation assets based on smoothed-market value beginning December 31, 1993 (cost basis prior to this date).

+ 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*
12/31/89	337	3,127	\$ 20,526,120	\$ 21,348,883	104 %
12/31/90	346	3,563	27,837,100	28,580,033	103
12/31/91 #	366	4,014	31,255,277	39,627,327	127
12/31/92	378	4,396	40,639,539	52,058,960	128
12/31/93 @	397	4,852	51,461,972	72,343,644	141
12/31/94	415	5,269	64,905,409	84,882,551	131
12/31/95	427	5,887	80,181,869	106,065,522	132
12/31/96 #+	440	6,377	103,077,193	134,197,116	130
12/31/97	460	6,792	124,711,694	167,359,869	134
12/31/98	464	7,181	142,194,466	206,731,036	145
12/31/98 #+	464	7,181	163,972,861	206,731,036	126
12/31/99	476	7,708	195,413,734	260,470,866	133
12/31/00	490	7,983	229,754,140	319,463,454	139
12/31/00 +	490	7,983	243,153,878	319,463,454	131
12/31/01 #	495	8,174	227,362,242	370,073,069	163
12/31/02	516	8,578	284,288,820	406,708,841	143
12/31/02 +	516	8,578	334,669,488	406,708,841	122
12/31/03	523	8,937	405,065,156	452,660,886	112
12/31/03 #	523	8,937	428,752,889	452,660,886	106
12/31/04	542	9,372	495,486,767	491,233,395	99
12/31/04 +	542	9,372	541,093,221	491,233,395	91
12/31/05	564	9,767	619,106,309	565,422,082	91
12/31/06	588	10,233	713,161,455	655,010,055	92

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

# After changes in actuarial valuation assumptions.

@ Valuation assets based on smoothed-market value beginning December 31, 1993 (cost basis prior to this date).

+ After legislated benefit increases and board policy changes

**Short Condition Test  
Comparative Statement**

**LOPFI Paid Service**

Valuation Date	Actuarial Accrued Liabilities for				Portion of Present Values Covered by Assets		
	Member Contributions	Current Retirees and Beneficiaries	Active and Inactive Members, Employer Financed Portion	Actuarial Value of Assets			
					(1)	(2)	(3)
December 31	(1)	(2)	(3)	Assets	(1)	(2)	(3)
1998	\$ 28,229,899	\$ 10,027,020	\$ 98,296,160	\$ 200,198,930	100	100	165
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	449,199,341	546,315,508	100	100	90
2006	87,986,534	69,209,100	522,751,383	633,759,848	100	100	91

**Local Paid Service**

Valuation Date	Actuarial Accrued Liabilities for				Portion of Present Values Covered by Assets		
	Member Contributions	Current Retirees and Beneficiaries	Active and Inactive Members, Employer Financed Portion	Actuarial Value of Assets			
					(1)	(2)	(3)
December 31	(1)	(2)	(3)	Assets	(1)	(2)	(3)
1999	\$ 4,615,167	\$ 108,288,576	\$ 53,678,292	\$ 105,586,494	100	93	-
2000	4,163,798	126,783,114	54,516,455	105,186,843	100	80	-
2001	4,682,058	125,820,973	54,734,475	110,983,891	100	84	-
2002 *	5,184,816	135,985,913	59,683,011	108,424,415	100	76	-
2003 +	5,239,318	176,372,120	12,200,655	99,627,902	100	54	-
2004	5,618,009	166,420,994	36,722,211	107,970,936	100	62	-
2005	5,785,163	188,485,578	24,147,182	85,936,612	100	43	-
2006	5,894,420	194,874,926	6,274,855	67,629,449	100	32	-

**LOPFI Volunteer Service**

Valuation Date	Actuarial Accrued Liabilities for				Portion of Present Values Covered by Assets		
	Member Contributions	Current Retirees and Beneficiaries	Active and Inactive Members, Employer Financed Portion	Actuarial Value of Assets			
					(1)	(2)	(3)
December 31	(1)	(2)	(3)	Assets	(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	26,258,540	19,106,574	-	100	63
2006	-	3,074,831	30,139,607	21,250,207	-	100	60

**Local Volunteer Service**

Valuation Date	Actuarial Accrued Liabilities for				Portion of Present Values Covered by Assets		
	Member Contributions	Current Retirees and Beneficiaries	Active and Inactive Members, Employer Financed Portion	Actuarial Value of Assets			
					(1)	(2)	(3)
December 31	(1)	(2)	(3)	Assets	(1)	(2)	(3)
1999	\$ 1,492	\$ 1,053,780	\$ 201,268	\$ 196,095	100	18	-
2000	1,162	1,182,504	392,143	471,780	100	40	-
2001	834	1,185,540	390,975	374,993	100	32	-
2002 *	-	1,299,876	159,624	467,007	100	36	-
2003 +	998	2,097,817	357,827	768,440	100	37	-
2004	345	3,743,244	406,261	2,594,578	100	69	-
2005	1,966	5,951,007	149,448	2,188,282	100	37	-
2006	2,739	7,312,004	296,260	2,107,323	100	29	-

\* After legislated benefit increases for LOPFI members

+ After changes in actuarial assumptions

**Deviation of Actuarial Gain (Loss)  
Year Ended December 31, 2006  
(LOPFI and Local Plans Combined)**

(1)	UAAL* at start of year	\$	189,380,008
(2)	Employer normal cost from last valuation		30,139,945
(3)	Actual employer contributions		39,758,875
(4)	Interest accrual: (1) x .08 + [(2)-(3)] x (.08/2)		14,765,643
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)		194,526,721
(6)	Change from benefit changes*		6,826,785
(7)	Change from revised actuarial assumptions		-
(8)	Expected UAAL after changes		201,353,506
(9)	Actual UAAL at end of year		203,069,832
(10)	Gain (loss) (8) - (9)		(1,716,326)
(11)	Gain (loss) as percent of actuarial accrued liabilities at start of year	\$842,926,984	(0.2)%

Valuation Date December 31	Actuarial Gain (Loss) as a Percentage of Beginning Accrued Liabilities
2002	(5.2) %
2003	(1.5)
2004	(5.3)
2005	(3.6)
2006	(0.2)

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



**Arkansas Local Police and Fire Retirement System**  
**Brief Summary as of December 31, 2006 of LOPFI Coverage for**  
***PAID SERVICE***

**Benefits and Conditions Evaluated and/or Considered**  
**(Section references are to Arkansas Code)**

***Voluntary Retirement.*** Section 24-10-604. A member may retire with an age & service annuity after both (i) completing 5 years 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 2006 was \$1,144.

***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, 2.7% of the member's final average pay.

B. ***Paid Service Also Covered by Social Security.*** For each year of such service, 1.7% 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 80% 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.

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.

**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 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 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 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 6% 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, members do not contribute.

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). 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.

**Arkansas Local Police and Fire Retirement System  
Brief Summary as of December 31, 2006  
of LOPFI Coverage for *VOLUNTEER SERVICE*  
Benefits and Conditions Evaluated and/or Considered  
(Section references are to Arkansas Code)**

***Voluntary Retirement.*** Section 24-10-604. A member may retire with an age & service annuity after both (i) completing 5 years 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 2006 was \$1,144.

***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 Volunteer Service, \$5.00 monthly, to a maximum of \$200 monthly. Beginning in 2003, each July 1 these amounts are indexed for inflation, for members retiring in the next 12 months. Accordingly, the basic benefit factor reflected in the December 31, 2006 valuations was \$5.48 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 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 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 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 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. Contribution expressed in inflated dollars, however, may be expected to increase when inflation occurs.

**Schedule A-1**  
**Single Life Retirement Values**  
**Based on 1983 Group Annuity Mortality**  
**and 8.0% Interest**  
**(first used for December 31, 2003 valuations)**

Sample Attained Ages	Value at Retirement: \$1.00 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women
45	\$137.07	\$143.92	32.82	38.72
50	130.72	139.42	28.30	33.97
55	122.84	133.39	23.97	29.31
60	112.85	125.49	19.83	24.78
65	100.71	115.40	15.95	20.43
70	87.49	102.84	12.54	16.34
75	73.58	88.69	9.60	12.69
80	60.07	74.30	7.21	9.63

Sample Attained Ages	Benefit Increasing 3% Yearly	Portion of Age 55 Lives Still Alive	Sample Attained Ages
55	\$100	100 %	55
60	116	96	60
65	134	89	65
70	156	79	70
75	181	64	75
80	209	45	80

**Schedule A-2**  
**Probabilities of Disability Retirement**  
**(first used for December 31, 2003 valuations)**

Sample Ages	Percent Becoming Disabled within Next Year
20	0.07 %
25	0.07
30	0.07
35	0.07
40	0.19
45	0.24
50	0.45
55	0.83
60	1.31



**Schedule A-3**  
**Probabilities of Retirement for Members Eligible to Retire**  
**(first used for December 31, 2004 valuations)**

**PAID FIREMEN**

<b>Retirement Ages</b>	<b>Percents of Active Members Retiring within Next Year</b>		<b>Service</b>	<b>Percents of Active Members Retiring within Next Year</b>
	<b>Early</b>	<b>Normal</b>		
50	2 %			
51	2			
52	2			
53	2			
54	2			
55		25 %	28	25 %
56		25	29	25
57		15	30	25
58		15	31	25
59		15	32	35
60		30	33	40
61		10	34	100
62		30		
63		15		
64		15		
65		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.

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 (Continued)**  
**(first used for December 31, 2004 valuations)**

**PAID POLICEMEN**

<b>Retirement Ages</b>	<b>Percents of Active Members Retiring within Next Year</b>		<b>Service</b>	<b>Percents of Active Members Retiring within Next Year</b>
	<b>Early</b>	<b>Normal</b>		
50	2 %			
51	2			
52	2			
53	2			
54	2			
55		25 %	28	25 %
56		25	29	25
57		25	30	25
58		20	31	25
59		20	32	35
60		60	33	40
61		15	34	100
62		30		
63		15		
64		15		
65		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.

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, 2003 valuations)**

**VOLUNTEER MEMBERS**

Retirement Ages	Percents of Active Members Retiring within Next Year		
	Early	Normal	
		Fire	Police
48		20 %	20 %
49		20	20
50	2 %	20	20
51	2	20	20
52	2	20	20
53	2	20	20
54	2	20	20
55		20	20
56		20	20
57		10	20
58		10	15
59		10	15
60		30	60
61		10	15
62		30	30
63		15	15
64		15	15
65		40	40
66		50	50
67		60	60
68		70	70
69		80	80
70		100	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, 2003 valuations)**

**PAID SERVICE FIREMEN**

Sample Ages	Years of Service	% of Active Members Separating within Next Year
ALL	0	11.00 %
	1	10.00
	2	9.00
	3	8.00
	4	6.00
25	5 & Over	4.00
30		3.46
35		2.32
40		1.62
45		1.50
50		1.50
55		1.20
60		0.70

**PAID SERVICE POLICEMEN**

Sample Ages	Years of Service	% of Active Members Separating within Next Year
ALL	0	21.00 %
	1	18.00
	2	15.00
	3	12.00
	4	9.00
25	5 & Over	7.56
30		6.37
35		5.11
40		4.44
45		3.48
50		2.57
55		1.70
60		1.03

**Schedule A-4 (Concluded)**  
**Rates of Separation (excluding deaths and disability)**  
**From Active Employment Before Retirement**  
**(first used for December 31, 2003 valuations)**

**VOLUNTEER SERVICE MEMBERS**

Sample Ages	Years of Service	% of Active Members Separating within Next Year
ALL	0	23.75 %
	1	18.75
	2	15.75
	3	15.50
	4	13.63
25	5 & Over	11.55
30		10.22
35		9.33
40		8.82
45		8.35
50		6.49
55		4.60
60		3.88

**Schedule A-5**  
**Pay Increase Assumptions**  
**For an Individual Paid Service Member**  
**(first used for December 31, 2001 valuations)**

Sample Ages	Present Pay Resulting in Pay of \$1,000 at Age 60	Pay Increase Assumptions For an Individual Member		
		Merit and Seniority	Base (Economics)	Increase Next Year
20	\$ 84	5.1%	4.0%	9.1%
25	128	4.2%	4.0%	8.2%
30	187	3.4%	4.0%	7.4%
35	264	2.8%	4.0%	6.8%
40	363	2.3%	4.0%	6.3%
45	487	1.7%	4.0%	5.7%
50	635	1.1%	4.0%	5.1%
55	806	0.6%	4.0%	4.6%
60	1,000	0.1%	4.0%	4.1%

Service related salary increases are assumed to occur during the first five years of employment. The first increase is 3.0% in addition to the age related pay increases shown above. In the following years the increases are 2.5%, 2.0%, 1.5% and 1.0%.

**Combined Results for Local Plans under  
LOPFI Administration  
December 31, 2006  
Paid**

Political Subdivision	Actuarial Liability			Valuation Assets			Unfunded Actuarial Accrued Liability	Normal Cost	Amortization Payment	Total Employer Rate
	LOPFI Members	Closed Plan	Total	LOPFI Members	Closed Plan	Total				
Bald Knob Police	\$ 254,101	\$ -	\$ 254,101	\$ 338,174	\$ 222	\$ 338,396	\$ (84,295)	--%**	--%**	--%**
Bella Vista Fire	2,718,458	521,741	3,240,199	1,940,764	(1,335,849)	604,915	2,635,284	14.27%	10.66%	24.93%
Blytheville Police	3,158,399	-	3,158,399	4,261,217	161,175	4,422,392	(1,263,993)	13.91%	(5.47%)	8.44%
El Dorado Police	4,199,694	-	4,199,694	9,085,080	(7,546,126)	1,538,954	2,660,740	11.98%	9.00%	20.98%
El Dorado Fire	6,690,072	-	6,690,072	9,171,345	(11,425,934)	(2,254,589)	8,944,661	15.04%	25.90%	40.94%
Forrest City Police	2,340,132	-	2,340,132	2,723,570	(2,775,612)	(52,042)	2,392,174	14.64%	11.00%	25.64%
Fort Smith Police	21,290,432	-	21,290,432	24,204,492	(15,862,436)	8,342,056	12,948,376	13.72%	10.07%	23.79%
Fort Smith Fire	18,647,516	-	18,647,516	18,990,176	(18,053,602)	936,574	17,710,942	17.21%	16.03%	33.24%
Helena - West Helena Fire	1,143,363	-	1,143,363	2,439,967	(1,407,317)	1,032,650	110,713	14.88%	0.67%	15.55%
Hot Springs Police	10,145,823	2,261,932	12,407,755	13,256,299	(12,467,918)	788,381	11,619,374	14.43%	15.25%	29.68%
Hot Springs Fire	11,902,796	1,471,378	13,374,174	14,916,342	(21,332,532)	(6,416,190)	19,790,364	17.26%	30.27%	47.53%
Hot Springs Village Fire	2,015,965	-	2,015,965	1,605,723	(725,168)	880,555	1,135,410	16.64%	8.70%	25.34%
Jonesboro Fire	11,375,303	1,531,156	12,906,459	12,104,944	(6,082,367)	6,022,577	6,883,882	15.01%	10.23%	25.24%
Lonoke Police	573,525	-	573,525	705,670	(65,226)	640,444	(66,919)	--%**	--%**	--%**
Lowell Police	836,851	-	836,851	1,087,608	(115,280)	972,328	(135,477)	--%**	--%**	--%**
Magnolia Police	1,302,833	668,080	1,970,913	1,300,929	131,840	1,432,769	538,144	14.21%	5.16%	19.37%
McCory Police	459,745	-	459,745	365,930	(40,269)	325,661	134,084	--%**	--%**	--%**
Mountain Home Fire	2,408,717	785,166	3,193,883	1,780,293	1,035,270	2,815,563	378,320	15.16%	2.14%	17.30%
North Little Rock Police	22,657,599	4,100,003	26,757,602	27,915,173	(14,882,300)	13,032,873	13,724,729	11.63%	8.60%	20.23%
North Little Rock Fire	18,348,909	3,861,031	22,209,940	20,148,705	(10,716,575)	9,432,130	12,777,810	14.81%	10.29%	25.10%
Paragould Paid Police	2,840,696	-	2,840,696	2,389,776	(2,771,958)	(382,182)	3,222,878	14.21%	13.07%	27.28%
Paragould Paid Fire	2,246,964	-	2,246,964	2,068,102	(248,764)	1,819,338	427,626	14.63%	2.50%	17.13%
Searcy Police	2,074,786	-	2,074,786	1,407,026	(1,226,685)	180,341	1,894,445	14.56%	8.92%	23.48%
Searcy Fire	3,169,562	516,563	3,686,125	3,490,181	(3,721,647)	(231,466)	3,917,591	15.33%	17.45%	32.78%
Trumann Fire	456,437	-	456,437	439,852	(484,797)	(44,945)	501,382	14.04%	17.75%	31.79%
Van Buren Fire	4,766,147	572,768	5,338,915	5,437,831	(1,587,531)	3,850,300	1,488,615	14.51%	5.26%	19.77%
Walunt Ridge Fire	360,511	150,000	510,511	541,726	(330,500)	211,226	299,285	15.33%	7.95%	23.28%
Wynne Fire	886,546	59,454	946,000	731,679	404,346	1,136,025	(190,025)	14.74%	(5.50%)	9.24%

\*\* No actives in Local Relief and Pension Fund

**Combined Results for Local Plans under  
LOPFI Administration  
December 31, 2006  
Volunteer**

<b>Political Subdivision</b>	<b>Actuarial Liability</b>	<b>Valuation Assets</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Normal Cost</b>	<b>Amortization Payment*</b>	<b>Total Employer Rate</b>
Arkansas City Vol Fire	-	(122,587)	122,587 \$	-	\$ 43.17	\$ 43.17
Belleville Vol Fire	-	92,353	(92,353) \$	-	\$ -	\$ -
Bella Vista Vol Fire	19,437	(18,258)	37,695 \$	-	\$ 33.19	\$ 33.19
Biscoe Vol Fire	-	(75,860)	75,860 \$	-	\$ 66.79	\$ 66.79
Cammack Village Vol Fire	-	46,253	(46,253) \$	-	\$ (27.15)	\$ (27.15)
Caraway Vol Fire	-	(322,491)	322,491 \$	-	\$ 77.44	\$ 77.44
Cave City Vol Fire	-	(92,390)	92,390 \$	-	\$ 22.18	\$ 22.18
Coal Hill Vol Fire	-	(51,336)	51,336 \$	-	\$ 38.74	\$ 38.74
Cooterneck Vol Fire	51,181	(110,441)	161,622 \$	-	\$ 50.22	\$ 50.22
Danville Vol Fire	-	(184,225)	184,225 \$	-	\$ 46.34	\$ 46.34
Devalls Bluff Vol Fire	14,125	(45,489)	59,614 \$	-	\$ 24.22	\$ 24.22
Fisher Vol Fire	-	(23,936)	23,936 \$	-	\$ 7.44	\$ 7.44
Gosnell Vol Fire	13,963	(3,558)	17,521 \$	-	\$ 5.14	\$ 5.14
Hampton Vol Fire	-	(21,860)	21,860 \$	-	\$ 12.83	\$ 12.83
Helena - West Helena Vol Fire	-	(88,000)	88,000 \$	-	\$ 232.44	\$ 232.44
Hermitage Vol Fire	-	(95,980)	95,980 \$	-	\$ 72.43	\$ 72.43
Hot Springs Village Vol Fire	-	(45,755)	45,755 \$	-	\$ 15.77	\$ 15.77
Imboden Vol Fire	-	(171,186)	171,186 \$	-	\$ 69.56	\$ 69.56
Jasper Vol Fire	-	(104,160)	104,160 \$	-	\$ 36.68	\$ 36.68
Lake City Vol Fire	14,662	17,951	(3,289) \$	-	\$ -	\$ -
Magazine Vol Fire	15,661	(72,181)	87,842 \$	-	\$ 20.18	\$ 20.18
Marshall Vol Fire	53,591	(318,325)	371,916 \$	-	\$ 85.42	\$ 85.42
Melbourne Vol Fire	-	(177,429)	177,429 \$	-	\$ 15.77	\$ 15.77
Monette Vol Fire	35,118	(149,654)	184,772 \$	-	\$ 57.42	\$ 57.42
Mountain Home Vol Fire	-	(158,629)	158,629 \$	-	\$ 15.77	\$ 15.77
Mountain View Vol Fire	-	(153,735)	153,735 \$	-	\$ 31.24	\$ 31.24
Murfreesboro Vol. Fire	-	(296,126)	296,126 \$	-	\$ 15.77	\$ 15.77
North Crosett Vol Fire	-	(114,341)	114,341 \$	-	\$ 15.77	\$ 15.77
Paragould Vol Fire	-	(79,897)	79,897 \$	-	\$ 15.77	\$ 15.77
Parkin Vol Fire	19,241	(126,969)	146,210 \$	-	\$ 77.24	\$ 77.24
Plumerville Vol Fire	-	(96,072)	96,072 \$	-	\$ 26.71	\$ 26.71
Rison Vol Fire	-	(38,018)	38,018 \$	-	\$ 10.04	\$ 10.04
Searcy Vol Fire	-	(240,071)	240,071 \$	-	\$ 15.77	\$ 15.77
Shannon Hills FD Vol Fire	-	(35,436)	35,436 \$	-	\$ 12.48	\$ 12.48
St. Francis Vol Fire	-	(28,776)	28,776 \$	-	\$ 15.20	\$ 15.20
Thornton Vol Fire	-	(291,925)	291,925 \$	-	\$ 192.77	\$ 192.77
Trumann Vol Fire	25,000	36,939	(11,939) \$	-	\$ -	\$ -
Tuckerman Vol Fire	-	(47,268)	47,268 \$	-	\$ 15.77	\$ 15.77
Tyronza Vol Fire	-	(91,922)	91,922 \$	-	\$ 15.77	\$ 15.77
Viola Vol Fire	-	(195,945)	195,945 \$	-	\$ 51.76	\$ 51.76
Wabbeska Vol Fire	-	(76,271)	76,271 \$	-	\$ 50.36	\$ 50.36
Walunt Ridge Vol Fire	21,613	(176,289)	197,902 \$	-	\$ 116.16	\$ 116.16
Washington Vol Fire	15,407	22,326	(6,919) \$	-	\$ -	\$ -
Wynne Vol Fire	-	(316,126)	316,126 \$	-	\$ 119.28	\$ 119.28

\*\* No actives in Local Relief and Pension Fund



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

*LOPFI Paid Service*

		Added		Removed		End of Year		% Increase in Annual Allowance	Annual Allowance	Increase in Allowance
		No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance			
December 31, 2000	Retirement	5	65,741	2	6,046	118	1,067,407	5.92	9,046	3.23
	Survivor of active	2	6,942			15	57,643	13.69	3,843	(1.46)
	Survivor of retired	1	6,073	1	2,325	13	60,634	6.59	4,664	6.58
December 31, 2001	Retirement	44	542,522	1	2,666	161	1,607,263	50.58	9,983	10.36
	Survivor of active	2	7,948	2	4,628	15	60,963	5.76	4,064	5.73
	Survivor of retired	7	40,218	2	9,979	18	90,873	49.87	5,049	8.25
December 31, 2002	Retirement	35	522,036	7	38,207	189	2,091,092	30.10	11,064	10.83
	Survivor of active	5	17,142	1	2,101	19	76,004	24.67	4,000	(1.57)
	Survivor of retired	10	66,190	2	18,865	26	138,198	52.08	5,315	5.27
December 31, 2003	Retirement	36	917,140	4	41,484	221	2,966,748	41.88	13,424	21.33
	Survivor of active	3	19,266	1		21	95,270	25.35	4,537	13.43
	Survivor of retired	7	32,752			33	170,950	23.70	5,180	(2.54)
December 31, 2004	Retirement	59	828,798	5	60,865	275	3,734,681	25.88	13,581	1.17
	Survivor of active	1	5,903	2	12,233	20	88,940	(6.64)	4,447	(1.98)
	Survivor of retired	7	64,551	2	6,931	38	228,570	33.71	6,015	16.12
December 31, 2005	Retirement	53	854,578	5	31,250	323	4,558,009	22.05	14,111	3.90
	Survivor of active	13	79,176	4	12,798	29	155,318	74.63	5,356	20.44
	Survivor of retired	3	26,136	1	4,052	40	250,654	9.66	6,266	4.17
December 31, 2006	Retirement	83	1,218,719	8	79,942	398	5,696,787	24.98	14,314	1.44
	Survivor of active	32	147,836			61	303,154	95.18	4,970	(7.21)
	Survivor of retired	6	25,590	24	157,930	22	118,314	(52.80)	5,378	(14.17)

\* Includes DROP members.

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

*LOPFI Volunteer Service*

		Added		Removed		End of Year		% Increase	Average	
		No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance	in Annual Allowance	Annual Allowance	% Increase in Allowance
December 31, 2000	Retirement		980	3	4,229	50	39,846	(7.54)	797	(1.97)
	Survivor of active		49			7	1,915	2.63	274	2.62
	Survivor of retired		39			3	1,480	2.71	493	2.71
December 31, 2001	Retirement	25	18,461	1	543	74	57,764	44.97	781	(2.01)
	Survivor of active		68			7	1,983	3.55	283	3.28
	Survivor of retired	1	449			4	1,929	30.34	482	(2.23)
December 31, 2002	Retirement	16	12,007	2	323	88	69,448	20.23	789	1.02
	Survivor of active		36			7	2,019	1.82	288	1.77
	Survivor of retired		42			4	1,971	2.18	493	2.28
December 31, 2003	Retirement	40	38,124	3	1,324	125	106,248	52.99	850	7.73
	Survivor of active		60			7	2,079	2.97	297	3.13
	Survivor of retired	5	2,238			9	4,209	113.55	468	(5.07)
December 31, 2004	Retirement	79	75,481	2	5,966	202	175,763	65.43	870	2.35
	Survivor of active	4	910			11	2,989	43.77	272	(8.42)
	Survivor of retired	4	2,331			13	6,540	55.38	503	7.48
December 31, 2005	Retirement	35	33,733	4	3,861	233	205,635	17.00	883	1.49
	Survivor of active	6	2,453	1	195	16	5,247	75.54	328	20.59
	Survivor of retired	2	2,199	1	1,020	14	7,719	18.03	551	9.54
December 31, 2006	Retirement	46	52,227	6	5,422	273	252,441	22.76	925	4.76
	Survivor of active	12	6,173	1	201	27	11,219	113.82	416	26.83
	Survivor of retired	5	3,111	6	2,862	13	7,968	3.23	613	11.25

**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, 2000	Retirement		\$ 138,894	24	\$ 349,391	677	\$ 10,335,497	(2.00)	\$ 15,267	1.48
	Survivor of active					2	28,279	0.00	14,140	0.00
	Survivor of retired	9	144,419	12	62,460	162	1,428,291	6.09	8,817	8.05
December 31, 2001	Retirement	67	1,972,603	14	138,394	730	12,169,706	17.75	16,671	9.20
	Survivor of active	2	13,350			4	41,629	47.21	10,407	(26.40)
	Survivor of retired	16	235,780	12	82,110	166	1,581,961	10.76	9,530	8.09
December 31, 2002	Retirement	38	803,831	21	285,140	747	12,688,397	4.26	16,986	1.89
	Survivor of active	1	2,230			5	43,859	5.36	8,772	(15.71)
	Survivor of retired	16	225,025	8	66,106	174	1,740,880	10.05	10,005	4.98
December 31, 2003	Retirement	37	1,039,838	21	311,655	763	13,436,580	5.90	17,610	3.67
	Survivor of active	1	9,817	1	1,500	5	52,176	18.96	10,435	18.96
	Survivor of retired	18	275,181	9	80,017	183	1,936,044	11.21	10,579	5.74
December 31, 2004	Retirement	35	719,279	18	204,748	780	13,951,111	3.83	17,886	1.57
	Survivor of active		697			5	52,873	1.34	10,575	1.34
	Survivor of retired	25	285,505	3	20,259	205	2,201,290	13.70	10,738	1.50
December 31, 2005	Retirement	24	863,690	14	155,808	790	14,658,993	5.07	18,556	3.75
	Survivor of active	2	17,741	1	9,337	6	61,277	15.89	10,213	(3.42)
	Survivor of retired	11	136,786	7	47,333	209	2,290,743	4.06	10,960	2.07
December 31, 2006	Retirement	33	1,030,560	29	454,338	794	15,235,215	3.93	19,188	3.41
	Survivor of active	1	2,643	1	7,513	6	56,407	(7.95)	9,401	(7.95)
	Survivor of retired	34	468,021	31	252,698	212	2,506,067	9.40	11,821	7.86

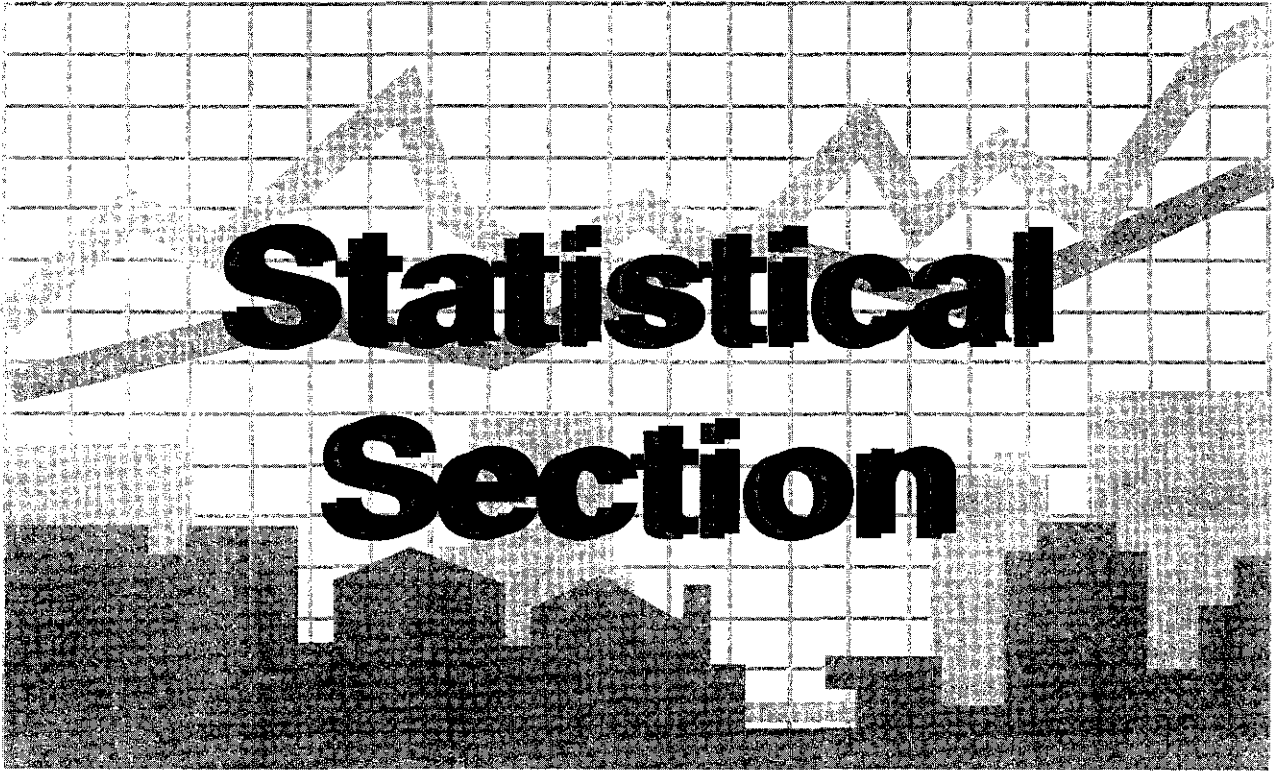
\* Includes DROP members.

**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, 2000	Retirement			2	\$ 1,440	78	\$ 81,300	(1.74)	\$ 1,042	0.77
	Survivor of active					1	600	0.00	600	0.00
	Survivor of retired	1	600	4	4,620	24	17,760	(18.46)	740	(8.30)
December 31, 2001	Retirement	18	21,180	2	2,820	94	99,660	22.58	600	1.74
	Survivor of active					1	600	0.00	600	0.00
	Survivor of retired	6	7,680			30	25,440	43.24	813	12.59
December 31, 2002	Retirement	8	16,620	3	1,800	99	114,480	14.87	1,156	9.06
	Survivor of active					1	600	-	600	0.00
	Survivor of retired	5	2,880			35	28,320	11.32	809	(4.60)
December 31, 2003	Retirement	30	67,620	3	3,060	126	179,040	56.39	1,421	22.92
	Survivor of active			1	600	0	0	(100.00)	N/A	N/A
	Survivor of retired	12	23,376	3	3,720	44	47,976	69.41	1,090	34.73
December 31, 2004	Retirement	93	148,692	1	1,800	218	325,932	82.04	1,495	5.21
	Survivor of active					-	-	0.00	N/A	N/A
	Survivor of retired	17	15,810	2	14,376	59	49,410	2.99	837	3.46
December 31, 2005	Retirement	79	125,077	4	4,200	293	446,809	37.02	1,425	2.00
	Survivor of active	1	1,483			1	1,483	0.00	1,483	N/A
	Survivor of retired	23	50,376	2	1,290	80	98,496	99.34	1,231	4.07
December 31, 2006	Retirement	93	155,365	10	13,236	376	588,938	31.81	1,566	2.69
	Survivor of active		45			1	1,528	3.00	1,528	3.03
	Survivor of retired	21	27,434	2	2,400	99	123,530	25.42	1,248	1.38

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# Statistical Section

# Statistical Section Summary

## Retirement

Page 95 reflects Demographic Data for active, inactive vested, retirees and survivors as of December 31, 2006. Benefits payable as of December 31, 2006 by Option Type is shown on page 96.

## Assets vs. Liabilities

Page 97 reflects the LOPFI and Local plans, administered by LOPFI, Schedule of Funding Progress for the last 12 years. The existence of the unfunded actuarial accrued liabilities is not necessarily an indication of financial problems, however, the fluctuations are important and should be monitored and controlled with utmost prudence.

## Schedule of Expenses by Type

Page 98 reflects the last 10 years of Benefits Paid, Refunds to termed contributory members, Administrative Expenses, Investment Expenses and DROP Distributions. Benefits Paid growth has been the result of Local Plan Mergers with LOPFI, increase in LOPFI members retiring, and benefit enhancements. Refunds are directly associated with contributory members terminating and withdrawing their member contributions,

## Schedule of Revenues by Source

Page 98 reflects the last 10 years of Member Contributions; Employer Contributions; Local Plan Mergers, Military and Prior Service Purchase; and Investment Income (Loss). Beginning with year 1998, investment income included the Net Increase (Decrease) in Fair Value of Investments. Member and Employer Contributions growth has occurred from an increase in membership, consolidation of Local Plans, and benefit enhancements. Investment Income (Loss) has a direct correlation to the economy and each Money Managers' investment performance.

## Participating Employer Groups

Pages 99-104 provide an alphabetical listing of all participating employer groups in LOPFI as of December 31, 2006.

**LOPFI Demographic Data**  
 (Excluding Local Funds)  
 As of December 31, 2006

Active Paid Members

Number..... 5,328  
 Average Age.....37.4 years  
 Average Length of Service .....9.1 years  
 Average Annual Salary..... \$39,968

Active Volunteer Members

Number..... 4,905  
 Average Age.....39.4 years  
 Average Length of Service .....8.2 years

Inactive-Vested Members

3,621

Total Retirees and Survivors

Number..... 758  
 Average Monthly Benefit..... \$651

2005 Retirees and Survivors

Age and Service

Disability

Number	405	Number	230
Average Age	65 years	Average Age	50 years
Average Length of Service	15 years	Average Length of Service	10 years
Average Monthly Benefit	\$354	Average Monthly Benefit	\$1,364

Survivors

Number 123  
 Average Age 34 years  
 Average Monthly Benefit \$312



## Benefits Payable December 31, 2006

### LOPFI and Local Funds

Tabulated by Option and Type of Benefit

<b>Number of Beneficiaries receiving:</b>	<b><u>Number</u></b>	<b><u>Total 2006 Benefits</u></b>	<b><u>2006 Average Monthly Benefit (Per Member)</u></b>
Local Plan	301	\$ 2,711,963	\$ 751
LOPFI	123	\$ 461,116	\$ 312
<b>Number of Retirees receiving:</b>			
Local Plan	1108	\$ 14,315,077	\$ 1,077
LOPFI (No Option)	208	\$ 2,224,443	\$ 890
Option A60	126	\$ 1,098,748	\$ 727
Option A120	141	\$ 456,135	\$ 270
Option B50	74	\$ 865,450	\$ 975
Option B75	86	\$ 497,112	\$ 482
<b>GRAND TOTALS:</b>	<b><u>2167</u></b>	<b><u>\$ 22,630,038</u></b>	<b><u>\$ 870</u></b>

Please refer to page 14 of this report for an explanation of the benefit payment options.

**LOPFI and Local Plan  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (d)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/1995	\$ 166,697,056	\$ 184,722,940	\$ 18,025,884	90%	\$ 92,609,526	19%
12/31/1996 *	\$ 200,004,954	\$ 242,501,504	\$ 42,496,550	82%	\$ 114,814,558	37%
12/31/1997	\$ 242,849,773	\$ 279,592,905	\$ 36,743,132	87%	\$ 129,797,633	28%
12/31/1998 *+	\$ 295,664,808	\$ 328,182,052	\$ 32,517,244	90%	\$ 135,372,764	24%
12/31/1999 *	\$ 361,113,458	\$ 369,233,854	\$ 8,120,396	98%	\$ 136,976,242	6%
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	\$ 843,626,653	\$ 190,079,677	77%	\$ 207,961,436	91%
12/31/2006	\$ 724,746,827	\$ 927,816,659	\$ 203,069,832	78%	\$ 222,107,556	91%

\* After legislated benefit increases for LOPFI members

+ After changes in actuarial assumptions

# LOPFI

## Expenses by Type

### Last Ten Calendar Years

<u>Year</u>	<u>Benefits Paid</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>DROP Distributions</u>	<u>Totals</u>
1997	\$8,511,551	\$690,033	\$539,667	\$160,697	\$9,901,948
1998	\$9,774,482	\$859,686	\$591,503	\$193,069	\$11,418,740
1999	\$11,075,910	\$902,902	\$710,370	\$2,395,301	\$15,084,483
2000	\$12,143,665	\$986,614	\$757,232	\$2,926,444	\$16,813,955
2001	\$13,272,211	\$1,175,269	\$845,024	\$1,465,787	\$16,758,291
2002	\$14,604,923	\$1,037,067	\$910,408	\$2,469,774	\$19,022,172
2003	\$17,127,556	\$1,020,567	\$1,043,293	\$2,892,885	\$22,084,301
2004	\$17,669,863	\$1,278,586	\$1,034,523	\$1,770,312	\$21,753,284
2005	\$20,588,418	\$882,766	\$1,156,384	\$830,226	\$23,457,794
2006	\$22,945,150	\$1,280,366	\$1,170,219	\$3,706,498	\$29,102,233

# LOPFI

## Revenues by Source

### Last Ten Calendar Years

<u>Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>Local Plan Merger Military Purchase</u>	<u>Investment Income (Loss)</u>	<u>Total Income (Loss)</u>
1997	\$4,849,178	\$15,158,920	\$4,267,263	\$41,078,278	\$65,353,639
1998	\$5,306,502	\$16,611,140	\$7,785,077	\$44,420,767	\$74,123,486
1999	\$5,884,269	\$19,522,826	\$1,760,940	\$71,526,345	\$98,694,380
2000	\$6,408,172	\$22,321,326	\$3,928,286	\$7,424,480	\$40,082,264
2001	\$6,987,768	\$22,420,300	\$881,852	-\$5,159,772	\$25,130,148
2002	\$7,425,163	\$18,261,057	\$2,894,751	-\$46,547,609	-\$17,966,638
2003	\$7,997,262	\$22,412,513	\$485,767	\$94,768,863	\$125,664,405
2004	\$7,611,322	\$30,802,924	\$7,745,078	\$46,531,092	\$92,690,416
2005	\$8,954,827	\$33,217,304	\$4,649,705	\$16,755,216	\$63,577,052
2006	\$9,594,183	\$41,270,116	\$1,149,958	\$66,305,847	\$118,320,104

# For years 1997 and forward, Investment Income (Loss) includes Net Increase (Decrease) in Fair Value of Investments, Interest, Dividends, and other investment income.

**LOPFI Participating Group By Type  
December 31, 2006**

	POLICE			FIRE		
	Paid With SS	Paid W/O SS	Volunteer Service	Paid With SS	Paid W/O SS	Volunteer Service
Alma						X
Altus	X					X
Althiemer	X					X
Amity						X
Arkadelphia					X	X
Arkansas City						X
Ashdown	X					X
Ash Flat	X				X	X
Atkins	X					X
Augusta	X					X
Avoca						X
Bald Knob	X					X
Barling	X			X		X
Batesville					X	X
Bauxite	X					
Bay	X					X
Beaver Fork						X
Beaver Lake				X		X
Bearden						X
Beebe						X
Bellville						X
Bella Vista	X			X		X
Benton	X		X		X	
Bentonville					X	X
Bigelow						X
Bethel Heights	X				X	
Berryville	X					X
Bigger-Reyno						X
Big Creek						X
Biscoe						X
Black Rock	X					
Blytheville	X		X		X	
Bono	X					
Bono FID						X
Booneville						X
Bradford	X					X
Bradley	X					X
Brookland						X
Brinkley		X				X
Bryant	X				X	X
Bull Shoals	X		X	X		X
Burnt Ridge						X
Butterfield						X
Cabot	X				X	X
Caddo Valley	X				X	X
Caldwell						X
Calico Rock						X
Calion	X		X			X
Camden		X	X		X	X
Calvert Township						X
Cammack Village	X		X			X
Cane Creek						X
Caraway						X
Carlisle	X					X
Carthage						X
Cash						X
Cave City	X					X
Centerton	X					X
Charleston						X
Cherokee Village	X		X	X		

**LOPFI Participating Group By Type  
December 31, 2006**

	POLICE			FIRE		
	<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>
Cherry Valley						X
Chidester						X
Choctaw						X
Clarendon	X					X
Clarksville	X		X			X
Clinton	X					X
Coit						X
Coal Hill						X
Concord	X					
Conway	X				X	
Cooterneck						X
Conway Co.						X
Corning	X		X			X
Cotter	X					X
BDR FD#1						X
Cotton Plant	X					X
Crawfordsville						X
Crossett	X				X	
Crystal Fire Protection District #24						X
Damascus						X
Danville						X
Dardanelle						X
Decatur						X
De Queen	X				X	X
Dermott	X					X
Des Arc	X					X
Devalls Bluff						X
Dewitt	X					X
Diaz	X					X
Dierks	X		X			
District 7 Crawford County						X
Dumas						X
Dover	X		X			X
Earle						X
East Camden	X					X
Elaine						X
El Dorado		X			X	
Elkins	X					X
Elm Springs	X					
Emmet						X
EMP Rural Fire Association Inc						X
England						X
Eudora						X
Eureka Springs	X				X	X
Evening Shade						X
Fairfield Bay	X					X
Farmington	X		X	X		X
Fayetteville		X			X	
Fisher						X
Fire District #6 Crawford Co						X
Flippin	X				X	X
Fordyce						X
Foreman	X					X
Forrest City	X				X	X
Fort Smith		X			X	
Friendship	X		X			
Garland			X			X
Gassville	X		X			X
Gentry	X		X			X
Gillett	X					X
Glenwood	X		X			X

**LOPFI Participating Group By Type  
December 31, 2006**

	POLICE			FIRE		
	<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>
Goshen	X		X			
Gosnell						X
Grady						X
Gould						X
Gravette	X					X
Gravel Ridge Fire Protection District						X
Green Forest	X					X
Greenland	X					
Greenwood	X					X
Greers Ferry	X					X
Grover Township						X
Grubbs						X
Gurdon						X
Hackett	X		X			
Hamburg						X
Hampton	X					X
Hardin						X
Hardy	X					X
Harrell						X
Harrisburg	X					X
Harrison	X				X	X
Hartford	X		X			X
Haskell	X					X
Hazen						X
Heber Springs	X				X	X
Helena-West Helena		X	X		X	X
Hector	X					
Hermitage	X					X
Hickory Ridge						X
Highfill						X
Hilltop						X
Highway 15 South						X
Holland						X
Holly Grove	X		X			X
Holiday Island					X	X
Hope					X	X
Horatio						X
Hot Springs		X			X	
Hot Springs Village	X			X		X
Hoxie	X				X	X
Hughes						X
Humphrey	X					X
Huntsville	X					X
Huntington						X
Huttig						X
Highway 70 West FPA						X
Imboden						X
Jacksonville	X				X	
Jasper						X
Johnson	X					
Johnson Area				X		X
Joiner						X
Jonesboro		X			X	
Judsonia	X					X
Junction City	X					X
Keiser						X
Kensett	X		X			X
Kibler	X					
Lamar	X					X
Lake City	X					X
Lake Hamilton				X		X

**LOPFI Participating Group By Type  
December 31, 2006**

	POLICE			FIRE		
	Paid With SS	Paid W/O SS	Volunteer Service	Paid With SS	Paid W/O SS	Volunteer Service
Lakeview		X				
Lake Village	X					X
Lavaca						X
Leachville	X					X
Lepanto	X					X
Leslie						X
Lewisville	X					X
Little Flock	X					X
Little Rock		X			X	
Lincoln	X			X		X
Linwood-Moscow						X
Lockesburg						X
London Rural						X
Lonoke	X					X
Lowell	X				X	X
Luxora	X					X
Lynne						X
Magazine						X
Magnolia	X				X	X
Malvern	X				X	X
Mammoth Springs						X
Manila	X					X
Mansfield	X		X			X
Marianna	X					X
Marion	X					X
Marked Tree	X					X
Marmaduke						X
Marshall	X					X
Marvell	X					X
Maumelle		X			X	X
Mayflower	X		X	X		X
Mc Crory	X					X
Mc Gehee	X				X	X
Mc Neil						X
Mc Rae						X
Melbourne						X
Mena					X	X
Mineral Springs	X					X
Monette	X					X
Monticello					X	X
Montrose						X
Moro						X
Morrilton						X
Mount Holly						X
Mountainburg	X					X
Mountain Home	X		X		X	X
Mountain Pine	X					X
Mount Ida						X
Mountain View	X					X
Mulberry	X		X			X
Mursfreesboro						X
Nashville					X	X
Newark						X
Newport	X		X		X	X
Norman						X
Norphlet			X			X
Oil Trough						X
Northeast Benton Co.						X
Northeast Lakeside						X
North Crossett						X
Northeast Saline County Fire District						X

**LOPFI Participating Group By Type  
December 31, 2006**

	POLICE			FIRE		
	<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						X
North Little Rock		X			X	
North Pulaski FPD						X
Oak Grove						X
Ola	X					X
Oppello	X					X
Osceola	X		X		X	X
Ozark	X					X
Pangburn	X					X
Paragould	X				X	X
Patterson	X		X			X
Paris						X
Parkin						X
Pea Ridge	X		X			X
Perla						X
Perryville	X					X
Philadelphia						X
Piggott						X
Pleasant Plains	X					
Pleasant Plains						X
Pine Bluff		X			X	
Pine Village						X
Plumerville						X
Plainview						X
Pocahontas	X				X	X
Pottsville	X					X
Portland						X
Prairie Grove	X			X		X
Prescott						X
Pulaski Co #5					X	X
Ravendon			X			X
Rector	X		X			X
Redfield	X					X
Rison	X					X
Riverdale						X
Rockport	X					
Rogers	X		X		X	X
Russell						X
Russellville	X				X	
Salem	X					X
Salem-Saline Co						X
Sardis Fire Protection District #16						X
Searcy	X				X	X
Sedgwick Fire Improvement District						X
Shannon Hills	X					
Shannon Hills FD						X
Shaw						X
Sheridan						X
Sherwood	X					
Siloam Springs	X				X	X
Smackover	X					X
Southbend						X
Sparkman						X
Springdale	X				X	X
Stamps	X					X
Star City	X		X			X
Stephens						X
St. Francis						X
Strong	X					X
Stuttgart	X				X	
Sulphur	X					X



**LOPFI Participating Group By Type  
December 31, 2006**

	POLICE			FIRE		
	<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>
Summit						X
Sunnyland Rural						X
Swifton	X					X
Taylor						X
Texarkana		X			X	
Thornton						X
Tillar						X
Timbo						X
Tontitown						X
Tracey Area FD 5						X
Trumann	X				X	X
Tuckerman	X					X
Turrell						X
Tyronza	X		X			X
Van Buren					X	
Vilonia	X					X
Viola						X
Wabbaseka						X
Waldo						X
Waldron	X					X
Walnut Ridge	X				X	X
Ward	X		X	X		X
Warren					X	X
Washington						X
Weiner	X					X
Wescon						X
West Fork	X					X
West Memphis	X				X	
West Point						X
Wheatley						X
White Bluff-Rye Hill						X
White Hall	X					X
Wilmar						X
Wilmot						X
Woodlawn						X
Wilson						X
Wynne	X				X	X
Yellville						X