ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

LOPFI

620 W. 3rd, Suite 200
LITTLE ROCK, ARKANSAS 72201

RULES AND RESOLUTIONS

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

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ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

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ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #1

APPROVED: February 24, 1982
AMENDED: September 14, 2005
AMENDED: December 4, 2008
AMENDED: September 3, 2009
AMENDED: September 1, 2011

PARTICIPANT ELIGIBILITY UNDER LOPFI

If there is any question as to whether or not an entity applying for membership in LOPFI meets the criteria of A.C.A. 24-10-102, as amended, the System shall request a copy of the entity's official documents of incorporation.

If it appears the entity is not eligible for participation in LOPFI, the application shall be denied. Such denial shall remain in effect until sufficient evidence is received by LOPFI that demonstrates the entity meets the criteria of A.C.A. 24-10-102, as amended.

In addition, an employer may provide coverage under LOPFI for service rendered by an employee as long as such coverage and resulting benefits do not duplicate any benefits previously provided by the employer under another plan, other than Social Security.

LOPFI Board Rule 1 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #2

APPROVED: February 16, 1983
AMENDED: July 13, 1984
AMENDED: March 14, 1985
AMENDED: September 22, 1988
AMENDED: December 6, 1990
AMENDED: September 19, 2001
AMENDED: March 3, 2005
AMENDED: September 3, 2009
AMENDED: March 4, 2010
AMENDED: September 1, 2011

COMPUTATION OF SERVICE TIME

Service credit for active members shall begin to accrue on the actual date of hire.

"Active member" shall mean the member is available and capable of fulfilling the duties as a LOPFI–covered member.

"Terminated member" shall mean the LOPFI-covered employment has ended such that the former member no longer performs any service for the employer which would be required to be reported to LOPFI.

For paid service members the actual date of hire shall be used for the purpose of computing member and employer contributions. For the purpose of computing member and employer contributions, wages will be considered earned on the date services were rendered for the employer by the member. Back wages reported in the current year and/or wage or service credit adjustments from prior years being reported in the current year shall be paid or credited at the current year's contribution rate and without the aid of Premium Tax funding.

Beginning April 1, 2005 employer contributions for volunteer members will begin and are required for the month the member is hired. Volunteer members shall receive one (1) month service credit for each month, or portion thereof, they are reported as being an active member of the system.

Effective January 1, 1999, members with different employers may receive simultaneous service credit for paid and volunteer service, except that he or she shall be limited to earning volunteer service with only one (1) covered employer. Beginning January 1, 2010, credited service with the same employer may be granted for both paid service and volunteer service for the same period of time as long as the service was earned at different departments. Service credit shall be limited to earning one (1) month of paid service and one (1) month of volunteer service at the same time. A member shall not earn volunteer service credit for the same period of time if the member is entitled to paid service credit for the same work.

LOPFI BOARD RULE #2 (continued)

Beginning January 1, 2012, employers that adopt LOPFI coverage shall not have any prior service of their covered members certified by LOPFI. Service credit will begin to accrue on the date the employer adopts LOPFI coverage.

"Pay" means the recurring remuneration paid an employee for personal services rendered by the employee in a position covered by the System.

"Recurring remuneration" shall include, but not limited to, overtime pay, education or certificate pay, holiday pay, sick pay and longevity.

Reporting of pays and service credit to LOPFI occurs monthly. In most cases, an employer should report all earnings that would typically incur state and/or federal tax withholdings. Exceptions include, but are not limited to: uniform allowance; single-sum payments such as unused accrued sick, annual, compensation, or holiday pay; contributions to any employee benefit plan other than LOPFI; or other unusual or non-recurring remuneration.

LOPFI Board Rule 2 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #3

APPROVED: February 16, 1983
AMENDED: November 26, 1995
AMENDED: March 16, 2006
AMENDED: June 21, 2007
AMENDED: December 4, 2008
AMENDED: December 3, 2009
AMENDED: September 2, 2010
AMENDED: September 1, 2011

REMITTANCE PROCESS

The Payroll Report is of primary importance in the remittance process established by LOPFI. Based on the information contained on the Membership Application, a Payroll Report is established monthly for each covered department.

The Payroll Report will be made available to each employer group on or before the first of each month for completion by the employer group. The report will contain identifying information of each new-hire enrolled the previous month, as well as member information for all current members at that location. The properly completed report and corresponding employer and member contributions must be returned to LOPFI in time to be received by the 10th of each month.

Effective July 1, 2007, all employer groups joining the System and local plans whose administrative responsibility is assigned to LOPFI shall utilize electronic reporting provided by the System to receive/send their Payroll Report

Effective January 1, 2009, all employer groups enrolled in electronic reporting shall use LOPFI's on-line enrollment module to enroll members in the System.

Effective January 1, 2011(December 2010 reporting cycle) the System will no longer offer or accept paper reporting of Payroll Reports and Membership Applications. Any employer group who has not previously moved to electronic reporting shall transition to the System's electronic reporting effective with this reporting cycle.

A department will be considered delinquent if any of the above items are not received by the 10th of each month. A penalty for delinquent accounts is explained in LOPFI Board Rule 14.

LOPFI Board Rule 3 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #4

APPROVED: February 16, 1983
AMENDED: March 23, 1994
AMENDED: March 26, 2002
AMENDED: December 4, 2003
AMENDED: September 21, 2006
AMENDED: September 20, 2007
AMENDED: September 1, 2011

PERSONNEL RULES AND REGULATIONS

I. General Statement

The rules and regulations as outlined shall apply to all personnel employed by the Arkansas Local Police and Fire Retirement System (LOPFI).

II. Hours of Work

The normal work week for all full-time employees shall consist of eight (8) hours, five days per week, Monday through Friday. However, all employees may be required to work overtime, if it is deemed necessary for the efficient and effective operation of LOPFI. Approval should be obtained from the Executive Director for overtime that is to be used toward compensatory time-off.

The Executive Director shall prescribe the standard daily office hours.

Hours of work for part-time employees shall be as prescribed by agreement with the Executive Director.

III. Annual Leave

Annual leave for all full-time employees shall be awarded with full pay on the basis of total public service covered by LOPFI and all accrued service with other agencies of Arkansas state government as described in A.C.A. 21-4-204 as amended, as follows:

0 through 3 years	1 day per month
3 through 5 years	1 day and 2 hours per month
5 through 12 years	1 day and 4 hours per month
12 through 20 years	1 day and 6 hours per month
over 20 years	1 day and 7 hours per month

(Note: 1 day = 8 hours)

LOPFI will not accept annual leave credit from other employers.

LOPFI BOARD RULE #4 (continued)

Annual leave for all employees may be taken at the discretion of the Executive Director, with due regard to the wishes of the employee and the needs of the System. Annual leave shall not be cumulative under any circumstances beyond thirty (30) working days (6 weeks). No employee shall accrue more than 30 days of unused annual leave.

Accrual rates for annual leave will change on the first day of the month next following the employee's anniversary date, except where an employee's anniversary date is the first day of the month.

Annual leave is granted based on working days Monday through Friday.

Whenever an employee is separated from LOPFI by reason of resignation, termination of appointment or dismissal, the unused portion of annual leave posted to the employee's credit as of the last day of employment shall be liquidated by a lump sum payment. This lump sum payment shall not exceed the payment for 30 working days.

The unused annual leave of a deceased employee shall be payable to either the estate of the deceased or such individual who is authorized to receive such payment.

No annual leave will be awarded to anyone other than full-time employees LOPFI.

IV. Sick Leave

Sick leave with pay shall be granted to each employee and is computed on the basis of one (1) day per month of employment. (Note: 1 day = 8 hours)

Sick leave shall be cumulative for not more than one hundred twenty (120) days. Upon an employee's retirement or death, unused accrued sick leave shall be liquidated as stated in A.C.A. 21-4-501, as amended. In all other instances, when an employee separates employment the value of the unused accrued sick leave shall not be eligible for liquidation.

Family leave shall be treated as any other leave for sickness or disability. Accumulated sick and/or annual leave, if requested by the employee, shall be granted for family and maternity/paternity leave if authorized by the Executive Director. Family for this purpose is defined as spouse, daughter, son or dependent step children.

LOPFI BOARD RULE #4 (continued)

Family, maternity/paternity, emergency or special leave, with and/or without pay, may be granted at the discretion of the Executive Director. Family for this purpose is defined as spouse, daughter, son or dependent step children.

V. Holidays

All federal and state legal holidays will be observed as official holidays by LOPFI and its employees. Employees will be paid at their regular prevailing rate of pay for all official holidays. The official holidays shall be:

1. New Year's Day
2. * Martin Luther King's Birthday
3. * George Washington's Birthday
4. Memorial Day
5. Independence Day
6. Labor Day
7. Veteran's Day
8. Thanksgiving Day
9. Christmas Eve
10. Christmas Day
11. Employee's Birthday

* day of observance

VI. Travel and Reimbursement

The LOPFI Board and staff shall be reimbursed for any necessary expenses incurred for performing duly authorized LOPFI business. Reimbursement claims shall be made on a LOPFI Travel Expense Reimbursement Form.

Reimbursement for the use of a privately owned vehicle used in connection with LOPFI business shall be computed on the basis of the Internal Revenue Service guidelines.

Reimbursement for lodging shall be at the available conference/group or government rate. Hotel and lodging receipts must accompany the Travel Expense Reimbursement Form.

Meals for out of state travel are reimbursed based on the actual expense, however, should not exceed forty dollars ($40.00) per day. Alcoholic beverages are not reimbursable by LOPFI.

When commercial transportation is used receipts must be submitted, if expenses will be covered by LOPFI.

Mileage reimbursement for use of privately owned vehicles shall be computed based on figures supplied on Arkansas road maps as published by the Arkansas Highway Department.

LOPFI BOARD RULE #4 (continued)

When the Board and/or staff travel within the State borders on one-day trips, they may be reimbursed for meals in an amount not to exceed forty dollars ($40.00) per day. LOPFI shall not pay per diem, but shall make reimbursement for actual expenses incurred for authorized business.

When the Board and/or staff travel on authorized business, and the expenses are in excess of those specified in the policy, prior written authorization must be obtained from the Executive Director.

VII. Insurance

LOPFI shall pay the employer and employee share of premiums for health and disability insurance coverage for all full-time employees and sixty-one percent (61%) of the dependent's portion of premiums for family coverage. Such coverage shall be provided under the Arkansas Municipal League.

VIII. Retirement Plan

In addition to social security, LOPFI shall provide retirement coverage for its administrative staff under the Arkansas Local Police and Fire Retirement System (LOPFI).

IX. Filling staff vacancies

Whenever a vacancy occurs in a staff position, the Executive Director shall advertise such opening in the Arkansas Democrat-Gazette and the Arkansas Business. However, if promoting a current staff member will properly fill the open position then the advertising requirement shall be waived.

LOPFI BOARD RULE #5

APPROVED: April 13, 1983
AMENDED: September 1, 2011

PETTY CASH FUND

The LOPFI Board of Trustees have authorized the Executive Director to maintain a Petty Cash Fund in the amount of fifty ($50.00) dollars. The Petty Cash Fund may be used for small incidentals incurred as a part of LOPFI business and is to be reconciled on at least a monthly basis. Monies paid from the Petty Cash Fund shall be properly supported with invoices. All such invoices shall be retained with the monthly voucher files.

LOPFI Board Rule 5 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #6

APPROVED: April 13, 1983
AMENDED: May 29, 1986

INVESTMENTS

Superseded by Board Rule 20 on August 21, 1997.

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ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #7

APPROVED: April 13, 1983
AMENDED: September 28, 1983
AMENDED: July 13, 1984
AMENDED: March 14, 1985
AMENDED: April 30, 1987
AMENDED: December 7, 1995
AMENDED: June 15, 2000
AMENDED: September 1, 2011

REFUNDS OF MEMBER CONTRIBUTIONS

I. Pursuant to ACA 24-10-613

A. Refunds of member contributions will not be paid before the expiration of 60 days from the date of termination. If a member had wages in the month he or she terminated, the refund will be paid approximately 60 to 90 days from the date of termination. Refunds will be issued on the 1st business day of the month only.

B. Any contributory member who terminates from LOPFI covered employment after accruing five or more years of service is entitled to receive an annuity from LOPFI, upon age qualifications. If the member should elect to receive a refund of member contributions before reaching the age the member would be eligible for an annuity, the member shall sign an acknowledgment, on a LOPFI-approved form, that no future LOPFI benefit accrued from paid service employment shall be payable as a result of the refund of member contributions. A refund of member contributions will not affect service accrued as a volunteer member.

II. Pursuant to ACA 24-10-404 and ACA 24-10-405

A. Employers shall remit both employer and employee contributions for all reportable pays of a terminating employee.

B. Refunds to terminating members shall not be made prior to the receipt of a member's final pay summary along with the appropriate contributions, both employee and employer.

III. Pursuant to ACA 24-10-407

A. Refunds paid to members who terminate from the System with at least one year of credited service shall include interest awarded to the member's account with LOPFI as of the end of the preceding calendar year. Refunds processed after the close of a calendar year will not include interest for the current year.

LOPFI BOARD RULE #7 (continued)

B. Members who terminate from the System with less than one year of credited service and members who terminate from the System because they were enrolled incorrectly shall be refunded their contributions without interest. If interest has been awarded to the terminating member's account, and is not eligible for refund, it shall be transferred to the appropriate employer accumulation account. The transfer shall be made as of the date of the refund.

IV. Pursuant to ACA 24-10-504, any member who becomes re-employed by any LOPFI-covered employer within 60 days of termination of formerly covered employment shall not be granted a refund of member contributions, but rather shall again become a member of the System, and shall leave accrued service credit intact.

LOPFI Board Rule 7 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #8

APPROVED: April 13, 1983
AMENDED: December 15, 2005
AMENDED: September 20, 2007
AMENDED: September 2, 2010
AMENDED: September 1, 2011

DISBURSEMENT OF LOPFI MONIES

1. All invoices/bills are first submitted to the Executive Director for review and General Ledger account coding and then forwarded to accounting for processing.

2. Accounting prepares the expense voucher with the following information noted:
   A. Payee's name and address
   B. Invoice number and description of purchases or services rendered
   C. Invoice amount
   D. Expense code
   E. Voucher number
   F. Check number

3. Accounting prepares the payment from the voucher, records the invoice number and voucher number on the payment, which then automatically posts to the general ledger.

4. The Chief Financial Officer reviews the voucher, invoice, and payment for correctness. If correct, the Chief Financial Officer signs the voucher and remits to the Executive Director. If incorrect, the voucher, invoice, and payment are returned to accounting for correction.

5. The Executive Director reviews and approves the voucher and authorizes payment. The authorized payment and voucher are returned to accounting for distribution to the payee.

6. Accounting files the expense voucher in the appropriate monthly voucher file.

Effective with the January 1, 2011 payroll cycle, all monthly benefit payments shall be disbursed using electronic funds transfer e.g. Direct Deposit. At that time, LOPFI will cease offering the paper check method for issuing benefit payments. The one exception will be for those benefit recipients who received a paper check on December 1, 2010 and have previously certified that they did not have a checking or savings account that would permit receipt of electronic benefit payments. Because a majority of benefit recipients utilize direct deposit, movement to a single method of issuing benefit payments will permit a cost savings for the system.

In addition to using direct deposit, the system shall make available to all benefit recipients (QDRO's excepted) the ability to view their benefit payment history by means of a Member Portal. Hard copy mailings of direct deposit notices shall cease effective

LOPFI BOARD RULE #8 (continued)

with the January 1, 2011 payroll cycle. Benefit recipients will also have the ability to make changes electronically to their address, tax withholdings, and direct deposit information via the Member Portal. Benefit recipients who process such changes through the Member Portal will not be required to file hard copy forms for these changes unless verification of data and/or identification is necessary.

LOPFI Board Rule 8 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #9

APPROVED: December 8, 1983
AMENDED: April 27, 1989
AMENDED: December 4, 2003
AMENDED: September 1, 2011

PREMIUM TAX TURNBACK

The allocation of State Insurance Premium Tax Turnback (Premium Tax Turnback) will assist each eligible participating employer to defray a portion of their employer contribution cost to LOPFI. Premium Tax Turnback shall not be used for any portion of member contributions owed to LOPFI. Act 979 of 2011 amended the distribution formula for Premium Tax Turnback. This act created a transition period for years 2012 through 2015 to implement a uniform employer contribution rate for LOPFI-covered paid service employers. By the time of the 2016 Premium Tax Turnback allocation, all paid locations will have transitioned to a single employer contribution rate. This single employer contribution rate will be similar to the single employer contribution rate all volunteer locations have used since 2008. Any location that adopts LOPFI coverage in 2011 or later will not be subject to the transition period; instead, the location will receive a Premium Tax Turnback allocation as described below.

Under Act 979 of 2011, when the 2016 Premium Tax Turnback allocation occurs, all paid locations will have 40% of the LOPFI-only actuarial cost and, if a location has a Consolidated Local Plan, 30% of the Consolidated Local Plan actuarial cost (as determined on base benefits) funded by Premium Tax Turnback. The LOPFI-only volunteer actuarial cost will continue to be funded by Premium Tax Turnback at 100% after the required employer contribution established by the LOPFI Board of Trustees. Any contribution costs that are not funded by Premium Tax Turnback remain the responsibility of that location and must be remitted to LOPFI on a monthly basis as described below.

All Premium Tax Turnback allocated to LOPFI locations and Consolidated Local Plans will continue to be deposited directly with LOPFI. LOPFI will credit the respective internal accounts with all Premium Tax Turnback allocations.

All LOPFI employers are responsible for completing their monthly Payroll Report and remitting all required payments in time to be received by LOPFI on the 10th of each month. Incomplete and/or late reports and/or late payments will result in the location becoming delinquent. Penalties for such delinquencies are described in LOPFI Board Rule 14.

LOPFI Board Rule 9 concluded.

LOPFI BOARD RULE #10

APPROVED: September 28, 1983
AMENDED: July 13, 1984
AMENDED: April 30, 1987
AMENDED: September 1, 2011

REFUND OF EMPLOYER CONTRIBUTIONS

Employer contributions shall not be refunded upon the termination of a member, but shall continue to accrue in the Employer Accumulation Account.

However, a credit may be made to an employer for an over-payment if:

1. The over-payment was the result of a calculation error, and the employer still has covered members in the System; or,

2. An employer has enrolled a member, and made contributions for that member, when the member was not LOPFI eligible, i.e., a civilian employee, or a member of a local fire or police pension fund.

In the event a covered employer ceases to have any covered members in the system, LOPFI staff shall work with the system's actuaries to develop a monthly payment schedule for the employer to pay off all liabilities owed to LOPFI for the accrued service of their former LOPFI-covered employees. The payment schedule shall be a closed period not to exceed fifteen (15) years.

LOPFI Board Rule 10 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #11 APPROVED: December 8, 1983

EMPLOYER PAYMENTS FOR VOLUNTEERS

Superseded by Board Rule 2 on September 14, 2005

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ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #12

APPROVED: September 28, 1983
AMENDED: March 15, 1984
AMENDED: April 30, 1987
AMENDED: March 20, 1991
AMENDED: December 12, 1996
AMENDED: September 1, 2011

REGULAR INTEREST CREDITS FROM INCOME-EXPENSE ACCOUNT AT DECEMBER 31

In accordance with the provisions of 24-10-407, which specify that, after payment of administrative expenses and establishment of any reserves, regular interest shall be credited at the end of each System fiscal year as follows:

a) 8.0% interest (the investment return assumption used for actuarial valuations) shall be credited to the retirement reserve account on the average balance therein for the fiscal year then ending;

b) 3.0% interest shall be credited to each active member's and each inactive vested member's account in the member's deposit account on the average balance therein for the fiscal year then ending;

c) Interest shall be credited to each active member's DROP account on the average balance therein for the fiscal year then ending. For LOPFI DROP accounts, the interest rate shall be 6%. For local plan DROP accounts under LOPFI administration, the interest rate shall be 2% below the investment return for the LOPFI investment portfolio for the fiscal year, but not less than LOPFI's actuarial assumed rate if the member is in the 1st 5 years of DROP participation or not less than 0% if the member is in the 2nd 5 years of DROP participation or in continued employment after DROP.

d) The remainder amount available in the income-expense account shall be credited to the individual accounts in the employer accumulation account. The amount to be credited shall be determined by calculating the average balance in the individual employer accounts and corresponding member deposit accounts, and calculating what percentage this average is relative to the total amount available for distribution. The percentage is then applied to the average balance for each employer in accordance with the computation guide attached.

LOPFI Board Rule 12 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

ARKANSAS LOPFI
YEAR-END ALLOCATION OF INVESTMENT RETURN FORM
INCOME-EXPENSE ACCOUNT (IEA)
FOR YEAR ENDED DECEMBER 31, 20XX

AVERAGE BALANCES IN RESERVE ACCOUNTS DURING YEAR

$_____ A. Retirement Reserve Account (RRA)
$_____ B. Members Deposit Account (MDA)
$_____ C. Employer Accumulation Account (EAA)
$_____ D. Local Plan DROP Reserve Account (DRA)
$ E. LOPFI DROP Reserve Account (DRA)
$_____ F. Total Reserve Average Balances: *(*A + B + C + D + E*)*

IEA BEGINNING OF YEAR (BOY):

$_____ F.1. Reserve for Fluctuations

INVESTMENT RETURN RECOGNIZED DURING YEAR:

$_____ G.1. Ordinary Income
$_____ G.2. Capital Value Gains/Losses Realized Current Year
$_____ G.3. Total Return Recognized (G.1 + G.2)
$_____ H. Administrative Expenses
$_____ I. Special Distributions-DROP Interest Awards
$_____ J. Investment Credit (F.1 + G.3 – H – I)

IEA END OF YEAR (EOY):

$_____ K.1. Reserve for Fluctuations

YEAR-END ALLOCATION OF INVESTMENT RETURN

$_____ L. Investment Credit Rate to Each Group's Reserves (J/F)
$_____ M. Investment Credit (Charge) to EAA Groups: (L x F) - (O- P- Q- R)
$_____ N. Average Investment Credit (Charge) Rate to EAA (M/C)
$_____ O. Investment Credits to RRA (GRS to set RRA values to Retirees and Beneficiaries Liability)
$_____ P. Investment Credits to MDA
$_____ Q. Investment Credits to Local Plan DROP
*$.*_____R. Investment Credits to LOPFI DROP

LOPFI BOARD RULE #13

APPROVED: December 12, 1983
AMENDED: September 1, 2011

MINIMUM AMOUNT FOR PAID SERVICE

Pursuant to ACA 24-10-501, no paid member shall be given a month of paid service credit for a month in which the member's pay is less than the minimum allowed by ACA 24-10-102. The monthly minimum amount for any calendar year after 1981 is $500 plus any percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, U.S. City Average, as determined by the U.S. Department of Labor, for the period from October 1980 to the October immediately preceding such calendar year. (The 2011 minimum amount was calculated as $1,258 per month.)

In such cases when a paid member's monthly earnings are less than the minimum amount for that year, and it is determined that the lower earnings were caused by a temporary absence from the member's LOPFI-covered employment, whether it be for personal reasons or disciplinary action, the member shall not receive service credit for that month.

LOPFI Board Rule 13 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #14

APPROVED: December 8, 1983
AMENDED: December 19, 1985
AMENDED: April 30, 1987
AMENDED: December 8, 1993
AMENDED: September 19, 2001
AMENDED: June 12, 2008
AMENDED: September 1, 2011

DELINQUENT ACCOUNTS

Employer Payroll Reports and payments are due back to LOPFI on or before the 10th of the month for employee coverage in the previous month. An account shall be delinquent when payments, monthly reporting and/or enrollment items are not properly/timely filed with LOPFI.

In addition to the event of delinquency described above, and pursuant to A.C.A. 24-10-410, the political subdivision shall become delinquent if any payment due to LOPFI is not paid by the 20th day of each month. When an account is delinquent, the Executive Director or designee shall notify the political subdivision in writing of its delinquency and of the delinquency penalty. The Executive Director or designee shall notify the State Treasurer, in writing, of the delinquency and to withhold any State local government turnback due the political subdivision. LOPFI shall assess an 8.0% interest penalty as of the 20th of the month on all delinquent monies due to LOPFI and shall compound the interest penalty on the 20th day of each subsequent month until the total amount of the delinquency and interest is paid. For political subdivisions with volunteer departments, the interest penalty shall be assessed against the full calculated uniform employer contribution rate as determined by the LOPFI Board of Trustees.

LOPFI Board Rule 14 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #15

APPROVED: March 15, 1984
AMENDED: March 26, 2002
AMENDED: September 14, 2005
AMENDED: March 4, 2010
AMENDED: September 1, 2011

DEFINITION OF POLICE OFFICER AND FIREFIGHTER

The following descriptions of a police officer and firefighter define who is eligible for retirement coverage in LOPFI:

"Police Officer" means any paid or volunteer member of a police department of a political subdivision who is recognized as a law enforcement officer by the Commission on Law Enforcement Standards and Training and responsible for the prevention and detection of crime and the enforcement of the criminal, traffic or highway laws of this State. This definition shall include probationary police officers and legally appointed auxiliary officers.

"Firefighter" means any paid or volunteer member of a fire department of a political subdivision that is certified by the Arkansas Fire Protection Services Board and engages in training, inspection, fire suppression, rescue, or other fire-ground activities. This definition shall include probationary firefighters.

For LOPFI-coverage, the above descriptions of police officer and firefighter shall not include any civilian employee of a police/fire department, or any person temporarily employed as a police officer/firefighter during an emergency, or temporarily and/or occasionally employed during special events such as festivals, fairs, concerts, etc., or any person employed on a contract basis.

LOPFI Board Rule 15 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #16

APPROVED: October 11, 1984
AMENDED: July 14, 1988
AMENDED: October 17, 1989
AMENDED: December 19, 1991
AMENDED: June 10, 1993
AMENDED: March 23, 1995
AMENDED: June 21, 2007
AMENDED: December 3, 2009
AMENDED: September 1, 2011

STANDARDS FOR LOPFI DISABILITY DETERMINATIONS

I. Disability Defined

A. A member shall be determined to be under a total and permanent disability only if the physical or mental impairment(s) are of such severity that the member is unable to perform his or her previous duty as a police officer or firefighter.

B. Provided, if any member has been satisfactorily performing his or her duties, and there has been no acute, grave illness or injury or deterioration of their physical or mental condition in the immediate past, then the member is not disabled for LOPFI disability retirement purposes.

C. In instances where a member seeks a non-duty disability retirement and the member is eligible for an immediate unreduced LOPFI retirement benefit, the application shall be processed as a normal service retirement, not a non-duty disability application. In such cases, the value of the LOPFI retirement benefit is the same; therefore, the System shall process the application in a manner that provides a retirement benefit to the member as promptly as possible and remain as cost effective as possible for LOPFI.

II. Documentation Procedures for Disability Determination

A. For duty-related applications, employer groups shall certify, in writing, to LOPFI that an injury or disease causing the disability was or was not duty-related. Duty-related means the disabling condition shall have arisen as a result of the performance of the member's departmental duties. For LOPFI disability purposes, departmental duties will include departmental training and training to become a police officer or firefighter. This written statement is not a medical opinion. It must include supporting facts for the request for disability retirement. The statement must be signed by the member's supervisor or the chief administrator of the department or employer group and include a copy of the member's job description.

LOPFI BOARD RULE #16 (continued)

LOPFI may, but is not required to, request an employer statement in non-duty disability cases as part of the fact gathering process. The employer group shall provide the certification described in this paragraph.

B. The member shall sign a LOPFI-approved Release of Information form, authorizing access by the System and its advisors to all records concerning the member's disability application. In addition, the member shall submit a personal written and signed statement, which describes the facts surrounding the disability, state whether it is duty or non-duty related, and state that the member is totally and permanently disabled from his or her duties.

C. Pre-existing conditions shall be excluded from LOPFI disability coverage. For eligibility determinations the employer group will be asked to submit a copy of the member's employment physical. Any such pre-existing condition(s) shall be noted and maintained as a permanent part of the employee's records.

The employment physical for police officers shall include a psychological stress test.

D. Drug addiction and alcoholism may not be considered as a basis for disability determination. Any such problems or rehabilitation efforts are the responsibility of the employer group.

E. All disability determinations shall be made in compliance with procedures established by the LOPFI Board of Trustees.

III. Medical Advisor

A. LOPFI will work with a team of physicians who shall serve as its advisors on disability determinations. These physicians will be specialists, i.e. cardiologist, neurosurgeon, diagnostic internist, etc., although one may be a general practitioner.

B. A member's physician(s) shall be deemed as the member's physician(s) of record. A member's physician(s) shall properly complete a LOPFI-approved Attending Physician's Statement of Disability form and include all objective information related to the application for disability retirement and which form the basis for the physician(s) opinion.

C. The LOPFI medical advisor shall review the documents submitted by the member and member's physician(s) of record, in conjunction with an examination of the member, in order to make a determination if the member is totally and permanently disabled from his or her duties.

LOPFI BOARD RULE #16 (continued)

D. The Board of Trustees may designate the member's physician(s) as its medical advisor, if member's condition is of such severity that it is clearly disabling, and/or social security disability was awarded to the member for the same disabling condition in the LOPFI disability application, and/or the Board determines that the cost of referring the member to a LOPFI medical advisor is excessive in comparison with the eligible benefit payment. In these instances, a separate medical review by a LOPFI medical advisor will not be needed.

IV. Conditions for Disability Payments

A. The member shall be retired if a LOPFI medical advisor reports to the System, in writing, that the member is physically and/or mentally unable to perform the member's duties, and that the incapacity is total and permanent.

B. In accordance with the law, disability retirants may be required to submit to a medical re-examination at least one (1) time each year during the first five (5) years following retirement, and at least one (1) time in each three (3) year period after that up to fifty-five (55). The examinations must be made by or under the direction of a LOPFI medical advisor. If the medical advisor reports that the retirant is physically and mentally able and capable to resume suitable duty as an employee, the disability retirement shall terminate. Further, disability payments may be suspended by the Board if the retirant refuses the examination. If the refusal for examination continues for one (1) year, the Board may revoke the retirant's right to the disability retirement entirely.

V. Disability Benefit Payments

A member's disability benefit shall be effective the first day of the calendar month following the later of: the member's termination of active membership or six (6) months before the date such written application is filed with LOPFI.

VI. Benefit Determination Purposes

In order to determine the monthly annuity payable to a member who received benefits through Worker's Compensation, LOPFI shall contact the employer group to determine if the member's monthly pay was affected by any amounts received from Worker's Compensation. If the member's pay was less than the amount attached to the current rank of the member, the final pay will be adjusted to be equal, but not greater than,

the amount the member would have received had Worker's Compensation benefits not been received.

VII. Temporary Disability

A. In accordance with the law, LOPFI shall not pay disability retirement benefits for temporary disabilities. However, the member's account balance shall continue to accrue regular interest as provided for in LOPFI Board Rule 12.

B. LOPFI shall not accept requests for the suspension of member contributions on temporary disabilities. Any reported pays will be subject to applicable member and employer contributions.

VIII. Disability Defined for Relief Fund Members Administered by LOPFI

A. Any member of a police department or fire department who becomes totally and permanently physically or mentally disabled from injury or disease may be retired by the Board upon certification by a LOPFI medical advisor and using LOPFI criteria for determination of total and permanent disability. If the injury or disease occurs while a member is "in the line of duty" (duty related), the member shall be retired at 65% of the salary attached to the member's rank at the time of injury or disease. Volunteer members shall receive the amount payable by law.

B. A member retiring because of a disabling injury or disease that occurred while not performing gainful employment with either department, shall receive a normal benefit payment calculated in accordance with the provisions of the local plan benefit structure. If a volunteer, the member receives the minimum amount payable by law.

C. Any police member who has less than five (5) years of service is not eligible for disability retirement resulting from natural, non-duty related causes.

D. Any member who has more than twenty (20) years and retires for disability reasons shall be entitled to receive any supplementary benefits for which the member would otherwise be qualified to receive.

IX. Administrative Appeal Hearing

LOPFI BOARD RULE #16 (continued)

A. Results of Medical Review

1. If the LOPFI medical advisor determines that the member is not totally and permanently disabled, the member's application shall not be approved for benefit payment. Upon that decision, the member may lodge an appeal for determination of whether or not a total and permanent disability exists.

2. When the LOPFI medical advisor opines that the member is totally and permanently disabled, but such disability is not duty related, the member's application will be approved, but only for a non-duty disability benefit. The member has a right to contest the issue of whether or not the disability is duty related.

3. The member will be notified by certified mail of these results and offered the right to appeal at an Administrative Appeal Hearing before the LOPFI Board of Trustees to determine: a) whether the member is, in fact, totally and permanently disabled; or, b) whether the disability is duty related.

B. In order to be eligible to appeal to the LOPFI Board, the member shall notify LOPFI, in writing, preferably by certified mail, of the request to appeal. The member's request for an appeal must be received by LOPFI within thirty (30) calendar days from the date of receipt of the notification mailed by LOPFI. It is the duty of the applicant to ensure the request for appeal notice has been received by LOPFI within the thirty (30) calendar day period. Requests for appeals that are received beyond the thirty (30) calendar day timeframe will not be allowed.

C. Once the member has properly notified LOPFI of the intent to appeal, the member must submit any new evidence which supports the disability application. The new evidence must be received by LOPFI at least thirty (30) calendar days prior to the Administrative Appeal Hearing.

D. If the member is unable to attend and/or prefers to delay an appeal, the member may request, in writing, up to two (2) continuances for an Administrative Appeal Hearing.

E. If the member fails to appear at an Administrative Appeal Hearing and fails to request a continuance, in writing, such non-appearance will result in a dismissal of the appeal with prejudice.

LOPFI BOARD RULE #16 (continued)

X. Return to Service

Should a member's condition improve to the point that the person is able to resume his or her normal duties, the member may return to service with his or her previous employer and be re-enrolled in LOPFI as an active member. The member must receive a medical release from the member's physician of record using a LOPFI-approved physician's statement in order to return to active membership.

LOPFI Board Rule 16 concluded.

LOPFI BOARD RULE #17

APPROVED: December 13, 1984
AMENDED: June 15, 2000

DOUBLE COVERAGE

Superseded by Board Rules 1 and 2 on September 3, 2009.

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LOPFI BOARD RULE #18

APPROVED: June 13, 1985
AMENDED: September 1, 2011

STANDARDS FOR IMPLEMENTATION OF ACT 160 OF 1985

Before a fire department which is structured as a private, non-profit corporation can be admitted as a LOPFI-covered employer, the following conditions and standards shall be met:

1. The fire department shall have been in continuous existence for at least five (5) years.

2. The fire department shall have an ISO rating of 9 or better.

3. The fire department shall have filed its articles of incorporation with the Arkansas Secretary of State's office and provided certification of its boundaries with the UALR Census State Data Center.

4. The department shall arrange for regular audits and the most recent audit must show a positive ratio of assets and income to liabilities and debts.

5. The department shall comply with all other admittance procedures required of departments entering the System, which includes the use of electronic reporting and electronic remittance of monthly contributions.

LOPFI Board Rule 18 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #19

APPROVED: June 13, 1985
AMENDED: September 21, 2006
AMENDED: September 1, 2011

STANDARDS FOR ACT 118 OF 1985-EMPLOYMENT PHYSICALS

The following are criteria for employment physical examinations required by LOPFI.

1. The medical examination shall be administered by a licensed physician.

2. The evaluation shall include a medical history statement from the employee and physician that must include information on past and present diseases, injuries, operations, and disabilities, if any.

3. A physician's report after the physical examination must conclude and clearly state, in his/her opinion, that the applicant has no pre-existing conditions which will impair the ability of the employee to physically perform the duties of a firefighter or police officer. If such conditions do exist, the physician shall specify them.

4. Psychological status (police only) as required by the Commission on Law Enforcement Standards and Training.

5. Presence of alcohol or drug abuse.

6. A description of the conditions and the results of testing for any of the following: back pain, back injury, back trouble, hernia or rupture.

7. The medical evaluation described above shall apply only to paid personnel hired on or after July 1, 1985. A copy of the evaluation should be kept by the LOPFI-covered employer and made available to LOPFI in the event a member applies for disability retirement from the System. LOPFI will first obtain written authorization from the member, which will permit the employer to provide this information in such cases.

8. Responsibility for the costs incurred for employment physicals shall be determined and governed by the employer.

LOPFI Board Rule 19 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #20

APPROVED: May 29, 1986
AMENDED: December 8, 1993
AMENDED: August 21, 1997
AMENDED: October 1, 1997
AMENDED: June 5, 2003
AMENDED: December 14, 2006
AMENDED: June 21, 2007
AMENDED: December 4, 2008
AMENDED: September 2, 2010
AMENDED: September 1, 2011

Investment Objectives and Guidelines of the Arkansas Local Police and Fire Retirement System (LOPFI)

Established By the Board of Trustees

LOPFI BOARD RULE #20 (continued)

Allocation of Responsibilities

LOPFI Board

The LOPFI Board (the Board) has been appointed by the Governor to oversee the investments of LOPFI (the Fund) and report its activities on a periodic basis. With respect to asset management, the Board is a fiduciary. For purposes of this Rule, a fiduciary is defined as one who has the legal and/or implied moral responsibility to manage the assets of another party and must act solely in the best interests of that party. The investment responsibilities include:

- Establishing overall financial objectives and setting the investment policy;
- Selecting investment managers which will have full discretion in allocating the Fund's assets among investment media that they deem appropriate and prudent, within policy guidelines established by the Board;
- Delegating, as appropriate, administrative duties relating to the investment of Fund assets;
- Communicating on a structured, ongoing basis with those responsible for investment results;
- Monitoring performance and transaction costs by means of regular reviews to assure that objectives are being met, and that policy and guidelines are being followed;
- Taking appropriate action if objectives are not being met or if policy and guidelines are not being followed; and
- Reviewing the asset allocation guidelines as financial conditions warrant.

The Board will carry out its responsibilities by acting on recommendations made to it by an Investment Committee (the Committee). The Committee shall consist of at least three (3) trustees of the Board. The composition of the Committee must include a member trustee, an employer trustee, and the public trustee. The Board Chair shall appoint members of the Committee to include naming the Committee Chair. At least three (3) Committee members must be present to constitute a quorum for the transaction of business.

The Committee shall have the responsibility and authority to review all investment professionals that perform services or may perform services for the Fund. No Committee member shall individually have the authority to bind the Committee or the Fund into any contract or endeavor. Such authority first requires a majority approval of the Committee and then review and approval by the Board. The Board may handle such review and

approval in a manner deemed appropriate and in conformance with the open records law of the State of Arkansas.

Investment Consultant
The Board has retained an investment consultant for the Fund. The consultant is responsible for recommending the allocation of fund assets across and within asset classes, i.e. domestic stocks, foreign stocks, bonds, and money market investments, etc., within the allowable investment ranges as specified by the Board. Responsibilities include:

- Recommending investment strategy within policy guidelines established by the Board;
- Advising on new contributions and liquidating assets as needed, with Committee and/or the Board approval, to meet benefit payment obligations;
- Supplying timely written reports of investment performance results to the Committee and Board;
- Meeting with the Committee and Board as needed to review the performance and discuss current strategy; and
- Monitoring investment managers employed by the Fund on at least a quarterly basis, to determine that investment strategy is consistent with their stated investment style.

Additionally, the investment consultant shall not knowingly direct or participate in any brokerage activity as it relates to the Fund.

Investment Objectives and Guidelines

A formal asset allocation analysis of the Fund was completed August 21, 1997 and serves as the foundation for the Fund's investment policy. This analysis is incorporated herein by reference and considers:

- The financial condition and goals of the Fund.
- The economic (cash flow) and accounting characteristics of LOPFI Plan liabilities (FASB related issues).
- The expected returns, risks and diversification benefits associated with investing in various asset classes and combinations of asset classes.
- Participant demographics, age, benefit changes, etc.

LOPFI BOARD RULE #20 (continued)

Fund Policy and Objectives

The Fund's investment policy is designed to achieve the following long-term investment objectives:

- The Actuarial rate of return, as determined by the Board; and
- The Performance Objectives outlined in this policy, including the relative performance versus similarly managed funds.
- The reduction of the volatility of manager/fund performance relative to the respective index.

In recognition of the long-term nature of the pension liabilities, the objective is to achieve these goals over a three to five year time horizon.

The policy asset allocation selected to accomplish the above objective is:

	Guideline Allocation	Permissible Range	Aggregate Range
Domestic Equities			
Value	23%	15-30%	40-70%
Growth	20%	15-30%	
Small	15%	10-20%	
Foreign Equities	5%	0-10%	0-10%
US Bonds	30%	20-50%	20-50%
Foreign Bonds	7%	0-10%	0-10%
Cash	0%	0-20%	0-20%
Alternative Asset Classes	3-15%	0-10%	0-10%
Real Estate			
Hedge Funds			
Private Equity			
Commodities			

A. Domestic Equities

Target Proportion: 58%
Permissible Range: 40-70%

LOPFI BOARD RULE #20 (continued)

The purpose of domestic equity investments is to provide income, growth of income, and appreciation of principal. The common stock portfolio should be broadly diversified by market capitalization and investment style (i.e. growth and value). The overall investment strategy should be well balanced and based on a philosophy, which seeks reasonable or probable outcomes. It should not embrace extreme or speculative views.

Domestic equity investments shall be limited to those that meet the following guidelines:

- Investments shall be limited to publicly traded common and preferred stocks (both U.S. and non U.S.), stock options, and convertible securities;

- Not more than 5% of the current market value of the Equity Portfolios shall be held in the securities of any one company or issuer, without the approval of the Board;

- Prohibited Investments:
  - ⇒ Short sales or substantially similar transactions; and
  - ⇒ Speculative or non-hedging transactions involving stock options; and

- The Board may use options, future, or any derivative investments upon recommendation by the Investment Advisor.

Investments may be made in commingled funds, which follow investment guidelines that are substantially similar or more conservative than those set forth above.

B. <u>International Equities</u>

Target Proportion: 5%
Permissible Range: 0-10%

The purpose of international equity investments is to provide income, growth of income, and appreciation of principal and an added level of diversification. The international stock portfolio should be broadly diversified using a global perspective. The overall investment strategy should be well balanced and based on a philosophy, which seeks reasonable or probable outcomes. It should not embrace extreme or speculative views.

International equity investments shall be limited to those that meet the following guidelines:

- Publicly traded foreign shares;

- American Depository Receipts (ADR's) are acceptable investments;

LOPFI BOARD RULE #20 (continued)

- It is left to the manager's discretion as to whether currency hedging is implemented; however, currency hedges should not exceed the portfolio's particular currency exposure (i.e., no speculative currency positions).

Investments may be made in commingled funds which follow investment guidelines which are substantially similar or more conservative than those set forth above.

C. Domestic Fixed Income and Short Term

Target Proportion:	Fixed Income -	30%
	Short Term -	0%
Permissible Range:	Fixed Income -	20-50%
	Short Term -	0-20%

The goal of investments in fixed income securities is to preserve capital and to provide a reliable source of income. Securities should be generally of investment grade and readily marketable with a reasonable expectation of providing continued income.

The goal of investments in short-term securities is to preserve capital and provide for the liquidity needs of the Fund. Short-term assets provide a safe haven for the Fund in uncertain times when the other investable asset classes may suffer capital losses.

Fixed Income and Cash Equivalent Investments shall be limited to those that meet the following guidelines:

- Investments shall be limited to investment grade publicly traded bonds, debentures, and short-term cash equivalents, including short-term investment funds;

- The duration of the Fixed Income Portfolio shall vary from the duration of the relative comparative indices by no more than +/-25%;

- Not more than 10% of the current market value of the Fixed Income Portfolio shall be invested in securities rated less than Baa by Moody's bond rating service or BBB by Standard & Poor's, or the equivalent by a recognized rating agency. Minimum security quality shall be B or better;

- Not more than 5% of the current market value of the Fixed Income Portfolio shall be held in the debt or equity securities of any one issuer, with the exception of the United States Government and its agencies;

LOPFI BOARD RULE #20 (continued)

- Prohibited Investments;
  - ⇒ Securities purchased on margin, and
  - ⇒ Short sales or substantially similar transactions;

- The Board may approve the use of any derivative investments.

Investments may be made in commingled funds that follow investment guidelines which are substantially similar or more conservative than those set forth above.

D. International Fixed Income

Target Proportion: 7%
Permissible Range: 0-10%

The purpose of international fixed income investments is to provide income, growth of income, and appreciation of principal and an added level of diversification. The international fixed income portfolio should be broadly diversified using a global perspective. The overall investment strategy should be well balanced and based on a philosophy, which seeks reasonable or probable outcomes. It should not embrace extreme or speculative views.

International fixed income investments shall be limited to those which meet the following guidelines:

- Publicly traded foreign securities;

- Investments shall be limited to investment grade publicly traded bonds, debentures and short-term cash equivalents, including short-term investment funds

- Prohibited Investments:
  - ⇒ Securities purchased on margin, and
  - ⇒ Short sales or substantially similar transactions;

- It is left to the manager's discretion as to whether currency hedging is implemented; however, currency hedges should not exceed the portfolio's particular currency exposure (i.e., no speculative currency positions).

- The Board may approve the use of any derivative investments.

Investments may be made in commingled funds that follow investment guidelines which are substantially similar or more conservative than those set forth above.

LOPFI BOARD RULE #20 (continued)

Performance Objectives

The primary performance objective is to achieve the following Total Fund objectives:

Total Fund: To exceed over a market cycle (three to five years) the annualized rate of return of:

⇒ A policy index weighted according to historical asset allocation (normal allocation shown in parenthesis) of the Lehman G/C Int. Bond Index (40%). S&P Stock Index (60%). In addition, managers shall be compared against their respective index.

⇒ The 40th percentile return of other managed funds in a universe with comparable asset allocation.

The risk level of the Total Fund should not substantially exceed the risk of the policy index as measured by historical volatility over rolling five-year periods, unless accompanied by an added amount of return such that the return per unit of risk exceeds the policy index.

Investment Manager/Fund Watch List

The Committee shall periodically review all investment managers/funds currently retained by the Fund to determine if such investment managers/funds fit within the overall parameters set forth in this investment policy.

The reasons for placing an investment manager/fund on the watch list include, but are not limited to, performance, ownership (i.e., has this changed since the firm was retained) and style drift.

The placement of a manager/fund on the watch list shall be reported to the Board at the next Board meeting.

Investment Manager/Fund Replacement

The Committee shall periodically review the Investment Managers/Funds to determine if their activities are appropriate for the policy set forth in this Rule. Decisions will be made only by the Board with input from the Executive Director, Investment Consultant, and the Committee. Reasons for replacing an Investment Manager/Fund include, but are not limited to the same factors previously discussed in the procedure for placing a manager/fund on the watch list. It is not necessary for a manager/fund to be placed on the watch list prior to that manager/fund being replaced.

LOPFI BOARD RULE #20 (continued)

These parameters for establishing a watch list and the procedures for an investment manager/fund being placed on the watch list or removed from the watch list are only general guidelines. The Committee and/or Board reserves the right and has the ultimate authority to act independent of these parameters and guidelines in determining whether an investment manager should or should not be on the watch list.

Any inquiry for information concerning investment manager performance shall be referred to the Investment Consultant.

When the LOPFI Board of Trustees approves hiring a new investment manager/fund by vote at a Board meeting, the Executive Director is thereby authorized to execute any and all documents required to contract with the manager/fund. A copy of this rule shall be provided to the new investment manager/fund as evidence of such authorization.

LOPFI Board Rule 20 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #21

APPROVED: February 11, 1988
AMENDED: September 27, 1995
AMENDED: March 26, 2002
AMENDED: February 16, 2005
AMENDED: June 12, 2008
AMENDED: September 1, 2011

PURCHASE/RESTORATION OF SERVICE CREDIT

In the event a former member of LOPFI becomes re-employed by any LOPFI-covered employer, his service credit last forfeited by him shall be restored; provided the member returns to LOPFI any amount previously refunded to him together with interest from the date of withdrawal to the date of repayment. "Withdrawal" shall mean the date the actual refund is processed for payment.

The cost for service credit purchased under ACA 24-10-506 (other service credit or cadet service credit) or ACA 24-10-510 (former military service credit) shall be the actuarial cost as calculated by LOPFI's actuary. Service credit purchased under either of these statutes will be used to determine the member's total accrued service for benefit payment purposes, but will not be used to determine final average pay. Service credit purchases will only be permitted for paid service. Volunteer service will not be eligible for purchase.

Service credit previously forfeited or service credit which is purchased shall not be credited to the member's service credit record until full payment is received by LOPFI. A member may elect to pay the entire cost in a single one-time payment or enter into an agreement with LOPFI to make payments in an amount and by a method determined by the Executive Director. The payment period shall not exceed a total of sixty (60) months. Payment in full must occur at least ninety (90) days prior to the member's effective date of retirement with LOPFI. In the event payment of the full amount due is not made in compliance with the agreement the member enters into with LOPFI, the agreement shall be cancelled and all monies paid shall be refunded to the member

Interest on repayment of refunded amounts and/or service credit purchases will be assessed at the rate of 3% compounded annually.

LOPFI Board Rule 21 concluded.

LOPFI BOARD RULE #22

APPROVED: April 27, 1989
AMENDED: December 15, 1989
AMENDED: June 10, 1993
AMENDED: September 1, 2011

ANNUITY CALCULATIONS FOR DEATH OR DISABILITY BENEFITS

Social Security Integration for death or disability benefits.

Under ACA 24-10-610, integration with benefits, if any, from social security on account of death or disability shall only be those social security benefits earned from LOPFI-covered employment. LOPFI benefits will not be integrated, for the purposes of death or disability annuities with social security benefits earned separately from LOPFI-covered employment.

Annuity Adjustment

Under ACA 24-10-610, annuities payable on behalf of a member who dies in covered employment prior to the attainment of normal retirement age (age 55), together with any payments from social security and/or worker's compensation earned during the LOPFI-covered employment shall not exceed 100% of the deceased member's final average pay.

LOPFI Board Rule 22 concluded.

LOPFI BOARD RULE #23

APPROVED: June 22, 1990
AMENDED: December 19, 1991

MEDICAL RE-EXAMINATIONS

Superseded by Board Rule 16 on June 21, 2007.

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ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #24

APPROVED: June 22, 1990
AMENDED: September 1, 2011

CORRECTION OF ERRORS IN RECORDS

In accordance with ACA 24-10-104, should any change or error in records result in any person receiving from the system more or less than he/she would have been entitled to receive had the records been correct, LOPFI shall correct the error and, as far as is practicable, shall adjust the payment of the benefit in such manner that the actuarial equivalent of the benefit to which the person was correctly entitled shall be paid.

Underpayments

If a benefit is being underpaid due to an inaccurate wage history or service credit record, LOPFI staff shall establish the correct wage history and/or service credit record and shall recompute the benefit. A lump-sum payment will be made to the person to cover the past value of all underpayments with the next benefit payment cycle after the necessary correction was completed.

LOPFI staff shall adjust the retirement reserve account for the corrected annuity. Upon correction of the annuity, there shall be transferred to the retirement reserve from the employer accumulation account(s) of the person's former employer(s), the difference between the former reserve for the annuity and the recalculated reserve for the corrected annuity. This transfer shall be net of any additional member contributions owed to the retirement reserve.

Since member contributions are remitted to LOPFI on a pre-tax basis, any additional member contributions owed the retirement reserve for incorrect wage reporting shall be remitted by the former employer(s). LOPFI will back-bill the affected employer(s) for all amounts owed.

Overpayments

If any benefit is overpaid, LOPFI staff shall identify the correct benefit amount. The value of the overpaid amount will be recovered in not more than six (6) equal monthly installments by subtracting the amount owed LOPFI from the person's next monthly payment or payments, not to exceed six (6) monthly payments. If the recovery of the overpaid amount cannot be fully recovered in six (6) equal installments, the person's benefit will be actuarially adjusted to the correct amount.

LOPFI staff shall adjust the retirement reserve account for the corrected annuity. Upon correction of the annuity, there shall be transferred from the retirement reserve to the employer accumulation account(s) of the person's former employer(s), the difference between the former reserve for the annuity and the recalculated reserve for the corrected annuity.

LOPFI BOARD RULE #24 (continued)

When LOPFI pursues legal action to recover any amounts owed to the system, the legal action will include seeking reimbursement of costs associated with the recovery. Such costs include, but are not limited to, court filing fees, summons costs, certified mailings, and LOPFI legal fees.

LOPFI Board Rule 24 concluded.

LOPFI BOARD RULE #25

APPROVED: March 20, 1991
AMENDED: September 1, 2011

DEPENDENT PARENT SUPPORT TEST

Pursuant to ACA 24-10-608, if, at the time of a member's death while in paid LOPFI service, there is neither a spouse nor a dependent child, each dependent parent shall receive an annuity of the greater of twenty percent (20%) of the final average pay or fifty dollars ($50.00) monthly, but only if the parent was dependent upon the member for at least fifty percent (50%) of his/her financial support at the time of the member's death.

For LOPFI purposes, the dependent parent(s) may demonstrate at least one half financial support was provided by the deceased member to the dependent parent(s) by providing a copy of the previous year's federal tax return that shows the dependent parent(s) were recognized by the IRS as a dependent of the deceased member. Absent recognition by the IRS on a federal tax return as set forth above, it will be incumbent upon the surviving parent(s) to demonstrate that he/she was dependent upon the member by providing documentation that satisfies IRS Code Sections 151 and 152.

LOPFI Board Rule 25 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #26

APPROVED: June 23, 1993
AMENDED: December 4, 2003
AMENDED: March 16, 2006
AMENDED: September, 1, 2011

ADMINISTRATIVE SERVICES COMMITTEE

An Administrative Services Committee (ASC) is hereby created to deal with the annual establishment of staff pays, to review appeals of grievances which may be submitted by staff members against their supervisors, and to review complaints against the Executive Director of the Agency.

The ASC shall be composed of three (3) members of the LOPFI Board of Trustees, and two (2) members of the Arkansas Fire and Police Pension Review Board (PRB), to be appointed by the Chairman of the LOPFI Board. The members of both Boards or their designated members may meet in executive session concerning the Board's executive director, staff, or persons being considered for any of those positions. Such executive sessions must comply with the open public meetings requirements as noted in A.C.A. 25-19-106.

A. The procedure for establishing annual staff pays shall follow the Budget and Expense Allocation Procedure approved annually by both Boards.

1. Executive Director drafts a proposed budget after consulting the approved salary range for each staff position, including the application of any applicable career service award.

2. Any proposed cost of living adjustment by the Executive Director shall apply to all staff pays and calculated in accordance with the Budget and Expense Allocation Procedure.

3. ASC reviews the proposed budget including consulting with the Executive Director. Eventually, the ASC renders a decision and reports their position to the Executive Director. The Executive Director includes the ASC's approved amounts in the budget submitted to both Boards.

Executive Director

a. ASC reviews the Executive Director's performance, and then arrives at a pay amount for the coming year. If it wishes, the ASC may discuss these matters with the Executive Director.

b. The ASC presents its findings to the Executive Director. This should be done at least one month before the Executive Director's anniversary date of hire.

LOPFI BOARD RULE #26 (continued)

c. The Executive Director includes the ASC's decision on the next meeting agenda for each Board.

d. Both Board's shall review the decision of the ASC at their next meeting.

B. The procedure to be used by staff to file complaints against their supervisors shall be as follows:

The grievant shall inform the immediate supervisor of the person with whom she/he has a grievance. The immediate supervisor shall meet with the parties and mediate the grievance. If no satisfactory solution can be reached, then the immediate supervisor and the complaining parties will meet with the Executive Director. If the Executive Director is also unsuccessful in reaching a solution satisfactory to all parties, the matter shall be referred to the LOPFI Board of Trustees.

C. Complaints regarding the Executive Director

If any person has a complaint against the Executive Director with respect to the Director's discharge of her/his business responsibilities, such complaint must be expressed in writing. Copies of complaints received concerning the Executive Director shall immediately be forwarded to the Chairman of the LOPFI Board, who will present the complaint to the LOPFI Board of Trustees. The LOPFI Board of Trustees will, if appropriate, receive recommendations in the form of personnel record/performance review on Executive Director issues from the Pension Review Board.

D. Complaints regarding staff

If any person has a complaint against the LOPFI staff with respect to the discharge of their business responsibilities, such complaint must be expressed in writing and submitted to the Executive Director. The Executive Director may investigate the complaint or assign the investigation to the employee's supervisor.

E. The investigation of all complaints shall be completed within thirty (30) days of receipt. The Executive Director may grant an extension of time for completion if there are articulated reasons the investigation could not be completed within the 30-day period.

F. At the conclusion of the investigation all complaints will be classified as follows: (complaints may be a combination of 2 or more)

1. Exonerated: The alleged incident or conduct occurred but was lawful and proper.

2. Substantiated Complaint: As a result of internal or supervisory investigation evidence sufficient to prove the allegation was identified.

LOPFI BOARD RULE #26 (continued)

3. Unsubstantiated Complaint: As a result of internal or supervisory investigation evidence sufficient to prove the allegation was not identified.

4. Unfounded Complaint: Allegation was determined to be false or not factual.

G. At the conclusion of all investigations a copy of the complaint, investigation and resolution will be provided to the Chairman of the LOPFI Board.

H. The complaint procedure shall be included in all future publications of the LOPFI Member Handbook.

LOPFI Board Rule 26 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

At their November 3, 2011 meeting the Administrative Services Committee (ASC) approved a 3.0% COLA, not to exceed the maximum pay amount allowed for the Executive Director and Assistant Director, to be awarded to staff effective January 1, 2012. The ASC also approved a salary reclassification for the Membership Services position, re-titling the Data Management Specialist position to Membership Services, and the request to allow staff to enroll in the Arkansas Diamond Plan. The LOPFI Board, on December 1, 2011, and the PRB, on December 6, 2011, approved these actions.

Signed version on file with LOPFI.
JoAnne H. Bush
LOPFI Chairman

Signed version on file with the PRB.
Jackie McPherson
PRB Chairman

LOPFI and PRB Budget and Expense Allocation Procedure

The Boards' of the Arkansas Local Police and Fire Retirement System (LOPFI) and the Arkansas Fire and Police Pension Review Board (PRB) develop their annual budgets in compliance with State law. Expenses are allocated to maintain efficient and timely services to the membership, yet strive to improve Agency operations. In addition, stringent checks and balances are employed to ensure a thorough accounting of all expenditures. Each budget will include the categories of Staff Salaries, General Operating, and Professional Services and developed as follows:

Staff Salaries:

60% of salaries are funded by LOPFI and 40% are funded by PRB, with the exception of the Membership Coordinator position. Salary and all expenses for the Membership Coordinator position are funded in total by LOPFI. In addition, payroll taxes, retirement, and health insurance costs are funded 100% by LOPFI. Each position will use the following salary range for the 2012 budget:

Executive Director	127,209 – 167,400
Assistant Director	81,343 – 107,043
Chief Financial Officer	63,302 – 83,300
Membership Coordinator	46,196 – 60,791
Accountant II	46,196 – 60,791
Membership Services	40,909 – 53,834
Membership Services	40,909 – 53,834
Receptionist/Records Analyst	34,978 – 46,029

All positions are eligible for a 2% - 4% merit raise each year until attaining the top of that position's range. The assumption used is that a person hired at the beginning of a salary range could achieve the top of that range at year 7 if awarded a 4% merit each year. On the 8th anniversary and after reaching the top of the range, staff members are eligible for an annual career service award. The amount of the annual career service award will be the greater of:

Years	Annual Payment
8 thru 12	$600 or 1% of annual salary
13 thru 17	$700 or 1.5% of annual salary
18 thru 22	$800 or 2% of annual salary
23 or more	$900 or 2.5% of annual salary

Merit raises and annual career service awards are awarded based on the results of a favorable annual formal performance review.

On January 1st of each year a COLA will be awarded to each staff member. The COLA will be determined by using the U.S. Department of Labor CPI Index for Urban Wage Earners and Clerical Workers as a benchmark. To draft a new budget, the period used for a COLA calculation will be the previous year's September to the current year's September. Beginning with the 2006 budget the determined COLA will be factored into the beginning and top level of each salary range. The ASC retains flexibility as to the actual amount of a COLA award.

When a staff member is promoted and the beginning salary range of the new position is lower than that person's current salary, an increase of 5% will be added to that person's current salary.

The executive director is authorized to hire a candidate for a staff vacancy within the appropriate salary range. However, the latitude will be limited to any point from the beginning of the range up to and including the mid-point of the range. This provision will be an exception and used only in instances a particularly qualified candidate is considered for hire.

Once a year, the ASC shall review staff salaries for compliance with ACA 24-10-204.

Expenses for individual line items within the General Operating and Professional Services categories are budgeted one-half each with the further understanding that expenses specific to a particular Board are limited to that Board's budget. Two exceptions are the Insurance and Telephone line items. Insurance expenses are fully funded by LOPFI except for property insurance which is funded 50/50. The Telephone line item will use a 60/40 split. LOPFI will cover 60% and PRB 40%, except for website expenses which use a 50/50 arrangement.

Both Boards have authority to amend their respective budget throughout a budget year. Board authorized amendments may be handled by mail ballot or deferred to the next scheduled Board meeting. If a budget change occurs as the result of a mail ballot, the results will be provided at the next scheduled Board meeting.

When an individual line item requires amendment during a budget year, the executive director is authorized to make the adjustment by reallocating unexpended amount(s) from neighboring line items within that same category. It is understood this type of adjustment will not raise/lower the total budgeted amount for that category. The executive director will communicate such change(s) during the next scheduled Board meeting.

Investment income and employer contributions are the funding sources for LOPFI's expenses, while the PRB utilizes State Insurance Tax Turnback for its expenses.

First Implemented June 2001

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #27

APPROVED: September 15, 1993
AMENDED: December 4, 1997
AMENDED: June 21, 2007
AMENDED: September 1, 2011

DEATH BENEFIT FOR LOCAL POLICE FUND MEMBER

Pursuant to ACA 24-11-430, LOPFI will only pay a death benefit on behalf of a deceased local police fund member who participated in a fund administered by LOPFI, if the local fund paid such a benefit prior to the fund being administered by LOPFI.

The benefit amount shall be consistent with the amount previously paid by the local fund, but in no case shall it be less than $100 nor more than $6,500. Such benefit shall be charged against the local fund's employer accumulation account.

To pay this benefit, LOPFI must receive a written copy of the local fund's policy for the payment of a death benefit and/or a letter from the chief operating officer of the city or designee outlining the policy. If the fund previously paid no such benefit, then LOPFI shall not pay the benefit and shall have on file a copy of a letter from the chief operating officer of the city or designee stating that no such policy existed.

LOPFI Board Rule 27 concluded.

LOPFI BOARD RULE #28

APPROVED: September 15, 1993
AMENDED: December 15, 2005
AMENDED: September 1, 2011

ELECTION OF BOARD CHAIR AND VICE-CHAIR

Pursuant to ACA 24-10-203, a procedure is hereby created to elect a Chairman and Vice-Chairman of the LOPFI Board.

The Board has seven voting members. In December of each odd-numbered year, the members of the Board shall elect from among their number a Chair and a Vice-Chair of the Board. If the Chair leaves the Board before the expiration of the term as a Chair, another member shall be elected to fill the unexpired term of the Chair. If the Vice-Chair leaves the Board before the expiration of the term as Vice-Chair, or is elected to fill a Chair vacancy, another member shall be elected to fill the unexpired term of the Vice-Chair.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #29

APPROVED: December 8, 1993
AMENDED: March 23, 1994
AMENDED: March 13, 1998
AMENDED: February 16, 2005

ACTUARIAL ASSUMPTION FOR USE IN DETERMINING THE COST OF OTHER LOCAL POLICE AND FIRE SERVICE CREDIT PURCHASES UNDER 24-10-506 AS AMENDED; AND THE APPLICATION PROCEDURES

Superseded by Board Rule 21 on September 1, 2011.

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ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #30

APPROVED: September 27, 1995
AMENDED: March 16, 2006
AMENDED: September 3, 2009
AMENDED: September 1, 2011

ADMINISTRATION OF BENEFIT PROGRAM 2

A. Benefit Program 2 Defined

Benefit Program 2 is an optional benefit program that allows LOPFI employers the ability to provide an enhanced retirement benefit for their paid service employees.

B. Eligibility

A paid service LOPFI employer may, by a majority vote of its governing body, adopt Benefit Program 2 for all covered members of the affected department.

C. Certification

Upon approval by the governing body, its Clerk or Secretary shall file with LOPFI an original copy of the ordinance adopting Benefit Program 2. The ordinance must be received by LOPFI within ten (10) days from the date of its adoption.

D. Effective Date of Coverage

The effective date for Benefit Program 2 shall be the first day of the month specified by the governing body in its ordinance. The act that created Benefit Program 2, Act 474 of 1995, was effective July 28, 1995, therefore, the earliest date of adoption an employer can elect is August 1, 1995.

E. Cancellation/Reinstatement of Benefit Program 2

The adoption of Benefit Program 2 may be cancelled and/or reinstated by the employer upon receipt by LOPFI of an ordinance passed by a majority vote of the governing body, provided that a two-year period has elapsed from the date of the adoption. The ordinance must state a specific date of cancellation or reinstatement. A cancellation shall be effective on the last day of the month and a reinstatement shall be effective on the first day of the month. Benefit Program 2 may be rescinded only one (1) time by the political subdivision.

F. Effect of Cancellation of Benefit Program 2 on member benefits

If an employer rescinds the adoption of Benefit Program 2, the changed benefit program will only affect those periods of employment beginning from and after

LOPFI BOARD RULE #30 (continued)

the effective date of the rescission.

G. Cost of Benefit Program 2

1. LOPFI employers interested in adopting Benefit Program 2 must request and pay for an actuarial valuation to determine the required employer contribution. Actuarial services shall be performed by LOPFI's actuary.

2. Employer and applicable member contributions shall begin on the first of the month the adoption of Benefit Program 2 is effective. The limitations regarding employer contribution increases in ACA 24-10-405 are forfeited under Benefit Program 2.

H. Member Requirements and Options

1. Upon adoption of Benefit Program 2, members covered by Social Security with their LOPFI-covered employer shall begin to contribute an 8.5% member contribution. No increase in the member contribution rate shall occur for those members not covered by Social Security with their LOPFI employer. All member contributions shall be collected and remitted by the employer on a pretax basis.

2. A member may elect to purchase paid service that was rendered before the adoption of Benefit Program 2. The member must pay to LOPFI the actuarial cost for the purchase. Actuarial calculations shall be computed by LOPFI's actuary. The payment shall be governed by LOPFI Board Rule 21 and the member's service credit record shall not be adjusted until the System receives payment in full.

3. Upon retirement, a member's total benefit payment from LOPFI shall not exceed 100% of final average pay. A member's benefit shall be calculated using the combined total accrued service under Benefit Program 1 and Benefit Program 2 as described in ACA 24-10-602.

LOPFI Board Rule 30 concluded.

LOPFI BOARD RULE #31

APPROVED: March 22, 2000
AMENDED: September 1, 2011

FIVE-YEAR VESTING IN ACCORDANCE WITH ACT 1136 OF 1997

In accordance with Act 1136 of 1997, Five-Year Vesting became effective July 1, 1997. This provision is not retroactive.

In order to vest under this provision, a person must have been a member of LOPFI on July 1, 1997, and have been a member for not less than 90 consecutive calendar days prior to July 1, 1997 with five or more years of service.

If a person is a former member on July 1, 1997 with five years, but less than ten years of service, that person must return to covered employment for a period of not less than 90 consecutive calendar days after July 1, 1997.

If a person is a former member on July 1, 1997 with less than five years of service, that previous service will be counted toward five year vesting, provided the person returns to LOPFI-covered employment for a period of not less than 90 consecutive calendar days, and the previous service has not been refunded.

LOPFI Board Rule 31 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #32

APPROVED: March 3, 2005
AMENDED: September 14, 2005
AMENDED: March 4, 2010
AMENDED: September 1, 2011

ADMINISTRATIVE PROCEDURES FOR THE LOPFI DROP; LOPFI PARTIAL ANNUITY AND LUMP-SUM OPTION; AND FOR LOCAL PLANS WITH DROP UNDER LOPFI ADMINISTRATION

LOPFI DROP:

In lieu of terminating employment a LOPFI member in paid service may enroll in the LOPFI DROP under the provisions of A.C.A. 24-10-701 et. seq. as amended. The member shall notify LOPFI of the decision to enroll in DROP using forms provided by the System.

Credited Service: For purposes of determining credited service, such service includes military service under A.C.A. 24-10-502, but shall not include volunteer service or any other credited service that is purchased.

Contributions: Upon enrollment in the LOPFI DROP the employer and employee contributions shall continue to be paid and credited to LOPFI. The employer contributions will be credited to the employer accumulation account and the employee contributions will be credited to the member deposit account. For those members with at least twenty-eight (28) years of credited service seventy-five percent (75%) of the member's monthly benefit calculated at the time the member enrolled in DROP shall be paid into the member's DROP account. For those members at least age fifty-five (55) and with at least twenty (20) years, but less than twenty-eight (28) years of credited service the same method of calculation shall be used except that seventy-two percent (72%) of the member's monthly benefit shall be paid into the member's DROP account.

Benefits and Interest Rate: The monthly retirement benefit shall not change unless the retirement annuity defined in A.C.A. 24-10-602 is increased. However, should a change in marital status occur (through marriage, divorce or death of a spouse), a participant may rescind the elected benefit option and elect a different benefit option (A60, A120, B50, or B75). In the case of marriage, the participant must notify LOPFI no earlier than (1) one year after the marriage and not later than eighteen (18) months thereafter. In the case of divorce, the participant must notify LOPFI of the marriage dissolution. In the case of the death of a member's spouse, the member must notify LOPFI of the death of his/her spouse. All notifications must be in writing, and in the form and timeframe required by the System. DROP participants are not eligible to receive a COLA until actual separation from employment and in accordance with the provisions of A.C.A. 24-10-612. During the period of participation in DROP the member's DROP account shall be credited with six percent (6%) interest per annum. Interest shall be credited at the end of each calendar year and based on the average balance in the member's DROP account.

LOPFI BOARD RULE #32 (continued)

Duration and Method of Payment: The duration of the DROP shall not exceed five (5) years. At the conclusion of this period the member shall terminate employment and begin receiving the full monthly retirement benefit calculated at the time the member first enrolled in DROP. Members enrolled in DROP are not eligible to return to LOPFI-covered service as provided in A.C.A. 24-10-504. When the member concludes participation in DROP, and at the option of the member, shall receive one of the following:

1) A lump-sum payment from the DROP account equal to the balance held in the DROP account or;
2) A monthly annuity that is the actuarial equivalent of the lump-sum amount and paid in one (1) of the annuity options provided under A.C.A. 24-10-603, and
3) In the event a member dies during the DROP annuity period, and before the total of the monthly DROP annuity payments equals or exceeds the original DROP account balance prior to distribution, that difference shall be paid to the member's survivor(s), or if none, the member's estate. The survivor(s) may choose to either continue the DROP annuity payments or accept a lump sum distribution. If the balance is paid to an estate it shall be made in a lump sum distribution.

Disability or Death of a DROP Member: In the event a DROP member becomes totally and permanently disabled while enrolled in DROP the member shall be considered to have concluded participation in the DROP and begin receiving payments as described in the Duration and Method of Payment section of this Rule. Should a member die during participation in the DROP, a lump-sum payment equal to the DROP account balance shall be paid to the member's survivor(s) or if none, to the member's estate.

PARTIAL ANNUITY AND LUMP-SUM OPTION:

If a LOPFI member does not terminate employment and retire when first eligible for an unreduced annuity as provided under A.C.A. 24-10-604 and was not eligible or did not participate in the LOPFI DROP, the member may participate in the Partial Annuity and Lump-Sum Option. The member may elect to receive a lump-sum distribution in an amount that does not exceed one (1) month of benefit for each completed month of service beyond eligibility for an unreduced benefit. The lump-sum shall not exceed sixty (60) months. The member's retirement benefit shall be reduced by the actuarial value of the amount withdrawn.

LOCAL PLANS WITH DROP UNDER LOPFI ADMINISTRATION:

In lieu of terminating employment local plan members may enroll in DROP after attaining twenty (20) years of credited service, provided that the local plan has

LOPFI BOARD RULE #32 (continued)

established a DROP under the provisions of A.C.A. 24-11-434 as amended, for Police plans, and A.C.A. 24-11-830, as amended, for Fire plans.

Contributions: When a member begins participation in DROP the member and employer contributions shall continue to be paid. In a municipality with a population over twenty thousand (20,000) the employer matching contributions shall be credited equally to the employer accumulation account and the DROP account or, if approved by the sponsoring municipality and the LOPFI Board of Trustees, the employer matching contributions shall be credited in full to the employer accumulation account and the member's contribution shall be credited to the member's DROP account. This is the same method used for crediting of contributions in municipalities with a population of twenty thousand (20,000) or less.

The member's monthly retirement benefit calculated at the time of enrollment in DROP shall be credited to the DROP account, except for the second five-year period under fire plans. For the second five-year period under fire plans the monthly amount credited to the DROP account shall be seventy-five percent (75%) of the monthly benefit as calculated at the time of enrollment in DROP. For fire plans in which the local governing body has provided such approval, one-hundred percent (100%) of the monthly benefit shall be credited to the member's DROP account during the second five-year period.

For municipalities that offer continued employment after DROP, the six percent (6%) employer matching contribution shall cease, but all other employer contributions shall continue and be credited to the employer accumulation account. Also, during this period of continued employment the member's monthly benefit and six percent (6%) contribution shall also cease.

Benefits and Interest Rate: The monthly benefit shall not change unless the plan receives a benefit increase. During the first 5-year period of DROP the member's DROP account shall earn interest at a rate of two percent (2%) less than the portfolio return, but no less than the actuarial rate of return for the System. For the second 5-year period, if a plan has adopted a 10-year DROP, and/or continued employment after DROP, and/or permits DROP accounts to remain in the System after the conclusion of DROP, the interest rate credited to the DROP account shall be two percent (2%) less than the portfolio return, but no less than zero percent (0%). Interest is awarded to the DROP account on an annual basis at the end of each calendar year and based on the average balance in the member's DROP account.

Duration and Method of Payment: The duration of the DROP shall not exceed five (5) years, unless extended to ten (10) years as approved by the sponsoring municipality and the LOPFI Board of Trustees. The extension of DROP must be available to all participating members of the fund. At the conclusion of DROP the member may remain employed if the continued employment is approved by the sponsoring municipality and the LOPFI Board of Trustees. The continued employment must be available to all

LOPFI BOARD RULE #32 (continued)

members of the fund. At the conclusion of participation in DROP, and when the member terminates employment, the member shall receive, at their option, one (1) of the following:

1. A lump-sum payment from the DROP account equal to the payments to the account or;
2. A true annuity based on the DROP account balance or;
3. If the fund permits, the DROP balance may remain on account until December 31 of the year the member attains age 70 ½ at which time the member must take full distribution or annuitize the account balance, and
4. In the event a member dies during the DROP annuity period, and before the total of the monthly DROP annuity payments equals or exceeds the original DROP account balance prior to distribution, that difference shall be paid to the member's survivor(s), or if none, the member's estate. The survivor(s) may choose to either continue the DROP annuity payments or accept a lump sum distribution. If the balance is paid to an estate it shall be made in lump sum distribution.

In all cases a member must actually terminate employment with all participating municipalities and employer groups under the System in order to receive a distribution from DROP.

Disability or Death of a DROP Member: In the event a DROP member becomes totally and permanently disabled while enrolled in DROP the member shall be considered to have concluded participation in DROP and begin receiving payments as described in the Duration and Method of Payment section of this Rule. Should a member die during participation in DROP, a lump-sum payment equal to the DROP account balance shall be paid to the member's survivor(s) or if none, to the member's estate.

LOPFI Board Rule 32 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #33

APPROVED: September 14, 2005
AMENDED: June 4, 2009
AMENDED: September 1, 2011

STANDARD FOR PAYMENT TO ALTERNATE PAYEES AFTER ENTRY OF A QUALIFIED DOMESTIC RELATIONS ORDER (QDRO)

1. State law authorizes a court of competent jurisdiction to order all or any portion of a Member's vested benefit paid to a former spouse (alternate payee). Such orders shall not provide for any form of benefit or payment not otherwise available under LOPFI, nor require payments to an alternate payee which are required to be paid to another alternate payee as a result of a previous QDRO. Because LOPFI is not subject to the QDRO rules set out in Internal Revenue Code 414(p), it is necessary to establish rules to be followed where a portion of a Member's benefits are awarded to an alternate payee as a result of a QDRO.

2. When a QDRO is entered awarding some portion of a Member's retirement benefit to an alternate payee (for example, 50% of the LOPFI benefit vested to John Doe on July 1, 2005 is awarded to Sally Doe) the time when payment begins is determined by when the Member's (John Doe's) benefits commence as the result of his/her disability, termination of covered employment, or attained age for a normal service retirement, as the case may be.

3. Payment to an alternate payee will be determined based on a stated percentage of the Member's benefit accrued during the time of the marriage. In the event the payment amount to an alternate payee is less than one-hundred dollars ($100.00), the participant shall be paid the total monthly payment and shall be responsible for paying the alternate payee the amount due. An alternate payee is not eligible for a lump-sum payment (the only exception is when the Member is entitled to and elects a lump-sum payment of all or a portion of a DROP benefit), disability or death benefits, inheritance, refund, cost of living adjustment, or any other benefit enhancement. Payments to an alternate payee shall be completed by utilizing electronic funds transfer.

4. LOPFI's legal counsel will review QDRO's to ensure compliance with plan provisions and conformance with the model QDRO adopted by the LOPFI Board of Trustees.

LOPFI Board Rule 33 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

MODEL QDRO

IN THE CIRCUIT COURT OF _____ COUNTY, ARKANSAS

JOHN DOE **PLAINTIFF**

VS. NO.

JANE DOE **DEFENDANT**

QUALIFIED DOMESTIC RELATIONS ORDER

The Court finds that John Doe (hereinafter referred to as the "Participant") has been a participant in the Arkansas Local Police and Fire Retirement System ("the Plan"), and has certain account(s) in the Plan. Such account(s) arose during the period of time that the Participant was married to Jane Doe (hereinafter referred to as the "Alternate Payee"). The Court further finds that a portion of the Participant's benefits under the Plan should be partitioned and distributed in accordance with the terms of this Order. This Order is intended to meet the requirements of a "Qualified Domestic Relations Order" relating to the Arkansas Local Police and Fire Retirement System Plan. The Order is made pursuant to the Arkansas Code Annotated § 9-18-101, 102, & 103.

THEREFORE, IT IS HEREBY ORDERED, AND DECREED AS FOLLOWS:

1. The Participant's name is _____. The last known mailing address of the Participant is _____. The last four digits of the Participant's Social Security Number are _____. The Participant's year of birth is _____.

2. The Alternate Payee's name is _____. The last known mailing address of the Alternate Payee is _____. The last four digits of the Alternate Payee's Social Security Number are _____.

The Alternate Payee's year of birth is _____.

3. The Participant and the Alternate Payee were married on _____, and their divorce decree was entered on _____.

4. The Plan shall pay the Alternate Payee _____% of the Participant's monthly benefit accrued during the time of the marriage**.**

5. Monthly payments to the Alternate Payee will begin when the Participant ceases covered employment and begins receipt of a normal monthly or disability retirement benefit. In the event the Alternate Payee's monthly payment is less than one-hundred dollars ($100.00), the Participant shall be paid the total monthly payment and shall be responsible for paying the Alternate Payee the amount due.

6. Monthly payments to the Alternate Payee shall cease upon the Participant's death. Should the Alternate Payee receive any payment(s) after the Participant's death, the Alternate Payee is ordered to refund such payment to the Trustee of the Plan within five (5) days after Alternate Payee receives such payment.

7. Upon the Alternate Payee's death, the monthly payment previously assigned to the Alternate Payee shall revert to the Participant.

8. If the Participant is a contributory member and discontinues employment and withdraws the balance in the member deposit account in a lump sum, the Alternate Payee shall receive _____% of the member's deposit account balance for the period of time of the marriage as defined in paragraph 3 above.

9. The rights, limitations and requirements of the Participant, and the Alternate Payee, are controlled by Board Rule #33 of the Arkansas Local Police and Fire Retirement System. The same is incorporated herein by reference and the rights of the

parties hereto are to be consistent with the aforementioned Board Rule as it relates to the administration of the Plan.

10. To the extent that the Trustee of the Plan erroneously pays to the Participant any amounts that are payable to the Alternate Payee under this Order, the Participant shall be deemed to be a trustee holding the amount of such monies in a constructive trust for the Alternate Payee. The Participant is ordered to pay such amount to the Alternate Payee within five (5) days after the Participant receives such amount.

11. This Order shall not require the Plan to provide any type or form of benefit, or option not otherwise provided under the Plan; nor shall it require the payment of any amounts to the Alternate Payee which are required to be paid to another alternate payee of another order previously determined to be a qualified domestic relations order; nor shall it require the Plan to provide increased payments to the Alternate Payee. Any provision of this Order that appears to be otherwise shall be null and void and have no effect.

12. The parties shall promptly submit this Order to the administrator of the Plan for determination of its status as a qualified domestic relations order. Pending such determination, this Order shall take effect immediately and remain in effect until further orders of this Court.

13. The Court retains jurisdiction to amend this Order as a Qualified Domestic Relations Order under the Plan, even though all other matters incident to this matter and proceeding have been fully and finally adjudicated.

IT IS SO ORDERED.

_____
CIRCUIT JUDGE

DATE:_____

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RULE #34

APPROVED: September 14, 2005
AMENDED: September 21, 2006
AMENDED: September 1, 2011

CONFLICT OF INTEREST AND CODE OF CONDUCT POLICY AS IT APPLIES TO THE BOARD OF TRUSTEES AND STAFF

The purpose of this Conflict of Interest and Code of Conduct policy is to ensure that deliberations and decisions of LOPFI are made solely in the best interest of the System as a whole, and to protect the interests of LOPFI when contemplating and/or entering into a transaction, contract, or arrangement or take any action that might benefit the private interest of a member of the LOPFI Board of Trustees (the Board) or staff member. A trustee or staff member may not use his or her position with the System, or confidential information obtained by him or her relating to the System, in order to achieve a financial benefit for himself or herself or for any other interested person(s).

For the purpose of this policy "interested person" shall include: any person or professional service provider/firm who may currently, or in the future, be compensated for services rendered to/for LOPFI. This policy is intended merely to supplement and not replace any existing applicable laws governing conflicts of interest as they may relate to the operation of LOPFI.

The Board and staff recognize that each person has a responsibility to the System, the membership, and each other to avoid activities or relationships that might interfere with, or appear to interfere with, the ability to act in the best interests of the System. Although this duty does not prevent the engagement of personal transactions and/or investments, it does demand the avoidance of situations where a conflict of interest might occur. It is recognized that the System, trustees, and staff are subject to scrutiny from different individuals and organizations. Adherence to this policy will ensure no adverse effect will result from such examination. All trustees and staff shall sign an acknowledgement form in recognition of their agreement to adhere to all items contained within this Conflict of Interest and Code of Conduct policy. Copies of the signed forms shall be maintained in the System's office.

CONFLICT OF INTEREST

A conflict of interest is a divided loyalty between the interests of the System and the personal interest of a trustee or staff member. As such, trustees and staff shall not allow personal considerations or relationships, whether actual or potential, to influence them in any way when representing the System in dealings with other persons or organizations. As mentioned above, each trustee and staff member has the obligation to avoid not only situations that give rise to a conflict of interest, but also those situations that create the appearance of a conflict of interest. Potential conflicts of interest may occur in a variety of situations. Guidelines for dealing with and avoiding such conflicts are:

LOPFI BOARD RULE #34 (continued)

- In working with and for the System, trustees and staff are expected to devote their full attention to the business interests of the System. Trustees and staff are prohibited from engaging in any activity that interferes with their responsibilities or performance to the System, or is otherwise in conflict with or prejudicial to the System. LOPFI prohibits trustees and staff from serving in a role with the System and at the same time accepting simultaneous positions with a LOPFI supplier or professional service provider.

- Trustees will not use their positions to obtain employment with LOPFI for themselves, significant others, close associates, or any person who has conducted business with/for LOPFI. An individual who is or has served on the Board will not be eligible to apply for or be offered a position of employment at LOPFI and may not be considered for any position of employment until four (4) years after the termination of his or her service with the Board.

- LOPFI prohibits the employment of relatives and/or significant others in staff positions or in professional service provider roles that have a financial interest or influence (e.g. an auditing or control relationship, or an advisory relationship). The purpose of this policy is to prevent the organizational impairment and conflicts that are a likely outcome of the employment of relatives or significant others.

- Any interest that may conflict with the business of the System must be fully disclosed to the System immediately. If there are any questions regarding this requirement, the Executive Director should be notified. The Executive Director shall then notify the Chairman of the Board.

- If the Board is to decide upon an issue about which a trustee has an unavoidable conflict of interest, the trustee shall abstain from participation in any discussion and/or voting on the matter.

Because other conflicts of interest may arise, it would be impractical to attempt to list all possible situations and the guidelines listed above are examples, but are not intended to be all inclusive. If a proposed transaction or situation raises any questions or doubts in the mind of a trustee and/or staff member, that person should consult with the Executive Director and Chairman of the Board.

In the event there is a reasonable cause to believe that a trustee or staff member has failed to disclose an actual or possible conflict of interest, the person holding this belief shall inform the Executive Director and Chairman of the Board, in writing, of such belief. The affected trustee or staff member shall be afforded the opportunity to explain the alleged failure to disclose.

LOPFI BOARD RULE #34 (continued)

If after a review by the Executive Director and Chairman of the Board, the allegation is substantiated, the matter shall be referred to the full Board of Trustees for appropriate corrective action.

A violation of this conflict of interest policy is considered a serious matter and may constitute "cause" for removal from the role of a trustee or staff position.

CODE OF CONDUCT

Trustees and staff are expected to:

- Conduct all business in an ethical and business-like matter at all times.
- Discharge their duties solely in the best interest of the System.
- Avoid any conflict of interest with respect to their fiduciary responsibilities and must not use their positions to obtain favorable treatment for themselves or other interested persons.
- Not, directly or indirectly, solicit or accept any gift of value as defined by the Arkansas Ethics Commission.
- Not have any contact with anyone associated with a firm that the Board is considering employing, once an interest has been expressed by or on behalf of the firm seeking to conduct business with/for LOPFI.

LOPFI Board Rule 34 concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RESOLUTION APPROVED: December 5, 2001

CONCERNING USE OF DIRECT DEPOSIT FOR PAYMENT OF RETIREMENT BENEFITS

Superseded by Board Rule 8 on September 2, 2010

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ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RESOLUTION

APPROVED: September 4, 2003
AMENDED: September 1, 2011

CONCERNING THE AUTHORITY TO ADMINISTER DISABILITY RETIREMENT PROCEDURES

Whereas, one of the main functions of the Arkansas Local Police and Fire Retirement System (LOPFI) is to administer disability applications; and,

Whereas, the executive director, David B. Clark, has in the past been charged with the responsibility with processing all disability applications;

BE IT RESOLVED, the LOPFI Board of Trustees ratifies Mr. Clark's previous administration of these applications and directs him in his capacity as executive director to continue as the staff person responsible for disability applications.

LOPFI Board Resolution concluded.

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RESOLUTION

APPROVED: September 4, 2003
AMENDED: September 1, 2011

REGARDING MULTIPLE DISABILITY CLAIMS FOR SAME INJURY

Whereas, an issue has arisen concerning an applicant seeking disability on separate occasions for the same injury; and,

Whereas, there is a need to clarify the Board's position regarding multiple claims arising from one injury;

BE IT RESOLVED, the LOPFI Board of Trustees confirms its earlier practice of allowing only one application for disability per injury. It is incumbent on the applicant to make application in a timely manner when his case is ripe for submission. If the claim is denied the applicant is required to follow the appeals process set forth in both the LOPFI Rules and Resolutions and the Administrative Procedure Act.

LOPFI Board Resolution concluded.

LOPFI BOARD RESOLUTION APPROVED: September 21, 2006

Resolution of the Board of Trustees
Arkansas Local Police and Fire Retirement System

WHEREAS, the Arkansas Local Police and Fire Retirement System was created by statute in 1981. The purpose of this system is to administer and provide for retirement funds for the police and firefighters of the state of Arkansas, and;

WHEREAS, over the years since its creation the system has been most fortunate in that members of the Board of Trustees have been outstanding individuals who have been great stewards of the monies entrusted to them, and;

WHEREAS, Mr. Troy Waters of Marshall, Arkansas was appointed by the Governor to serve on the Board of Trustees as its public member on April 17, 2003. Since the day of his appointment, Mr. Waters served diligently with a special emphasis on protecting the rights and benefits of police and firefighters that were members of the system. It was with great sadness that this body learned of his untimely death on August 28, 2006. Mr. Waters has served an essential part in the history of the Arkansas Local Police and Fire Retirement System. He has made immeasurable contributions to its success. His dedication to the membership and his general concern for the system as a whole are qualities that we have enjoyed and will appreciate for years to come. His absolute loyalty to LOPFI will always be remembered.

BE IT RESOLVED by the members of the Board of Trustees of the Arkansas Local Police and Fire Retirement System that this Resolution be entered upon the minutes of the system's quarterly meeting held September 21, 2006 in recognition of the great appreciation of LOPFI for the faithful services of Troy Waters along with our sympathy to his widow, Mrs. Vivian Waters. The Executive Director is requested to provide a copy of this Resolution to Mrs. Waters.

Signed version on file with LOPFI.
JoAnne H. Bush
Chairman of the Board

Signed version on file with LOPFI.
David B. Clark
Executive Director

LOPFI BOARD RESOLUTION APPROVED: June 3, 2010

Resolution of the Board of Trustees
Arkansas Local Police and Fire Retirement System

WHEREAS, the Arkansas Local Police and Fire Retirement System was created by statute in 1981 to administer and provide for retirement funds for the police and firefighters of the state of Arkansas, and;

WHEREAS, over the years since its creation the system has been most fortunate in that members of the Board of Trustees have been outstanding individuals who have been great stewards of the monies entrusted to them, and;

WHEREAS, Mr. James D. Henson was appointed by Governor Mike Huckabee to serve the Board of Trustees as its Fire Trustee from October 21, 1998 to March 24, 2000 and was again appointed by Governor Mike Beebe to serve in the same capacity on February 11, 2008. During his tenure as a Board member, Mr. Henson focused on maintaining a fiscally sound retirement system that provided an attractive benefit for each and every career member of the system. It was with profound sadness that this body learned of his untimely death on May 9, 2010. Mr. Henson's ability to work through complex issues in a spirit of cooperation with other Board members is a quality that members, fellow trustees, and staff will continue to be grateful for in the years to come. His absolute loyalty to the Arkansas Local Police and Fire Retirement System will be fondly remembered.

BE IT RESOLVED by the members of the Board of Trustees of the Arkansas Local Police and Fire Retirement System that this Resolution be entered upon the minutes of the system's quarterly meeting held June 3, 2010 in recognition of the great appreciation of LOPFI for the faithful services of James D. Henson along with our sympathy to his widow, Mrs. Sherrie Henson. The Executive Director is requested to provide a copy of this Resolution to Mrs. Henson.

Signed version on file with LOPFI.
Mike Gaskill
Vice-Chairman of the Board

Signed version on file with LOPFI.
David B. Clark
Executive Director

ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM

LOPFI BOARD RESOLUTION APPROVED: September 1, 2011

CONSOLIDATIONS OF LOCAL FIRE AND POLICE PENSION FUNDS

Whereas, the rate that local fire and police pension funds and their sponsoring locations choose to consolidate with LOPFI has increased over the past five years;

Whereas, due to the frequency of consolidations, the need to simplify the administrative functions associated with consolidations exists;

BE IT RESOLVED, that after the executive director receives the properly executed resolution, ordinance, and administrative agreements from the sponsoring location that seeks to consolidate their local fire or police pension fund, the LOPFI Board of Trustees authorizes the Board Chair, or in his/her absence the Board Vice-Chair, to execute the administrative agreement approving said consolidation.

LOPFI Board Resolution concluded.