MEMO

TO: **Mayor Hartwick**
City Councilmembers
FROM: **Ember Strange, CFO**
DATE: **12/1/2025**
RE: **Closed Police Pension Plan**

The "old police pension plan" is also known as the closed police pension plan or the local police pension plan. The Arkansas Local Police and Fire Retirement System (LOPFI) administers this plan. What does that mean? Local plans could either be managed by the cities they are in or they could "merge" with LOPFI for administrative purposes. The City's local plan is "merged" with LOPFI for this purpose. I say "merged" in quotation because I think there is confusion from members on what that actually means. The members of the local plan cannot merge into the LOPFI plan. The City's local police plan consolidated with LOPFI for administrative purposes on May 1, 1995. Ordinance 6854 is the authorizing ordinance.

LOPFI is a statewide retirement system for police officers and firefighters of political subdivisions of the State of Arkansas. LOPFI was established under the authority of Act 364 of 1981. LOPFI maintains a cost-sharing multiple-employer defined benefit pension plan for participants hired by the respective local government unit **after January 1, 1983**. Anyone hired before this time stayed in the local plan. Per LOPFI's most recent audit, Note 1:

> Political subdivisions that had a local pension and relief fund (local plan) for its police officers and firefighters prior to the establishment of LOPFI may transfer their local plan to LOPFI for **administration.**

The local (closed) plan members cannot be merged into the new plan and receive the same benefits.

In LOPFI's role of administering closed local police pension plans, they serves as a centralized administrator and investment manager. This arrangement ensures that benefits for former municipal plan members are paid out securely and consistently, a function that was often underfunded at the local level before LOPFI's oversight. LOPFI helps secure the future financial stability of these closed funds. The consolidation process guarantees that future benefit payments will be covered, backed by required contributions from the former local employers (cities).

LOPFI uses actuarial firms to evaluate the financial health of the plans it manages and to determine the annual required contributions. If a municipality failed to make the annual required contributions, LOPFI can report the municipality to the state and the state can withhold funding

to the municipality. If the City wishes to move forward with exploring a pension increase, a request must be made to LOPFI for the closed plan to be evaluated by LOPFI's actuarial firm to determine how the increase would affect future required funding. I am estimating the cost of the actuarial report to be approximately $10,000.

Provisions of the local plan:
Retirement Eligibility: 20 years of service regardless of age.
Amount: Annual benefit equal to 50% of highest year's pay. Minimum benefit is $4,200 per year. If acquired more than 20 years of service credit, benefit is increased by $240 annually for each additional year of service credit (maximum $1,200 annual addition). If acquired more than 25 years of service credit, retirant's benefit is increase at age 60 by 1.25% of highest year's pay for service over 25 years (maximum benefit is 100% of final salary).
Post-Retirement Benefit Increases: $125 monthly increase on 10th anniversary of retirement. Including beneficiaries.
Death Benefits: Widow receives the benefit the member was receiving or, in the case of an active employee, the amount the member would have received had the member retired the date of death (excluding the additional amount payable at member's age 60 for service over 25 years). Minimum widow benefit is $4,200 annually. Each child receives $1,500 annually up to age 19. A funeral benefit of $6,500 is payable at death (Act 1571 of 2007).

Related resolutions/ordinances increasing benefits
Resolution 6112 (3/15/2001) – Authorized members of the local police and fire plan retired for over 10 years receive a $125 monthly increase (noted above in post-retirement benefits increase).
Resolution 6624 (7/26/2004) – Applies resolution 6112 to surviving spouses.
Resolution 7299 (8/11/2008) – Authorized a benefit increase if a member meets the following qualifications:

a. Retired for more than 15 years
b. Currently receiving benefits from the local plan
c. Receiving benefits that are less than $1,000 per month

An increase in benefits will be received in the amount that is the lesser of the two:

a. $110 per month; or
b. Such amount that is necessary to raise the recipient's monthly pension to $1,000 per month

Ordinance 8631 (4/14/2014) – Authorized a one-time benefit payment to local police and fire pension plan members:

a. Retirees with an effective retirement date of 1/1/1984 or earlier $775
b. Retirees with an effective retirement date between 1/1/1984 and 12/31/1994 $575

Ordinance 8800 (3/25/2016) – Authorized a one-time benefit payment to local police and fire pension plan members:

a. Retirees with an effective retirement date of 3/31/1986 or earlier $600

Future Supplement

Each year a future supplement is created for the purpose of providing cost-of-living assistance and minimum-benefit-amount assistance to policemen's pension and relief fund and firemen's pension and relief funds. Each year the future supplement fund shall receive money from the premium tax allocation under code 24-11-214. Act 465 of 2019 established fixed amounts to be distributed that are to be increased by 2.5% per year. In July 2025 the police portion of the future supplement was $2,597.72 per member. The City had 84 retirees who received this additional payment. In 2010, the future supplement payment to police local plan members was $554.50. This is a 368% increase over 15 years.

I believe the City should use much caution in implementing a raise to the local police plan. History shows that anytime a change has been made to the local police plan, the same change has applied to the local fire plan thus increasing the cost to the city and increasing the unfunded liability of both plans. I would like it to also be noted that employees in the City's non-uniform defined benefit plan do not get a cost of living increase. These employees also historically see lower monthly benefits than those of the local police and fire pension funds.

FILED 11:02 A.M. _____ P.M.

BY Ember Strange

DATE 12/2/25

Diane Whitbey, City Clerk and Collector
North Little Rock, Arkansas

RECEIVED by _____