

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL VALUATION AND EXPERIENCE GAIN/(LOSS)
ANALYSIS
JUNE 30, 2008

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November 17, 2008

The Board of Trustees
Arkansas Public Employees Retirement System
Little Rock, Arkansas

Ladies and Gentlemen:

The results of the ***June 30, 2008 actuarial valuation*** of the Arkansas Public Employees Retirement System together with ***the annual gain and loss analysis*** for the year ended June 30, 2008 are presented in this report. The purpose of the valuation and gain/loss analysis is to measure funding progress and to determine employer contribution rates for the coming year.

The actuarial methods and assumptions used in the actuarial valuation are summarized in Section E of this report. The assumptions are established by the Board after consulting with the actuary.

The cooperation of the Executive Director and the APERS staff in furnishing the materials required for these valuations is acknowledged with appreciation.

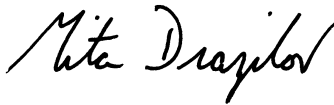
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, this report is complete and accurate and was made in accordance with standards of practice promulgated by the Actuarial Standards Board of the American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

The signing actuaries are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Norman L. Jones, FSA, MAAA



Mita D. Drazilov, ASA, MAAA



David L. Hoffman

DLH:bd

SECTION A

**VALUATION RESULTS – STATE, LOCAL AND
GENERAL ASSEMBLY**

COMMENTS

General Financial Objective. Section 24-2-701 of the Arkansas Code provides as follows:

The general financial objective of each Arkansas public employee retirement plan shall be to establish and receive contributions that, expressed as percentages of active member payroll, will remain approximately level from generation to generation of Arkansas citizens. More specifically, contributions received each year shall be sufficient both:

- (1) To fully cover the costs of benefit commitments being made to members for their service being rendered in that year; and
 - (2)(A) To make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for service previously rendered.
 - (B) Alternatively, if the costs of benefit commitments for service previously rendered are overfunded, the plan may deduct a level payment that, if deducted annually over a reasonable period of future years, will fully liquidate the overfunded portion of such costs.
-

Benefit Changes. There were no benefit changes reflected in the June 30, 2008 valuation.

Assumption Changes. Assumptions were updated in the June 30, 2008 valuation.

APERS Status. Based upon the results of the June 30, 2008 actuarial valuation, **APERS continues to satisfy the general financial objective** of level contribution financing.

APERS Reserve Strength. As a by-product of achieving level contribution financing, actuarial accrued liabilities usually become more and more funded over a period of years. Funded ratios in the 80% to 95% range are common in public sector retirement plans. **The reserve strength of APERS remains strong**, both by absolute and relative measures, as shown by the Short Condition Test information shown on page A-12.

Employer Contribution Rates. Based upon experience through June 30, 2008 and changes in actuarial methods adopted by the Board in 2008, the State and Local Government contribution rate will be 11.00% of covered payroll for the ensuing year.

District Judges. Results for the recently incorporated District Judges are presented in Section D. These results are not included in any of the numbers presented in Sections A, B, C and G.

EMPLOYER CONTRIBUTION RATES COMPUTED
JUNE 30, 2008

Contribution for	Contributions Expressed as %'s of Active Payroll and General Assembly Annual \$	
	State and Local #	General Assembly
Normal Cost:		
Age and service annuities (including DROP and reduced retirement)	8.83%	\$ 32,745
Separation benefits	1.98%	2,432
Disability benefits	0.61%	1,690
Death-in-service annuities	0.16%	640
Total	11.58%	\$ 37,507
Member contributions (ultimate)	5.00%	0
Employer Normal Cost	6.58%	\$ 37,507
Unfunded Actuarial Accrued Liabilities	4.42% *	1,007,215 &
Total Employer Contribution	11.00%	\$1,044,722

* Unfunded actuarial accrued liabilities were amortized over a 13.7 year period.

& Unfunded actuarial accrued liabilities were amortized over an 18 year period.

Included in this total is the Wildlife rate fixed at 22% of payroll and School rate fixed at 4% of payroll.

SUMMARY STATEMENT OF SYSTEM RESOURCES AND OBLIGATIONS
YEAR ENDED JUNE 30, 2008

Present Resources and Expected Future Resources

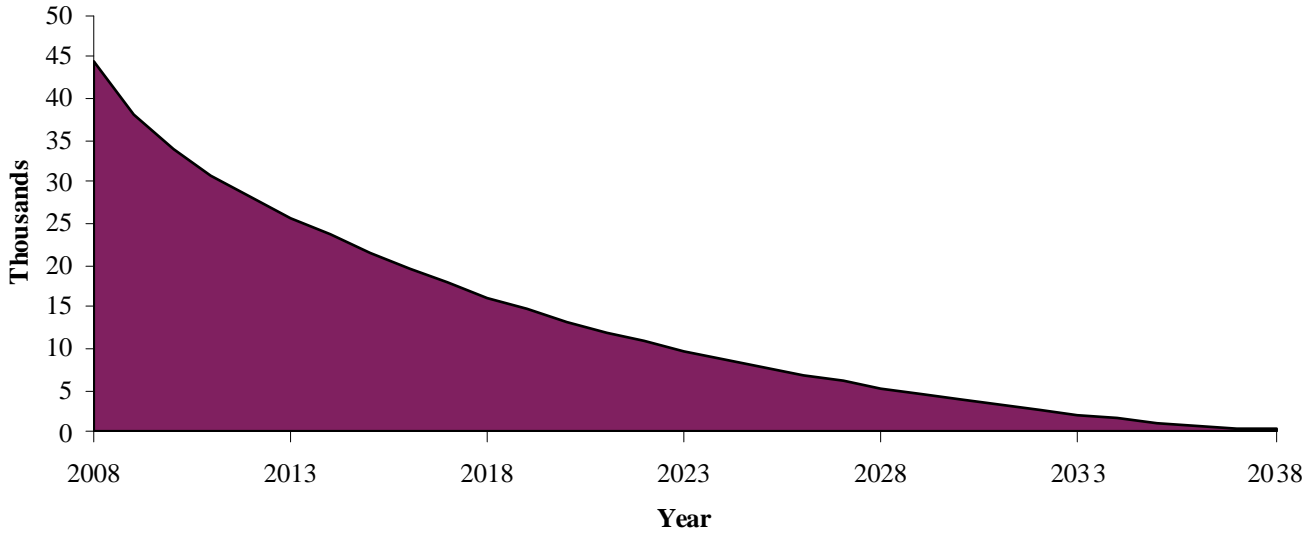
A.	Present Valuation Assets:	
	1. Net assets from system financial statements	\$5,615,160,621
	2. Market value adjustment	251,233,107
	3. Valuation assets	5,866,393,728
B.	Actuarial present value of expected future employer contributions:	
	1. For normal costs	699,634,476
	2. For unfunded actuarial accrued liability	676,303,323
	3. Total	1,375,937,799
C.	Actuarial present value of expected future member contributions	531,532,694
D.	Total Present and Expected Future Resources	\$7,773,864,221
A.	To retirees and beneficiaries:	
	1. Annual pensions	\$2,479,900,925
	2. DROP participants: future payments	658,841,122
	3. DROP Reserve: accrued balances	110,195,045
	4. Total	3,248,937,092
B.	To vested terminated members:	304,208,863
C.	To present active members:	
	1. Allocated to service rendered prior to valuation date - actuarial accrued liability	2,989,551,096
	2. Allocated to service likely to be rendered after valuation date	1,231,167,170
	3. Total	4,220,718,266
D.	Total Actuarial Present Value of Expected Future Benefit Payments	\$7,773,864,221

**COMPUTED ACTUARIAL LIABILITIES AND
ALLOCATION USING ENTRY AGE ACTUARIAL COST METHOD
AS OF JUNE 30, 2008**

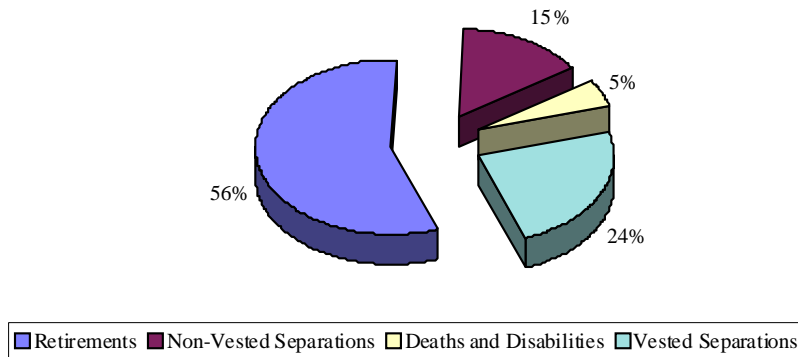
Actuarial Present Value of	Total Present Value	Portion Covered By Future Normal Cost Contributions	Actuarial Accrued Liabilities (1) - (2)
Benefits to be paid to current retirees, beneficiaries, and future beneficiaries of current retirees	\$2,479,900,925	\$ 0	\$2,479,900,925
Age and service allowances based on total service likely to be rendered by present active members	2,660,633,061	694,301,696	1,966,331,365
DROP participant benefits likely to be paid to present active members and current DROP participants.	1,928,737,409	244,505,040	1,684,232,369
Separation benefits (refunds of contributions and deferred allowances) likely to be paid to present active and inactive members	520,772,878	210,495,861	310,277,017
Disability benefits likely to be paid to present active members	139,353,021	64,853,181	74,499,840
Death in service benefits likely to be paid on behalf of present active members	44,466,927	17,011,392	27,455,535
Total	\$7,773,864,221	\$1,231,167,170	\$6,542,697,051
Applicable Assets (Funding Value)	5,866,393,728	0	5,866,393,728
Liabilities to be covered by future Contributions	\$1,907,470,493	\$1,231,167,170	\$ 676,303,323

EXPECTED DEVELOPMENT OF PRESENT POPULATION JUNE 30, 2008

Closed Group Population Projection



Closed Group Population Projection



The charts show the expected future development of the present population in simplified terms. The retirement system presently covers 44,340 active members. Eventually, 15% of the population is expected to terminate covered employment prior to retirement and forfeit eligibility for an employer provided benefit. About 80% of the present population is expected to receive monthly retirement benefits either by retiring directly from active service, retiring from DROP, or retiring from vested deferred status. About 5% of the present population is expected to become eligible for death-in-service or disability benefits. Within 8 years, over half of the covered membership is expected to consist of new hires.

**RECOMMENDED TRANSFERS
TO FULLY FUND THE DEFERRED ANNUITY ACCOUNTS AND RETIREMENT RESERVE ACCOUNTS**

Each year the actuary recommends transfers to the Deferred Annuity Accounts and the Retirement Reserve Accounts from the Employer Accumulation Accounts. These transfers place in the Deferred Annuity Account and the Retirement Reserve Account sufficient assets to cover the computed liabilities for future deferred annuity payments to present reported inactive members and for future retirement annuities to present retired members.

This year's transfer amounts are given below:

Division	Employer Accumulation Accounts Before Transfers	Transfers as of July 1, 2008 To:		Employer Accumulation Accounts After Transfers
		Deferred Annuity Accounts	Retirement Reserve Accounts	
State	\$2,255,754,372	\$7,241,251	\$184,693,621	\$2,063,819,500
Wildlife	(26,450,731)	(349,702)	4,304,785	(30,405,814)
Penitentiary	(294,394)	0	(1)	(294,393)
State Constitutional Officers	(559,297)	23,527	1,712	(584,536)
Governors	(3,858,388)	0	956,596	(4,814,984)
Quasi-Judicial	(542,079)	0	388	(542,467)
State Capitol Police	1,705,690	0	0	1,705,690
Administrative Officers Courts	388,273	0	0	388,273
Total State	2,226,143,446	6,915,076	189,957,101	2,029,271,269
General Assembly	(3,800,876)	(16,729)	(233,304)	(3,550,843)
County	399,784,083	3,642,640	33,802,112	362,339,331
County Constitutional Officers	(386,801)	0	(231,815)	(154,986)
Total County	399,397,282	3,642,640	33,570,297	362,184,345
Municipal	206,275,311	2,657,868	21,489,850	182,127,593
School	119,947,932	(989,291)	22,083,609	98,853,614
Non-State	5,464,903	89,434	1,120,856	4,254,613
Total	\$2,953,427,998	\$12,298,998	\$267,988,409	\$2,673,140,591

**VALUATION RESULTS
COMPARATIVE STATEMENT
(\$ MILLIONS)**

Valuation Date June 30,	Actuarial Accrued Liabilities & Reserves	Valuation Assets	% Funded	Unfunded Actuarial Accrued Liabilities & Reserves			Contribution Rate Computed Percents	
				Dollars	Amortiz. Period *	% of Payroll	General Assembly	State & Local**
1998 @#	\$2,921	\$ 3,297	112.9 %	\$(376)	30	(41) %		10.00 %
1999 @	3,479	3,712	106.7	(233)	30	(23)	98.05 %	10.00
2000	3,803	4,121	108.4	(318)	30	(32)		10.00
2001 @	4,111	4,342	105.6	(231)	50	(22)	148.78	10.00
2002 #	4,398	4,404	100.1	(6)	6	(1)	150.95	10.00
2003 #	4,674	4,416	94.5	258	30	22	222.80	11.09
2004	5,005	4,438	88.7	567	30	48	201.39	12.54
2005 @#	5,619	4,584	81.6	1,035	22	85	459.47	12.54
2006	5,936	4,949	83.4	987	19	78	464.67	12.54
2007 @	6,174	5,498	89.1	676	18	52	410.58	11.01
2008	6,600	5,866	88.9	734	14	53	402.86	11.99
2008 #	6,543	5,866	89.7	677	14	49	408.06	11.00

* Amortization period is for State division prior to 2001, State and Local division for 2001 and later and may be rounded above. General Assembly unfunded actuarial accrued liabilities are amortized over an 18-year period as of June 30, 2008.

** Local Government rate was 6.00% for the 1998 valuation, 7.00% for the 1999 valuation, and 8.00% for the 2000 valuation.

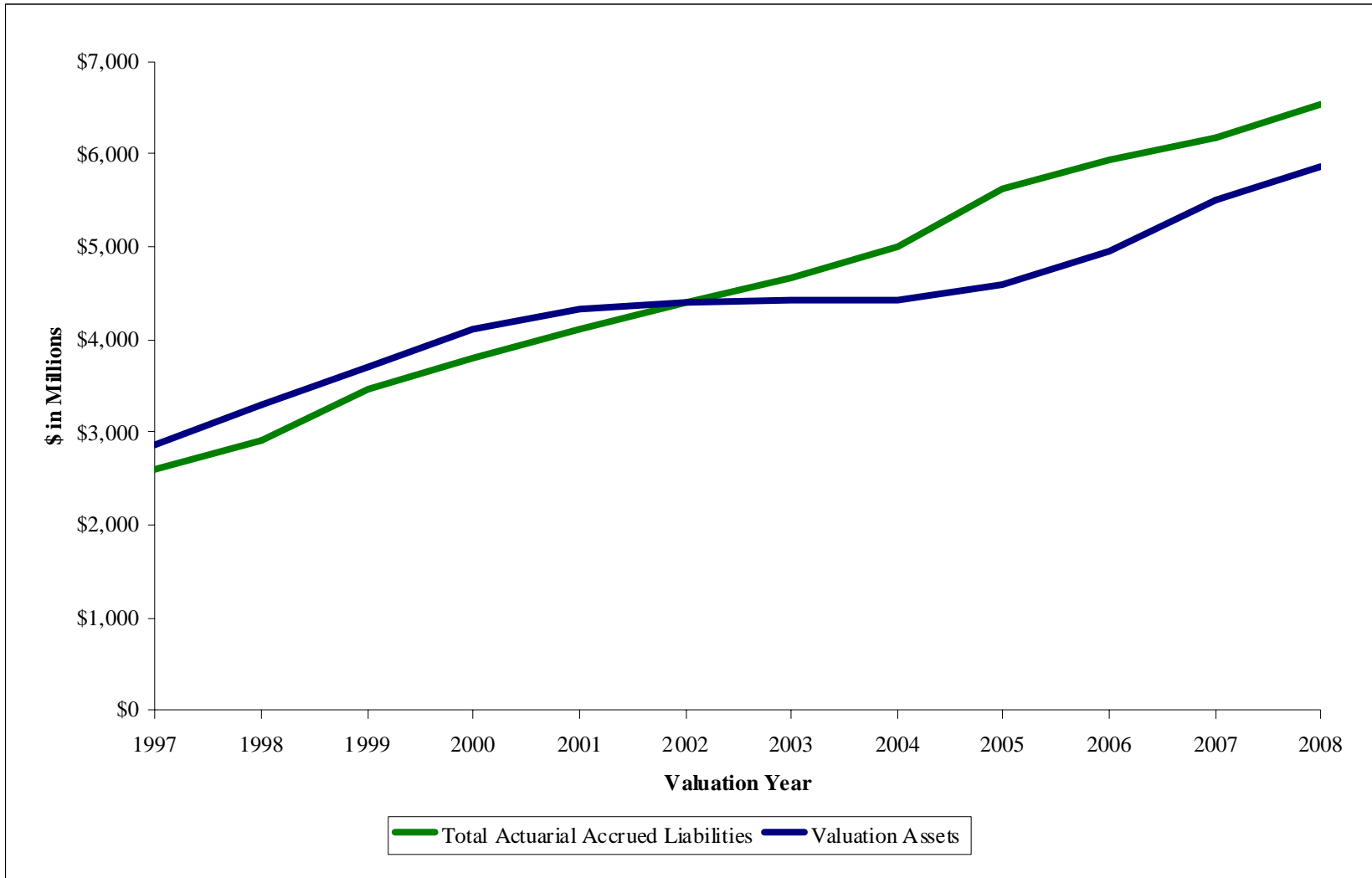
@ After legislated changes in benefit provisions.

After changes in actuarial assumptions.

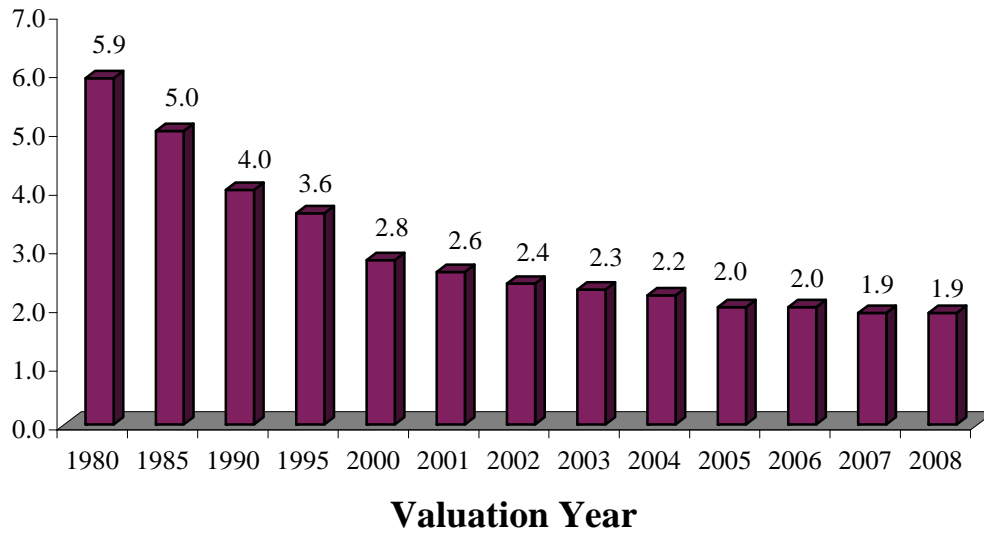
ACTIVE MEMBERS AND RETIRED LIVES HISTORICAL COMPARATIVE SCHEDULE

Valuation Date	Active Members				Retired Lives			
	No.	Valuation Payroll			No.	Active per Retired	Annual Benefits	
		\$ Millions	Average	% Incr.			\$ Millions	As a % of Pay
6/30/84	*	*	*	*	7,036	*	\$ 19.1	4.4%
6/30/85	*	*	*	*	7,331	*	22.0	4.8%
6/30/86	*	*	*	*	7,649	*	24.1	4.9%
6/30/87	*	*	*	*	8,074	*	30.2	6.0%
6/30/88	*	*	*	*	9,155	*	39.6	7.5%
6/30/89	*	*	*	*	9,418	*	42.9	7.6%
6/30/90	*	*	*	*	9,747	*	44.9	7.4%
6/30/91	*	*	*	*	10,110	*	49.2	7.6%
6/30/92	39,752	\$ 698.2	\$ 17,564	NA	10,456	3.8	51.9	7.4%
6/30/93	39,849	733.4	18,404	4.8%	10,840	3.7	56.8	7.7%
6/30/94	40,940	778.7	19,021	3.3%	11,213	3.7	60.7	7.8%
6/30/95	42,041	834.5	19,850	4.4%	11,683	3.6	70.1	8.4%
6/30/96	42,712	889.3	20,821	4.9%	12,073	3.5	76.2	8.6%
6/30/97	43,068	938.5	21,791	4.7%	12,644	3.4	84.8	9.0%
6/30/98	43,047	974.7	22,644	3.9%	13,480	3.2	94.6	9.7%
6/30/99	43,064	1,008.9	23,427	3.5%	14,688	2.9	119.3	11.8%
6/30/00	43,121	1,050.0	24,351	3.9%	15,544	2.8	133.6	12.7%
6/30/01	42,556	1,070.1	25,146	3.3%	16,643	2.6	150.0	14.0%
6/30/02	42,230	1,111.5	26,320	4.7%	17,748	2.4	167.6	15.1%
6/30/03	42,879	1,147.9	26,772	1.7%	18,838	2.3	186.0	16.2%
6/30/04	42,826	1,175.8	27,455	2.6%	19,872	2.2	203.4	17.3%
6/30/05	42,938	1,214.9	28,295	3.1%	21,080	2.0	232.9	19.2%
6/30/06	43,453	1,267.1	29,159	3.1%	22,234	2.0	254.7	20.1%
6/30/07	43,630	1,302.6	29,855	2.4%	22,409	1.9	274.8	21.1%
6/30/08	44,357	1,379.8	31,106	4.2%	23,555	1.9	297.0	21.5%

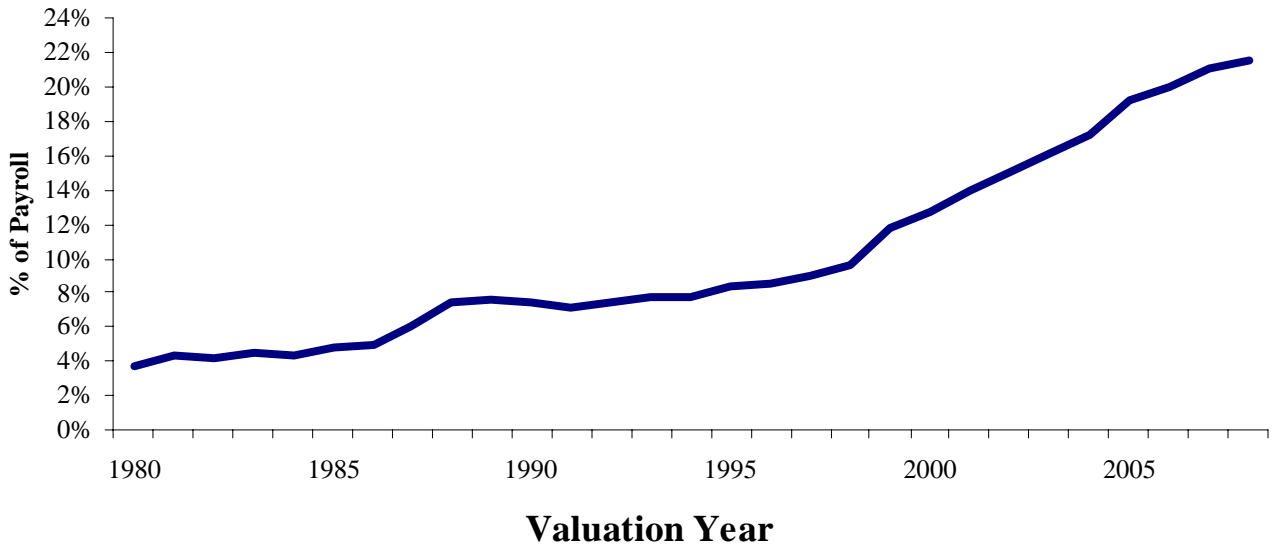
ACTUARIAL ACCRUED LIABILITIES & ASSETS



Active Members Per Retired Life



Retirement Benefits Being Paid as a Percent of Member Payroll



SHORT CONDITION TEST

The APERS funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will *pay all promised benefits when due -- the ultimate test of financial soundness*. Testing for level contribution rates is *the* long-term condition test.

A short condition test is one means of checking a system's progress under its funding program. In a short condition test, the plan's present assets (cash and investments) are compared with:

- 1) Active member contributions on deposit;
- 2) The liabilities for future benefits to present retired lives;
- 3) The liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in unusual circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the System. Liability 3 being fully funded is uncommon.

SHORT CONDITION TESTS
10-YEAR COMPARATIVE STATEMENT
(\$ IN MILLIONS)

Val'n. Date: June 30	Entry Age Accrued Liability			Valuation Assets	Portion of Present Values Covered by Present Assets			
	(1) Active Member Contr.	(2) Retirees and Benef.	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)	Total
STATE DIVISION (including sub-divisions)								
1998@	\$17.2	\$ 640.3	\$1,395.9	\$2,328.5	100%	100%	119%	113%
1999@#	16.9	784.0	1,634.2	2,637.1	100%	100%	112%	108%
2000	15.8	747.5	1,865.7	2,943.3	100%	100%	117%	112%
LOCAL GOVERNMENT DIVISION								
1998@	\$ 8.8	\$ 337.9	\$ 501.1	\$ 968.1	100%	100%	124%	114%
1999#	8.8	446.9	587.9	1,074.7	100%	100%	105%	103%
2000	7.6	440.0	706.0	1,178.1	100%	100%	103%	102%
STATE AND LOCAL GOVERNMENT DIVISION								
2001#	\$23.4	\$1,305.0	\$2,759.2	\$4,335.5	100%	100%	109%	106%
2002@	20.5	1,502.7	2,850.8	4,397.2	100%	100%	101%	101%
2003@	20.5	1,624.7	3,004.7	4,408.3	100%	100%	92%	95%
2004	20.5	1,762.2	3,197.6	4,429.9	100%	100%	83%	89%
2005@	15.5	1,878.2	3,701.7	4,576.1	100%	100%	72%	82%
2006	15.5	1,990.6	3,907.3	4,941.1	100%	100%	75%	84%
2007#	29.7	2,268.5	3,856.7	5,489.3	100%	100%	83%	89%
2008	45.8	2,469.3	4,066.6	5,858.1	100%	100%	82%	89%
2008@	45.8	2,463.9	4,014.9	5,858.1	100%	100%	83%	90%

After legislated changes in benefit provisions.

@ After changes in actuarial assumptions.

SECTION B

VALUATION DATA

**SUMMARY OF PROVISIONS EVALUATED
(EXCLUDES SPECIAL PROVISIONS FOR GENERAL ASSEMBLY)
(LAST CHANGED AS OF 7/1/2007)**

The Old Contributory Plan is available to persons who became members of APERS before January 1, 1978. The Non-Contributory Plan applies to all persons first hired after January 1, 1978 and before July 1, 2005 in APERS-covered employment. The New Contributory Plan applies to all persons hired after July 1, 2005 in APERS-covered employment or Non-Contributory members who elect to participate in the New Contributory Plan before January 1, 2005.

New Contributory Plan

Non-Contributory Plan

VOLUNTARY RETIREMENT

With a full benefit, after either (a) age 65 with 5 years of service, or (b) 28 years of actual service, regardless of age. For sheriff and public safety members, the age 65 requirement is reduced 1 month for each 2 months of actual service, but not below age 55 (age 52 for sheriff members with a minimum of 10 years of actual service).

With a full benefit, after either (a) age 65 with 5 years of service, or (b) 28 years of actual service, regardless of age. For sheriff and public safety members, the age 65 requirement is reduced 1 month for each 2 months of actual service, but not below age 55 (age 52 for sheriff members with a minimum of 10 years of actual service).

With a reduced benefit, after age 55 with 5 years of service or any age with 28 years of service. The reduction is equal to ½ of 1% for each month retirement precedes normal retirement age.

With a reduced benefit, after age 55 with 5 years of service or any age with 28 years of service. The reduction is equal to ½ of 1% for each month retirement precedes normal retirement age.

FINAL AVERAGE COMPENSATION (FAC)

Average of highest 36 calendar months of covered compensation.

Average of highest 36 calendar months of covered compensation.

FULL AGE & SERVICE RETIREMENT BENEFIT

2.00% of FAC times years of service (2.03% for service prior to July 1, 2007).

1.72% of FAC times years and months of credited service (1.75% for service prior to July 1, 2007). If retirement is prior to age 62, an additional .33% of FAC times years of service will be paid until age 62. The portion of the APERS benefit based on service before 1978 cannot be less than the amount provided by contributory provisions in effect at the time of retirement. The minimum monthly benefit is \$150 minus any age and beneficiary option reductions.

SUMMARY OF PROVISIONS EVALUATED

New Contributory Plan

Non-Contributory Plan

BENEFIT INCREASES AFTER RETIREMENT

Annually, there will be a cost-of-living adjustment equal to 3% of the current benefit.

Annually, there will be a cost-of-living adjustment equal to 3% of the current benefit.

MEMBER CONTRIBUTION RATES

5% of covered compensation. Member contributions are refundable if APERS-covered employment terminates before a monthly benefit is payable (if contributions were for 5 or more years, interest credits are included in the refund). Members will earn interest on the contributions at a rate of 4% annually.

No employee contributions for service after January 1, 1978. If there is service before January 1, 1978, contributions for that period are refundable later in the same manner as under the Contributory Plan.

VESTED RETIREMENT BENEFITS

5 years service, and leaving APERS-covered employment before full retirement age. Deferred full retirement benefit, based on service and pay at termination, begins at age 65. A death benefit is payable to surviving spouse of member who dies before benefit commencement.

5 years service, and leaving APERS-covered employment before full retirement age. Deferred full retirement benefit, based on service and pay at termination, begins at age 65. A death benefit is payable to surviving spouse of member who dies before benefit commencement.

In place of deferred full benefit, at age 55 or older a qualifying member can elect an immediate reduced benefit equal to full amount reduced by ½ of 1% for each month of difference in benefit beginning ages.

In place of deferred full benefit, at age 55 or older a qualifying member can elect an immediate reduced benefit equal to full amount reduced by ½ of 1% for each month of difference in benefit beginning ages.

TOTAL AND PERMANENT DISABILITY

Disabled after 5 years service, including credit for 18 of the 24 months preceding disability.

Disabled after 5 years service, including credit for 18 of the 24 months preceding disability.

Amount is computed as an age & service benefit, based on service and pay at disability.

Amount is computed as an age & service benefit, based on service and compensation at disability.

SUMMARY OF PROVISIONS EVALUATED

New Contributory Plan

Non-Contributory Plan

DEATH AFTER RETIREMENT

If death occurs before total monthly benefit payments equal member's accumulated contributions, the difference is refunded.

A retiring member can also elect an optional form of benefit, which provides beneficiary protection paid for by reducing the retired member's benefit amount. Should the member elect a straight life benefit and die within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain conditions.

Member contributions before 1978 are protected in the same manner as under the Contributory Plan.

A retiring member can also elect an optional form of benefit, which provides beneficiary protection paid for by reducing the retired member's benefit amount. Should the member elect a straight life benefit and die within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain conditions.

DEATH WHILE IN APERS-COVERED EMPLOYMENT

Member's accumulated contributions are refundable.

If the member had 5 years service, monthly benefits are payable instead. Surviving spouse receives a benefit computed as if member had retired and elected the Joint & 75% Survivor Option. Payment begins immediately.

Each dependent child receives benefit of 10% of compensation (maximum of 25% for all children).

Dependent parents benefits are payable if neither spouse nor children's benefits are payable.

Member's accumulated contributions before 1978 are refundable.

If the member had 5 years service, monthly benefits are payable instead. Surviving spouse receives a benefit computed as if member had retired and elected the Joint & 75% Survivor Option. Payment begins immediately.

Each dependent child receives benefit of 10% of compensation (maximum of 25% for all children).

Dependent parents benefits are payable if neither spouse nor children's benefits are payable.

SUMMARY OF PROVISIONS EVALUATED CREDITED SERVICE

Membership Group	Service Credits
Public Safety Members (including State Capitol Police and Wildlife Sub-Division members) hired before July 1, 1997.	1-1/2 times regular rate with 5 years actual service required to meet benefit eligibility rules.
Governor	3 times regular rate with 5 years actual service required to meet death-in-service eligibility and 4 years actual service required for other benefit eligibility.
Elected State Constitutional Officers	2-1/2 times regular rate with 5 years actual service required to meet benefit eligibility.
General Assembly	Regular crediting rate with 5 years of actual service required to meet death-in-service eligibility and 10 years of actual service required for other benefit eligibility.
Other Elected Public Officials	2 times regular rate with 5 years actual service required to meet benefit eligibility.
All Other Members	Regular rate.

ARKANSAS PUBLIC EMPLOYEES DEFERRED RETIREMENT OPTION PLAN

Members with 28 years of actual service in APERS or in combination with a reciprocal system are eligible to participate.

Members, for a maximum of 7 years, may continue employment and have 75% of their accrued benefit (at date of participation with 30 or more years of service) paid into the Deferred Retirement Option Plan in lieu of any further benefit accruals.

The payments into the Deferred Retirement Option Plan accumulate with interest at 6% on the mean balance and are paid to the member at termination of active membership in either a lump sum or as an annuity.

**SUMMARY OF PROVISIONS EVALUATED
GENERAL ASSEMBLY DIVISION
ADDITIONAL BENEFIT PROVISIONS**

VOLUNTARY RETIREMENT ELIGIBILITY

Age 65 with 10 or more years of credited service, 28 years of actual service regardless of age, or age 55 with 12 or more years of actual service, 10 of which must be as a member of the General Assembly. In addition, a member of the general Assembly who was a member of the General Assembly on July 1, 1979, or holding any other Arkansas elective office on July 1, 1979, is eligible to retire with 17.5 years of actual service regardless of age.

VESTING

Termination of employment prior to normal retirement age after completing 10 or more years of credited service.

RETIREMENT BENEFIT

\$35.00 per month times years of General Assembly service. The amount is \$40.00 per month per year of service for any member who served as Speaker of the House of Representatives or President Pro Tempore of the Senate.

DISABILITY

Eligibility: 10 years of credited service.

Amount: Accrued retirement benefit.

DEATH-IN-SERVICE

Eligibility: 5 years of service.

Amount - Less than 10 years in General Assembly: Same as for regular members.

Amount - 10 or more years in General Assembly: 100% of the benefit the member would have been entitled to had he or she been at retirement age payable to an eligible surviving spouse.

DEATH-AFTER-RETIREMENT

100% of the benefit the member was receiving payable to an eligible surviving spouse.

PARTICIPATION

A member of the General Assembly may, at any time, elect either (i) to be covered by regular benefit provisions, or (ii) to discontinue an APERS membership.

SUMMARY OF PROVISIONS EVALUATED
ILLUSTRATION OF BENEFIT CHANGES DURING RECENT
YEARS OF RETIREMENT & RELATED CHANGES IN PURCHASING POWER

Year Ended June 30	Increase Beginning of Year	Benefit Dollars In Year	Inflation (Loss) In Year#	Purchasing Power At Year End	
				1985 \$	% of 1985
1985	--	\$ 8,000	(3.7)%	\$8,000	100%
1986	\$ 240	8,240	(1.7)%	8,102	101%
1987	240	8,480	(3.7)%	8,041	101%
1988	240	8,720	(3.9)%	7,958	99%
1989	240	8,960	(5.1)%	7,780	97%
1990	240	9,200	(4.7)%	7,630	95%
1991	240	9,440	(4.7)%	7,478	93%
1992	661	10,101	(3.1)%	7,761	97%
1993	303	10,404	(3.0)%	7,761	97%
1994	584	10,988	(2.5)%	7,996	100%
1995	275	11,263	(3.0)%	7,958	99%
1996	1,064	12,327	(2.8)%	8,472	106%
1997	345	12,672	(3.0)%	8,506	106%
1998	760	13,432	(2.3)%	8,761	110%
1999	309	13,741	(1.7)%	8,896	111%
2000	990	14,731	(3.7)%	9,194	115%
2001	442	15,173	(3.2)%	9,172	115%
2002	713	15,886	(1.1)%	9,502	119%
2003	477	16,363	(2.1)%	9,586	120%
2004	491	16,854	(3.0)%	9,586	120%
2005	506	17,360	(3.2)%	9,570	120%
2006	521	17,881	(4.1)%	9,465	118%
2007	715	18,596	(2.4)%	9,617	120%
2008	558	19,154	(5.6)%	9,471	118%
2009	575	19,729			

Based on Consumer Price Index, All Urban Consumers, United States City Average (July values).

REVENUES AND EXPENDITURES
JULY 1, 2007 THROUGH JUNE 30, 2008
MARKET VALUE
(\$ IN MILLIONS)

	Division		Totals
	State and Local Gov't.	General Assembly	
Balance 7/1/2007	\$5,972.7	\$8.9	\$5,981.6
Revenues			
Member contr.	18.3	0.0	18.3
Employer contr.	171.9	1.5	173.5
Transfers	6.4	0.0	6.4
Other	1.2	0.0	1.2
Investment ret.*	(282.1)	(0.3)	(282.4)
Total	(84.3)	1.2	(83.1)
Expenditures			
Benefits paid	265.0	2.1	267.1
Expenses	4.9	0.0	4.9
Total	269.9	2.1	272.0
Reserve Adjustments	(11.1)	(0.3)	(11.4)
Balance 6/30/2008	\$5,607.4	\$7.8	\$5,615.2

* Net of investment expenses.

Note: Results may not total due to rounding.

**STATE & LOCAL GOVERNMENT DIVISION
(EXCLUDING GENERAL ASSEMBLY)
REPORTED ACCRUED ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2008**

Retirement System Account	Reported Assets June 30, 2008
Employer Accumulation Account	\$ 2,676,691,434 *
Members Deposit Account	45,748,287
Members Deposit Interest Reserve	1,794,436
Retirement Reserve Account	2,463,934,871 *
Deferred Annuity Reserve Account	303,236,792 *
DROP Reserve	110,195,045
Miscellaneous Reserves	156,548
Total Market Value	<u>5,601,757,413</u>
Funding Value of Assets	5,858,148,801
Valuation Asset Adjustment	256,391,388
Adjusted Employer Accum. Account	\$ 2,933,082,822

* After recommended reserve transfers (see page A-6).

The Employers Accumulation Account represents employer contributions accumulated for benefits on behalf of present members.

The Members Deposit Account represents member contributions accumulated for (1) monthly benefits at retirement, and (2) refunds upon termination if monthly benefits are not payable.

The Members Deposit Interest Reserve represents interest credited on member contributions.

The Retirement Reserve Account represents reserves, from employer and member contributions, held for the monthly benefits being paid to present retired lives.

The Deferred Annuity Account represents employer reserves held for future monthly benefits to present inactive members.

**GENERAL ASSEMBLY SUB-DIVISION
 REPORTED ASSETS APPLICABLE TO ACTIVE MEMBER LIABILITIES
 MEMBERS DEPOSIT ACCOUNT & EMPLOYERS
 ACCUMULATION ACCOUNT**

The balances at June 30, 2008 were reported to be as follows:

Retirement System Account	Reported Assets June 30, 2008
Employer Accumulation Account	\$ (3,550,843) *
Members Deposit Account	22,346
Members Deposit Interest Reserve	(6,420)
Retirement Reserve Account	15,966,054 *
Deferred Annuity Reserve Account	972,071 *
DROP Reserve	0
Total Market Value	<u>13,403,208</u>
Funding Value of Assets	8,244,927
Valuation Asset Adjustment	<u>(5,158,281)</u>
Adjusted Employer Accum. Account	\$ (8,709,124)

* After recommended reserve transfers (see page A-6).

In financing the liabilities, the above Fund balances were applied to the actuarial accrued liabilities.

DEVELOPMENT OF FUNDING VALUE OF ASSETS

Valuation Date June 30:	2006	2007	2008	2009	2010	2011
A. Funding Value Beginning of Year	\$ 4,583,932,326	\$ 4,949,014,050	\$ 5,497,526,020			
B. Market Value End of Year	5,135,503,145	5,981,614,449	5,615,160,621			
C. Market Value Beginning of Year	4,640,777,983	5,135,503,145	5,981,614,449			
D. Non-Investment Net Cash Flow	(46,328,850)	(60,565,732)	(67,780,729)			
E. Investment Income						
E1. Market Total: B - C - D	541,054,012	906,677,036	(298,673,099)			
E2. Assumed Rate	8.00%	8.00%	8.00%			
E3. Amount for Immediate Recognition	364,885,200	393,529,566	437,125,626			
E4. Amount for Phased-In Recognition	176,168,812	513,147,470	(735,798,725)			
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.25 x E4	44,042,203	128,286,868	(183,949,681)			
F2. First Prior Year	11,143,420	44,042,203	128,286,868	\$ (183,949,681)		
F3. Second Prior Year	32,075,647	11,143,420	44,042,203	128,286,868	\$ (183,949,681)	
F4. Third Prior Year	(40,735,896)	32,075,645	11,143,421	44,042,203	128,286,866	\$ (183,949,682)
F5. Total Recognized Investment Gain	46,525,374	215,548,136	(477,189)	(11,620,610)	(55,662,815)	(183,949,682)
G. Funding Value End of Year:						
A + D + E3 + F5	\$ 4,949,014,050	\$ 5,497,526,020	\$ 5,866,393,728			
H. Difference Between Market & Funding Value	186,489,095	484,088,429	(251,233,107)			
I. Recognized Rate of Return	9.0%	12.4%	8.0%			
J. Market Rate of Return	11.7%	17.8%	(5.0)%			
K. Ratio of Funding Value to Market Value	96%	92%	104%			

The Funding Value of Assets recognizes assumed investment return (line E3) fully each year. Differences between actual and assumed investment return (Line E4) are phased-in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than market value. If assumed rates are exactly realized for 3 consecutive years, funding value will become equal to market value.

SUMMARY OF ANNUITANTS ON ROLLS

Retirees and beneficiaries (including DROP participants) on rolls included in the valuation totaled 23,555, involving annual annuities of \$297,025,680, distributed as follows:

Division	Number	Annuities Being Paid July 1, 2008	
		Monthly	Annualized
State & Local	21,562	\$ 20,119,284	\$ 241,431,408
General Assembly	115	142,210	1,706,520
Governor	5	13,386	160,632
Wildlife	78	218,758	2,625,096
State Constitutional Officers	1	3,384	40,608
Penitentiary	0	0	0
Sub-total	21,761	20,497,022	245,964,264
DROP	1,794	4,255,118	51,061,416
Totals	23,555	\$ 24,752,140	\$ 297,025,680

Inactive members, entitled to deferred annuities, included in the valuation totaled 11,988, involving estimated deferred monthly annuities of \$4,287,139, distributed as follows:

Division	Number of Inactive Members	Estimated Deferred Annuities	
		Monthly	Annualized
State and Local	11,903	\$ 4,269,439	\$ 51,233,270
General Assembly	70	10,748	128,975
Wildlife	11	4,505	54,058
State Constitutional Officers	4	2,447	29,365
Totals	11,988	\$ 4,287,139	\$ 51,445,668

**RETIREMENT SYSTEM TOTALS
 ANNUITIES BEING PAID RETIREES AND BENEFICIARIES
 AND DROP PARTICIPANTS
 JUNE 30, 2008
 BY ATTAINED AGE AND TYPE OF RETIREMENT**

Attained Ages	DROP		Age & Service*		Disability		Death-in-Service		Totals	
	No.	Annual Amount	No.	Annual Annuities	No.	Annual Annuities	No.	Annual Annuities	No.	Annual Annuities
Under 40			6	\$ 41,472	140	\$ 519,156	2	\$ 10,656	148	\$ 571,284
40-44			2	28,260	84	477,576			86	505,836
45-49	42	\$ 1,014,528	89	1,649,388	187	1,182,960	1	4,764	319	3,851,640
50-54	430	11,900,664	459	10,752,144	351	2,549,892	4	32,676	1,244	25,235,376
55-59	734	22,508,340	1,603	31,183,200	537	4,052,052	2	14,004	2,876	57,757,596
60-64	464	12,982,272	3,081	42,492,936	661	4,687,668	5	19,704	4,211	60,182,580
65-69	102	2,136,372	4,189	43,732,080	388	2,684,820	5	32,460	4,684	48,585,732
70-74	15	363,216	3,614	36,074,880	186	1,388,808	6	48,672	3,821	37,875,576
75-79	7	156,024	2,608	26,554,476	77	636,216	15	99,960	2,707	27,446,676
80-84			1,822	18,866,400	29	216,576	14	96,288	1,865	19,179,264
85-89			1,005	10,343,724	14	156,156	14	85,464	1,033	10,585,344
90-94			443	4,312,068			9	56,964	452	4,369,032
95-99			89	757,260			4	29,580	93	786,840
Over 100			10	74,952	5	14,892	1	3,060	16	92,904
Totals	1,794	\$51,061,416	19,020	\$226,863,240	2,659	\$18,566,772	82	\$534,252	23,555	\$297,025,680

* Including survivor beneficiaries of deceased retirees.

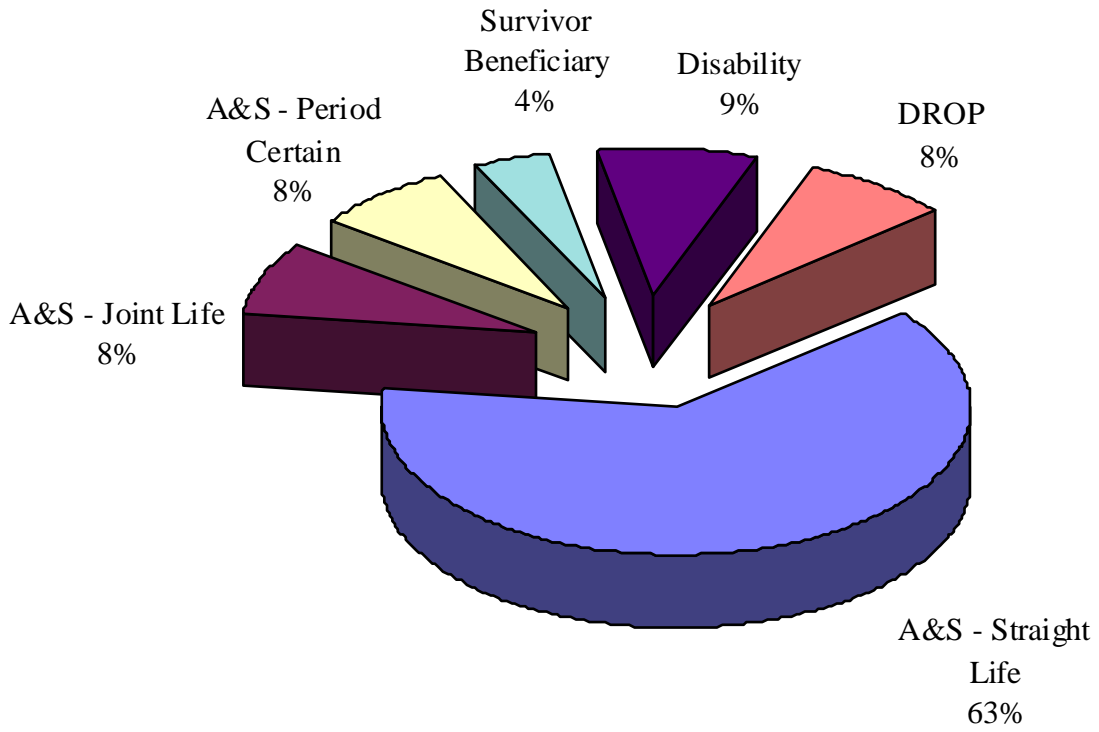
**ANNUITIES BEING PAID JUNE 30, 2008
BY TYPE OF ANNUITY**

Type of Annuity	Number	Annual Annuities
Age & Service Retirees		
Life	14,910	\$ 175,680,684
Option A- 60 (5 years certain)	675	7,566,576
Option A-120 (10 years certain)	1,301	13,654,836
Option B- 50 (joint and 50% survivor)	736	12,200,628
Option B- 75 (joint and 75% survivor)	1,023	13,726,956
Option B-100 (joint and 100% survivor)	79	1,393,944
Totals	18,724	224,223,624
Beneficiaries of Age & Service Retirees		
Life	104	789,732
Option A- 60	0	0
Option A-120	4	22,188
Option B- 50	101	801,132
Option B- 75	71	755,952
Option B-100	16	270,612
Totals	296	2,639,616
Total Age & Service Retirees & Beneficiaries	19,020	226,863,240
Disability Retirees		
Life	1,600	11,863,596
Option A- 60	102	713,436
Option A-120	213	1,467,624
Option B- 50	114	831,744
Option B- 75	152	1,060,788
Option B-100	0	0
Totals	2,181	15,937,188
Beneficiaries of Disability Retirees		
Life	75	393,828
Option A- 60	0	0
Option A-120	1	6,216
Option B- 50	9	39,012
Option B- 75	393	2,190,528
Option B-100	0	0
Totals	478	2,629,584
Total Disability Retirees & Beneficiaries	2,659	18,566,772
Death-in-Service Beneficiaries	82	534,252
Total Retirees & Beneficiaries	21,761	245,964,264
DROP Participants	1,794	51,061,416
Total Including DROP Participants	23,555	\$ 297,025,680

**SCHEDULE OF AVERAGE BENEFIT PAYMENTS
(VOLUNTARY RETIREMENTS STILL RECEIVING
BENEFITS AS OF JUNE 30, 2008)**

	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
Retirement Effective Dates July 1, 2007 to June 30, 2008					
Average Monthly Benefit	\$ 454.25	\$ 716.58	\$ 883.85	\$1,603.70	\$1,986.78
Average Monthly FAS	2,288.09	2,429.20	2,379.90	3,141.56	3,590.49
Number of Active Retirees	220	186	171	266	72
Retirement Effective Dates July 1, 2006 to June 30, 2007					
Average Monthly Benefit	461.30	681.64	996.00	1,803.09	2,542.58
Average Monthly FAS	2,172.32	2,436.16	2,622.07	3,140.37	3,662.21
Number of Active Retirees	241	205	172	251	126
Retirement Effective Dates July 1, 2005 to June 30, 2006					
Average Monthly Benefit	436.14	636.99	852.73	1,696.87	2,070.23
Average Monthly FAS	2,070.68	2,160.05	2,261.70	3,006.37	3,411.62
Number of Active Retirees	215	203	157	319	83
Retirement Effective Dates July 1, 2004 to June 30, 2005					
Average Monthly Benefit	405.86	593.59	850.69	1,690.07	2,148.15
Average Monthly FAS	1,980.34	2,038.41	2,297.58	2,952.84	3,260.63
Number of Active Retirees	184	175	149	306	133
Retirement Effective Dates July 1, 2003 to June 30, 2004					
Average Monthly Benefit	421.46	629.79	898.32	1,836.26	2,189.05
Average Monthly FAS	1,922.98	2,138.77	2,360.20	2,940.34	3,073.83
Number of Active Retirees	212	177	158	264	87
Retirement Effective Dates July 1, 2003 to June 30, 2008					
Average Monthly Benefit	437.41	652.94	898.41	1,722.90	2,218.35
Average Monthly FAS	2,093.43	2,246.32	2,389.46	3,031.82	3,401.61
Number of Active Retirees	1,072	946	807	1,406	501

ANNUITIES BEING PAID BY TYPE
JUNE 30, 2008



**RETIREMENT SYSTEM TOTALS
 ANNUITIES LIKELY TO BE PAID PRESENT INACTIVE MEMBERS
 JUNE 30, 2008
 BY ATTAINED AGE**

Attained Ages	No.	Estimated Annual Annuities
Under 40	2,604	\$ 8,315,820
40-44	1,922	7,797,984
45-49	2,190	10,160,751
50-54	2,336	11,474,991
55-59	1,755	8,581,930
60-64	873	4,019,708
65-69	308	1,094,484
Totals	11,988	\$ 51,445,668

LIABILITIES FOR DEFERRED ANNUITIES JUNE 30, 2008

Number of Inactive Members	Estimated Annual Annuities	Annuity Liabilities
11,988	\$ 51,445,668	\$ 304,208,863

**STATE AND LOCAL DIVISION
(EXCLUDING GENERAL ASSEMBLY)
ACTIVE MEMBERS IN VALUATION JUNE 30, 2008
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 plus	No.	Valuation Payroll
Under 20	339							339	\$ 4,196,548
20-24	2,220	33						2,253	47,127,751
25-29	3,376	680	15					4,071	105,470,975
30-34	2,378	1,381	344	8				4,111	118,464,760
35-39	2,134	1,425	930	297	27	3		4,816	147,848,428
40-44	1,807	1,290	939	785	391	45	12	5,269	167,393,640
45-49	1,839	1,312	970	814	826	441	59	6,261	208,506,011
50-54	1,572	1,252	952	843	863	715	215	6,412	222,689,376
55-59	1,302	1,085	927	780	732	553	243	5,622	192,272,267
60	217	195	151	147	139	84	44	977	32,518,879
61	214	173	154	138	114	92	36	921	29,816,619
62	172	161	114	109	104	71	31	762	25,071,569
63	90	107	85	72	57	45	21	477	15,788,905
64	70	78	74	54	67	34	13	390	12,355,554
65	75	88	50	56	47	27	14	357	11,045,552
66	57	69	42	37	29	28	19	281	9,029,066
67	49	43	27	32	38	14	11	214	6,795,181
68	45	35	29	17	16	12	8	162	4,859,808
69	41	30	27	16	19	6	6	145	4,261,765
70 & over	137	116	80	64	44	39	20	500	13,996,622
Totals	18,134	9,553	5,910	4,269	3,513	2,209	752	44,340	\$1,379,509,276

Group Averages

Age:	44.6 years
Service:	9.4 years
Annual Pay:	\$31,112

Of the 44,340 active members included in the above schedule, 42 were hired prior to July 1, 1978 and are not covered by the Non-Contributory Plan or the New-Contributory Plan.

**GENERAL ASSEMBLY SUB-DIVISION
MEMBERS AS OF JUNE 30, 2008
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							No.	Valuation Payroll
	0-4	5-9	10-14	15-19	20-24	25-27	28 Plus		
25-29									
30-34									\$ -
35-39		1						1	15,060
40-44									
45-49			1	1	1			3	45,180
50-54		1						1	15,060
55-59				1				1	15,060
60		2	1	1				4	60,240
61			1					1	15,060
62				1				1	15,060
66			1					1	15,060
69			1					1	15,060
70			1	1				2	30,120
72			1					1	15,060
Totals		4	7	5	1			17	\$ 256,020

While not used in the computations, the following *group averages* are computed and shown for their general interest.

Group Averages

Age:	58.6 years
Service:	13.8 years
Annual Pay:	\$15,060

SECTION C

GAIN/(LOSS) ANALYSIS

GAIN/(LOSS) ANALYSIS COMMENTS

Purpose of Gain/(Loss) Analysis. Regular actuarial valuations give valuable information about the composite change in unfunded actuarial accrued liabilities – whether or not the liabilities are increasing or decreasing and by how much.

But valuations do not show the portion of the change attributable to each risk area within the Retirement System: the rate of investment return which plan assets earn; the rates of withdrawal of active members who leave covered employment; the rates of mortality; the rates of disability; the rates of pay increases; and the ages at actual retirement. In an actuarial valuation, assumptions must be made as to what these rates will be, for the next year and for decades in the future.

The objective of a gain and loss analysis is to determine the portion of the change in actuarial condition (unfunded actuarial accrued liabilities) attributable to each risk area.

The fact that actual experience differs from assumed experience is to be expected – *the future cannot be predicted with precision*. The economic risk areas (particularly investment return and pay increases) are volatile. Inflation directly affects economic risk areas, and inflation seems to defy reliable prediction.

Changes in the valuation assumed experience for a risk area should be made when the differences between assumed and actual experience have been observed to be sizable and persistent. A gain and loss analysis covering a relatively short period may or may not be indicative of *long-term trends, which are the basis of actuarial assumptions*.

**CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITIES
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008**

	\$ in Millions		
	State and Local Division	General Assembly	Total
(1) UAAL* at beginning of year	\$665.6	\$10.7	\$ 676.3
(2) Normal cost from last valuation	93.4	0.0	93.4
(3) Actual employer contributions	171.9	1.5	173.4
(4) Interest accrual: $[(1) + \frac{1}{2}[(2) - (3)]] \times .080$	50.1	0.8	50.9
(5) Expected UAAL before changes: $(1) + (2) - (3) + (4)$	637.2	10.0	647.2
(6) Increase from benefit changes	0.0	0.0	0.0
(7) Changes from revised actuarial assumptions and methods	(57.1)	0.0	(57.1)
(8) New entrant liabilities	41.7	0.0	41.7
(9) Expected UAAL after changes: $(5) + (6) + (7) + (8)$	621.8	10.0	631.8
(10) Actual UAAL at end of year	666.5	9.8	676.3
(11) Gain/(Loss): (9) - (10)	\$(44.7)	\$ 0.2	\$ (44.5)

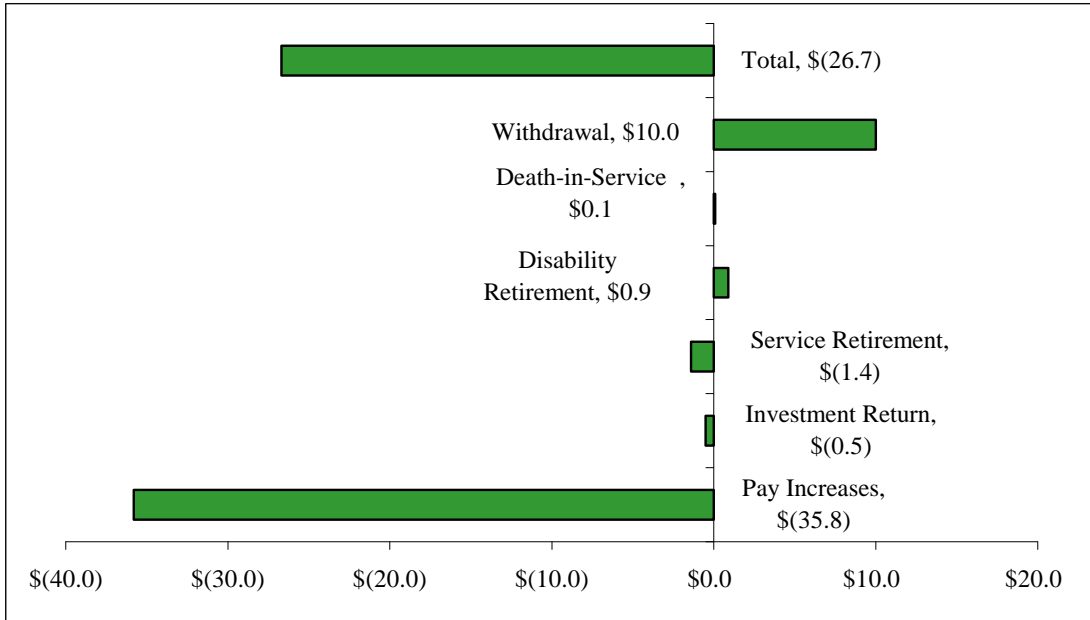
* *Unfunded actuarial accrued liability.*

**GAINS/(LOSSES) BY RISK AREA AND BY DIVISION
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008**

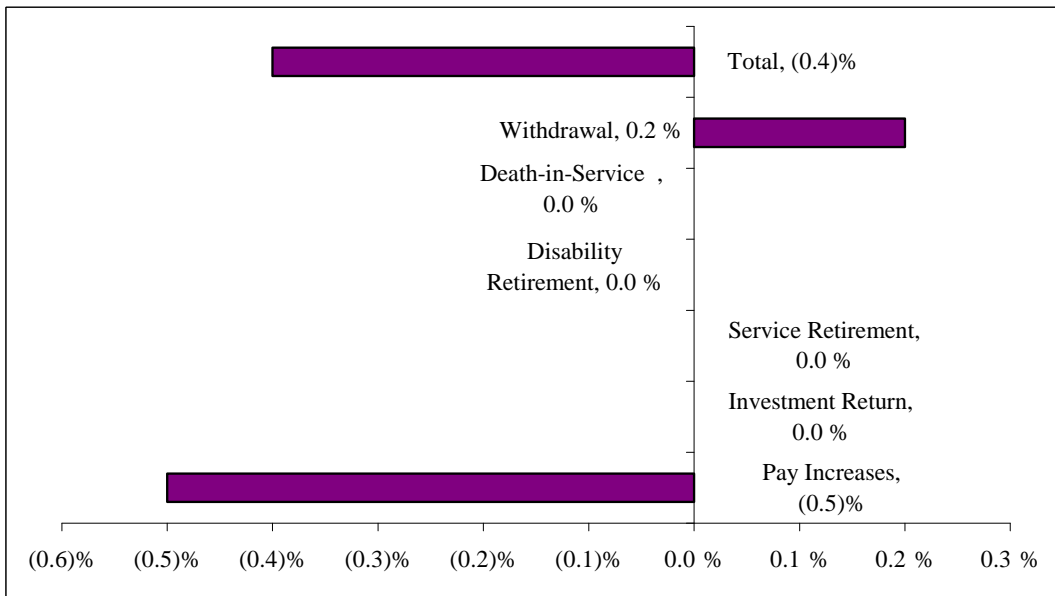
<u>Type of Risk Area</u>	<u>Gain/(Loss) in Period - (\$ in Millions)</u>			<u>% of Accrued Liabilities</u>
	<u>State and Local Divisions</u>	<u>General Assembly</u>	<u>Total</u>	
ECONOMIC RISK AREAS				
<i>Pay Increases.</i> If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	\$ (35.8)	\$ 0.0	\$ (35.8)	(0.5)%
<i>Investment Return.</i> If there is greater investment return than assumed, there is a gain. If less return, a loss.	(0.5)	0.0	(0.5)	0.0 %
NON-ECONOMIC RISK AREAS				
<i>Non-Casualty Retirements.</i> If members retire at older ages or with lower final average pays than assumed, there is a gain. If younger ages or higher average pays, a loss.	(1.4)	0.0	(1.4)	0.0 %
<i>Disability Retirements.</i> If there are fewer disabilities than assumed, there is a gain. If more, a loss.	0.9	0.0	0.9	0.0 %
<i>Death-in-Service Benefits.</i> If there are fewer claims than assumed, there is a gain. If more, a loss.	0.1	0.0	0.1	0.0 %
<i>Withdrawal.</i> If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	10.0	0.0	10.0	0.2 %
Total Active Member Actuarial Gains/(Losses)	\$ (26.7)	\$ 0.0	\$ (26.7)	(0.4)%
<i>Retired Life Mortality.</i>	16.8	0.0	16.8	0.3 %
<i>Other.</i> Includes data adjustments at retirement, timing of financial transactions, and miscellaneous unidentified sources.	(34.8)	\$ 0.2	(34.6)	(0.5)%
Total Actuarial Gains/(Losses)	\$ (44.7)	\$ 0.2	\$ (44.5)	(0.6)%

**ACTUARIAL GAINS/(LOSSES)
ACTIVE MEMBERS
2007-2008 PLAN YEAR**

Amount in \$ Millions



% of Accrued Liabilities



**ACTUARIAL GAINS/(LOSSES) BY RISK AREA
ACTIVE MEMBERS
COMPARATIVE STATEMENT
(\$ IN MILLIONS)**

Year Ending June 30	Gain/(Loss) By Risk Area						Total Experience Gain/(Loss)		Accrued Liability End of Year
	Pay Increases	Invest- ments	Age & Service Retirement	Disability	Death In Service	Withdrawal	Dollars	% of AAL	
1991	\$ (3.7)	\$ (8.2)	\$ 0.2	\$ 0.8	\$ 2.3	\$(13.3)	\$ (21.9)	(4.0)%	\$ 955.2 *
1992	2.7	27.9	2.7	1.2	2.1	(6.1)	30.5	3.2 %	1,607.6
1993	(2.6)	36.3	1.6	1.3	3.1	4.2	43.9	2.7 %	1,711.3
1994	26.0	21.5	3.8	1.4	2.4	(2.2)	52.9	3.1 %	1,853.8
1995	32.0	68.1	(2.1)	(1.5)	(3.0)	(1.7)	91.8	4.5 %	2,057.4
1996	(0.7)	103.5	5.7	2.9	1.4	5.3	118.1	5.8 %	2,290.6
1997	(2.2)	155.3	7.7	3.6	1.9	4.9	171.2	7.5 %	2,605.6
1998	18.2	197.4	(4.4)	4.2	2.1	20.6	238.1	9.1 %	2,882.5
1999	(0.6)	153.1	(0.3)	3.2	(0.1)	25.8	181.1	5.5 %	3,478.7
2000	(13.1)	134.1	2.2	2.8	(0.1)	20.7	146.6	4.2 %	3,803.4
2001	31.3	(37.0)	3.3	3.0	0.1	18.9	19.6	0.5 %	4,111.0
2002	5.4	(247.1)	3.7	(2.5)	0.5	(4.2)	(244.2)	(5.6)%	4,398.0
2003	36.0	(292.6)	11.2	3.3	(0.1)	15.2	(227.0)	(4.9)%	4,398.0
2004	16.2	(274.0)	18.4	0.5	0.2	8.6	(230.0)	(4.6)%	5,004.5
2005	46.7	(143.4)	20.1	0.5	0.5	28.5	(47.1)	(0.8)%	5,619.4
2006	(15.4)	46.5	17.0	0.8	0.0	11.4	60.3	1.0 %	5,936.3
2007	53.2	215.5	12.4	0.8	0.1	17.2	299.2	4.8 %	6,173.8
2008	(35.8)	(0.5)	(1.4)	0.9	0.1	10.0	(26.7)	(0.4)%	6,542.7

* Excludes liability for retired lives.

**DEVELOPMENT OF GAIN/(LOSS)
FROM INVESTMENT RETURN*
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008**

	\$ Millions
1. Total Assets Beginning of Year	\$5,497.5
2. Total Assets End of Year (Funding Value)	
a. Actual	5,866.4
b. If net investment return had been 8.00%	5,866.9
3. Gain/(Loss): 2a. minus 2b.	\$(0.5)

* *“Investment return” as used in this Gain/(Loss) Analysis means essentially: assumed investment income; plus/minus a four year phase-in of differences between actual and assumed investment return (see page B-10).*

**ACTIVE MEMBERS WHO BECAME AGE & SERVICE RETIREES
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008
(RETIREMENT WITH UNREDUCED BENEFIT
BEGINNING IMMEDIATELY)
ATTAINED AGE OF 65 OR OLDER WITH LESS
THAN 28 YEARS OF SERVICE**

Ages	State & Local Retirements	
	Actual	Expected
65	85	119
66	60	56
67	28	32
68	22	18
69	21	15
70	18	12
71	8	10
72	3	6
73	5	10
74	9	10
75 & Up	27	34
	286	322

Averages, in Years:

Age at retirement 68.5

Service at retirement 15.0

**ACTIVE MEMBERS WHO BECAME REDUCED EARLY RETIREES
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008
(EARLY RETIREMENTS WITH REDUCED BENEFITS
BEGINNING IMMEDIATELY)**

Ages	State & Local Early Retirement	
	Actual	Expected
55	13	12
56	11	12
57	14	18
58	24	17
59	11	21
60	24	26
61	18	37
62	60	77
63	45	52
64	31	39
Totals	251	311

Averages, in Years:

Age at retirement	60.4
Service at retirement	17.9

**ACTIVE MEMBERS WHO RETIRED OR ENTERED THE DROP
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008
(28 OR MORE YEARS OF SERVICE)**

Service	State & Local			
	Retirement		DROP	
	Actual	Expected	Actual	Expected
28	144	81	191	261
29	28	46	42	43
30	20	26	42	25
31	8	13	9	12
32	5	13	6	12
33	4	10	6	9
34	2	6	6	6
35	3	5	11	
36		6		
37	6	8		
38 & Up	4	86		
Totals	224	301	313	368

Averages, in Years:

Age at retirement	59.2	57.0
Service at retirement	29.3	28.6

**ACTIVE MEMBERS WHO BECAME DISABILITY RETIREES
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008
(AND WHO WERE ACTIVE MEMBERS AS OF JUNE 30, 2007)**

Ages	State & Local Disabilities	
	Actual	Expected
20- 24		0
25- 29	1	1
30- 34	1	1
35- 39	1	4
40- 44	3	7
45- 49	13	13
50- 54	8	25
55- 59	39	38
60 & Up	40	32
	106	121

Averages, in Years:

Age at retirement	55.8
Service at retirement	14.7

**ACTIVE MEMBERS WHO LEFT ACTIVE STATUS WITH A
DEFERRED BENEFIT PAYABLE
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008
(VESTED SEPARATIONS)**

Ages	State & Local Vested Separations	
	Actual	Expected
Below 30	102	82
30- 34	182	124
35- 39	201	123
40- 44	185	145
45- 49	196	140
50- 54	150	61
55- 59	117	46
60 & Up	78	30
	1,211	751

Averages, in Years:

Age at retirement	45.9
Service at retirement	10.9

**MEMBERS ACTIVE BOTH BEGINNING AND END OF YEAR
SALARY INCREASES BY AGE GROUP
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008**

Age Groups	Number	Beginning Pay	Ending Pay		Percentage Increase	
			Expected	Actual	Expected	Actual
Below 25	1,344	\$ 28,255,069	\$ 31,133,851	\$ 31,340,401	10.2%	10.9%
25- 29	2,971	75,534,024	81,669,891	82,741,626	8.1%	9.5%
30- 34	3,251	92,329,651	98,566,274	100,202,071	6.8%	8.5%
35- 39	4,087	121,853,118	129,355,332	131,829,293	6.2%	8.2%
40- 44	4,704	144,548,442	152,861,362	155,973,991	5.8%	7.9%
45- 49	5,657	182,555,959	192,333,709	196,364,040	5.4%	7.6%
50- 54	5,913	197,757,165	207,683,130	211,315,942	5.0%	6.9%
55- 59	5,039	164,016,612	171,889,409	174,883,824	4.8%	6.6%
60-64	2,999	93,504,684	97,775,955	99,486,797	4.6%	6.4%
65 & Over	1,363	38,900,831	40,456,864	41,405,924	4.0%	6.4%
Totals	37,328				5.7%	7.6%

SECTION D

DISTRICT JUDGES - VALUATION RESULTS, VALUATION DATA, AND FINANCIAL PRINCIPLES

DISTRICT JUDGES
EMPLOYER CONTRIBUTION RATES COMPUTED JUNE 30, 2008

Contribution for	Contributions Expressed as %'s of Active Payroll and Old Plan Annual \$	
	New Plan and Paid-Off Old Plan	Still Paying Old Plan
Normal Cost:		
Age and service annuities (including reduced retirement)	16.35%	
Separation benefits	1.52%	
Disability benefits	1.39%	
Death-in-service annuities	0.00%	
Total	19.26%	
Member contributions (ultimate)	5.00%	
Employer Normal Cost	14.26%	
Unfunded Actuarial Accrued Liabilities	1.74% *	\$994,321 **
Total Employer Contribution	16.00%	\$994,321

* Unfunded actuarial accrued liabilities were amortized over a 29 year period.

** Unfunded actuarial accrued liabilities were amortized over a 27 year period.

DISTRICT JUDGES
SUMMARY STATEMENT OF SYSTEM RESOURCES AND OBLIGATIONS
YEAR ENDED JUNE 30, 2008

Present Resources and Expected Future Resources

	Totals
A. Present Valuation Assets:	
1. Net assets from system financial statements	\$12,398,225
2. Market value adjustment	0
3. Valuation assets	12,398,225
B. Actuarial present value of expected future employer contributions:	
1. For normal costs	3,351,625
2. For unfunded actuarial accrued liability	12,399,078
3. Total	15,750,703
C. Actuarial present value of expected future member contributions	1,175,802
D. Total Present and Expected Future Resources	\$29,324,730

Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To retirees and beneficiaries	\$ 10,272,253
B. To vested terminated members	11,385,996
C. To present active members:	
1. Allocated to service rendered prior to valuation date - actuarial accrued liability	3,139,054
2. Allocated to service likely to be rendered after valuation date	4,527,427
3. Total	7,666,481
D. Reserve	0
E. Total Actuarial Present Value of Expected Future Benefit Payments	\$29,324,730

**DISTRICT JUDGES
COMPUTED ACTUARIAL LIABILITIES AND
ALLOCATION USING ENTRY AGE ACTUARIAL COST METHOD
AS OF JUNE 30, 2008**

Actuarial Present Value of	Total Present Value	Portion Covered By Future Normal Cost Contributions	Actuarial Accrued Liabilities (1) - (2)
Benefits to be paid to current retirees, beneficiaries, and future beneficiaries of current retirees	\$10,272,253	\$ 0	\$10,272,253
Age and service allowances based on total service likely to be rendered by present active members	6,941,089	3,821,807	3,119,282
Separation benefits (refunds of contributions and deferred allowances) likely to be paid to present active and inactive members	11,764,310	372,994	11,391,316
Disability benefits likely to be paid to present active members	347,078	332,626	14,452
Death in service benefits likely to be paid on behalf of present active members	0	0	0
Total	\$29,324,730	\$4,527,427	\$24,797,303
Applicable Assets (Funding Value)	12,398,225	0	12,398,225
Liabilities to be covered by future contributions	\$16,926,505	\$4,527,427	\$ 12,399,078

DISTRICT JUDGES
SUMMARY OF PROVISIONS EVALUATED

VOLUNTARY RETIREMENT	<i>With a full benefit</i> , after either (a) age 50 with 20 years of eligibility service, (b) age 60 with 16 years of eligibility service, or (c) age 65 with 8 years of eligibility service.
FINAL AVERAGE COMPENSATION (FAC)	Average of the final three calendar years of employment.
BENEFIT SERVICE	Service performed on or after January 1, 2005.
ELIGIBILITY SERVICE	Benefit service plus service in Old Local District Judges Plan.
FULL AGE & SERVICE RETIREMENT BENEFIT	2.50% of FAC times actual service.
BENEFIT INCREASES AFTER RETIREMENT	Annually, there will be a cost-of-living adjustment equal to 3% of the current benefit.
MEMBER CONTRIBUTION RATES	Active members contribute 5% of their salaries. If a member leaves service before becoming eligible to retire, accumulated contributions may be refunded.
VESTED RETIREMENT BENEFITS	8 years of eligibility service. Deferred full retirement benefit, based on benefit service and pay at termination, begins when member would have been eligible for voluntary retirement.
TOTAL AND PERMANENT DISABILITY	An active member with 3 or more consecutive years of eligibility service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity.
DEATH AFTER RETIREMENT	If the member was eligible for normal retirement at the time of death, an eligible beneficiary will begin receiving a 50% joint and survivor pension computed in the same manner as a service retirement pension as if the member had retired the last day of his life.

**DISTRICT JUDGES
REVENUES AND EXPENDITURES
JULY 1, 2007 THROUGH JUNE 30, 2008
MARKET VALUE**

	Plan		Totals
	New Plan and Paid-Off Old Plan	Still Paying Old Plan	
Balance 7/1/2007	\$7,619,597	\$4,962,951	\$12,582,548
Adjustment	199,516	129,952	329,468
Revenues			
Member contributions	181,632	0	181,632
Employer contributions	657,442	1,020,267	1,677,709
Other	7,624	4,966	12,590
Investment return	(617,331)	(393,503)	(1,010,834)
Total	\$229,367	\$631,730	\$861,097
Expenditures			
Benefits paid	233,224	863,789	1,097,013
Refunds	18,983	0	18,983
Expenses	158,109	100,783	258,892
Total	\$410,316	\$964,572	\$1,374,888
Preliminary Balance	\$7,638,164	\$4,760,061	\$12,398,225
Employer Paid Off Old Liability	1,088,461	(1,088,461)	0
Balance 6/30/2008	\$8,726,625	\$3,671,600	\$12,398,225

Note: Results may not total due to rounding.

DISTRICT JUDGES
SUMMARY OF ANNUITANTS ON ROLLS

Retirees and beneficiaries on rolls included in the valuation totaled 124, involving monthly annuities of \$94,328, distributed as follows:

Plan	Number of Retired Members	Annuities Being Paid July 1, 2008	
		Monthly	Annualized
New Plan	4	\$ 1,358	\$ 16,295
Old Plan Paid Off	27	24,096	289,146
Still Paying Old Plan	93	68,874	826,493
Totals	124	\$94,328	\$1,131,934

A retiree's monthly benefit may be allocated to more than one employer or more than one plan. The actual number of retired members as of June 30, 2008 was reported to be 100, consisting of 88 original retirees and 12 survivors.

Inactive members, entitled to deferred annuities, included in the valuation totaled 156, involving estimated deferred monthly annuities of \$111,147 distributed as follows:

Plan	Number of Inactive Members	Estimated Deferred Annuities	
		Monthly	Annualized
New Plan	0	\$ 0	\$ 0
Old Plan Paid Off	43	38,256	459,077
Still Paying Old Plan	113	72,891	874,690
Totals	156	\$111,147	\$1,333,767

An inactive member's monthly benefit may be allocated to more than one employer or more than one plan. The actual number of deferred members as of June 30, 2008 was reported to be 132.

DISTRICT JUDGES DETAIL BY EMPLOYER

Employer	ER ID	Participants Covered		Retiree	Deferred	Retiree	Deferred	Total	Assets	Unfunded	27-year
		Vested	Retired	Mon. Ben. 7/1/2008	Mon. Ben. 7/1/2008	Liability 6/30/2008	Liability 6/30/2008	Liability 6/30/2008	Allocated 6/30/2008	Liability	Unfunded Liability
Ashdown	90141	2	2	\$ 466.28	\$ 550.08	\$ 44,955.00	\$ 70,659.00	\$ 115,614.00	\$ 21,133	\$ 94,481	\$ 8,312
Ashdown (County)	90941	2	2	771.63	910.30	75,686	116,929	192,615	35,081	157,534	13,859
Batesville	90132	2	1	859.69	514.54	110,782	41,936	152,718	28,838	123,880	10,898
Batesville (Independence Co.)	90932	2	1	859.69	514.54	110,782	41,936	152,718	28,838	123,880	10,898
Beebe	90511	0	1	1,016.67	0.00	115,915	0	115,915	6,792	109,123	9,600
Benton	90962	1	2	2,398.38	666.67	271,543	80,208	351,751	177,983	173,768	15,287
Benton County - West	90204	3	0	0.00	1,892.53	0	196,972	196,972	111,726	85,246	7,499
Berryville	90108	1	2	256.97	475.94	24,108	65,817	89,925	15,538	74,387	6,544
Berryville (County)	90908	1	2	256.97	475.94	24,108	65,817	89,925	15,538	74,387	6,544
Biscoe	90159	0	1	150.00	0.00	20,225	0	20,225	412	19,813	1,743
Booneville (County)	90942	2	1	216.45	189.65	28,810	13,609	42,419	9,880	32,539	2,863
Bryant	90133	0	1	1,035.00	0.00	114,775	0	114,775	-7,639	122,414	10,769
Cabot	90143	3	0	0.00	1,651.12	0	150,704	150,704	101,885	48,819	4,295
Clarendon	90148	1	0	0.00	444.72	0	38,362	38,362	21,102	17,260	1,518
Conway	90123	2	1	1,600.55	4,591.66	178,056	480,750	658,806	206,847	451,959	39,761
Dequeen	90166	0	3	4,406.12	0.00	488,450	0	488,450	72,751	415,699	36,571
Dermott	90109	2	2	455.00	205.08	54,712	11,779	66,491	471	66,020	5,808
Dermott (County)	90909	2	2	455.00	205.08	54,712	11,779	66,491	471	66,020	5,808
Devalls Bluff	90359	0	1	225.00	0.00	30,520	0	30,520	637	29,883	2,629
Dewitt	90101	2	0	0.00	1,252.92	0	126,185	126,185	47,772	78,413	6,898
Dumas	90121	2	2	1,208.92	1,564.42	153,401	157,719	311,120	27,419	283,701	24,958
East Camden	90252	2	1	531.53	136.07	69,033	6,188	75,221	32,985	42,236	3,716
Elkins	90172	2	0	0.00	1,074.68	0	120,360	120,360	29,939	90,421	7,955
Eureka Springs	90208	1	1	1,099.20	225.00	151,906	13,402	165,308	80,503	84,805	7,461
Greenwood	90265	0	1	771.00	0.00	99,192	0	99,192	-5,391	104,583	9,201
Hamburg	90202	2	1	450.00	1,205.63	42,094	133,278	175,372	34,776	140,596	12,369
Hampton	90107	1	1	696.00	850.46	74,348	105,571	179,919	97,219	82,700	7,275
Hazen	90459	0	1	683.33	0.00	96,088	0	96,088	2,278	93,810	8,253
Helena	90154	2	2	523.51	27.72	39,307	760	40,067	-10,278	50,345	4,429
Helena (County)	90954	2	2	523.51	27.72	39,307	760	40,067	-10,278	50,345	4,429
Hope	90110	0	3	1,031.05	0.00	108,168	0	108,168	-13,458	121,626	10,700
Hope (County)	90929	0	3	1,031.05	0.00	108,168	0	108,168	-13,458	121,626	10,700
Hot Springs	90126	4	3	5,501.75	3,585.85	619,419	193,535	812,954	171,332	641,622	56,446
Hoxie	90138	2	0	0.00	664.66	0	82,174	82,174	19,293	62,881	5,532

DISTRICT JUDGES DETAIL BY EMPLOYER

Employer	ER ID	Participants Covered		Retiree	Deferred	Retiree	Deferred	Total	Assets	Unfunded	27-year
		Deferred	Retired	Mon. Ben.	Mon. Ben.	Liability	Liability	Liability	Allocated	Liability	Payoff of
		Vested		7/1/2008	7/1/2008	6/30/2008	6/30/2008	6/30/2008	6/30/2008		Unfunded Liability
Lawrence County	90938	2	0	\$ 0.00	\$ 1,016.99	\$ 0	\$ 125,612	\$ 125,612	\$ 31,669	\$ 93,943	\$ 8,265
Little Rock	90260	18	10	14,381.46	17,412.28	1,712,014	1,675,939	3,387,953	928,005	2,459,948	216,412
Magnolia	90114	0	1	641.98	0.00	68,105	0	68,105	5,226	62,879	5,532
Magnolia (Columbia County)	90914	0	1	641.98	0.00	68,105	0	68,105	5,226	62,879	5,532
Marked Tree	90256	0	1	948.14	0.00	95,666	0	95,666	(6,850)	102,516	9,019
Marshall	90964	1	0	0.00	701.31	0	80,727	80,727	60,439	20,288	1,785
McCrary	90274	0	1	90.00	0.00	10,129	0	10,129	7,188	2,941	259
Mt. Home	90103	2	3	1,448.91	2,080.86	131,669	246,603	378,272	29,814	348,458	30,655
Newport	90134	1	3	1,555.70	234.22	167,804	14,453	182,257	85,639	96,618	8,500
North Little Rock	90460	13	8	8,413.05	11,835.50	793,409	1,313,115	2,106,524	225,268	1,881,256	165,502
Osceola	90247	1	2	781.25	648.60	55,342	64,401	119,743	34,774	84,969	7,475
Ozark	90124	1	1	531.72	593.47	67,776	74,712	142,488	32,002	110,486	9,720
Ozark (County)	90924	1	1	531.72	593.47	67,776	74,712	142,488	32,002	110,486	9,720
Pocahontas	90161	2	1	113.58	530.57	9,431	44,293	53,724	8,702	45,022	3,961
Pocahontas (County)	90961	2	1	113.58	530.57	9,431	44,293	53,724	8,702	45,022	3,961
Prairie Grove	90372	1	2	1,861.93	233.23	222,985	15,823	238,808	26,952	211,856	18,638
Rison	90113	1	0	0.00	780.00	0	96,824	96,824	33,898	62,926	5,536
Russellville	90158	1	1	597.51	1,218.49	76,468	49,701	126,169	72,592	53,577	4,713
Searcy	90273	1	2	1,383.33	1,179.36	144,318	156,467	300,785	70,803	229,982	20,232
Stuttgart	90201	2	1	283.90	951.56	26,856	113,206	140,062	39,275	100,787	8,867
Stuttgart	90901	2	1	346.98	1,163.02	32,823	138,363	171,186	48,203	122,983	10,819
Trumann	90356	1	2	1,758.59	224.77	158,349	13,793	172,142	(23,908)	196,050	17,247
Tyronza	90456	2	0	0.00	890.76	0	94,429	94,429	32,440	61,989	5,453
Walnut Ridge	90238	2	1	500.00	941.73	35,494	116,278	151,772	37,223	114,549	10,077
Ward	90443	1	0	0.00	173.01	0	8,479	8,479	1,960	6,519	574
West Helena	90254	2	0	0.00	1,048.27	0	124,199	124,199	40,781	83,418	7,339
West Memphis	90218	2	3	2,468.84	2,500.99	187,372	286,097	473,469	416,500	56,969	5,012
Wrightsville	90760	2	0	0.00	739.80	0	86,087	86,087	17,296	68,791	6,052
Wynne	90519	1	0	0.00	765.05	0	98,309	98,309	30,835	67,474	5,936
UAL>0 as of 6/30/2008		113	93	\$68,874.40	\$72,890.86	\$7,489,892	\$7,484,104	\$14,973,996	\$3,671,593	\$11,302,403	\$994,321

DISTRICT JUDGES
ACTIVE MEMBERS IN VALUATION JUNE 30, 2008
BY ATTAINED AGE AND YEARS OF ELIGIBILITY SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 plus	No.	Valuation Payroll
Under 20									\$ -
20-24									
25-29									
30-34									
35-39	1	1						2	64,472
40-44	2	2						4	290,078
45-49	8	2						10	336,552
50-54	7	1	3	1	1			13	708,239
55-59	4	2	2	2	2	1		13	619,642
60	4		1	1				6	281,527
61	1			1	1	1		4	296,577
62							1	1	39,477
63						2		2	136,323
64	1							1	17,577
65				1			2	3	209,408
66				1		1	1	3	140,825
67			1					1	87,806
68	2				1			3	82,059
69							1	1	21,833
70 & over		1	1	1				3	193,924
Totals	30	9	8	8	5	5	5	70	\$3,526,319

Group Averages

Age:	56.2 years
Benefit Service:	3.2 years
Eligibility Service:	11.1 years
Annual Pay:	\$50,376

DISTRICT JUDGES
CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITIES
DURING THE PERIOD JULY 1, 2007 TO JUNE 30, 2008

	New Plan and Paid Off Old Plan	Still Paying Old Plan	Total
(1) UAAL* at beginning of year	\$509,390	\$11,295,495	\$11,804,885
(2) Normal cost from last valuation	642,086	-	642,086
(3) Actual contributions	839,074	1,020,267	1,859,341
(4) Interest accrual: [(1) + ½[(2) - (3)]]x .080	32,872	862,829	895,701
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	345,274	11,138,057	11,483,331
(6) Increase from benefit changes	-	-	-
(7) Changes from revised actuarial assumptions and methods	20,645	(56,757)	(36,112)
(8) Transfer of Still Paying Old Plan to Paid Off Old Plan	185,149	(185,149)	-
(9) Expected UAAL after changes: (5) + (6) + (7) + (8)	551,068	10,896,151	11,447,219
(10) Actual UAAL at end of year	1,096,682	11,302,396	12,399,078
(11) Gain/(Loss): (9) - (10)	\$(545,614)	\$(406,245)	\$(951,859)

* *Unfunded actuarial accrued liability.*

**DISTRICT JUDGES
GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED ACTUARIAL INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age AAL (b)	UAAL (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
12/31/04	\$ 0	\$ 0	\$ 0	100.0 %	\$1,841,022	0.0%
6/30/05	7,569,919	24,134,114	16,564,195	31.4 %	3,222,495	514.0%
6/30/06	10,141,040	24,943,381	14,802,341	40.7 %	3,313,454	446.7%
6/30/07	12,582,548	24,387,433	11,804,885	51.6 %	3,366,861	350.6%
6/30/08	12,398,225	24,833,415	12,435,190	49.9 %	3,526,319	352.6%
6/30/08 @	12,398,225	24,797,303	12,399,078	50.0 %	3,526,319	351.6%

@ After changes in actuarial assumptions.

This information on pages D-11 through D-13 is presented in draft form for review by the System's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the System's financial statements.

**DISTRICT JUDGES
GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED ACTUARIAL INFORMATION**

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percent Contributed
2005*	\$ 357,182	102%
2006*	1,859,139	110%
2007	1,732,368	106%
2008	1,525,167	110%

NPO Development

	January 1, 2005 - June 30, 2005*	July 1, 2005 - June 30, 2006*	July 1, 2006 - June 30, 2007	July 1, 2007 - June 30, 2008	July 1, 2008 - June 30, 2009
1. Annual Required Contribution (ARC)	\$357,182	\$1,859,139	\$1,732,368	\$1,525,167	\$1,581,100
2. Interest on Net Pension Obligation (NPO)	0	(614)	(13,660)	(26,234)	(42,584)
3. Adjustment to (1)	0	0	(9,859)	(25,594)	(30,936)
4. Annual Pension Cost (1)+(2)+(3)	357,182	1,858,525	1,708,849	1,473,339	1,507,580
5. Actual Contribution Made	365,947	2,044,902	1,841,634	1,677,709	
6. Increase in NPO (4)-(5)	(8,765)	(186,377)	(132,785)	(204,370)	
7. NPO Beginning of Year	0	(8,765)	(195,142)	(327,927)	(532,297)
8. NPO End of Year	(8,765)	(195,142)	(327,927)	(532,297)	

* 2005 and 2006 information was taken from the report of the previous actuary and was not audited by GRS.

New Plan and Paid-Off Old Plan contributions are determined as a percent of pay and contributed periodically throughout the year. The ARC shown for the fiscal year ended June 30, 2008 is equal to the percent of payroll contribution made during the year and the dollar contributions (for unfunded actuarial liabilities) billed to the Still Paying Old Plans for the year. The ARC shown for fiscal year ended June 30, 2009 is equal to the percent of payroll contribution computed as of June 30, 2008 times projected payroll plus the computed Still Paying Old Plan dollar contribution for unfunded actuarial liability as of June 30, 2008.

DISTRICT JUDGES
GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation date follows:

Valuation Date	6/30/2008
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent-of-Payroll (New Plan and Paid Off Old Plan) Level Dollar (Still Paying Old Plan)
Remaining Amortization Period	29 years (New Plan and Paid Off Old Plan) 27 years (Still Paying Old Plan)
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases Including Inflation at	4.7% - 9.8%
Cost-of-living Adjustments	4.0%
	3.0% Annual Compounded Increase on benefits for service after January 1, 2005

	<u>Number</u>
Retirees and beneficiaries receiving benefits	100
Terminated plan members entitled to but not yet receiving benefits	132
Current active plan members	<u>70</u>
Total	302

SECTION E

ACTUARIAL METHODS AND ASSUMPTIONS AND OTHER TECHNICAL ASSUMPTIONS

**SUMMARY OF ASSUMPTIONS USED FOR
APERS ACTUARIAL VALUATIONS
ASSUMPTIONS ADOPTED BY BOARD OF TRUSTEES
AFTER CONSULTING WITH ACTUARY**

ECONOMIC ASSUMPTIONS

The investment return rate used in making the valuation was 8.00% per year, compounded annually (net after investment and administrative expenses). This rate of return is not the assumed real rate of return. The real rate of return is the portion of investment return which is more than the wage inflation rate. Considering the assumed wage inflation rate of 4.0%, the 8.00% investment return rate translates to an assumed net real rate of return of 4.0%. This assumption was first used for the June 30, 2002 valuation and for the District Judges division for the June 30, 2007 valuation.

Pay increase assumptions for individual active members are shown on pages E-8 and E-10. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4.0% recognizes inflation. These assumptions were first used for the June 30, 2008 valuation and for the District Judges division for the June 30, 2007 valuation.

Total active member payroll is assumed to increase 4.0% a year, which is the portion of the individual pay increase assumptions attributable to wage inflation. This assumption was first used for the June 30, 2002 valuation and for the District Judges division for the June 30, 2007 valuation.

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

NON-ECONOMIC ASSUMPTIONS

The mortality table used to measure retired life mortality was the RP-2000 Combined Mortality Table projected to 2015, set forward 2 years for men. Related values are shown on page E-3. This assumption was first used for the June 30, 2008 valuation.

The probabilities of retirement for members eligible to retire are shown on pages E-4 through E-7. These probabilities were first used for the June 30, 2008 valuation and for the District Judges division for the June 30, 2007 valuation.

The probabilities of withdrawal from service, *death-in-service* and *disability* are shown for sample ages on pages E-8 through E-10. These probabilities were first used for the June 30, 2008 valuation and for the District Judges division for the June 30, 2007 valuation.

The ultimate entry-age normal actuarial cost method of the valuation was used in determining liabilities and normal cost (not including the District Judges division). The normal cost is based on the benefits and contribution rate applicable to new hires. While 5.0% of member contributions are assumed in developing the employer normal cost, until such time as all members become contributory, the System will not receive 5.0% of payroll for member contributions. To account for this difference, 5.0% of the present value of future salary for all non-contributory members has been added to the actuarial accrued liability. *The individual entry-age actuarial cost method* was used in determining liabilities and normal cost for the District Judges division.

Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities.

Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (principal and interest) which are level percent of payroll contributions. For the District Judges division, Old Plan Still Paying unfunded actuarial accrued liabilities are amortized as a level dollar contribution.

Recognizing the special circumstances of the General Assembly division, modifications of the above assumptions were made where appropriate.

Present assets (cash & investments) were valued on a market related basis in which differences between actual and assumed returns are phased-in over a four year period. District Judges present assets (cash & investments) were valued on a market related basis.

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

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

SINGLE LIFE RETIREMENT VALUES
BASED ON RP -2000 COMBINED, PROJECTED TO 2015
8.00% INTEREST
JUNE 30, 2008

Sample Attained Ages	Present Value of \$1.00 Monthly for Life		Present Value of \$1.00 Monthly for Life Increasing 3% Annually		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
40	\$ 145.15	\$ 147.67	\$ 206.27	\$ 213.28	39.93	44.05
45	141.08	144.37	196.01	204.36	35.15	39.19
50	135.38	139.78	183.34	193.40	30.40	34.38
55	127.66	133.53	168.05	180.10	25.75	29.64
60	117.86	125.50	150.47	164.62	21.30	25.08
65	106.19	115.70	131.24	147.34	17.19	20.80
70	92.55	104.31	110.57	128.75	13.42	16.86
75	76.91	91.31	88.83	109.13	10.04	13.29
80	60.72	76.72	67.92	88.78	7.19	10.09
85	45.92	61.21	49.94	68.73	5.01	7.35

Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive	
		Men	Women
60	\$100	100 %	100 %
65	116	96	96
70	134	89	91
75	155	79	81
80	180	63	68

The mortality table was set forward 10 years for disabilities.

Based on RP-2000 Combined male and female mortality tables projected to 2015, set forward 2 years for males.

**STATE AND LOCAL GOVERNMENT DIVISION
AGE-BASED RETIREMENT
JUNE 30, 2008**

Retirement Ages (with less than 28 years of service)	Percent of Eligible Active Members Retiring Within Next Year	
	Unreduced	Reduced
55		2 %
56		2
57		3
58		3
59		4
60		5
61		7
62		20
63		18
64		15
65	25 %	
66	25	
67	25	
68	20	
69	20	
70	20	
71	20	
72	20	
73	20	
74-77	20	
78	20	
79	20	
80-82	20	
83	20	
84	20	
85	100	

A member was assumed eligible for unreduced retirement after attaining age 65 with 5 years of service or 28 years regardless of age (both unreduced retirement and DROP). A member was assumed eligible for reduced retirement after attaining age 55 with 10 or more years of service.

STATE AND LOCAL GOVERNMENT DIVISION
SERVICE BASED RETIREMENT
JUNE 30, 2008

Service	Percent of Eligible Active Members Retiring Within Next Year	
	Retirement	DROP
	28	15 %
29	15	20
30	12	20
31	12	20
32	12	15
33	12	15
34	12	15
35	12	15
36	10	
37	10	
38	100	

**GENERAL ASSEMBLY DIVISION
PROBABILITIES OF RETIREMENT
FOR MEMBERS ELIGIBLE TO RETIRE
JUNE 30, 2008**

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year
50	30 %
51	30
52	30
53	30
54	30
55	30
56	30
57	30
58	30
59	30
60	30
61	30
62	50
63	30
64	30
65	50
66	30
67-79	20
80	100

Member may retire at age 50 with 20 or more years of service, age 60 with 16 or more years of service, or age 65 with 8 or more years of service.

**DISTRICT JUDGES DIVISION
AGE-BASED RETIREMENT
JUNE 30, 2008**

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year
50	10 %
51	10
52	10
53	10
54	10
55	12
56	12
57	14
58	14
59	14
60	18
61	18
62-73	30
74	100

Members may retire at age 50 with 20 or more years of service, age 60 with 16 or more years of service, or age 65 with 8 or more years of service.

STATE AND LOCAL GOVERNMENT DIVISION
SEPARATIONS FROM ACTIVE EMPLOYMENT BEFORE SERVICE RETIREMENT
JUNE 30, 2008

Sample Ages	Years of Service	Percent of Active Members Separating within the Next Year						Pay Increase Assumptions For An Individual Employee		
		Withdrawal		Death		Disability		Merit & Seniority	Base (Economy)	Increase Next Year
		Men	Women	Men	Women	Men	Women			
	0	40.0 %	40.0 %							
	1	25.0	25.0							
	2	20.0	20.0							
	3	15.0	15.0							
	4	12.0	12.0							
20	5+	10.0	10.0	0.01 %	0.01 %	0.01 %	0.01 %	6.60 %	4.00 %	10.60 %
25		10.0	10.0	0.02	0.01	0.05	0.05	5.10	4.00	9.10
30		8.8	8.8	0.03	0.01	0.08	0.08	3.20	4.00	7.20
35		6.2	6.2	0.04	0.02	0.10	0.10	2.30	4.00	6.30
40		4.4	4.4	0.05	0.03	0.15	0.15	1.90	4.00	5.90
45		3.4	3.4	0.07	0.04	0.20	0.20	1.50	4.00	5.50
50		2.7	2.7	0.10	0.06	0.40	0.40	1.10	4.00	5.10
55		1.9	1.9	0.18	0.12	0.70	0.70	0.80	4.00	4.80
60		1.2	1.2	0.35	0.23	1.00	1.00	0.70	4.00	4.70

Pay increase rates are age based only, and not service based.

**GENERAL ASSEMBLY DIVISION
SEPARATIONS FROM ACTIVE EMPLOYMENT BEFORE
SERVICE RETIREMENT
JUNE 30, 2008**

Sample Ages	Years of Service	Percent of Active Members Separating within the Next Year					
		Withdrawal		Death		Disability	
		Men	Women	Men	Women	Men	Women
	0	30.0 %	30.0 %				
	1	25.0	25.0				
	2	20.0	20.0				
	3	15.0	15.0				
	4	12.0	12.0				
20	5+	9.0	9.0	0.01 %	0.01 %	0.06 %	0.06 %
25		8.3	8.3	0.02	0.01	0.06	0.06
30		5.3	5.3	0.03	0.01	0.06	0.06
35		3.0	3.0	0.04	0.02	0.06	0.06
40		2.6	2.6	0.05	0.03	0.16	0.16
45		2.4	2.4	0.07	0.04	0.21	0.21
50		1.1	1.1	0.10	0.06	0.39	0.39
55		0.8	0.8	0.18	0.12	0.71	0.71
60	0.8	0.8	0.35	0.23	1.13	1.13	

DISTRICT JUDGES
SEPARATIONS FROM ACTIVE EMPLOYMENT BEFORE
SERVICE RETIREMENT
JUNE 30, 2008

Sample Ages	Percent of Active Members Separating within the Next Year				Pay Increase Assumptions For An Individual Employee		
	Withdrawal		Disability		Merit & Seniority	Base (Economy)	Increase Next
	Men	Women	Men	Women			
20	2.0 %	2.0 %	0.08 %	0.08 %	2.70 %	4.00 %	6.70 %
25	2.0	2.0	0.08	0.08	2.60	4.00	6.60
30	2.0	2.0	0.08	0.08	2.20	4.00	6.20
35	2.0	2.0	0.08	0.08	1.90	4.00	5.90
40	2.0	2.0	0.20	0.20	1.40	4.00	5.40
45	2.0	2.0	0.26	0.26	1.20	4.00	5.20
50	2.0	2.0	0.49	0.49	0.70	4.00	4.70
55	2.0	2.0	0.89	0.89	0.70	4.00	4.70
60	2.0	2.0	1.41	1.41	0.00	4.00	4.00

SUMMARY OF ASSUMPTIONS USED
JUNE 30, 2008
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Marriage Assumption. 80% of males and 80% of females are assumed to be married for purposes of death-in-service benefits. District Judges division - 100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. 80% of males and 80% of females are assumed to be married for purposes of death-after-retirement benefits for active member valuation purposes.

Pay Increase Timing. Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.

Decrement Timing. Decrements of all types are assumed to occur mid-year.

Other Liability Adjustments. The normal cost was increased by 1% to account for reciprocal service and reinstatement of service.

Eligibility Testing. Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

Benefit Service. Exact fractional service is used to determine the amount of benefit payable.

Decrement Relativity. Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

Normal Form of Benefit. The assumed normal form of benefit is the straight life form.

District Judges Division Old Plan Deferred Members. For members that are eligible for a deferred benefit in the Old Plan and are currently active in the New Plan, it is assumed that the deferred benefit will commence at the first age at which the member is eligible to receive the benefit.

SUMMARY OF ASSUMPTIONS USED
JUNE 30, 2008
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Incidence of Contributions. Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.

DROP Duration. We assume on average the DROP duration is 4 years.

Pre-Retirement Mortality. The weighting of duty and ordinary deaths-in-service is 0%/100%.

SECTION F

FINANCIAL PRINCIPLES

FINANCIAL PRINCIPLES AND OPERATIONAL TECHNIQUES OF APERS

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

The related *key financial questions* are:

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

The present taxpayers, who receive the benefit of the member’s present year of service? ***Or the future taxpayers***, who happen to be in Arkansas at the time the IOU becomes a cash demand, years and often decades later?

The law governing APERS financing intends that this year’s taxpayers contribute the money to cover the IOUs being handed out this year. With this financial objective, ***the employer contribution rate is expected to remain approximately level from generation to generation of taxpayers.***

There are systems which have a design for deferring contributions to future taxpayers. Lured by a lower contribution rate now, they put aside the consequence that the contribution rate must then relentlessly grow to a level much higher than would be required if a level contribution pattern were followed.

An inevitable by-product of the level-cost design is the accumulation of reserve assets, for decades, and the income produced when the assets are invested. ***Investment income*** becomes ***the third and largest contributor*** for benefits to employees, and is interlocked with the contribution amounts required from employees and employers.

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

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

... plus ...

Interest on Unfunded Actuarial Accrued Liabilities (unfunded actuarial accrued liabilities are the difference between: liabilities for service already rendered the accrued assets).

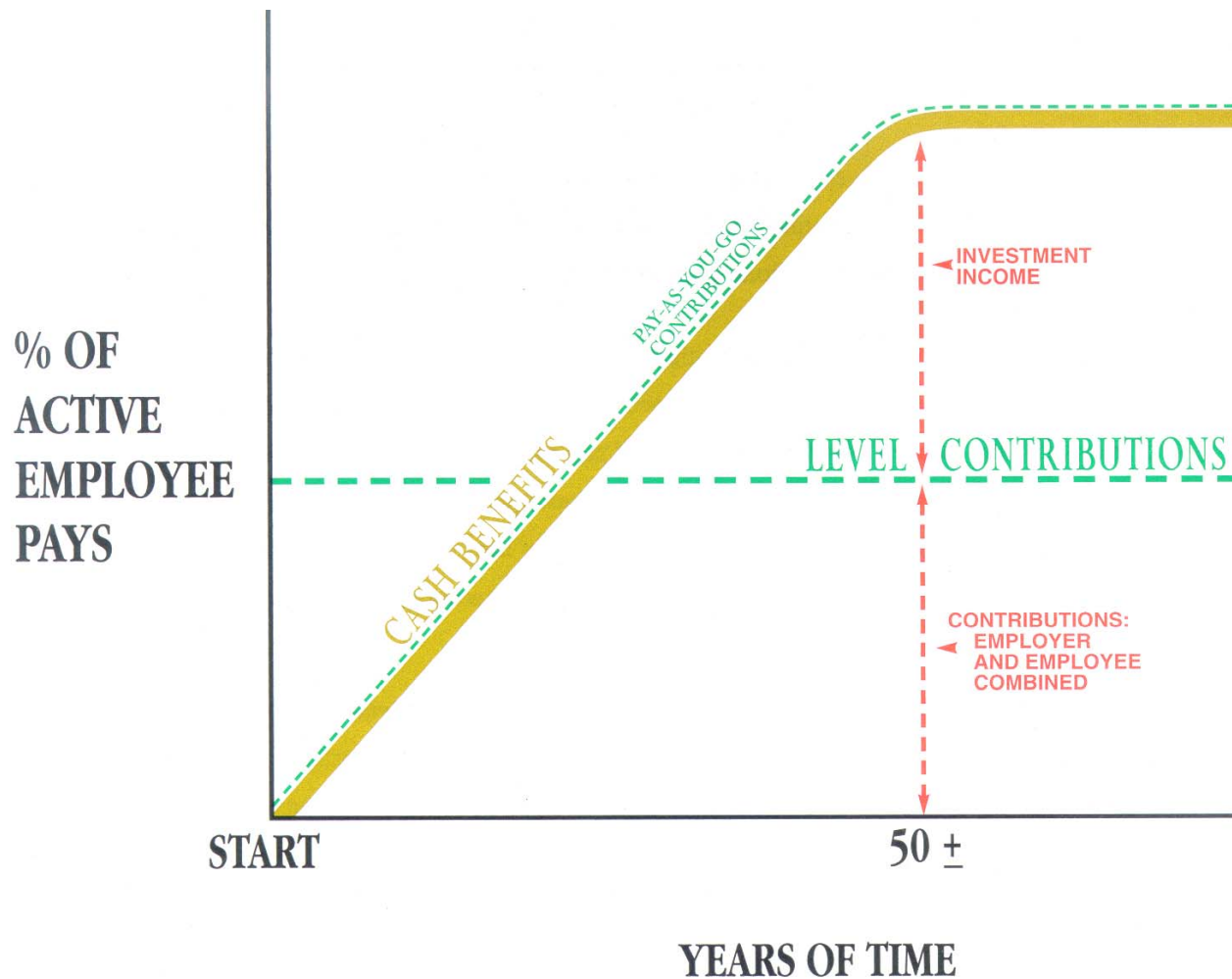
Computing Contributions to Support Fund Benefits. From a given schedule of benefits and from employee and asset data, the actuary calculates the contribution rates to support the benefits by means of ***an actuarial valuation and a funding method.***

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

In an actuarial valuation, assumptions must be made as to what the above rates will be for the next year and for decades in the future. The assumptions are established by the Retirement Board after receiving the advice of the actuary.

Reconciling Differences Between Assumed Experience and Actual Experience. Once actual experience has occurred and has been observed, it will not coincide exactly with assumed experience, regardless of the skill of the actuary and the many calculations made. The future can not be predicted with 100% precision.

APERS copes with these continually changing differences by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is ***continuing adjustments in financial position.***



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

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

Economic Risk Areas

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

Non-Economic Risk Areas

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

THE ACTUARIAL VALUATION PROCESS

The financing diagram on the preceding page shows the relationship between *the two fundamentally different philosophies of paying* for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program) which is thus an *increasing contribution method*; and, the *level contribution method* which attempts to equalize contributions between the generations.

The actuarial valuation is the mathematical process by which the level contribution rate is determined. The activity constituting the valuation may be summarized as follows:

- A. **Census Data**, including:
 - Retired lives now receiving benefits
 - Former employees with vested benefits not yet payable
 - Active employees
- B. + **Asset data** (cash & investments)
- C. + **Benefit provisions** that establish eligibility and amounts of payments to members
- D. + **Assumptions concerning future experience** in various risk areas
- E. + **The funding method** for employer contributions (the long-term, planned pattern for employer contributions)
- F. + **Mathematically combining the assumptions, the funding method, and the data**
- G. = Determination of:
 - Plan Financial position; and/or
 - New Employer Contribution Rate

GLOSSARY

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Accumulated Benefit Obligation. The actuarial present value of vested and non-vested benefits based on service to date and past and current salary levels.

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

GLOSSARY

Experience Gain (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Plan Termination Liability. The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for future service and salary. The termination liability will generally be less than the liabilities computed on a “going concern” basis and is not normally determined in a routine actuarial valuation.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”

Valuation Assets. The value of current plan assets recognized for valuation purposes. Generally based on a phase-in of differences between actual and assumed market rates of return.

MEANING OF “UNFUNDED ACTUARIAL ACCRUED LIABILITIES”

“*Actuarial accrued liabilities*” are *the present value of the portions of promised benefits that are not covered by future normal cost contributions* --- a liability has been established (“accrued”) because the service has been rendered but the resulting monthly cash benefit may not be payable until years in the future.

If “actuarial accrued liabilities” at any time exceed the plan’s accrued assets (cash & investments), the difference is “*unfunded actuarial accrued liabilities.*” This is the common condition. When a plan’s assets equal or exceed the plan’s “actuarial accrued liabilities,” the plan is said to be “fully funded.” This is an unusual condition.

Each time a plan adds a new benefit which applies to service already rendered, an “actuarial accrued liability” is created, which is also an “unfunded actuarial accrued liability” because the plan can’t print instant cash to cover the value of the new benefit promises. Payment for such unfunded actuarial accrued liabilities is spread over a period of years, commonly in the 20-30 year range.

Unfunded actuarial accrued liabilities can occur in another way: if actual plan experience is less favorable than assumed, the difference is added to unfunded actuarial accrued liabilities. For example, in plans where benefits are directly related to an employee’s pay near time of retirement, unfunded actuarial accrued liabilities increased rapidly during the 1970’s because unexpected rates of pay increase created additional actuarial accrued liabilities which could not be matched by reasonable investment results. Most of the unexpected pay increases were the direct result of inflation, which is a very destructive force on financial stability.

The existence of unfunded actuarial accrued liabilities is not bad but the changes from year to year in amount of unfunded actuarial accrued liabilities are important --- “bad” or “good” or somewhere in between.

Nor are unfunded actuarial accrued liabilities a bill payable immediately, but it is important that policy-makers prevent the amount from becoming unreasonably high and *it is vital for plans to have a sound method for making payments toward them* so that they are controlled.

SECTION G

ACTUARIAL SUPPLEMENTAL INFORMATION REQUIRED BY STATEMENTS NO. 25 AND NO. 27 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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

GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED ACTUARIAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
(\$ MILLIONS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age AAL (b)	UAAL (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
6/30/95	\$2,248	\$2,060	\$ (188)	109.1 %	\$ 835	(22.5)%
6/30/96	2,522	2,291	(231)	110.1 %	889	(26.0)%
6/30/97	2,876	2,607	(269)	110.3 %	939	(28.6)%
6/30/98 @ #	3,297	2,921	(376)	112.9 %	975	(38.6)%
6/30/99 @	3,712	3,479	(233)	106.7 %	1,009	(23.1)%
6/30/00	4,121	3,803	(318)	108.4 %	1,050	(30.3)%
6/30/01 @	4,342	4,111	(231)	105.6 %	1,070	(21.6)%
6/30/02 #	4,404	4,398	(6)	100.1 %	1,112	(0.5)%
6/30/03 #	4,416	4,674	258	94.5 %	1,148	22.5%
6/30/04	4,438	5,005	567	88.7 %	1,176	48.2%
6/30/05	4,584	5,323	739	86.1 %	1,215	60.8%
6/30/05 @ #	4,584	5,619	1,035	81.6 %	1,215	85.2%
6/30/06	4,949	5,936	987	83.4 %	1,267	77.9%
6/30/07 @	5,498	6,174	676	89.1 %	1,303	51.9%
6/30/08	5,866	6,600	734	88.9 %	1,380	53.2%
6/30/08 #	5,866	6,543	677	89.7 %	1,380	49.1%

@ After legislated changes in benefit provisions.

After changes in actuarial assumptions.

Please note that the difference between columns (b) and (a) may not equal the UAAL due to rounding.

**GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED ACTUARIAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30	Annual Required Contribution	Percent Contributed
1994	\$ 75,710,660	100%
1995	75,028,320	100%
1996	76,772,911	100%
1997	82,050,663	100%
1998	87,528,945	100%
1999	93,322,444	100%
2000	96,348,947	100%
2001	100,925,338	100%
2002	109,037,491	100%
2003	115,690,798	100%
2004	118,419,346	100%
2005	135,027,447	100%
2006	158,152,183	100%
2007	163,223,695	100%
2008	173,462,377	100%

GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation date follows:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent-of-Payroll (State and Local) Level Dollar (General Assembly)
Remaining Amortization Period	13.7 years (State and Local) 18 years (General Assembly)
Asset Valuation Method	4-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases Including Inflation at	4.7% - 10.6%
Cost-of-living Adjustments	4.0%
	3.0% Annual Compounded Increase

	<u>Number</u>
Retirees and beneficiaries receiving benefits #	23,555
Terminated plan members entitled to but not yet receiving benefits	11,988
Active plan members	<u>44,357</u>
Total	79,900

Includes DROP participants.

November 17, 2008

Ms. Gail H. Stone, Executive Director
Arkansas Public Employees Retirement System
One Union National Plaza
124 West Capitol, 4th Floor
Little Rock, Arkansas 72201

**Re: Report of the June 30, 2008 Actuarial Valuation and Gain/Loss Analysis of
Financial Experience**

Dear Gail:

Enclosed are 40 copies of this report.

Sincerely,

A handwritten signature in black ink that reads "Norman L. Jones". The signature is written in a cursive style with a large initial 'N' and a stylized 'J'.

Norman L. Jones

NLJ:bd
Enclosures

cc: David Hoffman
Mita Drazilov