

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
GASB STATEMENT NO. 67 PLAN REPORTING AND
ACCOUNTING SCHEDULES - REVISED
JUNE 30, 2014

November 25, 2014 - Revised

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

Ladies and Gentlemen:

This revised report provides information required by the Arkansas Public Employees Retirement System (APERS) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67 "Financial Reporting for Pension Plans."

Our actuarial calculations for this report were prepared for the purpose of complying with the requirements of GASB Statement No. 67. These calculations have been made on a basis that is consistent with our understanding of this accounting standard. These calculations are made for all members of APERS other than those participating in the District Judges division of APERS. A separate GASB Statement No. 67 report will be issued for the cost sharing portion of the District Judges division.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement No. 67. The calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement No. 67 may produce significantly different results. This report may be provided to parties other than System only in its entirety and only with the permission of the Retirement Board.


This report is based upon information, furnished to us by Retirement System staff, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. If your understanding of this information is different, please let us know. This information was checked for internal consistency, but it was not otherwise audited.

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

Please see the actuarial valuation report as of June 30, 2014 for additional discussions of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, this report is complete, accurate, and in accordance with generally recognized actuarial methods. Mita D. Drazilov is a Member of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein. The signing actuaries are independent of the plan sponsor.

Respectfully submitted,



Mita D. Drazilov, ASA, MAAA



David L. Hoffman

MDD/DLH:dks:ah

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SECTION A
EXECUTIVE SUMMARY

Executive Summary as of June 30, 2014

	2014
Actuarial Valuation Date	June 30, 2014
Pension Plan's Fiscal Year Ending Date (Measurement Date & Reporting Date)	June 30, 2014
 Membership	
Number of	
- Retirees and Beneficiaries	31,914
- Inactive, Nonretired Members	13,514
- Active Members	45,841
- Total	91,269
Covered Payroll	\$ 1,745,242,112
 Net Pension Liability	
Total Pension Liability	\$ 8,920,451,518
Plan Fiduciary Net Position	7,512,167,348
Net Pension Liability	\$ 1,408,284,170
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.21%
Net Pension Liability as a Percentage of Covered Payroll	80.69%
 Development of the Single Discount Rate	
Single Discount Rate	7.75%
Long-Term Expected Rate of Return	7.75%
Long-Term Municipal Bond Rate*	4.29%
Last year ending June 30 in the 2015 to 2114 projection period for which projected benefit payments are fully funded	2114

* Based on the Bond Buyer 20-Bond Index of general obligation municipal bonds as of June, 2014 (i.e., the weekly rate closest to but not later than the Measurement Date).

DISCUSSION

Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67, “Financial Reporting for Pension Plans,” replaces the requirements of GASB Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,” and GASB Statement No. 50, “Pension Disclosures.” GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan.

The following discussion provides a summary of the information that is required to be disclosed under this new accounting standard. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report, and your internal staff will be responsible for preparing that information to comply with this accounting standard.

Financial Statements

GASB Statement No. 67 requires defined benefit pension plans to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position.

The *statement of fiduciary net position* presents the following items as of the end of the pension plan’s reporting period, such as:

- assets;
- deferred inflows and outflows of resources;
- liabilities; and
- fiduciary net position (assets, plus deferred outflows, minus liabilities, minus deferred inflows).

The *statement of changes in fiduciary net position* presents the following for the plan’s reporting period:

- additions, such as contributions and investment income;
- deductions, such as benefit payments and expenses; and
- net increase or decrease in the fiduciary net position (the difference between additions and deductions).

Notes to Financial Statements

GASB Statement No. 67 also requires the notes of the plan's financial statements to include additional disclosure information. This disclosure information should include:

- a description of the types of benefits provided by the plan, as well as automatic or ad hoc COLAs;
- the number and classes of employees covered by the benefit terms;
- the composition of the pension plan's Board and the authority under which benefit terms may be amended;
- a description of the plan's funding policy, which includes member and employer contribution requirements;
- the pension plan's investment policies;
- a description of how fair value is determined;
- concentrations of investments greater than or equal to 5%;
- annual money-weighted rate of return on pension plan investments;
- the portion of the present value of benefits to be provided through the pension plan to current active and inactive plan members;
- the pension plan's fiduciary net position;
- the net pension liability;
- the pension plan's fiduciary net position as a percentage of the total pension liability;
- significant assumptions and methods used to calculate the total pension liability;
- inputs to the discount rates;
- certain information about mortality assumptions and the dates of experience studies; and
- a description of the terms of the plan's deferred retirement option program (DROP) and the total DROP balance for those members currently participating in the DROP.

Required Supplementary Information

GASB Statement No. 67 requires a 10-year fiscal history of:

- sources of changes in the net pension liability;
- information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll;
- comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy; and
- the annual money-weighted rate of return on pension plan investments for each year.

The tables will be built prospectively as the information becomes available.

Measurement of the Net Pension Liability

The net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability shown in this report is based on an actuarial valuation performed as of June 30, 2014 and a measurement date of June 30, 2014.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 4.29% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve); and the resulting single discount rate is 7.75%.

Effective Date and Transition

GASB Statement No. 67 is effective for a pension plan's fiscal years beginning after June 15, 2013; this corresponds to the fiscal year ending June 30, 2014.

SECTION B

FINANCIAL STATEMENTS

**Statement of Fiduciary Net Position
as of June 30, 2014**

To be provided by System

	2014
Assets	
Cash and Deposits	\$ -
Receivables	
Accounts Receivable - Sale of Investments	\$ -
Accrued Interest and Other Dividends	-
Contributions	-
Accounts Receivable - Other	-
Total Receivables	\$ -
Investments	
Fixed Income	\$ -
Domestic Equities	-
International Equities	-
Real Estate	-
Other	-
Total Investments	\$ -
Total Assets	\$ -
Liabilities	
Payables	
Accounts Payable - Purchase of Investments	\$ -
Accrued Expenses	-
Accounts Payable - Other	-
Total Liabilities	\$ -
Net Position Restricted for Pensions	\$ 7,512,167,348

**Statement of Changes in Fiduciary Net Position
for Year Ended June 30, 2014**

	2014
Additions	
Contributions	
Employer	\$ 262,300,624
Employee	47,060,476
Other	8,769,727
Total Contributions	\$ 318,130,827
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 1,233,160,978
Interest and Dividends	-
Less Investment Expense	(27,814,115)
Net Investment Income	\$ 1,205,346,863
Other	-
Total Additions	\$ 1,523,477,690
 Deductions	
Benefit Payments, Including Refunds of Employee Contributions	\$ 422,524,099
Pension Plan Administrative Expense	6,837,483
Other	467,372
Total Deductions	\$ 429,828,954
Net Increase in Net Position	\$ 1,093,648,736
 Net Position Restricted for Pensions	
Beginning of Year	\$ 6,418,518,612
End of Year	\$ 7,512,167,348

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Ultimately 10 Fiscal Years will be displayed

Fiscal year ending June 30,	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 160,292,473
Interest on the Total Pension Liability	656,264,011
Benefit Changes	-
Difference between Expected and Actual Experience	(22,177,672)
Assumption Changes	214,180,852
Benefit Payments	(413,068,752)
Refunds	(9,455,347)
Net Change in Total Pension Liability	<u>586,035,565</u>
Total Pension Liability - Beginning	<u>8,334,415,953</u>
Total Pension Liability - Ending (a)	<u><u>\$ 8,920,451,518</u></u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 262,300,624
Employee Contributions	47,060,476
Pension Plan Net Investment Income	1,205,346,863
Benefit Payments	(413,068,752)
Refunds	(9,455,347)
Pension Plan Administrative Expense	(6,837,483)
Other	8,302,355
Net Change in Plan Fiduciary Net Position	<u>1,093,648,736</u>
Plan Fiduciary Net Position - Beginning	<u>6,418,518,612</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 7,512,167,348</u></u>
Net Pension Liability - Ending (a) - (b)	<u>1,408,284,170</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.21 %
Covered Employee Payroll	\$ 1,745,242,112
Net Pension Liability as a Percentage of Covered Employee Payroll	80.69 %
Notes to Schedule:	
N/A	

Schedules of Required Supplementary Information
Schedule of the Net Pension Liability
Ultimately 10 Fiscal Years will be displayed

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$8,920,451,518	\$7,512,167,348	\$ 1,408,284,170	84.21%	\$1,745,242,112	80.69%

Schedule of Contributions (\$ in millions)

Last 10 Fiscal Years

<u>FY Ending June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll*</u>
2005	\$ 135.0	\$ 135.0	\$ -	\$ 1,215	11.09%
2006	158.2	158.2	-	1,267	12.54%
2007	163.2	163.2	-	1,303	12.54%
2008	173.5	173.5	-	1,380	12.54%
2009	159.2	159.2	-	1,434	11.01%
2010	169.6	169.6	-	1,523	11.00%
2011	195.6	195.6	-	1,623	12.46%
2012	229.6	229.6	-	1,686	13.47%
2013	249.5	249.5	-	1,693	14.24%
2014	262.3	262.3	-	1,745	14.88%

** Actual contributions are based on covered payroll at the time of the contribution. This payroll is not reported to the actuary. The covered payroll shown on this page is the valuation payroll.*

Notes to Schedule of Contributions

Valuation Date: June 30, 2014

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	4-Year smoothed market; 25% corridor
Inflation	3.75% wage inflation, 2.75% price inflation
Salary Increases	3.75% to 10.35% including inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

Other Information:

Notes: There were no benefit changes during the year.

Schedule of Investment Returns Multiyear

To be provided by System

Last 10 Fiscal Years

FY Ending June 30,	Annual Return¹
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	

¹ Annual money-weighted rate of return, net of investment expenses.

SECTION D

NOTES TO FINANCIAL STATEMENTS

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2014 to 2023 were provided by plan's investment consultant(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates, provided by the plan's investment consultant, are summarized in the following table:

Asset Allocation

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Fixed Income	9.00%	0.50%
Fixed Income Defensive	9.00%	0.80%
Large Cap Domestic Equity	20.00%	6.65%
Small/Mid Cap Domestic Equity	17.00%	7.90%
International Equity	12.00%	7.00%
Emerging Market Equity	12.00%	9.20%
Private Equity	2.50%	11.30%
Hedge Funds	2.50%	3.19%
Real Estate	16.00%	5.10%
Total	<u>100.00%</u>	
Total Real Rate of Return		5.91%
Plus: Price Inflation - Actuary's Assumption		2.75%
Less: Admin and Investment Expenses*		<u>0.50%</u>
Net Expected Return		8.16%

* This may overstate the investment expense as we understand the Callan capital market assumptions are based upon passive management. Our assumption for investment expense includes the cost of active management.

Single Discount Rate

A single discount rate of 7.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

1% Decrease	Current Single	1% Increase
6.75%	Rate Assumption	8.75%
7.75%		
\$2,532,388,229	\$1,408,284,170	\$471,793,815

Disclosure Regarding the Deferred Retirement Option Program

To Be Provided by the System

Summary of Population Statistics

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	31,914
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	13,514
Active Plan Members	<u>45,841</u>
Total Plan Members	91,269

SECTION E

SUMMARY OF BENEFITS

**SUMMARY OF PROVISIONS EVALUATED
(EXCLUDES SPECIAL PROVISIONS FOR GENERAL ASSEMBLY)
(LAST CHANGED AS OF 7/1/2009)**

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 elected to participate in the New Contributory Plan.

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 25 years of service. The reduction is equal to $\frac{1}{2}$ of 1% for each month retirement proceeds normal retirement age or 1% for each month below 28 years of actual service, whichever is less.

With a reduced benefit, after age 55 with 5 years of service or any age with 25 years of service. The reduction is equal to $\frac{1}{2}$ of 1% for each month retirement proceeds normal retirement age or 1% for each month below 28 years of actual service, whichever is less.

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), plus .5% of FAC times years of service over 28 years for service after July 1, 2009. The minimum monthly benefit is \$150 minus any age and beneficiary option reductions.

1.72% of FAC times years and months of credited service (1.75% for service prior to July 1, 2007), plus .5% of FAC times years of service over 28 years for service after July 1, 2009. 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 (pre-tax). Member contributions are refundable if APERS-covered employment terminates before a monthly benefit is payable. 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.

In place of deferred full benefit, at age 55 or older a qualifying member can elect an immediate reduced benefit.

Total and Permanent Disability

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

Disabled after 5 years of 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.

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.

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

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.

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).

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.

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 (hired before July 1, 1999)	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 (hired before July 1, 1999)	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 (municipal and county 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 a rate established by the Board. The interest is paid on the mean balance and is paid to the member at termination of active membership in either a lump sum or as an annuity.

Employer contributions continue for members participating in the DROP.

**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.

SECTION F

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

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

In accordance with Section 24-4-105 of the Arkansas Code, the Board of Trustees adopts the actuarial assumptions used for actuarial valuation purposes.

ECONOMIC ASSUMPTIONS

The investment return rate used in making the valuation was 7.75% 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 3.75%, the 7.75% investment return rate translates to an assumed net real rate of return of 4.0%. This assumption was first used for the June 30, 2014 valuation and for the District Judges division for the June 30, 2014 valuation.

Pay increase assumptions for individual active members are shown on pages 27 and 28. Part of the assumption for each age is for a merit and/or seniority increase, and the other 3.75% recognizes wage inflation. These assumptions were first used for the June 30, 2014 valuation and for the District Judges division for the June 30, 2014 valuation.

Total active member payroll is assumed to increase 3.75% 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, 2014 valuation and for the District Judges division for the June 30, 2014 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 Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females. Related values are shown on page 24. Based upon the experience observed during the most recent experience study, it appears that at the time of the study the current table provides for an approximate 15% margin for future mortality improvement. This assumption was first used for the June 30, 2013 valuation.

The probabilities of retirement for members eligible to retire are shown on pages 24 through 26. These probabilities were first used for the June 30, 2013 valuation and for the June 30, 2007 valuation for the District Judges division.

The probabilities of withdrawal from service, death-in-service and disability are shown for sample ages on pages 27 and 28. These probabilities were first used for the June 30, 2013 valuation and for the District Judges division for the June 30, 2013 valuation.

The individual entry-age normal actuarial cost method of the valuation was used in determining liabilities and normal cost. For calculating actuarially determined contributions, for members who are assumed to enter the DROP, normal costs are assumed to be collected until the ultimate date of retirement. For GASB Statement No. 67 purposes for members who are assumed to enter the DROP, the date of entry into the DROP was considered to be the plan member's retirement date.

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.

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. The funding value of assets may not deviate from the market value of assets by more than 25%.

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 (MAAA).

SINGLE LIFE RETIREMENT VALUES
BASED ON RP -2000 COMBINED, PROJECTED TO 2020
7.75% INTEREST
JUNE 30, 2014

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	\$ 148.79	\$ 151.36	\$ 213.63	\$ 220.62	40.56	44.21
45	144.51	147.87	202.83	211.12	35.81	39.39
50	138.75	143.19	189.86	199.70	31.13	34.64
55	131.27	136.95	174.68	186.08	26.58	29.98
60	121.95	128.83	157.43	170.13	22.23	25.44
65	110.72	118.82	138.40	152.20	18.14	21.14
70	97.36	107.05	117.68	132.83	14.35	17.16
75	82.38	93.70	96.25	112.51	10.95	13.56
80	66.49	78.92	75.15	91.71	8.02	10.35
85	50.66	63.41	55.53	71.45	5.60	7.59

Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive	
		Men	Women
60	\$100	100 %	100 %
65	116	96	97
70	134	90	92
75	155	80	84
80	180	66	72

The mortality table was set forward 10 years for disabilities.

Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

**STATE AND LOCAL GOVERNMENT DIVISION
AGE-BASED RETIREMENT
JUNE 30, 2014**

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		5
62		18
63		17
64		13
65	23 %	
66	23	
67	23	
68	15	
69	15	
70	17	
71	17	
72	17	
73	17	
74-77	20	
78	15	
79	20	
80-82	20	
83	20	
84	20	
85 & Over	100	

A member was assumed eligible for unreduced retirement after attaining age 65 with 5 years of service or 28 years regardless of age. A member was assumed eligible for reduced retirement after attaining age 55 with 10 or more years of service. These rates represent the point at which members ultimately terminate employment (after participating in the DROP, for those that do).

STATE AND LOCAL GOVERNMENT DIVISION
SERVICE BASED RETIREMENT
JUNE 30, 2014

Service	Percent of Eligible Active Members Retiring Within Next Year
28	15 %
29	13
30	11
31	11
32	12
33	12
34	12
35	20
36	25
37	25
38	30
39	30
40 & Over	100

**GENERAL ASSEMBLY DIVISION
PROBABILITIES OF RETIREMENT
FOR MEMBERS ELIGIBLE TO RETIRE
JUNE 30, 2014**

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 & Over	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.

STATE AND LOCAL GOVERNMENT DIVISION
SEPARATIONS FROM ACTIVE EMPLOYMENT BEFORE SERVICE RETIREMENT
JUNE 30, 2014

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	0.02 %	0.01 %	0.01 %	0.01 %	6.60 %	3.75 %	10.35 %
25		10.0	10.0	0.02	0.01	0.05	0.05	5.10	3.75	8.85
30		8.8	8.8	0.03	0.01	0.08	0.08	3.20	3.75	6.95
35		6.2	6.2	0.04	0.02	0.10	0.10	2.30	3.75	6.05
40		4.4	4.4	0.06	0.03	0.15	0.15	1.90	3.75	5.65
45		3.4	3.4	0.08	0.05	0.20	0.20	1.50	3.75	5.25
50		2.7	2.7	0.13	0.08	0.40	0.40	1.10	3.75	4.85
55		1.9	1.9	0.22	0.12	0.70	0.70	0.80	3.75	4.55
60		1.2	1.2	0.37	0.21	1.00	1.00	0.70	3.75	4.45

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

**GENERAL ASSEMBLY DIVISION
SEPARATIONS FROM ACTIVE EMPLOYMENT BEFORE
SERVICE RETIREMENT
JUNE 30, 2014**

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	0.02 %	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	0.06	0.04	0.16	0.16
45		2.4	2.4	0.08	0.06	0.22	0.22
50		1.1	1.1	0.13	0.09	0.39	0.39
55		0.8	0.8	0.22	0.14	0.71	0.71
60		0.8	0.8	0.37	0.23	1.13	1.13

SUMMARY OF ASSUMPTIONS USED
JUNE 30, 2014
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. Active member non-refund normal costs and actuarial accrued liabilities were increased by 1.5% to reflect non-reported reciprocal 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.

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 total DROP duration is 4 years for those members currently participating in the DROP.

SUMMARY OF ASSUMPTIONS USED
JUNE 30, 2014
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS (CONCLUDED)

DROP Interest Credit. The current interest rate credit for DROP accounts is assumed to be 3.0%.

Payroll for DROP Participants and Retired Members Returned to Work. Employers now contribute on the pays of DROP participants and retired members returned to work. We estimated payroll subject to this provision. For the June 30, 2014 valuation the estimated payroll for these members was \$107,000,000.

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

SECTION G

CALCULATION OF THE SINGLE DISCOUNT RATE

CALCULATION OF THE SINGLE DISCOUNT RATE

GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk-free” rate is required, as described in the following paragraph.

The *Single Discount Rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 4.29%; and the resulting single discount rate is 7.75%.

The tables in this section provide background for the development of the single discount rate.

The **Projection of Contributions** table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities).

The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years.

The **Present Values of Projected Benefit Payments** table shows the development of the Single Discount Rate (SDR). It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

Single Discount Rate Development Projection of Contributions

Year	Contributions from Current		UAL	Total
	Employees	Normal Cost	Contributions	Contributions
0				
1	\$ 47,241,953	\$ 121,411,068	\$ 127,333,065	\$ 295,986,086
2	43,675,086	113,838,626	120,419,146	277,932,859
3	41,737,793	108,720,814	102,918,038	253,376,646
4	40,526,122	104,494,699	91,085,820	236,106,640
5	39,675,138	100,671,195	94,501,537	234,847,871
6	38,963,957	96,990,030	98,045,344	233,999,331
7	38,252,254	93,298,600	101,722,044	233,272,899
8	37,497,693	89,532,967	105,536,622	232,567,282
9	36,699,072	85,632,981	109,494,246	231,826,299
10	35,869,018	81,644,956	113,600,280	231,114,254
11	35,042,847	77,655,603	117,860,290	230,558,740
12	34,230,687	73,694,387	122,280,052	230,205,126
13	33,418,047	69,768,867	126,865,553	230,052,467
14	32,600,779	65,901,732	131,623,011	230,125,522
15	31,778,673	62,107,272	136,558,873	230,444,818
16	30,939,092	58,400,145	141,679,832	231,019,069
17	30,066,794	54,763,562	146,992,825	231,823,181
18	29,164,505	51,191,950	152,505,056	232,861,511
19	28,218,128	47,661,049	158,223,997	234,103,174
20	27,142,105	44,149,304	164,157,395	235,448,804
21	25,902,003	40,669,781	170,313,297	236,885,080
22	24,563,414	37,246,543	176,700,046	238,510,003
23	23,153,617	33,886,371	183,326,298	240,366,286
24	21,683,304	30,589,503	190,201,031	242,473,838
25	20,150,600	27,381,420	0	47,532,020
26	18,537,018	24,225,989	0	42,763,006
27	16,821,791	21,137,318	0	37,959,109
28	15,015,819	18,203,880	0	33,219,699
29	13,236,595	15,530,257	0	28,766,852
30	11,552,497	13,137,080	0	24,689,577
31	9,917,501	10,958,055	0	20,875,555
32	8,279,081	8,995,813	0	17,274,893
33	6,675,925	7,233,320	0	13,909,244
34	5,190,837	5,609,373	0	10,800,211
35	3,840,455	4,138,577	0	7,979,032
36	2,691,170	2,893,709	0	5,584,879
37	1,771,481	1,900,693	0	3,672,174
38	1,046,735	1,120,065	0	2,166,800
39	501,836	533,224	0	1,035,061
40	138,506	148,272	0	286,779
41	-	-	0	0
42	-	-	0	0
43	-	-	0	0
44	-	-	0	0
45	-	-	0	0
46	-	-	0	0
47	-	-	0	0
48	-	-	0	0
49	-	-	0	0
50	-	-	0	0

Single Discount Rate Development Projection of Plan Fiduciary Net Position

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.75%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	\$ 7,512,167,348	\$ 295,986,086	\$ 619,711,414	\$ -	\$ 569,882,675	\$ 7,758,324,695
2	7,758,324,695	277,932,859	511,086,528	-	592,404,035	8,117,575,061
3	8,117,575,061	253,376,646	531,287,404	-	618,543,962	8,458,208,264
4	8,458,208,264	236,106,640	554,136,669	-	643,417,421	8,783,595,656
5	8,783,595,656	234,847,871	578,806,728	-	667,648,949	9,107,285,747
6	9,107,285,747	233,999,331	607,797,009	-	691,600,251	9,425,088,320
7	9,425,088,320	233,272,899	636,602,286	-	715,106,948	9,736,865,881
8	9,736,865,881	232,567,282	666,974,763	-	738,087,903	10,040,546,303
9	10,040,546,303	231,826,299	698,914,306	-	760,380,395	10,333,838,690
10	10,333,838,690	231,114,254	730,674,304	-	781,875,741	10,616,154,382
11	10,616,154,382	230,558,740	762,911,033	-	802,508,217	10,886,310,306
12	10,886,310,306	230,205,126	793,986,214	-	822,250,160	11,144,779,378
13	11,144,779,378	230,052,467	824,877,193	-	841,101,017	11,391,055,669
14	11,391,055,669	230,125,522	854,885,860	-	859,049,069	11,625,344,399
15	11,625,344,399	230,444,818	883,131,952	-	876,144,474	11,848,801,740
16	11,848,801,740	231,019,069	910,642,440	-	892,438,114	12,061,616,484
17	12,061,616,484	231,823,181	937,727,666	-	907,931,866	12,263,643,864
18	12,263,643,864	232,861,511	963,479,074	-	922,649,224	12,455,675,525
19	12,455,675,525	234,103,174	990,615,557	-	936,546,976	12,635,710,118
20	12,635,710,118	235,448,804	1,018,912,333	-	949,474,786	12,801,721,376
21	12,801,721,376	236,885,080	1,046,317,233	-	961,353,151	12,953,642,374
22	12,953,642,374	238,510,003	1,071,828,396	-	972,218,707	13,092,542,689
23	13,092,542,689	240,366,286	1,097,156,943	-	982,090,902	13,217,842,933
24	13,217,842,933	242,473,838	1,122,136,116	-	990,931,932	13,329,112,587
25	13,329,112,587	47,532,020	1,143,341,540	-	991,335,905	13,224,638,972
26	13,224,638,972	42,763,006	1,165,353,128	-	982,220,814	13,084,269,665
27	13,084,269,665	37,959,109	1,185,056,302	-	970,410,263	12,907,582,736
28	12,907,582,736	33,219,699	1,202,370,179	-	955,878,406	12,694,310,662
29	12,694,310,662	28,766,852	1,218,256,548	-	938,576,382	12,443,397,348
30	12,443,397,348	24,689,577	1,228,584,833	-	918,582,800	12,158,084,892
31	12,158,084,892	20,875,555	1,234,974,868	-	896,083,055	11,840,068,635
32	11,840,068,635	17,274,893	1,238,146,974	-	871,179,248	11,490,375,801
33	11,490,375,801	13,909,244	1,235,275,176	-	844,059,273	11,113,069,143
34	11,113,069,143	10,800,211	1,227,866,259	-	814,981,519	10,710,984,614
35	10,710,984,614	7,979,032	1,213,866,580	-	784,245,052	10,289,342,118
36	10,289,342,118	5,584,879	1,191,690,126	-	752,320,020	9,855,556,891
37	9,855,556,891	3,672,174	1,166,802,227	-	719,575,342	9,412,002,180
38	9,412,002,180	2,166,800	1,137,314,575	-	686,263,933	8,963,118,338
39	8,963,118,338	1,035,061	1,103,828,606	-	652,705,769	8,513,030,562
40	8,513,030,562	286,779	1,065,105,128	-	619,268,048	8,067,480,262
41	8,067,480,262	-	1,017,825,029	-	586,524,914	7,636,180,147
42	7,636,180,147	-	983,709,797	-	554,396,454	7,206,866,804
43	7,206,866,804	-	948,280,508	-	522,471,938	6,781,058,234
44	6,781,058,234	-	911,852,889	-	490,857,006	6,360,062,352
45	6,360,062,352	-	874,495,300	-	459,650,422	5,945,217,473
46	5,945,217,473	-	836,171,275	-	428,957,290	5,538,003,488
47	5,538,003,488	-	797,000,848	-	398,887,739	5,139,890,379
48	5,139,890,379	-	757,243,754	-	369,545,815	4,752,192,440
49	4,752,192,440	-	717,192,626	-	341,022,248	4,376,022,063
50	4,376,022,063	-	677,008,733	-	313,397,116	4,012,410,445

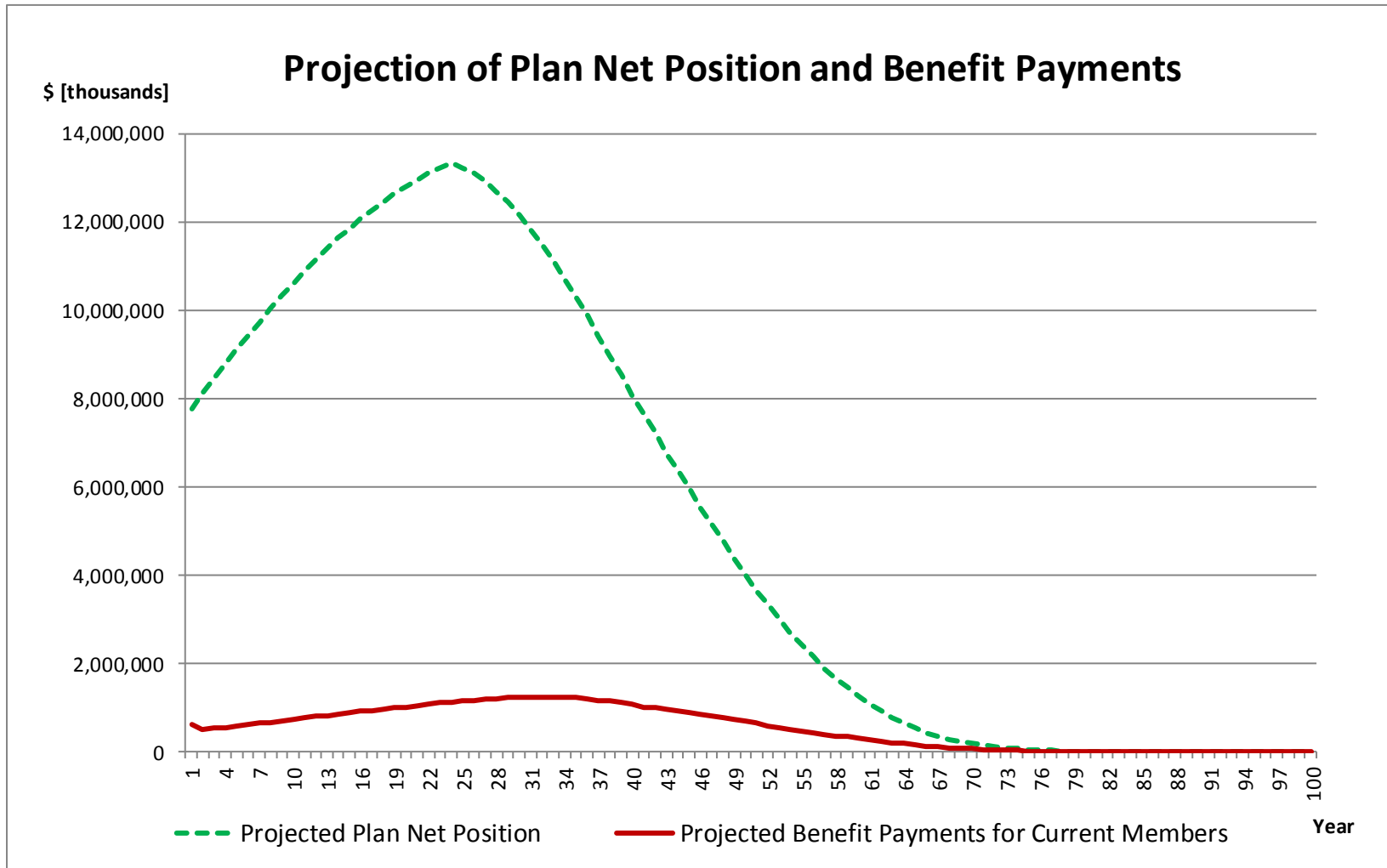
First year's benefit payments include distribution of the DROP reserve.

Single Discount Rate Development Present Values of Projected Benefits

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^(a)-.5	(g)=(e)*vf^(a)-.5	(h)=(c)/(1+sdr)^(a)-.5
1	\$ 7,512,167,348	\$ 619,711,414	\$ 619,711,414	\$ -	\$ 597,008,969	\$ -	\$ 597,008,969
2	7,758,324,695	511,086,528	511,086,528	-	456,949,824	-	456,949,824
3	8,117,575,061	531,287,404	531,287,404	-	440,845,409	-	440,845,409
4	8,458,208,264	554,136,669	554,136,669	-	426,733,182	-	426,733,182
5	8,783,595,656	578,806,728	578,806,728	-	413,671,705	-	413,671,705
6	9,107,285,747	607,797,009	607,797,009	-	403,147,086	-	403,147,086
7	9,425,088,320	636,602,286	636,602,286	-	391,882,510	-	391,882,510
8	9,736,865,881	666,974,763	666,974,763	-	381,048,109	-	381,048,109
9	10,040,546,303	698,914,306	698,914,306	-	370,575,805	-	370,575,805
10	10,333,838,690	730,674,304	730,674,304	-	359,550,325	-	359,550,325
11	10,616,154,382	762,911,033	762,911,033	-	348,411,489	-	348,411,489
12	10,886,310,306	793,986,214	793,986,214	-	336,522,615	-	336,522,615
13	11,144,779,378	824,877,193	824,877,193	-	324,469,075	-	324,469,075
14	11,391,055,669	854,885,860	854,885,860	-	312,086,419	-	312,086,419
15	11,625,344,399	883,131,952	883,131,952	-	299,209,277	-	299,209,277
16	11,848,801,740	910,642,440	910,642,440	-	286,338,710	-	286,338,710
17	12,061,616,484	937,727,666	937,727,666	-	273,647,591	-	273,647,591
18	12,263,643,864	963,479,074	963,479,074	-	260,939,549	-	260,939,549
19	12,455,675,525	990,615,557	990,615,557	-	248,992,053	-	248,992,053
20	12,635,710,118	1,018,912,333	1,018,912,333	-	237,683,964	-	237,683,964
21	12,801,721,376	1,046,317,233	1,046,317,233	-	226,521,361	-	226,521,361
22	12,953,642,374	1,071,828,396	1,071,828,396	-	215,354,407	-	215,354,407
23	13,092,542,689	1,097,156,943	1,097,156,943	-	204,587,918	-	204,587,918
24	13,217,842,933	1,122,136,116	1,122,136,116	-	194,195,646	-	194,195,646
25	13,329,112,587	1,143,341,540	1,143,341,540	-	183,633,813	-	183,633,813
26	13,224,638,972	1,165,353,128	1,165,353,128	-	173,706,846	-	173,706,846
27	13,084,269,665	1,185,056,302	1,185,056,302	-	163,938,552	-	163,938,552
28	12,907,582,736	1,202,370,179	1,202,370,179	-	154,370,044	-	154,370,044
29	12,694,310,662	1,218,256,548	1,218,256,548	-	145,159,782	-	145,159,782
30	12,443,397,348	1,228,584,833	1,228,584,833	-	135,861,193	-	135,861,193
31	12,158,084,892	1,234,974,868	1,234,974,868	-	126,745,082	-	126,745,082
32	11,840,068,635	1,238,146,974	1,238,146,974	-	117,930,983	-	117,930,983
33	11,490,375,801	1,235,275,176	1,235,275,176	-	109,194,849	-	109,194,849
34	11,113,069,143	1,227,866,259	1,227,866,259	-	100,733,106	-	100,733,106
35	10,710,984,614	1,213,866,580	1,213,866,580	-	92,421,888	-	92,421,888
36	10,289,342,118	1,191,690,126	1,191,690,126	-	84,207,339	-	84,207,339
37	9,855,556,891	1,166,802,227	1,166,802,227	-	76,518,522	-	76,518,522
38	9,412,002,180	1,137,314,575	1,137,314,575	-	69,220,168	-	69,220,168
39	8,963,118,338	1,103,828,606	1,103,828,606	-	62,349,993	-	62,349,993
40	8,513,030,562	1,065,105,128	1,065,105,128	-	55,835,442	-	55,835,442
41	8,067,480,262	1,017,825,029	1,017,825,029	-	49,519,167	-	49,519,167
42	7,636,180,147	983,709,797	983,709,797	-	44,417,072	-	44,417,072
43	7,206,866,804	948,280,508	948,280,508	-	39,737,677	-	39,737,677
44	6,781,058,234	911,852,889	911,852,889	-	35,462,810	-	35,462,810
45	6,360,062,352	874,495,300	874,495,300	-	31,563,748	-	31,563,748
46	5,945,217,473	836,171,275	836,171,275	-	28,009,739	-	28,009,739
47	5,538,003,488	797,000,848	797,000,848	-	24,777,376	-	24,777,376
48	5,139,890,379	757,243,754	757,243,754	-	21,848,164	-	21,848,164
49	4,752,192,440	717,192,626	717,192,626	-	19,204,270	-	19,204,270
50	4,376,022,063	677,008,733	677,008,733	-	16,824,376	-	16,824,376

Single Discount Rate Development Present Values of Projected Benefits (Concluded)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v ^{((a)-.5)}	(g)=(e)*vf ^{((a)-.5)}	(h)=(c)/(1+sdr) ^{((a)-.5)}
51	\$ 4,012,410,445	\$ 636,801,109	\$ 636,801,109	\$ -	\$ 14,686,937	\$ -	\$ 14,686,937
52	3,662,355,526	596,698,756	596,698,756	-	12,772,187	-	12,772,187
53	3,326,798,676	556,826,045	556,826,045	-	11,061,459	-	11,061,459
54	3,006,625,118	517,319,285	517,319,285	-	9,537,493	-	9,537,493
55	2,702,647,193	478,327,677	478,327,677	-	8,184,343	-	8,184,343
56	2,415,585,319	440,010,329	440,010,329	-	6,987,212	-	6,987,212
57	2,146,050,590	402,536,581	402,536,581	-	5,932,382	-	5,932,382
58	1,894,525,681	366,085,211	366,085,211	-	5,007,128	-	5,007,128
59	1,661,345,098	330,840,287	330,840,287	-	4,199,597	-	4,199,597
60	1,446,678,201	296,984,528	296,984,528	-	3,498,692	-	3,498,692
61	1,250,517,810	264,695,928	264,695,928	-	2,894,022	-	2,894,022
62	1,072,671,428	234,138,216	234,138,216	-	2,375,799	-	2,375,799
63	912,761,680	205,458,302	205,458,302	-	1,934,834	-	1,934,834
64	770,229,450	178,780,078	178,780,078	-	1,562,507	-	1,562,507
65	644,343,689	154,197,306	154,197,306	-	1,250,726	-	1,250,726
66	534,219,363	131,769,446	131,769,446	-	991,934	-	991,934
67	438,841,124	111,522,085	111,522,085	-	779,133	-	779,133
68	357,088,379	93,445,224	93,445,224	-	605,886	-	605,886
69	287,764,065	77,493,122	77,493,122	-	466,315	-	466,315
70	229,625,830	63,587,240	63,587,240	-	355,115	-	355,115
71	181,416,561	51,618,217	51,618,217	-	267,538	-	267,538
72	141,895,243	41,449,289	41,449,289	-	199,380	-	199,380
73	109,866,645	32,922,448	32,922,448	-	146,974	-	146,974
74	84,206,920	25,866,373	25,866,373	-	107,168	-	107,168
75	63,882,963	20,102,938	20,102,938	-	77,299	-	77,299
76	47,966,501	15,455,372	15,455,372	-	55,154	-	55,154
77	35,640,812	11,754,410	11,754,410	-	38,930	-	38,930
78	26,201,580	8,842,857	8,842,857	-	27,180	-	27,180
79	19,053,078	6,579,247	6,579,247	-	18,768	-	18,768
80	13,700,256	4,839,803	4,839,803	-	12,813	-	12,813
81	9,738,180	3,518,732	3,518,732	-	8,646	-	8,646
82	6,840,350	2,527,514	2,527,514	-	5,763	-	5,763
83	4,746,849	1,793,046	1,793,046	-	3,795	-	3,795
84	3,253,500	1,255,830	1,255,830	-	2,467	-	2,467
85	2,202,061	868,225	868,225	-	1,583	-	1,583
86	1,471,480	592,395	592,395	-	1,002	-	1,002
87	970,598	398,832	398,832	-	626	-	626
88	631,820	264,954	264,954	-	386	-	386
89	405,757	173,682	173,682	-	235	-	235
90	256,917	112,318	112,318	-	141	-	141
91	160,239	71,640	71,640	-	83	-	83
92	98,293	45,044	45,044	-	49	-	49
93	59,154	27,881	27,881	-	28	-	28
94	34,798	16,940	16,940	-	16	-	16
95	19,910	10,086	10,086	-	9	-	9
96	10,984	5,847	5,847	-	5	-	5
97	5,765	3,255	3,255	-	2	-	2
98	2,834	1,718	1,718	-	1	-	1
99	1,270	834	834	-	1	-	1
100	503	503	503	-	-	-	-
				Totals	\$ 10,269,624,739	\$ -	\$ 10,269,624,739



SECTION H

GLOSSARY OF TERMS

GLOSSARY OF TERMS

<i>Actuarial Accrued Liability (AAL)</i>	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."
<i>Actuarial Assumptions</i>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<i>Accrued Service</i>	Service credited under the system which was rendered before the date of the actuarial valuation.
<i>Actuarial Equivalent</i>	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
<i>Actuarial Cost Method</i>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<i>Actuarial Gain (Loss)</i>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<i>Actuarial Present Value (APV)</i>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<i>Actuarial Valuation</i>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
<i>Actuarial Valuation Date</i>	The date as of which an actuarial valuation is performed.
<i>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</i>	A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.

GLOSSARY OF TERMS

<i>Amortization Payment</i>	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
<i>Amortization Method</i>	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
<i>Cost-of-Living Adjustments</i>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
<i>Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)</i>	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
<i>Covered-Employee Payroll</i>	The payroll of covered employees, which is typically only the pensionable pay and does not include pay above any pay cap.
<i>Deferred Retirement Option Program (DROP)</i>	A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report.
<i>Deferred Inflows and Outflows</i>	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
<i>Discount Rate</i>	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none"> 1. The benefit payments to be made while the pension plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and 2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

GLOSSARY OF TERMS

<i>Entry Age Actuarial Cost Method (EAN)</i>	The EAN is a funding method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.
<i>GASB</i>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<i>Fiduciary Net Position</i>	The fiduciary net position is the value of the assets of the trust.
<i>Long-Term Expected Rate of Return</i>	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
<i>Money-Weighted Rate of Return</i>	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.
<i>Multiple-Employer Defined Benefit Pension Plan</i>	A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
<i>Municipal Bond Rate</i>	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
<i>Net Pension Liability (NPL)</i>	The NPL is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.
<i>Non-Employer Contribution Entities</i>	Non-employer contribution entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB Accounting statement plan members are not considered non-employer contribution entities.
<i>Normal Cost</i>	The actuarial present value of the pension trust benefits allocated to the current year by the actuarial cost method.

GLOSSARY OF TERMS

<i>Other Postemployment Benefits (OPEB)</i>	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
<i>Real Rate of Return</i>	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
<i>Service Cost</i>	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
<i>Total Pension Expense</i>	The total pension expense is the sum of the following items that are recognized at the end of the employer's fiscal year: <ol style="list-style-type: none"> 1. Service Cost 2. Interest on the Total Pension Liability 3. Current-Period Benefit Changes 4. Employee Contributions (made negative for addition here) 5. Projected Earnings on Plan Investments (made negative for addition here) 6. Pension Plan Administrative Expense 7. Other Changes in Plan Fiduciary Net Position 8. Recognition of Outflow (Inflow) of Resources due to Liabilities 9. Recognition of Outflow (Inflow) of Resources due to Assets
<i>Total Pension Liability (TPL)</i>	The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	The UAAL is the difference between actuarial accrued liability and valuation assets.
<i>Valuation Assets</i>	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of the GASB Statement No. 67, the valuation asset is equal to the market value of assets.



November 25, 2014 - Revised

Ms. Gail H. Stone, Executive Director
Arkansas Public Employees Retirement System
One Union National Plaza
124 West Capitol, Suite 400
Little Rock, Arkansas 72201

Dear Gail,

Please find the enclosed revised copies of the GASB Statement No. 67 Plan Reporting Accounting Schedules report of the Arkansas Public Employees Retirement System.

This report has an updated Sensitivity of Net Pension Liability schedule.

Sincerely,

Mita D. Drazilov, ASA, MAAA

MDD:dks:ah
Enclosures