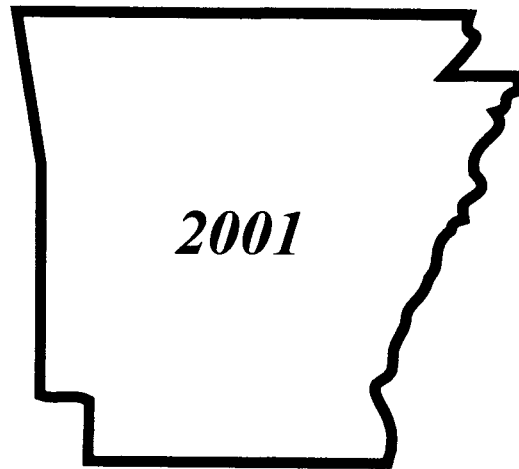
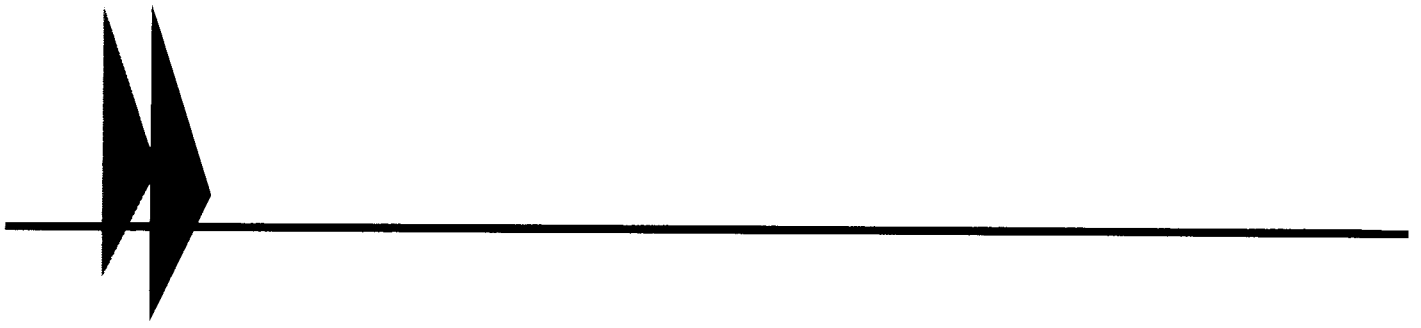


*Arkansas Public Employees
Retirement System*



Annual Financial Report

APERS



ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

One Union National Plaza • 124 West Capitol • Suite 400 • Little Rock, Arkansas 72201

December 3, 2001

Dear Members of the Arkansas Public Employees' Retirement System:

On behalf of the System, its Board of Trustees and the staff of APERS I would like to express our deepest sympathies to the family and friend so horribly affected by the September 11, 2001 terror attacks on both New York City and our nation's capital.

The twin towers of the World Trade Center and the Pentagon were apparently chosen as symbols of America's economic and military pre-eminence in the global arena. Their destruction was meant not only to take American lives, but also to disrupt our way of life and shake investor confidence in the strength of our capital markets.

The National Association of State Retirement Administrators, to which APERS belongs, along with the National Council on Teacher Retirement issued a press statement immediately after that terrible day, which read:

"We, as representatives of the National Association of State Retirement Administrators and the National Council on Teacher Retirement wish to publicly express our support of and confidence in the US financial markets and its financial systems.

Specifically:

- 1. As trust fund fiduciaries we support the efforts of federal officials and stock exchange officials and members to re-open the markets in an orderly manner. In our view, time is not of the essence but orderliness is. Orderly markets protect the future retirement of the millions of state, county, city, agency, teacher, police and fire employees represented by our plans.*
- 2. We have unqualified confidence in the US financial systems and in the resilience of the US financial markets.*
- 3. We, as institutional investors, will continue to provide stability in the US financial markets. We will remain patient long-term providers of capital.*
- 4. We remain confident in the underlying strength of the US economy.*
- 5. We urge all other investors to remain calm when the markets reopen.*
- 6. We join all of America in offering our condolences to the families, friends, and business colleagues who were personally affected by this horrible tragedy."*

I am proud to have signed that letter. I am also proud to represent the APERS fund, which has brought a secure retirement to so many people. Rest assured that promised benefits remain safe, and that the recovering strength of America's financial markets will soon again help this fund to grow.

Sincerely,

Gail H. Stone
Executive Director

Arkansas Public Employees Retirement System

A Pension Trust Fund of
the State of Arkansas

Comprehensive Annual Financial Report

***For the Year Ended
June 30, 2001***

Prepared by

**Arkansas Public Employees Retirement System
One Union National Plaza, Suite 400
124 West Capitol
Little Rock, AR 72201-1070**

**Gail H. Stone, Executive Director
Michele Williams, Deputy Director**

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Introductory Section

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Board of Trustees

Organizational Chart and Administrative Staff

Professional Consultants and Investment Managers

Membership Information



ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

One Union National Plaza • 124 West Capitol • Suite 400 • Little Rock, Arkansas 72201

December 3, 2001

Board of Trustees
Arkansas Public Employees Retirement System
Little Rock, AR 72201

Dear Board Members:

It is with great pleasure and pride that we present to you the 2001 Annual Financial Report of the Arkansas Public Employees Retirement System (“APERS” or the “System”) for the fiscal year ended June 30, 2001. The report evidences our continuing progress to provide reliable and timely information on the financial status of APERS and the changes therein for the fiscal year.

Accountability is the imperative of financial reporting. It insists that APERS resources be safeguarded and used for the benefit of all members, that transactions be executed only with the proper authorization of the board and management, and that transactions be recorded properly to permit the reporting of timely reliable financial information on the activity of the entity.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial status of the System and changes therein.

APERS was established by legislation enacted in 1957 and has subsequently expanded to include State, County, Municipal, School and other political subdivisions. A comprehensive list of all participating employers is provided at the end of the Statistical Section. The Summary of Plan Provisions is presented in the Actuarial Section. The mission of the System is to provide current and future retirement or survivor benefits for its members. All services provided by the staff are performed to meet that objective.

The APERS Annual Financial Report is presented in five sections; an Introductory Section, which contains the administrative organization, a letter of transmittal, and the Chairman’s report; a Financial Section, which contains the report of the independent auditors, the financial statements of the system, and required supplementary information; an Investment Section, which contains a report on investment activity, investment policies, investment results, and various investment schedules; an Actuarial Section, which contains the actuary’s certification letter and the results of the annual actuarial valuation; and a Statistical Section, which includes significant trend data pertaining to the System. I trust that you and the members of the System will find this annual report helpful in understanding your public employees retirement system - a system which continues to maintain a strong and positive financial future.

ECONOMIC CONDITION AND OUTLOOK

The economic condition of the System is based primarily upon investment earnings. For the last five years, the System's annualized rate of return has been 8.77%. The System's investments are evaluated quarterly by Callan Associates, Inc. and compared to market indicators and comparable funds. A comparable analysis of rates of return is presented in the Investment Section.

FOR THE FUTURE

Despite the negative investment returns this year, it is important to recognize that the Arkansas Public Employees Retirement System is maintained on an actuarially sound basis as certified in this report by our actuary, thus protecting participants' future benefits. We anticipate that investment earnings will continue to meet or exceed actuarially assumed earnings rates in the coming years. The System is fully funded, and we expect to maintain that position in the future.

FINANCIAL INFORMATION

The management of the System is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures adopted by the Board of Trustees and promulgated in accordance with the Administrative Procedures Act.

ADDITIONS

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee retirement contributions and through earnings on investments. These additions for fiscal year 2001 totaled approximately (\$82) million (see Table 1).

The overall additions decreased approximately \$536 million compared to those of fiscal year 2000 due primarily to lower investment earnings. The Investment Section of this report reviews activity and the results of the investment portfolio for fiscal year 2001. The fair value of the investments of the system exceeded \$3.9 billion on June 30, 2001, a decrease of approximately \$249.3 million from 2000.

TABLE 1. OPERATING ADDITIONS

Employer contributions	\$ 100,925,338
Employee contributions	301,349
Investment earnings	(190,474,072)
Miscellaneous additions	<u>7,533,778</u>
TOTAL	<u>\$ (81,713,607)</u>

DEDUCTIONS

The primary deductions of the System included the payment of benefits to members and beneficiaries, the refund of contributions to former members, and the cost of administering the retirement system. Deductions for fiscal year 2001 totaled approximately \$139.6 million (see Table 2), an increase of approximately 11% over fiscal year 2000 deductions. The increase in benefit payments resulted primarily from an increase in both the number and average amount of benefits paid and cost-of-living increases granted. Net decrease in Plan net assets was approximately \$221.3 million during fiscal year 2001.

TABLE 2. OPERATING DEDUCTIONS

Benefit payments	\$ 135,330,351
Refunds of contributions	369,060
Administrative expenses	3,853,726
Miscellaneous deductions	<u>8,367</u>
TOTAL	<u>\$ 139,561,504</u>

FUNDING

A pension fund is well funded when it has enough money in reserve to meet all earned future obligations to participants. The System's funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater level of the investment potential. The advantage of a well-funded plan is that the participants can be assured that sufficient assets exist which are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of the System as of June 30, 2001, amounted to \$4.1 billion and \$4.3 billion, respectively. A detailed discussion of funding is provided in the Actuarial Section of this report. Funding status and progress for the System is presented in the required supplementary information in the Financial Section.

INVESTMENTS

The investments of the System are governed primarily by an investment authority known as the "prudent investor rule". This rule established a standard for all fiduciaries, which includes anyone that has investment authority with respect to the fund. The prudent investor rule states that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. By permitting diversification of investments within a fund, the fund may reduce overall risks and increase returns. A summary of the asset allocation can be found in the Investment Section.

The Arkansas Investment Code permits the fund to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to professional investment managers. The statement of investment policy outlines the responsibility for the investment of the fund and the degree of risk that is deemed appropriate for the fund. Investment managers are to execute the investment policy in accordance with the statutory authority, the Board policy, and their respective guidelines, but are to use full discretion within the policy and guidelines. Investment managers appointed by the Board are listed in the Introductory Section. For fiscal year 2001, investments provided a (3.82%) rate of return. The System's annualized rate of return over the last three years was approximately 4.41%.

AUDIT

The System is audited each fiscal year by the Division of Legislative Audit.

ACTUARIAL SURVEY AND VALUATION


An actuarial review of the System is performed annually. The assumptions utilized by the actuary in performing the valuation are reviewed annually by the Board. The actuarial firm, Gabriel, Roeder, Smith & Company, completed the actuarial review and valuation and served as technical advisor to the System. Actuarial certification and supporting statistics are included in the Actuarial and Statistical Sections of this report.

ACKNOWLEDGMENTS

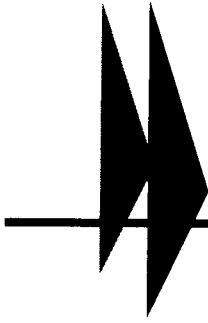
The compilation of this report reflects the combined efforts of the staff under the leadership of the Arkansas Public Employees Retirement System Board of Trustees. It is intended to provide extensive and reliable information for making management decisions, determining compliance with legal provisions, and determining responsible stewardship for the assets contributed by the System's members and their employers.

We would like to take this opportunity to express our gratitude to the Board, the staff, the advisors and the many people who have worked so diligently to assure the successful operation and financial soundness of the Arkansas Public Employees Retirement System.

Sincerely yours,



Gail H. Stone
Executive Director



ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

One Union National Plaza • 124 West Capitol • Suite 400 • Little Rock, Arkansas 72201

December 3, 2001

Dear Members of the Arkansas Public Employees Retirement System:

As a Board we are pleased to report the Arkansas Public Employees Retirement System ("APERS" or the "System") is of sound financial condition. The assets accumulated to pay your retirement benefits are appropriately invested to insure necessary funding when your benefits are due to you. As Board members, we serve as trustees to insure that your interests are properly safeguarded. We have the responsibility and mandate to provide retirement benefits for all participants commensurate with the valuable service they have rendered to the public.

The System operates in a continually changing economic environment. The Board has been successful in minimizing adverse external influence by diversifying the investment asset categories into a broader portfolio with the help of investment advisors and consultants. The annualized rate of return of the investment portfolio for the past five years has been 8.77%. We recognize our professional investment managers and administrative staff for their solid performance in a very difficult market environment.

We commend the support of the Governor and the Legislature for their commitment to keep the System actuarially sound and funded in accordance with our funding plan.

As Board Chair, I assure you that the members of the Board have your best interest for future benefits and financial security always in mind as they direct investments and all other operations of the System. As your Board, we also recognize the dedication and excellent work of the entire staff of the retirement office. They are dedicated to serving you in an excellent fashion.

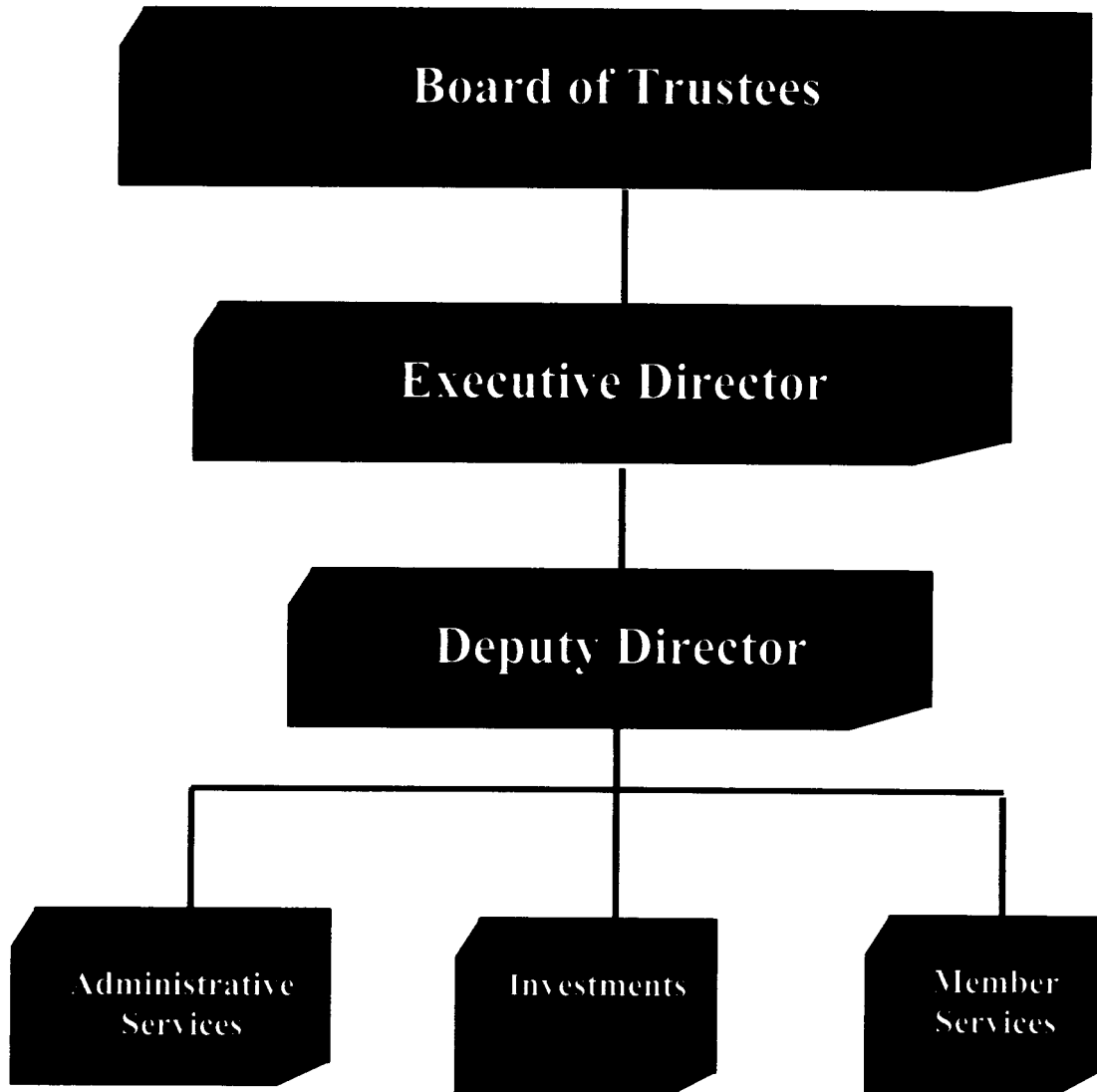
Sincerely,

Ouida Wright
Board Chair

Board of Trustees

<u>Member</u>	<u>Expiration Of Term</u>
Ms. Ouida Wright Chair Quality Assurance Coordinator Conway Human Development Center	March 9, 2005
The Honorable Larry Fratesi Vice Chair Assessor, Jefferson County	March 9, 2003
The Honorable Jimmie Lou Fisher State Treasurer	Ex Officio Member
The Honorable Gus Wingfield State Auditor	Ex Officio Member
Mr. Dick Barclay Director, Department of Finance and Administration	Ex Officio Member
Mr. Edwin E. Waddell Sherwood, AR	March 9, 2002
Mr. Don Zimmerman Executive Director, Municipal League	March 9, 2004
Mr. Jonathan R. Sweeney Deputy Director, Soil and Water Commission	March 9, 2007
Mr. Maurice Henry Hope Schools	March 9, 2006

Organizational Chart



Administrative Staff

Gail H. Stone
Michele Williams
Susan Bowers
Jackie Parrish
Becky Walker

Executive Director
Deputy Director
Associate Director of Investments
Member Services Manager
Administrative Services Manager

Professional Consultants

Actuary

Gabriel, Roeder, Smith & Company
Actuaries & Consultants
1000 Town Center, Suite 1000
Southfield, MI 48075

Custodial Bank

The Bank of New York
One Wall Street
New York, NY 10286

Investment Consultant

Callan Associates, Inc.
Six Concourse Parkway, Suite 2900
Atlanta, GA 30328-6111

Investment Managers

INVESCO Capital Management
1166 Avenue of the Americas
New York, NY 10036

INVESCO Realty Advisors
One Lincoln Centre, Suite 700
Dallas, TX 75240

Deutsche Asset Management
150 South Independence Square West
Philadelphia, PA 19106

Pareto Partners
505 Park Avenue
New York, NY 10022-1106

Loomis, Sayles & Co.
39533 Woodward Avenue, Suite 300
Bloomfield Hills, MI 48304

Brinson Partners, Inc.
209 W. LaSalle Street
Chicago, IL 60604

Lazard Asset Management
30 Rockefeller Plaza
New York, NY 10020

Dresdner RCM Global Investors, LLC
Four Embarcadero Center
San Francisco, CA 94111

Westwood Management Corp.
300 Crescent Court, Suite 1300
Dallas TX 75201

The Bank of New York
One Wall Street
New York, NY 10286

Prudential Timber Investments, Inc.
Four Copley Place, Suite 604A
Boston, MA 02116

J. & W. Seligman & Co., Inc.
100 Park Avenue
New York, NY 10017

Prudential Investments, Inc.
Two Gateway Center
Newark, NJ 07102

Froley, Revy Investment Company, Inc.
10900 Wilshire Boulevard, Suite 1050
Los Angeles, CA 90024

Wellington Management Company
75 State Street
Boston, MA 02109

MacKay Shields
9 West 57th Street
New York, NY 10019

American Express Asset Management
IDS Tower 10
Minneapolis, MN 55440

INVESCO National Asset Management
400 West Market Street
Louisville, KY 40202

***Membership Information
As of June 30, 2001***

Active Members

Number	42,556
Average Age	44
Average Years of Service	9.4
Average Annual Salary	\$25,146

Inactive-Vested Members

7,489

Total Retirees

Number	16,643
Average Monthly Benefit	\$750

2001 Retirees

Age and Service

Disability

Number	1,139	Number	72
Average Age	61.2	Average Age	55.2
Average Years of Service	17.1	Average Years of Service	17.1
Average Monthly Benefit	\$689	Average Monthly Benefit	\$402

Financial Section

Auditors' Report

Statements of Plan Net Assets

Statements of Changes in Plan Net Assets

Notes to Financial Statement

Schedule of Employer Contributions

Schedule of Funding Progress

Note to Required Supplementary Information

Schedule of Administrative Expense

Schedule of Investment Expense

Schedule of Payments for Professional Consultants

Sen. Kevin A. Smith
Senate Co-Chair
Rep. Danny W. Ferguson
House Co-Chair
Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas Public Employees Retirement System
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the Arkansas Public Employees Retirement System, a Pension Trust Fund of the State of Arkansas (the "System") administered by the Arkansas Public Employees Retirement System Board of Trustees as of and for the year ended June 30, 2001, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the System. Our responsibility is to express an opinion on these financial statements based on our audits.

The financial statements for the year ended June 30, 2000 were audited by us and we expressed an unqualified opinion on them in our report dated November 17, 2000, but we have not performed any auditing procedures since that date.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the System. Such information has been subjected to the auditing procedures applied in the audit of financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

We did not audit the data included in the Introductory, Investment, Actuarial and Statistical Sections of this report, and accordingly, express no opinion thereon.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
December 12, 2001

**Statements of Plan Net Assets
June 30, 2001 and 2000**

<u>ASSETS</u>	<u>2001</u>	<u>2000</u>
Cash and Cash Equivalents	\$ 289,026,645	\$ 104,394,909
Securities Lending Collateral Investments in Cash Equivalents (Notes 3 & 5)	97,478,445	59,608,395
<u>Receivables:</u>		
Contributions	1,442,631	1,923,522
Investment Principal Receivable	67,365,279	33,659,800
Accrued Investment Income Receivable	25,669,039	20,093,718
Total Receivables	94,476,949	55,677,040
<u>Investments, At Fair Value (Notes 3, 4 & 5):</u>		
Government Securities:		
U.S. Treasury Securities	168,267,232	76,082,904
Government Agency Securities	521,979,525	279,447,477
Corporate Securities:		
Asset Backed Securities	109,604,108	17,889,440
Corporate Bonds	670,039,962	434,741,506
Commercial Loans	12,557,089	12,836,517
Corporate CMO	64,576,888	22,025,322
Convertible Bonds	73,351,636	180,849,829
Convertible Preferred Stock	20,130,091	47,280,329
Common Stock	1,273,492,835	1,296,879,449
Fixed Income Pooled Fund Units	-	668,516,363
Equity Index Funds	204,163,459	326,057,913
High Yield Income Fund	61,899,774	-
International Securities:		
Government Fixed Income	14,260,018	79,740,679
Government Agency Securities	-	1,876,850
Corporate Fixed Income	3,953,074	5,234,628
Equity Securities	176,673,077	254,964,060
Equity Pooled Fund Units	194,663,562	227,842,650
Emerging Markets	35,588,837	-
Real Estate	63,721,508	12,670,000
Timberland	171,439,134	156,728,638
Taxable Municipal Bonds	31,307,209	19,340,813
Total Investments	3,871,669,018	4,121,005,367
<u>Securities Lending Collateral Investments, At Fair Value (Notes 3 & 5):</u>		
Corporate Bonds	400,484,788	271,978,560
Bank Obligations	88,985,327	91,948,650
Commercial Paper	19,852,583	-
Total Securities Lending Collateral Investments	509,322,698	363,927,210
Prepays and Other Assets	25,719	17,246
Fixed Assets, Net	140,051	153,464
TOTAL ASSETS	4,862,139,525	4,704,783,631
 LIABILITIES		
Accrued Expenses and Other Liabilities	4,462,098	4,140,824
Investment Principal Payable	236,759,867	41,715,649
Securities Lending Liability	606,801,143	423,535,605
TOTAL LIABILITIES	848,023,108	469,392,078
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (Note 6)	\$ 4,014,116,417	\$ 4,235,391,553

**Statements of Changes in Plan Net Assets
For the Years Ending June 30, 2001 and 2000**

ADDITIONS	<u>2001</u>	<u>2000</u>
<u>Contributions:</u>		
Employer	\$ 100,925,338	\$ 96,348,947
Plan Members	301,349	368,751
Total Contributions	<u>101,226,687</u>	<u>96,717,698</u>
<u>Investment Income:</u>		
Interest	96,568,975	83,518,382
Dividends	19,677,017	19,015,833
Net Appreciation in Fair Value of Plan Investment	(298,142,047)	261,196,651
Security Lending Income	30,822,441	23,487,984
Real Estate Income	2,671,808	(1,399,513)
Total Investment Income	<u>(148,401,806)</u>	<u>385,819,337</u>
Less: Investment Expense	42,072,266	35,803,018
Net Investment Income	<u>(190,474,072)</u>	<u>350,016,319</u>
<u>Other Sources:</u>		
Miscellaneous Additions	1,522,930	2,017,440
Transfer from Teachers Retirement System	5,961,278	5,911,069
Miscellaneous Transfers from State Agencies	49,570	48,479
Total Other Additions	<u>7,533,778</u>	<u>7,976,988</u>
TOTAL ADDITIONS	(81,713,607)	454,711,005
DEDUCTIONS		
Benefits	135,330,351	121,714,351
Refunds of Contributions	369,060	42,725
Administrative Expenses	3,853,726	3,549,098
Miscellaneous Deductions	8,367	-
TOTAL DEDUCTIONS	139,561,504	125,306,174
NET INCREASE	(221,275,111)	329,404,831
Reserve Adjustments	(25)	(111)
NET ASSETS (Note 6)		
Beginning of Year	<u>4,235,391,553</u>	<u>3,905,986,833</u>
End of Year	<u>\$ 4,014,116,417</u>	<u>\$ 4,235,391,553</u>

Notes to Financial Statements
For the Years Ending June 30, 2001 and 2000

1. DESCRIPTION OF THE SYSTEM

A brief description of the Arkansas Public Employees Retirement System ("APERS" or the "System") follows.

General Information - APERS is a cost-sharing, multiple employer, defined benefit pension plan established by authority of the Arkansas General Assembly with the passage of Act 177 of 1957 to provide retirement benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. The laws governing operations of APERS are set forth in Arkansas Code of 1987 Annotated and 1993 Cumulative Supplement, Title 24, Chapter 4, with related laws in Chapter 2.

The general administration and responsibility for the proper operation of the system is vested in the nine member Board of Trustees of the Arkansas Public Employee Retirement System. Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of State, the Treasurer of State and the Director of the Department of Finance and Administration.

Reporting Entity - The executive director and administrative staff of APERS also serve as the executive director and administrative staff of two other state retirement systems, the State Police Retirement System and the Arkansas Judicial Retirement System. These systems do not constitute part of the APERS reporting entity under the provisions of Governmental Accounting and Financial Reporting Standards Statement No. 14, *The Financial Reporting Entity*, because these systems are legally separate, fiscally independent entities with separate Boards of Trustees. The nature of the relationship between these systems and APERS is merely a sharing of administrative resources, and as such, does not require inclusion of these systems in APERS financial statements.

Membership - APERS covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under the System, college and university employees and certain non-teaching school employees and other public entities specifically defined by law.

As of June 30, 2001 and 2000, the number of participating employers was as follows:

	<u>2001</u>	<u>2000</u>
State	240	237
County	87	87
Municipal	151	146
School	297	304
Other Non-State	<u>18</u>	<u>17</u>
Total	<u>793</u>	<u>791</u>

As of June 30, 2001 and 2000, membership was as follows:

Retirees and beneficiaries receiving benefits	16,643	15,544
Terminated plan members entitled to but not receiving benefits	7,489	6,338
Active Plan Members	42,556	43,121

Contributions - Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees, and shall be based on the actuary's determination of the rate required to fund the Plan. The additional cost of public safety service for public safety employees is determined by the actuary as well. Administrative costs of APERS are financed through investment earnings.

APERS was established as a contributory plan. However, with the passage of Act 793 of 1977, existing members and previous members were offered the opportunity to choose to become non-contributory members. Anyone joining the System subsequent to January 1, 1978, and had not previously been a member, was automatically enrolled as a non-contributory member. Contributory members are required by statute to contribute 6% of gross wages to APERS. Employee contributions are refundable if APERS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with APERS for a period of five (5) or more years earn interest credits which are included in the refund. Pursuant to the provisions of Act 625 of 1983 and Act 1097 of 1993, certain agencies employing individuals in public safety positions are required to remit additional contributions in amounts determined by an independent actuary. Employer contribution rates during the fiscal year ending June 30, 2001 and 2000, are as follows:

	<u>2001</u>	<u>2000</u>
State Division	10.00 %	10.00 %
Wildlife Subdivision	22.00 %	22.00 %
State Capitol Police Subdivision	10.00 %	10.00 %
Administrative Offices of the Courts Subdivision	12.00 %	12.00 %
County Division	8.00 %	7.00 %
Municipal Division	8.00 %	7.00 %
School Division	4.00 %	4.00 %
Other Non-State Division	8.00 %	7.00 %

Benefits - Benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. Members are eligible for full benefits (1) at age sixty-five (65) with five (5) years of actual service, (2) at any age with twenty-eight (28) years of actual service, or (3) under the contributory plan, at age sixty (60) with twenty (20) years of actual service, or under the non-contributory plan, at age fifty-five (55) with thirty-five (35) years of credited service. The normal retirement benefit amount, paid on a monthly basis, is determined by the member's final average salary and the number of years of service. A member may retire with a reduced benefit at age fifty-five (55) with at least five (5) years of actual service. APERS also provides for disability and survivor benefits.

Tax Status - During the fiscal years ended June 30, 2001 and 2000, APERS confirmed as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The financial statements of the System presented herein have been prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Arkansas Code.

Cash and Cash Equivalents - Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, and all short-term instruments with maturities at purchase of 90 days or less. Short-term investments are stated at amortized cost, which approximates fair value.

Investments - According to the Arkansas Code of 1987 Annotated (A.C.A.) and 1993 Cumulative Supplement, Title 24, Chapter 2, the System's investments are governed by the prudent investor rule, and include U.S. Government and government agency obligations, state and local government obligations, real estate, commercial mortgages, and corporate debt and equity obligations. Investments are reported at fair value.

Security transactions and any resulting gains or losses are accounted for on a trade date basis.

Investments other than real estate, commercial mortgages, private placements, and municipal revenue bonds are reported at fair values determined by the custodial agent. The agent's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Commercial mortgages, private placements, and municipal revenue bonds have been valued on an amortized cost basis which approximates market or fair value. No allowance for loan loss has been provided as all loans and bonds are considered by management to be fully collectible. Short-term investments are reported at cost which approximates fair value. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk.

Approximately 17.1% of the net assets available for benefits are invested in bonds of the U.S. government and its instrumentalities. The System has no investments of any commercial or industrial organization whose market value equals 5% or more of the System's net assets available for benefits.

Net investment income includes net appreciation in the fair value of investments, interest income, dividend income and total investment expense, which includes investment management and custodial fees and all other significant investment related costs.

Fixed Assets - Fixed assets used in the plan operations consist of furniture and equipment, which are recorded at historical cost less accumulated depreciation. All such assets are depreciated over five years using the straight-line method of depreciation.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from plan net assets during the reported period. Actual results could differ from those estimates.

3. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING COLLATERAL INVESTMENTS

The following is a reconciliation of the carrying amounts of cash and investments at June 30, 2001 and 2000:

As presented in the Statement of Plan Net Assets:

	<u>2001</u>	<u>2000</u>
Cash and cash equivalents, including securities lending cash collateral	\$ 386,505,090	\$ 164,003,304
Investments, including securities lending collateral investments	<u>4,380,991,716</u>	<u>4,484,932,577</u>
Total	<u>\$ 4,767,496,806</u>	<u>\$ 4,648,935,881</u>

As presented in (a) and (b) below:

	<u>2001</u>	<u>2000</u>
Deposits	1,714,313	629,704
Investments	<u>4,765,782,493</u>	<u>4,648,306,177</u>
Total	<u>4,767,496,806</u>	<u>4,648,935,881</u>

Listed below is a summary of the deposit and investment portfolio as of June 30, 2001 and 2000. Investing is governed by the prudent investor rule in accordance with A.C.A. 24-3-401 et. seq.). All investments of the System are considered to have been made in accordance with these governing statutes.

(a) Deposits

Deposits with financial institutions are classified depending on whether they are insured or collateralized. Bank balances are classified in the following categories of credit risk:

- Category 1: The deposits are insured or collateralized with securities held by the entity or by its agent in the System's name.
- Category 2: Deposits are collateralized with securities held by the pledging financial institution's trust department or agent in the System's name.
- Category 3: Deposits are uncollateralized or deposits are collateralized and the related securities are held by the pledging financial institution or by its trust department or agent, but not in the System's name.

A summary of deposits at June 30, 2001 and 2000, is as follows:

<u>June 30, 2001</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Insured deposits	\$ 1,714,313			\$ 1,714,313
Uninsured deposits - Uncollateralized			\$ 0	\$ 0
Total deposits	<u>\$ 1,714,313</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,714,313</u>
<u>June 30, 2000</u>				
Insured deposits	\$ 629,704			\$ 629,704
Uninsured deposits - Uncollateralized			\$ 0	\$ 0
Total deposits	<u>\$ 629,704</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 629,704</u>

Bank balances for insured deposits as of June 30, 2001 and 2000, are \$1,716,351 and \$630,501, respectively. Bank balances for uninsured, uncollateralized deposits were \$0 at both June 30, 2001 and 2000.

(b) Investments

The table which follows provides information about the collateral credit risk associated with the System's investments. Investments are categorized as follows:

- Category 1: The custodian is the System's agent and is not the counterparty or the counterparty financial institution's trust department. The custodian holds the securities in the System's name.
- Category 2: The custodian is the counterparty financial institution's trust department or the counterparty's agent and the custodian holds the securities in the System's name.
- Category 3: The custodian is the counterparty, regardless of whether it holds the securities in the system's name.

OR

The custodian is the counterparty financial institution's trust department or the counterparty's agent and the custodian does not hold the securities in the System's name.

Collateral Credit Risk				
June 30, 2001				
	Category 1	Category 2	Category 3	Total
Investments:				
<u>Categorized:</u>				
U.S. Government securities	\$ 535,307,209			\$ 535,307,209
Corporate securities	2,057,993,839			2,057,993,839
International securities	212,963,607			212,963,607
Taxable municipal bonds	25,075,736			25,075,736
Total	2,831,340,391			2,831,340,391
<u>Uncategorized:</u>				
Mutual funds (STIF)				287,312,332
Collective trust funds				194,663,562
Commercial loans				12,557,089
Real estate				63,721,508
Timberland				171,439,134
Arkansas-related private placements				6,231,473
Total				735,925,098
<u>Investments under securities loans</u>				
<u>for cash collateral:</u>				
U.S. Government securities				154,939,548
Corporate securities				419,264,914
International securities				17,511,399
Total				591,715,861
Total investments	\$ 2,831,340,391			\$ 4,158,981,350
Invested cash collateral:				
<u>Categorized:</u>				
Corporate securities			\$ 400,484,788	\$ 400,484,788
Repurchase agreements			21,478,445	21,478,445
Commercial paper			19,852,583	19,852,583
Bank obligations			88,985,327	88,985,327
Total			530,801,143	530,801,143
<u>Uncategorized:</u>				
Mutual funds				76,000,000
Total invested cash collateral			\$ 530,801,143	\$ 606,801,143

**Collateral Credit Risk
June 30, 2000**

	Category 1	Category 2	Category 3	Total
Investments:				
<u>Categorized:</u>				
U.S. Government securities	\$ 199,127,694			\$ 199,127,694
Corporate securities	2,904,751,742			2,904,751,742
International securities	325,469,894			325,469,894
Taxable municipal bonds	12,585,000			12,585,000
Total	3,441,934,330			3,441,934,330
<u>Uncategorized:</u>				
Mutual funds (STIF)				103,765,205
Collective trust funds				227,842,650
Commercial loans				12,836,517
Real estate				12,670,000
Arkansas-related private placements				6,755,813
Total				363,870,185
<u>Investments under securities loans for cash collateral:</u>				
U.S. Government securities				156,402,687
Corporate securities				246,217,047
International securities				16,346,323
Total				418,966,057
Total investments	\$ 3,441,934,330			\$ 4,224,770,572
Invested cash collateral:				
<u>Categorized:</u>				
Corporate securities		\$ 271,978,560		\$ 271,978,560
Repurchase agreements		59,608,395		59,608,395
Commercial paper		-		-
Bank obligations		91,948,650		91,948,650
Total		423,535,605		423,535,605
<u>Uncategorized:</u>				
Mutual funds				-
Total invested cash collateral		\$ 423,535,605		\$ 423,535,605

4. DERIVATIVES

Mortgage-Backed Securities – As of June 30, 2001 and 2000, the System held mortgage-backed securities of approximately \$349 million and \$595 million, respectively, at fair value. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the System will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to repay the existing loan and obtain new lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors such as loan type and geographic location of the related properties.

Asset-Backed Securities - As of June 30, 2001 and 2000 the System held asset-backed securities with a fair value of approximately \$110 million and \$18 million, respectively. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The System's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Forward Currency Contracts - The System enters into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized as unrealized appreciation/depreciation in the statement of changes in plan net assets. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net appreciation in fair value of investments in the statement of changes in plan net assets. At June 30, 2001 and 2000, the System had outstanding forward exchange currency contracts to purchase foreign currencies with contract amounts of \$31,275,963 and \$83,613,929, respectively. Market values of these outstanding contracts were \$30,330,400 at June 30, 2001, and \$84,479,000 at June 30, 2000, resulting in net gains of \$946,774 and \$865,071 in fiscal years 2001 and 2000, respectively. The System also had outstanding forward currency contracts to sell foreign currency with contract amounts of \$11,674,749 and \$116,809,840 at June 30, 2001 and 2000, respectively. Market values of these contracts were \$11,393,533 at June 30, 2001 and \$117,644,475 at June 30, 2000, resulting in net losses of \$281,216 and \$834,635 in fiscal years 2001 and 2000, respectively.

Pooled Funds - APERS has approximately \$194.7 million invested in international pooled funds. APERS could be indirectly exposed to credit and market risks associated with forward currency contracts to the extent that these pooled funds hold forward currency contracts for purposes of managing exposure to fluctuations in foreign exchange rates.

5. SECURITIES LENDING ARRANGEMENTS

Arkansas Code and the Board of Trustees policies permit the System to participate in a securities lending program. The Program is administered by Bank of New York (the "Custodian"). The legal and contractual authorization for the securities lending program is contained in the Securities Lending Discretionary Agency Agreement executed between APERS and the Custodian. For the year ended June 30, 2000, there were no violations of the Agency Agreement. Certain securities of the trust fund are loaned to participating brokers. As of June 30, 2000, types of securities loaned included U.S. Government Securities, corporate securities and international securities. Brokers who borrow the securities provide collateral in the form of cash and cash equivalents, U.S. Treasury or Government Agency securities, or letters of credit (for the marginal percent collateralization only). Collateral must be provided in the amount of 102% for domestic loans and 105% for international loans. Securities on loan at fiscal year-end for cash collateral are presented as "not subject to classification" in the preceding investment schedule in Note 3; securities on loan for non-cash collateral are classified according to the category pertaining to the collateral. The Custodian provides for full indemnification to the System funds for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the trust funds for income of the securities while on loan. The System cannot pledge or sell collateral securities received unless the borrower defaults.

Cash collateral received is invested in APERS' name; accordingly, investments made with cash collateral appear as an asset on the Statement of Plan Net Assets. A corresponding liability is recorded as APERS must return the cash collateral to the borrower upon expiration of the loan. The loan maturity dates generally do not match the maturity dates of the investments made with cash collateral received.

The cash collateral investments had an average weighted maturity of 46 days on June 30, 2001, whereas the weighted average loan maturity was 4 days. As of June 30, 2001 and 2000, investments with cash collateral were approximately \$607 million and \$424 million, respectively.

6. LEGALLY REQUIRED RESERVES

By law, APERS must maintain reserve accounts showing each division's equity in the System's net assets available for benefits. Act 308 of 1999 consolidated County, Municipal, School and other Non-State employers into the Local Government Division. Significant reserve accounts and a brief description of those accounts are as follows:

The Members' Deposit Account ("MDA") represents members' contributions held in trust until member retirement, at which time contributions are transferred to the Retirement Reserve Account, described below.

The MDA Interest Reserve Account represents the accumulated interest paid on the Members Deposit Account held in trust until member retirement, at which time interest on member contributions is transferred to the Retirement Reserve Account described below.

The Employers' Accumulation Account accumulates employers' contributions to be used in providing the reserves required for transfer to the Retirement Reserve Account as members retire or become eligible for disability benefits.

The Retirement Reserve Account is the account to which member contributions, interest on those contributions, and employer contributions are transferred upon member retirement.

The Deferred Annuity Account is the amount set up to cover estimated retirement benefits to inactive vested members who are not currently receiving benefit payments.

As of June 30, 2001 and 2000, all reserve accounts were fully funded and sufficient assets were available to pay estimated retirement benefits applicable to retired individuals or beneficiaries currently receiving benefits and inactive vested individuals who are not currently receiving benefits.

Each of the divisions and respective reserve balances at June 30, 2001 and 2000, are as follows:

	<u>2001 Reserve Balances</u>						<u>System Total</u>
	<u>State Division</u>	<u>Local Government Division</u>					
	<u>June 30, 2001</u>	<u>County</u>	<u>Municipal</u>	<u>School</u>	<u>Non-State</u>		
		<u>Employers</u>	<u>Employers</u>	<u>Employers</u>	<u>Employers</u>		
Members' Deposit Account	\$ 12,002,497	\$ 1,938,909	\$ 1,318,253	\$ 2,082,812	\$ 18,195	\$ 17,360,666	
MDA Interest Reserve	3,011,696	491,352	217,846	572,739	2,337	4,295,970	
Employer Accumulation Account	1,985,879,700	326,384,765	153,007,581	191,657,136	2,401,874	2,659,331,056	
Retirement Reserve	745,791,222	204,893,259	68,112,085	152,545,159	154,552	1,171,496,277	
Deferred Annuity	98,754,224	20,948,693	9,335,920	11,346,983	41,043	140,426,863	
DROP Reserve	18,521,677	1,446,597	434,355	527,703	-	20,930,332	
Delinquent Receivable Reserve	65	8	-	-	-	73	
Refund Overpayment Receivable Reserve	351	-	-	-	-	351	
Outlawed Warrants	35,123	2,818	1,075	6,935	-	45,951	
Partial Purchase of Service Reserve	171,587	17,364	15,896	23,690	-	228,537	
Petty Cash Reserve	100	-	-	-	-	100	
MDA Receivable Reserve	241	-	-	-	-	241	
Total	\$ 2,864,168,483	\$ 556,123,765	\$ 232,443,011	\$ 358,763,157	\$ 2,618,001	\$ 4,014,116,417	

2000 Reserve Balances

June 30, 2000	State Division		Local Government Division			System Total
		County	Municipal	School	Non-State	
		Employers	Employers	Employers	Employers	
Members' Deposit Account	\$ 12,381,458	\$ 2,080,586	\$ 1,436,325	\$ 2,481,239	\$ 18,195	\$ 18,397,803
MDA Interest Reserve	3,414,539	625,008	254,365	751,613	1,791	5,047,316
Employer Accumulation Account	2,232,203,204	371,223,500	173,829,323	223,077,197	2,358,411	3,002,691,635
Retirement Reserve	686,597,967	189,307,990	60,540,568	147,617,636	129,177	1,084,193,338
Deferred Annuity	77,608,816	17,789,906	6,371,565	9,948,748	42,543	111,761,578
DROP Reserve	11,570,022	906,585	213,036	295,920	-	12,985,563
Delinquent Receivable Reserve	65	8	-	-	-	73
Refund Overpayment Receivable Reserve	351	-	-	-	-	351
Outlawed Warrants	45,705	1,929	513	5,980	-	54,127
Partial Purchase of Service Reserve	216,924	15,743	10,442	16,294	-	259,403
Petty Cash Reserve	100	-	-	-	-	100
MDA Receivable Reserve	266	-	-	-	-	266
Total	\$ 3,024,039,417	\$ 581,951,255	\$ 242,656,137	\$ 384,194,627	\$ 2,550,117	\$ 4,235,391,553

7. REQUIRED SUPPLEMENTARY SCHEDULES

The historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is required supplementary information. Required supplementary information is included immediately following the notes to the financial statements.

* * * * *

***Required Supplementary Information
Schedule of Employer Contributions***

State Division

<u>Fiscal</u> <u>Year</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1995	60,223,565	100 %
1996	60,779,294	100
1997	64,854,084	100
1998	67,133,044	100
1999	70,093,652	100
2000	72,347,236	100
2001	74,715,424	100

Local Government Division

<u>Fiscal</u> <u>Year</u>	<u>County</u>		<u>Municipal</u>		<u>School</u>		<u>Other Non-State</u>	
	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1995	\$ 8,910,854	100 %	\$ 3,441,333	100 %	\$ 2,242,827	100 %	\$ 87,449	100 %
1996	9,534,015	100	4,146,217	100	2,123,705	100	189,680	100
1997	10,209,208	100	4,686,282	100	2,018,839	100	282,249	100
1998	10,976,230	100	7,122,553	100	1,947,444	100	349,674	100
1999	11,621,256	100	9,421,792	100	1,887,524	100	298,219	100
2000	13,346,501	100	8,570,445	100	1,796,836	100	287,929	100
2001	16,100,483	100	8,102,942	100	1,717,373	100	289,116	100

Note that years previous to 1995 are not shown because such information is not available in accordance with the parameters of GASB 25.

See Note to Required Supplementary Information

**Required Supplementary Information
Schedule of Funding Progress (Dollars in Millions)**

Valuation Date June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded (Excess) AAL (UAAL) (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll (Millions)	(6) UAAL (Excess) As Percentage of Covered Payroll (3)/(5)
1995	\$ 2,244	\$ 2,057	\$ (187)	109 %	\$ 832	(22.5)%
1996	2,521	2,222	(299)	113	883	(33.8)
1997	2,876	2,607	(269)	110	939	(28.6)
1998	3,296	2,901	(395)	113	974	(40.6)
1999	3,712	3,479	(233)	107	1,009	(23.1)
2000	4,121	3,803	(318)	108	1,050	(30.3)
2001	4,342	4,111	(231)	106	1,070	(21.6)

Note: Years previous to 1995 are not shown because such information is not available in accordance with the parameters of GASB 25.

See Note to Required Supplementary Information.

Note To Required Supplementary Information

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

Valuation Date	June 30, 2001
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percent closed

Remaining Amortization Period:

State & Local Government Division (2):	50 years active (Contingency Reserve Amortization) (1)
General Assembly Subdivision	30 years active and retired
Wildlife Subdivision	30 years active
State Capitol Police Subdivision	30 years active

Asset Valuation Method	4-year smoothed market related value
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Actuarial Assumptions:

Investment Rate of Return	8%
Projected Salary Increases	5.00 – 10.77%
Inflation Rate	4.5%
Post-Retirement Cost-of-Living Adjustment	3% - Compounded annual increases
Mortality Table	1983 Group Annuity Mortality Table

- (1) No unfunded liability exists for the State or Local Government Divisions.
- (2) The State Division and the Local Government Division were combined as permitted by Act 151 of 2001.

Supporting Schedule
Schedule of Administrative Expense
For the Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
PERSONNEL SERVICES:		
Salaries and wages	\$ 1,598,040	\$ 1,473,816
Employee benefits	271,315	256,702
Insurance	134,214	134,232
Other	<u>315</u>	<u>8,240</u>
Total Personnel Services	2,003,884	1,872,990
COMMUNICATIONS:		
Postage	87,036	81,859
Telecommunications	41,715	42,439
Printing and advertising	21,559	33,563
Freight and express	1,741	2,485
Subscriptions and publications	<u>8,557</u>	<u>6,227</u>
Total Communications	160,608	166,573
PURCHASES:		
Office Supplies	29,945	25,496
Equipment	<u>13,480</u>	<u>10,516</u>
Total Purchases	43,425	36,012
SERVICES AND CHARGES:		
Professional fees and services	135,328	176,856
Rent expense	282,319	279,880
Travel and conference fees	32,564	40,399
Taxes, licenses and permits	211	1,371
Repairing and servicing	78,476	74,244
Training fees	6,459	26,506
Insurance and surety bonds	794	2,011
Bank and federal service charges	22,318	18,933
Data processing charges	944,069	788,653
Claims commission expense	16,695	-
Uncollectible Receivables	<u>78,306</u>	<u>-</u>
Total Services and Charges	1,597,539	1,408,853
DEPRECIATION EXPENSE	<u>48,270</u>	<u>64,670</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 3,853,726</u>	<u>\$ 3,549,098</u>

***Supporting Schedule
Schedule of Investment Expense
For the Years Ended June 30, 2001 and 2000***

	<u>2001</u>	<u>2000</u>
Investment consultant fee	\$ 120,000	\$ 110,000
Money manager fees	12,079,724	12,452,852
Custodian bank fees	658,736	881,305
International withholding taxes	266,115	251,210
Securities lending expenses	<u>28,947,691</u>	<u>22,107,651</u>
TOTAL INVESTMENT EXPENSE	<u>\$ 42,072,266</u>	<u>\$ 35,803,018</u>

***Supporting Schedule
Schedule of Payments for Professional Consultants
For the Years Ended June 30, 2001 and 2000***

	<u>2001</u>	<u>2000</u>
Gabriel, Roeder, Smith & Company	\$ 130,600	\$ 131,400
IBM Corporation	-	41,791
Other	<u>4,728</u>	<u>3,665</u>
TOTAL PAYMENTS FOR PROFESSIONAL CONSULTANTS	<u>\$ 135,328</u>	<u>\$ 176,856</u>

For fees paid to investment managers, please see "Schedule of Investment Fees" shown on page 51 in the Investment Section of this report.

Investment Section

Report on Investments
Outline of Investment Policies
Actual vs. Target Asset Allocation
Manager Distribution
Portfolio Characteristics
Performance Comparisons
List of Ten Largest Assets Held
Schedule of Brokerage Commissions
Schedule of Investment Fees
Comparative Schedule of Investments

CALLAN ASSOCIATES

Paul V. Troup III
Executive Vice President



October 29, 2001

SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

Dear Trustees:

We are pleased to provide a brief review of the progress of the APERS Retirement Plan for the fiscal year ending June 30, 2001.

Following the APERS review is Callan's observations regarding the markets, institutional behavior and our general views.

Introduction and Background

As with all retirement plans, there are three factors which influence performance:

- Manager Investment Strategies
- Investment Policy adopted by the Fund, and
- The Investment Environment

The events of September 11 tested the risk tolerance levels of everyone. The year, and its events, proved that a good asset allocation policy is paramount. The S&P 500 stock index posted a return of -14.83% and the EAFE index -23.83%. Bonds were the bright spot with returns slightly over 11% for most US fixed income indicies.

Fund Progress and Results

The APERS portfolio structure is based on the Fund's Investment Policy. The target asset mix is established using an analysis of the financial needs of the Fund and the Trustees' tolerance for investment risk. The target asset mix and the actual allocation as of 6/30/01 is listed below:

	<u>Target</u>	<u>Actual</u>
Domestic Equity	45%	40%
International Equity	10%	9%
Domestic Fixed	35%	43%
International Fixed	0%	0%
Alternative Inv./Real Estate	10%	7%

For fiscal year ended 2001, the total fund rate of return, including gains, losses and income was -3.82%. This return is calculated using the time-weighted rate of return methodology endorsed by the Association for Investment Management and Research (AIMR). All performance results presented in the investment section of the CAFR are based on AIMR methodology.

Over the past 5 years, the Fund has enjoyed an annualized return of 8.77%. This level of performance exceeds the Performance Objectives of the Fund which are to:

1. deliver a real rate of return (return in excess of the inflation rate) of 3.5%, and
2. to exceed the actuarially assumed interest rate assumption of 8%.

The asset-base of the Fund declined this year. At the beginning of the year, the assets of the fund totaled \$4.3 billion; at June 30, 2001, the Fund assets totaled \$4.01 billion. The investment environment could have made the drop much worse.

Summary

The operations of the investment program continue to function within the *long-term* guidelines established by the Board of Trustees.

Sincerely,

Paul V. Troup III

Outline of Investment Policies

Investment Objectives

The investment objectives shall be: (1) the protection of the APERS' Fund (the "Fund") so that such assets are preserved for providing benefits to participants and their beneficiaries; and (2) to maximize total return - either in the form of income or capital appreciation or both - consistent with prudent risk taking on the amounts available to provide such benefits. For this purpose, short-term fluctuations in value shall be considered secondary to long-term investment results. The long-term return objective for the Fund shall be to achieve a real rate of return of 3.5%. This is the return over the rate of inflation (as measured by the Consumer Price Index). This objective is not to be a goal from year to year, but is intended as a long-term guideline to those involved in investing the Fund's assets. An additional overall investment objective will be to achieve a total fund return of at least the actuarial rate of 8%. The investments of the Fund shall be so diversified as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. Investments will be further diversified by hiring an appropriate number of managers whose investment styles are varied enough to provide a balance to the overall risk of the Fund.

Asset Allocation (By Major Categories)

To avoid extreme exposure to investment risk, the following percentages represent the minimum and maximum portion at market of the portfolio that may be invested by types:

Asset Class	Market Value Exposure	
	Target	Range
Equities	55 %	40 % - 60 %
Fixed Income	35 %	30 % - 40 %
Alternatives	10 %	5 % - 10 %

The Board of Trustees shall review its asset allocation at least annually to determine if the asset allocation is consistent with the level of risk and volatility acceptable to the Fund.

Review of Investment Process

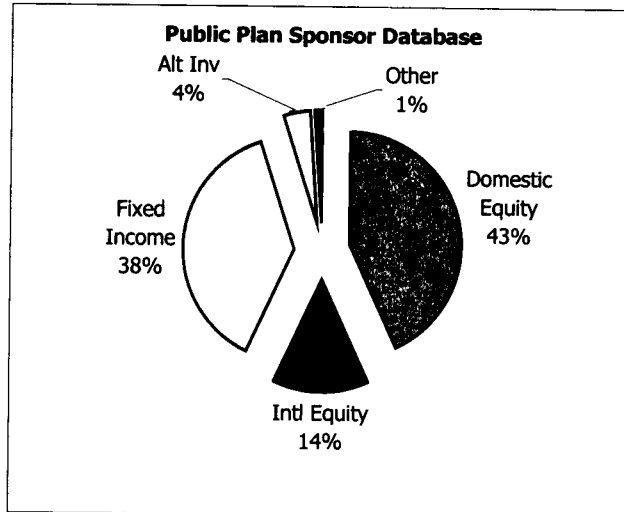
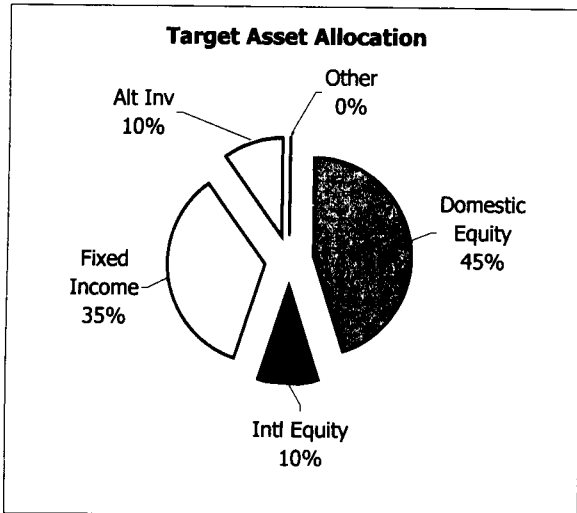
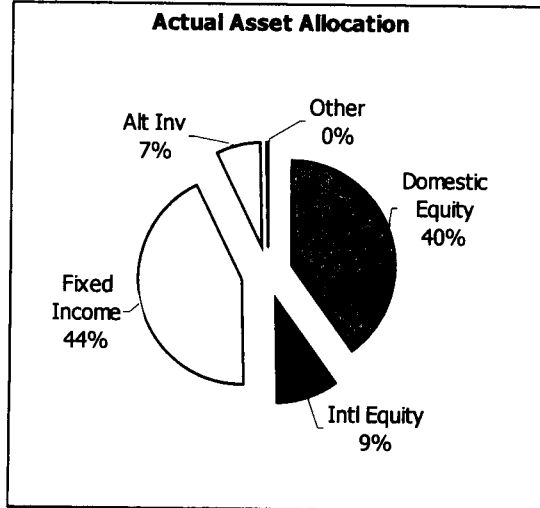
- A. On a timely basis, but not less than twice a year, the Board will review actual investment results achieved by each manager (with a perspective toward a three to five-year time horizon or a peak-to-peak or trough-to-trough market cycle) to determine whether:
 - 1. The investment managers performed in adherence to the investment philosophy and policy guidelines; and
 - 2. The investment managers performed satisfactorily when compared with the objectives set and other similarly managed funds.
- B. In addition to reviewing each investment manager's results, the Board will re-evaluate, from time to time, its progress in achieving the total fund, equity, fixed-income and international equity segments objectives.

- C. The periodic re-evaluation also will involve an evaluation of the continued appropriateness of:
 - 1. The manager structure;
 - 2. The allocation of assets among the managers; and
 - 3. The investment objectives for the Fund's assets.

- D. The Board may appoint investment consultants to assist in the ongoing evaluation process. The consultants selected by the Board are expected to be familiar with the investment practices of other similar retirement plans and will be responsible for suggesting appropriate changes in the Fund's investment program over time.

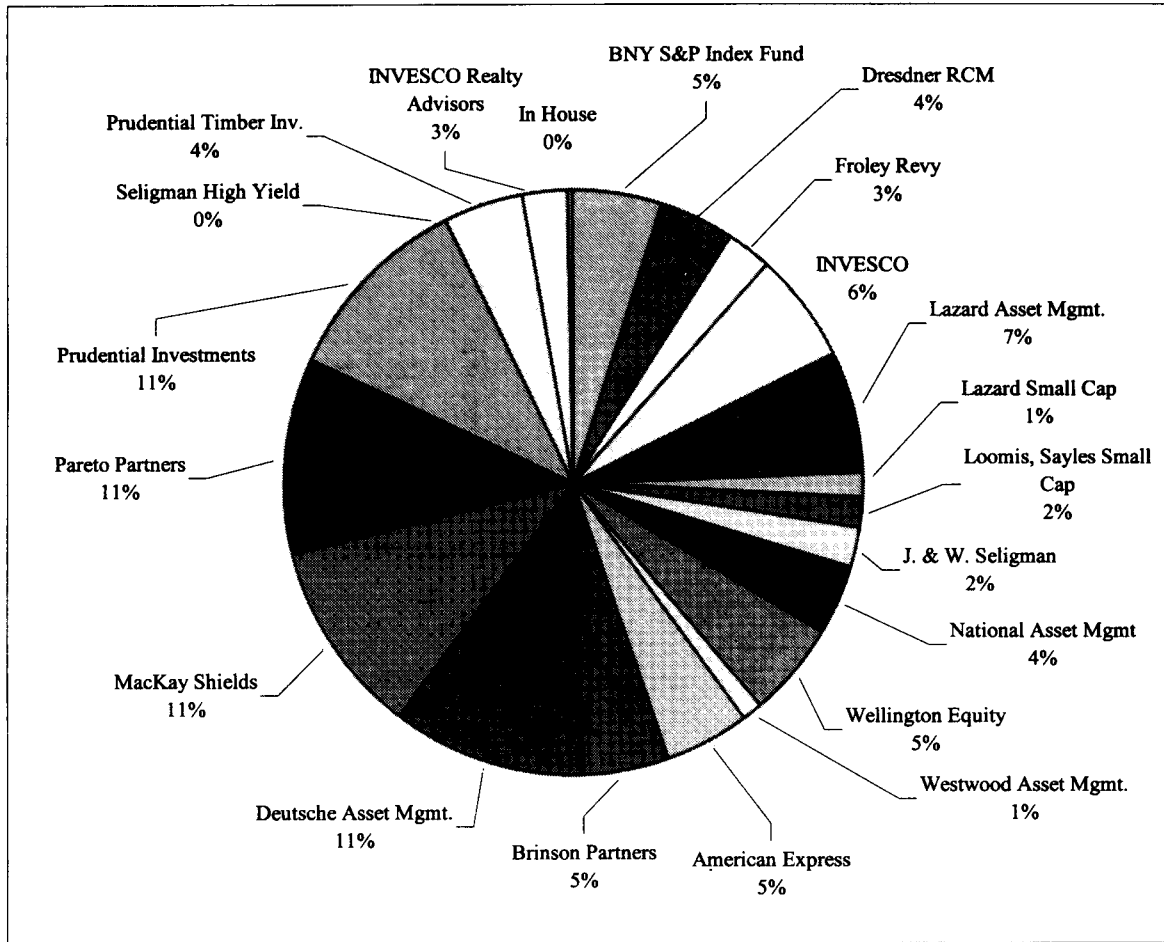
Actual vs. Target Asset Allocation

The first chart below shows the Fund asset allocation as of June 30, 2001. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement. The last chart shows the average asset allocation for the Public Plan Sponsor Database.



Asset Class	\$ 000s	Percent	Percent	Percent	\$ 000s
	Actual	Actual	Target	Difference	Difference
Domestic Equity	\$ 1,606,490	40.1 %	45 %	(5.0%)	\$ (199,246)
Intl Equity	378,211	9.4	10	(0.6%)	(23,063)
Fixed-Income	1,743,222	43.4	35	8.4%	338,762
Alternative Investments	271,521	6.8	10	(3.2%)	(129,754)
Other	13,301	0.3	0	0.3%	13,301
Total	\$ 4,012,745	100 %	100 %		

Manager Distribution for the Period Ended June 30, 2001



Domestic Equity (\$1,606,490 - 40.03%)

BNY S&P Index Fund	204,163	5.9%
Dresdner RCM	169,515	4.2%
Froley Revy	101,660	2.5%
INVESCO	235,834	5.9%
Lazard Asset Mgmt.	271,532	6.8%
Lazard Small Cap	56,803	1.4%
Loomis, Sayles Small Cap	58,652	1.4%
J. & W. Seligman	87,486	4.1%
National Asset Mgmt.	164,581	4.1%
Wellington Equity	211,330	5.3%
Westwood Asset Mgmt.	44,934	1.1%

International Equity (\$378,211 - 9.43%)

American Express	183,548	4.6%
Brinson Partners	194,664	4.9%

Fixed Income (\$1,743,222 - 43.4%)

Deutsche Asset Mgmt.	434,916	10.8%
MacKay Shields	431,605	10.8%
Pareto Partners	435,525	10.9%
Prudential Investments	441,123	11.0%
Seligman High Yield	54	0.0%

Alternative Investments (\$271,521 - 6.77%)

Prudential Timber Inv.	171,439	6.8%
INVESCO Realty Advisors	100,082	2.5%

In-House (cash)

	13,301	0.3%
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COMPOSITE FUND

\$	4,012,746	100%
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***Portfolio Characteristics
Fiscal Years Ended June 30***

	<u>2001</u>	<u>2000</u>
Selected Bond Characteristics:		
Yield to Maturity (Market)	6.85 %	8.73 %
Current Yield	6.93	7.50
Average Coupon Rate	6.51	7.01
Average Maturity	7.93 Yrs.	9.00 Yrs.

Quality Breakdown:

AAA (Includes Govts. & Agencies)	56.00 %	34.10 %
AA	5.00	5.40
A	12.00	19.50
BAA	14.00	17.60
BA	6.00	6.00
B	5.00	15.80
*Cash	2.00	1.60

Selected Stock Characteristics:

Average P/E Ratio	27.41 x	35.10 x
Estimated Earnings Growth Rate (Next 5 Years)	16.24 %	18.00 %
Current Yield	1.22	1.20

* Includes Short-Term Investment Fund

**Performance Comparisons
Fiscal Years Ended June 30**

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Fiscal Years Ended June 30					
Total Fund:					
Arkansas PERS	(3.82) %	9.42 %	8.16 %	15.91	15.11 %
Callan Total Public Fund Median	(4.06)	10.00	10.65	17.96	18.93
Inflation (Consumer Price Index)	3.19	3.87	1.94	1.60	0.25

Equities:

Arkansas PERS	(12.87) %	12.52 %	15.23 %	24.46	23.68 %
Callan Total Equity Database Median	(5.28)	11.63	14.44	25.71	28.87
Standard & Poor's 500 Index	(14.83)	7.24	22.76	30.23	34.66

International Equities:

Arkansas PERS	(23.18) %	18.47 %	7.51 %	3.83	15.39 %
Callan Total Non-US Equities Database Median	(23.05)	23.98	7.64	6.37	15.47
MSCI-EAFE Index	(23.60)	17.15	7.62	6.10	12.84

Fixed Income:

Arkansas PERS	9.72 %	4.64 %	3.28 %	10.70	8.32 %
Callan Total Fixed Income Database Median	11.03	4.57	3.48	10.17	7.97
Lehman Bros. Aggregate Index	11.22	4.57	3.15	10.54	8.15

International Fixed Income:

Arkansas PERS *	N/A	2.39 %	6.71 %	4.91	3.76 %
Callan Total Non-US Fixed Income Database Media	N/A	0.63	5.15	2.30	4.20
Salomon Bros. Non-US Bond Index	N/A	2.42	6.09	0.89	2.16

* In December 2000, APERS made all fixed income mandates Core Plus, eliminating a separate International Fixed Income portfolio.

Source: Callan Associates Inc. (CAI database contains returns of over 4,000 tax-exempt retirement funds and investment managers).

Performance Comparisons
Current Year and Preceding 3-Year and 5-Year Rates of Return

<u>Fiscal Years Ended June 30</u>	<u>2001</u>	<u>Annualized</u>	
		<u>3-Year</u>	<u>5-Year</u>
Total Fund:			
Arkansas PERS	(3.82) %	4.41 %	8.77 %
Callan Total Public Fund Median	(4.06)	5.31	10.37
Inflation (Consumer Price Index)	3.19	3.02	2.53

Equities:

Arkansas PERS	(12.87) %	4.15 %	11.27 %
Callan Total Equity Database Median	(5.28)	6.94	14.92
Standard & Poor's 500 Index	(14.83)	3.89	14.47

International Equities:

Arkansas PERS	(23.18) %	(10.73) %	3.23 %
Callan Total Non-US Equities Database Median	(23.05)	2.98	5.99
MSCI-EAFE Index	(23.60)	(1.24)	2.89

Fixed Income:

Arkansas PERS	9.72 %	5.84 %	7.26 %
Callan Total Fixed Income Database Median	11.03	6.31	7.40
Lehman Bros. Aggregate Index	11.22	6.25	7.48

International Fixed Income:

Arkansas PERS	N/A	N/A	N/A
Callan Total Non-US Fixed Income Database Median	N/A	N/A	N/A
Salomon Bros. Non-US Bond Index	N/A	N/A	N/A

* In December 2000, APERS made all fixed income mandates Core Plus, eliminating a separate International Fixed Income portfolio.

Source: Callan Associates Inc. (CAI database contains returns of over 4,000 tax-exempt retirement funds and investment managers).

**List of Ten Largest Assets Held
As of June 30, 2001**

Domestic Fixed Income Holdings (By Mkt Val)

	<u>Par</u>	<u>Security</u>	<u>Market Value</u>
1)	\$ 24,134,000	US Treasury Note 6.125% 08/15/29	\$ 25,031,483
2)	20,543,144	Fed Home Loan Mtg Corp #G11089 6.50% 11/01/13	20,677,907
3)	18,838,842	FNMA Pool #53525 6.00% 12/01/13	18,656,293
4)	17,494,390	GNMA Pool #780905 7.50% 09/15/28	17,959,041
5)	17,800,000	Federal Home Loan Bank Disc Notes 0% 07/05/01	17,791,051
6)	11,400,000	US Treasury Bond 11.25% 02/15/15	17,263,875
7)	17,000,000	Fed Home Loan Bank Disc Note 0% 07/11/01	16,926,900
8)	12,700,000	US Treasury Bond 8.875% 02/15/19	16,823,531
9)	14,200,000	Federal Home Loan Bank 6.625% 11/15/10	14,674,813
10)	12,930,000	US Treasury Bond 6.25% 05/15/30	13,713,881
		Total	<u>179,518,775</u>

Domestic Equity Holdings (By Mkt Val)

	<u>Shares</u>	<u>Security</u>	<u>Market Value</u>
1)	727,680	General Electric	\$ 35,474,400
2)	610,596	Citigroup, Inc.	32,263,893
3)	431,780	Microsoft Corp.	31,519,940
4)	296,527	Exxon Mobil Corp.	25,901,633
5)	602,020	Pfizer Inc.	24,110,901
6)	408,540	AOL Time Warner Inc.	21,652,620
7)	219,925	American International Group Inc.	18,695,824
8)	338,000	Tyco Int'l Ltd	18,424,380
9)	159,700	International Business Machines Corp.	18,046,100
10)	330,200	Verizon Communications Inc.	17,665,700
		Total	<u>\$ 243,755,391</u>

***List of Ten Largest Assets Held
As of June 30, 2001***

International Equity Holdings (By Mkt Val)

	<u>Shares</u>	<u>Security</u>		<u>Market Value</u>
1)	44,094	Union Bank of Switzerland	\$	6,319,126
2)	93,033	ING Groep NV		6,081,927
3)	37,114	Total Fina Elf SA Series B		5,198,286
4)	90,249	Royal Dutch Petroleum		5,195,298
5)	172,033	Philips Electronics (KON)		4,561,227
6)	722,005	British Telecommunications		4,539,188
7)	57,790	Deutsche Bank		4,130,304
8)	420,370	Banco Santander Central		3,808,925
9)	12,709	Allianz AG		3,731,231
10)	286,430	Banco Bilboa Vizcaya Argenta		<u>3,706,199</u>
		Total	\$	<u>47,271,711</u>

**Schedule of Brokerage Commissions
As of June 30, 2001**

<u>Brokerage Firm</u>	<u>Number of Shares Traded</u>	<u>Total Commission</u>	<u>Commission Per Share</u>
Merrill Lynch	7,315,215	\$ 776,692	0.11
Bear Stearns	11,569,715	617,810	0.05
Salomon Smith Barney	6,459,432	351,233	0.05
Lehman Brothers	3,668,029	297,016	0.08
CS First Boston Global	6,656,124	217,425	0.03
Prudential	4,379,980	121,939	0.03
Donaldson Lufkin	1,092,810	114,413	0.10
Goldman Sachs	2,921,968	104,880	0.04
Morgan Stanley Dean Witter	3,374,316	68,871	0.02
Paine Webber	1,380,915	56,830	0.04
Instinet	1,489,967	49,155	0.03
Sanford Bernstein	682,230	40,855	0.06
Bridge Trading	238,000	39,985	0.17
JP Morgan	1,661,891	36,758	0.02
Jefferies	1,004,500	31,884	0.03
First Boston	575,600	27,761	0.05
Keefe Bruyette	632,775	27,365	0.04
Deutsche Bank Capital	286,350	26,940	0.09
Rochdale SEC	623,813	25,617	0.04
Oppenheimer	421,037	23,339	0.06
Others (Includes 168 brokerage firms)	19,330,176	450,461	0.02
	<u>75,764,843</u>	<u>\$ 3,507,229</u>	<u>0.05</u>

**Schedule of Investment Fees
For The Year Ending June 30, 2001**

<u>Equities</u>	<u>Market Value</u>	<u>Fee</u>	<u>Basis Points</u>
Froley, Revy - Convertible Securities	\$ 101,659,962	\$ 522,106	40
INVESCO - Value	235,834,372	685,823	30
Lazard Asset Mgmt. - Value	271,532,059	763,634	30
Lazard - Small Cap	56,803,451	254,154	50
Dresdner RCM - Growth	169,515,278	770,429	30
Loomis, Sayles - Small Cap	58,651,879	161,296	30
J & W Seligman - Growth	87,486,054	361,920	30
BNY S & P 500 Index Fund	204,163,459	82,802	3
Westwood Asset Mgmt. - Growth	44,933,924	312,686	77
National Asset Mgmt. - Growth	164,578,925	200,347	25
Wellington Mgt. Co. - Value	211,330,160	502,956	30
Brinson Partners - Value	194,663,562	1,019,822	50
American Express - Growth	<u>183,547,553</u>	<u>1,063,303</u>	50
Total Equity	\$ 1,984,700,658	\$ 6,701,278	

<u>Fixed Income</u>	<u>Market Value</u>	<u>Fee</u>	<u>Basis Points</u>
Deutsche Asset Mgmt. - Core Plus ***	\$ 434,915,791	\$ 211,040	20
MacKay Shields - Core Plus ***	431,604,639	352,047	20
Pareto Partners - Core Plus ***	435,525,386	350,937	20
Prudential Asset Mgmt. - Core Plus ***	<u>441,122,554</u>	<u>433,575</u>	20
Total Fixed Income	\$ 1,743,168,370	\$ 1,347,599	

*** Managers Funded 02/01/01

(7 Managers terminated 1/31/01)	N/A	\$ 2,131,099	23
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<u>Alternatives</u>	<u>Market Value</u>	<u>Fee</u>	<u>Basis Points</u>
PruTimber - Timberland	\$ 171,439,134	\$ 1,365,701	90
INVESCO Realty - Real Estate	<u>100,081,884</u>	<u>481,508</u>	65
Total Alternatives	\$ 271,521,018	\$ 1,847,209	

<u>Other Investment Services</u>	<u>Fee</u>
Bank of New York (Custodian)	\$ 646,950
Bank of New York (Securities Lending)	801,873
Callan Associates (Consultant)	<u>120,000</u>
Total Other Services	\$ 1,568,823
Total Investment Service Fees	\$ 13,596,008

***Comparative Schedule of Investments
For the Fiscal Years Ended June 30, 2001 and 2000***

	<u>2001</u>	<u>2000</u>
U.S. Government Securities:		
U.S. Treasury Securities	\$ 168,267,232	\$ 76,082,904
U.S. Government Agency Securities	521,979,525	279,447,477
Corporate Securities:		
Asset Backed Securities	109,604,108	17,889,440
Corporate Bonds	670,039,962	434,741,506
Corporate CMO	64,576,888	22,025,322
Convertible Bonds	73,351,636	180,849,829
Convertible Preferred Stock	20,130,091	47,280,329
Common Stock	1,273,492,835	1,296,879,449
Fixed Income Pooled Fund Units	-	668,516,363
Equity Index Funds	204,163,459	326,057,913
High Yield Income Fund	61,899,774	-
International Securities:		
Government Fixed Income	14,260,018	79,740,679
Government Agency Fixed Income	-	1,876,850
Corporate Fixed Income	3,953,074	5,234,628
Equity Securities	176,673,077	254,964,060
Equity Pooled Fund Units	194,663,562	227,842,650
Emerging Markets	35,588,837	-
Real Estate	63,721,508	12,670,000
Timberland	171,439,134	156,728,638
Taxable Municipal Bonds	31,307,209	19,340,813
Commercial Loans/Mtg. Investments	<u>12,557,089</u>	<u>12,836,517</u>
TOTAL INVESTMENTS	<u>\$ 3,871,669,018</u>	<u>\$ 4,121,005,367</u>

Actuarial Section

Actuary's Certification Letter

Summary of Assumptions Used in Actuarial Valuations

Summary of Actuarial Methods and Assumptions

Schedule of Active Member Valuation Data

Short Condition Test

Analysis of Financial Experience

Analysis of Financial Experience Gains and Losses by Risk Area

Summary of Plan Provisions



GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

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November 20, 2001

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

Dear Board Members:

The basic financial objective of the Arkansas Public Employees Retirement System as provided in the Arkansas Code is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Arkansas citizens and when combined with present assets and future investment return will be sufficient to meet the financial obligations of PERS to present and future benefit recipients.

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered) as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2001.

APERS administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial data annually.

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report.

Actuarial Section

Summary of Actuarial Assumptions

November 20, 2001

Percent Retiring Next Year

Probabilities of Retirement for Members Eligible to Retire

Percent Separating Within Next Year

Individual Employee Pay Increases

Analysis of Financial Experience

Financial Section

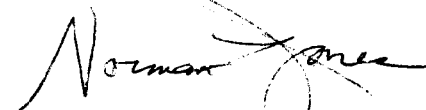
Schedule of Funding Progress

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2001 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1992-97 period.

On the basis of the June 30, 2001 valuations and the benefits and contribution rates then in effect, it is our opinion that the retirement system is in sound condition in accordance with actuarial principles of level cost financing. The reserve strength of PERS continues to be exceptionally high.

Respectfully submitted,



Norman L. Jones, F.S.A., M.A.A.A.

NLJ:lr

***Summary of Assumptions Used in Actuarial Valuations
Assumptions Adopted by Board of Trustees after Consulting with Actuary
June 30, 2001 Valuation***

Economic Assumptions

The investment return rate used in making the valuation was 8.00% per year, compounded annually (net after administrative and investment 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 inflation rate. Considering the assumed inflation rate of 4.50%, the 8.00% investment return rate translates to an assumed real rate of 3.5%. This rate of assumption was first used for the June 30, 1998 valuation.

Pay increase assumptions for individual active members are shown on page 64. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4.50% recognizes inflation.

The number of active members is assumed to continue at its present number for all divisions with the exception of the School division, which is closed to new entrants.

Total active member payroll is assumed to increase 4.50% per year, which is the portion of the individual pay increase assumptions attributable to inflation.

The above rates were first used for the June 30, 1998 valuation.

Non-Economic Assumptions

The mortality table used to measure retired life mortality was the 1983 Group Annuity Mortality Table. Related values are shown on page 65. This table was first used for the June 30, 1998 valuation. For disabled lives, the mortality table is set forward five years.

The probabilities of withdrawal from service, death-in-service, and disability are shown for sample ages on page 64. *The probabilities of retirement for members eligible to retire* are shown on page 65.

The entry age normal cost method of valuation was used in determining liabilities and normal cost.

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

Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (the total of principal and interest) which are level percent of payroll contributions.

Recognizing the special circumstances of the General Assembly Sub-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 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.).

***Summary of Actuarial Methods and Assumptions
June 30, 2001 Valuation***

Valuation Date	June 30, 2001
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percent closed
<u>Remaining Amortization Period:</u>	
State & Local Government Division:	50 years active (Contingency Reserve Amortization) (1)
General Assembly Subdivision	30 years active and retired
Wildlife Subdivision	30 years active
State Capitol Police Subdivision	30 years active
Asset Valuation Method	4-year smoothed market related value
<u>Actuarial Assumptions:</u>	
Investment Rate of Return	8%
Projected Salary Increases	5.00 – 10.77%
Inflation Rate	4.5%
Post-Retirement Cost-of-Living Adjustment	3% - Compounded annual increases
Mortality Table	1983 Group Annuity Mortality Table

(1) No unfunded liability exists for the State or Local Government Divisions.

(2) The State Division and Local Government Division were combined as permitted by Act 151 of 2001.

**Summary of Actuarial Methods and Assumptions
June 30, 2001 Valuation**

**Single Life Retirement Values
Based on 1983 Group Annuity Mortality
8.0% Interest**

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	\$148.98	\$153.82	\$194.76	\$203.87	38.96	45.02
45	144.18	150.67	186.12	197.68	34.24	40.18
50	138.10	146.42	175.64	189.74	29.68	35.41
55	130.57	140.74	163.23	179.68	25.32	30.73
60	121.04	133.23	148.35	167.13	21.14	26.17
65	109.26	123.61	131.03	151.93	17.19	21.78
70	96.18	111.53	112.72	134.00	13.68	17.63
75	82.40	97.57	94.31	114.43	10.65	13.87
80	68.65	83.15	76.79	95.13	8.14	10.70
85	50.59	68.97	61.99	76.96	6.23	8.08

Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive	
		Men	Women
60	\$100.00	100%	100%
65	116.00	94	97
70	134.00	85	92
75	156.00	72	84
80	181.00	54	70

**Summary of Actuarial Methods and Assumptions
June 30, 2001 Valuation**

Separations from Active Employment Before Age and Service Retirement

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	.03	.01	.06	.06
25		8.3	8.3	.03	.02	.06	.06
30		5.3	5.3	.05	.03	.06	.06
35		3.0	3.0	.06	.04	.06	.06
40		2.6	2.6	.09	.05	.16	.16
45		2.4	2.4	.16	.08	.21	.21
50		1.1	1.1	.29	.12	.39	.39
55		0.8	0.8	.46	.19	.71	.71
60		0.8	0.8	.69	.32	1.13	1.13

80% of active members who die in service are assumed to be married.

Pay Increase Assumptions for an Individual Member

Age	Merit & Seniority	Base (Economy)	Increase Next Year
20	6.77	4.50	10.77%
25	4.59	4.50	9.09
30	3.42	4.50	7.92
35	2.56	4.50	7.06
40	1.93	4.50	6.43
45	1.42	4.50	5.92
50	1.02	4.50	5.52
55	0.71	4.50	5.21
60	0.50	4.50	5.00

***Summary of Actuarial Methods and Assumptions
June 30, 2001 Valuation***

Probabilities of Retirement for Members Eligible to Retire

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year	
	Unreduced#	Reduced
50	30%	
51	30	
52	30	
53	30	
54	30	
55	30	2
56	30	2
57	30	2
58	30	2
59	30	2
60	30	4
61	30	6
62	50	20
63	30	15
64	30	15
65	50	
66	30	
67-79	20	
80	100	

A member was assumed eligible for unreduced retirement after attaining age 50 with 28 years of service, or age 65 with 5 years of service. A member was assumed eligible for reduced retirement after attaining age 55 with 10 or more years of service.

For members under 65, the percentage of eligible participants assumed to retire during the next year is 1/3 of the above percentages for members with 30 or more years of service, 1/2 of the above percentages for members with 29 years of service and 2/3 of the above percentage for members with 28 years of service.

**Schedule of Active Member Valuation Data
10 Year Comparative Statements**

STATE DIVISION

Valuation Date <u>June 30</u>	Active Members in Valuation		Average Pay		% Change in CPI (Inflation)
	Number	Annual Payroll	Dollars	% Change	
1992	22,953	468,310,059	20,403	+5.3	+3.1
1993 #@	23,201	495,874,973	21,373	+4.8	+3.0
1994	24,488	530,532,520	21,665	+1.4	+2.5
1995 #&	25,392	566,317,776	22,303	+2.9	+3.0
1996	25,496	598,416,616	23,471	+5.2	+2.8
1997 #	25,699	636,196,222	24,695	+5.2	+3.0
1998 @	25,776	657,941,805	25,525	+3.4	+2.3
1999	25,726	674,674,818	26,225	+2.7	+1.7
1999 #	25,726	674,941,818	26,225	+2.7	+1.7
2000	25,869	696,187,512	26,912	+2.6	+3.7
9 Year Average				+3.3	+2.5

LOCAL GOVERNMENT DIVISION

(Combined County, Municipal, School & Other Non-State Employers)

Valuation Date <u>June 30</u>	Active Members in Valuation		Average Pay		Change in CPI (Inflation)
	Number	Annual Payroll	Dollars	Change	
1998 @	17,150	\$ N/A	18,385	+3.2	+2.3
1999	17,216	332,656,169	19,323	+0.0	+1.7
1999 #	17,216	332,656,169	19,323	+5.1	+1.7
2000	17,132	352,354,160	20,567	+6.4	+3.7
4 Year Average				+3.7	+1.9

STATE AND LOCAL GOVERNMENT DIVISION

Valuation Date <u>June 30</u>	Active Members in Valuation		Average Pay		Change in CPI (Inflation)
	Number	Annual Payroll	Dollars	Change	
2001	42,469	\$ 1,069,021,325	25,172	+3.2	+3.2

N/A Data not available for this fiscal year.

After legislated changes in benefit provisions.

@ After changes in financial assumptions.

& After changes in asset valuation method.

**Schedule of Active Member Valuation Data
10 Year Comparative Statements**

GENERAL ASSEMBLY SUBDIVISION

Valuation Date <u>June 30</u>	Active Members in Valuation		Average Pay		Change in CPI (Inflation)
	<u>Number</u>	<u>Annual Payroll</u>	<u>Dollars</u>	<u>Change</u>	
1992	126	949,788	7,538	+0.0	+3.1
1993 #@	127	955,040	7,520	+0.0	+3.0
1994	128	N/A	12,512	+6.4	+2.5
1995 #	125	N/A	12,512	+0.0	+3.0
1996	124	1,553,000	12,524	+0.0	+2.8
1997 #	125	1,565,500	12,524	+0.0	+3.0
1998 @	121	1,515,500	12,525	+0.0	+2.3
1999	122	1,526,500	12,512	- 0.1	+1.7
2000	120	1,500,000	12,500	- 0.1	+3.7
2001	87	1,087,500	12,500	0.0	+3.2
10 Year Average				<u><u>+10.3</u></u>	<u><u>+2.8</u></u>

N/A Data not available for this fiscal year.

After legislated changes in benefit provisions.

@ After changes in financial assumptions.

& After changes in asset valuation method.

* Funding policy was to liquidate the Contingency Reserve over a period of years and then return to a normal cost contribution.

**Short Condition Test
4-Year Comparative Statements**

The PERS 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 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 liability 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.

The following schedules illustrate the history of liability 3 of the System and is indicative of the APERS objective of following the discipline of level percent of payroll financing.

STATE DIVISION

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) (\$ in Millions)		(1)	(2)	(3)	Total
	1998@	\$17.2	\$640.3		\$1,395.9	\$2,328.5	100%	100%
1999	16.9	721.9	1,516.8	2,637.1	100	100	125	117
1999#@	16.9	784.0	1,634.2	2,637.1	100	100	112	108
2000	16.8	747.5	1,865.7	2,943.3	100	100	117	112

LOCAL GOVERNMENT DIVISION

(Combined County, Municipal, School & Other Non-State Employers)

1998@	\$8.8	\$ 337.9	\$ 501.1	\$ 968.1	100%	100%	124%	114%
1999	8.8	396.9	559.7	1,074.7	100	100	120	111
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	\$2,761.8	\$4,341.2	100%	100%	109%	106%
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After legislated changes in benefit provisions.

@ After changes in financial assumptions.

***Analysis of Financial Experience
Year Ended June 30, 2001***

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below.

	\$ in Millions		
	State and Local Government	General Assembly	Total
(1) UAAL* at beginning of year	\$ (333.0)	\$ 18.1	\$ (314.9)
(2) Normal cost from last valuation	\$ 114.0	\$ 0.2	\$ 114.2
(3) Actual employer contributions	\$ 106.9	\$ 1.5	\$ 108.4
(4) Interest accrual: $[(1) + 1/2[(2) - (3)]] \times .080$	\$ (26.4)	\$ 1.4	\$ (25.0)
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	\$ (352.3)	\$ 18.2	\$ (334.1)
(6) Increase from benefit changes	\$ 76.7	\$ 0	\$ 76.7
(7) Changes from revised actuarial assumptions and methods	\$ 0.0	\$ 0	\$ 0.0
(8) New entrant liabilities	\$ 4.0	\$ 0	\$ 4.0
(9) Expected UAAL after changes: (5) + (6) + (7) + (8)	\$ (271.6)	\$ 18.2	\$ (253.4)
(10) Actual UAAL at end of year	\$ (248.0)	\$ 17.1	\$ (230.9)
(11) Gain (loss): (9) - (10)	\$ (23.6)	\$ 1.1	\$ (22.5)

**Unfunded actuarial accrued liability*

***Analysis of Financial Experience Gains and Losses
By Risk Area
Year Ended June 30, 2001***

Type of Risk Area	State and Local Government	General Assembly
ECONOMIC RISK AREAS		
<u>Pay Increases</u>		
If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	\$ 31.3	\$ 0.0
<u>Investment Return</u>		
If there is greater investment return assumed, there is a gain. If less return, a loss.	(37.2)	0.2
NON-ECONOMIC RISK AREAS		
<u>Age & Service Retirements</u>		
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.	3.4	(0.1)
<u>Disability Retirements</u>		
If there are fewer disabilities than assumed, there is a gain. If more, a loss.	3.0	0.0
<u>Death-in-Service Benefits</u>		
If there are fewer claims than assumed, there is a gain. If more, a loss.	0.1	0.0
<u>Withdrawal</u>		
If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	18.6	0.3
Total Actuarial Gains (Losses)	\$ 19.2	\$ 0.4
<u>Other</u>		
Includes data adjustments at retirement, timing of financial transactions, retired life mortality, and miscellaneous unidentified sources.	\$ (41.7)	\$ (0.4)

***Summary of Plan Provisions
June 30, 2001 Valuation***

Contributory

Voluntary Retirement - A member may retire with full benefit at age 65 with 5 or more years of actual service, age 60 with 20 or more years of actual service, or after 28 years of actual service regardless of age.

Early Retirement - A member who has reached age 55 with 5 years of service may retire with a reduced benefit. The reduction is equal to 1/2 of 1% for each month retirement precedes normal retirement age.

Vested Retirement Benefits - A member leaving APERS covered employment before full retirement age is considered vested with five years of actual service.

Deferred Retirement - A vested member who leaves covered employment before full retirement age is on deferred retirement. Deferred full retirement benefit, based on service and pay at termination, begins at age 65 with 5 years of service; or age 60 with 20 years service. In place of deferred full benefit, at age 55 or older an employee can elect an immediate reduced benefit. Reduction amount is full amount reduced by 1/2 of 1% for each month of difference in benefit beginning ages. To be eligible, a member must have 5 years of service when leaving APERS-covered employment before full retirement age.

Disability Retirement - For an active member, disabled after 5 years service, including credit for 18 of the 24 months preceding disability, the amount payable is computed as an age and service benefit, based on service and pay at disability.

Final Average Compensation (FAC) - A member's final average compensation is the average of the highest 36 calendar months of covered compensation.

Full Age and Service Retirement Benefit - The annuity benefit equals 2.07% of FAC times years of credited service.

Benefit Increases After Retirement - Annually, there will be a cost of living adjustment of 3% of the current benefit.

Survivor Benefits - If death occurs before total monthly benefit payments equal member's accumulated contributions, the difference is refunded. Should a member elect a straight life benefit and decease within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain circumstances. A retiring member can also elect an optional form of benefit, which provides beneficiary protection and is paid for by reducing the retired member's benefit amount. If death occurs while in APERS-covered employment, member's accumulated contributions are refundable. However, if a member has 5 years or more of service, monthly benefits are payable instead. The surviving spouse receives a benefit, payable immediately, computed as if member had retired and elected the Joint and 75% Survivor Option. Each dependent child receives benefit of 10% of compensation, subject to a 25% maximum for all children. Dependent parent benefits are payable if neither spouse nor children benefits are payable.

Members' Contribution Rates - Contributory plan members are required to contribute 6% 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).

Deferred Retirement Option Plan (DROP) - Members with 28 or more years of actual service in PERS or in combination with a reciprocal system are eligible to participate. Members, for a maximum of 60 months, may continue employment and have a percentage of their retirement benefits accumulate in a tax-deferred account which earns 6% interest. The current DROP percentages range from 63% for 28 years of service to 75% for 30+ years of service. DROP accounts are paid to members upon retirement in a lump sum, as an additional monthly benefit, or rolled over into a qualified retirement plan.

***Summary of Plan Provisions
June 30, 2001 Valuation***

Non-Contributory

Voluntary Retirement - A member may retire at age 65 with 5 or more years of actual service, or after 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).

Early Retirement - A member who has reached age 55 with 5 years of service may retire with a reduced benefit. The reduction is equal to 1/2 of 1% for each month retirement precedes normal retirement age.

Vested Retirement Benefits - A member leaving APERS covered employment before full retirement age is considered vested with five years of actual service.

Deferred Retirement - A vested member who leaves covered employment before full retirement age is on deferred retirement. Deferred full retirement benefit, based on service and pay at termination, begins at age 65 with 5 years of service. In place of deferred full benefit, a qualifying employee can elect an immediate reduced benefit. Reduced amount is full amount reduced by 1/2 of 1% for each month of difference in benefit beginning ages.

Disability Retirement - For an active member, disabled after 5 years service, including credit for 18 of the 24 months preceding disability, the amount payable is computed as an age and service benefit, based on service and pay at disability.

Final Average Compensation (FAC) - A member's final average compensation is the average of the highest 36 calendar months of covered compensation.

Full Age and Service Retirement Benefit - The annuity benefit is calculated as 1.72% of FAC times years and months of credited service. If retirement is before age 62, an additional .33% of FAC times years of service will be paid until the retiree becomes age 62. The portion of the benefit based on service before 1978 cannot be less than amount provided by contributory provisions in effect at time of retirement. The minimum monthly benefit is \$150 minus any age and beneficiary option reductions.

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

Survivor Benefits - Member contributions before 1978 are protected in the same manner as under the contributory plan. Should a member elect a straight life benefit and decease within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain circumstances. Retiring members can also elect an optional form of benefit, which provides beneficiary protection and is paid for by reducing the retired member's benefit amount. If death occurs while in APERS covered employment, member's accumulated contributions before 1978 are refundable. However, if a member has 5 years or more of service, monthly benefits are payable instead. The surviving spouse receives a benefit, payable immediately, computed as if member had retired and elected the Joint and 75% Survivor Option. Each dependent child receives benefit of 10% of compensation, subject to maximum of 25% for all children. Dependent parent benefits are payable if neither spouse nor children benefits are payable.

Members' Contribution Rates - There are 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.

Deferred Retirement Option Plan (DROP) - Members with 28 or more years of actual service in PERS or in combination with a reciprocal system are eligible to participate. Members, for a maximum of 60 months, may continue employment and have a percentage of their retirement benefits accumulate in a tax-deferred account which earns 6% interest. The current DROP percentages range from 63% for 28 years of service to 75% for 30+ years of service. DROP accounts are paid to members upon retirement in a lump sum, as an additional monthly benefit, or rolled over into a qualified retirement plan.

Statistical Section

Schedule of Revenues by Source

Schedule of Expenses by Type

Schedule of Benefit Expenses by Type

Schedule of Retired Members by Type of Benefit

Schedule of Average Benefit Payments

Statistical Charts

Schedule of Participating Employers

Statistical Section

Schedule of Revenues by Source

Schedule of Expenses by Type

Schedule of Benefit Expenses by Type

Schedule of Retired Members by Type of Benefit

Schedule of Average Benefit Payments

Statistical Charts

Schedule of Participating Employers

*Schedule of Revenues by Source
For the Fiscal Years 1996 – 2001*

Year Ending <u>June 30</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Transfers and Other</u>	<u>Total</u>
1996	698,828	76,772,911	296,882,748	10,019,102	384,373,589
1997	535,390	82,050,662	402,179,790	7,851,330	492,617,172
1998	490,011	87,528,945	480,224,939	6,963,014	575,206,909
1999	452,946	93,322,444	281,941,948	7,515,334	383,232,672
2000	368,751	96,348,947	350,016,319	7,976,988	454,711,005
2001	301,349	100,925,338	(190,474,072)	7,533,778	(81,713,607)

NOTE: Investment income includes investment gain calculated in accordance with GASB 25.

*Schedule of Expenses by Type
For the Fiscal Years 1996 – 2001*

Year Ending <u>June 30</u>	<u>Benefit Payments</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Miscellaneous</u>	<u>Total</u>
1996	76,534,786	4,644,154	1,876,148	-	83,055,088
1997	82,551,178	3,603,677	1,011,382	-	87,166,237
1998	91,210,892	3,249,532	132,703	-	94,593,127
1999	99,224,501	3,582,665	55,378	-	102,862,544
2000	121,714,351	3,549,098	42,725	-	125,306,174
2001	135,330,351	3,853,726	369,060	8,367	139,561,504

*Schedule of Benefit Expenses by Type
For the Fiscal Years 1996 – 2001*

<u>Year Ending June 30</u>	<u>Age & Service</u>		<u>Death in Service</u>	<u>Disability</u>		<u>Refunds</u>
	<u>Retirees</u>	<u>Survivors</u>		<u>Retirees</u>	<u>Survivors</u>	
1996	67,022,536	1,478,244	1,856,437	4,243,441	384,839	1,876,148
1997	76,092,288	1,869,996	1,930,368	4,515,588	434,916	1,011,382
1998	79,123,128	1,897,992	2,274,900	5,908,068	636,660	132,703
1999	100,343,772	2,595,384	2,629,740	5,793,600	612,372	55,378
2000	107,580,516	2,896,032	2,972,712	6,066,588	676,764	42,725
2001	116,824,476	3,335,940	3,347,184	6,946,980	749,196	369,060

Note that total benefits shown on schedule above do not agree to benefit payments shown on page 74. This discrepancy is due to the method used to calculate benefits shown here; amounts were calculated by the actuary using annualized July 2001 benefits for retirees on roll at June 30, 2001.

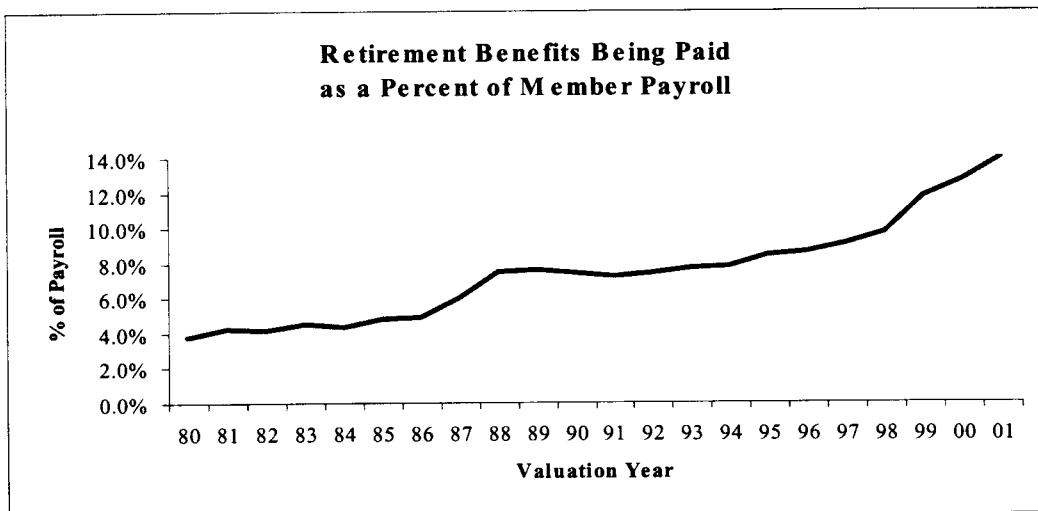
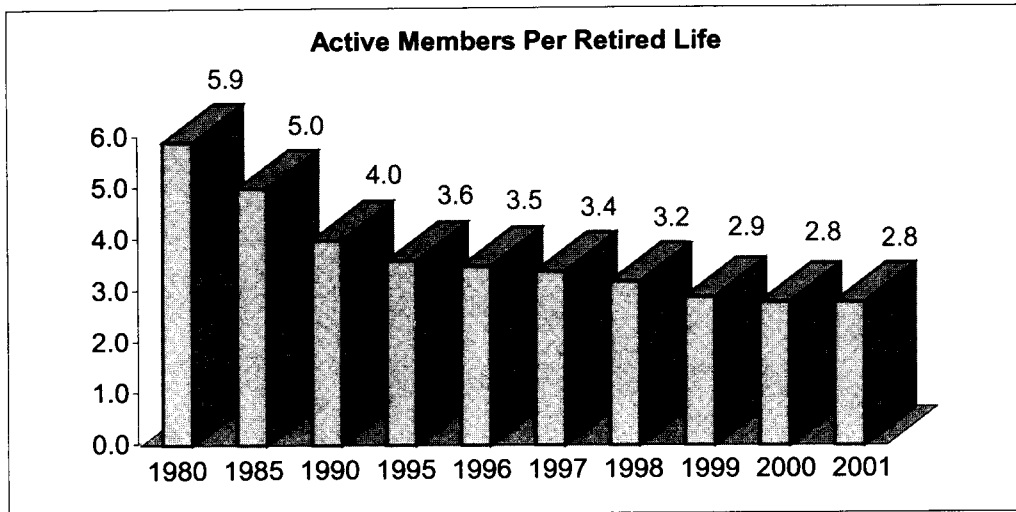
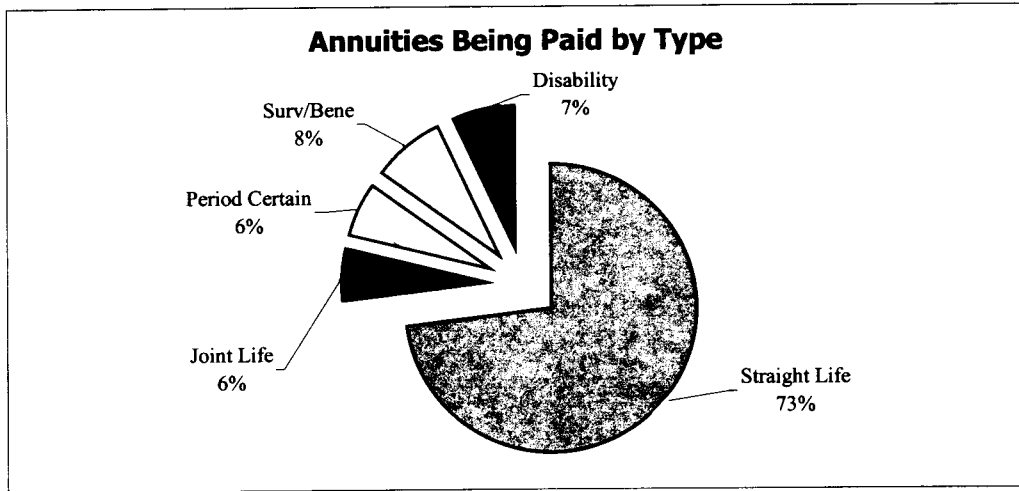
**Schedule of Retired Members by Type of Benefit
As of June 30, 2001**

Type of Annuity	Number	Annuities	Liabilities
Age & Service Retirees			
Life	11,598	\$99,012,888	\$959,884,248
Option A- 60 (5 years certain)	249	2,152,536	22,629,384
Option A-120 (10 years certain)	670	5,479,392	49,801,560
Option B- 50 (joint and 50% survivor)	414	5,125,632	55,626,936
Option B- 75 (joint and 75% survivor)	416	3,948,276	49,092,984
Option B-100 (joint and 100% survivor)	<u>92</u>	<u>1,105,752</u>	<u>13,930,068</u>
Totals	13,439	116,824,476	1,150,965,180
Beneficiaries of Age & Service Retirees			
Life	54	310,572	3,600,600
Option A- 60	11	73,176	1,133,868
Option A-120	63	475,164	6,236,256
Option B- 50	160	891,036	7,649,208
Option B- 75	144	1,035,228	10,033,956
Option B-100	<u>34</u>	<u>547,764</u>	<u>4,180,284</u>
Totals	<u>466</u>	<u>3,335,940</u>	<u>32,834,172</u>
Total Age & Service Retirees & Beneficiaries	13,905	120,160,416	1,183,799,352
Disability Retirees			
Life	912	5,745,612	71,442,960
Option A- 60	36	195,132	2,690,280
Option A-120	76	435,828	5,262,396
Option B- 50	41	275,160	3,674,112
Option B- 75	51	295,248	4,306,272
Option B-100	<u>0</u>	<u>0</u>	<u>0</u>
Totals	1,116	6,946,980	87,376,020
Beneficiaries of Disability Retirees			
Life	19	118,392	1,409,052
Option A- 60	12	38,868	624,240
Option A-120	28	193,056	2,898,852
Option B- 50	16	59,256	778,152
Option B- 75	64	328,764	3,971,748
Option B-100	<u>1</u>	<u>10,860</u>	<u>35,688</u>
Totals	<u>140</u>	<u>749,196</u>	<u>9,717,732</u>
Total Disability Retirees & Beneficiaries	1,256	7,696,176	97,093,752
Death-in-Service Beneficiaries	<u>661</u>	<u>3,347,184</u>	<u>44,801,904</u>
Total Retirees & Beneficiaries	15,822	\$131,203,776	\$1,325,695,008
DROP Participants	<u>821</u>	<u>18,762,564</u>	<u>264,792,720</u>
GRAND TOTAL	<u>16,643</u>	<u>\$149,966,340</u>	<u>\$1,590,487,728</u>

**Schedule of Average Benefit Payments
As of June 30, 2001**

	Years of Credited Service				
	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>
Retirement Effective Dates					
<u>July 1, 2000 to June 30, 2001</u>					
Avg. Monthly Benefit	\$ 331.45	\$ 469.32	\$ 847.75	\$1,315.49	\$1,612.89
Avg. Monthly Final Average Salary	\$1,612.38	\$1,732.30	\$2,148.50	\$2,499.67	\$2,636.29
Number of Active Retirants	251	194	195	143	75
Retirement Effective Dates					
<u>July 1, 1999 to June 30, 2000</u>					
Avg. Monthly Benefit	\$ 291.97	\$ 498.07	\$ 740.52	\$1,446.42	\$1,866.15
Avg. Monthly Final Average Salary	\$1,504.47	\$1,824.58	\$2,064.68	\$2,627.12	\$3,000.92
Number of Active Retirants	211	182	149	168	95
Retirement Effective Dates					
<u>July 1, 1998 to June 30, 1999</u>					
Avg. Monthly Benefit	\$ 363.34	\$ 549.55	\$ 746.32	\$1,120.37	\$1,836.21
Avg. Monthly Final Average Salary	\$1,506.58	\$1,717.63	\$1,917.56	\$2,076.33	\$2,530.92
Number of Active Retirants	374	243	201	108	179
Retirement Effective Dates					
<u>July 1, 1997 to June 30, 1998</u>					
Avg. Monthly Benefit	\$ 363.34	\$ 577.33	\$ 729.40	\$1,048.02	\$1,836.54
Avg. Monthly Final Average Salary	\$1,483.78	\$1,718.74	\$1,717.04	\$1,964.95	\$2,598.51
Number of Active Retirants	251	192	115	85	144
Retirement Effective Dates					
<u>July 1, 1996 to June 30, 1997</u>					
Avg. Monthly Benefit	\$ 348.02	\$ 569.76	\$ 815.12	\$1,128.08	\$1,914.05
Avg. Monthly Final Average Salary	\$1,347.55	\$1,729.68	\$1,847.74	\$2,071.96	\$2,587.92
Number of Active Retirants	231	159	130	75	135
Retirement Effective Dates					
<u>July 1, 1996 to June 30, 2001</u>					
Avg. Monthly Benefit	\$ 343.15	\$ 532.66	\$ 779.12	\$1,253.54	\$1,830.88
Avg. Monthly Final Average Salary	\$1,494.18	\$1,742.82	\$1,961.63	\$2,323.78	\$2,642.36
Number of Active Retirants	1,318	970	790	579	628

Statistical Charts
As of June 30, 2001



*Schedule of Participating Employers
As of June 30, 2001*

STATE DIVISION

Abstractors Board of Examiners
Administrative Office of the Courts
Administrative Office of the Courts - Director
Arkansas Crime Information Center
Arkansas Development Finance Authority
Arkansas Public Defender Commission
Arkansas Appraisers Licensing/Certification
Arkansas State Capitol Police
Arkansas County Conservation District
Arkansas Dietetic Licensing Board
Arkansas Economic Development Commission
Arkansas Ethics Commission
Arkansas Heritage
Arkansas Minority Health Commission
Arkansas Sentencing Commission
Arkansas State University - Beebe
Arkansas State University - Jonesboro
Arkansas State University - Mountain Home
Arkansas Tech University
Arkansas Tobacco Control Board
Arkansas Towing and Recovery Board
Arkansas Transitional Employment Board
Arkansas Valley Technical Institute
Ashley County Conservation District
Assessment Coordination Department
Attorney General
Auctioneers Licensing Board
Auditor of State
Baxter County Conservation District
Benton County Conservation District
Board of Accountancy
Board of Architects
Board of Barber Examiners
Board of Chiropractic Examiners
Board of Collection Agencies
Board of Cosmetology
Board of Dental Examiners
Board of Dispensing Opticians
Board of Embalmers/Funeral Directors
Board of Examiners in Counseling
Board of Examiners in Speech/Language/Pathology
Board of Massage Therapy
Board of Nursing
Board of Pharmacy
Board of Physical Therapy
Board of Registry for Professional Engineers
Board of Registry for Professional Geologists
Boone County Conservation District
Buffalo River Conservation District
Burial Association Board
Calhoun County Conservation District
Capitol Zoning District Commission
Carroll County Conservation District
Chicot County Conservation District
Claims Commission
Clark County Conservation District
Clay County Conservation District
Cleburne County Conservation District
Code Revision Commission
Columbia County Conservation District
Constitutional Officers
Contractors Licensing Board
Conway County Conservation District
Cossatot Conservation District
Cossatot Technical College
Court of Appeals
Court Reporters
Craighead County Conservation District
Crawford County Conservation District
Crittenden County Conservation District
Crooked Creek Conservation District
Cross County Conservation District
Crowley's Ridge Technical Institute
Dallas County Conservation District
Department of Aeronautics
Department of Community Punishment
Department of Corrections
Department of Emergency Management
Department of Environmental Quality
Department of Finance & Administration
Department of Health
Department of Higher Education
Department of Human Services
Department of Information Systems
Department of Labor
Deputy Prosecuting Attorney
Desha County Conservation District
Disability Determination for Social Security Admin.
Disabled Veterans Service
Division of Legislative Audit
Drug Task Force - 1st & 3rd Judicial Districts
Drug Task Force - 5th Judicial District
Drug Task Force - 8th Judicial District
Drug Task Force - 10th Judicial District
Drug Task Force - 13th Judicial District
Drug Task Force - 14th Judicial District

(Continued)

Statistical Section

STATE DIVISION

Drug Task Force - 15th Judicial District
Drug Task Force - 18th Judicial District
Drug Task Force - Batesville
East Arkansas Community College
Educational Television Commission
Employment Security Division
Examiners in Psychology
Faulkner County Conservation District
Fire Protection Licensing Board
Forestry Commission
Franklin County Conservation District
Fulton County Conservation District
Game & Fish Commission
Game & Fish Commission - Wildlife Officer
Garland County Community College
Garland County Conservation District
General Assembly - House
General Assembly - Senate
Geological Commission
Governor's Office
Grant County Conservation District
Greene County Conservation District
Hempstead County Conservation District
Henderson State University
History Commission
Hot Spring County Conservation District
House Speaker's Office
Independence County Conservation District
Insurance Department
Izard County Conservation District
Jackson County Conservation District
Jefferson County Conservation District
Johnson County Conservation District
Judicial Discipline/Disability Commission
Lafayette County Conservation District
Law Enforcement Standards
Lawrence County Conservation District
Lee County Conservation District
Legislative Council
Lieutenant Governor
Lincoln County Conservation District
Liquified Petroleum Gas Division
Little River Conservation District
Livestock & Poultry Commission
Logan County Conservation District
Lonoke County Conservation District
Madison County Conservation District
Manufactured Home Commission
Martin Luther King Jr. Commission
Medical Board
Miller County Conservation District
Mine Creek Conservation District
Mississippi County Community College
Mississippi County Conservation District
Monroe County Conservation District
Motor Vehicle Commission
Nevada County Conservation District
Newton County Conservation District
North Arkansas College
Northwest Arkansas Community College
Northwest Technical Institute
Office of Rural Advocacy
Oil & Gas Commission
Ouachita County Conservation District
Ozarka Technical College
Parks & Tourism
Perry County Conservation District
Petit Jean Technical College
Phillips Community College - U of A
Phillips County Conservation District
Pike County Conservation District
Poinsett County Conservation District
Pope County Conservation District
Post Prison Transfer Board
Poteau River Conservation District
Saline County Conservation District
Senate Clerk
Sharp County Conservation District
Social Work Licensing Board
Soil & Water Commission
South Arkansas Community College
Southeast Arkansas Technical College
Southern Arkansas University
Southern Arkansas University Tech
Spinal Cord Commission
St. Francis County Conservation District
State Bank Department
State Board of Election Commissioners
State Building Services
State Crime Lab
State Land Commission
State Library
State Military Department
State Plant Board
State Police (Non-Troopers)
State Treasurer
Washington County Conservation District
Waterways Commission
Westark Community College
White County Conservation District
Woodruff County Conservation District
Worker's Compensation Commission
Yell County Conservation District

(Continued)

LOCAL GOVERNMENT DIVISION

County Employers

Arkansas
Arkansas River Valley Regional Library
Ashley
Association of Counties
Baxter
Benton
Boone
Bradley
Calhoun
Carroll
Chicot
Clark
Clay
Clay County - Western District
Cleburne
Cleveland
Columbia
Conway
Craighead
Crawford
Crittenden
Crittenden Co. Drainage District
Cross
Dallas
Desha
Drew
East Central Arkansas Regional Library
Faulkner
Franklin
Fulton
Garland
Grant
Grassy Lake - Tyronza Drainage
Greene
Hempstead
Hot Spring
Howard
Independence
Izard
Jackson
Jefferson
Johnson
Lafayette
Lawrence
Lee
Lincoln
Little River
Logan
Lonoke

Madison
Marion
Miller
Mississippi
Monroe
Montgomery
Nevada
Newton
North Arkansas Regional Library
Ouachita
Perry
Phillips
Pike
Poinsett
Polk
Pope
Prairie
Pulaski
Randolph
Randolph County Nursing Home
Saline
Scott
Searcy
Sebastian
Sevier
Sharp
St. Francis
Stone
Union
Van Buren
Washington
White
White County Public Library
White River Regional Library
Woodruff
Yell
Yell County Library

Municipal Employers

Alma
Alma Water & Sewer Department
Arkansas Local Police & Fire Retirement System
Arkadelphia
Arkansas City
Arkansas Municipal League
Ash Flat
Ashdown

(Continued)

Municipal Employers (Continued)

Augusta
Batesville Water Works
Beebe
Bentonville
Biscoe
Bono
Bradford Water & Sewer System
Brinkley
Brinkley Municipal Water Service
Bryant
Cabot
Caddo Valley
Calico Rock
Camden Water & Utilities
Cammack Village
Carlisle
Cave City
Charleston
Cherry Valley
Clarksville
Clinton
Clinton Water & Sewer
Corning
Cotter
Crossett
Crossett Water Commission
Des Arc
Dierks
Dover
El Dorado Water Works
Elm Springs
England
Eudora
Farmington
Flippin
Fordyce
Fordyce Water & Sewer
Foreman
Forrest City
Fort Smith Public Library
Fountain Hill
Fulton
Gassville
Gravette
Green Forest
Hackett
Hamburg
Hampton
Hardy
Harrisburg
Harrisburg Water & Gas Division
Harrison
Haskell
Hazen
Heber Springs
Holly Grove
Hope
Hope Water & Light
Horatio
Hot Springs
Hot Springs Advertising & Promotion Commission
Humnoke
Huntington
Huttig
Jacksonville
Jacksonville Wastewater Utility
Jacksonville Water Commission
Jasper
Lamar
Lepanto
Lewisville
Lincoln
Little Rock Municipal Water Works
Little Rock Wastewater Utility
Lockesburg
Lowell
Magnolia
Magnolia Sewer Department
Malvern
Mammoth Spring
Marked Tree
Marshall
Marvell
McGehee Water & Sewer System
McRae
Melbourne
Mena
Mena Water & Sewer
Monette
Monticello
Morrilton
Mount Ida
Mount Pleasant
Mountain Pine
Mountain View
Nashville
North Little Rock Advertising & Promotion Commission
North Little Rock Water Department
Norman
Ola
Pangburn
Paragould

(Continued)

Municipal Employers (Continued)

Paris
Paul Sullins Public Library
Perryville
Piggott
Piggott Light & Water System
Plumerville
Prairie Grove
Prescott
Quitman
Rison
Rogers
Rogers Water Utilities
Russellville
Salem
Searcy
Shannon Hills
Sheridan
Shirley
Smackover
Stamps
Star City
Star City Water & Sewer
Stuttgart
Stuttgart & North Arkansas County Library
Summit
Van Buren
Van Buren Municipal Utilities
Vilonia Waterworks Association
Viola
Warren
Warren Water & Sewer
West Fork
Western Grove
Wilmar
Wynne
Wynne Municipal Utilities
Yellville

School Employers

Acorn
Alma
Alpena
Alread
Alzheimer Unified
Altus-Denning
Arkadelphia
Ashdown
Atkins
Augusta

Bald Knob
Barton Lexa
Batesville
Bauxite
Bay Brown
Bearden
Beebe
Benton
Bentonville
Bergman
Berryville
Biggers-Reyno
Bismarck
Black Rock
Blevins
Blytheville
Booneville
Bradford
Bradley
Bright Star
Brinkley
Brookland
Bryant
Buffalo Island
Cabot
Caddo Hills
Calico Rock
Carlisle
Carthage
Cave City
Cedarville
Centerpoint
Charleston
Clarendon
Clarksville
Clay County Central
Clinton
Concord
Conway
Cord-Charlotte
Corning
Cotter
Cotton Plant
County Line
Crawfordsville
Cross County
Crossett
Cushman
Cutter Morning Star
Danville
Dardenelle

(Continued)

School Employers (Continued)

Decatur	Hackett
Deer	Hamburg
Delaplaine	Hampton
Delight	Harmony Grove - Benton
Delta Special	Harmony Grove - Camden
DeQueen	Harrisburg
Dermott Special	Harrison
Des Arc	Hartford
DeValls Bluff	Hazen
DeWitt	Heber Springs
Dierks	Hector
Dollarway	Helena-West Helena
Dover	Hermitage
Drew Central	Highland
Dumas	Holly Grove
Earle	Hope
East End	Horatio
East Poinsett County	Hot Springs
El Dorado	Hoxie
Elaine	Hughes
Elkins	Huntsville
Emerson	Huttig
England	Izard County Consolidated
Eudora	Jackson County Schools
Eureka Springs	Jasper
Evening Shade	Jessieville
Fairview	Jonesboro
Farmington	Junction City
Fayetteville	Kingsland
Flippin	Kingston
Fordyce	Kirby
Foreman	Lake Hamilton
Forrest City	Lakeside - Hot Springs
Fort Smith	Lakeside - Lake Village
Fouke	Lakeview
Fountain Lake	Lamar
Fourche Valley	Lavaca
Genoa Central	Lead Hill
Gentry	Lee County
Gillett	Leslie
Glen Rose	Lewisville
Gosnell	Lincoln Consolidated
Gould	Little Rock
Grady	Lockesburg
Gravette	Lonoke
Green Forest	Magazine
Greenbrier	Magnet Cove
Greene County Tech	Magnolia
Greenwood	Malvern
Gurdon	Mammoth Spring
Guy Perkins	Manila

(Continued)

School Employers (Continued)

Mansfield	Pea Ridge
Marion	Perry Casa
Marion County Rural	Perryville
Marked Tree	Piggott
Marmaduke	Pine Bluff
Marshall	Plainview Rover
Marvell	Pleasant View
Mayflower	Pocahontas
Maynard	Pottsville
McCrary	Poyen
McGehee	Prairie Grove
McNeil	Prescott
McRae	Pulaski County Special
Melbourne	Quitman
Mena	Randolph
Midland	Rison
Mineral Springs	River Valley
Monticello	Riverside
Mount Vernon-Enola	Riverview
Mountain Home	Rogers
Mountain Pine	Rosebud
Mountain View	Rural Special
Mountainburg	Russellville
Mt. Holly	Saratoga
Mt. Ida	Salem Consolidated
Mt. Judea	Scotland
Mt. Pleasant	Scranton
Mulberry	Searcy
Murfreesboro	Sheridan
Nashville	Shirley
Nemo Vista	Siloam Springs
Nettleton	Sloan-Hendrix
Nevada	Smackover
Newark	South Central Service Cooperative
Newport Special	South Conway County
Norfolk	South Mississippi County
Norphlet	Southside
North Little Rock	Sparkman
Oark	Spring Hill
Oden	Springdale
Omaha	St. Joe
Osceola	St. Paul
Ouachita	Stamps Special
Ozark	Star City
Palestine-Wheatley	Stone County
Pangburn	Strong
Paragould	Stuttgart
Paron	Sulphur Rock
Paris	Taylor
Parkers Chapel	Texarkana
Parkin	Trumann

(Continued)

School Employers (Continued)

Turrell
Umpire
Union
Valley Springs
Valley View
Van Buren
Van Cove
Vilonia
Viola
Waldo
Waldron
Walker
Walnut Ridge
Warren
Watson Chapel
Weiner
West Fork
West Memphis
West Memphis Cafeteria
West Side
Western Grove
Western Yell County
Westside
Westside Consolidated
White County Central
White Hall
Wickes
Williford
Witt Springs
Wonderview
Woodlawn
Wynne
Yellville Summit

Other Non-State Employers

Blytheville-Gosnell Regional Airport
Boone County Airport
Clark County Country Water Facilities
Cleveland County Solid Waste Authority
Four County Regional Solid Waste Authority
Hot Spring County Regional Solid Waste Authority
Kimzey Regional Water District
Nevada County Prescott Solid Waste Management
North Garland County Regional Waste District
Pulaski County Regional Solid Waste
Riversouth Rural Water District
Saline County Regional Solid Waste Management Dist.
South Sebastian County Water User Association
SW Boone County Water Association
Upper SW Arkansas Solid Waste Management District
Washington Water Authority

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

One Union National Plaza, Suite 400

124 West Capitol

Little Rock, AR 72201

501-682-7800 or 1-800-682-7377
