



ARKANSAS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT 2008**

Arkansas

Public Employees Retirement System

A Pension Trust Fund of the State of Arkansas

Comprehensive
Annual Financial Report
For the Year Ended
June 30, 2008

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

Prepared by
Arkansas Public Employees Retirement System
124 West Capitol Avenue, Suite 400
Little Rock, AR 72201


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INTRODUCTION

A decorative graphic on the left side of the page consists of a grid of colored leaves in shades of orange, green, and blue. The leaves are arranged in a pattern that tapers to the right. Some leaves are solid colors, while others are semi-transparent, creating a layered effect. The colors transition from orange and red at the top to green and blue at the bottom.

A History of APERS

Membership Information

Letter of Transmittal

Letter from the Board Chair

Board of Trustees

Organizational Chart and Administrative Staff

Professional Consultants and Investment Managers

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A History of APERS

From its humble beginnings in 1957 as a multi-employer defined benefit retirement plan for State of Arkansas employees, the Arkansas Public Employees Retirement System (APERS), formerly Arkansas State Employees Retirement System, has developed into a mature system that continues to satisfy the general financial objective of level contribution financing.

As of June 30, 2008, the assets of the System remained healthy at \$5.6 billion despite a recently tough investment environment. The APERS investment program has seen rates of return that range from -6.70% (fiscal year 1981) to 38.5% (fiscal year 1985). The investment of these assets has gone from certificates of deposits at local banks to an allocation of assets among numerous investment managers that include domestic equities, domestic fixed income, international equities and alternatives (i.e. timber, real estate).

With changes in the retirement world, APERS has experienced the implementation of a Deferred Retirement Option Plan (DROP), the ability to retire at any age with 28 years actual service, the Partial Annuity Withdrawal (PAW) and the ability to purchase various types of service (i.e. federal, out-of-state, military, national guard/reserve). Enhancements to the monthly retirement annuity have included Ad Hoc increases for retirees and increases in the multipliers for active members, as well as a reduction in the years utilized to calculate the final average salary.

APERS membership has grown steadily. Our active to retired lives is approximately 1:1.9, according to the 2008 APERS Report of Actuarial Valuation and Experience Gain/(Loss). Over the next several years, we will be experiencing the “Baby Boomers” retirement and the active to retired lives will be more like 1:1.

Highlights

From 1957 through 1965, county employers (Act 42 of 1959), municipal employers (Act 64 of 1961), college and university employers (Act 149 of 1963) and non-teaching public school employers (Act 63 of 1965) joined the System.

With the establishment of reciprocity, service rendered to other state authorized retirement systems could be recognized for vesting in conjunction with service rendered to APERS.

Any member joining the System prior to January 1, 1978 was required to contribute a percentage of their salary to the System. However, effective January 1, 1978, all new members were no longer required to contribute to the System; only the employer contributed. All contributory members of the System were given an opportunity to remain contributory or choose to be non-contributory.

Throughout the next several years, various other non-state employers were added to the System through various legislative enactments. Act 653 of 1989 required that all newly hired public school employees be enrolled in the Arkansas Teacher Retirement System (ATRS). The School Division became a closed-plan.

In 1991, Act 757 provided for fractional service credit for members who work less than 80 hours per month. Act 975 changed the final average salary (FAS) used in the calculation of retirement benefits from five (5) years to four (4) years. Act 1137 of 1997 set the way for the FAS to be set at three (3) years. Act 1143 required adherence for retirement systems to the Qualified Domestic Relation Orders (QDRO).

Introduction

Effective July 1, 1997 the vesting requirements changed from ten (10) years to five (5) years for all active and future members of the System with the exception of members of the General Assembly (Act 1356 of 1995).

As of July 1, 1999 a retired member of another state-sponsored retirement system, who worked in a position covered by APERS and met the eligibility requirements, could be reported to APERS.

In 2005, the 86th General Assembly provided for the establishment of a new contributory provision for the System. Therefore, effective July 1, 2005, all new members of the System would be contributory and contribute 5% of their salary into the System. Current members of the System were given the option to remain non-contributory or choose to be a contributory member of the System.

Effective July 1, 2007, the Arkansas District Judges Retirement System (ADJRS) was transferred to APERS by Act 177 of the 2007 Arkansas Legislature. ADJRS at that time was treated as a closed system and was recorded as one of APERS "divisions". District Judges entering the System after July 1, 2007 are treated as APERS employees and fall under the same benefits as APERS employees.

Membership Information

As of June 30, 2008

STATE AND LOCAL DIVISIONS ONLY*

ACTIVE MEMBERS	
Number	44,340*
Average Age	44.6 years
Average Years	9.4 years
Average Annual Salary	\$31,112
INACTIVE VESTED MEMBERS	
Number	11,988

* Does not include 17 General Assembly members.

2008 RETIRED MEMBERS		
	Age and Service	Disability
Retired Members	1,115	107
Average Age	61.8 years	55.2 years
Average Years of Service	17.3 years	15.1 years
Average Monthly Benefit	\$821.65	\$601.65
TOTAL RETIREES		
Retired Members#	23,555	
Average Monthly Benefit	\$1,051	

Includes DROP participants

DISTRICT JUDGES ONLY

ACTIVE MEMBERS	
Number	70
Average Age	56.2 years
Average Years*	11.1 years
Average Annual Salary	\$50,376
INACTIVE VESTED MEMBERS	
Number	156

*Total Service

RETIRED MEMBERS		
	Total	Disability
Retired Members	124	0
Average Age	70.9 years	0
Average Years of Service	N/A	0
Average Monthly Benefit	\$761	\$0



Arkansas Public Employees Retirement System

124 West Capitol • Suite 400 • Little Rock, Arkansas 72201

December 15, 2008

APERS Board of Trustees
Arkansas Public Employees Retirement System
124 West Capitol Avenue
Little Rock AR 72201

Dear Board Members:

It is my honor to present to you the 2008 Annual Financial Report of the Arkansas Public Employees Retirement System (“APERS” or the “System”) for the fiscal year ended June 30, 2008. The report evidences our continuing effort 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 activities of the System.

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 six 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; a Statistical Section, which includes significant trend data pertaining to the System, and an Appendix, which lists all Participating Employers as of June 30, 2008. 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 that 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 9.53%. 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

The fund recognized a negative 4.45% rate of return which, when adjusted for asset allocation, placed APERS in the top forty percent of performance over the last five years in a peer universe comparison. As anticipated, the funding status of the retirement system moved up to 89.7% in fiscal 2008 from 89.1% in 2007. With the enactment in 2005 of the new employee contributory provisions, the system has enjoyed improved cash flow.

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 Principals. This System includes written policies and procedures adopted by the Board of Trustees and promulgated in accordance with the State's Administrative Procedures Act.

ADDITIONS

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. The decrease for fiscal year 2008 totaled approximately \$58.5 million (see Table 1).

The overall decrease was approximately \$1,142.7 million compared to the increase of fiscal year 2007 due primarily to lower investment earnings and somewhat offset by higher employee and employers' contributions and a net transfer of \$24.1 million of the District Judges Retirement System into APERS. The Investment Section of this report reviews activity and the results of the investment portfolio for fiscal year 2008. The net assets of the System were \$5.64 billion on June 30, 2008, a decrease of approximately \$331.8 million from 2007.

TABLE 1.

OPERATING ADDITIONS

Employer contributions	\$ 174,119,820
Employee contributions	18,443,261
Investment earnings	(283,602,698)
Miscellaneous additions	<u>32,563,899</u>
TOTAL	<u>\$ (58,475,718)</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 2008 totaled approximately \$273.3 million (see Table 2), an increase of approximately 9.5% over fiscal year 2007 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. The net decrease in Plan net assets was approximately \$331.8 million during fiscal year 2008.

TABLE 2.

OPERATING DEDUCTIONS

Benefit payments	\$266,296,562
Refunds of contributions	1,919,767
Administrative expenses	<u>5,100,085</u>
TOTAL	<u>\$273,316,414</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 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, 2008, amounted to \$6.5 billion and \$5.9 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". The rule established a standard for all fiduciaries, which included 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 appointed by the Board are listed in the Introductory Section. For fiscal year 2008, investments provided a negative 4.45% rate of return. The System's annualized rate of return over the last three years was approximately 8.17%.

AUDIT

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

ACTUARIAL SURVEY AND VALUATION

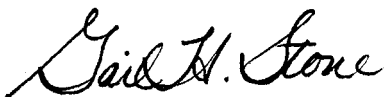
An actuarial review of the System is performed annually. The assumptions utilized by the actuary in performing the valuation are reviewed annually by the Board. The actuarial firm, Gabriel, Roeder, Smith & Company, completed the actuarial review and valuation and served as technical advisor to the System.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

ACKNOWLEDGEMENTS

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 ensure 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

124 West Capitol • Suite 400 • Little Rock, Arkansas 72201

December 15, 2008

Dear Members:

On behalf of the Board of Trustees, I am pleased to present the APERS Annual Financial Report for the fiscal year ending June 30, 2008. The Arkansas Public Employees Retirement System continues to be in very sound condition with 90% of all commitments prefunded. The assets accumulated to pay your retirement benefits are carefully invested to ensure the necessary funding when your future benefits are due to you. As Board members we serve as trustees to ensure that your interests are properly safeguarded. We have the responsibility and the mandate to provide retirement benefits to all participants commensurate with the valuable service each has rendered to the citizens of Arkansas.

The economic challenges of the past year have been significant. The U.S. has been in a recessionary environment for nearly half of the fiscal year. While the APERS investment portfolio posted negative returns for that period, we are proud that our market exposure was properly defensive enough to avoid some of the worst pitfalls. Our negative 4.45% rate of return proved to be better than that of 95% of all other public funds on a risk-adjusted basis.

The APERS board members are keenly aware of the concerns that many of you have expressed regarding the safety of your future benefits in light of financial collapse of so many of the titans of Wall Street. Please be assured that member benefits are safe. In fact, fragility of the markets has made clear the incredible value of a defined benefit plan such as this one. It is specifically designed to be the “shock absorber” against the onslaught of bad economic data we are now enduring. By pooling our collective risks and gains, we are all made financially stronger in the end with modest but consistent benefits. Does this mean we will see any meaningful benefit enhancements in the near term? This is not likely, though the Board of Trustees will be very vigilant in assessing the fund’s well-being on a regular basis.

As Board Chair, I assure you that all of the APERS trustees have the best interests of the System and its membership in mind as we chart the future direction of the investment program and all other policy areas of the plan. As your board, we also recognize the dedication and fine work of the entire administrative staff of APERS; they are committed to delivering the highest quality service to all stakeholders.

Sincerely,

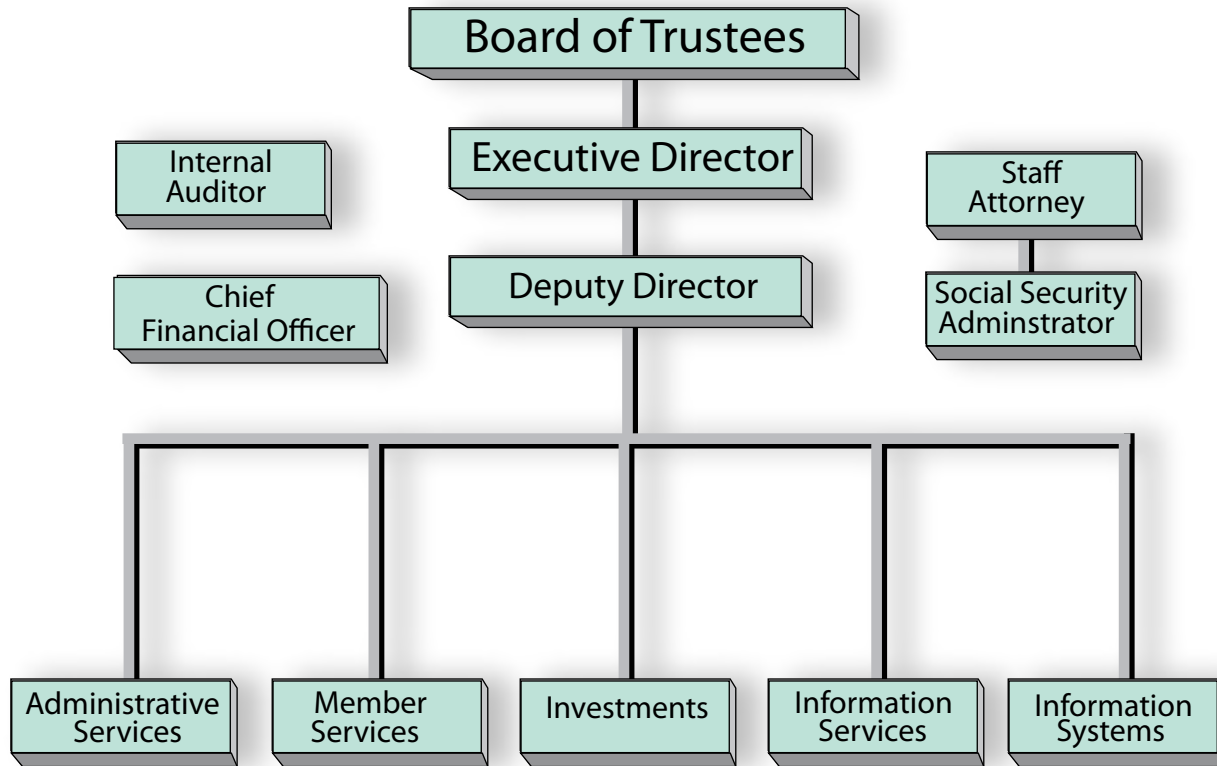


Don Zimmerman, Chair
APERS Board of Trustees

Board of Trustees

Board Members	Expiration of Term
<p>Mr. Don Zimmerman, Chair Executive Director, Arkansas Municipal League Municipal Employee Representative</p>	March 9, 2010
<p>Mr. Artee Williams, Vice Chair Executive Director, Department of Workforce Services State Employee Representative</p>	March 9, 2014
<p>The Honorable Martha Shoffner State Treasurer</p>	Ex-Officio Member
<p>The Honorable Jim Wood State Auditor</p>	Ex-Officio Member
<p>Mr. Richard Weiss Director, Department of Finance and Administration</p>	Ex-Officio Member
<p>Ms. Ouida Wright Conway, AR State Employee Representative</p>	March 9, 2011
<p>Mr. Maurice Henry Hope Public Schools School Employee Representative</p>	March 9, 2012
<p>Mr. Bill Gaddy Little Rock, AR State Employee Representative</p>	March 9, 2013
<p>The Honorable Larry Fratesi Pine Bluff, AR County Employee Representative</p>	March 9, 2009

Organizational Chart



Administrative Staff

- | | |
|------------------|---------------------------------|
| Gail Stone | Executive Director |
| Michele Williams | Deputy Director |
| Jay Wills | Staff Attorney |
| Craig Blackard | Internal Auditor |
| Jim Chandler | Chief Financial Officer |
| Susan Bowers | Associate Director, Investments |
| Becky Walker | Administrative Services Manager |
| Jackie Parrish | Member Services Manager |
| Jon Aucoin | Information Services Manager |
| Phillip Norton | Information Systems Manager |

Professional Consultants

Custodial Bank

The Bank of New York Mellon

One Mellon Center
500 Grant Street
Pittsburg, PA 15258

Actuary

Gabriel, Roeder, Smith & Company

Actuaries & Consultants
One Towne Square, Suite 800
Southfield, MI 48076

Investment Consultant

Callan Associates, Inc.

300 Galleria Parkway, Suite 950
Atlanta, GA 30339

Investment Managers

Aberdeen Asset Management

1735 Market Street, 37th Floor
Philadelphia, PA 19103

Mellon Capital Management

One Mellon Center, Suite 2120
Pittsburg, PA 15258

CastleArk Management, L.L.C.

One North Wacker Drive, Suite 3950
Chicago, IL 60606

National Timber Asset Management, L.L.C.

1500 Klondike Road, Suite A106
Conyers, GA 30094

Froley, Revy Investment Company, Inc.

10850 Wilshire Boulevard, Suite 530
Los Angeles, CA 90024

Pinnacle Forest Investments, LLC

650 South Shackelford Road, Suite 400
Little Rock, AR 72211

Horrell Capital Management

100 Morgan Keegan Drive, Suite 305
Little Rock, AR 72202

Prudential Investments, Inc.

Two Gateway Center
Newark, NJ 07102

INTECH

2401 P.G.A. Boulevard, Suite 100
Palm Beach Gardens, FL 33410

RiverSource Investments, L.L.C.

50189 Ameriprise Financial Center
Minneapolis, MN 55474

INVESCO Capital Management

1166 Avenue of the Americas
New York, NY 10036

State Street Global Advisors

One Lincoln Street
Boston, MA 02111

INVESCO Real Estate

Three Galleria Tower, Suite 500
Dallas, TX 75240

Stephens Investment Management Group

3700 Buffalo Speedway, Suite 900
Houston, TX 77098

J. & W. Seligman & Co. Inc.

100 Park Avenue
New York, NY 10017

UBS Global Asset Management

One North Wacker Drive
Chicago, IL 60606

Lazard Asset Management

30 Rockefeller Plaza
New York, NY 10020

Wellington Management Company

75 State Street
Boston, MA 02109

MacKay Shields

9 West 57th Street
New York, NY 10019

Westwood Management Corp.

200 Crescent Court, Suite 1200
Dallas, TX 75201

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Legislative Auditors' Report

Financial Statements

- *Statement of Plan Net Assets*
- *Statement of Changes in Plan Net Assets*

Notes on Financial Statements

- *Description of the System*
- *Summary of Significant Accounting Practices*
- *Legally Required Reserves*

Required Supplementary Information

- *Schedule of Employer Contributions*
- *Schedule of Funding Progress*

Supporting Schedules

- *Schedule of Investment Expense*
- *Schedule of Payments for Professional Consultants*
- *Schedule of Administrative Expense*

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Sen. Bobby L. Glover
Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
Rep. Beverly Pyle
House Co-Vice Chair

Arkansas



Roger A. Norman, JD, 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 fiduciary pension trust fund of the Arkansas Public Employees Retirement System, an Office of Arkansas State government, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of agency management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

As indicated above, the financial statements of the Arkansas Public Employees Retirement System are intended to present the financial position and the changes in financial position only that portion of the fiduciary pension trust fund of the State that is attributable to the transactions of the Arkansas Public Employees Retirement System. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

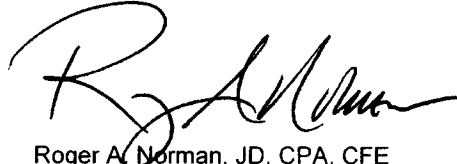
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary pension trust fund of the Arkansas Public Employees Retirement System as of June 30, 2008, and the changes in financial position thereof for the fiduciary pension trust fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of the Arkansas Public Employees Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The 2007-2008 fiscal year supplementary information on page 33 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information.

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 black ink, appearing to read 'R. A. Norman', written in a cursive style.

Roger A. Norman, JD, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
December 19, 2008

Statement of

Plan Net Assets
June 30, 2008 and 2007

ASSETS	2008	2007
Cash and Cash Equivalents	\$ 164,106,333	\$ 161,350,604
Securities Lending Collateral Investments in Cash Equivalents (Notes 3 & 5)	0	298,532,371
Receivables:		
Dec 2004 Actuarial Liability Receivable	11,016,019	0
Contributions	2,064,104	2,490,030
Investment Principal Receivable	56,734,490	71,265,845
Accrued Investment Income Receivable	<u>13,410,220</u>	<u>15,512,181</u>
Total Receivables	83,224,833	89,268,056
Investments At Fair Value (Notes 3, 4 & 5)		
Government Securities:		
U.S. Government Securities	155,857,122	75,283,764
Futures	120,796	0
Government Agency Securities	350,522,222	334,234,608
Corporate Securities:		
Collateralized Obligations	196,931,595	228,739,239
Corporate Bonds	244,945,286	257,249,675
Convertible Bonds	163,374,858	175,316,139
Convertible Preferred Stock	37,915,127	44,318,594
Common Stock	1,970,881,463	1,999,739,571
Equity Index Funds	455,441,280	487,951,829
Equity Co-mingled	43,094,014	244,991,960
High Yield Income Fund	35,465,720	37,831,944
Options	20,349	0
International Securities:		
Global Fixed Income Fund	10,904,054	8,739,267
Government Fixed Obligations	13,826,156	15,211,812
Corporate Fixed Income	2,747,129	5,331,865
Equity Securities	554,482,483	634,645,370
Equity Pooled Fund Units	686,835,703	799,248,572
Emerging Markets	38,575,304	47,477,880
Forward Contracts	(349,553)	141,184
Real Estate	268,845,235	219,680,821
Timberland	240,170,440	216,638,186
Municipal Bonds	9,163,935	13,904,836
Commercial Loans	<u>26,595,311</u>	<u>19,595,697</u>
Total Investments	5,506,366,029	5,866,272,813
Securities Lending Collateral Investments, At Fair Value (Notes 3 & 5):		
Corporate Bonds	292,941,710	204,943,347
Bank Obligations	378,952,302	77,499,382
Asset Backed Securities	111,001,863	193,286,465
Repurchase Agreements	<u>5,759,924</u>	<u>0</u>
Total Securities Lending Collateral Investments	788,655,799	475,729,194
Prepays and Other Assets	1,764,984	1,764,991
Fixed Assets, Net	<u>50,808</u>	<u>44,577</u>
TOTAL ASSETS	6,544,168,786	6,892,962,606
LIABILITIES		
Accrued Expenses and Other Liabilities	8,140,996	20,949,243
Investment Principal Payable	108,712,061	127,507,745
Other Post Employment Benefits (Note on page 30)	208,009	0
Securities Lending Liability	<u>788,655,799</u>	<u>774,261,565</u>
TOTAL LIABILITIES	905,716,865	922,718,553
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (Note 6)	<u>\$5,638,451,921</u>	<u>\$5,970,244,053</u>

(A schedule of Funding Progress is on page 33).

Statement of

Changes In Plan Net Assets
June 30, 2008 and 2007

ADDITIONS	2008	2007
Contributions		
Employer	\$ 174,119,820	\$ 163,888,295
Plan Members	<u>18,443,261</u>	<u>12,192,289</u>
Total Contributions	192,563,081	176,080,584
Investment Income:		
Interest	65,706,695	66,813,293
Dividends	48,798,880	57,456,683
Net Appreciation in Fair Value of Plan Investment	(380,924,989)	794,931,551
Security Lending Income	37,091,199	41,743,197
Real Estate Income	(65,458)	186,527
Other	<u>0</u>	<u>(20,520)</u>
Total Investment Income	(229,393,673)	961,110,731
Less: Investment Expense	<u>54,209,025</u>	<u>61,777,033</u>
Net Investment Income	(283,602,698)	899,333,698
Other Sources:		
Miscellaneous Additions	2,040,614	2,265,261
Transfer from Teachers Retirement System	6,367,268	6,389,677
Miscellaneous Transfers from State Agencies	74,462	190,035
Transfer of Arkansas District Judges Retirement System (See Note on page 30)	<u>24,081,555</u>	<u>-</u>
Total Other Additions	32,563,899	8,844,973
TOTAL ADDITIONS	(58,475,718)	1,084,259,255
DEDUCTIONS		
Benefits	266,296,562	244,137,717
Refunds of Contributions	1,919,767	632,790
Administrative Expenses	<u>5,100,085</u>	<u>4,747,840</u>
TOTAL DEDUCTIONS	273,316,414	249,518,347
NET INCREASE (DECREASE)	(331,792,132)	834,740,908
NET ASSETS (Note 6)		
Beginning of Year	<u>5,970,244,053</u>	<u>5,135,503,145</u>
End of Year	<u>\$5,638,451,921</u>	<u>\$ 5,970,244,053</u>

See Notes to Financial Statements

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 Annotated, as Amended, Title 24, Chapter 4, with related laws in Chapter 2 and Chapter 7.

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 Employees 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 Arkansas 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.

Reporting Entities		
As of June 30, 2008 and 2007, the number of participating employers was as follows:		
	<u>2008</u>	<u>2007</u>
State	242	240
County	85	86
Municipal	165	159
School	179	186
District Judges	81	0
Other Non-State	<u>26</u>	<u>24</u>
Total	<u>778</u>	<u>695</u>
As of June 30, 2008 and 2007, membership was as follows:		
Retirees and beneficiaries receiving benefits (includes DROP participants)	23,679	22,409
Terminated plan members entitled to but not yet receiving benefits	12,144	11,674
Active plan members	44,427	43,630

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.

Act 2084, enacted by the 2005 General Assembly, directed APERS to establish a new Contributory plan that became effective July 1, 2005. All covered employees first hired on or after July 1, 2005, contribute 5% of their salary into the plan. Employees hired before June 30, 2005, who were in the Non-contributory system, were given the option to join the

new contributory system by Dec. 31, 2005. Non-contributory members who did not join the new contributory program by that deadline remain non-contributory members.

Members may have employee contributions in the system if: 1.) They were a member of APERS on or before Jan. 1, 1978; 2.) They are a member first hired after July 1, 2005, or 3.) They purchased service in the System.

Employee contributions are refundable if APERS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with APERS earn interest credits (4% per year), 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.

Employee refunds do not include contributions made by employers. Employer contribution rates during the fiscal year ending June 30, 2008 and 2007, are as follows:

Employer Contribution Rates		
	<u>2008</u>	<u>2007</u>
State Division	12.54%	12.54%
Wildlife Subdivision	24.54%	24.54%
State Capitol Police Subdivision	12.54%	12.54%
Administrative Offices of the Courts Subdivision	12.00%	12.00%
County Division	12.54%	12.54%
Municipal Division	12.54%	12.54%
School Division	4.00%	4.00%
Other Non-State Division	12.54%	12.54%

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 old contributory plan (prior to 7/1/05), at age sixty (60) with twenty (20) years of actual service, or 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 or at any age with 25 years of actual service. APERS also provides for disability and survivor benefits.

Tax Status - During the fiscal years ended June 30, 2008 and 2007, APERS was confirmed as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

Notes To Financial Statements
(Continued)

Funded Status and Funding Progress - Pension Plans -The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. The funded status of each plan as of June 30, 2008, the most recent actuarial date, is as follows (for both APERS and District Judges, dollar amounts in millions):

Plan	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) Annual Covered Payroll (Millions)	(6) UAAL (Excess) As Percentage of Covered Payroll (3)/(5)
APERS	6/30/08	\$5,866	\$6,543	\$677	90%	\$1,380	49%
District Judges	6/30/08	\$ 12	\$ 25	\$ 12	50%	\$ 4	352%

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, 2008	APERS	District Judges
Actuarial Cost Method	Entry age	Entry Age
Amortization Method	Level percent of payroll (state and local)	Level Percent of payroll (New Plan and Paid Off Old Plan)
Remaining Amortization Period	Level dollar (General Assembly) 13.7 years (state and local) 18 years (General Assembly)	Level dollar (Still paying Old Plan) 29 years (New Plan and Paid Off Old Plan) 27 years (Still paying Old Plan)
Asset Valuation Method	4-year smoothed market	Market value
Actuarial Assumptions:		
Investment Rate of Return	8.0%	8.0%
Projected Salary Increases	4.7% - 10.6%	4.7% - 9.8%
Wage Inflation Rate	4.0%	4.0%
Post-Retirement Cost-of-Living Adjustment	3.0% annual compounded increase	3.0% annual compounded increase on benefits for service after January 1, 2005
Mortality Table	RP-2000 Combined Mortality Table projected to 2015, set forward 2 years for men.	RP-2000 Combined Mortality Table projected to 2015, set forward 2 years for men.

Summary of Significant Accounting Practices

Cash and Cash Equivalents

Deposits are carried at cost and are included in “Cash and Cash Equivalents”. Cash and cash equivalents include demand accounts, cash in state treasury and short-term investment funds (STIF). The cash is invested in the STIF through daily sweeps of excess cash by the System’s custodial bank. The Short-term Investment Fund is a bank sponsored commingled fund which invests in U.S. Government and Agency securities and other short-term instruments. State Treasury Management Law governs the management of funds held in the State Treasury (Cash in State Treasury) and it is the responsibility of the Treasurer of State to ensure the funds are adequately insured and collateralized. Cash and equivalents totaled \$164,106,333

at June 30, 2008. This total consisted of cash deposits with financial institutions of \$976,054, STIF accounts in the amount of \$163,002,357, and \$127,722 cash in state treasury and a petty cash fund of \$200.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will be able to recover collateral securities. The System’s deposit policy is to place deposits only in collateralized or insured accounts. As of June 30, 2008 none of the System’s bank balance of \$975,649 was exposed to custodial credit risk.

Financial Section

Investments

• Arkansas Code Annotated 24-2-601 thru 24-2-619 authorizes the Board to Trustees of the Arkansas Public Employees Retirement System to have full power to invest and reinvest monies of the system and to hold, purchase, sell, assign, transfer or dispose of any of the investments, or proceeds of the investment in accordance with the prudent investor rule.

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

The Code also states the system shall seek to invest not less than five percent (5%) nor more than ten percent (10%) of the System's portfolio in Arkansas related investments. APERS recognizes a legal responsibility to seek to invest in the Arkansas economy, while realizing its primary, legal, and fiduciary commitment is to beneficiaries of the retirement system, under the prudent investor rule.

Asset allocation guidelines have been established as follows:

Asset Allocation	Target Level	Lower Limit	Upper Limit
•Equities	64%	59%	69%
•Fixed Income	21%	16%	26%
•Alternatives	15%	10%	20%

Method Used to Value Assets - Investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

The fair value of real estate investments is based on independent appraisals. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities.

Investments for which market quotations are not readily available are valued at their fair values as determined by the custodial bank with the assistance of a valuation service.

Investment Type	Fair Value
U.S. Government Agency Securities	\$ 350,522,222
U.S. Government Securities	155,857,122
Convertible Bonds	163,374,858
Collateralized Obligations	196,931,595
Municipal Bonds	9,163,935
Convertible Preferred Stock	37,915,127
Domestic Stock	1,970,881,463
Domestic Equity Commingled	43,094,014
High Yield Income Fund	35,465,720
Real Estate	268,845,235
Timberland	240,170,440
Commercial Loans	26,595,311
Domestic Equity Index Funds	455,441,280
Corporate Bonds	245,080,286
Credit Default Swaps	(135,000)
Options	20,349
Futures	120,796
International Government Fixed	13,826,156
Forwards	(349,553)
Global Corporate Fixed	2,747,129
Global Fixed Income Bond Fund	10,904,054
Global Equity	554,482,483
International Equity Pooled Fund Units	686,835,703
Emerging Markets Collateralized Obligations	1,311,542
Emerging Markets	<u>37,263,762</u>
Total	<u>\$5,506,366,029</u>

Securities Lending Collateral	
U.S. Corporate Floating Rate	293,494,715
Asset Backed Security	111,048,896
Bank Notes	115,191,245
Certificates of Deposit	7,507,813
Certificates of Deposit Floating Rate	131,660,447
Money Market	90,014,259
Time Deposits	35,132,854
Repurchase Agreements	5,760,444
Total	<u>789,810,673</u>
Total Investments	<u>\$6,296,176,702</u>

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Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government,

and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. The System's investment policy for custodial credit risk is described below. Within the System's total \$6,296,176,702 investments at June 30, 2008 there were no investments exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Also, investments can be highly sensitive to changes in interest rates due to their terms or characteristics.

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More than 10
US Government Securities	\$ 155,857,122	\$	\$ 56,180,431	\$ 65,249,700	\$ 34,426,991
US Government Agency	350,522,222		15,635,534	26,593,497	308,293,191
Collateralized Obligations	196,931,595	17,360	9,134,441	6,378,124	181,401,670
Convertible Bonds	163,374,858	2,080,400	58,574,892	12,005,969	90,713,597
Corporate Bonds	245,080,286	12,211,250	93,547,813	68,709,552	70,611,671
High Yield Income Fund	35,465,720		35,465,720		
Emerging Markets Bond Fund	13,108,784			13,108,784	
Emerging Markets Collateralized Obligations	1,311,541		622,329	497,122	192,090
Emerging Markets	8,764,613		4,149,850	2,820,621	1,794,142
Global Fixed Income Bond Fund	10,904,054		10,904,054		
Global Corporate Fixed	2,747,129	793,002		1,954,127	
Global Government Fixed	13,826,156	3,423	4,103,099	7,313,362	2,406,272
Global Emerging Markets	15,390,366	2,137,302	7,332,078	5,518,175	402,811
Commercial Loans	26,595,311		19,256,588	5,699,840	1,638,883
Municipal Bonds	<u>9,163,935</u>			<u>2,269,464</u>	<u>6,894,471</u>
Total	<u>\$1,249,043,692</u>	<u>\$17,242,737</u>	<u>\$314,906,829</u>	<u>\$218,118,337</u>	<u>\$698,775,789</u>

Securities Lending Collateral	Fair Value	Less Than 1	1-5	6-10	More than 10
Asset Backed Security	\$111,048,896	\$111,048,896	\$		
Bank Notes	115,191,245	50,047,992	65,143,253		
Certificates of Deposit	7,507,813	7,507,813			
Certificates of Deposit-Floaters	131,660,447	121,621,202	10,039,245		
Corporate Floating Rate	293,494,715	50,103,421	243,391,294		
Money Market	90,014,259	90,014,259			
Reverse Repurchase Agreements	5,760,444	5,760,444			
Time Deposits	<u>35,132,854</u>	<u>35,132,854</u>			
Total	<u>\$789,810,673</u>	<u>\$471,236,881</u>	<u>\$318,573,792</u>		

Financial Section

Mortgage-Backed Securities – As of June 30, 2008 the System held mortgage-backed securities of approximately \$170 million 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. At June 30, 2008 the System held no mortgage-backed securities that were considered as highly sensitive to changes in interest rates.

Asset-Backed Securities - As of June 30, 2008 the System held asset-backed securities with a fair value of approximately \$27 million. 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. At June 30, 2008 the System held no asset-backed securities that were considered as highly sensitive to changes in interest rates.

Corporate Bonds – As of June 30, 2008, the System held corporate bonds with a fair value of approximately \$245 million. Corporate bonds are debt instruments that are issued by private corporations. They have a term maturity, and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates. As of June 30, 2008, the System held the following security that was considered highly sensitive to changes in interest rates.

Description	Trade Date	Market Value	Rate Calculation	Reset Date
Bear Stearns	02/01/2007	\$920,000	*	*

The coupon is fixed at 7% until February 2009, and then resets to 7.9 times the difference between the 10 year and the 2 year yields. The maximum coupon over the life of the note is 11% and the minimum is 4%.

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Convertible Corporate Bonds – As of June 30, 2008, the System held convertible bonds with a fair value of approximately \$163 million. Convertible bonds convey an option to the bondholders to be exchanged for another asset,

generally a fixed number of shares of common stock at a pre-stated price. As of June 30, 2008, the System held the following securities that were considered highly sensitive to changes in interest rates.

Description	Trade Date	Market Value	Rate Calculation	Reset Date
Lockheed Martin (FLT) 08/15/33	1/15/2008	2,570,211	3-Month LIBOR - 0.25%	Quarterly
Wyeth (FLT) 01/15/24	1/10/2008	<u>1,633,920</u>	3-Month LIBOR - 0.50%	Quarterly
		\$4,204,131		

Foreign Currency Risk - A foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy for foreign currency risk. All foreign

currency investments are in equities, fixed income, cash and forward contracts. The System's exposure to foreign currency at June 30, 2008 was as follows:

Currency	%	Fair Value
Australian Dollar	4.80	\$ 25,575,986
Brazilian Real	0.15	797,368
British Pound Sterling	26.41	140,753,057
Canadian Dollar	4.70	25,040,634
Danish Krone	0.77	4,083,780
Egyptian Pound	0.05	266,532
Euro Currency	27.75	147,898,621
Hong Kong Dollar	4.30	22,898,530
Hungarian Forint	0.03	171,173
Japanese Yen	18.12	96,546,269
Malaysian Ringgit	0.51	2,697,972
Mexican Nuevo Peso	0.03	159,648
Norwegian Krone	0.00	926
New Zealand Dollar	0.02	50,218
Polish Zloty	0.00	24,799
Singapore Dollar	1.99	10,582,542
South African Rand	0.00	10,621
Swedish Krone	0.00	618
Swiss Franc	10.39	55,355,495
Total Fair Value	100.00%	<u>\$532,914,789</u>

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, 2008 the System had outstanding forward exchange currency contracts to sell foreign currencies in the amount of \$23,703,763. The market values of the outstanding contracts were \$24,134,810

at June 30, 2008, resulting in net loss of \$431,047. The System also had outstanding forward currency contracts to purchase foreign currency in the amount of \$1,129,582. The market values of these contracts were \$1,211,076 at June 30, 2008, resulting in net gain of \$81,494.

Pooled Funds - APERS has approximately \$711 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.

Credit Risk— Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. The System does not have a formal investment policy for credit risk.

Financial Section

The System's exposure to credit risk as rated by Standard

and Poor's (S&P) and Moody's Investor Service as of June 30, 2008 is as follows:

<u>Standard & Poor's</u>	
<u>Rating</u>	<u>Fair Value</u>
AGY	\$ 332,138,778
AAA	188,838,829
AA	40,211,352
A	98,303,823
BBB	157,592,343
BB	72,521,456
B	46,647,395
CCC or below	4,593,643
Not Rated	<u>152,338,951</u>
Totals	<u>\$1,093,186,570</u>
<u>Securities Lending Collateral</u>	
AAA	\$ 186,248,181
AA	233,355,491
A	10,019,017
A-1	264,413,281
Not Rated	<u>95,774,703</u>
Totals	<u>\$ 789,810,673</u>

<u>Moody's Investor Service</u>	
<u>Rating</u>	<u>Fair Value</u>
AGY	\$ 322,930,167
Aaa	173,409,941
Aa	38,571,130
A	76,274,743
Baa	160,305,554
Ba	46,361,757
B	31,627,623
C or below	9,791,064
Not Rated	<u>233,914,591</u>
Totals	<u>\$1,093,186,570</u>
<u>Securities Lending Collateral</u>	
Aaa	\$ 143,861,659
Aa	275,742,013
A	10,019,017
P-1	264,413,281
Not Rated	<u>95,774,703</u>
Totals	<u>\$ 789,810,673</u>

The Bank of New York Mellon provided the above summaries of S&P and Moody's ratings.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds or external investment pools).

The System does not have a formal investment policy for concentration of credit risk. None of the System's investments in any one issuer (other than those issued or guaranteed by the U.S. Government) represented more than five percent (5%) of total investments.

Securities Lending - 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 Mellon (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, 2008, there were no violations of the Agency Agreement. Certain securities of the trust fund are loaned to participating brokers. As of June 30, 2008, 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. 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 24 days on June 30, 2008, whereas the weighted average loan maturity was 2 days. As of June 30, 2008 investments with cash collateral were approximately \$789 million.

Other Post Employment Benefits (OPEB) - GASB 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions (OPEB), requires that OPEB expense of proprietary and fiduciary funds should be recognized on the accrual basis in the fund financial statements. APERS is considered a fiduciary fund in the State-wide Comprehensive Annual Financial Report

The 2008 charge of \$208,000 is a prorated amount from the Department of Finance and Administration based on a

Transfer of the Arkansas District Judges Retirement System to APERS - Effective July 1, 2007, the Arkansas District Judges Retirement System (ADJRS) was transferred to APERS by Act 177 of the 2007 Arkansas Legislature. ADJRS at that time was treated as a closed system and was

State-wide actuarial study. The amount charged to APERS is based on budgeted employees of the Agency and is composed of: (1) the annual required contribution (ARC) which is the normal cost and 1/30 of the unfunded actuarial accrued liability (UAAL), (2) one-year’s interest on the net OPEB, (3) adjustments to the ARC to offset the effect of actuarial amortization of past under or over contributions, and (4) minus actual contributions. The State of Arkansas 2008 CAFR will contain the complete OPEB footnote required by GASB 45.

recorded as one of APERS “divisions”. District Judges entering the System after July 1, 2007 are treated as APERS employees and fall under the same benefits as APERS employees. The net transfer to APERS was \$24,081,555. This consisted of:

Cash and Investments at FMV	\$12,897,672
Receivables	17,827
Unfunded Liability at December 2004	11,169,540
Accrued and Other Liabilities	(3,484)
Net Assets	<u>\$24,081,555</u>

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 a by-product of achieving level contribution financing, actuarial accrued liabilities usually become more and more funded over a period of years. Funded ratios in the 80% to 95% range are common in public sector retirement plans. The reserve strength of APERS remains strong, both by absolute and relative measures. 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. The following tables explain reserve balances for the respective divisions for the fiscal years ending June 30, 2008 and 2007.

Divisions

Respective Reserve Balances

As of June 30, 2008 and 2007

2008 Reserve Balances

<u>June 30, 2008</u>	<u>Local Government Division</u>						<u>System Total</u>
	<u>State Division</u>	<u>County Employers</u>	<u>Municipal Employers</u>	<u>School Employers</u>	<u>Non-State Employers</u>	<u>District Judges</u>	
Members' Deposit Account	\$ 30,532,196	\$ 8,619,751	\$ 5,012,601	\$ 811,051	\$ 795,034	\$ 600,937	\$ 46,371,570
MDA Interest Reserve	1,298,296	271,067	220,120	(39,457)	37,990	26,850	1,814,866
Employer Accumulation Account	2,222,257,309	399,379,960	206,267,258	119,940,117	5,464,748	(179,879)	2,953,129,513
Retirement Reserve	1,486,083,214	358,375,386	150,548,381	215,231,505	1,674,030	2,402,228	2,214,314,744
Deferred Annuity	193,463,546	49,597,793	21,729,504	26,528,081	590,941	0	291,909,865
DROP Reserve	94,336,433	7,504,799	5,291,950	3,061,863	0	0	110,195,045
Delinquent Receivable Reserve	65	8					73
Refund Overpayment Receivable Reserve	351						351
Outlawed Warrants	81,844	9,098	4,241	13,954			109,137
Partial Purchase of Service Reserve	36,271	2,609		7,907			46,787
Dec 31, 2004 Accrued Liability Reserve						20,559,770	20,559,770
Partial Cash Reserve	<u>200</u>						<u>200</u>
Total	\$4,028,089,725	\$823,760,471	\$389,074,055	\$365,555,021	\$8,562,743	\$23,409,906	<u>\$5,638,451,921</u>

2007 Reserve Balances

<u>June 30, 2007</u>	<u>State Division</u>	<u>Local Government Division</u>				<u>System Total</u>
		<u>County Employers</u>	<u>Municipal Employers</u>	<u>School Employers</u>	<u>Non-State Employers</u>	
Members' Deposit Account	\$ 19,825,766	\$ 5,112,251	\$ 3,329,520	\$ 919,394	\$ 613,157	\$ 29,800,088
MDA Interest Reserve	1,095,808	147,931	135,255	50,980	13,526	1,443,500
Employer Accumulation Account	2,730,043,382	498,950,876	244,272,657	166,920,072	5,358,887	3,645,545,874
Retirement Reserve	1,276,990,322	316,435,685	135,183,884	213,765,891	1,664,180	1,944,039,962
Deferred Annuity	167,658,391	40,778,994	17,575,778	26,069,820	474,963	252,557,946
DROP Reserve	84,311,099	5,450,426	4,095,691	2,819,812	0	96,677,028
Delinquent Receivable Reserve	65	8	0	0	0	73
Refund Overpayment Receivable Reserve	352	0	0	0	0	352
Outlawed Warrants	81,134	8,004	2,850	13,009	0	104,997
Partial Purchase of Service Reserve	56,069	6,914	4,457	6,593	0	74,033
Partial Cash Reserve	<u>200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200</u>
Total	\$4,280,062,588	\$866,891,089	\$404,600,092	\$410,565,571	\$8,124,713	<u>\$5,970,244,053</u>

Required Supplementary Information

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.

Schedule of Employer Contributions

APERS			District Judges		
Fiscal Year	Annual Required Contribution	Percentage Contributed	Fiscal Year	Annual Required Contribution	Percentage Contributed
1995	\$ 75,028,320	100%			
1996	76,772,911	100			
1997	82,050,663	100			
1998	87,528,945	100			
1999	93,322,444	100			
2000	96,348,947	100			
2001	100,925,338	100			
2002	109,037,491	100			
2003	115,690,798	100			
2004	118,419,346	100			
2005	135,027,447	100	2005	\$ 357,182	102
2006	158,152,183	100	2006	1,859,139	110
2007	163,223,695	100	2007	1,732,368	106
2008	173,462,377	100	2008	1,525,167	110

GASB Statements No. 25 and No. 27 APERS 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) Annual Covered Payroll (Millions)	(6) UAAL (Excess) As Percentage of Covered Payroll (3)/(5)
6/30/95	\$2,248	\$2,060	\$ (188)	109%	\$ 835	(22.5)%
6/30/96	2,522	2,291	(231)	110	889	(26.0)
6/30/97	2,876	2,607	(269)	110	939	(28.6)
6/30/98@#	3,297	2,921	(376)	113	975	(38.6)
6/30/99@	3,712	3,479	(233)	107	1,009	(23.1)
6/30/00	4,121	3,803	(318)	108	1,050	(30.3)
6/30/01@	4,342	4,111	(231)	106	1,070	(21.6)
6/30/02#	4,404	4,398	(6)	100	1,112	(0.5)
6/30/03#	4,416	4,674	258	95	1,148	22.5
6/30/04	4,438	5,005	567	89	1,176	48.2
6/30/05	4,584	5,323	739	86	1,215	60.8
6/30/05@#	4,584	5,619	1,035	82	1,215	85.2
6/30/06	4,949	5,936	987	83	1,267	77.9
6/30/07@	5,498	6,174	676	89	1,303	51.9
6/30/08	5,866	6,600	734	89	1,380	53.2
6/30/08#	5,866	6,543	677	90	1,380	49.1

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

@ After legislated changes in benefit provisions; # After changes in actuarial assumptions.

* Please note that columns designated (1) and (2) may not add to UAAL due to rounding.

Required Supplementary Information

GASB Statements No. 25 and No. 27 District Judges Schedule of Funding Progress

Valuation Date June 30	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Accrued Liability (AAL)	(3) Unfunded (Excess) AAL (UAAL) (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll (Millions)	(6) UAAL (Excess) As Percentage of Covered Payroll (3)/(5)
12/31/04	\$ 0	\$ 0	\$ 0	100%	\$1,841,022	0%
6/30/05	7,569,919	24,134,114	16,564,195	31	3,222,495	514
6/30/06	10,141,040	24,943,381	14,802,341	41	3,313,454	447
6/30/07	12,582,548	24,387,433	11,804,885	52	3,366,861	351
6/30/08	12,398,225	24,833,415	12,435,190	50	3,526,319	353
6/30/08@	12,398,225	24,797,303	12,399,078	50	3,526,319	352

@ After changes in actuarial assumptions.

* Please note that columns designated (1) and (2) may not add to UAAL due to rounding.

Supporting Schedules

Schedule of Investment Expense

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Investment consultant fee	\$ 176,610	\$ 168,200
Money manager fees	21,407,654	20,510,075
Custodian bank fees	258,028	415,654
International withholding taxes	460,139	932,254
Securities lending expenses	<u>31,906,594</u>	<u>39,750,850</u>
TOTAL INVESTMENT EXPENSE	<u>\$54,209,025</u>	<u>\$61,777,033</u>

Supporting Schedules

Schedule of Payments For Professional Consultants

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Gabriel, Roeder, Smith & Company	\$166,750	\$162,750
Other	<u>2,138</u>	<u>4,915</u>
Total Payments for Professional Consultants	<u>\$168,888</u>	<u>\$167,665</u>

For fees paid to investment managers, please see "Schedule of Investment Fees" shown on page 48 in the Investment Section of this report.

Supporting Schedules

Schedule of Administrative Expense

For the Years Ended June 30, 2008 and 2007

	2008	2007
PERSONNEL SERVICES:		
Salaries and wages	\$2,316,652	\$2,179,924
Employee benefits	434,416	394,624
Post Employment Benefits	208,009	
Insurance	273,000	234,240
Other	<u>8,536</u>	<u>8,004</u>
Total Personnel Services	3,240,613	2,816,792
COMMUNICATIONS:		
Postage	131,087	101,211
Telecommunications	42,116	34,935
Printing and advertising	58,666	54,384
Freight and Express	965	929
Subscriptions and publications	<u>4,277</u>	<u>7,669</u>
Total Communications	237,111	199,128
PURCHASES:		
Office Supplies	72,135	80,539
Equipment	<u>28,207</u>	<u>32,500</u>
Total Purchases	100,342	113,039
SERVICES AND CHARGES:		
Professional fees and services	168,888	167,665
Rent expense	491,341	482,166
Travel and conference fees	33,051	29,618
Taxes, licenses and permits	79	79
Repairing and servicing	67,233	60,870
Training fees	10	0
Insurance and surety bonds	4,252	4,316
Bank and federal service charges	31,856	30,085
Data processing charges	699,762	821,450
Claims commission expense	<u>9,443</u>	<u>6,368</u>
Total Services and Charges	1,505,915	1,602,617
DEPRECIATION EXPENSE	<u>16,104</u>	<u>16,264</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$5,100,085</u>	<u>\$4,747,840</u>

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INVESTMENTS SECTION

Report on Investments

Outline of Investment Policies

Actual vs. Target Asset Allocation

Manager Distribution

Performance Comparisons

- Fiscal Years 2004 thru 2008

*- Current Year & Preceding 3-Year &
5-Year Rates of Return*

Portfolio Characteristics

List of Ten Largest Assets Held

Schedule of Brokerage Commissions

Schedule of Investment Fees

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CALLAN ASSOCIATES_{INC.}

Paul V. Troup III
Executive Vice President



August 26, 2008

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, 2008.

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

During the fiscal year ending June 30, 2008, returns were impacted by a negative domestic and international stock market. Bonds and real estate were the best performing asset classes. The Russell 3000 Index, a broad-based U.S. equity index, had a -13.1% return for the year while MSCI EAFE, an international index, was down -10.6%.

Fund Progress and Results

The APERS portfolio structure is based on the Fund's Investment Policy. The target asset mix is established based on 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 June 30, 2008 are listed below:

	<u>Target</u>	<u>Actual</u>
Domestic Equity	46%	45%
International Equity	18%	20%
Domestic Fixed	21%	20%
Alternative Inv./Real Estate	15%	15%

For fiscal year ended 2008, the total fund rate of return, including gains, losses and income was -4.45%. The performance calculations presented above were prepared by Callan Associates using a time-weighted rate of return methodology based upon the market value of assets and are GIPS compliant.

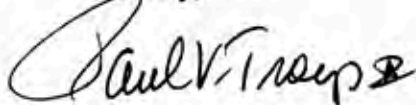
Over the past five years, the Fund has had an annualized return of 9.53%. This level of performance exceeds the performance objective of the Fund, which is to deliver a real rate of return (return in excess of the inflation rate) of 2.25%. The return also exceeded the actuarially assumed interest rate assumption of 8%.

At the beginning of the fiscal year, the assets of the fund totaled \$5.99 billion; at June 30, 2008 the Fund assets totaled \$5.63 billion. Negative performance in the equity markets contributed to the decrease in assets at fiscal year-end.

Summary

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

Sincerely,

A handwritten signature in black ink, appearing to read "Paul V. Troup III". The signature is written in a cursive style with a large initial "P" and a stylized "T".

Paul V. Troup III

Outline of

Investment Policies

Investment Objectives

The investment objective 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

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 Allocation	Target Level	Lower Limit	Upper Limit
• Equities	46%	41%	51%
• International Equities	18%	13%	23%
• Fixed Income	21%	16%	26%
• Alternatives	15%	10%	20%
	100%		

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.

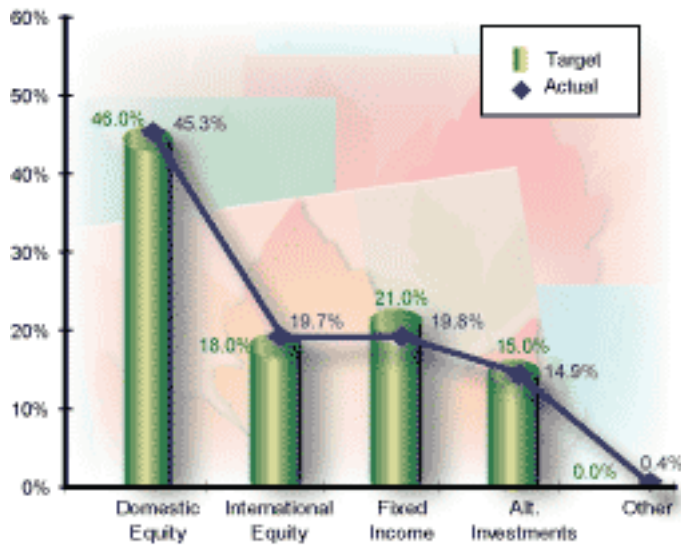
C. The periodic re-evaluation also will involve an evaluation of the continued appropriateness of:

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 Asset and Target Asset Allocation

For the Period Ended June 30, 2008

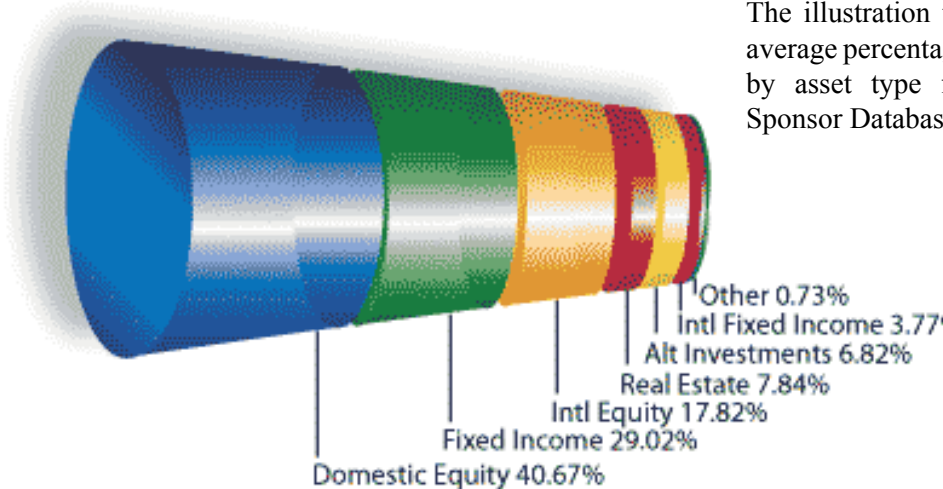


The graph to the left shows the Fund’s asset allocation as of June 30, 2008. The blue line with diamonds represents the actual asset allocation; the green bars represent the target asset allocation as outlined in the investment policy statement.

The table below gives a further breakdown of the asset allocations, showing the difference in percentage and actual dollar amounts between the Actual and Target allocations.

Asset Class (At Fair Value)	\$ 000s Actual	Percent Actual	Percent Target	Percent Difference	\$ 000s Difference
Domestic Equity	\$2,551,158	45.30%	46%	(0.7)%	(40,093)
International Equity	1,108,258	19.67	18	1.7	94,290
Fixed Income	1,113,788	19.77	21	(1.2)%	(69,175)
Alt. Investments	839,568	14.90	15	(0.1)	(5,406)
Cash	<u>20,383</u>	<u>0.36</u>	<u>0</u>	0.4	20,383
Total	\$5,633,155	100.00%	100%		

Public Plan Sponsor Database

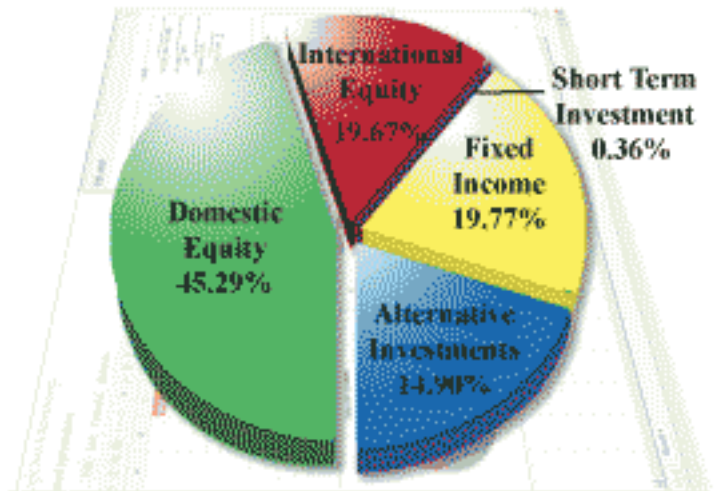


The illustration to the left shows the average percentage of asset allocations by asset type for the Public Plan Sponsor Database.

Manager Distribution

For The Period Ended June 30, 2008

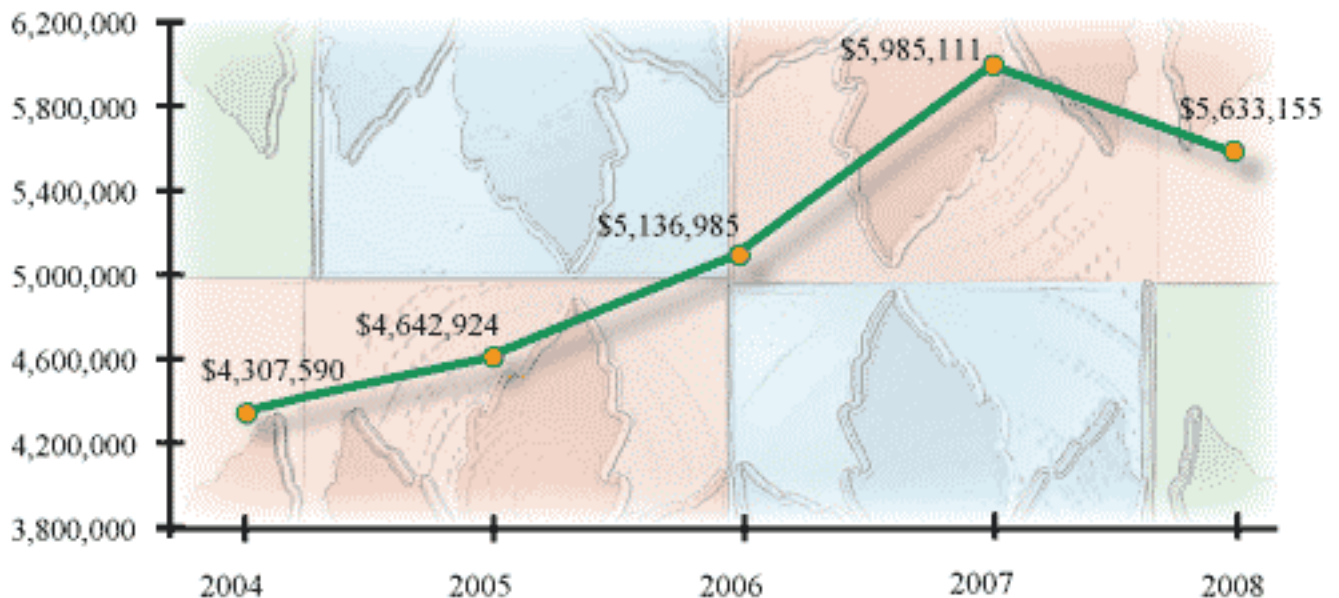
Asset Allocation	Market Value (SThousands)	Percent Of Total
MCM S&P Index Fund	\$455,441	8.09%
CastleArk Management	\$318,579	5.66%
INTECH	\$273,763	4.86%
Wellington Mgmt. Co.	\$262,003	4.65%
Westwood Mgmt.	\$249,123	4.42%
INVESCO	\$227,035	4.03%
J. & W. Seligman	\$226,570	4.02%
Lazard Asset Mgmt.	\$226,527	4.02%
Froley Revy	\$213,012	3.78%
Stephens Inv. Mgmt. Group	\$ 99,100	1.76%
Transition Account	5	0.00%
International Equity (\$1,188,258 - 19.67%)		
RiverSource	\$570,639	10.13%
UBS Global Asset Mgmt.	\$537,619	9.54%
Fixed Income (\$1,113,787 - 19.77%)		
MacKay Shields	\$450,409	8.00%



Alternative Investments (\$839,567 - 14.90%)		
INVESCO Real Estate	\$ 270,394	4.80%
Pinnacle Forest Investments	\$ 240,170	4.26%
INVESCO REITS	\$ 101,004	1.79%
CastleArk Management	\$ 89,148	1.58%
UBS Global Asset Mgmt.	\$ 48,213	0.86%
Horrell Capital Mgmt.	\$ 47,544	0.84%
State Street Global Advisors	\$ 43,094	0.77%
Short-term Investment Fund		
	\$ 20,383	0.36%

Composite Fund Comparison

For the Years 2004-2008



Performance Comparisons

For Fiscal Years Ended June 30, 2004 through 2008

Fiscal Years Ended June 30	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total Fund:					
Arkansas Public Employees Retirement System	(4.45)%	18.01 %	12.24 %	9.85 %	13.40 %
Callan Total Public Fund Median	(4.85)	17.17	10.47	9.22	14.96
Inflation (Consumer Price Index)	5.55	2.67	4.47	2.59	3.17
Equities:					
Arkansas Public Employees Retirement System	(8.74)%	20.01 %	10.61 %	8.13 %	20.21 %
Callan Total Equity Database Median	(12.22)	20.10	11.63	9.52	23.54
Standard & Poor's 500 Index	(13.12)	20.59	8.63	6.32	19.11
International Equities:					
Arkansas Public Employees Retirement System	(9.27)%	25.11 %	25.91 %	13.19 %	27.23 %
Callan Total Non-US Equities Database Median	(8.96)	26.88	28.02	14.77	31.35
MSCI-EAFE Index	(10.61)	27.00	26.56	13.65	32.37
Fixed Income:					
Arkansas Public Employees Retirement System	4.43 %	7.11 %	0.20 %	8.18 %	2.41 %
Callan Total Fixed Income Database Median	6.01	6.21	0.31	6.71	0.71
Lehman Bros. Aggregate Index	7.12	6.12	(0.81)	6.80	0.32

Source: Callan Associates Inc. (Callan database contains returns of over 115 Public retirement funds).
Returns Reported Gross of Fees

Performance Comparison

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

<u>Fiscal Years Ended June 30</u>	<u>Annualized</u>		
	<u>2008</u>	<u>3-Year</u>	<u>5-Year</u>
Total Fund:			
Arkansas Public Employees Retirement System	(4.45)%	8.17%	9.53%
Callan Total Public Fund Median	(4.85)	6.90	9.12
Inflation (Consumer Price Index)	5.55	4.22	3.69
Equities:			
Arkansas Public Employees Retirement System	(8.74)%	6.60%	9.51%
Callan Total Equity Database Median	(12.22)	5.52	10.26
Standard & Poor's 500 Index	(13.12)	4.41	7.58
International Equities:			
Arkansas Public Employees Retirement System	(9.27)%	12.64%	15.53%
Callan Total Non-US Equities Database Median	(8.96)	14.44	17.59
MSCI-EAFE Index	(10.61)	12.84	16.67
Fixed Income:			
Arkansas Public Employees Retirement System	4.43%	3.87%	4.42%
Callan Total Fixed Income Database Median	6.01	4.25	3.90
Lehman Bros. Aggregate Index	7.12	4.09	3.85

Source: Callan Associates Inc. (Callan database contains returns of over 115 Public retirement funds).
Returns Reported Gross of Fees

Portfolio Characteristics

For Fiscal Years Ended June 30

	<u>2008</u>	<u>2007</u>
Selected Bond Characteristics:		
Yield to Maturity (Market)	5.88%	6.02%
Current Yield	6.55	6.73
Average Coupon Rate	5.28	5.54
Average Maturity	7.53Yrs.	8.11Yrs.
Quality Breakdown:		
AAA (Includes Govts. & Agencies)	64.80%	59.90%
AA	3.30	3.80
A	6.80	5.90
BAA	12.20	15.60
BA	4.60	3.70
B	1.90	3.50
Below C	0.30	0.40
*Cash	6.10	7.20
Selected Stock Characteristics:		
Average P/E Ratio	17.58x	19.63x
Estimated Earnings Growth Rate (Next 5 Years)	15.69%	14.13%
Current Yield	1.64	1.40
* Includes Short Term Investment Fund		

Source: Callan Associates Inc.

List of

Ten Largest Assets Held

As of June 30, 2008

Domestic Fixed Income Holding (By Market Value)

	Par	Security	Market Value
1)	22,250,000	FNMA TBA 30 Yr. 5.50% 07/01/2037	\$ 21,930,156
2)	20,337,000	U.S. Treasury Note 3.875% 05/15/2018	20,166,983
3)	15,415,000	U.S. Treasury Note 4.75% 08/15/2017	16,330,266
4)	11,125,000	U.S. Treasury Note 4.875% 08/15/2016	11,927,224
5)	10,935,000	U.S. Treasury Note 4.75% 05/31/2012	11,562,888
6)	10,265,000	U.S. Treasury Note 4.25% 11/15/2014	10,717,302
7)	8,535,000	U.S. Treasury Bond 6.25% 05/15/2030	10,505,390
8)	10,529,251	Fed. Nat'l Mtg. Assn. Pool #555531 5.50% 06/01/2033	10,440,174
9)	10,828,177	Fed. Nat'l Mtg. Assn. Pool #745275 5% 02/01/2036	10,415,623
10)	9,000,000	U.S. Treasury Note 4.25% 04/30/2012	9,434,531
Total			<u>\$133,430,537</u>

Domestic Equity Holding (By Market Value)

	Shares	Security	Market Value
1)	502,268	Exxon Mobil Corp.	\$ 44,264,879
2)	302,320	Conoco Phillips	28,535,985
3)	960,126	Microsoft Corp.	26,413,066
4)	544,538	Southwestern Energy Co.	25,925,454
5)	136,550	Apple Inc.	22,863,932
6)	458,200	Nabors Industries Ltd.	22,557,186
7)	275,780	Johnson & Johnson	17,743,685
8)	493,984	AT&T Inc.	16,642,321
9)	133,800	Int'l Business Machines	15,859,314
10)	154,100	Chevron Corp.	15,275,933
Total			<u>\$236,081,755</u>

International Equity Holding (By Market Value)

	Shares	Security	Market Value
1)	654,188	BG Group	\$ 17,032,074
2)	5,194,862	Vodafone	15,434,289
3)	325,150	Nestle	14,691,586
4)	87,023	Roche Holding	14,673,681
5)	165,100	Total SA	14,088,384
6)	1,739,826	Tesco	12,798,954
7)	921,712	Prudential PLC	9,786,149
8)	87,123	Novartis	8,620,577
9)	42,002	E.ON	8,474,291
10)	68,950	Rio Tinto	8,253,266
Total			<u>\$123,853,251</u>

Schedule of

Brokerage Commissions

As of June 30, 2008

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share
Lehman Brothers Inc.	10,583,827	\$ 685,488	0.06
Morgan Stanley	4,502,381	444,082	0.10
Deutsche Bank Securities Inc.	5,744,070	438,945	0.08
Merrill Lynch Pierce Fenner & Smith Inc.	5,282,977	262,895	0.05
Goldman, Sachs & Co.	5,653,356	257,014	0.05
Instinet	6,129,062	248,143	0.04
RBC Capital Markets	5,882,876	232,643	0.04
Banc of America Securities L.L.C.	3,143,290	212,853	0.07
Credit Suisse First Boston L.L.C.	6,537,243	174,709	0.03
Citigroup Global Markets Inc.	3,173,409	163,060	0.05
JP Morgan Securities	3,122,500	145,114	0.05
UBS Securities L.L.C.	4,338,758	129,141	0.03
Stifel Nicolaus & Co. Inc.	2,141,689	112,362	0.05
Sanford Bernstein	4,460,870	112,031	0.03
Jefferies & Company Inc.	3,049,891	97,797	0.03
Investment Technologies Group	3,179,981	92,053	0.03
William Blair & Company	1,675,948	83,693	0.05
Bear Stearns & Co. Inc.	1,619,042	80,042	0.05
Buckingham Research Group Inc.	1,495,000	78,376	0.05
Liquidnet Inc.	3,791,088	74,165	0.02
Pickering Energy Partners Inc.	1,242,252	74,017	0.06
Simmons & Company	1,209,700	68,590	0.06
Citation Group	1,054,000	58,364	0.06
Guzman & Company	2,175,451	53,200	0.02
Wachovia Securities	1,268,800	52,232	0.04
Other (Includes 90 Brokerage Firms)	<u>22,400,179</u>	<u>946,978</u>	0.04
Total	<u>114,857,640</u>	<u>\$5,377,987</u>	0.05

Investment Fees

Schedule of

As of June 30, 2008

Equities	Market Value	Fee	Basis Points
Froley, Revy - Convertible Securities	\$ 213,011,939	\$ 873,477	40
INVESCO - Value	227,034,241	638,184	30
Lazard Asset Mgmt. - Value	226,526,292	726,071	30
Westwood Mgmt. - SMID Cap	249,123,221	1,460,123	25
J & W Seligman - Growth	226,569,900	678,987	30
Goldman, Sachs - SMID Cap *	0	406,570	45
MCM S&P 500 Index Fund	455,441,280	120,166	3
INTECH - Growth	273,763,519	1,235,691	47
CastleArk Mgmt. - Growth	318,578,908	1,084,415	35
Wellington Mgmt. Co. - Value	262,003,102	841,231	30
Stephens Investment Mgmt. - Growth	99,100,299	705,355	77
UBS Global Asset Mgmt. - Int'l Value	537,619,341	2,678,394	45
RiverSource - Int'l Growth	<u>570,639,035</u>	<u>3,051,559</u>	50
Total Equity	\$3,659,411,077	\$ 14,500,223	
* Manager Terminated November 2007			
Fixed Income	Market Value	Fee	Basis Points
Aberdeen Asset Mgmt. - Core Plus	\$ 326,724,155	\$ 652,708	20
MacKay Shields - Core Plus I	281,551,538	552,735	20
MacKay Shields - Core Plus II	168,857,927	248,051	15
Prudential Investments - Core Plus	<u>336,653,947</u>	<u>660,755</u>	20
Total Fixed Income	\$1,113,787,567	\$ 2,114,249	
Alternatives	Market Value	Fee	Basis Points
Pinnacle Forest Investments – Timberland	\$ 240,170,440	\$ 1,573,067	90
CastleArk Mgmt. - AR Energy Fund	89,148,536	779,334	125
INVESCO Real Estate - Core & Global REITS	371,397,708	1,577,079	65
State Street Global Advisors - 130/30	43,094,014	205,673	50
UBS Global Asset Mgmt. - GTAA	48,212,647	252,603	90
Horrell Capital Mgmt.-AR Index Fund	<u>47,544,438</u>	<u>99,274</u>	20
Total Alternatives	\$ 839,567,783	\$ 4,487,030	
Other Investment Services		Fee	
Bank of New York (Custodian)		\$ 597,872	
Bank of New York (Securities Lending)		1,293,648	
Callan Associates (Consultant)		<u>176,610</u>	
Total Other Services		<u>2,068,130</u>	
Total Investment Service Fees		<u>\$ 23,169,632</u>	

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ACTUARIAL SECTION

Actuary's Certification Letter

Summary of Assumptions Used

Summary of Actuarial Methods and Assumptions

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 (Contributory and
Non-Contributory)*

Summary of Provisions - District Judges

December 10, 2008

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

Dear Board Members:

The basic financial objective of the Arkansas Public Employees Retirement System (APERS) 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 APERS 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 period of up to thirty years. The most recent valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2008.

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
- 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

The Board of Trustees
December 10, 2008
Page 2

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, 2008 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2002-2007 period.

On the basis of the June 30, 2008 valuations and the benefits and contribution rates then in effect, it is our opinion that the Arkansas Public Employees Retirement System is in sound condition in accordance with actuarial principles of level cost financing.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Norman L. Jones".

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

NLJ:dlh:sc

Assumptions Used in Actuarial Valuations

Summary of

Assumptions Adopted by Board of Trustees after Consulting with Actuary June 30, 2008 Valuation

Economic Assumptions

The investment return rate used in making the valuation was 8.00% per year, compounded annually (net after investment and administrative expenses).

This rate of return is not the assumed real rate of return. The real rate of return is the portion of investment return which is more than the wage inflation rate. Considering the assumed wage inflation rate of 4.00%, the 8.00% investment return rate translates to an assumed net real rate of return of 4.00%. This rate of assumption was first used for the June 30, 2002 valuation and for the District Judges division for the June 30, 2007 valuation.

Pay increase assumptions for individual active members are shown on page 55. Part of the assumption for each age

is for a merit and/or seniority increase, and the other 4.00% recognizes inflation. This assumption was first used for the June 30, 2008 valuation and for the District Judges division for the June 30, 2007 valuation.

Total active member payroll is assumed to increase 4.00% per year, which is the portion of the individual pay increase assumptions attributable to wage inflation. This assumption was first used for the June 30, 2002 valuation and for the District Judges division for the June 30, 2007 valuation.

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

Non-Economic Assumptions

The mortality table used to measure retired life mortality was the RP-2000 Combined Mortality Table projected to 2015, set forward 2 years for men. Related values are shown on page 54. This table was first used for the June 30, 2008 valuation.

The probabilities of withdrawal from service, death-in-service, and disability are shown for sample ages on page 55. These probabilities were first used for the June 30, 2008 valuation and for the District Judges division for the June 30, 2007 valuation.

The probabilities of retirement for members eligible to retire are shown for sample ages on page 56. These probabilities were first used for the June 30, 2008 valuation and for the District Judges division for the June 30, 2007 valuation.

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

determining liabilities and normal cost for the District Judges division. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities.

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

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

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

The data about persons now covered and about present assets were furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.).

Actuarial Assumptions as of June 30, 2008

Valuation Date - June 30, 2008	APERS	District Judges
Actuarial Cost Method	Entry age	Entry Age
Amortization Method	Level percent of payroll (state and local)	Level Percent of payroll (New Plan and Paid Off Old Plan)
Remaining Amortization Period	Level dollar (General Assembly)	Level dollar (Still paying Old Plan)
	13.7 years (state and local)	29 years (New Plan and Paid Off Old Plan)
Asset Valuation Method	18 years (General Assembly)	27 years (Still paying Old Plan)
	4-year smoothed market	Market value
<u>Actuarial Assumptions:</u>		
Investment Rate of Return	8.0%	8.0%
Projected Salary Increases	4.7% - 10.6%	4.7% - 9.8%
Wage Inflation Rate	4.0%	4.0%
Post-Retirement Cost-of-Living Adjustment	3.0% annual compounded increase	3.0% annual compounded increase on benefits for service after January 1, 2005
Mortality Table	RP-2000 Combined Mortality Table projected to 2015, set forward 2 years for men.	RP-2000 Combined Mortality Table projected to 2015, set forward 2 years for men.

Single Life Retirement Values - Based on RP-2000 Combined Mortality Table projected to 2015 set forward 2 years for men

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)		Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive	
	Men	Women	Men	Women	Men	Women			Men	Women
40	\$145.15	\$147.67	\$206.27	\$213.28	39.93	44.05	60	\$100.00	100%	100%
45	141.08	144.37	196.01	204.36	35.15	39.19	65	116.00	96	96
50	135.38	139.78	183.34	193.40	30.40	34.38	70	134.00	89	91
55	127.66	133.53	168.05	180.10	25.75	29.64	75	155.00	79	81
60	117.86	125.50	150.47	164.62	21.30	25.08	80	180.00	63	68
65	106.19	115.70	131.24	147.34	17.19	20.80				
70	92.55	104.31	110.57	128.75	13.42	16.86				
75	76.91	91.31	88.83	109.13	10.04	13.29				
80	60.72	76.72	67.92	88.78	7.19	10.09				
85	45.92	61.21	49.94	68.73	5.01	7.35				

The mortality table was set forward 10 years for disabilities.

Summary of

Actuarial Methods and Assumptions

June 30, 2008 Valuations

State and Local Government Division

APERS Separations from Active Employment Before Service Retirement

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

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

District Judge Separations from Active Employment Before Service Retirement

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

Probabilities of Retirement for Members Eligible to RetirePercent of Eligible Active Members Retiring Within Next YearState and Local Division

Age-Based Retirement		
Retirement Ages (With less than 28 years of service)	Unreduced	Reduced
55-56		2%
57-58		3
59		4
60		5
61		7
62		20
63		18
64		15
65-67	25%	
68-84	20	
85	100	

Service-Based Retirement		
Years	Retirement	DROP
28	15 %	25%
29	15	20
30-31	12	20
32-35	12	15
36-37	10	
38	100	

General Assembly Division

Age-Based Retirement	
Retirement Ages	Percentages
50-61	30%
62	50
63-64	30
65	50
66	30
67-79	20
80	100

District Judges Division

Age-Based Retirement	
Retirement Ages	Percentages
50-59	0%
60-64	0
65 or older	0

For the state and local government division, a member was assumed eligible for unreduced retirement after attaining age 65 with 5 years of service, or 28 years regardless of age (both unreduced retirement and DROP). A member was assumed eligible for reduced retirement after attaining age 55 with 5 or more years of service.

For the General Assembly Division, a member may retire at age 50 with 20 or more years of service, age 60 with 16 years of service, or age 65 with eight or more years of service.

For District Judges, members may retire at age 50 with 20 or more years of service, age 60 with 16 or more years of service, or age 65 with 8 or more years of service. The percentage of eligible active members retiring within the next year is 0%.

Schedule of

Active Member Valuation Data
Comparative Statements

State Division

Valuation Date June 30	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	<u>+2.6</u>	<u>+3.7</u>
9 Year Average				<u>+3.3 %</u>	<u>+2.5</u>

Local Government Division

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

Valuation Date June 30	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	<u>+6.4</u>	<u>+3.7</u>
4 Year Average				<u>+3.7 %</u>	<u>+1.9</u>

State and Local Government Division

Valuation Date June 30	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
2002	42,143	1,110,424,974	26,349	+4.7	+1.1
2003	42,825	1,147,269,521	26,790	+1.7	+2.1
2004	42,772	1,175,040,470	27,472	+2.6	+3.0
2005	42,916	1,214,612,719	28,302	+3.1	+3.2
2006	43,430	1,266,726,823	29,167	+3.1	+4.1
2007	43,613	1,302,302,790	29,860	+2.4%	+2.4
2008	44,340	1,379,509,276	31,112	+4.2	+5.6

N/A Data not available for this fiscal year.

@ After changes in financial assumptions.

After legislated changes in benefit provisions. & After changes in asset valuation method.

Active Member Valuation Data

Comparative Statements

General Assembly Subdivision

Valuation Date June 30	Active Members in Valuation		Average Pay		Change in CPI (Inflation)
	Number	Annual Payroll	Dollars	% Change	
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
2002	87	1,087,500	12,500	+0.0	+1.1
2003	54	675,000	12,500	+0.0	+2.1
2004	54	745,489	13,805	+10.4	+3.0
2005	22	310,534	14,115	+2.2	+3.2
2006	22	318,792	14,491	+2.7	+4.1
2007	17	277,420	16,319	+12.6	+2.4
2008	17	256,020	15,060	-7.7	+5.6

- N/A Data not available for this fiscal year.
 # After legislated changes in benefit provisions.
 @ After changes in financial assumptions.

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

Short Condition Test

The APERS funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll.

If the contributions to the System are level in concept and soundly executed, the System will *pay all promised benefits when due — the ultimate test of financial soundness*. Testing for level contribution rates is *the* long term condition test.

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

- 1) Active member contributions on deposit;
- 2) The liabilities for future benefits to present retired lives;

3) The liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the 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 schedule illustrates 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.

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

@ After changes in financial assumptions

After legislated changes in benefit provisions

Analysis of Financial Experience

For The Year Ended June 30, 2008

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.

	APERS			District Judges		
	State and Local Division	General Assembly	Total	New Plan and Paid Off Old Plan	Still Paying Old Plan	Total
	\$ in Millions			\$ Actual Amount		
(1) UAAL* at beginning of year	\$665.6	\$10.7	\$676.3	\$509,390	\$11,295,495	\$11,804,885
(2) Normal cost from last valuation	93.4	0.0	93.4	642,086	0	642,086
(3) Actual employer contributions	171.9	1.5	173.4	839,074	1,020,267	1,859,341
(4) Interest accrual: [(1) + 1/2[(2) - (3)]]x .080	50.1	0.8	50.9	32,872	862,829	895,701
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	637.2	10.0	647.2	345,274	11,138,057	11,483,331
(6) Increase from benefit changes	0.0	0.0	0.0	0	0	0
(7) Changes from revised actuarial assumptions and methods	(57.1)	0.0	(57.1)	20,645	(56,757)	(36,112)
(8 a) New entrant liabilities	41.7	0.0	41.7			
(8 b) Transfer of Still Paying Old Plan to Paid Off Old Plan				185,149	(185,149)	0
(9) Expected UAAL after changes: (5) + (6) + (7) + (8)	621.8	10.0	631.8	551,068	10,896,151	11,447,219
(10) Actual UAAL at end of year	<u>666.5</u>	<u>9.8</u>	<u>676.3</u>	<u>1,096,682</u>	<u>11,302,396</u>	<u>12,399,078</u>
(11) Gain/(loss): (9) - (10)	<u>\$ (44.7)</u>	<u>\$ 0.2</u>	<u>\$ (44.5)</u>	<u>\$(545,614)</u>	<u>\$(406,245)</u>	<u>\$(951,859)</u>

* *Unfunded actuarial accrued liability.*

Analysis of Financial Experience

Gain And Losses By Risk Area

Year Ended June 30, 2008

Type of Risk Area	Gain/(Loss) in Period - (\$ in Millions)			
	State and Local Division	General Assembly	Total	% of Accrued Liabilities
ECONOMIC RISK AREAS				
<u>Pay Increases</u>				
If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	\$(35.8)	\$0.0	\$(35.8)	(0.5)%
<u>Investment Return</u>				
If there is greater investment return than assumed, there is a gain. If less return, a loss.	(0.5)	0.0	(0.5)	0.0
NON-ECONOMIC RISK AREAS				
<u>Non-Casualty 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.	(1.4)	0.0	(1.4)	0.0
<u>Disability Retirements</u>				
If there are fewer disabilities than assumed, there is a gain. If more, a loss.	0.9	0.0	0.9	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	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.	<u>10.0</u>	<u>0.0</u>	<u>10.0</u>	<u>0.2%</u>
Total Active Member Actuarial Gains/(Losses)	\$(26.7)	\$0.0	\$(26.7)	(0.4)%
<u>Retired Life Mortality</u>	16.8	0.0	16.8	0.3%
<u>Other</u>				
Includes data adjustments at retirement, timing of financial transactions, retired life mortality, and miscellaneous unidentified sources.	<u>(34.8)</u>	<u>0.2</u>	<u>(34.6)</u>	<u>(0.5)%</u>
Total Actuarial Gains (Losses)	\$(44.7)	\$0.2	\$(44.5)	(0.6)%

Summary of Plan Provisions

(Excludes Special Provisions For General Assembly)

The Old Contributory Plan is available to persons who became members of APERS before Jan. 1, 1978. The Non-Contributory Plan applies to all persons first hired after Jan. 1, 1978, and before July 1, 2005 in APERS-covered employment. The New Contributory Plan applies to all persons hired after July 1, 2005, in APERS-covered employment, or Non-Contributory members who elected to participate in the New Contributory Plan before Jan. 1, 2006.

New Contributory Plan

Non-Contributory Plan

Voluntary Retirement

A member may retire with a full benefit 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).

A member may retire at age 65 with a full benefit 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 may retire with a reduced benefit if he or she has reached age 55 with 5 years of service or any age with 25 years of service. The reduction is taken from either age 65 or 28 years of service - whichever is less. If 28 years is used, the reduction is 1% for each month away from 28 years of service. If age 65 is used, the reduction is 1/2 of 1% for each month away from age 65.

A member may retire with a reduced benefit if he or she has reached age 55 with 5 years of service or any age with 25 years of service. The reduction is taken from either age 65 or 28 years of service - whichever is less. If 28 years is used, the reduction is 1% for each month away from 28 years of service. If age 65 is used, the reduction is 1/2 of 1% for each month away from age 65.

Vested Retirement Benefits

A member leaving APERS covered employment before full retirement age is considered vested with 5 years of actual service. A death benefit is payable to the surviving spouse of a member who dies before benefit commencement.

A member leaving APERS covered employment before full retirement age is considered vested with 5 years of actual service. A death benefit is payable to the surviving spouse of a member who dies before benefit commencement.

Deferred Retirement

A vested member who leaves covered employment before full retirement age is deferred. Deferred full retirement benefit, based on service and pay at termination, begins at age 65 with at least 5 years of service. In place of a deferred full benefit, at age 55 or older a qualifying employee can elect an immediate reduced benefit, equal to the full amount reduced by at least 1/2 of 1% for each month of difference in benefit beginning ages.

A vested member who leaves covered employment before full retirement age is deferred. Deferred full retirement benefit, based on service and pay at termination, begins at age 65 with at least 5 years of service. In place of a deferred full benefit, at age 55 or older a qualifying employee can elect an immediate reduced benefit, equal to the full amount reduced by at least 1/2 of 1% for each month of difference in benefit beginning ages.

Disability Retirement

For an active member, disabled after 5 years of 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.

For an active member, disabled after 5 years of 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.

Summary of Plan Provisions

New Contributory Plan

Non-Contributory Plan

Final Average Compensation

A member's final average compensation is the average of the highest 3 fiscal years of covered compensation.

A member's final average compensation is the average of the highest 3 fiscal years of covered compensation.

Full Age and Service Retirement Benefits

2.00% of FAC times years of credited service earned (2.03% for service prior to July 1, 2007). The minimum monthly benefit is \$150 minus any age and beneficiary option reductions.

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

Benefit Increases After Retirement

Once retired for twelve months, effective July 1 there will be a cost of living adjustment equal to 3% of the current benefit.

Once retired for twelve months, effective July 1 there will be a cost of living adjustment equal to 3% of the current benefit.

Death After Retirement

If death occurs before total monthly benefit payments equal member's accumulated contributions, the difference may be refunded to the designated beneficiary. Should a member elect a straight life benefit and die within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain 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.

Member contributions before 1978 are protected in the same manner as under the Contributory Plan. Should a member elect a straight life benefit and die within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain 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.

Death While in PERS - Covered Employment

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.

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 a maximum of 25% for all children. Dependent parent benefits are payable if neither spouse nor children benefits are payable.

Summary of Plan Provisions

New Contributory Plan

Non-Contributory Plan

Member Contribution Rates

5% of covered compensation. Member contributions are refundable if APERS-covered employment terminates before a monthly benefit is payable. Members will earn annual interest on the contributions at a rate of 4% annually.

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 84 months, may continue employment and have a percentage of their retirement benefits accumulate in a tax-deferred account. The current DROP percentages range from 63% for 28 years of service to 75% for 30+ years of service. DROP accounts earn interest of 6 percent on the balance and are paid to members upon retirement in a lump sum, as an additional monthly benefit, or rolled over into a qualified retirement plan.

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 84 months, may continue employment and have a percentage of their retirement benefits accumulate in a tax-deferred account. The current DROP percentages range from 63% for 28 years of service to 75% for 30+ years of service. DROP accounts earn interest of 6 percent on the balance and are paid to members upon retirement in a lump sum, as an additional monthly benefit, or rolled over into a qualified retirement plan.

Partial Annuity Withdrawal (PAW)

Members who have worked past the date they became eligible for an unreduced benefit, can participate in the Partial Annuity Withdrawal (PAW). To be eligible to participate, the member must be eligible for an unreduced benefit and not be participating in the Deferred Retirement Option Plan (DROP). Members may take a lump sum distribution of their retirement benefits for each month they work beyond the date of first eligibility for an unreduced benefit - up to a maximum of 60 months. The member's lifetime annuity is then reduced by an actuarial factor tied to the age of the retiree. The election to participate in the PAW is made at retirement.


Members who have worked past the date they became eligible for an unreduced benefit, can participate in the Partial Annuity Withdrawal (PAW). To be eligible to participate, the member must be eligible for an unreduced benefit and not be participating in the Deferred Retirement Option Plan (DROP). Members may take a lump sum distribution of their retirement benefits for each month they work beyond the date of first eligibility for an unreduced benefit - up to a maximum of 60 months. The member's lifetime annuity is then reduced by an actuarial factor tied to the age of the retiree. The election to participate in the PAW is made at retirement.

Summary of Plan Provisions

Voluntary Retirement	<i>With a full benefit</i> , after either (a) age 50 with 20 years of eligibility service, (b) age 60 with 16 years of eligibility service, or (c) age 65 with 8 years of eligibility service.
Final Average Compensation (FAC)	Average of the final three calendar years of employment.
Benefit Service	Service performed on or after January 1, 2005.
Eligibility Service	Benefit service plus service in Old Local District Judges Plan.
Full Age & Service Retirement Benefit	2.50% of FAC times actual service.
Benefit Increases After Retirement	Annually, there will be a cost-of-living adjustment equal to 3% of the current benefit.
Member Contribution Rates	Active members contribute 5% of their salaries. If a member leaves service before becoming eligible to retire, accumulated contributions may be refunded.
Vested Retirement Benefits	8 years of eligibility service. Deferred full retirement benefit, based on benefit service and pay at termination, begins when member would have been eligible for voluntary retirement.
Total and Permanent Disability	An active member with 3 or more consecutive years of eligibility service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity.
Death After Retirement	If the member was eligible for normal retirement at the time of death, an eligible beneficiary will begin receiving a 50% joint and survivor pension computed in the same manner as a service retirement pension as if the member had retired the last day of his life.

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STATISTICAL SECTION

A decorative graphic on the left side of the page consists of a grid of colored leaves in shades of orange, green, and blue. The leaves are arranged in a pattern that tapers to the right, with some leaves appearing to float or be scattered around the grid.

Schedule of Revenues by Source

Schedule of Expenses by Type

Schedule of Benefit Expenses by Type

*Schedule of Retired Members by Type of Benefit
for APERS*

*Schedule of Average Benefit Payments
for APERS*

Statistical Graphs

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Schedule of

Revenues By Source
For Fiscal Years 2004-2008

Year Ending June 30	Member Contributions	Employer Contributions	Investment Income	Transfers And Other	Total
2004	\$ 117,955	\$118,419,346	\$ 484,159,506	\$ 9,522,046	\$ 612,218,853
2005	82,836	135,027,446	401,429,532	9,354,055	545,893,869
2006	4,667,067	158,152,183	545,321,895	10,630,255	718,771,400
2007	12,192,289	163,888,295	899,333,698	8,844,973	1,084,259,255
2008	\$18,443,261	\$174,119,820	\$(283,602,698)	\$32,563,899	\$ (58,475,718)

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

Schedule of

Expenses By Type
For Fiscal Years 2004-2008

Year Ending June 30	Benefit Payments ¹	Administrative Expenses	Refunds	Misc.	Total
2004	\$ 182,901,681	\$4,759,527	\$ 374,972	-	\$188,036,180
2005	207,122,449	4,313,081	526,398	-	211,961,928
2006	219,711,792	4,272,313	62,133	-	224,046,238
2007	244,137,717	4,747,840	632,790	-	249,518,347
2008	266,296,562	5,100,085	1,919,767	-	273,316,414

¹ Includes DROP and PAW distributions.

Schedule of

Benefit Expenses By Type*
For Fiscal Years 2004-2008

Year Ended June 30	Age & Service		Death In Service	Disability Retirees
	Retirees	Survivors		
2004	154,032,252	4,461,732	4,121,640	9,000,408
2005	168,774,960	6,170,316	4,431,564	9,914,448
2006	178,052,748	5,700,516	4,670,760	10,925,028
2007	206,975,784	2,598,444	577,224	14,215,140
2008	224,223,624	2,639,616	534,252	15,937,188

* Expenses are based on June 30 benefit amounts annualized.

Schedule of

Retired Members By Type of Benefit For APERS
As of June 30, 2008

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

Schedule of

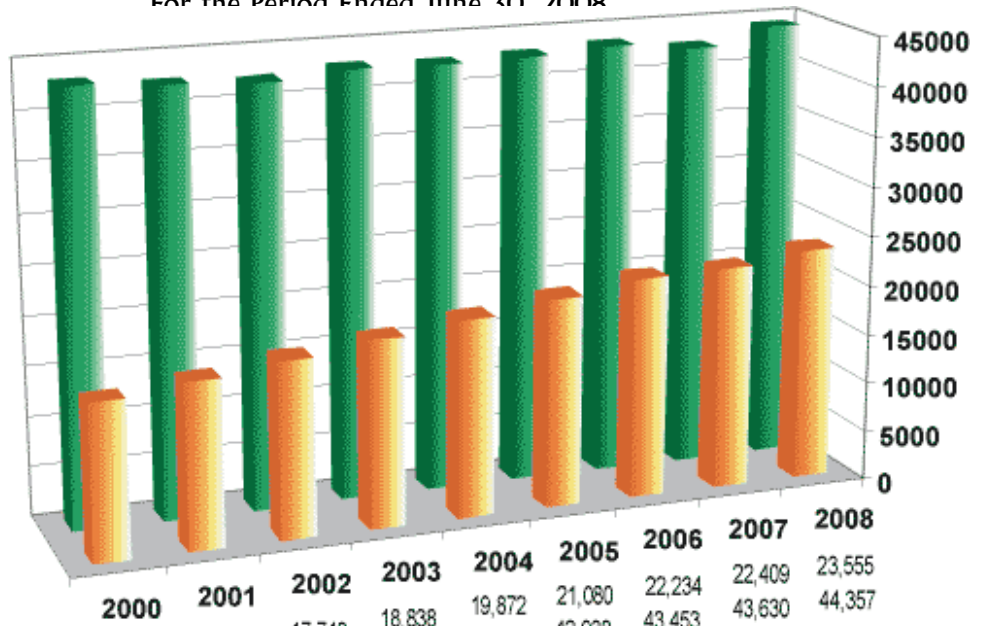
Average Benefit Payments For APERS
As of June 30, 2008

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

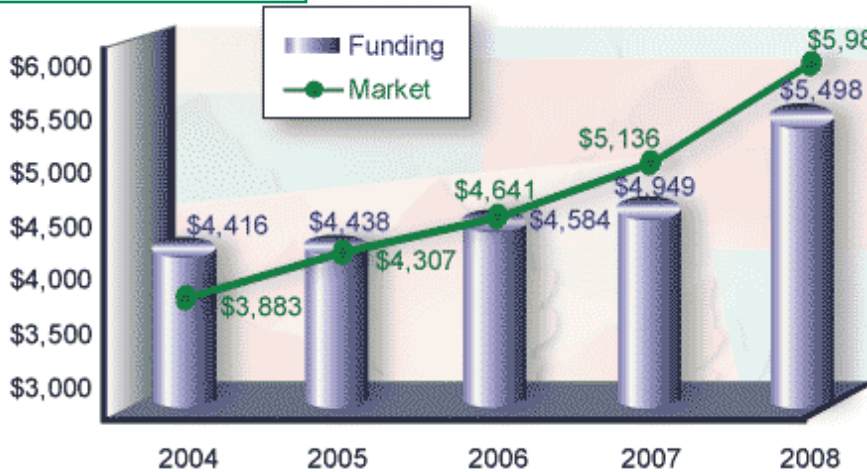
Statistical Graphs

For the Period Ended June 30, 2008

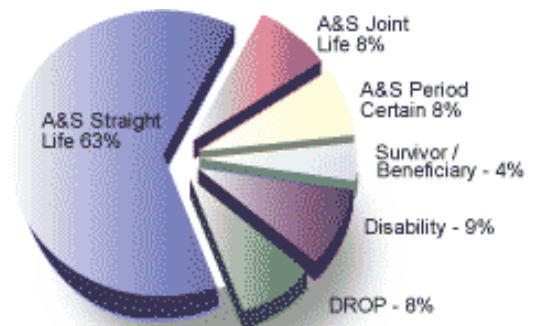
Active and Retired Members' Populations Comparison 2000 - 2008



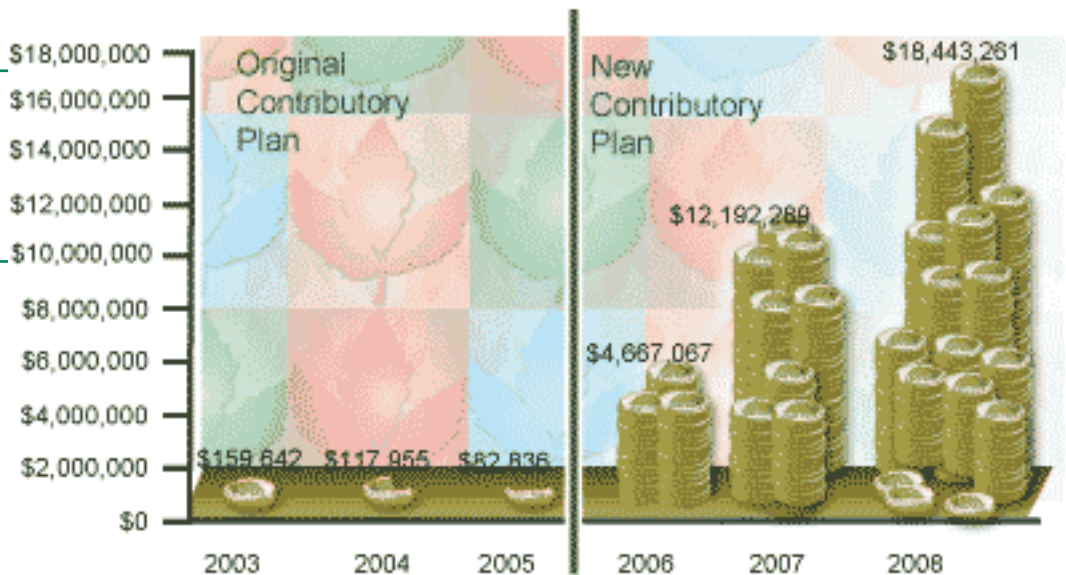
Comparison of Asset Values for Fiscal Years 2004 - 2008



Annuities Being Paid By Type June 30, 2008



Comparison of Members' Contributions 2003 - 2008



Schedule of Participating Employers



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Schedule of

Participating Employers
As of June 30, 2008

State Agencies

Abstractor's Board of Examiners	Board of Examiners in Counseling	Drug Task Force - 8th Judicial District
Administrative Office of The Courts	Board of Nursing	Drug Task Force - 13th Judicial District
Administrative Office of the Courts-Director	Board of Pharmacy	Drug Task Force - 14th Judicial District
Arkansas Appraisers Licensing/Certification.	Board of Physical Therapy	Drug Task Force - 15th Judicial District
Arkansas Child Abuse and Neglect Prevention Board	Board of Registry for Professional Geologists	Drug Task Force - 18th W. Judicial District
Arkansas Crime Information Center	Board of Registry for Progress Engineers	Drug Task Force - 21st Judicial District
Arkansas Dept. of Agriculture	Boone County Conservation District	Drug Task Force - Batesville
Arkansas Dept. of Environmental Quality	Buffalo Conservation District	Drug Task Force - Monticello
Arkansas Economic Development Commission	Building Authority	East Arkansas Community College
Arkansas Fair Housing Commission	Burial Association Board	Educational Television Commission
Arkansas Public Defender Commission	Calhoun County Conservation District	Department of Workforce Services
Arkansas County Conservation District	Capitol Zoning District Commission	Examiners in Psychology
Arkansas Ethics Commission	Carroll County Conservation District	Faulkner County Conservation District
Arkansas Heritage	Chicot County Conservation District	Fire Protection Licensing Board
Arkansas Minority Health Commission	Claims Commission	Forestry Commission
Arkansas Natural Resources Commission	Clark County Conservation District	Franklin County Conservation District
Arkansas Northeastern College	Clay County Conservation District	Fulton County Conservation District
Arkansas Sentencing Commission	Cleburne County Conservation District	Garland County Conservation District
Arkansas State Athletic Commission	Constitutional Officers	Game & Fish Commission
Arkansas State Board of Massage Therapy	Contractors Licensing Board	Game & Fish Commission - Wildlife Officer
Arkansas State Board of Optometry	Conway County Conservation District	General Assembly - House
Arkansas State Capitol Police	Cossatot Community College - University of Arkansas	General Assembly - Senate
Arkansas State Library	Cossatot Conservation District	Geological Commission
Arkansas State University	Court of Appeals	Governor's Office
Arkansas State University - Beebe	Court Reporters	Grant County Conservation District
Arkansas State University-Mountain Home	Craighead County Conservation District	Greene County Conservation District
Arkansas State University-Newport	Crawford County Conservation District	Hempstead County Soil Conservation
Arkansas Teacher Housing Development Foundation	Crittenden County Conservation District	Henderson State University
Arkansas Tech University	Crooked Creek Conservation District	History Commission
Arkansas Tobacco Control Board	Cross County Conservation District	Hot Spring County Conservation District
Arkansas Tobacco Settlement Commission	Crowley's Ridge Technical Institute	House Speaker's Office
Arkansas Towing & Recovery Board	Dallas County Conservation District	Independence County Conservation District
Arkansas Transitional Employment Board	Department of Aeronautics	Insurance Department
Ashley County Conservation District	Department of Community Correction	Izard County Conservation District
Assessment Coordination Department	Department of Corrections	Jackson County Conservation District
Attorney General	Department of Emergency Management	Jefferson County Conservation District
Auctioneers Licensing Board	Department of Finance & Administration	Johnson County Conservation District
Auditor of State	Department of Health	Judicial Discipline/Disability Commission
Baxter County Conservation District	Department of Higher Education	Lafayette County Conservation District
Board of Examiners in Speech, Language & Pathology	Department of Human Services	Law Enforcement Standards
Benton County Conservation District	Department of Information Systems	Lawrence County Conservation District
Board of Accountancy	Department of Labor	Lee County Conservation District
Board of Architects	Deputy Prosecuting Attorney	Legislative Council
Board of Barber Examiners	Desha County Conservation District	Lieutenant Governor
Board of Chiropractic Examiners	Development Finance Authority	Lincoln County Conservation District
Board of Collection Agencies	Dietetic Licensing Board	Liquified Petroleum Gas Division
Board of Cosmetology	Disability Determination for Social Security Administration	Little River Conservation District
Board of Dental Examiners	Disabled Veterans Service	Livestock & Poultry Commission
Board of Dispensing Opticians	Division of Legislative Audit	Logan County Conservation District
Board of Embalmers and Funeral Directors	Drug Task Force - 1st Judicial District	Madison County Conservation District
	Drug Task Force - 5th Judicial District	Manufactured Home Commission
		Martin Luther King Jr. Commission

(Continued)

Appendix

State Agencies (Cont.)

Medical Board
Miller County Conservation District
Mine Creek Conservation District
Mississippi County Conservation District
Monroe County Conservation District
Montgomery County Conservation District
Motor Vehicle Commission
National Park Community College
Nevada County Conservation District
Newton County Conservation District
North Arkansas College
Northwest Arkansas Community College
Office of Information Technology
Office of Rural Advocacy
Oil & Gas Commission
Ouachita County Conservation District
Ozarka Technical College
Parks & Tourism
Phillips Community College - University of Arkansas
Phillips County Conservation District
Pike County Conservation District
Poinsett County Conservation District
Pope County Conservation District
Post Prison Transfer Board
Poteau River Conservation District
Prairie County Conservation District
Professional Bail Bondsman Licensing Board
Prosecuting Attorney
Prosecutor Coordinator
Public Employees Retirement System
Public Service Commission
Pulaski County Conservation District
Pulaski Technical College
Randolph County Conservation District
Real Estate Commission
Rich Mountain Community College
Rich Mountain Conservation District
School for the Blind
School for the Deaf
Science & Technology Authority
Sebastian County Conservation District
Secretary of State
Securities Department
Senate Clerk
Sharp County Conservation District
Social Work Licensing Board
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 Crime Lab
State Land Commission
State Military Department
State Plant Board
State Police (Non-Troopers)
State Treasurer
Stone County Conservation District
Student Loan Authority
Supreme Court
Title Insurance Agents Licensing Board
Trial Court Administrative Assistants
University of Arkansas Community College at Hope
University of Arkansas Community College at Morrilton
Union County Conservation District
University of Arkansas Community College at Batesville
University of Arkansas - Fayetteville
University of Arkansas - Little Rock
University of Arkansas - Medical Sciences
University of Arkansas at Monticello
University of Arkansas-Fort Smith
University of Central Arkansas
Van Buren County Conservation District
Veterans Affairs Department
Veterans Child Welfare
Veterinary Medical Examining Board
Vocational/Technical Education/ Division of Rehabilitation
War Memorial Stadium
Washington County Conservation District
Waterways Commission
White County Conservation District
Woodruff County Conservation District
Worker's Compensation Commission
Yell County Conservation District

County Employers

Arkansas River Valley Regional Library
Arkansas
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 County 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

(Continued)

County Employers (Cont.)

Montgomery
 Nevada
 Newton
 Ouachita
 Perry
 Phillips
 Pike
 Poinsett
 Polk
 Pope
 Prairie
 Pulaski
 Randolph
 Randolph County Nursing Home
 Saline
 Saline County Library
 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
 Augusta
 Batesville Water Works
 Beebe
 Benton Co. West District Court Clerk's Office
 Bentonville
 Berryville District Court Clerk's Office
 Bethel Heights
 Biscoe
 Blytheville District Court Clerk's Office
 Bono
 Booneville District Court Clerk's Office
 Bradford Water & Sewer System
 Brinkley
 Brinkley Municipal Water & Sewer Service
 Bryant
 Cabot
 Caddo Valley
 Calico Rock
 Camden District Court Clerk's Office
 Camden Water & Utilities
 Cammack Village
 Carlisle
 Cave City
 Cave Springs
 Central Arkansas Water
 Charleston
 Cherokee Village District Court Clerk Office
 Cherry Valley
 Clarendon District Court Clerk's Office
 Clarksville
 Clinton
 Clinton Water & Sewer
 Conway District Court Clerk's Office
 Corning
 Cotter
 Crossett
 Crossett Public Library
 Crossett Water Commission
 DeQueen District Court Clerk's Office
 Dermott District Court Clerk's Office
 Des Arc
 DeValls Bluff District Court Clerk's Office
 Dewitt District Court Clerk's Office
 Dierks
 Dover
 Dumas District Court Clerk's Office
 East Camden District Court Clerk's Office
 El Dorado Water Works
 Elkins District Court Clerk's Office
 Elm Springs
 Emerson
 England
 Eudora
 Eureka Springs District Court Clerk's Office
 Farmington
 Fayetteville District Court Clerk's Office
 Flippin
 Fordyce
 Fordyce Water & Sewer
 Foreman
 Forrest City
 Forrest City Water Utilities
 Fort Smith District Court Clerk's Office
 Fort Smith Public Library
 Fountain Hill
 Fulton
 Gassville
 Goshen
 Gravette
 Green Forest
 Gum Springs
 Hackett
 Hamburg
 Hampton
 Hardy
 Harrisburg
 Harrisburg Water & Gas Division
 Harrison
 Haskell
 Hazen
 Heber Springs
 Helena/West Helena District Ct Clerk's Office
 Highfill
 Holly Grove
 Hope
 Hope Water & Light
 Horatio
 Hot Springs
 Hot Springs Advertising & Promotion Commission
 Hoxie District Court Clerk's Office
 Huntington
 Huntsville
 Huntsville Water & Sewer
 Huttig
 Jacksonville
 Jacksonville Wastewater Utility
 Jacksonville Water Commission
 Jasper

(Continued)

Appendix

Municipal Employers (Cont.)

Kibler
Lamar
Lake Village District Court Clerk's Office
Lepanto
Lewisville
Lincoln
Little Rock District Court Clerk's Office
Lockesburg
Lonoke District Court Clerk's Office
Lowell
Little Rock Wastewater Utility
Magnolia
Malvern
Malvern Waterworks
Mammoth Spring
Marion District Court Clerk's Office
Marked Tree
Marshall
Marvell
Maumelle District Court Clerk's Office
McCrary District Court Clerk's Office
McGehee District Court Clerk's Office
McGehee Water & Sewer System
McRae
Melbourne
Mena
Mena Water & Sewer
Monette
Monticello
Morrilton
Mount Ida
Mountain Home
Mountain Pine
Mountain View
Mt. Pleasant
Nashville
Newport District Court Clerk's Office
Norman
North Little Rock Advertising & Promotion
Commission
North Little Rock District Court Clerk's Office
Ola
Osceola District Court Clerk's Office
Ozark District Court Clerk's Office
Pangburn
Paragould
Paris
Perry County District Court Clerk's Office
Perryville
Piggott
Piggott Light & Water System
Pine Bluff District Court Clerk's Office
Plumerville
Prairie Grove

Prescott
Pyatt
Quitman
Ravenden
Rison
Rogers
Rogers Water Utilities
Russellville
Salem
Searcy
Shannon Hills
Sheridan
Sherwood District Court Clerk's Office
Shirley
Siloam Springs District Court Clerk's Office
Smackover
Springdale District Court Clerk's Office
Stamps
Star City
Star City Water & Sewer
Strong
Stuttgart
Stuttgart & North Arkansas County Library
Summit
Texarkana District Court Clerk's Office
Trumann District Court Clerk's Office
Tyronza District Court Clerk's Office
Van Buren
Van Buren Municipal Utilities
Vilonia Waterworks Association
Viola
Walnut Ridge District Court Clerk's Office
Ward
Warren
Warren Water & Sewer
West Fork
Western Grove
West Memphis District Court Clerk's Office
Wilmar
Wrightsville District Court Clerk's Office
Wynne
Wynne Municipal Water Utilities
Yellville

School Employers

Alma
Alpena
Alzheimer Unified
Arkadelphia
Ashdown
Atkins
Augusta
Bald Knob
Barton Lexa
Batesville
Bauxite
Beebe
Benton
Bentonville
Bergman
Berryville
Bismarck
Black Rock
Blevins
Blytheville
Booneville
Bradford
Bradley
Brinkley
Brookland
Cabot
Calico Rock
Cedar Ridge
Cedarville
Clarendon
Clarksville
Clinton
Concord
Conway
Corning
Cotter
Cross County
Crossett
Cutter Morning Star
Danville
Dardanelle
Decatur
Deer
Delta Special
DeQueen
Dermott Special
Des Arc
DeValls Bluff
DeWitt/Gillett
Dollarway
Dover
Drew Central
Dumas
Earle

(Continued)

School Employers (Cont.)

El Dorado	Magazine	Springdale
Elaine	Magnolia	Star City
England	Malvern	Stephens
Eudora	Mansfield	Strong
Fairview	Marion	Stuttgart
Farmington	Marked Tree	Texarkana
Fayetteville	Marvell	Trumann
Flippin	Maynard	Turrell
Fordyce	McCrary	Twin Rivers
Foreman	Melbourne	Two Rivers
Forrest City	Mena	Valley Springs
Fort Smith	Midland	Valley View
Fouke	Monticello	Van Buren
Genoa Central	Mount Vernon-Enola	Van Cove
Gentry	Mountain Home	Vilonia
Glen Rose	Mountain View	Viola
Gosnell	Mountainburg	Waldron
Green Forest	Mulberry	Walnut Ridge
Greenbrier	Murfreesboro	Warren
Greene County Tech	Nashville	Watson Chapel
Greenwood	Nettleton	West Memphis
Gurdon	Newport Special	West Memphis Cafeteria
Hamburg	Norfolk	West Side
Harrisburg	Norphlet	Western Yell County
Harrison	North Little Rock	Westside
Hartford	Omaha	Westside Consolidated
Hazen	Osceola	White County Central
Heber Springs	Ouachita River	White Hall
Hector	Ozark	Wickes
Helena-West Helena	Palestine-Wheatley	Woodlawn
Hermitage	Paragould	Wynne
Highland	Paris	Yellville Summit
Hope	Pea Ridge	
Horatio	Piggott	
Hot Springs	Pine Bluff	
Hoxie	Pocahontas	
Huntsville	Pottsville	
Izard County Consolidated	Prescott	
Jackson County Schools	Pulaski County Special	
Jasper	Riverview	
Jessieville	Rogers	
Jonesboro	Russellville	
Junction City	Salem Consolidated	
Lafayette County	Scranton	
Lake Hamilton	Searcy	
Lakeside	Searcy County	
Lamar	Sheridan	
Lavaca	Shirley	
Lawrence County	Siloam Springs	
Lead Hill	Sloan-Hendrix	
Lee County	Smackover	
Lincoln Consolidated	South Central Service Cooperative	
Little Rock	South Conway County	
Lonoke	South Mississippi County	
	South Side	
	Sparkman	

(Continued)

Appendix

District Judges

Arkansas County
Ashdown
Ashley County
Beebe
Benton County West
Berryville
Biscoe
Booneville
Bradley County
Brinkley
Cabot
Calhoun County
Camden
Charleston
Cherokee Village
Chicot County
Clarksville
Conway
Craighead County
Crossett
Dallas County
DeQueen
Dermott
DeWitt
East Camden
Elkins
Eureka Springs
Fayetteville
Fordyce
Franklin County
Grant County
Hamburg
Hampton
Hazen
Helena/West Helena
Hot Springs
Hoxie
Huntsville
Independence County
Izard County
Jacksonville
Lake Village
Lawrence County
Lee County
Little Rock
Logan County
Madison County
Magnolia
Malvern
Marion
Marshall
Mountain Home
Nevada County
Newport
Newton County
No. Little Rock
Ouachita County
Ozark
Phillips County
Pike County
Pine Bluff

Poinsett County
Prairie Grove
Prescott
Randolph County
Rison
Searcy County
Sharp County
Sheridan
Sherwood
Siloam Springs
Springdale
Stuttgart
Trumann
Walnut Ridge
Ward
West Fork
West Memphis
Woodruff County
Wrightsville
Yell County

Other Non-State Employers

Benton County Solid Waste District
Blytheville – Gosnell Regional Airport
Boone County Airport
Boston Mtn. Solid Waste
Clark County Country Water Facilities
Hot Spring County Solid Waste Authority
James Fork Regional Water District
Kimzey Regional Water District
Marion County Regional Airport
Milltown-Washburn Water Users Assn.
Montgomery County Regional Water Authority
Nevada County Prescott Solid Waste Management
Northeast AR Regional Solid Waste Mgmt.
North Garland County Regional Water District
Paragould Housing Authority
Paron-Owensville Water Authority
Pulaski Area Geographic Information System (PAGIS)
Pulaski County Regional Solid Waste Mgmt. District
Riversouth Rural Water District
Saline County Regional Waste Mgmt. District
Sardis Water Association
South Sebastian County Water Users Assoc.
Southwest Boone County Water Association
Upper SW Arkansas Solid Waste Mgmt. District
Washington Water Authority

Number of Participating Employers As of June 30, 2008

State Agencies	242
County Agencies	85
Municipal Agencies	165
School Employers	179
District Judges	81
Other Non-State Agencies	26

Arkansas Public Employees Retirement System
124 West Capitol Avenue, Suite 400
Little Rock, AR 72201
682-7800 or 1-800-682-7377