

Arkansas Public Employees Retirement System



Comprehensive Annual Financial Report 2009

Arkansas

Public Employees Retirement System

A Pension Trust Fund of the State of Arkansas

Comprehensive
Annual Financial Report
For the Year Ended
June 30, 2009

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



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2009***

Presented to

Arkansas Public Employees Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive style.

Alan H. Winkle
Program Administrator

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Introduction

A History of APERS

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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, 2009, the assets of the System remained healthy at \$4.3 billion despite a recently tough investment environment. The APERS investment program has seen rates of return that range from -20.89% (fiscal year 2009) 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/reserves). 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 1:1.8, according to the 2009 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 is anticipated to 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 (At 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).

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).

Introduction

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.

Act 295 of 2009, which went into effect in March 2009, broadened members' ability to purchase retirement credit for time served in the military or armed forces reserves. Vested members who are either eligible for or currently receiving military retirement benefits may purchase up to 5 years of service in APERS. Similarly vested members may purchase up to 5 years of armed forces reserve time in the system. Act 295 also invokes the federal protections afforded by the Uniformed Services Employment and Reemployment Rights Act (USERRA) for APERS members called to active duty.

The remainder of the significant 2009 legislation affecting APERS members and retirees became effective July 1, 2009, after the end of Fiscal Year 2009 reporting period.

Membership Information

As of June 30, 2009

STATE AND LOCAL DIVISIONS ONLY			
ACTIVE MEMBERS		2009 RETIRED MEMBERS	
		Age and Service	Disability
Number	44,687*	Retired Members	1,401
Average Age	44.6 years	Average Age	61.3 years
Average Years	9.2 years	Average Years of Service	18.1 years
Average Annual Salary	\$32,079	Average Monthly Benefit	\$884
INACTIVE VESTED MEMBERS		TOTAL RETIREES	
Number	12,310	Retired Members#	24,972
		Average Monthly Benefit	\$1,078

* Does not include 15 General Assembly members.

Includes DROP participants.

DISTRICT JUDGES ONLY			
ACTIVE MEMBERS		RETIRED MEMBERS	
		Total	Disability
Number	61	Retired Members	132
Average Age	57.2 years	Average Age	70.9 years
Average Years	12.3 years	Average Years of Service	NA
Average Annual Salary	\$55,216	Average Monthly Benefit	\$771
INACTIVE VESTED MEMBERS			
Number	125		



Arkansas Public Employees Retirement System

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

December 15, 2009

APERS Board of Trustees
Arkansas Public Employees Retirement System
124 West Capitol Avenue, Suite 400
Little Rock AR 72201

Dear Board Members:

It is my honor to present to you the 2009 Annual Financial Report of the Arkansas Public Employees Retirement System (“APERS” or the “System”) for the fiscal year ended June 30, 2009. 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, 2009. 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 1.92%. 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 20.89% rate of return which, when adjusted for asset allocation, placed APERS in the top fifty percent of performance over the last five years in a peer universe comparison. As anticipated, the funding status of the retirement system moved down to 78.0% in fiscal 2009 from 89.7% in 2008. 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 2009 totaled approximately \$980.6 million (see Table 1).

The overall decrease was approximately \$922.1 million compared to the decrease of fiscal year 2008 due primarily to lower investment earnings and somewhat offset by higher employee and employers' contributions. The Investment Section of this report reviews activity and the results of the investment portfolio for fiscal year 2009. The net assets of the System were \$4.3 billion on June 30, 2009, a decrease of approximately \$1.3 billion from 2008.

TABLE 1.

OPERATING ADDITIONS

Employer contributions	\$ 159,827,501
Employee contributions	23,722,994
Investment earnings	(1,173,730,924)
Miscellaneous additions	<u>9,581,816</u>
TOTAL	<u>\$ (980,598,613)</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 2009 totaled approximately \$308.0 million (see Table 2), an increase of approximately 12.7% over fiscal year 2008 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 \$1.3 billion during fiscal year 2009.

TABLE 2.

OPERATING DEDUCTIONS

Benefit payments	\$299,896,780
Refunds of contributions	2,661,289
Administrative expenses	<u>5,482,554</u>
TOTAL	<u>\$308,040,623</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, 2009, amounted to \$6.9 billion and \$5.4 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 2009, investments provided a negative 20.89% rate of return. The System's annualized rate of return over the last three years was approximately a negative 3.74%.

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, 2009

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, 2009. The Arkansas Public Employees Retirement System continues to be in sound condition with 78% 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 endured a recessionary environment for nearly all 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 20.89% rate of return proved to be better than that of 50% 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.

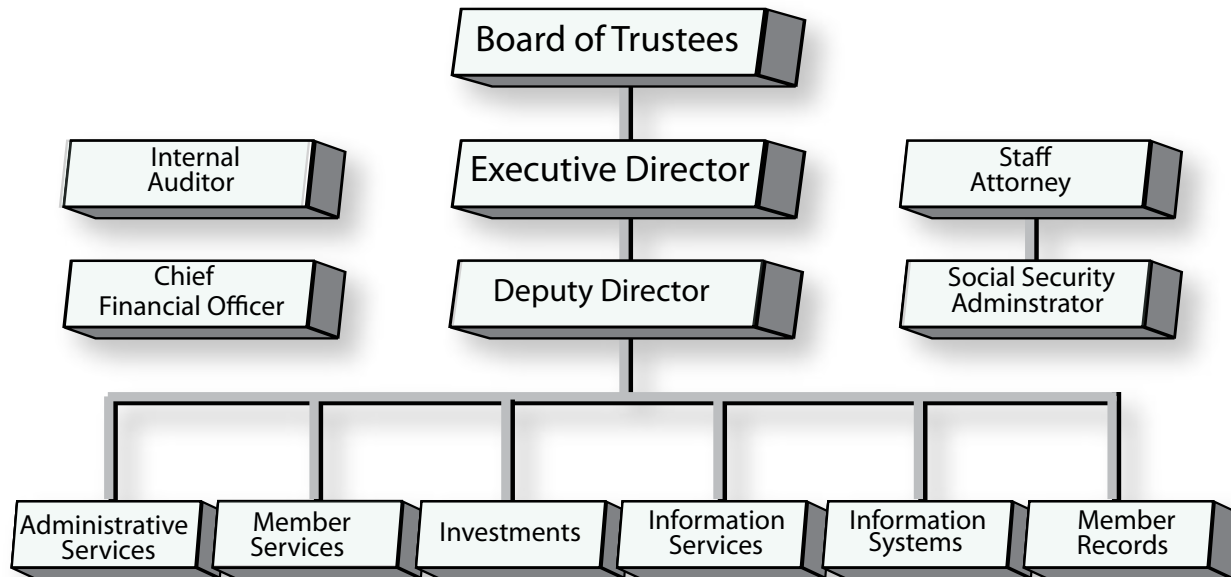
Sincerely,

Artee Williams, Chair
APERS Board of Trustees

Board of Trustees

Board Members	Expiration of Term
<p>Mr. Artee Williams, Chair Executive Director, Department of Workforce Services State Employee Representative</p>	March 9, 2014
<p>Mr. Maurice Henry, Vice Chair Hope Public Schools School Employee Representative</p>	March 9, 2012
<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. Don Zimmerman Executive Director, Arkansas Municipal League Municipal Employee Representative</p>	March 9, 2010
<p>Mr. Bill Gaddy Little Rock, AR State Employee Representative</p>	March 9, 2013
<p>The Honorable Mike Jacobs Clarksville, AR County Employee Representative</p>	March 9, 2015

Organizational Chart



Administrative Staff

Gail Stone	Executive Director
Michele Williams	Deputy Director
Jay Wills	Staff Attorney
Craig Blackard	Internal Auditor
William Dull	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
Allison Woods	Member Records 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

State Street Global Advisors
3475 Piedmont Road, NE Ste 1920
Atlanta, GA 30305

Mellon Capital Management
One Mellon Center, Suite 4200
Pittsburg, PA 15258

CastleArk Management, L.L.C.
One North Wacker Drive, Suite 3950
Chicago, IL 60606

National Timber Asset Management, L.L.C.
655 Simonds Road
Williamstown, MA 01267

SSI Investment Management (Froley, Revy)
9440 Santa Monica Blvd. 8th Floor
Beverly Hills, CA 90210

Pinnacle Forest Investments, L.L.C.
650 South Shackleford Road, Suite 400
Little Rock, AR 72211

Horrell Capital Management
900 S. Shackleford Road, Ste 200
Little Rock, AR 72211

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

INTECH
525 Okeechobee Blvd., Suite 1800
West Palm Beach, FL 33401

Pyramis Global Advisors
900 Salem Street, OT3N1
Smithfield, RI 02917

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

Westwood Management Corp.
200 Crescent Court, Suite 1200
Dallas, TX 75201

INVESCO Real Estate
Three Galleria Tower, Suite 500
Dallas, TX 75240

Stephens Investment Management Group
3700 Buffalo Speedway, Suite 900
Houston, TX 77098

RiverSource Investments
100 Park Avenue
New York, NY 10017

UBS Global Asset Management
One North Wacker Drive
Chicago, IL 60606

Golden Capital Management
10715 David Taylor Drive, Suite 400
Charlotte, NC 28262

Manning & Napier Advisors
655 Metro Place South, Suite 800
Dublin, OH 43017

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

Tradewinds Global Investors LLC
2049 Century Park East, 20th Floor
Los Angeles, CA 90067

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Financial

Financial Statements

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

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- *Schedule of Funding Progress*

Supporting Schedules

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

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Statement of

Plan Net Assets
June 30, 2009 and 2008

ASSETS	2009	2008
Cash and Cash Equivalents	\$ 144,370,189	\$ 164,106,333
Securities Lending Collateral Investments in Cash Equivalents (Notes 3 & 5)	0	0
Receivables:		
Dec 2004 Actuarial Liability Receivable	11,063,510	11,016,019
Contributions	2,230,764	2,064,104
Investment Principal Receivable	45,728,778	56,734,490
Accrued Investment Income Receivable	<u>12,486,745</u>	<u>13,410,220</u>
Total Receivables	71,509,797	83,224,833
Investments At Fair Value (Notes 3, 4 & 5)		
Government Securities:		
U.S. Government Securities	79,110,077	155,857,122
Futures	1,247,843	120,796
Government Agency Securities	372,632,738	350,522,222
Corporate Securities:		
Collateralized Obligations	126,099,722	196,931,594
Corporate Bonds	301,391,448	244,945,286
Convertible Bonds	135,055,273	163,374,858
Convertible Preferred Stock	39,503,362	37,915,127
Common Stock	1,499,257,304	1,970,881,464
Equity Index Funds	337,125,950	455,441,280
Equity Co-mingled	30,033,865	43,094,014
High Yield Income Fund	42,208,121	35,465,720
Options	0	20,348
International Securities:		
Global Fixed Income Fund	0	10,904,054
Government Fixed Obligations	13,469,217	13,826,156
Corporate Fixed Income	5,156,065	2,747,129
Equity Securities	264,903,613	554,482,483
Equity Pooled Fund Units	448,929,500	686,835,703
Emerging Markets	15,783,408	38,575,304
Forward Contracts	(81,302)	(349,552)
Real Estate	188,073,758	268,845,235
Timberland	294,367,676	240,170,440
Municipal Bonds	6,961,524	9,163,935
Commercial Loans	<u>43,914,142</u>	<u>26,595,311</u>
Total Investments	4,245,143,304	5,506,366,029
Securities Lending Collateral Investments, At Fair Value (Notes 3 & 5):		
Corporate Bonds	249,979,379	292,941,710
Bank Obligations	0	378,952,302
Asset Backed Securities	60,640,313	111,001,863
Repurchase Agreements	<u>112,640,635</u>	<u>5,759,924</u>
Total Securities Lending Collateral Investments	423,260,327	788,655,799
Prepays and Other Assets	127,404	1,764,984
Fixed Assets, Net	<u>79,562</u>	<u>50,808</u>
TOTAL ASSETS	4,884,490,583	6,544,168,786
LIABILITIES		
Accrued Expenses and Other Liabilities	6,304,171	8,140,996
Investment Principal Payable	104,638,383	108,712,061
Other Post Employment Benefits (Note on page 31)	475,017	208,009
Securities Lending Liability	<u>423,260,327</u>	<u>788,655,799</u>
TOTAL LIABILITIES	534,677,898	905,716,865
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (Note 6)	<u>\$4,349,812,685</u>	<u>\$5,638,451,921</u>

(A schedule of Funding Progress is on page 31).

Statement of

Changes In Plan Net Assets

June 30, 2009 and 2008

ADDITIONS	2009	2008
Contributions		
Employer	\$ 159,827,501	\$ 174,119,820
Plan Members	<u>23,722,994</u>	<u>18,443,261</u>
Total Contributions	183,550,495	192,563,081
Investment Income:		
Interest	62,046,908	65,706,695
Dividends	45,164,566	48,546,283
Net Appreciation in Fair Value of Plan Investment	(1,269,800,874)	(380,924,989)
Security Lending Income	10,670,818	37,091,199
Real Estate Income	(70,140)	(65,458)
Other	<u>(62,078)</u>	<u>0</u>
Total Investment Income	(1,152,050,800)	(229,646,270)
Less: Investment Expense	<u>21,680,124</u>	<u>53,956,428</u>
Net Investment Income	(1,173,730,924)	(283,602,698)
Other Sources:		
Miscellaneous Additions	3,165,392	2,040,614
Transfer from Teachers Retirement System	6,344,427	6,367,268
Miscellaneous Transfers from State Agencies	71,997	74,462
Transfer of Arkansas District Judges Retirement System	<u>0</u>	<u>24,081,555</u>
Total Other Additions	9,581,816	32,563,899
TOTAL ADDITIONS	(980,598,613)	(58,475,718)
DEDUCTIONS		
Benefits	299,896,780	266,296,562
Refunds of Contributions	2,661,289	1,919,767
Administrative Expenses	<u>5,482,554</u>	<u>5,100,085</u>
TOTAL DEDUCTIONS	308,040,623	273,316,414
NET INCREASE (DECREASE)	(1,288,639,236)	(331,792,132)
NET ASSETS (Note 6)		
Beginning of Year	<u>5,638,451,921</u>	<u>5,970,244,053</u>
End of Year	<u>\$4,349,812,685</u>	<u>\$5,638,451,921</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, 2009 and 2008, the number of participating employers was as follows:		
	<u>2009</u>	<u>2008</u>
State	240	242
County	85	85
Municipal	163	165
School	169	179
District Judges	67	81
District Court	38	n/a
Other Non-State	<u>26</u>	<u>26</u>
Total	<u>788</u>	<u>778</u>
As of June 30, 2009 and 2008, membership was as follows:		
Retirees and beneficiaries receiving benefits (includes DROP participants)	24,972	23,679
Terminated plan members entitled to but not yet receiving benefits	12,310	12,144
Active plan members	44,702	44,427

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, 2009 and 2008, are as follows:

Employer Contribution Rates		
	<u>2009</u>	<u>2008</u>
State Division	11.01%	12.54%
Wildlife Subdivision	23.01%	24.54%
State Capitol Police Subdivision	11.01%	12.54%
Administrative Offices of the Courts Subdivision	12.00%	12.00%
County Division	11.01%	12.54%
Municipal Division	11.01%	12.54%
School Division	4.00%	4.00%
Other Non-State Division	11.01%	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, 2009 and 2008, 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, 2009, the most recent actuarial date, is as follows (for both APERS and District Judges, dollar amounts in millions):

Plan	Valuation Date	(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	6/30/09	\$5,413	\$6,938	\$1,525	78%	\$1,434	106%
District Judges	6/30/09	\$ 10	\$26	\$16	39%	\$3	465%

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, 2009	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) 30 years (state and local) 18 years (General Assembly)	Level dollar (Still paying Old Plan) 28 years (New Plan and Paid Off Old Plan) 26 years (Still paying Old Plan)
Asset Valuation Method	4-year smoothed market with 25% corridor	4-year smoothed market with 25% corridor (New Plan and Paid Off Old Plan) Market value (Still paying Old Plan)
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%
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 \$144,370,189 at June 30, 2009. This

total consisted of cash deposits with financial institutions of \$602,621, STIF accounts in the amount of \$141,717,302 and \$2,050,066 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, 2009 none of the System's bank balance of \$602,621 was exposed to custodial credit risk.

Investments

- Arkansas Code Annotated 24-2-601 thru 24-2-619 authorizes the Board of 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 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%

Investments are reported at fair value as determined by the custodian bank. The bank’s determination of fair values includes, among other things, using pricing services or quotes by independent brokers at current exchange rates. As of June 30, 2009, the System had the following investments (in the schedule to the right):

Investment Type	Fair Value
U.S. Government Agency Securities	\$ 372,632,738
U.S. Government Securities	79,110,077
Convertible Bonds	135,055,273
Collateralized Obligations	126,099,722
Municipal Bonds	6,961,524
Convertible Preferred Stock	39,503,362
Domestic Stock	1,499,257,304
Domestic Equity Commingled	30,033,865
High Yield Income Fund	42,208,121
Real Estate	188,073,758
Timberland	294,367,676
Commercial Loans	43,914,142
Domestic Equity Index Funds	337,125,947
Corporate Bonds	301,391,448
Futures	1,247,843
International Government Fixed	13,469,216
Forwards	(81,302)
Global Corporate Fixed	5,156,064
Global Equity	264,903,613
International Equity Pooled Fund Units	448,929,500
Emerging Markets Collateralized Obligations	936,512
Emerging Markets	<u>14,846,896</u>
Total	<u>\$4,245,143,302</u>

Securities Lending Collateral	
U.S. Corporate Floating Rate	239,980,223
Asset Backed Floating Rate	42,137,911
Repurchase Agreements	<u>112,640,635</u>
Total	<u>\$ 394,758,769</u>
Total Investments	<u>\$4,639,902,071</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 \$4,639,902,071 investments at June 30, 2009 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	\$ 79,110,077	\$	\$ 14,938,422	\$ 30,737,238	\$ 33,434,417
US Government Agency	372,632,738		26,339,832	20,869,156	325,423,751
Collateralized Obligations	126,099,722		18,213,976	7,341,169	100,544,577
Convertible Bonds	135,055,273	2,752,869	56,395,217	8,976,693	66,930,495
Corporate Bonds	301,391,448	4,823,927	134,615,407	104,909,920	57,042,194
High Yield Income Fund	42,208,121			42,208,121	
Emerging Mkts. Coll. Obligations	936,512		606,782	329,731	
Emerging Markets	14,846,896	389,884	8,570,876	2,447,050	3,439,087
Global Corporate Fixed	5,156,064	140,265	3,151,533	1,864,267	
Global Government Fixed	13,469,216	435,203	6,605,258	6,319,233	109,523
Commercial Loans	43,914,142	421,976	41,489,050	2,003,116	
Municipal Bonds	<u>6,961,524</u>				<u>6,961,524</u>
Total	<u>\$1,141,781,735</u>	<u>\$8,964,124</u>	<u>\$310,926,352</u>	<u>\$228,005,692</u>	<u>\$593,885,567</u>

Securities Lending Collateral	Fair Value	Less Than 1	1-5	6-10	More than 10
Asset Backed Floating Rate	\$ 42,137,911	\$ 10,054,335	\$22,375,786	\$4,541,239	\$5,166,551
Corporate Floating Rate	239,980,223	222,214,403	17,765,820		
Repurchase Agreements	<u>112,640,635</u>	<u>112,640,635</u>			
Total	<u>\$394,758,769</u>	<u>\$344,909,373</u>	<u>\$40,141,606</u>	<u>\$4,541,239</u>	<u>\$5,166,551</u>

Financial Section

Mortgage-Backed Securities – As of June 30, 2009 the System held mortgage-backed securities of approximately \$86 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, 2009 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, 2009 the System held asset-backed securities with a fair value of approximately \$40 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, 2009 the System held no asset-backed securities that were considered as highly sensitive to changes in interest rates.

Corporate Bonds – As of June 30, 2009, the System held corporate bonds with a fair value of approximately \$301 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, 2009, 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	965,000	*	*

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, 2009, the System held convertible bonds with a fair value of approximately \$135 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, 2009, the System held no convertible securities that were considered highly sensitive to changes in interest rates.

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, 2009 was as follows:

Currency	%	Fair Value
Australian Dollar	2.80	\$ 7,507,074
Brazilian Real	1.90	5,112,700
British Pound Sterling	17.03	47,738,931
Canadian Dollar	0.58	1,545,080
Danish Krone	1.79	4,797,550
Euro Currency	39.59	106,317,309
Hong Kong Dollar	0.58	1,567,317
Hungarian Forint	0.08	225,821
Japanese Yen	22.99	61,735,643
Norwegian Krone	0.12	333,585
New Zealand Dollar	0.11	307,440
Polish Zloty	0.06	154,205
Singapore Dollar	1.70	4,573,324
South African Rand	1.68	4,511,355
Swedish Krone	(0.22)	(603,775)
Swiss Franc	8.58	23,035,663
Thailand Baht	0.62	<u>1,656,002</u>
Total Fair Value	100.00%	<u>\$270,515,224</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, 2009 the System had outstanding forward exchange currency contracts to sell foreign currencies in the amount of \$18,860,204. The market values of the outstanding contracts were \$18,941,501 at June

30, 2009, resulting in net loss of \$81,302. The System had no outstanding forward currency contracts to purchase foreign currency at June 30, 2009.

Pooled Funds - APERS has approximately \$449 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, 2009 is as follows:

<u>Standard & Poor's</u>	
<u>Rating</u>	<u>Fair Value</u>
AGY	\$ 372,632,738
AAA	124,719,081
AA	23,644,525
A	123,210,684
BBB	201,655,885
BB	67,547,578
B	58,211,227
CCC or below	11,576,825
Not Rated	<u>79,473,115</u>
Totals	<u>\$1,062,671,658</u>
<u>Securities Lending Collateral</u>	
AAA	\$ 72,913,317
AA	106,265,551
A	97,328,271
BBB	2,662,170
BB	1,473,825
B	
Not Rated	<u>114,115,635</u>
Totals	<u>\$ 394,758,769</u>

<u>Moody's Investor Service</u>	
<u>Rating</u>	<u>Fair Value</u>
AGY	\$ 372,632,738
Aaa	96,890,391
Aa	37,880,362
A	99,569,941
Baa	192,668,781
Ba	59,248,181
B	54,822,695
C or below	13,362,449
Not Rated	<u>135,596,119</u>
Totals	<u>\$1,062,671,658</u>
<u>Securities Lending Collateral</u>	
Aaa	\$ 20,628,952
Aa	150,157,643
A	97,347,330
Baa	4,541,239
Ba	2,801,419
B	5,166,551
Not Rated	<u>114,115,635</u>
Totals	<u>\$ 394,758,769</u>

The Bank of New York 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 (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, 2009 there were no violations of the Agency Agreement. Certain securities of the trust fund are loaned to participating brokers. As of June 30, 2009, 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 19 days on June 30, 2009, whereas the weighted average loan maturity was 2 days. As of June 30, 2009 investments with cash collateral were approximately \$295 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 2009 charge of \$267,000 is a prorated amount from the Department of Finance and Administration based on a

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 2009 CAFR will contain the complete OPEB footnote required by GASB 45.

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 tables on the next page explain reserve balances for the respective divisions for the fiscal years ending June 30, 2009 and 2008.

Respective Reserve Balances

As of June 30, 2009 and 2008

2009 Reserve Balances

<u>June 30, 2009</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	\$ 44,027,739	\$ 13,332,102	\$ 7,359,428	\$ 746,773	\$ 966,992	\$ 770,093	\$ 67,203,127
MDA Interest Reserve	1,981,703	564,231	403,609	(89,442)	70,329	50,872	2,981,302
Employer Accumulation Account	1,137,326,071	192,411,929	104,270,538	6,461,873	2,951,713	(7,243,177)	1,436,178,947
Retirement Reserve	1,632,081,009	375,961,486	166,898,781	227,145,584	2,574,765	3,030,849	2,407,692,474
Deferred Annuity	200,361,893	53,240,433	24,387,372	25,538,790	680,375	0	304,208,863
DROP Reserve	94,430,826	7,263,769	5,231,914	3,723,827	0	0	110,650,336
Delinquent Receivable Reserve	65	8					73
Refund Overpayment Receivable Reserve	351	0					351
Outlawed Warrants	81,319	9,097	4,241	13,032			107,689
Partial Purchase of Service Reserve	29,386	909		8,632			38,927
Dec 31, 2004 Accrued Liability Reserve						20,750,396	20,750,396
Partial Cash Reserve	200						200
Total	\$3,110,320,562	\$642,783,964	\$308,555,883	\$263,549,069	\$7,244,174	\$17,359,033	\$4,349,812,685

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	200						200
Total	\$4,028,089,725	\$823,760,471	\$389,074,055	\$365,555,021	\$8,562,743	\$23,409,906	\$5,638,451,921

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
2009	159,232,361	100	2009	1,581,100	102

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

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	6,543	677	90	1,380	49.1
6/30/09	5,413	6,894	1,481	79	1,434	103.3
6/30/09@	5,413	6,938	1,525	78	1,434	106.3

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 differences between 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
6/30/09	10,004,394	25,671,893	15,667,499	39	3,368,169	465

@ After changes in actuarial assumptions and methods.

Supporting Schedules

Schedule of Investment Expense

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Investment consultant fee	\$ 200,000	\$ 176,610
Money manager fees	14,310,229	21,384,626
Custodian bank fees	388,846	258,028
International withholding taxes	98,488	460,139
Securities lending expenses	6,582,250	31,906,594
Organizational expense: Timber	100,311	23,028
TOTAL INVESTMENT EXPENSE	<u>\$21,680,124</u>	<u>\$54,209,025</u>

For fees paid to investment managers, please see "Schedule of Investment Fees" shown on page 46 in the Investment Section of this report.

Supporting Schedules

Schedule of Payments For Professional Consultants

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Gabriel, Roeder, Smith & Company	\$169,000	\$166,750
Other	300	2,138
Total Payments for Professional Consultants	<u>\$169,300</u>	<u>\$168,888</u>

Supporting Schedules

Schedule of Administrative Expense

For the Years Ended June 30, 2009 and 2008

	2009	2008
PERSONNEL SERVICES:		
Salaries and wages	\$2,542,877	\$2,316,653
Employee benefits	449,296	434,416
Post Employment Benefits	267,008	208,009
Insurance	289,800	273,000
Other	<u>9,719</u>	<u>8,536</u>
Total Personnel Services	3,558,700	3,240,614
COMMUNICATIONS:		
Postage	147,176	131,087
Telecommunications	38,950	42,116
Printing and advertising	39,020	58,666
Freight and Express	958	965
Subscriptions and publications	<u>5,234</u>	<u>4,277</u>
Total Communications	231,338	237,111
PURCHASES:		
Office Supplies	33,702	72,135
Equipment	<u>45,188</u>	<u>28,207</u>
Total Purchases	78,890	100,342
SERVICES AND CHARGES:		
Professional fees and services	169,300	168,888
Rent expense	510,794	491,341
Travel and conference fees	23,624	33,051
Taxes, licenses and permits	279	79
Repairing and servicing	119,039	67,233
Training fees	-	10
Insurance and surety bonds	55,141	4,252
Bank and federal service charges	33,367	31,856
Data processing charges	684,200	699,762
Claims commission expense	<u>1,448</u>	<u>9,443</u>
Total Services and Charges	1,597,192	1,505,915
DEPRECIATION EXPENSE	<u>16,434</u>	<u>16,104</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$5,482,554</u>	<u>\$5,100,086</u>

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I Investments

Report on Investments

Outline of Investment Policies

Actual vs. Target Asset Allocation

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- Fiscal Years 2005 thru 2009

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

Portfolio Characteristics

List of Ten Largest Assets Held

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CALLAN ASSOCIATES^{INC}

Paul V. Troup III
Executive Vice President



September 8, 2009

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, 2009.

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, 2009, returns were impacted by a negative domestic and international stock market. Bonds were the best performing asset class. The Russell 3000 Index, a broad-based U.S. equity index, had a -26.6% return for the year while MSCI EAFE, an international index, was down -31.3%.

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, 2009 are listed below:

	<u>Target</u>	<u>Actual</u>
Domestic Equity	46%	46%
International Equity	18%	16%
Domestic Fixed	21%	25%
Alternative Inv./Real Estate	15%	13%

For fiscal year ended 2009, the total fund rate of return, including gains, losses and income was -20.89%. 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 1.92%. This level of performance fell short of 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 was below the actuarially assumed interest rate assumption of 8%.

At the beginning of the fiscal year, the assets of the fund totaled \$5.63 billion; at June 30, 2009 the Fund assets totaled \$4.34 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", with a stylized flourish at the end.

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, 2009



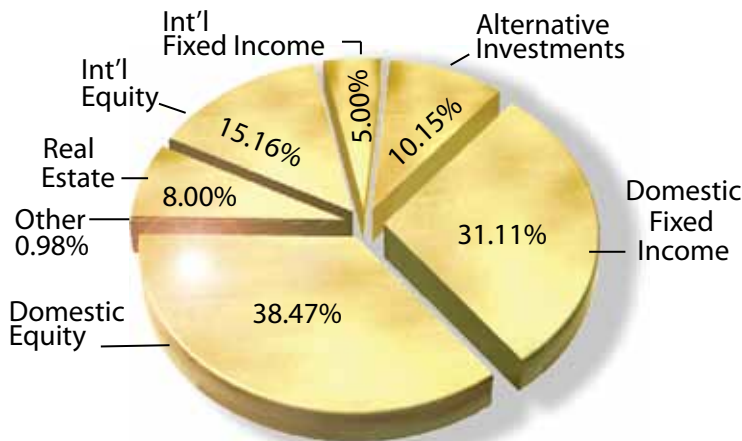
The graph to the left shows the Fund’s asset allocation as of June 30, 2009. The yellow line with diamonds represents the actual asset allocation; the green bars represent the target asset allocation as outlined in the investment policy statement.

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	\$2,014,446	46.40%	46%	0.4 %	\$17,393
International Equity	711,519	16.40	18	(1.6)%	(69,937)
Fixed Income	1,050,469	24.20	21	3.2 %	138,771
Alt. Investments	551,119	12.70	15	(2.3)%	(100,094)
Cash	<u>13,867</u>	<u>0.30</u>	<u>0</u>	0.3 %	13,967
Total*	\$4,341,420	100.00%	100%		

* Total assets does not include cash at local bank and non-investment receivables.

Public Plan Sponsor Database

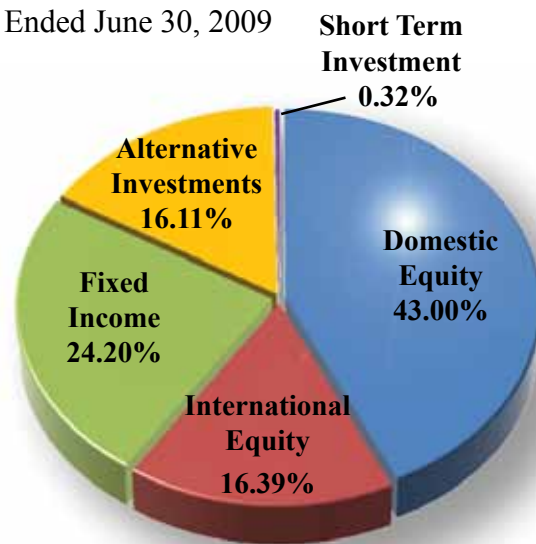


The illustration to the left shows the average percentage of asset allocations by asset type for the Public Plan Sponsor Database. Due to different asset allocation of Public Plans, percentages will not equal 100%.

Manager Distribution

For The Period Ended June 30, 2009

Asset Allocation	Market Value (\$Thousands)	Percent Of Total
Domestic Equity (\$1,865,975 - 43.00%)		
MCM S&P Index Fund	\$ 337,126	7.77%
CastleArk Management	\$ 213,780	4.92%
INTECH	\$ 207,554	4.78%
Wellington Mgmt. Co.	\$ 184,038	4.24%
Westwood Mgmt.	\$ 184,514	4.25%
INVESCO	\$ 172,087	3.96%
RiverSource (Seligman)	\$ 144,976	3.34%
Lazard Asset Mgmt.	\$ 173,549	4.00%
SSI Investment Mgmt. (Froley)	\$ 170,890	3.94%
Stephens Investment Mgmt. Group	\$ 77,155	1.78%
Transition Account	\$ 306	0.01%
International Equity (\$711,519 - 16.39%)		
Lazard Asset Mgmt.	\$ 134,920	3.11%
UBS Global Asset Mgmt.	\$ 136,568	3.15%
Manning & Napier	\$ 135,441	3.12%
Pyramis Global Advisors	\$ 170,356	3.92%
Tradewinds Global Investors	\$ 133,792	3.08%
RiverSource	\$ 442	0.01%
Fixed Income (\$1,050,469 - 24.20%)		
MacKay Shields	\$ 703,749	16.21%
Prudential Investments	\$ 333,812	7.69%
Aberdeen Asset Mgmt.	\$ 12,909	0.30%

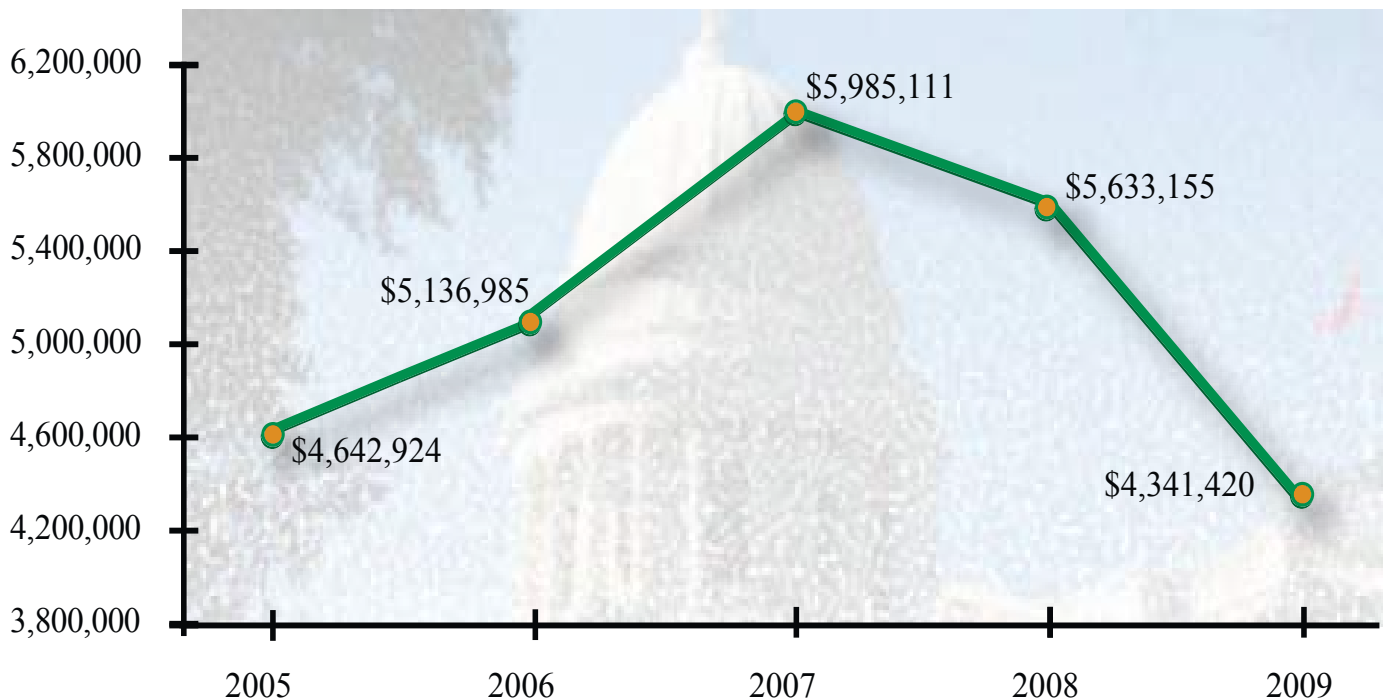


Alternative Investments (\$699,587 - 16.11%)		
INVESCO Real Estate	\$ 189,188	4.36%
Pinnacle Forest Investments	\$ 189,010	4.35%
National Timber Asset Mgmt.	\$ 105,358	2.43%
INVESCO Global REITS	\$ 67,563	1.56%
CastleArk Management	\$ 41,166	0.95%
UBS Global Asset Mgmt.	\$ 40,807	0.94%
Horrell Capital Mgmt.	\$ 36,461	0.84%
State Street Global Advisors	\$ 30,034	0.69%
Short-term Investment Fund		
	\$ 13,867	0.32%
COMPOSITE FUND		\$ 4,341,420* 100.00%

* Due to rounding, total may not equal 100 percent.

Composite Fund Comparison

For the Years 2005-2009



Performance Comparisons

For Fiscal Years Ended June 30, 2005 through 2009

Fiscal Years Ended June 30	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Fund:					
Arkansas Public Employees Retirement System	(20.89)%	(4.45)%	18.01 %	12.24 %	9.85 %
Callan Total Public Fund Median	(18.09)	(4.65)	17.32	10.43	9.22
Inflation (Consumer Price Index)	(1.98)	5.55	2.67	4.47	2.59
Equities:					
Arkansas Public Employees Retirement System	(25.74)%	(8.74)%	20.01 %	10.61 %	8.13 %
Callan Total Equity Database Median	(26.16)	(12.03)	20.10	11.63	9.69
Standard & Poor's 500 Index	(26.21)	(13.12)	20.59	8.63	6.32
International Equities:					
Arkansas Public Employees Retirement System	(32.31)%	(9.27)%	25.11 %	25.91 %	13.19 %
Callan Total Non-US Equities Database Median	(30.92)	(8.76)	27.82	17.80	13.81
MSCI-EAFE Index	(31.35)	(10.61)	27.00	26.56	13.65
Fixed Income:					
Arkansas Public Employees Retirement System	2.70 %	4.43 %	7.11 %	0.20 %	8.18 %
Callan Total Fixed Income Database Median	5.21	5.80	6.15	0.33	6.76
Barclays Capital Aggregate Index	6.05	7.12	6.12	(0.81)	6.80

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>2009</u>	<u>3-Year</u>	<u>5-Year</u>
Total Fund:			
Arkansas Public Employees Retirement System	(20.89)%	(3.74)%	1.92 %
Callan Total Public Fund Median	(18.09)	(2.77)	2.25
Inflation (Consumer Price Index)	(1.98)	2.03	2.63
Equities:			
Arkansas Public Employees Retirement System	(25.74)%	(6.66)%	(0.55)%
Callan Total Equity Database Median	(26.16)	(7.74)	(0.68)
Standard & Poor's 500 Index	(26.21)	(8.22)	(2.24)
International Equities:			
Arkansas Public Employees Retirement System	(32.31)%	(8.41)%	1.83 %
Callan Total Non-US Equities Database Median	(30.92)	(6.84)	3.40
MSCI-EAFE Index	(31.35)	(7.98)	2.31
Fixed Income:			
Arkansas Public Employees Retirement System	2.70 %	4.73 %	4.48 %
Callan Total Fixed Income Database Median	5.21	5.88	4.87
Barclays Capital Aggregate Index	6.05	6.43	5.01

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

	2009	2008
Selected Bond Characteristics:		
Yield to Maturity (Market)	6.70%	5.88%
Current Yield	6.18	6.55
Average Coupon Rate	5.91	5.28
Average Maturity	6.52Yrs.	7.53Yrs.
Quality Breakdown:		
AAA (Includes Govts. & Agencies)	53.60%	64.80%
AA	4.60	3.30
A	9.90	6.80
BAA	18.40	12.20
BA	4.60	4.60
B	4.70	1.90
CCC Below & NR	1.60	0.30
*Cash	2.60	6.10
Selected Stock Characteristics:		
Average P/E Ratio	15.40x	17.58x
Estimated Earnings Growth Rate (Next 5 Years)	11.55%	15.69%
Current Yield	1.87	1.64
* Includes Short Term Investment Fund		

Source: Callan Associates Inc.

List of

Ten Largest Assets Held

As of June 30, 2009

Domestic Fixed Income Holding (By Market Value)

	Par	Security	Market Value
1)	10,025,000	GNMA 30 yr TBA 6% 07/15/2039	\$10,441,639
2)	8,770,000	GNMA 30 yr TBA 6.50% 07/15/2039	9,304,444
3)	6,440,000	U.S. Treasury Note 2.25% 05/31/2014	6,355,475
4)	6,932,500	U.S. Treasury Bond 3.50% 02/15/2039	5,996,613
5)	5,000,000	Fed Nat'l Mtg Assn Deb 4.625% 10/15/2014	5,400,000
6)	5,002,105	Fed. Nat'l Mtg. Assn. Pool #555531 5.50% 06/01/2033	5,190,434
7)	5,017,196	Fed. Nat'l Mtg. Assn. Pool #745275 5% 02/01/2036	5,125,969
8)	4,460,000	FNMA 30 yr TBA 4.50% 07/01/2024	4,549,200
9)	4,753,034	U.S. Treasury CPI Inflation Index 1.375% 07/15/2018	4,442,999
10)	3,392,500	U.S. Treasury Bond 6.25% 05/15/2030	4,302,114
Total			<u>\$61,108,887</u>

Domestic Equity Holding (By Market Value)

	Shares	Security	Market Value
1)	308,439	Exxon Mobil Corp.	\$21,563,005
2)	192,740	Johnson & Johnson	10,947,632
3)	447,063	Microsoft Corp.	10,626,687
4)	61,250	Apple Inc.	8,732,838
5)	76,750	IBM Corp.	8,014,235
6)	50,150	Goldman Sachs Group Inc.	7,394,116
7)	274,327	AT&T Inc.	6,814,295
8)	125,245	Baxter Int'l Inc.	6,632,975
9)	125,644	Procter & Gamble Co.	6,420,408
10)	159,007	Hewlett Packard Co.	6,145,621
Total			<u>\$93,291,812</u>

International Equity Holding (By Market Value)

	Shares	Security	Market Value
1)	105,830	Siemens AG	\$ 7,307,822
2)	117,400	Sanofi-Aventis	6,894,779
3)	247,560	Unilever PLC	5,817,660
4)	328,671	SK Telecom Ltd.	4,979,366
5)	113,000	Magna Int'l Inc.	4,773,120
6)	145,000	Fujifilm Holdings Corp.	4,598,642
7)	328,000	Dai Nippon Printing Co.	4,500,927
8)	120,050	Covidien PLC	4,494,672
9)	302,218	Nokia Corp.	4,406,338
10)	2,260,700	Vodafone Group	4,363,396
Total			<u>\$52,136,722</u>

Schedule of

Brokerage Commissions

As of June 30, 2009

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share
Deutsche Bank Securities Inc.	5,673,246	\$ 598,492	0.11
Citigroup Global Markets Inc.	7,377,514	540,278	0.07
Barclays Capital Inc.	5,010,062	359,688	0.07
Morgan Stanley & Co. Inc.	6,912,409	337,618	0.05
RBC Capital Markets Corp.	8,314,645	279,083	0.03
J.P. Morgan Securities Inc.	6,455,482	256,511	0.04
Credit Suisse First Boston	7,484,419	212,377	0.03
Goldman, Sachs & Co.	6,974,260	176,971	0.03
UBS Securities LLC	5,916,679	161,535	0.03
ITG Inc.	5,404,156	157,215	0.03
Sanford C. Bernstein & Co., LLC	5,345,410	151,772	0.03
Merrill Lynch, Pierce, Fenner & Smith Inc.	4,570,631	149,145	0.03
Liquidnet, Inc.	4,941,197	138,961	0.03
Instinet, LLC	8,069,474	136,520	0.02
Societe Generale Securities Corp.	1,248,540	128,600	0.10
Stifel, Nicolaus & Co., Inc.	2,099,673	112,720	0.05
Jefferies & Co., Inc.	2,600,725	99,776	0.04
Buckingham Research Group Inc.	1,568,043	89,871	0.06
William Blair & Co., LLC	1,347,643	72,746	0.05
Simmons & Co., Inc.	1,273,650	69,871	0.05
Weeden & Co. LP	4,663,703	62,651	0.01
ISI Capital, LLC	1,121,398	60,220	0.05
Oppenheimer & Co., Inc.	1,347,785	59,074	0.04
Banc of America Securities LLC	1,503,919	48,883	0.03
Knight Securities Broadcourt	1,464,417	48,185	0.03
Others (including 87 brokerage firms)	<u>19,116,861</u>	<u>775,939</u>	0.04
Total	<u>127,805,941</u>	<u>\$5,284,702</u>	0.04

Investment Fees

Schedule of

As of June 30, 2009

Equities	Market Value	Fee	Basis Points
Froley, Revy - Convertible Securities	\$ 170,889,842	\$ 645,635	40
INVESCO - Value	172,087,468	491,638	30
Lazard Asset Mgmt. - Value	173,548,977	523,420	30
Westwood Mgmt. - SMID Cap	184,514,251	1,125,328	25
J & W Seligman - Growth	144,976,162	418,420	30
MCM S&P 500 Index Fund	337,125,954	60,993	3
INTECH - Growth	207,554,277	970,176	47
CastleArk Mgmt. - Growth	213,779,850	724,248	35
Wellington Mgmt. Co. - Value	184,038,240	554,627	30
Stephens Investment Mgmt. - Growth	77,155,389	604,380	77
Lazard Asset Mgmt. - Int'l Equity	134,920,294	207,665	65
Manning & Napier Advisors - Int'l Equity	135,440,700	298,456	55
Pyramis Global Advisors - Int'l Equity	170,355,749	214,452	20
Tradewinds Global Investors - Int'l Equity	133,791,751	300,354	55
UBS Global Asset Mgmt. - Int'l Equity	136,567,939	276,718	50
UBS Global Asset Mgmt. - Int'l Value - *	0	353,358	45
RiverSource - Int'l Growth - **	0	346,921	50
MCM ACWI ex-US Index Fund	<u>0</u>	<u>142,767</u>	6.5
Total Equity	\$2,576,746,843	\$ 8,259,556	
* Manager Terminated November 2007			
Fixed Income	Market Value	Fee	Basis Points
Aberdeen Asset Mgmt. - Core Plus	\$ 12,908,561	\$ 296,161	20
MacKay Shields - Core Plus I	349,293,551	605,413	20
MacKay Shields - Core Plus II	354,454,999	329,148	15
Prudential Investments - Core Plus	<u>333,811,676</u>	<u>651,543</u>	20
Total Fixed Income	\$1,050,468,786	\$ 1,882,265	
Alternatives	Market Value	Fee	Basis Points
Pinnacle Forest Investments – Timberland	\$ 189,009,932	\$ 1,540,765	90
CastleArk Mgmt. - AR Energy Fund	41,166,465	515,320	125
INVESCO Real Estate - Core & Global REITS	256,751,354	1,574,873	65
State Street Global Advisors - 130/30	30,033,865	158,579	50
UBS Global Asset Mgmt. - GTAA	40,807,284	305,821	90
Horrell Capital Mgmt.-AR Index Fund	<u>36,461,485</u>	<u>73,050</u>	20
Total Alternatives	\$ 594,230,385	\$ 4,168,408	
Other Investment Services	Fee		
Bank of New York (Custodian)	\$ 388,846		
Bank of New York (Securities Lending)	1,669,843		
Callan Associates (Consultant)	<u>200,000</u>		
Total Other Services	<u>\$ 2,258,689</u>		
Total Investment Service Fees	<u>\$16,568,918</u>		



Actuarial

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

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December 17, 2009

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, 2009.

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 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

Financial Section

- Schedule of Funding Progress

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

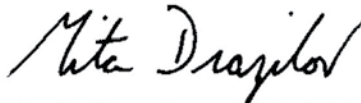
Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2009 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, 2009 actuarial valuations and the benefits and contribution rates then in effect, it is our opinion that the Arkansas Public Employees Retirement System continues to satisfy the general financial objective of level contribution financing.

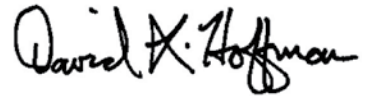
Respectfully submitted,



Norman L. Jones, FSA, MAAA



Mita D. Drazilov, ASA, MAAA



David L. Hoffman

NLJ:mrb

Assumptions Used in Actuarial Valuations

Summary of

Assumptions Adopted by Board of Trustees after Consulting with Actuary June 30, 2009 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 53. 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 52. 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 53. 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 54. These probabilities were first used for the June 30, 2008 valuation and for the District Judges division for the June 30, 2007 valuation.

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

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

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

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

Present assets (cash & investments) were valued on a market related basis in which differences between actual and assumed returns are phased-in over a four year period (including District Judges New Plan and Paid Off Old Plan). The funding value of assets may not deviate from the market value of assets by more than 25%. District Judges Still Paying Old Plan 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 Methods and Assumptions

Summary of

June 30, 2009 Valuations

Actuarial Assumptions as of June 30, 2009

Valuation Date - June 30, 2009	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)
	30 years (state and local)	28 years (New Plan and Paid Off Old Plan)
Asset Valuation Method	18 years (General Assembly)	26 years (Still paying Old Plan)
	4-year smoothed market with 25% corridor	4-year smoothed market with 25% corridor (New Plan and Paid Off Old Plan)
		Market value (Still paying Old Plan)
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%
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, 2009 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 Year**State 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
50-54	10%
55-56	12
57-59	14
60-61	18
62-73	30
74	100

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 <u>June 30</u>	Active Members in Valuation		Average Pay		Change in CPI (Inflation)
	Number	Annual Payroll	Dollars	% Change	
1992	22,953	\$468,310,059	\$20,403	+5.3 %	+3.1
1993#@	23,201	495,874,973	21,373	+4.8	+3.0
1994	24,488	530,532,520	21,665	+1.4	+2.5
1995#&	25,392	566,317,776	22,303	+2.9	+3.0
1996	25,496	598,416,616	23,471	+5.2	+2.8
1997#	25,699	636,196,222	24,695	+5.2	+3.0
1998@	25,776	657,941,805	25,525	+3.4	+2.3
1999	25,726	674,674,818	26,225	+2.7	+1.7
1999#	25,726	674,941,818	26,225	+2.7	+1.7
2000	25,869	696,187,512	26,912	<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 <u>June 30</u>	Active Members in Valuation		Average Pay		Change in CPI (Inflation)
	Number	Annual Payroll	Dollars	% Change	
1998@	17,150	\$ N/A	\$18,385	+3.2%	+2.3
1999	17,216	332,656,169	19,323	+0.0	+1.7
1999#	17,216	332,656,169	19,323	+5.1	+1.7
2000	17,132	352,354,160	20,567	<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 <u>June 30</u>	Active Members in Valuation		Average Pay		Increase/ Decrease 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
2009	44,687	1,433,497,978	32,079	+3.1	-2.1

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.

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
2009	15	230,415	15,361	+2.0	-2.1

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	Portion of Present Values Covered By Present Assets			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	2,463.9	4,014.9	5,858.1	100	100	83	90
2009	66.4	2,750.3	4,059.9	5,406.8	100	100	64	79
2009#	66.4	2,750.3	4,103.5	5,406.8	100	100	63	78

@ After changes in financial assumptions

After legislated changes in benefit provisions

Analysis of Financial Experience

For The Year Ended June 30, 2009

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	\$ 666.5	\$ 9.8	\$ 676.3	\$ 1,096,682	\$11,302,396	\$12,399,078
(2) Normal cost from last valuation	90.8	0.0	90.8	671,482	0	671,482
(3) Actual employer contributions	159.0	0.2	159.2	782,675	1,018,315	1,800,990
(4) Interest accrual: [(1) + ½[(2) - (3)]]x .080	50.6	0.8	51.4	83,287	863,459	946,746
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	648.9	10.4	659.3	1,068,776	11,147,540	12,216,316
(6) Increase from benefit changes	43.5	0.0	43.5	-	-	-
(7) Changes from revised actuarial assumptions and methods	0.0	0.0	0.0	-	-	-
(8 a) New entrant liabilities	33.0	0.0	33.0			
(8 b) Transfer of Still Paying Old Plan to Paid Off Old Plan				-	-	-
(9) Expected UAAL after changes: (5) + (6) + (7) + (8)	725.4	10.4	735.8	1,068,776	11,147,540	12,216,316
(10) Actual UAAL at end of year	<u>1,513.4</u>	<u>11.4</u>	<u>1,524.8</u>	<u>3,432,274</u>	<u>12,235,225</u>	<u>15,667,499</u>
(11) Gain/(loss): (9) - (10)	<u>\$(788.0)</u>	<u>\$(1.0)</u>	<u>\$(789.0)</u>	<u>\$(2,363,498)</u>	<u>\$(1,087,685)</u>	<u>\$(3,451,183)</u>

* *Unfunded actuarial accrued liability.*

Analysis of Financial Experience

Gain And Losses By Risk Area

Year Ended June 30, 2009

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.	\$ 1.9	\$ 0.0	\$ 1.9	\$ 0.0 %
<u>Investment Return</u>				
If there is greater investment return than assumed, there is a gain. If less return, a loss.	(807.4)	(0.7)	(808.1)	(11.6)
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.	(7.3)	0.0	(7.3)	(0.1)
<u>Disability Retirements</u>				
If there are fewer disabilities than assumed, there is a gain. If more, a loss.	1.1	0.0	1.1	0.0
<u>Death-in-Service Benefits</u>				
If there are fewer claims than assumed, there is a gain. If more, a loss.	0.0	0.0	0.0	0.0
<u>Withdrawal</u>				
If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	4.9	0.0	4.9	0.1
Total Active Member Actuarial Gains/(Losses)	\$(806.8)	\$(0.7)	\$(807.5)	\$(11.6)%
<u>Retired Life Mortality</u>	13.8	0.0	13.8	0.2 %
<u>Other</u>				
Includes data adjustments at retirement, timing of financial transactions, retired life mortality, and miscellaneous unidentified sources.	5.0	(0.3)	4.7	0.1 %
Total Actuarial Gains (Losses)	\$(788.0)	\$(1.0)	\$(789.0)	\$(11.3)%

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

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), plus .5% of FAC times years of service over 28 years for service after July 1, 2009. If retirement is prior to age 62, an additional .33% of FAC times years of service will be paid until age 62. The portion of the APERS benefit based on service before 1978 cannot be less than the amount provided by contributory provisions in effect at the time of retirement. The minimum monthly benefit is \$150 minus any age and beneficiary option reductions.

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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The word "Statistical" is written in a blue, serif font. The letter "S" is significantly larger and more decorative, with a cursive-like flourish extending from its top. The remaining letters "tatistical" are in a smaller, standard serif font.

Statistical

A vertical photograph on the left side of the page shows the top of the Statue of Liberty, including its crown and the top of its body, against a clear blue sky. The building below is white with classical architectural features like columns and arches.

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 2005-2009

Year Ending June 30	Member Contributions	Employer Contributions	Investment Income	Transfers And Other	Total
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	899,333,699	8,844,973	1,084,259,255
2008	18,443,261	174,119,820	(283,602,698)	32,563,899	(58,475,718)
2009	\$23,722,994	\$159,827,501	\$(1,173,730,924)	\$ 9,581,816	\$ (980,598,613)

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

Schedule of

Expenses By Type
For Fiscal Years 2005-2009

Year Ending June 30	Benefit Payments ¹	Administrative Expenses	Refunds	Misc.	Total
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	266,301,400	4,892,076	1,900,783	-	273,094,259
2009	299,896,780	5,482,554	2,661,289	-	308,040,623

¹ Includes DROP and PAW distributions.

Schedule of

Benefit Expenses By Type*
For Fiscal Years 2005-2009

Year Ended June 30	Age & Service		Death In Service	Disability Retirees
	Retirees	Survivors		
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
2009	248,677,584	2,733,372	507,672	17,426,148

* Expenses are based on June 30 benefit amounts annualized.

Schedule of

Retired Members By Type of Benefit For APERS
As of June 30, 2009

Type of Annuity	Number	Annual Annuities
Age & Service Retirees		
Life	15,702	\$192,156,240
Option A-60 (5 years certain)	762	8,978,892
Option A-120 (10 years certain)	1,453	15,635,244
Option B-50 (joint and 50% survivor)	827	14,060,832
Option B-75 (joint and 75% survivor)	1,189	16,441,776
Option B-100 (joint and 100% survivor)	<u>77</u>	<u>1,404,600</u>
Totals	20,010	248,677,584
Beneficiaries of Age & Service Retirees		
Life	115	939,096
Option A-60	0	0
Option A-120	1	6,612
Option B-50	97	803,004
Option B-75	65	722,640
Option B-100	<u>15</u>	<u>262,020</u>
Totals	<u>293</u>	<u>2,733,372</u>
Total Age & Service Retirees & Beneficiaries	20,303	251,410,956
Disability Retirees		
Life	1,689	12,887,184
Option A-60	113	829,476
Option A-120	228	1,639,164
Option B-50	115	885,960
Option B-75	164	1,184,364
Option B-100	<u>0</u>	<u>0</u>
Totals	2,309	17,426,148
Beneficiaries of Disability Retirees		
Life	77	405,708
Option A-60	0	0
Option A-120	0	0
Option B-50	10	46,788
Option B-75	405	2,330,124
Option B-100	<u>0</u>	<u>0</u>
Totals	492	2,782,620
Total Disability Retirees & Beneficiaries	2,801	20,208,768
Death-in-Service Beneficiaries	<u>75</u>	<u>507,672</u>
Total Retirees & Beneficiaries	23,179	272,127,396
DROP Participants	<u>1,793</u>	<u>51,004,056</u>
GRAND TOTAL	<u>24,972</u>	<u>\$323,131,452</u>

Schedule of

Average Benefit Payments For APERS

As of June 30, 2009

	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, 2008 to June 30, 2009</u>					
Avg. Monthly Benefit	\$ 450.96	\$ 711.17	\$ 938.05	\$1,739.73	\$1,911.75
Avg. Monthly Final Average Salary	2,150.92	2,520.45	2,638.71	3,187.95	3,215.66
Number of Active Retirants	270	229	198	308	151
Retirement Effective Dates					
<u>July 1, 2007 to June 30, 2008</u>					
Avg. Monthly Benefit	455.07	730.81	873.02	1,671.99	2,152.60
Avg. Monthly Final Average Salary	2,296.15	2,441.44	2,341.94	3,156.31	3,703.75
Number of Active Retirants	215	180	164	280	85
Retirement Effective Dates					
<u>July 1, 2006 to June 30, 2007</u>					
Avg. Monthly Benefit	458.43	688.96	998.06	1,835.15	2,590.95
Avg. Monthly Final Average Salary	2,168.79	2,442.60	2,628.36	3,135.13	3,664.27
Number of Active Retirants	238	204	170	275	133
Retirement Effective Dates					
<u>July 1, 2005 to June 30, 2006</u>					
Avg. Monthly Benefit	440.49	641.62	852.76	1,764.15	2,093.34
Avg. Monthly Final Average Salary	2,080.87	2,172.20	2,276.97	3,019.47	3,324.53
Number of Active Retirants	209	199	151	331	91
Retirement Effective Dates					
<u>July 1, 2004 to June 30, 2005</u>					
Avg. Monthly Benefit	416.89	608.49	860.21	1,743.77	2,287.10
Avg. Monthly Final Average Salary	1,976.73	2,041.45	2,291.28	2,973.91	3,308.01
Number of Active Retirants	183	172	149	319	143
Retirement Effective Dates					
<u>July 1, 2004 to June 30, 2009</u>					
Avg. Monthly Benefit	445.79	678.15	908.07	1,750.73	2,211.93
Avg. Monthly Final Average Salary	2,141.02	2,335.70	2,450.22	3,090.51	3,421.74
Number of Active Retirants	1,115	984	832	1,513	603

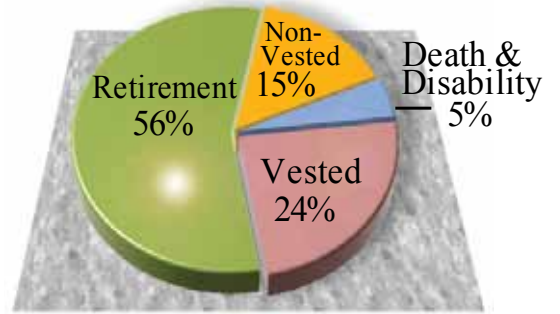
Statistical Graphs

For the Period Ended June 30, 2009

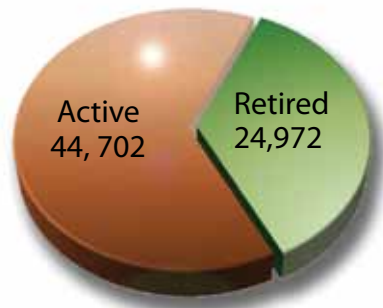
Comparison of Asset Values for Fiscal Years 2005 - 2009



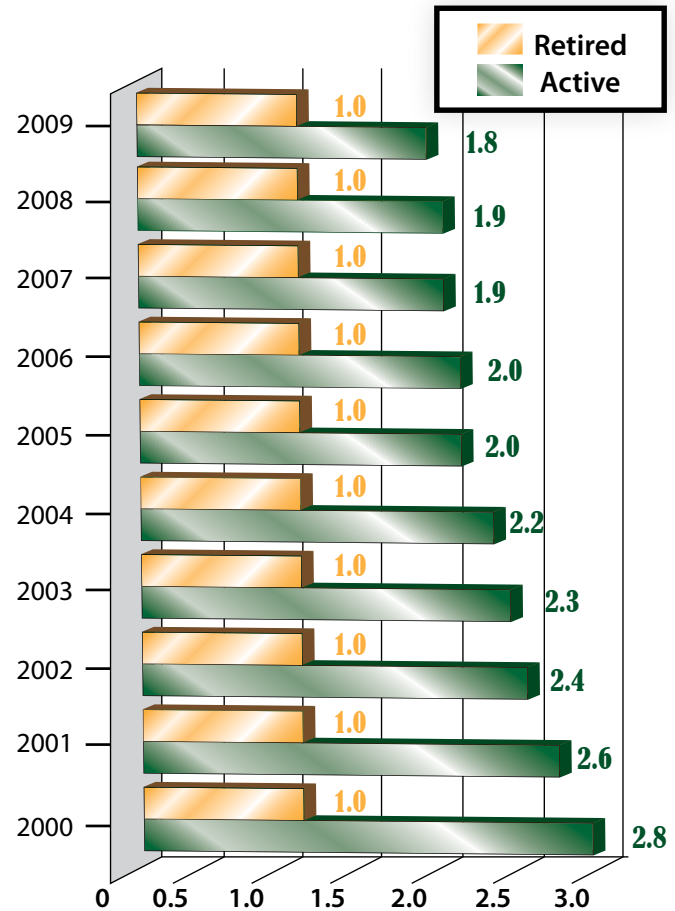
Expected Termination Type From Active Employment



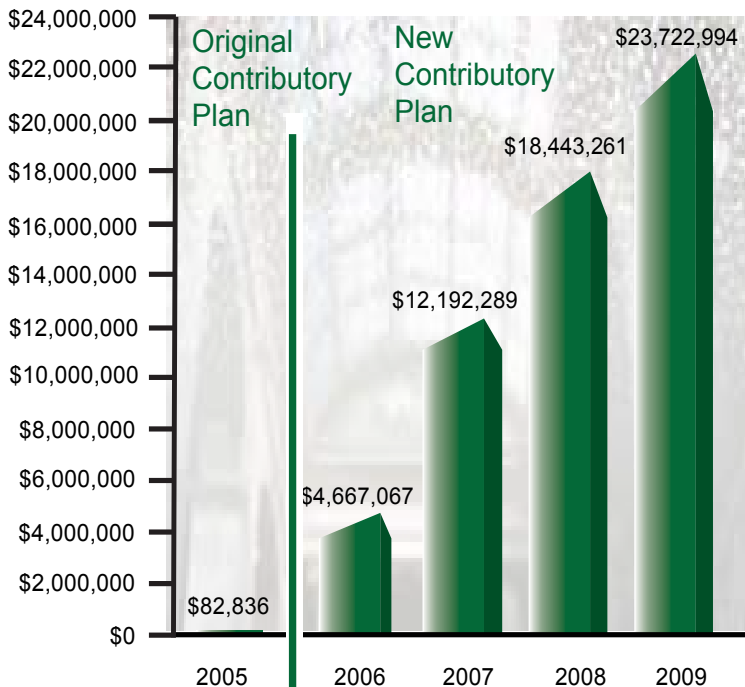
Active and Retired Members as of June 30, 2009



Ratio of Active Members to Retired Members 2000 - 2009



Comparison of Members' Contributions 2005 - 2009





Statistical Appendix

Schedule of Participating Employers

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Schedule of

Participating Employers

As of June 30, 2009

State Agencies

ADJRS Pilot	Burial Association Board	Educational Television Commission
Administrative Office of the Courts	Calhoun County Conservation District	Examiners In Psychology
Arkansas Child Abuse & Neglect Prevention Board	Capitol Zoning District Commission	Faulkner County Conservation District
Arkansas Crime Information Center	Carroll County Conservation District	Fire Protection Licensing Board
Arkansas Department Of Agriculture	Chicot County Conservation District	Forestry Commission
Arkansas Economic Development Commission	Claims Commission	Franklin County Conservation District
Arkansas Fair Housing Commission	Clark County Conservation District	Fulton County Conservation District
Arkansas Public Defender Commission	Clay County Conservation District	Game & Fish Commission
Arkansas State Athletic Commission	Cleburne County Conservation District	Game & Fish Commission - Wildlife Officers
Arkansas Dept. Of Environmental Quality	Cleveland County Conservation District	Garland County Conservation District
Arkansas Appraisers Licensing/Certification	Commissioner of State Lands	General Assembly - House
Arkansas County Conservation District	Constitutional Officers	General Assembly - Senate
Arkansas Ethics Commission	Contractors Licensing Board	Geographic Information Office
Arkansas Heritage	Conway County Conservation District	Geological Commission
Arkansas Minority Health Commission	Cossatot Community College - University of Arkansas	Governor's Office
Arkansas Northeastern College	Cossatot Conservation District	Greene County Conservation District
Arkansas Sentencing Commission	Court Of Appeals	Health Services Permit Agency
Arkansas State Board Of Optometry	Court Reporters	Hempstead County Soil Conservation
Arkansas State Library	Craighead County Conservation District	Henderson State University
Arkansas State University	Crawford County Conservation District	History Commission
Arkansas State University - Beebe	Crittenden County Conservation District	Hot Spring County Conservation District
Arkansas State University-Mountain Home	Crooked Creek Conservation District	House Speaker's Office
Arkansas Tech University	Cross County Conservation District	Independence County Conservation District
Arkansas Tobacco Control Board	Dallas County Conservation District	Insurance Department
Arkansas Tobacco Settlement Commission	Department Of Aeronautics	Izard County Conservation District
Arkansas Towing & Recovery Board	Department Of Community Correction	Jackson County Conservation District
Ashley County Conservation District	Department Of Corrections	Jefferson County Conservation District
Assessment Coordination Department	Department Of Emergency Management	Johnson County Conservation District
Arkansas State University-Newport	Department Of Finance & Administration	Judicial Discipline/Disability Commission
Attorney General	Department Of Health	Lafayette County Conservation District
Auctioneers Licensing Board	Department Of Higher Education	Law Enforcement Standards
Auditor Of State	Department Of Human Services	Lawrence County Conservation District
Baxter County Conservation District	Department Of Information Systems	Lee County Conservation District
Board of Examiners - Speech/Language Pathology & Audiology	Department Of Labor	Legislative Council
Benton County Conservation District	Department Of Workforce Services	Lieutenant Governor
Black River Technical College	Deputy Prosecuting Attorney	Lincoln County Conservation District
Board Of Accountancy	Desha County Conservation District	Liquified Petroleum Gas Division
Board Of Architects	Development Finance Authority	Little River Conservation District
Board Of Barber Examiners	Dietetic Licensing Board	Livestock & Poultry Commission
Board Of Chiropractic Examiners	Disability Determination For Social Security Administration	Logan County Conservation District
Board Of Collection Agencies	District Judge Pilot (APERS Employees)	Madison County Conservation District
Board Of Dental Examiners	Division Of Legislative Audit	Manufactured Home Commission
Board Of Dispensing Opticians	Drew County Conservation District	Martin Luther King Jr. Commission
Board Of Embalmers And Funeral Directors	Drug Court Juvenile Probation & Intake Office	Medical Board
Board Of Examiners In Counseling	Drug Task Force - 1st Judicial District	Miller County Conservation District
Board Of Nursing	Drug Task Force - 3rd Judicial District	Mine Creek Conservation District
Board Of Pharmacy	Drug Task Force - 5th Judicial District	Mississippi County Conservation District
Board Of Physical Therapy	Drug Task Force - 8th Judicial District	Monroe County Conservation District
Board Of Registration for Professional Geologists	Drug Task Force - 13th Judicial District	Montgomery County Conservation District
Board Of Registration For Professional Engineers & Professional Surveyors	Drug Task Force - 14th Judicial District	Motor Vehicle Commission
Boone County Conservation District	Drug Task Force-15th Judicial District	National Park Community College
Buffalo Conservation District	Drug Task Force - 21st Judicial District	Nevada County Conservation District
Building Authority	Drug Task Force - Batesville	Newton County Conservation District
	Drug Task Force - Monticello	North Arkansas College
	East Arkansas Community College	Northwest Arkansas Community College
		Office Of Rural Advocacy
		Oil & Gas Commission
		Ouachita County Conservation District

(Continued)

Appendix

State Agencies (Continued)

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 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
Soil & Water Conservation
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 Capitol Police
State Crime Lab
State Military Department
State Plant Board
State Police (Non-Trooper)
State Police (Troopers - Tier 1)
State Police (Troopers - Tier 2)
State Treasurer
Stone County Conservation District
Student Loan Authority
Supreme Court
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
Veterans Child Welfare
Veterinary Medical Examining Board
Vocational/Technical Educational 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
Cross
Dallas
Desha
Drew
East Central Arkansas Regional Library
Faulkner
Franklin
Fulton
Garland
Grant
Grassy Lake-Tyronza Drainage
Greene
Hempstead
Hot Spring
Howard
Independence
Izard
Jackson
Jefferson
Johnson
Lafayette
Lawrence
Lee
Lincoln
Little River
Logan
Lonoke
Madison
Marion
Miller
Mississippi
Monroe
Montgomery
Name
Nevada
Newton
Ouachita
Perry
Phillips
Pike

(Continued)

County Employers (Continued)

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 Agencies

Alma
 Alma Water & Sewer Department
 Arkadelphia
 Arkansas City
 Arkansas Municipal League
 Ash Flat
 Ashdown
 Augustine
 Batesville
 Batesville Water Works
 Beebe
 Bentonville
 Bethel Heights
 Biscoe
 Bono
 Bradford Water & Sewer System
 Brinkley
 Brinkley Municipal Water/Sewer
 Bryant
 Cabot
 Caddo Valley
 Calico Rock
 Camden Water & Utilities
 Cammack Village
 Carlisle
 Cave City
 Cave Springs
 Central Arkansas Water
 Charleston
 Cherry Valley
 City of Helena/West Helena
 Clarksville
 Clinton
 Clinton Water & Sewer
 Corning
 Cotter
 Crossett
 Crossett Public Library
 Crossett Water Commission
 Des Arc
 DeWitt
 Dierks
 Dover
 El Dorado Water Works
 Elm Springs
 Emerson
 England
 Eudora
 Farmington
 Flippin
 Fordyce
 Fordyce Water & Sewer
 Foreman
 Forrest City
 Forrest City Water Utilities
 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
 Holly Grove
 Hope
 Hope Water & Light
 Horatio
 Hot Springs
 Hot Springs Advertising & Promotion
 Commission
 Huntington
 Huntsville
 Huntsville Water & Sewer
 Huttig
 Jacksonville
 Jacksonville Wastewater Utility
 Jacksonville Water Commission
 Jasper
 Kibler
 Lamar
 Lepanto
 Lewisville
 Lincoln
 Lockesburg
 Lowell
 Little Rock Wastewater Utility
 Magnolia
 Malvern
 Malvern Waterworks
 Mammoth Spring
 Marked Tree
 Marshall
 Marvell
 McGehee Water & Sewer System
 McRae
 Melbourne
 Mena
 Mena Water & Sewer
 Monette
 Monticello
 Morrilton
 Mount Ida
 Mountain Home
 Mountain Pine
 Mountain View
 Mt. Pleasant
 Nashville
 North Little Rock Advertising & Promotion
 Commission
 Ola
 Pangburn
 Paragould

(Continued)

Appendix

Municipal Agencies (Continued)

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

School Employers

Alma
Alpena
Arkadelphia
Ashdown
Atkins
Augusta
Bald Knob
Barton-Lexa
Batesville
Bauxite
Beebe
Benton
Bentonville
Bergman
Berryville
Bismarck
Blytheville
Booneville
Bradford
Bradley
Brinkley
Brookland
Cabot
Calico Rock
Cedarville
Clarendon
Clarksville
Clinton
Concord
Conway
Corning
Cotter
Cross County
Crossett
Cutter Morning Star
Dardanelle
De Queen
Deer/Mt. Judea
Dermott Special
Des Arc
Dewitt
Dollarway
Dover
Drew Central
Dumas
Earle
El Dorado
England
Fairview
Farmington
Fayetteville
Flippin
Fordyce
Foreman
Forrest City
Fouke
Ft. Smith
Genoa Central
Gentry
Gosnell
Greene County Technical School

Green Forest
Greenwood
Gurdon Public
Hamburg
Harrison
Hartford
Hazen
Heber Springs
Hector
Helena-West Helena
Hermitage
Highland
Hope
Horatio
Hot Springs
Hoxie
Huntsville
Izard County Consolidated
Jackson County
Jasper
Jonesboro
Junction City
Lafayette County
Lake Hamilton
Lakeside
Lamar
Lavaca
Lead Hill
Lee County
Lincoln Consolidated
Little Rock
Lonoke
Magazine
Magnolia
Malvern
Mansfield
Marion
Marked Tree
Marvell
McCroy
McGehee
Mena
Midland
Monticello
Mountain Home
Mountain View
Mountainburg
Mt. Vernon-Enola
Murfreesboro
Nashville
Nettleton
Newark
Newport
North Little Rock
Norfolk
Osceola
Ozark
Palestine-Wheatley
Paragould
Pea Ridge
Piggott

(Continued)

School Employers (Continued)

Pine Bluff
 Pocahontas
 Pottsville
 Prescott
 Pulaski County
 Riverview
 Rogers
 Russellville
 South Conway County
 South Mississippi County
 Searcy County
 Sheridan
 Shirley
 Siloam Springs
 Sloan-Hendrix
 Smackover
 South Central Service Cooperative
 Southside
 Springdale
 Star City
 Stephens
 Stuttgart
 Texarkana
 Trumann
 Turrell
 Twin Rivers
 Valley Springs
 Valley View
 Van Buren
 Van-Cove
 Vilonia
 West Memphis School Cafeterias
 Waldron
 Warren
 Watson Chapel
 West Side
 Westside Consolidated
 White Hall
 Wickes
 Wynne
 Yellville-Summit

District Judges

Arkansas County
 Ashdown
 Ashley County
 Beebe
 Biscoe
 Bradley County
 Brinkley
 Cabot
 Calhoun County
 Camden
 Charleston
 Cherokee Village
 Chicot County
 Clarksville
 Conway
 Craighead County
 Crossett
 Dallas County
 DeQueen
 Dermott
 Devalls Bluff
 East Camden
 Elkins
 Eureka Springs
 Fayetteville
 Fordyce
 Franklin County
 Grant County
 Hamburg
 Hampton
 Hazen
 Helena/West Helena
 Hot Springs
 Hoxie
 Huntsville
 Jacksonville
 Lake Village
 Lawrence County
 Lee County
 Little Rock
 Madison County
 Magnolia
 Malvern
 Marion
 Nevada County
 Newport
 Newton County
 North Little Rock
 Ouachita County
 Ozark
 Phillips County
 Pine Bluff
 Prairie Grove
 Prescott
 Randolph County
 Rison
 Sharp County
 Sheridan
 Sherwood

Springdale
 Stuttgart
 Walnut Ridge
 Ward
 West Fork
 West Memphis
 Woodruff County
 Yell County

District Court Employers*

Benton County West
 Berryville
 Booneville
 Camden
 Clarendon
 Conway
 DeQueen
 Dermott
 Devalls Bluff
 Dumas
 East Camden
 Elkins
 Eureka Springs
 Fayetteville
 Ft. Smith
 Hoxie
 Lake Village
 Little Rock
 Lonoke
 Marion
 Maumelle
 McCrory
 McGehee
 Newport
 North Little Rock
 Osceola
 Ozark
 Perry County
 Pine Bluff
 Sherwood
 Siloam Springs
 Springdale
 Texarkana
 Trumann
 Tyronza
 Walnut Ridge
 West Memphis
 Wrightsville

* Employer doesn't participate in APERS with the exception of the District Court Judge and Court Clerk.

(Continued)

Appendix

Other Non-State Employers

Benton County Solid Waste District
Blytheville – Gosnell Regional Airport
Boone County Airport
Boston Mountain Solid Waste
Clark County Country Water Facilities
Hot Spring County Solid Waste Authority
Kimzey Regional Water District
Marion County Regional Airport
Milltown-Washburn Water Users
Montgomery County Reg Water Authority
Nevada County Prescott Solid Waste Mgmt.
NE Ark. Regional Solid Waste Management
North Garland Co. Regional Water District
Paragould Housing Authority
Paron-Owensville Water Authority
Pulaski Area Geographic Information System (PAGIS)
Pulaski County Regional Solid Waste Management District
RiverSouth Rural Water District
Saline County Regional Waste Management District
Sardis Water Association
SE White County Water Authority
South Sebastian County Water User Association
SW Boone County Water Association
SW White County Water Association
Upper SW Arkansas Solid Waste Management District
Washington Water Authority

Number of Participating Employers As of June 30, 2009

State Agencies	240
County Agencies	85
Municipal Agencies	163
School Employers	169
District Judges	67
District Court Employers*	38
Other Non-State Agencies	<u>26</u>
Total	788

* Employer doesn't participate in APERS with the exception of the District Court Judge and Court Clerk.

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

www.APERS.org