



Arkansas
Public Employees Retirement System

Comprehensive Annual Financial Report 2010



A Pension Trust Fund of the State of Arkansas

Comprehensive
Annual Financial Report

For the Year Ended
June 30, 2010

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
2010

Presented to

Arkansas Public Employees Retirement System

In recognition of meeting professional standards for
plan design 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, reading 'Alan H. Winkle', is positioned above the printed name and title.

Alan H. Winkle
Program Administrator

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Introduction

A History of APERS

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Letter of Transmittal

Letter from the Board Chair

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Organizational Chart and Administrative Staff

Professional Consultants and Investment Managers

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A History of APERS

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

As of June 30, 2010, the assets of the System remained healthy at \$ 4.9 billion despite a recently tough investment environment. The APERS investment program has seen rates of return that range from (20.9)% (fiscal year 2009) to 11.95%% (fiscal year 2010). The investment of these assets is allocated among numerous investment managers that include domestic equities, domestic fixed income, international equities and alternative investments (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 2010 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.

Act 1242 of 2009 merged the investable assets of the Arkansas State Police Retirement System (ASPRS) with those of APERS while granting all investment authority to the APERS Board of Trustees. The reporting schedules contained herein reflect the respective values accruing to each pension plan.

Membership Information As of June 30, 2010

STATE AND LOCAL DIVISIONS ONLY			
ACTIVE MEMBERS		2010 RETIRED MEMBERS	
		Age and Service	Disability
Number	45,380*	Retired Members	864
Average Age	44.8 years	Average Age	61.2 years
Average Years	9.3 years	Average Years of Service	16.2 years
Average Annual Salary	\$33,550	Average Monthly Benefit	\$764
			\$701
INACTIVE VESTED MEMBERS		TOTAL RETIREES	
Number	12,455	Retired Members	25,880#
		Average Monthly Benefit	\$1,101

* Does not include 14 General Assembly members.

Includes DROP participants.

DISTRICT JUDGES ONLY			
ACTIVE MEMBERS		RETIRED MEMBERS	
		Total	Disability
Number	59	Retired Members	139
Average Age	58.2 years	Average Age	71.2 years
Average Years	13.4 years	Average Years of Service	N/A
Average Annual Salary	\$60,238	Average Monthly Benefit	\$798
			N/A
INACTIVE VESTED MEMBERS			
Number	122		



124 WEST CAPITOL AVENUE • SUITE 400 • LITTLE ROCK, AR 72201

January 6, 2011

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 2010 Annual Financial Report of the Arkansas Public Employees Retirement System (“APERS” or the “System”) for the fiscal year ended June 30, 2010. 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, 2010. 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 2.31%. 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 positive 11.95% rate of return. As anticipated, the funding status of the retirement system moved down to 74.1% in fiscal 2010 from 78% in 2009. With the enactment in 2005 of the new employee contributory provisions, the System has enjoyed improved cash flow.

Phone (501) 682-7800

FAX Number (501) 682-7825

WATS Line 1-800-682-7377

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 increase for fiscal year 2010 totaled approximately \$707.3 million (see Table 1).

The overall increase was approximately \$1.7 billion compared to the decrease of fiscal year 2009 due primarily to higher investment earnings and somewhat higher employee and employers' contributions. The Investment Section of this report reviews activity and the results of the investment portfolio for fiscal year 2010. The net assets of the System were \$4.7 billion on June 30, 2010, an increase of approximately \$ 378.7 million from 2009.

TABLE 1.

OPERATING ADDITIONS

Employer contributions	\$170,186,564
Employee contributions	30,334,716
Investment earnings	500,632,900
Miscellaneous additions	<u>6,099,736</u>
TOTAL	<u>\$707,253,916</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 2010 totaled approximately \$328.6 million (see Table 2), an increase of approximately \$20.6 million over fiscal year 2009 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 increase in Plan net assets was approximately \$379 million during fiscal year 2010.

TABLE 2.

OPERATING DEDUCTIONS

Benefit payments	\$318,998,006
Refunds of contributions	3,586,861
Administrative expenses	<u>5,981,358</u>
TOTAL	<u>\$328,566,225</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, 2010, amounted to \$7.3 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 2010, investments provided a positive 11.95% rate of return. The System’s annualized rate of return over the last three years was approximately a negative 5.42%.

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



124 WEST CAPITOL AVENUE • SUITE 400 • LITTLE ROCK, AR 72201

January 6, 2011

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, 2010. The Arkansas Public Employees Retirement System continues to be in sound condition with 74% 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.

Act 1242 of 2009 merged the investable assets of the Arkansas Public State Police Retirement System (ASPRS) with those of APERS beginning July 1, 2009. The retirement systems themselves remain separate entities. Thus, you will see the investment schedules broken out to reflect the market values accruing to each system. Act 1242 bestowed all investment authority on the APERS Board of Trustees.

The APERS board members are cognizant of the need to balance cost containment with the well being of the System's membership. While APERS remains in the top quartile of public plans in terms of financial health, we will continue to seek ways to keep the costs associated with the benefit program under control. The strong investment results being reported here offset some of the expense, but prudent cost cutting will be foremost in the Board's mind.

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,

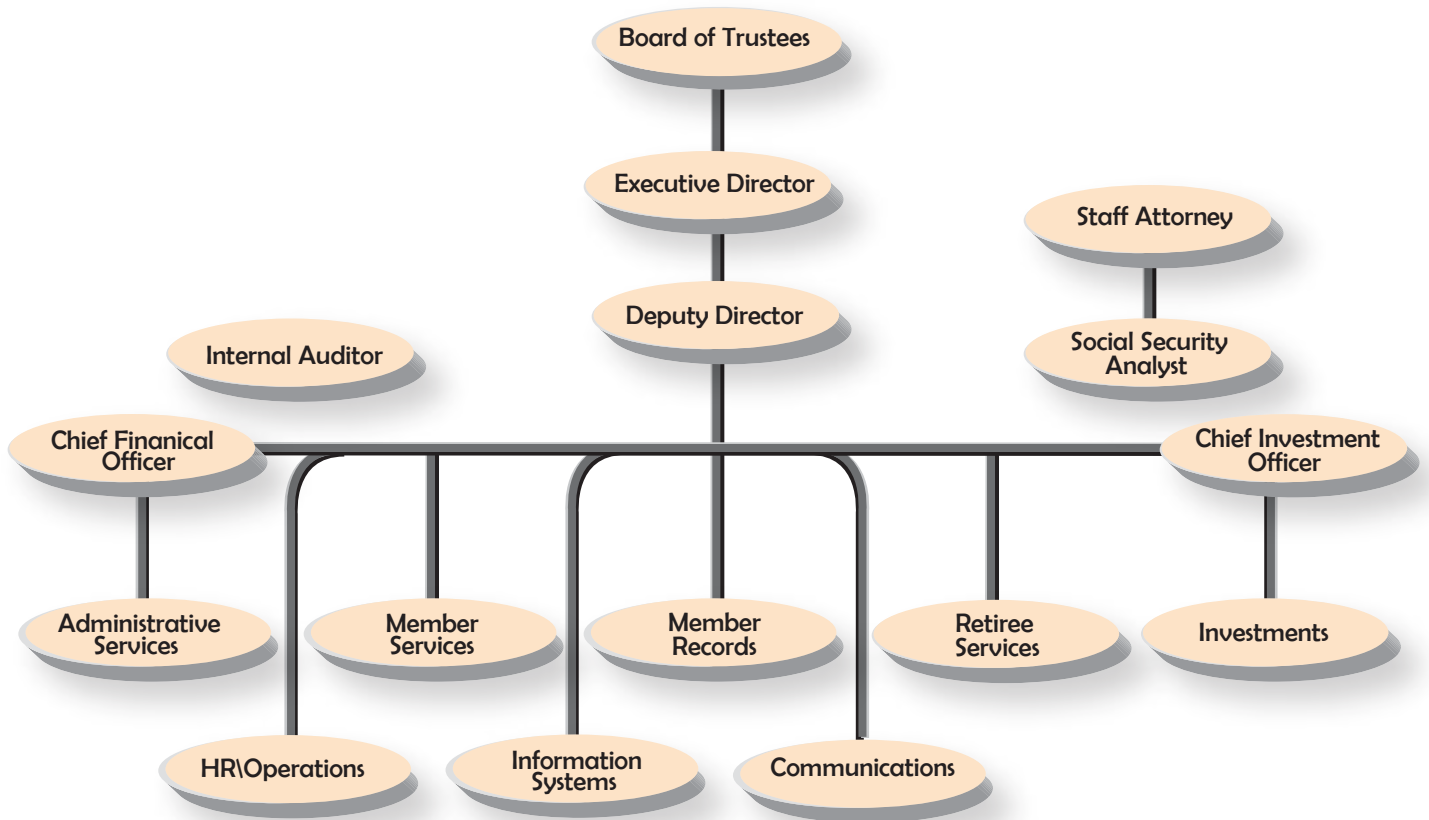
A handwritten signature in black ink that reads "Artee Williams". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

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. 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
<p>Mayor Charles "Stephen" Northcutt Malvern, AR Municipal Employee Representative</p>	March 9, 2016

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 |
| Carlos Borromeo | Chief Investment Officer |
| Susan Bowers | Associate Director, Investments |
| Becky Walker | Human Resources\Operations Manager |
| Pam Stroud | Member Services Manager |
| Jon Aucoin | Communications Manager |
| Phillip Norton | Information Systems Manager |
| Allison Woods | Member Records Manager |
| Abbi Bruno | Retiree Services 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

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

9 Greenway Plaza, Suite 1900
Houston, TX 77046

Artisan Partners

875 East Wisconsin Avenue, Suite 800
Milwaukee, WI 53202

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

MacKay Shields

9 West 57th Street
New York, NY 10019

Wellington Management Company

280 Congress Street
Boston, MA 02210

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Financial

Financial Statements:

Statement of Plan Net Assets

Statement of Changes in Plan Net Assets

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Summary of Significant Accounting Practices

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Schedule of Funding Progress

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District Judge Schedule of Funding Progress

Schedule of Investment Expense

Schedule of Payments for Professional Consultants

Schedule of Administrative Expense

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APERS Statement Of Plan Net Assets

	6/30/10	6/30/09
ASSETS	APERS	APERS
Cash and Cash Equivalents	\$ 119,233,185	\$ 144,370,189
Securities Lending Collateral Investments in Cash Equivs. (Notes 3 & 5)		
Receivables:		
Dec 2004 Actuarial Liability Receivable	11,949,695	11,063,510
Contributions	2,214,443	2,230,764
Investment Principal Receivable	27,293,510	45,728,778
Accrued Investment Income Receivable	<u>14,878,479</u>	<u>12,486,745</u>
Total Receivables	56,336,127	71,509,797
Investments At Fair Value (Notes 3, 4 & 5)		
Government Securities:		
U.S. Government Securities	56,692,011	79,110,077
Futures	1,089,585	1,247,843
Government Agency Securities	200,033,915	372,632,738
Corporate Securities:		
Collateralized Obligations	181,322,952	126,099,722
Corporate Bonds	497,737,991	301,391,448
Convertible Bonds	173,917,850	135,055,273
Convertible Preferred Stock	35,097,199	39,503,362
Common Stock	1,570,950,462	1,499,257,304
Equity Index Funds	494,513,356	337,125,950
Equity Co-mingled	32,510,013	30,033,865
High Yield Income Fund	50,850,253	42,208,121
International Securities:		
Global Fixed Income Fund	3,840,549	0
Government Fixed Obligations	0	13,469,217
Corporate Fixed Income	9,212,260	5,156,065
Equity Securities	281,549,155	264,903,613
Equity Pooled Fund Units	500,233,798	448,929,500
Emerging Markets	18,109,421	15,783,408
Forward Contracts	79,024	(81,302)
Real Estate	166,155,640	188,073,758
Timberland	294,495,311	294,367,676
Municipal Bonds	5,221,420	6,961,524
Commercial Loans	<u>34,220,712</u>	<u>43,914,142</u>
Total Investments	4,607,832,877	4,245,143,304
Securities Lending Collateral Investments, At Fair Value (Notes 3 & 5):		
Corporate Bonds	182,188,563	249,979,379
Bank Obligations	130,270,736	0
Asset Backed Securities	38,751,500	60,640,313
Repurchase Agreements	<u>80,043,105</u>	<u>112,640,635</u>
Total Securities Lending Collateral Investments	431,253,904	423,260,327
Prepays and Other Assets	129,340	127,404
Fixed Assets, Net	<u>71,899</u>	<u>79,562</u>
TOTAL ASSETS	5,214,857,332	4,884,490,583
LIABILITIES		
Accrued Expenses and Other Liabilities	6,687,309	6,304,171
Investment Principal Payable	47,661,684	104,638,383
Other Post Employment Benefits (Note on page 29)	754,059	475,017
Securities Lending Liability	<u>431,253,904</u>	<u>423,260,327</u>
TOTAL LIABILITIES	486,356,956	534,677,898
NET ASSETS HELD IN TRUST FOR PENSION BENS. (Note 6)	<u>\$4,728,500,376</u>	<u>\$4,349,812,685</u>

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

The APERS & ASPRS Combined Statement Of Plan Net Assets can be found on page 73

APERS Statement Of Changes In Plan Net Assets

	6/30/10 APERS	6/30/09 APERS
ADDITIONS		
Contributions		
Employer	\$ 170,186,564	\$ 159,827,501
Plan Members	<u>30,334,716</u>	<u>23,722,994</u>
Total Contributions	200,521,280	183,550,495
Investment Income:		
Interest	62,331,626	62,046,908
Dividends	43,820,724	45,164,566
Net Appreciation in Fair Value of Plan Investment	410,511,458	(1,269,800,874)
Security Lending Income	2,050,050	10,670,818
Real Estate Income	(7,588)	(70,140)
Other	<u>7,620</u>	<u>(62,078)</u>
Total Investment Income	518,713,890	(1,152,050,800)
Less: Investment Expense	<u>18,080,990</u>	<u>21,680,124</u>
Net Investment Income	500,632,900	(1,173,730,924)
Other Sources:		
Miscellaneous Additions	(331,483)	3,165,392
Transfer from Teachers Retirement System	6,355,482	6,344,427
Miscellaneous Transfers from State Agencies	75,737	71,997
Total Other Additions	<u>6,099,736</u>	<u>9,581,816</u>
TOTAL ADDITIONS	707,253,916	(980,598,613)
DEDUCTIONS		
Benefits	318,998,006	299,896,780
Refunds of Contributions	3,586,861	2,661,289
Administrative Expenses	<u>5,981,358</u>	<u>5,482,554</u>
TOTAL DEDUCTIONS	328,566,225	308,040,623
NET INCREASE (DECREASE)	378,687,691	(1,288,639,236)
NET ASSETS (Note 6)		
Beginning of Year	<u>4,349,812,685</u>	<u>5,638,451,921</u>
End of Year	<u>\$4,728,500,376</u>	<u>\$4,349,812,685</u>

See Notes to Financial Statements

The APERS & ASPRS Combined Statement Of Changes In Plan Net Assets can be found on page 74

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, 2010 and 2009, the number of participating employers was as follows:		
	<u>6/30/10</u>	<u>6/30/09</u>
State	243	240
County	85	85
Municipal	164	163
School	166	169
District Judges	64	67
District Court	39	38
Other Non-State	<u>26</u>	<u>26</u>
Total	<u>787</u>	<u>788</u>
As of June 30, 2010 and 2009, membership was as follows:		
Retirees and beneficiaries receiving benefits (includes DROP participants)	25,880	24,972
Terminated plan members entitled to but not yet receiving benefits	12,455	12,310
Active plan members	45,394	44,702

Notes To Financial Statements

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, 2010 and 2009, are as follows:

Employer Contribution Rates		
	<u>6/30/10</u>	<u>6/30/09</u>
State Division	11.00%	11.01%
Wildlife Subdivision	23.00%	23.01%
State Capitol Police Subdivision	11.00%	11.01%
Administrative Offices of the Courts Subdivision	N/A	12.00%
County Division	11.00%	11.01%
Municipal Division	11.00%	11.01%
School Division	4.00%	4.00%
Other Non-State Division	11.00%	11.01%

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, 2010 and 2009, APERS was confirmed as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

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, 2010, the most recent actuarial date, is as follows (for both APERS and District Judges, dollar amounts in millions) :

Notes To Financial Statements

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	6/30/10	\$5,409	\$7,304	\$1,895	74%	\$1,523	124%
District Judges	6/30/10	\$11	\$27	\$16	42%	\$4	441%

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, 2010	APERS	District Judges
Actuarial Cost Method	Ultimate entry age normal (state & local) Entry age normal (General Assembly)	Entry age normal
Amortization Method	Level percent of payroll (state & local) Level dollar (General Assembly)	Level dollar (New Plan & Paid Off Old Plan) Level dollar (Still paying Old Plan)
Remaining Amortization Period	30 years (state & local) 18 years (General Assembly)	27 years (New Plan & Paid Off Old Plan) 25 years (Still paying Old Plan)
Asset Valuation Method	4-year smoothed market with 25% corridor	4-year smoothed market with 25% corridor (New Plan & 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 \$119,234,374 at June 30, 2010. This total consisted of cash deposits with financial institutions of \$544,719, STIF accounts in the amount of \$116,687,115, and \$2,002,341 cash in the 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, 2010 none of the System's bank balance of \$544,719 was exposed to custodial credit risk. The foreign currency cash balance of \$886,169 was subject to custodial credit risk.

Investments

- Arkansas Code Annotated 24-2-601 thru 24-2-619 authorizes the Board to Trustees of the Arkansas Public Employees Retirement System to have full power to invest and reinvest monies of the system and to hold, purchase, sell, assign, transfer or dispose of any of the investments, or proceeds of the investment in accordance with the prudent investor rule.
- Security transactions and any resulting gains or losses are accounted for on a trade 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	46%	41%	51%
• International Equities	16%	11%	21%
• Fixed Income	21%	16%	26%
• Global Energy	2%	0%	7%
• Alternatives	15%	10%	20%
	100%		

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, 2010, the System had the following investments (in the schedule to the right):

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 \$5,221,073,807 investments at June 30, 2010 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.

****All figures on this page are a combined total of APERS & ASPRS, of which 3.82% is allocated to ASPRS****

Investment Type	Fair Value
U.S. Government Agency Securities	\$ 207,978,701
U.S. Government Securities	58,943,658
Convertible Bonds	180,825,380
Collateralized Obligations	188,524,591
Municipal Bonds	5,428,800
Convertible Preferred Stock	36,491,161
Domestic Stock	1,633,344,212
Domestic Equity Commingled	33,801,220
High Yield Income Fund	52,869,883
Real Estate	172,754,876
Timberland	306,191,839
Commercial Loans	35,579,863
Domestic Equity Index Funds	514,154,040
Corporate Bonds	517,506,749
Futures	1,132,860
International Government Fixed	3,993,085
Forwards	82,163
Global Corporate Fixed	9,578,145
Global Equity	292,731,498
International Equity Pooled Fund Units	520,101,682
Emerging Markets Collateralized Obligations	347,714
Emerging Markets	18,480,962
Total	\$4,790,843,083

Securities Lending Collateral	
U.S. Corporate Floating Rate	\$ 181,683,158
Asset Backed Floating Rate	31,314,195
Repurchase Agreements	83,222,193
Certificate of Deposit	19,080,830
Commercial Paper	66,394,348
Time Deposits	48,536,000
Total	430,230,724
Total Investments	\$5,221,073,807

* See footnote at bottom of page.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
US Government Securities	\$ 58,943,659	\$ 0	\$ 46,144,639	\$ 2,777,072	\$ 10,021,948
US Government Agency	207,978,701	184,548	20,316,447	11,544,112	175,933,594
Collateralized Obligations	188,524,590	136,065	20,797,703	10,554,410	157,036,412
Convertible Bonds	180,825,380	12,783,706	104,950,515	7,738,575	55,352,584
Corporate Bonds	517,506,749	15,319,327	199,147,219	191,661,205	111,378,998
High Yield Income Fund	52,869,883	0	35,443,360	17,426,523	0
Emerging Mkts. Coll. Obligations	347,714	0	0	347,714	0
Emerging Markets	18,480,961	0	10,194,569	6,514,729	1,771,663
Global Corporate Fixed	9,578,145	0	5,913,804	2,901,841	762,500
Global Government Fixed	3,993,085	3,408,109	460,668	0	124,308
Commercial Loans	35,579,863	0	34,280,570	1,299,293	0
Municipal Bonds	5,428,800	0	0	5,428,800	0
Total	<u>\$1,280,057,530</u>	<u>\$ 31,831,755</u>	<u>\$477,649,494</u>	<u>\$258,194,274</u>	<u>\$512,382,007</u>
<u>Securities Lending Collateral</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Asset Backed Floating Rate	\$ 31,314,195	\$ 6,772,535	\$ 3,352,498	\$17,662,868	\$3,526,294
Corporate Floating Rate	181,683,158	89,547,018	92,136,140	0	0
Certificate of Deposit	19,080,830	19,080,830	0	0	0
Commercial Paper	66,394,348	66,394,348	0	0	0
Repurchase Agreements	83,222,193	83,222,193	0	0	0
Time Deposits	48,536,000	48,536,000	0	0	0
Total	<u>\$430,230,724</u>	<u>\$313,552,924</u>	<u>\$95,488,638</u>	<u>\$17,662,868</u>	<u>\$3,526,294</u>

* See footnote at bottom of page.

Mortgage-Backed Securities – As of June 30, 2010 the System held mortgage-backed securities of approximately \$121 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, 2010 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, 2010 the System held asset-backed securities with a fair value of approximately \$68 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, 2010 the System held no asset-backed securities that were considered as highly sensitive to changes in interest rates.

Corporate Bonds – As of June 30, 2010, the System held corporate bonds with a fair value of approximately \$517 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, 2010, the System held the following security that was considered highly sensitive to changes in interest rates.

****All figures on this page are a combined total of APERS & ASPRS, of which 3.82% is allocated to ASPRS****

Description	Trade Date	Market Value	Rate Calculation	Reset Date
Bear Stearns	02/01/07	1,140,700	*	*

- The coupon is fixed at 7% until February 2010, 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%.

Convertible Corporate Bonds – As of June 30, 2010, the System held convertible bonds with a fair value of approximately \$181 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, 2010, 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, 2010 was as follows:

Currency	%	Fair Value
Australian Dollar	3.46	\$ 10,253,476
Brazilian Real	2.34	6,928,214
British Pound Sterling	29.43	87,122,330
Canadian Dollar	0.69	2,033,853
Danish Krone	0.79	2,323,704
Euro Currency	30.02	88,868,466
Hong Kong Dollar	2.88	8,514,285
Hungarian Forint	0.00	6,584
Japanese Yen	13.61	40,284,012
Mexican Nuevo Peso	(0.46)	(1,355,951)
Norwegian Krone	0.74	2,197,942
New Zealand Dollar	0.23	685,756
Polish Zloty	0.27	805,268
Singapore Dollar	0.58	1,722,647
South Korean Won	0.24	702,169
Swedish Krone	0.12	360,435
Swiss Franc	14.67	43,429,000
Thailand Baht	0.37	1,101,223
Total Fair Value	100.00%	\$295,983,413

* See footnote at bottom of page.

Pooled Funds - APERS has approximately \$520 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. 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, 2010 is as follows:

****All figures on this page are a combined total of APERS & ASPRS, of which 3.82% is allocated to ASPRS****

<u>Standard & Poor's</u>	
<u>Rating</u>	<u>Fair Value</u>
AGY	\$ 207,978,701
AAA	96,276,226
AA	48,888,487
A	166,461,357
BBB	315,864,640
BB	130,820,667
B	111,344,354
CCC or below	25,714,529
Not Rated	<u>117,764,913</u>
Totals	<u>\$1,221,113,874</u>
<u>Securities Lending Collateral</u>	
AAA	\$ 25,507,610
AA	101,874,120
A	200,190,448
BBB	N/A
BB	11,945,255
B	2,014,804
CCC or below	3,526,294
Not Rated	<u>85,172,193</u>
Totals	<u>\$ 430,230,724</u>

<u>Moody's Investor Service</u>	
<u>Rating</u>	<u>Fair Value</u>
AGY	\$ 207,978,701
Aaa	87,846,681
Aa	65,537,325
A	132,594,650
Baa	290,082,063
Ba	166,771,582
B	61,342,014
C or below	14,235,969
Not Rated	<u>194,724,889</u>
Totals	<u>\$ 1,221,113,874</u>
<u>Securities Lending Collateral</u>	
Aaa	19,876,914
Aa	155,673,988
A	146,303,663
Baa	11,945,255
Ba	N/A
B	4,082,236
CCC or below	7,176,475
Not Rated	<u>85,172,193</u>
Totals	<u>\$ 430,230,724</u>

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

* See footnote at bottom of page.

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, 2010 there were no violations of the Agency Agreement. Certain securities of the trust fund are loaned to participating brokers. As of June 30, 2010, 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, 2010, whereas the weighted average loan maturity was 2 day. As of June 30, 2010 investments with cash collateral were approximately \$295 million.

****All figures on this page are a combined total of APERS & ASPRS, of which 3.82% is allocated to ASPRS****

GASB 53: Investment Derivatives - Derivative instruments are financial contracts or agreements whose values depend on the values of one or more underlying assets, reference rates, and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts, and forward foreign currency exchange. APERS, through its external investment managers, could hold such instruments. The external investment managers may enter these certain investments on behalf of APERS, primarily to enhance the performance and reduce the volatility of its portfolio. The external investment managers could enter into swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and they use forward foreign exchange contracts primarily to hedge foreign currency exposure. APERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. APERS' external investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures.

APERS' external investment managers anticipate that the counterparties will be able to satisfy their obligations under the contracts. Investments in limited partnerships and commingled funds may include derivatives that are not shown in any derivative totals. The external investment managers do invest in mortgage-backed securities which are reported at fair value in the *Statement of Plan Net Assets*, and are based on the cash flows from interest and principal payments by the underlying mortgages. Therefore, they are sensitive to prepayments by mortgages which are likely in a declining interest rate environment, therefore reducing the value of the securities. The external investment managers invest in mortgage-backed securities to diversify APERS' portfolio and increase return while minimizing the extent of risk.

Foreign Currency Forward Contracts			
Receivables	Notional	FMV	Gain/Loss
Payable in EUR/Receivable in USD	\$ (792,524.80)	\$ (783,985.07)	\$ 8,539.73
Payable in GBP/Receivable in USD	(1,172,080.00)	(1,196,861.67)	(24,781.67)
Payable in AUD/Receivable in USD	(726,900.00)	(711,527.74)	15,372.26
Payable in AUD/Receivable in USD	(547,000.00)	(546,944.56)	55.44
Payable in AUD/Receivable in USD	(293,600.00)	(286,515.72)	7,084.28
Payable in CAD/Receivable in USD	(366,400.00)	(362,493.91)	3,906.09
Payable in CAD/Receivable in USD	(363,500.00)	(351,985.64)	11,514.36
Payable in HUF/Receivable in USD	(1,745,169.07)	(1,684,260.71)	60,908.36
Payable in MXN/Receivable in USD	(84,354.22)	(84,161.08)	193.14
Payable in MXN/Receivable in USD	(918,300.00)	(906,089.23)	12,210.77
Payable in MXN/Receivable in USD	(2,207,625.33)	(2,159,769.94)	47,855.39
Payable in NOK/Receivable in USD	(59,772.11)	(58,469.08)	1,303.03
Payable in NZD/Receivable in USD	(844,000.00)	(820,158.28)	23,841.72
Payable in NZD/Receivable in USD	(731,300.00)	(723,850.28)	7,449.72
Payable in NZD/Receivable in USD	(729,300.00)	(732,374.16)	(3,074.16)
Payable in PLN/Receivable in USD	(699,071.67)	(675,900.70)	23,170.97
Payable in SEK/Receivable in USD	(45,823.94)	(45,195.99)	627.95
Total	<u>\$(12,326,721.14)</u>	<u>\$(12,130,543.76)</u>	<u>\$ 196,177.38</u>
Payables			
Payable in USD/Receivable in AUD	\$ 694,600.00	\$ 675,423.00	\$ (19,177.00)
Payable in USD/Receivable in AUD	566,121.31	554,520.17	(11,601.14)
Payable in USD/Receivable in CAD	367,300.00	359,329.01	(7,970.99)
Payable in USD/Receivable in CAD	365,500.00	350,021.67	(15,478.33)
Payable in USD/Receivable in CAD	151,683.62	146,899.53	(4,784.09)
Payable in USD/Receivable in GBP	1,440,738.97	1,438,135.76	(2,603.21)
Payable in USD/Receivable in MXN	918,300.00	907,290.72	(11,009.28)
Payable in USD/Receivable in MXN	84,194.85	84,010.46	(184.39)
Payable in USD/Receivable in NZD	733,900.00	706,059.63	(27,840.37)
Payable in USD/Receivable in NZD	283,919.61	278,880.80	(5,038.81)
Payable in USD/Receivable in NZD	436,200.00	427,873.54	(8,326.46)
Total	<u>\$ 6,042,458.36</u>	<u>\$ 5,928,444.29</u>	<u>\$(114,014.07)</u>
Foreign Currency Forward Contracts			
	Notional	FMV	Gain/Loss
Pending Receivables	\$(12,326,721.14)	\$(12,130,543.76)	\$ 196,177.38
Pending Payables	6,042,458.36	5,928,444.29	(114,014.07)
Total			<u>\$ 82,163.31</u>

All figures on this page are a combined total of APERS & ASPRS, of which 3.82% is allocated to ASPRS

Futures Contract	Expiration	Notional	FMV	Unrealized Gain/Loss	Credit Rating
U.S. 10yr Treasury Note	Sept. 2010	\$ (5,346,250)	\$ (5,392,063)	\$ (45,813)	AAA/Aaa
U.S. 2yr Treasury Note	Sept. 2010	12,875,047	12,910,859	35,813	AAA/Aaa
U.S. 5yr Treasury Note	Sept. 2010	21,333,594	21,539,984	206,391	AAA/Aaa
U.S. Treasury Bond	Sept. 2010	20,201,838	20,782,500	580,662	AAA/Aaa
U.S. Ultra Long Bond	Sept. 2010	(806,813)	(814,875)	(8,063)	AAA/Aaa
90-day Australian Bill	Sept. 2010	824,285	824,224	(61)	AAA/Aaa
90-day Canadian B.A.	Dec. 2010	245,108	246,379	1,270	AAA/Aaa
Australian 10-year Bond	Sept. 2010	(350,654)	4,669	355,323	AAA/Aaa
New Zealand 3-month Bill	Sept. 2010	666,911	666,828	(83)	AAA/Aa+
U.K. Short Gilt	Sept. 2010	2,019,097	2,023,765	4,668	AAA/Aaa
U.K. Long Gilt	Sept. 2010	<u>\$ 1,447,714</u>	<u>\$ 1,450,466</u>	<u>\$ 2,753</u>	AAA/Aaa
		<u>\$53,109,876</u>	<u>\$54,242,736</u>	<u>\$1,132,860</u>	

TBA	CUSIP	Notional	Fair Market Value	Years to maturity	Credit Rating
FNCI TBA 4.50 CG07	D4510CG07	\$ 1,190,000.00	\$ 1,255,259.60	13.67	Aaa/Aaa*
FNCL TBA 5.00 JP07	F5010JP07	1,340,000.00	1,417,679.80	28.59	Aaa/Aaa*
GNMA TBA 5.00 BR08	G5010BR08	9,630,000.00	10,218,296.70	27.81	Aaa/Aaa*
GNMA II TBA 4.50 G230J	999AA1974	1,000,000.00	1,039,220.00	30.08	Aaa/Aaa*
FGOLD TBA 4.50 FG30	999ABV464	2,500,000.00	2,580,475.00	27.65	Aaa/Aaa*
FNMA 30YR TBA 5.50 FN30	999ACG979	<u>2,100,000.00</u>	<u>2,247,000.00</u>	27.68	Aaa/Aaa*
		<u>\$17,760,000.00</u>	<u>\$18,757,931.10</u>		

*the above listed securities all carry an implied AAA/Aaa rating from the U.S. Government

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 2010 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 2010 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

****All figures on this page are a combined total of APERS & ASPRS, of which 3.82% is allocated to ASPRS****

Financial Section

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 below explain reserve balances for the respective divisions for the fiscal years ending June 30, 2010 and 2009.

Divisions - Respective Reserve Balances

2010 Reserve Balances

<u>June 30, 2010</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	\$ 61,973,067	\$ 18,958,249	\$ 10,098,908	\$ 604,689	\$ 1,143,509	\$ 949,007	\$ 93,727,429
MDA Interest Reserve	3,040,839	950,754	641,196	(179,162)	111,184	83,710	\$4,648,521
Employer Accumulation Account	1,192,979,604	191,288,717	114,890,626	(10,890,675)	3,108,610	(7,432,414)	1,483,944,468
Retirement Reserve	1,834,237,410	431,509,103	188,418,060	244,785,909	3,650,946	1,951,855	2,704,553,283
Deferred Annuity	195,653,912	57,639,356	25,816,765	25,458,447	726,274	0	305,294,754
DROP Reserve	96,394,953	9,122,130	4,924,128	3,833,170	0	0	114,274,381
Delinquent Receivable Reserve	65	8	0	0	0	0	73
Refund Overpayment Receivable Reserve	351	0	0	0	0	0	351
Outlawed Warrants	81,319	9,097	4,241	13,032	0	0	107,689
Partial Purchase of Service Reserve	23,623	507	0	3,312	0	0	27,442
Dec 31, 2004 Accrued Liability Reserve	0	0	0	0	0	21,921,785	21,921,785
Partial Cash Reserve	200	0	0	0	0	0	200
Total	\$3,384,385,343	\$709,477,921	\$344,793,924	\$263,628,722	\$8,740,523	\$17,473,943	\$4,728,500,376

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	0	0	0	0	73
Refund Overpayment Receivable Reserve	351	0	0	0	0	0	351
Outlawed Warrants	81,319	9,097	4,241	13,032	0	0	107,689
Partial Purchase of Service Reserve	29,386	909	0	8,632	0	0	38,927
Dec 31, 2004 Accrued Liability Reserve	0	0	0	0	0	20,750,396	20,750,396
Partial Cash Reserve	200	0	0	0	0	0	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

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

Fiscal Year	APERS		Fiscal Year	District Judges	
	Annual Required Contribution	Percentage Contributed		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
2010	169,604,041	100	2010	1,915,640	93

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

GASB Statements No. 25 & 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	6,938	1,525	78	1,434	106.3
6/30/10	5,409	7,304	1,895	74	1,523	124.4

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
6/30/10	11,112,521	26,775,249	15,662,728	42	3,554,044	441

@ After changes in actuarial assumptions and methods.

Supporting Schedule - Schedule of Investment Expense

	<u>6/30/10</u>	<u>6/30/09</u>
Investment consultant fee	\$ 210,000	\$ 200,000
Money manager fees	17,694,320	14,310,229
Custodian bank fees	500,752	388,846
International withholding taxes	383,275	98,488
Securities lending expenses	10,358	6,582,250
Organizational expense: Timber	<u>0</u>	<u>100,311</u>
TOTAL INVESTMENT EXPENSE	<u>\$18,798,705</u>	<u>\$21,680,124</u>

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

Total Investment Expense includes international withholding taxes which are not included in the “Schedule of Investment Fees.”

Supporting Schedule - Schedule of Payments For Professional Consultants

	<u>6/30/10</u>	<u>6/30/09</u>
Gabriel, Roeder, Smith & Company	\$124,625	\$169,000
Other	<u>0</u>	<u>300</u>
Total Payments for Professional Consultants	<u>\$124,625</u>	<u>\$169,300</u>

Supporting Schedule - Schedule of Administrative Expense

	6/30/10	6/30/09
PERSONNEL SERVICES:		
Salaries and wages	\$2,847,508	\$2,542,877
Employee benefits	499,873	449,296
Post Employment Benefits	279,043	267,008
Insurance	346,320	289,800
Other	<u>10,346</u>	<u>9,719</u>
Total Personnel Services	3,983,090	3,558,700
COMMUNICATIONS:		
Postage	143,109	147,176
Telecommunications	46,190	38,950
Printing and advertising	58,394	39,020
Freight and Express	760	958
Subscriptions and publications	<u>2,458</u>	<u>5,234</u>
Total Communications	250,911	231,338
PURCHASES:		
Office Supplies	59,719	33,702
Equipment	<u>5,776</u>	<u>45,188</u>
Total Purchases	65,495	78,890
SERVICES AND CHARGES:		
Professional fees and services	209,650	169,300
Rent expense	611,126	510,794
Travel and conference fees	27,647	23,624
Taxes, licenses and permits	279	279
Repairing and servicing	90,953	119,039
Training fees	0	0
Insurance and surety bonds	5,035	55,141
Bank and federal service charges	33,246	33,367
Data processing charges	690,987	684,200
Claims commission expense	<u>0</u>	<u>1,448</u>
Total Services and Charges	1,668,923	1,597,192
DEPRECIATION EXPENSE	<u>12,939</u>	<u>16,434</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$5,981,358</u>	<u>\$5,482,554</u>

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I Investments

Report on Investments

Outline of Investment Policies

Actual vs. Target Asset Allocation

Manager Distribution

Performance Comparisons:

Fiscal Years 2006 through 2010

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

Portfolio Characteristics

List of Ten Largest Assets Held

Schedule of Brokerage Commissions

Schedule of Investment Fees

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CALLAN ASSOCIATES^{INC.}

August 6, 2010

R. RYAN BALL, CFA
VICE PRESIDENT



Dear Trustees:

SAN FRANCISCO

We are pleased to provide a brief review of the progress of the APERS Retirement Plan for the fiscal year ending June 30, 2010.

NEW JERSEY

CHICAGO

Introduction and Background

ATLANTA

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

DEAVER

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

During the fiscal year ending June 30, 2010, returns were positive across both domestic and international markets. The Russell 3000 Index, a broad-based U.S. equity index, had a 15.72% return for the year while MSCI EAFE, an international index, was up 5.92%.

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%	47%
International Equity	16%	16%
Domestic Fixed	21%	23%
Alternative Inv./Real Estate	15%	12%
Global Energy	2%	2%

For fiscal year ended June 30, 2010, the total fund rate of return, including gains, losses and income was 11.95%. 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 2.31%. 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%.

120 NORTH LASALLE, SUITE 2100, CHICAGO, ILLINOIS 60602 TELEPHONE 312.346.3536 FACSIMILE 312.346.1356

At the beginning of the fiscal year, the assets of the fund totaled \$4.34 billion; at June 30, 2010 the Fund assets totaled \$4.91 billion. Positive performance across both equity and fixed income markets contributed to the increase 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 that reads 'Ryan Ball'.

R. Ryan Ball, CFA
Vice President

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	16%	11%	21%
• Fixed Income	21%	16%	26%
• Global Energy	2%	0%	7%
• 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.

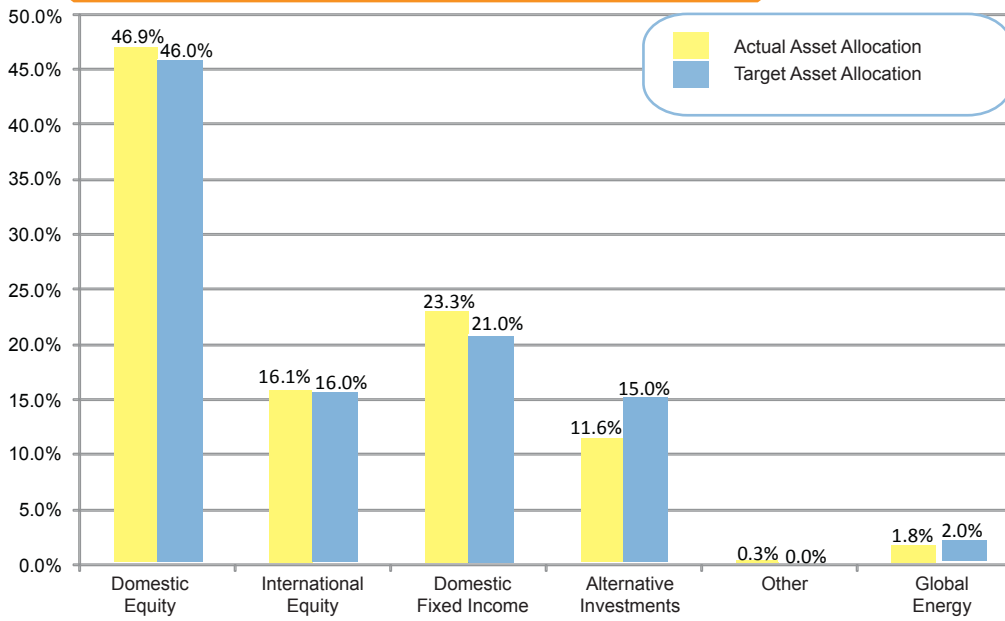
B. In addition to reviewing each investment manager's results, the Board will re-evaluate, from time to time, its progress in achieving the total fund, equity, fixed-income and international equity segments objectives.

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 vs. Target Asset Allocation



The graph to the left shows the Fund’s asset allocation as of June 30, 2010. The yellow column represents the Actual asset allocation; the blue column 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 Total	6/30/2010 APERS	6/30/2010 ASPRS	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Domestic Equity	\$2,302,676	\$2,214,626	\$ 88,050	46.90%	46.00%	0.90 %	\$45,118
International Equity	788,867	758,702	30,165	16.10	16.00%	0.10 %	3,629
Fixed Income	1,141,596	1,097,944	43,652	23.30	21.00%	2.30 %	110,971
Alt. Investments	569,340	547,570	21,770	11.60	15.00%	(3.40)%	(166,820)
Cash	16,931	16,284	647	0.30	0.00%	0.30 %	16,931
Global Energy	88,325	84,948	3,377	1.80	2.00%	(0.20)%	(9,829)
Total*	\$4,907,735	\$4,720,073	\$187,662	100.00%	100.00%		

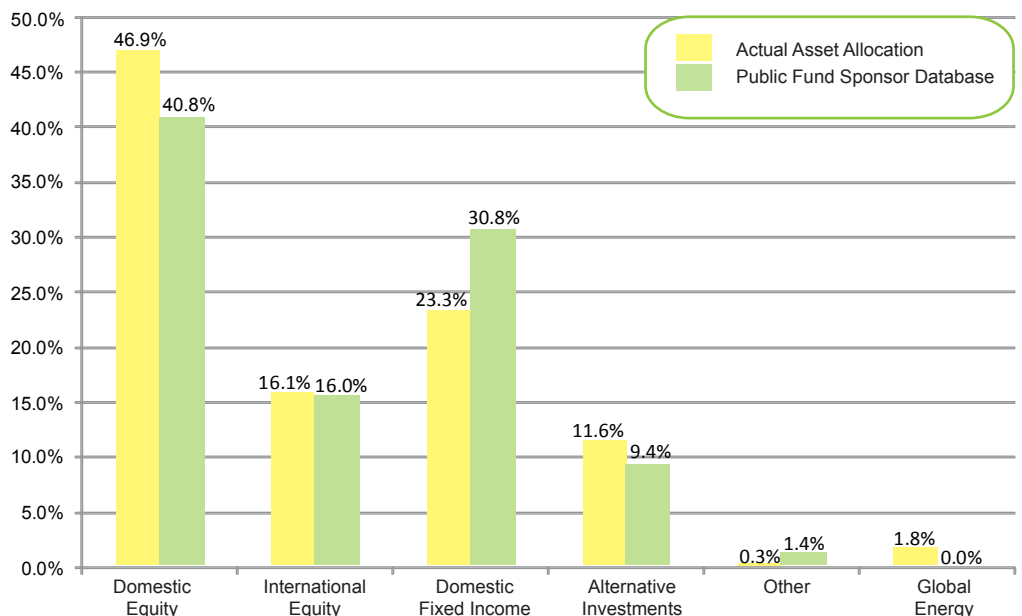
* Total assets does not include cash at local bank and non-investment receivables.

* Columns may not total due to rounding

CAI Public Plan Sponsor Database

The chart to the right shows the average percentage of Actual asset allocations compared to percentage of asset allocations for the CAI Public Plan Sponsor Database.

Due to different asset allocation of Public Plans, percentages will not equal 100%.



Manager Distribution

Asset Allocation	Total Market Value (\$ Thousands)	Percent Of Total	6/30/2010 APERS	6/30/2010 ASPRS
<u>Domestic Equity (2,302,676,284 - 46.92%)</u>				
MCM S&P Index Fund	514,154,055	10.48%	\$ 494,493,801	\$ 19,660,254
CastleArk Management	234,203,108	4.77%	\$ 225,247,636	\$ 8,955,472
Golden Capital Management	98,574,911	2.01%	\$ 94,805,598	\$ 3,769,313
INTECH	163,943,791	3.34%	\$ 157,674,898	\$ 6,268,893
Wellington Mgmt. Co.	212,210,281	4.32%	\$ 204,095,772	\$ 8,114,509
Westwood Mgmt.	219,152,704	4.47%	\$ 210,772,730	\$ 8,379,974
INVESCO	191,532,212	3.90%	\$ 184,208,392	\$ 7,323,820
Lazard Asset Mgmt.	195,212,772	3.98%	\$ 187,748,214	\$ 7,464,558
SSI Investment Management	211,816,988	4.32%	\$ 203,717,517	\$ 8,099,471
CastleArk Mgmt - AR Energy Fnd.	43,497,426	0.89%	\$ 41,834,169	\$ 1,663,257
UBS Global Asset Mgmt.	45,059,090	0.92%	\$ 43,336,118	\$ 1,722,972
Horrell Capital Mgmt.	42,769,694	0.87%	\$ 41,134,264	\$ 1,635,430
State Street Global Advisors	33,801,220	0.69%	\$ 32,508,727	\$ 1,292,493
Stephens Inv. Mgmt. Group	96,440,999	1.97%	\$ 92,753,282	\$ 3,687,717
Transition Account	307,033	0.01%	\$ 295,293	\$ 11,740
<u>International Equity (788,866,727 - 16.07%)</u>				
Lazard Asset Mgmt.	153,037,400	3.12%	\$ 147,185,547	\$ 5,851,853
Artisan Partners	139,458,801	2.84%	\$ 134,126,167	\$ 5,332,634
UBS Global Asset Mgmt.	136,332,728	2.78%	\$ 131,119,629	\$ 5,213,099
Manning & Napier	152,053,693	3.10%	\$ 146,239,455	\$ 5,814,238
Pyramis Global Advisors	207,464,667	4.23%	\$ 199,531,621	\$ 7,933,046
Tradewinds Global Inv	65,161	0.00%	\$ 62,669	\$ 2,492
RiverSource	454,277	0.01%	\$ 436,906	\$ 17,371
<u>Fixed Income (1,141,595,602 - 23.26%)</u>				
MacKay Shields	771,266,546	15.72%	\$ 741,774,810	\$ 29,491,736
Prudential Investments	367,418,382	7.49%	\$ 353,369,016	\$ 14,049,366
Aberdeen Asset Mgmt.	2,910,673	0.06%	\$ 2,799,375	\$ 111,298
<u>Alternative Investments (569,340,181 - 11.60%)</u>				
INVESCO Real Estate	174,010,995	3.55%	\$ 167,357,152	\$ 6,653,843
Pinnacle Forest Investments	196,783,400	4.01%	\$ 189,258,785	\$ 7,524,615
National Timber Asset Mgmt.	109,408,440	2.23%	\$ 105,224,874	\$ 4,183,566
INVESCO REITS	89,137,347	1.82%	\$ 85,728,908	\$ 3,408,439
<u>Global Energy Fund (88,325,421 - 1.80%)</u>				
CastleArk Management	88,325,421	1.80%	\$ 84,948,028	\$ 3,377,393
<u>Short-term Investment Fund</u>				
	<u>16,930,621</u>	<u>0.35%</u>	<u>\$ 16,283,227</u>	<u>\$ 647,394</u>
COMPOSITE FUND	<u>4,907,734,835</u>	<u>100.00%</u>	<u>\$ 4,720,072,576</u>	<u>\$ 187,662,259</u>

*Columns may not total due to rounding

Performance Comparisons For Fiscal Years Ended 6/30/06 through 6/30/10

Fiscal Years Ended June 30	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>	<u>6/30/07</u>
Total Fund:					
Arkansas Public Employees Retirement System	11.95%	(20.89)%	(4.45)%	18.01 %	12.24 %
Callan Total Public Fund Median	12.57	(18.00)	(4.65)	17.32	10.43
Inflation (Consumer Price Index)	1.36	(1.98)	5.55	2.67	4.47
Equities:					
Arkansas Public Employees Retirement System	15.69%	(25.74)%	(8.74)%	20.01 %	10.61 %
Callan Total Equity Database Median	16.98	(26.11)	(12.02)	20.09	11.63
Standard & Poor's 500 Index	14.43	(26.21)	(13.12)	20.59	8.63
International Equities:					
Arkansas Public Employees Retirement System	7.04%	(32.31)%	(9.27)%	25.11 %	25.91 %
Callan Total Non-US Equities Database Median	8.96	(30.89)	(8.63)	27.82	27.80
MSCI-EAFE Index	5.92	(31.35)	(10.61)	27.00	26.56
Fixed Income:					
Arkansas Public Employees Retirement System	15.19%	2.70 %	4.43 %	7.11 %	0.20 %
Callan Total Fixed Income Database Median	11.04	5.11	5.90	6.16	0.30
Barclays Capital Aggregate Index	9.50	6.05	7.12	6.12	(0.81)

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 & 5-Year Rates of Return

<u>Fiscal Years Ended June 30</u>	<u>6/30/10</u>	<u>Annualized</u>	
		<u>3-Year</u>	<u>5-Year</u>
Total Fund:			
Arkansas Public Employees Retirement System	11.95%	(5.42)%	2.31 %
Callan Total Public Fund Median	12.57	(3.97)	2.84
Inflation (Consumer Price Index)	1.36	1.60	2.38
Equities:			
Arkansas Public Employees Retirement System	15.69%	(7.79)%	0.80 %
Callan Total Equity Database Median	16.98	(8.17)	0.76
Standard & Poor's 500 Index	14.43	(9.81)	(0.79)
International Equities:			
Arkansas Public Employees Retirement System	7.04%	(13.05)%	0.70 %
Callan Total Non-US Equities Database Median	8.96	(11.24)	2.39
MSCI-EAFE Index	5.92	(13.38)	0.88
Fixed Income:			
Arkansas Public Employees Retirement System	15.19%	7.30 %	5.80 %
Callan Total Fixed Income Database Median	11.04	7.55	5.77
Barclays Capital Aggregate Index	9.50	7.55	5.54

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

Portfolio Characteristics

	<u>6/30/10</u>	<u>6/30/09</u>
Selected Bond Characteristics:		
Yield to Maturity (Market)	4.74%	6.70%
Current Yield	4.84	6.18
Average Coupon Rate	5.18	5.91
Average Maturity	6.06Yrs.	6.52Yrs.
Quality Breakdown:		
AAA (Includes Govts. & Agencies)	30.50%	53.60%
AA	5.40	4.60
A	11.30	9.90
BAA	29.90	18.40
BA	9.80	4.60
B	6.10	4.70
CCC Below & NR	2.30	1.60
*Cash	4.70	2.60
Selected Stock Characteristics:		
Average P/E Ratio	14.57x	15.40x
Estimated Earnings Growth Rate (Next 5 Years)	11.07%	11.55%
Current Yield	1.90	1.87
* Includes Short Term Investment Fund		

Source: Callan Associates Inc.

List of Ten Largest Assets Held

Domestic Fixed Income Holdings (By Market Value)

	Par	Security	Total Market Value	6/30/10 APERS	6/30/10 ASPRS
1)	6,133,333	U.S. Treasury Note 0.75% 11/30/2011	\$ 6,156,333	\$ 5,920,927	\$ 235,406
2)	4,400,000	U.S. Treasury Note 2.50% 03/31/2015	4,559,324	4,384,984	174,340
3)	3,333,333	Fed Nat'l Mtg Assn Debs 4.625% 10/15/2014	3,718,767	3,576,569	142,198
4)	3,210,000	GNMA 30yr TBA 5.00% 08/15/2040	3,406,099	3,275,856	130,243
5)	1,803,333	Dow Chemical Co. 8.55% 05/15/2019	2,207,478	2,123,068	84,410
6)	1,833,333	Bank America Corp 5.42% 03/15/2017	1,826,550	1,756,706	69,844
7)	1,666,667	Federal Home Loan Mtg Corp 4.50% 01/15/2013	1,814,067	1,744,701	69,366
8)	1,666,667	U.S. Treasury Note 1.00% 08/31/2011	1,677,467	1,613,324	64,143
9)	1,501,028	Fed Nat'l Mtg. Assn. Pool # 0950701 6.50% 10/01/2037	1,646,298	1,583,347	62,951
10)	1,533,680	Fed Nat'l Mtg. Assn. Pool # 0257233 4.50% 06/01/2023	1,622,510	1,560,468	62,042
		Total	\$28,634,893	\$27,539,950	\$1,094,943

Domestic Equity Holdings (By Market Value)

	Par	Security	Total Market Value	6/30/10 APERS	6/30/10 ASPRS
1)	168,900	International Business Machine	\$ 20,855,772	\$ 20,058,288	\$ 797,484
2)	1,430,800	Pfizer Inc	20,403,208	19,623,029	780,179
3)	80,600	Apple Inc	20,273,318	19,498,106	775,212
4)	848,726	Microsoft Corp	19,529,185	18,782,427	746,758
5)	309,179	Exxon Mobil Corp	17,644,846	16,970,141	674,705
6)	326,746	Hewlett-Packard Co	14,141,567	13,600,821	540,746
7)	224,673	Pepsico Inc	13,693,819	13,170,194	523,625
8)	277,715	Conocophillips	13,633,029	13,111,728	521,301
9)	520,600	Wells Fargo & Co	13,327,360	12,817,748	509,612
10)	547,165	AT&T Inc	13,235,921	12,729,805	506,116
		Total	\$166,738,025	\$160,362,286	\$6,375,739

International Equity Holdings (By Market Value)

	Par	Security	Total Market Value	6/30/10 APERS	6/30/10 ASPRS
1)	191,363	Covidien Plc	\$ 7,688,965	\$ 7,394,954	\$ 294,011
2)	855,044	Experian Plc	7,496,296	7,209,652	286,644
3)	277,276	Unilever Plc	7,411,587	7,128,182	283,405
4)	257,900	Amdocs Ltd	6,924,615	6,659,831	264,784
5)	137,043	Novartis Ag	6,684,714	6,429,104	255,610
6)	131,123	Adecco SA	6,292,591	6,051,975	240,616
7)	793,550	Reed Elsevier Ord	5,924,278	5,697,745	226,533
8)	208,255	Signet Jewelers Limited	5,727,013	5,508,023	218,990
9)	7,058,982	Lloyds Banking Group Plc	5,671,226	5,454,369	216,857
10)	145,737	Accenture Plc Ireland	5,632,735	5,417,350	215,385
		Total	\$65,454,020	\$62,951,185	\$2,502,835

Schedule of Brokerage Commissions

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share	6/30/10 APERS Commission	6/30/10 ASPRS Commission
Barclays Capital Inc.	435,681	\$ 7,099,891	0.06	\$ 6,828,405	\$ 271,486
Goldman Sachs & Co.	414,442	8,677,562	0.05	8,345,749	331,813
ITG Inc.	308,618	7,591,491	0.04	7,301,207	290,284
Liquidnet Inc.	273,152	7,846,840	0.03	7,546,792	300,048
Credit Suisse First Boston	247,426	8,250,837	0.03	7,935,341	315,496
Morgan Stanley & Co. Inc.	237,059	4,031,891	0.06	3,877,719	154,172
Deutsche Bank Securities Inc.	230,863	5,176,705	0.04	4,978,758	197,947
Citigroup Global Markets Inc.	194,781	3,376,913	0.06	3,247,786	129,127
Instinet, LLC	187,873	7,325,644	0.03	7,045,526	280,118
Pickering Energy Partners	166,857	2,900,100	0.06	2,789,206	110,894
Simmons & Co., Inc.	165,685	2,898,174	0.06	2,787,353	110,821
Jefferies & Co., Inc.	153,238	6,477,681	0.02	6,229,987	247,694
J. P. Morgan Securities Inc.	139,513	2,784,969	0.05	2,678,477	106,492
Societe Generale Securities Corp.	139,148	1,792,630	0.08	1,724,083	68,547
Sanford C. Bernstein & Co., LLC	102,993	2,730,613	0.04	2,626,200	104,413
UBS Securities LLC	100,339	3,829,943	0.03	3,683,493	146,450
Merrill Lynch, Pierce, Fenner & Smith Inc.	88,611	3,250,499	0.03	3,126,206	124,293
William Blair & Co., LLC	88,261	1,774,322	0.05	1,706,475	67,847
RBC Capital Markets Corp.	67,456	1,717,230	0.04	1,651,566	65,664
Macquarie Securities (USA) INC	65,468	1,462,676	0.04	1,406,746	55,930
ISI Group Inc	65,205	1,189,511	0.05	1,144,026	45,485
Stifel, Nicolaus & Co., Inc.	61,777	1,164,938	0.05	1,120,393	44,545
Howard Weil Inc.	61,567	1,042,797	0.06	1,002,922	39,875
Baird, Robert W & Co. Inc.	49,402	1,097,873	0.04	1,055,892	41,981
BNY Convergenx	47,059	2,705,373	0.02	2,601,925	103,448
Others (including 80 brokerage firms)	<u>702,181</u>	<u>19,534,344</u>	0.04	<u>18,787,389</u>	<u>746,955</u>
Total	<u>4,794,654</u>	<u>\$117,731,447</u>		<u>\$113,229,625</u>	<u>\$4,501,822</u>

Schedule of Investment Fees

Equities	Total		Basis Points	6,30/10 APERS		6,30/10 ASPRS	
	Market Value	Fee		Market Value	Fees	Market Value	Fees
SSI Investment Management	\$ 211,816,988	\$ 854,290	40	\$ 203,717,517	\$ 821,624	\$ 8,099,471	\$ 32,666
INVESCO - Value	191,532,212	556,838	30	184,208,392	535,546	7,323,820	21,292
Lazard Asset Mgmt. - Value	195,212,772	626,207	30	187,748,214	602,262	7,464,558	23,945
Golden Capital Mgmt - Growth	98,574,911	231,892	22.5	94,805,598	223,025	3,769,313	8,867
Westwood Mgmt. - SMID Cap	219,152,704	1,337,298	25	210,772,730	1,286,162	8,379,974	51,136
J & W Seligman - Growth	0	357,956	30	0	344,268	0	13,688
MCM S&P 500 Index Fund	514,154,055	116,106	3.5	494,493,801	111,666	19,660,254	4,440
INTECH - Growth	163,943,791	932,357	47	157,674,898	896,705	6,268,893	35,652
CastleArk Mgmt. - Growth	234,203,108	862,633	35	225,247,636	829,648	8,955,472	32,985
Wellington Mgmt. Co. - Value	212,210,281	674,754	30	204,095,772	648,953	8,114,509	25,801
Stephens Investment Mgmt. - Growth	96,440,999	761,083	77	92,753,282	731,981	3,687,717	29,102
CastleArk Mgmt. - AR Energy Fund	43,497,426	595,210	125	41,834,169	572,450	1,663,257	22,760
State Street Global Advisors - 130/30	33,801,220	176,476	50	32,508,727	169,728	1,292,493	6,748
UBS Global Asset Mgmt. - GTAA	45,059,090	357,212	90	43,336,118	343,553	1,722,972	13,659
Horrell Capital Mgmt. -AR Index Fund	42,769,694	121,781	20	41,134,264	117,124	1,635,430	4,657
Lazard Asset Mgmt - Int'l Equity	153,037,400	549,635	65	147,185,547	528,618	5,851,853	21,017
Manning & Napier Advisors - Int'l Equity	152,053,693	885,832	55	146,239,455	851,960	5,814,238	33,872
Pyramis Global Advisors - Int'l Equity	207,464,667	455,435	20	199,531,621	438,020	7,933,046	17,415
Tradewinds Global Investors - Int'l Equity	0	266,525	55	0	256,333	0	10,191
UBS Global Asset Mgmt - Int'l Equity	136,332,728	773,572	50	131,119,629	743,992	5,213,099	29,580
Artisan Partners	139,458,801	389,107	80	134,126,167	374,229	5,332,634	14,879
MCM DV Int'l Stock Index Fund	0	4,900		0	4,713	0	187
Total Equity	\$3,090,716,540	\$11,887,099		\$2,972,533,536	\$11,432,559	\$118,183,004	\$454,540
Global Energy							
CastleArk Management	\$ 88,325,421	\$ 523,274	100	\$ 84,948,028	\$ 503,265	\$ 3,377,393	\$ 20,009
Total Global Energy	\$ 88,325,421	\$ 523,274		\$ 84,948,028	\$ 503,265	\$ 3,377,393	\$ 20,009
Fixed Income							
Aberdeen Asset Mgmt. - Core Plus	\$ 0	\$ 75,444	20	\$ 0	\$ 72,559	\$ 0	\$ 2,885
MacKay Shields - Core Plus I	374,279,420	735,905	20	359,967,702	707,765	14,311,719	28,140
MacKay Shields - Core Plus II	396,987,126	581,937	15	381,807,108	559,685	15,180,017	22,252
Prudential Investments - Core Plus	367,418,382	720,358	20	353,369,016	692,813	14,049,366	27,545
Total Fixed Income	\$1,138,684,928	\$ 2,113,644		\$1,095,143,825	\$ 2,032,822	\$ 43,541,103	\$ 80,822
Alternatives							
Pinnacle Forest Investments – Timberland	\$ 196,783,400	\$ 1,566,219	90	\$ 189,258,785	\$ 1,506,330	\$ 7,524,615	\$ 59,889
INVESCO Real Estate-Core & Global REITS	263,148,342	1,604,084	65	253,086,060	1,542,747	10,062,282	61,337
Total Alternatives	\$ 459,931,742	\$ 3,170,303		\$ 442,344,844	\$ 3,049,077	\$ 17,586,898	\$121,226
Other Investment Services							
Bank of New York Mellon (Custodian)		500,752			\$ 481,604		\$ 19,148
Bank of New York Mellon (Securities Lending)		10,358			9,962		396
Callan Associates (Consultant)		210,000			201,970		8,030
Total Other Services		721,110			693,536		27,574
Total Investment Service Fees		\$18,415,430			\$17,711,259		\$704,171



Actuarial

Actuary's Certification Letter

Summary of Assumptions Used In Actuarial Valuations

Summary of Actuarial Methods and Assumptions

Active Member Valuation Data - Comparative Statements

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 3, 2010

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, 2010.

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.

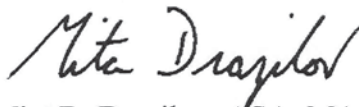
Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering 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, 2010 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, 2010 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:mrh

Summary of Assumptions Used in Actuarial Valuations

Assumptions Adopted by Board of Trustees After Consulting with Actuary June 30, 2010 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 the present number.

Non-Economic Assumptions

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

Summary of Actuarial Methods and Assumptions

Actuarial Assumptions as of 6/30/10

Valuation Date - 6/30/10	APERS	District Judges
Actuarial Cost Method	Ultimate entry age normal (state & local) Entry age normal (General Assembly)	Entry age normal
Amortization Method	Level percent of payroll (state & local) Level dollar (General Assembly)	Level dollar (New Plan & Paid Off Old Plan) Level dollar (Still paying Old Plan)
Remaining Amortization Period	30 years (state & local) 18 years (General Assembly)	27 years (New Plan & Paid Off Old Plan) 25 years (Still paying Old Plan)
Asset Valuation Method	4-year smoothed market with 25% corridor	4-year smoothed market with 25% corridor (New Plan & Paid Off Old Plan) Market value (Still paying Old Plan)
<u>Actuarial Assumptions:</u>		
Investment Rate of Return	8.0%	8.0%
Projected Salary Increases	4.7% - 10.6%	4.7% - 9.8%
Wage Inflation Rate	4.0%	4.0%
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

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

Summary of Actuarial Methods and Assumptions

Probabilities of Retirement for Members Eligible to Retire

Percent 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	

<u>General Assembly Division</u>	
Age-Based Retirement	
Retirement Ages	Percentages
50-61	30%
62	50
63-64	30
65	50
66	30
67-79	20
80	100

<u>District Judges Division</u>	
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.

Summary of Active Member Valuation Data - Comparative Statements

State Division

Valuation Date	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	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	Active Members in Valuation		Average Pay		Change in CPI (Inflation)
	Number	Annual Payroll	Dollars	% Change	
2001	42,469	\$1,069,021,325	\$25,172	+3.2%	+3.2
2002	42,143	1,110,424,974	26,349	+4.7	+1.1
2003	42,825	1,147,269,521	26,790	+1.7	+2.1
2004	42,772	1,175,040,470	27,472	+2.6	+3.0
2005	42,916	1,214,612,719	28,302	+3.1	+3.2
2006	43,430	1,266,726,823	29,167	+3.1	+4.1
2007	43,613	1,302,302,790	29,860	+2.4%	+2.4
2008	44,340	1,379,509,276	31,112	+4.2	+5.6
2009	44,687	1,433,497,978	32,079	+3.1	-2.1
2010	45,380	1,522,479,258	33,550	+4.6	+1.2

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.

Summary of Active Member Valuation Data - Comparative Statements

General Assembly Subdivision

Valuation Date June 30	Active Members in Valuation		Average Pay		Change in CPI (Inflation)
	Number	Annual Payroll	Dollars	% Change	
1993#@	127	\$ 955,040	\$ 7,520	+0.0%	+3.0
1994	128	N/A	12,512	+6.4	+2.5
1995#	125	N/A	12,512	+0.0	+3.0
1996	124	1,553,000	12,524	+0.0	+2.8
1997#	125	1,565,500	12,524	+0.0	+3.0
1998@	121	1,515,500	12,525	+0.0	+2.3
1999	122	1,526,500	12,512	-0.1	+1.7
2000	120	1,500,000	12,500	-0.1	+3.7
2001	87	1,087,500	12,500	+0.0	+3.2
2002	87	1,087,500	12,500	+0.0	+1.1
2003	54	675,000	12,500	+0.0	+2.1
2004	54	745,489	13,805	+10.4	+3.0
2005	22	310,534	14,115	+2.2	+3.2
2006	22	318,792	14,491	+2.7	+4.1
2007	17	277,420	16,319	+12.6	+2.4
2008	17	256,020	15,060	-7.7	+5.6
2009	15	230,415	15,361	2.0	- 2.1
2010	14	222,152	15,868	3.3	+1.2

- 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	Entry Age Accrued Liability			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) (\$ in Millions)		(1)	(2)	(3)	
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
2010	92.8	2,928.7	4,266.1	5,403.5	100	100	56	74

@ After changes in financial assumptions

After legislated changes in benefit provisions

Analysis of Financial Experience

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.

	6/30/10 APERS			6/30/10 District Judges		
	State and Local Division	General Assembly	Total	New Plan and Paid Off Old Plan	Still Paying Old Plan	Total
	\$ in Millions					
(1) UAAL* at beginning of year	\$1,513.4	\$11.4	\$1,524.8	\$3,432,274	\$12,235,225	\$15,667,499
(2) Normal cost from last valuation	102.0	0.0	102.0	653,435	0	653,435
(3) Actual employer contributions	168.6	1.0	169.6	762,062	1,196,400	1,958,462
(4) Interest accrual: [(1) + ½[(2) - (3)]]x .080	118.4	0.9	119.3	270,959	930,962	1,201,921
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	1,565.2	11.3	1,576.5	3,612,653	11,969,787	15,582,440
(6) Increase from benefit changes	0.0	0.0	0.0	0	0	0
(7) Changes from revised actuarial assumptions and methods	0.0	0.0	0.0	0	0	0
(8) New entrant liabilities	36.0	0.0	36.0	(2,442)	2,442	0
(9) Expected UAAL after changes: (5) + (6) + (7) + (8)	1,601.2	11.3	1,612.5	3,610,211	11,972,229	15,582,440
(10) Actual UAAL at end of year	<u>1,884.1</u>	<u>10.9</u>	<u>1,895.0</u>	<u>4,154,984</u>	<u>11,507,744</u>	<u>15,662,728</u>
(11) Gain/(loss): (9) - (10)	<u>\$ (282.9)</u>	<u>\$ 0.4</u>	<u>\$(282.5)</u>	<u>\$(544,733)</u>	<u>\$ 464,485</u>	<u>\$ (80,288)</u>

* *Unfunded actuarial accrued liability.*

Analysis of Financial Experience - Gain & Losses By Risk Area

Type of Risk Area	<u>6/30/10</u> Gain/(Loss) in Period - (\$ in Millions)			
	<u>State and Local</u> <u>Division</u>	<u>General</u> <u>Assembly</u>	<u>Total</u>	<u>% of</u> <u>Accrued Liabilities</u>
ECONOMIC RISK AREAS				
<u>Pay Increases</u>				
If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	\$(2.8)	\$0.0	\$(2.8)	0.0 %
<u>Investment Return</u>				
If there is greater investment return than assumed, there is a gain. If less return, a loss.	(319.2)	(0.5)	(319.7)	(4.4)%
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.	7.9	0.0	7.9	0.1 %
<u>Disability Retirements</u>				
If there are fewer disabilities than assumed, there is a gain. If more, a loss.	0.8	0.0	0.8	0.0 %
<u>Death-in-Service Benefits</u>				
If there are fewer claims than assumed, there is a gain. If more, a loss.	(0.1)	0.0	(0.1)	0.0 %
<u>Withdrawal</u>				
If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	(9.0)	0.5	(8.5)	(0.1) %
Total Active Member Actuarial Gains/(Losses)	\$(322.5)	0.0	(322.5)	(4.4) %
<u>Retired Life Mortality</u>	17.0	0.0	17.0	0.2 %
<u>Other</u>				
Includes data adjustments at retirement, timing of financial transactions, retired life mortality, and miscellaneous unidentified sources.	\$ 22.6	\$0.4	23.0	0.3 %
Total Actuarial Gains (Losses)	\$(282.9)	\$0.4	\$(282.5)	(3.9)%

Summary of Plan Provisions (Excludes Special Provisions For General Assembly) 7/01/10

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 - 7/01/10

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 - 7/01/10

New Contributory Plan

Non-Contributory Plan

Member Contribution Rates

5% of covered compensation (pre-tax). Member contributions are refundable if APERS-covered employment terminates before a monthly benefit is payable. Members will earn 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 - District Judges

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

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Statistical

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

Year Ending June 30	Member Contributions	Employer Contributions	Investment Income	Transfers And Other	Total
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)
2010	\$30,334,716	\$170,186,564	\$500,632,900	\$6,099,736	\$707,253,916

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

Schedule of Expenses By Type

Year Ending June 30	Benefit Payments ¹	Administrative Expenses	Refunds	Misc.	Total
2006	219,711,792	4,272,313	62,133	0	224,046,238
2007	244,137,717	4,747,840	632,790	0	249,518,347
2008	266,301,400	4,892,076	1,900,783	0	273,094,259
2009	299,896,780	5,482,554	2,661,289	0	308,040,623
2010	\$318,998,006	\$5,981,358	\$3,586,861	0	\$328,566,225

¹ Includes DROP and PAW distributions.

Schedule of Benefit Expenses By Type*

Year Ended June 30	Age & Service		Death In Service	Disability Retirees
	Retirees	Survivors		
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
2010	265,728,720	2,797,848	440,964	18,793,560

* Expenses are based on June 30 benefit amounts annualized.

Schedule of Retired Members By Type of Benefit

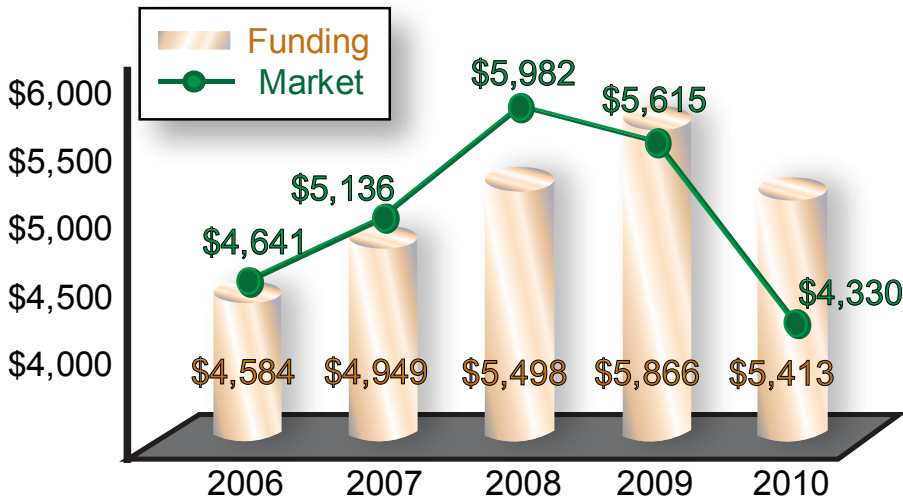
Type of Annuity	6/30/10 APERS	
	Number	Annual Annuities
Age & Service Retirees		
Life	16,120	203,495,292
Option A-60 (5 years certain)	835	9,921,204
Option A-120 (10 years certain)	1,565	17,247,864
Option B-50 (joint and 50% survivor)	883	15,246,840
Option B-75 (joint and 75% survivor)	1,319	18,453,396
Option B-100 (joint and 100% survivor)	<u>75</u>	<u>1,364,124</u>
Totals	20,797	265,728,720
Beneficiaries of Age & Service Retirees		
Life	122	980,160
Option A-60	1	15,156
Option A-120	5	31,992
Option B-50	96	852,624
Option B-75	62	702,252
Option B-100	<u>12</u>	<u>215,664</u>
Totals	<u>298</u>	<u>2,797,848</u>
Total Age & Service Retirees & Beneficiaries	21,095	268,526,568
Disability Retirees		
Life	1,760	13,873,644
Option A-60	117	897,072
Option A-120	245	1,751,436
Option B-50	125	954,660
Option B-75	175	1,316,748
Option B-100	<u>0</u>	<u>0</u>
Totals	2,422	18,793,560
Beneficiaries of Disability Retirees		
Life	69	360,660
Option A-60	1	17,772
Option A-120	0	0
Option B-50	11	58,836
Option B-75	405	2,404,656
Option B-100	<u>0</u>	<u>0</u>
Totals	<u>486</u>	<u>2,841,924</u>
Total Disability Retirees & Beneficiaries	2,908	21,635,484
Death-in-Service Beneficiaries	66	440,964
Total Retirees & Beneficiaries	24,069	290,603,016
DROP Participants	<u>1,811</u>	<u>51,603,024</u>
GRAND TOTAL	<u>25,880</u>	<u>\$342,206,040</u>

Schedule of Average Benefit Payments For APERS

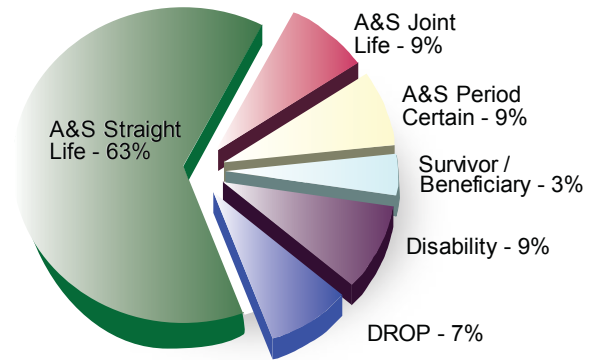
	6/30/10 Years of Credited Service				
	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>
Retirement Effective Dates					
<u>7/1/09 to 6/30/10</u>					
Avg. Monthly Benefit	\$420.50	\$704.05	\$901.92	\$1,576.77	\$2,236.53
Avg. Monthly Final Average Salary	2,169.32	2,623.70	2,581.40	3,266.19	3,737.84
Number of Active Retirants	263	187	158	176	80
Retirement Effective Dates					
<u>7/1/08 to 6/30/09</u>					
Avg. Monthly Benefit	\$453.36	\$710.10	959.21	\$1,764.44	\$2,003.49
Avg. Monthly Final Average Salary	2,146.10	2,527.01	2,648.64	3,195.35	3,268.56
Number of Active Retirants	264	225	190	324	150
Retirement Effective Dates					
<u>7/1/07 to 6/30/08</u>					
Avg. Monthly Benefit	\$455.20	\$747.46	\$881.99	\$1,746.83	\$2,178.09
Avg. Monthly Final Average Salary	2,310.97	2,456.34	2,350.47	3,184.13	3,640.46
Number of Active Retirants	208	174	161	292	88
Retirement Effective Dates					
<u>7/1/06 to 6/30/07</u>					
Avg. Monthly Benefit	\$470.91	\$695.75	\$1,021.95	\$1,912.56	\$2,659.66
Avg. Monthly Final Average Salary	2,180.18	2,445.47	2,611.49	3,189.21	3,723.27
Number of Active Retirants	236	198	171	291	130
Retirement Effective Dates					
<u>7/1/05 to 6/30/06</u>					
Avg. Monthly Benefit	\$441.85	\$651.50	\$866.08	\$1,835.69	\$2,176.02
Avg. Monthly Final Average Salary	2,079.97	2,171.54	2,267.33	3,064.26	3,378.73
Number of Active Retirants	208	199	147	346	90
Retirement Effective Dates					
<u>7/1/05 to 6/30/10</u>					
Avg. Monthly Benefit	\$447.84	\$700.81	\$929.65	\$1,785.14	\$2,254.12
Avg. Monthly Final Average Salary	2,175.52	2,444.51	2,502.29	3,168.79	3,527.48
Number of Active Retirants	1,179	983	827	1,429	538

Statistical Graphs For the Period Ended June 30, 2010

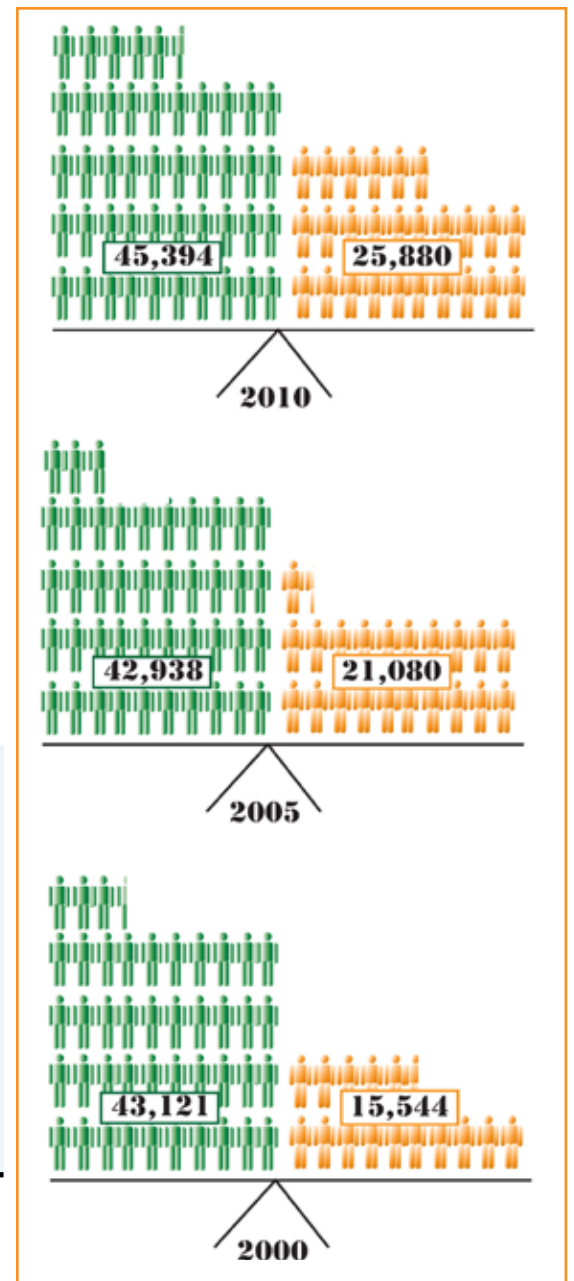
Comparison of Asset Values for Fiscal Years 2006- 2010



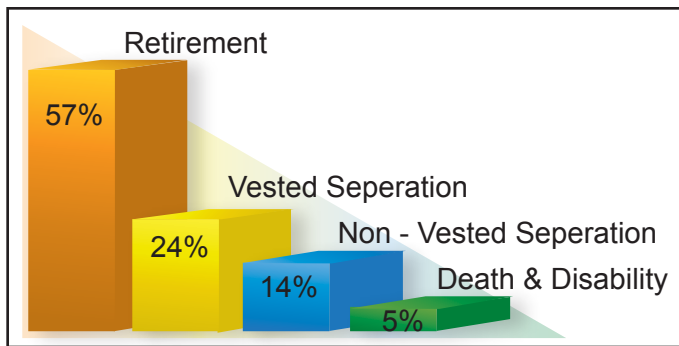
Annuity Being Paid By Type



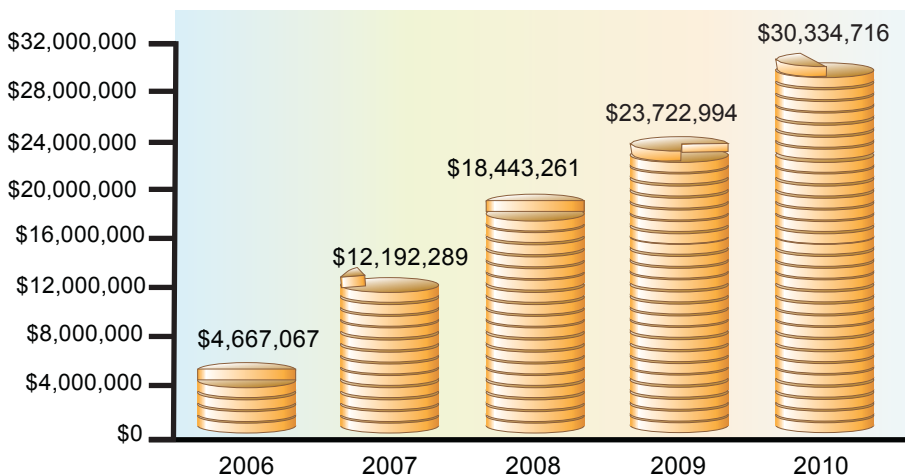
Ratio of Active Members to Retired Members



Expected Termination Type From Active Employment



Comparison of Members' Contributions 2006 - 2010





Appendix

APERS & ASPRS Combined Statement of Plan Net Assets

APERS & ASPRS Combined Statement of Changes to Plan Net Assets

Schedule of Participating Employers

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APERS & ASPRS - Combined Statement of Plan Net Assets

	6/30/10		
ASSETS	TOTAL	APERS	ASPRS
Cash and Cash Equivalents	\$123,988,009	\$ 119,233,185	\$ 4, 754,824
Securities Lending Collateral Investments in Cash Equivs. (Notes 3 & 5)			
Receivables:			
Dec 2004 Actuarial Liability Receivable	11,949,695	11,949,695	0
Contributions	2,223,459	2,214,443	9,016
Investment Principal Receivable	28,377,532	27,293,510	1,084,022
Accrued Investment Income Receivable	<u>15,469,410</u>	<u>14,878,479</u>	<u>590,931</u>
Total Receivables	58,020,096	56,336,127	1,683,969
Investments At Fair Value (Notes 3, 4 & 5)			
Government Securities:			
U.S. Government Securities	58,943,659	56,692,011	2,251,648
Futures	1,132,860	1,089,585	43,275
Government Agency Securities	207,978,701	200,033,915	7,944,786
Corporate Securities:			
Collateralized Obligations	188,524,591	181,322,952	7,201,639
Corporate Bonds	517,506,749	497,737,991	19,768,758
Convertible Bonds	180,825,380	173,917,850	6,907,530
Convertible Preferred Stock	36,491,161	35,097,199	1,393,962
Common Stock	1,633,344,212	1,570,950,462	62,393,750
Equity Index Funds	514,154,040	494,513,356	19,640,684
Equity Co-mingled	33,801,220	32,510,013	1,291,207
High Yield Income Fund	52,869,883	50,850,253	2,019,630
International Securities:			
Global Fixed Income Fund	3,993,085	3,840,549	152,536
Corporate Fixed Income	9,578,145	9,212,260	365,885
Equity Securities	292,731,498	281,549,155	11,182,343
Equity Pooled Fund Units	520,101,682	500,233,798	19,867,884
Emerging Markets	18,828,676	18,109,421	719,255
Forward Contracts	82,163	79,024	3,139
Real Estate	172,754,876	166,155,640	6,599,236
Timberland	306,191,839	294,495,311	11,696,528
Municipal Bonds	5,428,800	5,221,420	207,380
Commercial Loans	<u>35,579,863</u>	<u>34,220,712</u>	<u>1,359,151</u>
Total Investments	4,790,843,083	4,607,832,877	183,010,206
Securities Lending Collateral Investments, At Fair Value (Notes 3 & 5):			
Corporate Bonds	189,424,582	182,188,563	7,236,019
Bank Obligations	135,444,724	130,270,736	5,173,988
Asset Backed Securities	40,290,601	38,751,500	1,539,101
Repurchase Agreements	<u>83,222,193</u>	<u>80,043,105</u>	<u>3,179,088</u>
Total Securities Lending Collateral Investments	448,382,100	431,253,904	17,128,196
Prepays and Other Assets	129,340	129,340	0
Fixed Assets, Net	<u>71,899</u>	<u>71,899</u>	<u>0</u>
TOTAL ASSETS	<u>5,421,434,527</u>	<u>5,214,857,332</u>	<u>206,577,195</u>
LIABILITIES			
Accrued Expenses and Other Liabilities	6,804,599	6,687,309	117,290
Investment Principal Payable	<u>49,554,672</u>	47,661,684	1,892,988
Other Post Employment Benefits (Note on page 29)	754,059	754,059	0
Securities Lending Liability	<u>448,382,100</u>	<u>431,253,904</u>	<u>17,128,196</u>
TOTAL LIABILITIES	<u>505,495,430</u>	<u>486,356,956</u>	<u>19,138,474</u>
NET ASSETS HELD IN TRUST FOR PENSION BENS. (Note 6)	<u>\$4,915,939,097</u>	<u>\$4,728,500,376</u>	<u>\$187,438,721</u>

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

*Columns may not add due to rounding

APERS & ASPRS - Combined Statement of Changes In Plan Net Assets

ADDITIONS	TOTAL	6/30/10	
		APERS	ASPRS
Contributions			
Employer	\$ 176,443,471	\$ 170,186,564	\$ 6,256,907
Plan Members	30,334,716	30,334,716	0
Supplemental	14,290,550	0	14,290,550
Court	1,517,967	0	1,517,967
Driver's License Reinstatement Fees	<u>1,164,562</u>	<u>0</u>	<u>1,164,562</u>
Total Contributions	223,751,266	200,521,280	23,229,986
Investment Income:			
Interest	64,808,426	62,331,626	2,476,800
Dividends	45,580,431	43,820,724	1,759,707
Investment Gain/Loss	425,050,678	410,511,458	14,539,220
Security Lending Income	2,050,050	2,050,050	0
Real Estate Income	(7,588)	(7,588)	0
Other	<u>7,923</u>	<u>7,620</u>	<u>303</u>
Total Investment Income	537,489,920	518,713,890	18,776,030
Less: Investment Expense	<u>18,802,562</u>	<u>18,080,990</u>	<u>721,574</u>
Net Investment Income	518,687,356	500,632,900	18,054,456
Other Sources:			
Miscellaneous Additions	7,515,718	(331,483)	7,847,201
Transfer from Teachers Retirement System	6,355,482	6,355,482	0
Miscellaneous Transfers from State Agencies	<u>75,737</u>	<u>75,737</u>	<u>0</u>
Total Other Additions	<u>13,946,937</u>	<u>6,099,736</u>	<u>7,847,201</u>
TOTAL ADDITIONS	756,385,559	707,253,916	49,131,643
DEDUCTIONS			
Benefits	339,317,689	318,998,006	20,319,683
Refunds of Contributions	3,586,861	3,586,861	0
Administrative Expenses	<u>6,061,236</u>	<u>5,981,358</u>	<u>79,878</u>
TOTAL DEDUCTIONS	348,965,786	328,566,225	20,399,561
NET INCREASE (DECREASE)	407,419,773	378,687,691	28,732,082
NET ASSETS (Note 6)			
Beginning of Year	<u>4,508,519,324</u>	<u>4,349,812,685</u>	<u>158,706,639</u>
End of Year	<u>\$4,915,939,097</u>	<u>\$4,728,500,376</u>	<u>\$187,438,721</u>

See Notes to Financial Statements

*Columns may not add due to rounding

Schedule of Participating Employers As Of June 30, 2010

State Agencies

Administrative Office of the Courts	Calhoun County Conservation District	Educational Television Commission
Arkansas Child Abuse & Neglect Prevention Board	Capitol Zoning District Commission	Examiners In Psychology
Arkansas Crime Information Center	Carroll County Conservation District	Faulkner County Conservation District
Arkansas Department Of Agriculture	Chicot County Conservation District	Fire Protection Licensing Board
Arkansas Economic Development Commission	Claims Commission	Forestry Commission
Arkansas Fair Housing Commission	Clark County Conservation District	Franklin County Conservation District
Arkansas Public Defender Commission	Clay County Conservation District	Fulton County Conservation District
Arkansas State Athletic Commission	Cleburne County Conservation District	Game & Fish Commission
Arkansas Dept. Of Environmental Quality	Cleveland County Conservation District	Game & Fish Commission - Wildlife Officers
Arkansas Appraisers Licensing/Certification	Commissioner of State Lands	Garland County Conservation District
Arkansas County Conservation District	Constitutional Officers	General Assembly - House
Arkansas Ethics Commission	Contractors Licensing Board	General Assembly - Senate
Arkansas Heritage	Conway County Conservation District	Geographic Information Office
Arkansas Minority Health Commission	Cossatot Community College - University of Arkansas	Geological Commission
Arkansas Northeastern College	Cossatot Conservation District	Governor's Office
Arkansas Sentencing Commission	Court Of Appeals	Greene County Conservation District
Arkansas State Board Of Optometry	Court Reporters	Health Services Permit Agency
Arkansas State Library	Craighead County Conservation District	Hempstead County Soil Conservation
Arkansas State University	Crawford County Conservation District	Henderson State University
Arkansas State University - Beebe	Crittenden County Conservation District	History Commission
Arkansas State University-Mountain Home	Crooked Creek Conservation District	Hot Spring County Conservation District
Arkansas Tech University	Cross County Conservation District	House Speaker's Office
Arkansas Tobacco Control Board	Dallas County Conservation District	Independence County Conservation District
Arkansas Tobacco Settlement Commission	Department Of Aeronautics	Insurance Department
Arkansas Towing & Recovery Board	Department Of Community Correction	Izard County Conservation District
Ashley County Conservation District	Department Of Corrections	Jackson County Conservation District
Assessment Coordination Department	Department Of Emergency Management	Jefferson County Conservation District
Arkansas State University-Newport	Department Of Finance & Administration	Johnson County Conservation District
Attorney General	Department Of Health	Judicial Discipline/Disability Commission
Auctioneers Licensing Board	Department Of Higher Education	Lafayette County Conservation District
Auditor Of State	Department Of Human Services	Law Enforcement Standards
Baxter County Conservation District	Department Of Information Systems	Lawrence County Conservation District
Board of Examiners - Speech/Language Pathology & Audiology	Department Of Labor	Lee County Conservation District
Benton County Conservation District	Department Of Workforce Services	Legislative Council
Black River Technical College	Deputy Prosecuting Attorney	Lieutenant Governor
Board Of Accountancy	Desha County Conservation District	Lincoln County Conservation District
Board Of Architects	Development Finance Authority	Liquified Petroleum Gas Division
Board Of Barber Examiners	Dietetic Licensing Board	Little River Conservation District
Board Of Chiropractic Examiners	Disability Determination For Social Security Administration	Livestock & Poultry Commission
Board Of Collection Agencies	District Judge Pilot (APERS Employees)	Logan County Conservation District
Board Of Dental Examiners	Division Of Legislative Audit	Madison County Conservation District
Board Of Dispensing Opticians	Drew County Conservation District	Manufactured Home Commission
Board Of Embalmers And Funeral Directors	Drug Court Juvenile Probation & Intake Office	Martin Luther King Jr. Commission
Board Of Examiners In Counseling	Drug Task Force - 1st Judicial District	Medical Board
Board Of Nursing	Drug Task Force - 3rd Judicial District	Miller County Conservation District
Board Of Pharmacy	Drug Task Force - 5th Judicial District	Mine Creek Conservation District
Board Of Physical Therapy	Drug Task Force - 13th Judicial District	Mississippi County Conservation District
Board Of Registration for Professional Geologists	Drug Task Force - 14th Judicial District	Monroe County Conservation District
Board Of Registration For Professional Engineers & Professional Surveyors	Drug Task Force - 15th Judicial District	Montgomery County Conservation District
Boone County Conservation District	Drug Task Force - 18th Judicial District	Motor Vehicle Commission
Buffalo Conservation District	Drug Task Force - 21st Judicial District	National Park Community College
Building Authority	Drug Task Force - Batesville	Nevada County Conservation District
Burial Association Board	Drug Task Force - Monticello	Newton County Conservation District
	Drug Task Force - South Central	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
Nevada
Newton
Ouachita
Perry
Phillips
Pike
Poinsett

(Continued)

County Employers (Continued)

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
 Augusta
 Austin
 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
 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 Water Department
 Hackett
 Hamburg
 Hampton
 Hardy
 Harrisburg
 Harrisburg Water & Gas Division
 Harrison
 Haskell
 Hazen
 Heber Springs
 Helena-West Helena
 Holly Grove
 Hope
 Hope Water & Light
 Horatio
 Hot Springs
 Hot Springs Convention & Visitors Bureau
 Huntington
 Huntsville
 Huntsville Water & Sewer
 Huttig
 Jacksonville
 Jacksonville Wastewater Utility
 Jacksonville Water Commission
 Jasper
 Junction City
 Kibler
 Lamar
 Lavaca
 Lepanto
 Lewisville
 Lincoln
 Little Rock Wastewater Utility
 Lockesburg
 Lowell
 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 Water Department
 Nashville
 North Little Rock Advertising & Promotion
 Commission
 Ola

(Continued)

Appendix

Municipal Agencies (Continued)

Pangburn
Paragould
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
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
Bryant
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

Green Forest
Greenwood
Gurdon Public
Hamburg
Harrisburg
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
McCrary
McGehee
Mena
Midland
Monticello
Mountain Home
Mountain View
Mountainburg
Mt. Vernon-Enola
Murfreesboro
Nashville
Nettleton
Newark
Newport
North Little Rock
Norfork
Osceola
Ouachita
Ozark
Palestine-Wheatley
Paragould

(Continued)

School Employers (Continued)

Pea Ridge
 Piggott
 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

ADJRS Pilot
 Arkansas County
 Ashdown
 Ashley County
 Baxter County
 Benton County West (Decatur)
 Berryville
 Beebe
 Biscoe
 Booneville
 Bradley County
 Brinkley
 Cabot
 Calhoun County
 Camden
 Charleston
 Cherokee Village
 Chicot County
 Clarksville
 Conway
 Craighead County
 Crossett
 Dallas County
 DeQueen
 Dermott
 Devalls Bluff
 Dewitt
 Dumas
 East Camden
 Elkins
 Eureka Springs
 Fayetteville
 Fordyce
 Franklin County
 Grant County
 Hamburg
 Hampton
 Hazen
 Helena/West Helena
 Hot Springs
 Hoxie
 Huntsville
 IZard County
 Jacksonville
 Lake Village
 Lawrence County
 Lee County
 Little Rock
 Logan County
 Madison County
 Magnolia
 Malvern
 Marion
 Mountain Home
 Nevada County
 Newport
 Newton County
 Ouachita County
 Ozark
 Pike County
 Phillips County

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

District Court Employers*

Benton County West
 Berryville
 Booneville
 Camden
 Clarendon
 Conway
 DeQueen
 Dermott
 Devalls Bluff
 Dewitt
 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

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

(Continued)

Appendix

District Court Employers*

Walnut Ridge
West Memphis
Wrightsville

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

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
James Fork Regional Water District
Kimzey Regional Water District
Marion County Regional Airport
Milltown-Washburn Water Users
Montgomery County Reg Water Authority
Nevada County Prescott Solid Waste Mgmt.
North 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
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 6/30/10

State Agencies	243
County Agencies	85
Municipal Agencies	164
School Employers	166
District Judges	64
District Court Employers*	39
Other Non-State Agencies	<u>26</u>
Total	787

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