



Arkansas
Public Employees Retirement System

Comprehensive Annual Financial Report
2011



A Pension Trust Fund of the State of Arkansas

Comprehensive Annual Financial Report

For the Year Ended

June 30, 2011

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

***Recognition Award for Funding
2011***

Presented to

Arkansas Public Employees Retirement System

In recognition of meeting professional standards for
plan funding 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 cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

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Introduction

A History of APERS

Membership Information

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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, 2011, the assets of the System remained healthy at \$6.0 billion despite a recently tough investment environment. The APERS investment program has seen rates of return that range from 11.95% (fiscal year 2010) to 26.00% (fiscal year 2011). 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 1.6:1, according to the 2011 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 (Act 63 of 1965) joined the System.

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

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

Throughout the next several years, various other non-state employers were added to the System through legislative enactment. 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 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).

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. 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.

Introduction

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 asset values accruing to each pension plan.

Membership Information As of June 30, 2011

| STATE AND LOCAL DIVISIONS ONLY | | | |
|--------------------------------|------------|--------------------------|------------|
| ACTIVE MEMBERS | | 2011 RETIRED MEMBERS | |
| | | Age and Service | Disability |
| Number | 45,145 | Retired Members | 1,167 |
| Average Age | 44.9 years | Average Age | 61.5 years |
| Average Years | 9.4 years | Average Years of Service | 22.5 years |
| Average Annual Salary | \$34,181 | Average Monthly Benefit | \$885 |
| | | | \$653 |
| INACTIVE VESTED MEMBERS | | TOTAL RETIREES | |
| Number | 12,890 | Retired Members | 28,137# |
| | | Average Monthly Benefit | \$1,112 |

Includes DROP participants.

| DISTRICT JUDGES ONLY | | | |
|-------------------------|------------|--------------------------|------------|
| ACTIVE MEMBERS | | RETIRED MEMBERS | |
| | | Total | Disability |
| Number | 55 | Retired Members | 103 |
| Average Age | 59.7 years | Average Age | 71 |
| Average Years | 14.7 years | Average Years of Service | N/A |
| Average Annual Salary | \$60,827 | Average Monthly Benefit | \$840 |
| | | | N/A |
| INACTIVE VESTED MEMBERS | | | |
| Number | 115 | | |



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

December 30, 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 2011 Annual Financial Report of the Arkansas Public Employees Retirement System ("APERS" or the "System") for the fiscal year ended June 30, 2011. 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 and 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, 2011. 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 4.70%. 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 26.00% rate of return. As anticipated, the funding status of the retirement system moved down to 71% in fiscal 2011 from 74.1% in 2010. 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 Principles. 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 2011 totaled approximately \$1.43 billion (see Table 1).

The overall increase was approximately \$722.8 million compared to the increase of fiscal year 2010 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 2011. The net assets of the System were \$5.8 billion on June 30, 2011, an increase of approximately \$1.07 billion from 2010.

TABLE 1.**OPERATING ADDITIONS**

| | |
|-------------------------|--------------------------------|
| Employer contributions | \$ 196,428,733 |
| Employee contributions | 34,639,544 |
| Investment earnings | 1,190,041,315 |
| Miscellaneous additions | <u>8,966,315</u> |
| TOTAL | <u>\$ 1,430,075,907</u> |

DEDUCTIONS

The primary deductions from 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 2011 totaled approximately \$356.6 million (see Table 2), an increase of approximately 8.5% over fiscal year 2010 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 \$1.07 billion during fiscal year 2011.

TABLE 2.**OPERATING DEDUCTIONS**

| | |
|--------------------------|-----------------------------|
| Benefit payments | \$344,140,357 |
| Refunds of contributions | 6,123,910 |
| Administrative expenses | <u>6,374,379</u> |
| TOTAL | <u>\$356,638,646</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, 2011, amounted to \$7.7 billion and \$5.5 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 includes anyone that has investment authority with respect to the fund. The Prudent Investor Rule states that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. By permitting diversification of investments within a fund, the fund may reduce overall risks and increase returns. A summary of the asset allocation can be found in the Investment Section.

The Arkansas Investment Code permits the fund to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to professional investment managers. The statement of investment policy outlines the responsibility for the investment of the fund and the degree of risk that is deemed appropriate for the fund. Investment managers appointed by the Board are listed in the Introductory Section. For fiscal year 2011, investments provided a positive 26.00% rate of return. The System’s annualized rate of return over the last three years was a positive 3.72%.

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



December 30, 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, 2011. The Arkansas Public Employees Retirement System continues to be in sound condition with 71% 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 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,

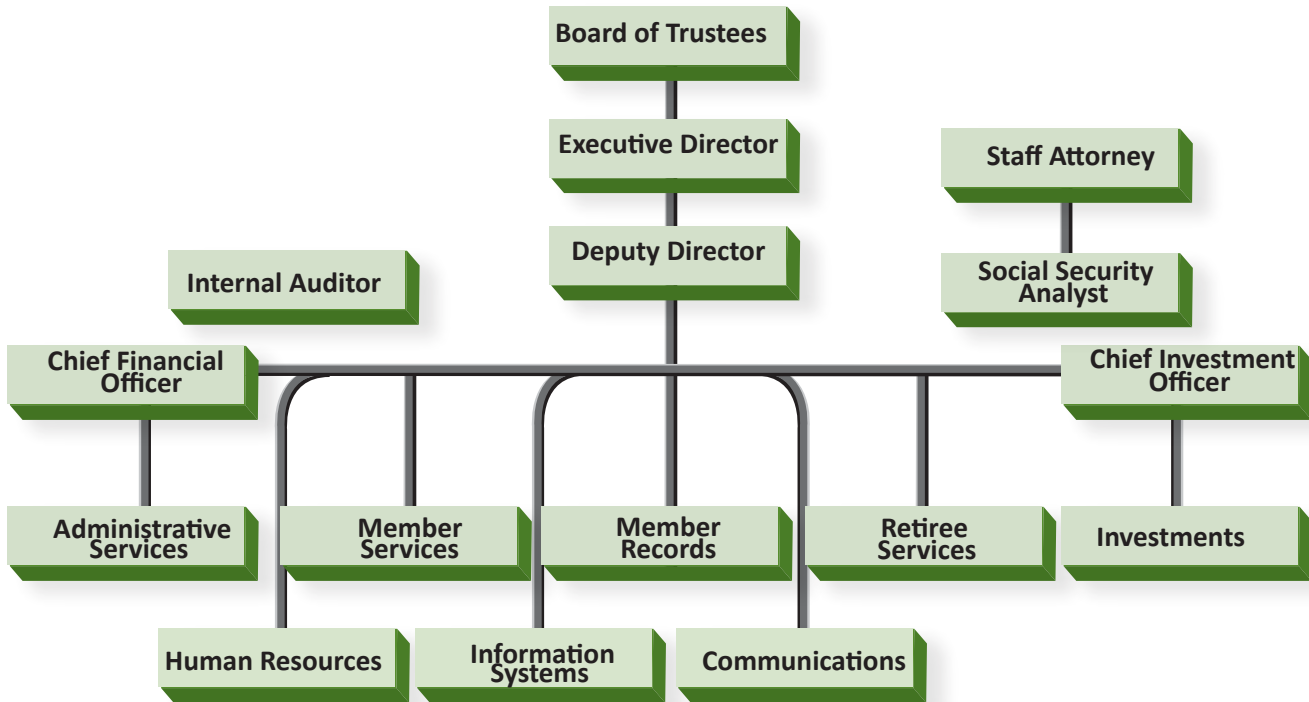
A handwritten signature in blue ink that reads "Artee Williams".

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> | <p>March 9, 2014</p> |
| <p>The Honorable Mike Jacobs, Vice Chair Johnson County Judge, Clarksville, AR County Employee Representative</p> | <p>March 9, 2015</p> |
| <p>The Honorable Martha Shoffner State Treasurer</p> | <p>Ex-Officio Member</p> |
| <p>The Honorable Charlie Daniels State Auditor</p> | <p>Ex-Officio Member</p> |
| <p>Mr. Richard Weiss Director, Department of Finance and Administration</p> | <p>Ex-Officio Member</p> |
| <p>Ms. Ouida Wright Conway, AR State Employee Representative</p> | <p>March 9, 2017</p> |
| <p>Mr. Bill Gaddy Little Rock, AR State Employee Representative</p> | <p>March 9, 2013</p> |
| <p>The Honorable Charles "Stephen" Northcutt Mayor of Malvern, AR Municipal Employee Representative</p> | <p>March 9, 2016</p> |
| <p>Mr. Maurice Henry Fulton, AR School Employee Representative</p> | <p>March 9, 2012</p> |

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 Manager |
| Jacobia Twiggs | 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.
 120 North LaSalle
 Suite 2100
 Chicago, IL 60602

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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District Judge Schedule of Funding Progress

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Schedule of Payments for Professional Consultants

Schedule of Administrative Expense

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Financial Statements

APERS Statement Of Plan Net Assets

| | 6/30/11 APERS | 6/30/10 APERS |
|---|------------------------|------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$145,732,783 | \$ 119,233,185 |
| Securities Lending Collateral Investments in Cash Equiv. | | |
| Receivables: | | |
| Dec 2004 Actuarial Liability Receivable | 11,354,396 | 11,949,695 |
| Contributions | 3,312,790 | 2,214,443 |
| Investment Principal Receivable | 41,711,287 | 27,293,510 |
| Accrued Investment Income Receivable | <u>15,638,612</u> | <u>14,878,479</u> |
| Total Receivables | 72,017,085 | 56,336,127 |
| Investments At Fair Value | | |
| Government Securities: | | |
| U.S. Government Securities | 75,762,051 | 56,692,011 |
| Futures | (271,953) | 1,089,585 |
| Government Agency Securities | 163,764,054 | 200,033,915 |
| Corporate Securities: | | |
| Collateralized Obligations | 202,975,291 | 181,322,952 |
| Corporate Bonds | 556,174,230 | 497,737,991 |
| Convertible Bonds | 182,388,367 | 173,917,850 |
| Convertible Preferred Stock | 55,383,647 | 35,097,199 |
| Common Stock | 2,052,599,540 | 1,570,950,462 |
| Equity Index Funds | 632,360,892 | 494,513,356 |
| Equity Co-mingled | 43,905,816 | 32,510,013 |
| High Yield Income Fund | 56,398,929 | 50,850,253 |
| International Securities: | | |
| Global Fixed Income Fund | 133,193 | 3,840,549 |
| Government Fixed Obligations | 0 | 0 |
| Corporate Fixed Income | 8,987,619 | 9,212,260 |
| Equity Securities | 437,235,926 | 281,549,155 |
| Equity Pooled Fund Units | 647,737,563 | 500,233,798 |
| Global Collateralized Obligations | 2,509,368 | 0 |
| Emerging Markets | 19,164,761 | 18,109,421 |
| Forward Contracts | 229,600 | 79,024 |
| Interest Rate Swaps | 35,904 | 0 |
| Real Estate | 206,222,479 | 166,155,640 |
| Timberland | 295,738,004 | 294,495,311 |
| Municipal Bonds | 4,595,378 | 5,221,420 |
| Commercial Loans | <u>24,824,420</u> | <u>34,220,712</u> |
| Total Investments | 5,668,855,079 | 4,607,832,877 |
| Securities Lending Collateral Investments, At Fair Value: | | |
| Corporate Bonds | 268,073,784 | 182,188,563 |
| Bank Obligations | 79,902,927 | 130,270,736 |
| Asset Backed Securities | 51,440,021 | 38,751,500 |
| Repurchase Agreements | <u>149,078,582</u> | <u>80,043,105</u> |
| Total Securities Lending Collateral Investments | 548,495,314 | 431,253,904 |
| Prepays and Other Assets | 46,352 | 129,340 |
| Fixed Assets, Net | <u>66,170</u> | <u>71,899</u> |
| TOTAL ASSETS | <u>6,435,212,783</u> | <u>5,214,857,332</u> |
| LIABILITIES | | |
| Accrued Expenses and Other Liabilities | 7,504,698 | 6,687,309 |
| Investment Principal Payable | 76,253,570 | 47,661,684 |
| Other Post Employment Benefits (See page 30) | 1,038,085 | 754,059 |
| Securities Lending Liability | <u>548,495,314</u> | <u>431,253,904</u> |
| TOTAL LIABILITIES | <u>633,291,667</u> | <u>486,356,956</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENS. | <u>\$5,801,921,116</u> | <u>\$4,728,500,376</u> |

(A schedule of Funding Progress is on page 33. The APERS & ASPRS Combined Statement Of Plan Net Assets can be found on page 75.)

Financial Statements

APERS Statement Of Changes In Plan Net Assets

| | 6/30/11 | 6/30/10 |
|---|-------------------------------|-------------------------------|
| | APERS | APERS |
| ADDITIONS | | |
| Contributions | | |
| Employer | \$ 196,428,733 | \$ 170,186,564 |
| Plan Members | <u>34,639,544</u> | <u>30,334,716</u> |
| Total Contributions | 231,068,277 | 200,521,280 |
| Investment Income: | | |
| Interest | 61,922,026 | 62,331,626 |
| Dividends | 53,353,676 | 43,820,724 |
| Net Appreciation in Fair Value of Plan Investment | 1,094,375,724 | 410,511,458 |
| Security Lending Income | 1,028,853 | 2,050,050 |
| Real Estate Income | (55,107) | (7,588) |
| Other | <u>0</u> | <u>7,620</u> |
| Total Investment Income | 1,210,625,172 | 518,713,890 |
| Less: Investment Expense | <u>20,583,857</u> | <u>18,080,990</u> |
| Net Investment Income | 1,190,041,315 | 500,632,900 |
| Other Sources: | | |
| Miscellaneous Additions | 2,557,261 | (331,483) |
| Transfer from Teachers Retirement System | 6,331,031 | 6,355,482 |
| Miscellaneous Transfers from State Agencies | <u>78,023</u> | <u>75,737</u> |
| Total Other Additions | <u>8,966,315</u> | <u>6,099,736</u> |
| TOTAL ADDITIONS | 1,430,075,907 | 707,253,916 |
| DEDUCTIONS | | |
| Benefits | 344,140,357 | 318,998,006 |
| Refunds of Contributions | 6,123,910 | 3,586,861 |
| Administrative Expenses | <u>6,374,379</u> | <u>5,981,358</u> |
| TOTAL DEDUCTIONS | <u>356,638,646</u> | <u>328,566,225</u> |
| NET INCREASE (DECREASE) | 1,073,437,261 | 378,687,691 |
| NET ASSETS | | |
| Beginning of Year | <u>4,728,483,855</u> | <u>4,349,812,685</u> |
| End of Year | <u>\$5,801,921,116</u> | <u>\$4,728,500,376</u> |

See Notes to Financial Statements

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, 2011 and 2010, the number of participating employers was as follows: | | |
| | <u>6/30/11</u> | <u>6/30/10</u> |
| State | 247 | 243 |
| County | 85 | 85 |
| Municipal | 177 | 164 |
| School | 140 | 166 |
| District Judges | 58 | 64 |
| District Court | 38 | 39 |
| Other Non-State | <u>26</u> | <u>26</u> |
| Total | <u><u>771</u></u> | <u><u>787</u></u> |
| <u>As of June 30, 2011 and 2010, membership was as follows:</u> | | |
| Retirees and beneficiaries receiving benefits (includes DROP participants) | 28,137 | 25,880 |
| Terminated plan members entitled to but not yet receiving benefits | 12,890 | 12,455 |
| Active plan members | 45,145 | 45,394 |

Notes To Financial Statements

(Continued)

Description Of The System

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, 2011 and 2010, are as follows:

| Employer Contribution Rates | | |
|--|----------------|----------------|
| | <u>6/30/11</u> | <u>6/30/10</u> |
| State Division | 12.46% | 11.00% |
| Wildlife Subdivision | 24.46% | 23.00% |
| State Capitol Police Subdivision | 12.46% | 11.00% |
| Administrative Offices of the Courts Subdivision | N/A | N/A |
| County Division | 12.46% | 11.00% |
| Municipal Division | 12.46% | 11.00% |
| School Division | 4.00% | 4.00% |
| Other Non-State Division | 12.46% | 11.00% |

Benefits -Benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. Members are eligible for full benefits (1) at age sixty-five (65) with five (5) years of actual service, (2) at any age with twenty-eight (28) years of actual service, or (3) under the 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 (i.e. elected, public safety). 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, 2011 and 2010, APERS was confirmed as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

Notes To Financial Statements

(Continued)

Description Of The System

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, 2011, the most recent actuarial date, is as follows (for both APERS and District Judges, dollar amounts in millions):

| Plan | Valuation Date June 30 | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Unfunded (Excess) AAL (UAAL) (2) - (1) | (4) Funded Ratio (1)/(2) | (5) Annual Covered Payroll (Millions) | (6) UAAL (Excess) As Percentage of Covered Payroll (3)/(5) |
|-----------------|---------------------------|--|---|---|-----------------------------------|---|---|
| APERS | 6/30/11 | \$5,467 | \$7,734 | \$2,267 | 71 | \$1,623 | 140% |
| District Judges | 6/30/11 | \$13 | \$28 | \$15 | 47 | \$3 | 436% |

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, 2011 | APERS | District Judges |
|--------------------------------|---|--|
| Actuarial Cost Method | Ultimate entry age normal (state & local) Entry age normal (General Assembly) | Individual 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) 17 years (General Assembly) | 26 years (New Plan & Paid Off Old Plan) 24 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. |

Notes To Financial Statements

(Continued)

Summary of Significant Accounting Practices

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 value includes, among other things, using pricing services or quotes by independent brokers at current exchange rates. As of June 30, 2011, the System had the following investments (in the schedules 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 \$6,447,628,708 investments at June 30, 2011 there were no investments exposed to custodial credit risk.

****All figures on this page are a combined total of APERS & ASPRS, of which 3.7825% is allocated to ASPRS****

| Investment Type | Fair Value |
|---|-----------------|
| U.S. Government Agency Securities | \$ 170,179,833 |
| U.S. Government Securities | 78,730,178 |
| Convertible Bonds | 189,533,791 |
| Collateralized Obligations | 210,927,248 |
| Municipal Bonds | 4,775,411 |
| Convertible Preferred Stock | 57,553,410 |
| Domestic Stock | 2,133,014,175 |
| Domestic Equity Commingled | 45,625,913 |
| High Yield Income Fund | 58,608,468 |
| Real Estate | 214,301,651 |
| Timberland | 307,324,124 |
| Commercial Loans | 25,796,966 |
| Domestic Equity Index Funds | 657,134,878 |
| Corporate Bonds | 577,963,453 |
| Futures | (282,607) |
| International Government Fixed | 138,411 |
| Interest Rate Swaps | 37,310 |
| Forwards | 238,595 |
| Global Corporate Fixed | 9,339,727 |
| Global Equity | 454,365,506 |
| Global Collateralized Obligations | 2,607,677 |
| International Equity Pooled Fund Units | 673,113,960 |
| Emerging Markets Collateralized Obligations | 311,856 |
| Emerging Markets | 19,603,722 |
| Total | \$5,890,943,656 |

| Securities Lending Collateral | |
|-------------------------------|-----------------|
| U.S. Corporate Floating Rate | \$ 272,625,381 |
| Asset Backed Floating Rate | 46,093,243 |
| Repurchase Agreements | 154,919,029 |
| Certificate of Deposit | 12,801,518 |
| Commercial Paper | 36,789,881 |
| Time Deposits | 33,456,000 |
| Total | 556,685,052 |
| Total Investments | \$6,447,628,708 |

Notes To Financial Statements

(Continued)

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 any 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 \$151,499,739 at June 30, 2011. This total consisted of cash deposits with financial institutions of \$430,425, STIF accounts in the amount of \$148,901,459, and \$2,167,655 cash in state treasury and a petty cash fund of \$200.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will be able to recover collateral securities. The System's deposit policy is to place deposits only in collateralized or insured accounts. As of June 30, 2011 none of the System's bank balance of \$430,425 was exposed to custodial credit risk. The foreign currency cash balance of \$442,483 was subject to custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Also, investments can be highly sensitive to changes in interest rates due to their terms or characteristics. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|--------------------------------------|-------------------------|----------------------------------|-----------------------|----------------------|-----------------------|
| | | Less Than 1 | 1-5 | 6-10 | More than 10 |
| US Government Securities | \$ 78,730,178 | \$ 4,116,042 | \$ 6,377,540 | \$ 46,349,696 | \$ 21,886,900 |
| US Government Agency | 170,179,834 | 0 | 18,698,347 | 8,637,199 | 142,844,288 |
| Collateralized Obligations | 210,927,248 | 0 | 27,166,489 | 11,208,992 | 172,551,768 |
| Convertible Bonds | 189,533,791 | 12,545,938 | 103,082,672 | 9,678,950 | 64,226,231 |
| Corporate Bonds | 577,963,453 | 33,070,346 | 214,384,856 | 199,596,246 | 130,912,004 |
| High Yield Income Fund | 58,608,468 | 0 | 58,608,468 | 0 | 0 |
| Emerging Mkts. Coll. Obligations | 311,856 | 0 | 0 | 311,856 | 0 |
| Emerging Markets | 19,603,722 | 116,259 | 8,444,493 | 6,367,802 | 4,675,168 |
| Global Collateralized Obligations | 2,607,677 | 0 | 0 | 2,607,677 | 0 |
| Global Corporate Fixed | 9,339,727 | 0 | 4,108,981 | 829,854 | 4,400,892 |
| Global Government Fixed | 138,411 | 0 | 0 | 0 | 138,411 |
| Commercial Loans | 25,796,966 | 2,926 | 23,696,534 | 2,097,505 | 0 |
| Municipal Bonds | 4,775,411 | 0 | 0 | 0 | 4,775,411 |
| Total | <u>\$ 1,348,516,741</u> | <u>\$ 49,851,511</u> | <u>\$ 464,568,379</u> | <u>\$287,685,777</u> | <u>\$ 546,411,074</u> |
| Securities Lending Collateral | Fair Value | Less Than 1 | 1-5 | 6-10 | More than 10 |
| Asset Backed Floating Rate | \$ 46,093,243 | \$ 6,297,682 | \$ 31,828,354 | \$ 0 | \$ 7,967,207 |
| Corporate Floating Rate | 272,625,381 | 165,550,142 | 107,075,239 | 0 | 0 |
| Certificate of Deposit | 12,801,518 | 12,801,518 | 0 | 0 | 0 |
| Commercial Paper | 36,789,881 | 36,789,881 | 0 | 0 | 0 |
| Repurchase Agreements | 154,919,029 | 154,919,029 | 0 | 0 | 0 |
| Time Deposits | 33,456,000 | 33,456,000 | 0 | 0 | 0 |
| Total | <u>\$ 556,685,052</u> | <u>\$409,814,252</u> | <u>\$ 138,903,593</u> | <u>\$ 0</u> | <u>\$ 7,967,207</u> |

****All figures on this page are a combined total of APERS & ASPRS, of which 3.7825% is allocated to ASPRS****

Notes To Financial Statements

(Continued)

Summary of Significant Accounting Practices

Mortgage-Backed Securities – As of June 30, 2011 the System held mortgage-backed securities of approximately \$152 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, 2011 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, 2011 the System held asset-backed securities with a fair value of approximately \$62 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, 2011 the System held no asset-backed securities that were considered as highly sensitive to changes in interest rates.

Corporate Bonds – As of June 30, 2011, the System held corporate bonds with a fair value of approximately \$578 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, 2011, the System held no corporate securities that were considered highly sensitive to changes in interest rates.

Convertible Corporate Bonds – As of June 30, 2011, the System held convertible bonds with a fair value of approximately \$190 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, 2011, 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, 2011 is shown in the schedule to the right:

Pooled Funds - APERS has approximately \$673 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.

| Currency | % | Fair Value |
|-------------------------|----------------|----------------------|
| Australian Dollar | 4.97% | \$ 21,756,741 |
| Brazilian Real | 1.51% | 6,624,077 |
| British Pound Sterling | 25.10% | 109,930,200 |
| Canadian Dollar | 0.70% | 3,044,121 |
| Czech Koruna | 0.56% | 2,446,386 |
| Danish Krone | 0.57% | 2,517,687 |
| Euro Currency | 34.33% | 150,329,146 |
| Hong Kong Dollar | 1.50% | 6,580,654 |
| Hungarian Forint | 0.74% | 3,245,816 |
| Japanese Yen | 10.23% | 44,795,495 |
| Mexican Nuevo Peso | 0.77% | 3,376,364 |
| Norwegian Krone | 2.03% | 8,874,161 |
| New Zealand Dollar | 0.54% | 2,350,176 |
| Polish Zloty | 0.61% | 2,656,299 |
| Singapore Dollar | 0.78% | 3,432,565 |
| South Korean Won | 0.58% | 2,532,786 |
| Swedish Krona | 2.43% | 10,645,889 |
| Swiss Franc | 11.75% | 51,447,350 |
| Thailand Baht | 0.31% | 1,366,864 |
| Total Fair Value | 100.00% | \$437,952,777 |

****All figures on this page are a combined total of APERS & ASPRS, of which 3.7825% is allocated to ASPRS****

Notes To Financial Statements

(Continued)

Summary of Significant Accounting Practices

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, 2011 is as follows:

| Standard & Poor’s | | Moody’s Investor Service | |
|--------------------------------------|------------------------|--------------------------------------|------------------------|
| <u>Rating</u> | <u>Fair Value</u> | <u>Rating</u> | <u>Fair Value</u> |
| AGY | \$ 248,910,012 | AGY | \$ 248,910,012 |
| AAA | 98,947,432 | Aaa | 98,011,944 |
| AA | 55,875,651 | Aa | 55,918,898 |
| A | 190,731,236 | A | 130,449,973 |
| BBB | 302,835,436 | Baa | 293,442,467 |
| BB | 220,060,589 | Ba | 188,775,438 |
| B | 92,081,019 | B | 119,730,848 |
| CCC or below | 27,031,699 | C or below | 24,683,735 |
| Not Rated | 112,043,668 | Not Rated | 188,593,427 |
| Totals | <u>\$1,348,516,742</u> | Totals | <u>\$1,348,516,742</u> |
| <u>Securities Lending Collateral</u> | | <u>Securities Lending Collateral</u> | |
| AAA | \$ 50,215,820 | Aaa | \$ 48,686,471 |
| AA | 156,756,463 | Aa | 227,866,918 |
| A | 179,658,183 | A | 105,347,398 |
| BBB | 0 | Baa | 9,323,029 |
| BB | 9,323,029 | Ba | 0 |
| B | 0 | B | 0 |
| CCC or below | 3,237,528 | CCC or below | 7,967,207 |
| Not Rated | 157,494,029 | Not Rated | 157,494,029 |
| Totals | <u>\$ 556,685,052</u> | Totals | <u>\$ 556,685,052</u> |

The Bank of New York Mellon 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). Each investment manager retained by the System has its own individualized investment policy regarding the 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, 2011 there were no violations of the Agency Agreement. Certain securities of the trust fund are loaned to participating brokers. As of June 30, 2011, 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

****All figures on this page are a combined total of APERS & ASPRS, of which 3.7825% is allocated to ASPRS****

Notes To Financial Statements

(Continued)

Summary of Significant Accounting Practices

is inadequate to replace the securities lent) or failure to pay the trust funds for income of the securities while on loan. The System cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral received is invested in APERS' name; accordingly, investments made with cash collateral appear as an asset on the Statement of Plan Net Assets. A corresponding liability is recorded as APERS must return the cash collateral to the borrower upon expiration of the loan. The loan maturity dates generally do not match the maturity dates of the investments made with cash collateral received. The cash collateral investments had an average weighted maturity of 24 days on June 30, 2011, whereas the weighted average loan maturity was one day. As of June 30, 2011 investments with cash collateral were approximately \$570 million. See footnote at bottom of page.

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

****All figures on this page are a combined total of APERS & ASPRS, of which 3.7825% is allocated to ASPRS****

| Foreign Currency Forward Contracts | | | |
|------------------------------------|------------------------|------------------------|---------------------|
| Receivables in US \$ | Notional | FMV | Gain/Loss |
| Australian Dollar | \$ 2,672,782 | \$ 2,699,505 | \$ 26,724 |
| Canadian Dollar | \$ 3,846,618 | \$ 3,919,791 | \$ 73,172 |
| Czech Koruna | \$ 3,018,473 | \$ 3,031,834 | \$ 13,361 |
| Euro Currency Unit | \$ 3,065,299 | \$ 3,092,091 | \$ 26,793 |
| Hungarian Forint | \$ 3,168,439 | \$ 3,245,816 | \$ 77,377 |
| Japanese Yen | \$ 1,374,600 | \$ 1,364,984 | \$ (9,616) |
| Mexican New Peso | \$ 1,074,817 | \$ 1,089,125 | \$ 14,307 |
| New Zealand Dollar | \$ 3,297,450 | \$ 3,345,195 | \$ 47,746 |
| Norwegian Krone | \$ 4,578,283 | \$ 4,718,010 | \$ 139,728 |
| Polish Zloty | \$ 3,108,576 | \$ 3,131,568 | \$ 22,993 |
| Pound Sterling | \$ 772,143 | \$ 763,655 | \$ (8,488) |
| S African Comm Rand | \$ 1,759,734 | \$ 1,784,416 | \$ 24,682 |
| Singapore Dollar | \$ 2,730,122 | \$ 2,755,230 | \$ 25,108 |
| Swedish Krona | \$ 3,087,079 | \$ 3,129,061 | \$ 41,983 |
| Swiss Franc | \$ 2,644,213 | \$ 2,646,201 | \$ 1,988 |
| Total | \$ 40,198,626 | \$ 40,716,483 | \$ 517,857 |
| Payables in US \$ | | | |
| Japanese Yen | \$ (15,543,149) | \$ (15,563,218) | \$ (20,070) |
| Euro Currency Unit | \$ (3,783,924) | \$ (3,870,067) | \$ (86,143) |
| Pound Sterling | \$ (878,380) | \$ (866,825) | \$ (11,555) |
| Australian Dollar | \$ (778,100) | \$ (792,030) | \$ (13,931) |
| Canadian Dollar | \$ (1,163,600) | \$ (1,165,479) | \$ (1,879) |
| Czech Koruna | \$ (583,800) | \$ (585,449) | \$ (1,649) |
| Euro Currency Unit | \$ (4,937,637) | \$ (5,011,103) | \$ (73,466) |
| Japanese Yen | \$ (1,411,784) | \$ (1,414,168) | \$ (2,384) |
| New Zealand Dollar | \$ (976,982) | \$ (995,019) | \$ (18,038) |
| Norwegian Krone | \$ (1,553,800) | \$ (1,581,686) | \$ (27,886) |
| Polish Zloty | \$ (1,363,300) | \$ (1,406,438) | \$ (43,138) |
| Pound Sterling | \$ (777,900) | \$ (775,061) | \$ 2,839 |
| Swiss Franc | \$ (2,521,100) | \$ (2,526,173) | \$ (5,073) |
| Total | \$ (36,273,455) | \$ (36,552,717) | \$ (279,262) |

| Foreign Currency Forward Contracts | Notional | FMV | Gain/Loss |
|------------------------------------|-----------------|-----------------|-------------------|
| Pending Receivables | \$ 40,198,626 | \$ 40,716,483 | \$ 517,857 |
| Pending Payables | \$ (36,273,455) | \$ (36,552,717) | \$ (279,262) |
| Total | | | \$ 238,595 |

Notes To Financial Statements

(Continued)

Summary of Significant Accounting Practices

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.

Interest Rate Swaps are the exchange of one set of cash flows based on interest rate specifications, for another, based on a specified principal amount. Interest Rate Swaps typically exchange a fixed payment for a floating payment. The floating payment is usually the London Interbank Offering Rate (LIBOR).

| Futures Contract | Expiration | Notional | FMV | Unrealized Gain/Loss | Credit Rating | Years to maturity | Country |
|--|------------|----------------------|---------------------|----------------------|---------------|-------------------|-------------|
| US 2yr Treasury Note | Sept 2011 | \$ 51,107,094 | \$51,160,116 | \$ (53,022) | AAA/Aaa | 3.170 | USA |
| US 5yr Treasury Note | Sept 2011 | 31,229,172 | 31,194,642 | 34,530 | AAA/Aaa | 5.330 | USA |
| US 10yr Treasury Note | Sept 2011 | (42,570,188) | (42,900,117) | 329,929 | AAA/Aaa | 7.670 | USA |
| US Treasury Bond | Sept 2011 | 25,221,406 | 25,560,969 | (339,562) | AAA/Aaa | 15.380 | USA |
| US Treasury Ultra Long Bond | Sept 2011 | <u>14,392,500</u> | <u>14,649,408</u> | <u>(256,908)</u> | AAA/Aaa | 31.190 | USA |
| | | <u>\$ 79,379,984</u> | <u>\$79,665,018</u> | <u>\$(285,034)</u> | | | |
| Futures Contracts - Foreign Currencies* | | | | | | | |
| EuroSwiss 3mo. Future | Dec 2011 | \$ 1,184,561 | \$ 1,191,156 | \$ 831 | AAA/Aaa | <1yr | Switzerland |
| New Zealand 3mo. Bill | Dec 2011 | 3,280,386 | 3,241,144 | 321 | AAA/Aaa | <1yr | New Zealand |
| 90-day Australian Bill | Sept 2011 | 3,173,844 | 3,148,456 | 1,237 | AAA/Aaa | <1yr | Australia |
| 90-day Canadian B.A. | Sept 2011 | 1,277,329 | 1,260,546 | 130 | AAA/Aaa | <1yr | Canada |
| 3-mo. EuroYen | Dec 2011 | <u>925,520</u> | <u>931,496</u> | <u>(93)</u> | AAA/Aaa | <1yr | Japan |
| | | <u>\$ 9,841,639</u> | <u>\$ 9,772,797</u> | <u>\$ 2,426</u> | | | |
| | | <u>\$ 89,221,624</u> | <u>\$89,437,815</u> | <u>\$(282,607)</u> | | | |

* Foreign currency figures provided by APERS custodian bank. Figures will not total due to custodian's foreign exchange calculations.

| TBA | CUSIP | Notional | Fair Market Value | Duration (yrs) | Credit Rating |
|---------------------------------|-----------|---------------------|---------------------|----------------|---------------|
| FNMA SF MTG 4.50% 09/01/2026 | 01F042491 | \$ 1,796,156 | \$ 1,794,299 | 3.00 | AA+/Aaa |
| GNMA II JUMBOS 4.50% 07/20/2041 | 999AA1974 | 5,275,781 | 5,261,700 | 4.50 | AA+/Aaa |
| FNMA SF MTG 4.50% 07/01/2041 | 999ABM670 | 10,409,688 | 10,345,300 | 4.00 | AA+/Aaa |
| FNMA SF MTG 5.50% 08/01/2041 | 999ACG979 | <u>4,313,125</u> | <u>4,316,880</u> | 2.20 | AA+/Aaa |
| | | <u>\$21,794,750</u> | <u>\$21,718,179</u> | | |

All figures on this page are a combined total of APERS & ASPRS, of which 3.7825% is allocated to ASPRS

Summary of Significant Accounting Practices

| Interest Rate Swaps | | | | | |
|------------------------|---------------------------|--------------------|---------------------|----------------------------------|----------------------|
| Country/Currency | Swap Description/Maturity | Counterparty | Counterparty Rating | Notional Market Value (Exposure) | APERS pays/ receives |
| British Pound Sterling | GBP 1.268000 04/12/2012 | Barclays Bank, Plc | Aa3/AA- | \$ 3,692,721 | receives floating |
| Czech Koruna | CZK 1.530000 05/05/2012 | Barclays Bank, Plc | Aa3/AA- | 2,806,816 | receives floating |
| Czech Koruna | CZK 2.950000 04/05/2016 | Barclays Bank, Plc | Aa3/AA- | 1,950,035 | receives floating |
| Euro Currency Unit | EUR 1.970000 04/14/2012 | Citibank, Na | A1/A+ | 3,769,610 | receives floating |
| Hungarian Forint | HUF 6.380000 04/05/2012 | Barclays Bank, Plc | Aa3/AA- | 1,947,027 | receives floating |
| Hungarian Forint | HUF 6.280000 05/06/2012 | Barclays Bank, Plc | Aa3/AA- | 1,338,134 | receives floating |
| Mexican New Peso | MXN 5.110000 05/14/2012 | Citibank, Na | A1/A+ | 3,842,786 | receives floating |
| New Zealand Dollar | NZD 4.980000 06/20/2021 | Barclays Bank, Plc | Aa3/AA- | 660,720 | receives floating |
| Norwegian Krone | NOK 3.010000 03/16/2012 | Barclays Bank, Plc | Aa3/AA- | 3,960,842 | receives floating |
| Polish Zloty | PLN 4.790000 04/05/2012 | Barclays Bank, Plc | Aa3/AA- | 983,558 | receives floating |
| Polish Zloty | PLN 5.665000 04/26/2016 | Barclays Bank, Plc | Aa3/AA- | 3,115,599 | receives floating |
| Polish Zloty | PLN 5.520000 05/17/2016 | Barclays Bank, Plc | Aa3/AA- | 2,101,208 | receives floating |
| S African Comm Rand | ZAR 6.010000 05/13/2012 | Barclays Bank, Plc | Aa3/AA- | 3,975,160 | receives floating |
| S African Comm Rand | ZAR 7.580000 06/17/2016 | Barclays Bank, Plc | Aa3/AA- | 1,224,450 | receives floating |
| Singapore Dollar | SGD 0.515000 04/05/2012 | Barclays Bank, Plc | Aa3/AA- | 1,955,034 | receives floating |
| Singapore Dollar | SGD 0.430000 06/20/2012 | Citibank, Na | A1/A+ | 1,955,034 | receives floating |
| Swedish Krona | SEK 2.920000 04/20/2012 | Barclays Bank, Plc | Aa3/AA- | 1,870,965 | receives floating |
| Swedish Krona | SEK 2.875000 03/16/2012 | Barclays Bank, Plc | Aa3/AA- | 1,913,564 | receives floating |
| U.S. Dollar | USD 1.09125 07/07/2014 | Citibank, Na | A1/A+ | (1,505,000) | pays fixed |
| U.S. Dollar | USD 2.367500 04/27/2016 | Barclays Bank, Plc | Aa3/AA- | (1,626,487) | pays fixed |
| U.S. Dollar | USD 1.870000 06/21/2016 | Barclays Bank, Plc | Aa3/AA- | (1,000,000) | pays fixed |
| U.S. Dollar | USD 2.526300 05/15/2018 | Citibank, Na | A1/A+ | 8,120,000 | receives floating |
| | | | | <u>\$47,051,774</u> | |

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 2011 charge of \$284,000 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 2011 CAFR will contain the complete OPEB footnote required by GASB 45.

****All figures on this page are a combined total of APERS & ASPRS, of which 3.7825% is allocated to ASPRS****

Notes To Financial Statements

(Continued)

Legally Required Reserves

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

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

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

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

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

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

As a by-product of achieving level contribution financing, actuarial accrued liabilities usually become more and more funded over a period of years. Funded ratios in the 80% to 95% range are common in public sector retirement plans.

The reserve strength of APERS remains strong, both by absolute and relative measures. Sufficient assets were available to pay estimated retirement benefits applicable to retired individuals or beneficiaries currently receiving benefits and inactive vested individuals who are not currently receiving benefits.

The tables on the following page explain reserve balances for the respective divisions for the fiscal years ending June 30, 2011 and 2010.

Notes To Financial Statements

Divisions - Respective Reserve Balances

2011 Reserve Balances

| <u>June 30, 2011</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 | \$ 80,280,490 | \$ 24,889,145 | \$ 12,818,592 | \$ 606,556 | \$ 1,265,380 | \$ 1,120,387 | \$ 120,980,550 |
| MDA Interest Reserve | 4,685,155 | 1,569,683 | 1,000,849 | (226,700) | 157,029 | 125,019 | 7,311,035 |
| Employer Accumulation Account | 1,798,616,858 | 339,554,471 | 179,436,197 | 19,244,540 | 5,317,612 | (3,860,205) | 2,338,309,473 |
| Retirement Reserve | 1,982,605,103 | 440,898,194 | 207,182,411 | 248,439,473 | 3,978,173 | 2,575,493 | 2,885,678,847 |
| Deferred Annuity | 199,770,874 | 60,332,899 | 28,406,714 | 24,298,752 | 893,138 | 0 | 313,702,377 |
| DROP Reserve | 96,213,043 | 8,212,792 | 5,714,124 | 4,176,770 | 0 | 0 | 114,316,729 |
| Delinquent Receivable Reserve | 65 | 8 | 0 | 0 | 0 | 0 | 73 |
| Refund Overpayment Receivable Reserve | 351 | 0 | 0 | 0 | 0 | 0 | 351 |
| Outlawed Warrants | 80,597 | 9,097 | 4,241 | 11,228 | 0 | 0 | 105,163 |
| Partial Purchase of Service Reserve | 32,720 | 123 | 0 | 3,642 | 0 | 0 | 36,485 |
| Dec 31, 2004 Accrued Liability Reserve | 0 | 0 | 0 | 0 | 0 | 21,479,834 | 21,479,834 |
| Partial Cash Reserve | 200 | 0 | 0 | 0 | 0 | 0 | 200 |
| Total | <u>\$4,162,285,456</u> | <u>\$875,466,412</u> | <u>\$434,563,128</u> | <u>\$296,554,261</u> | <u>\$11,611,332</u> | <u>\$21,440,528</u> | <u>\$5,801,921,117</u> |

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 | <u>\$3,384,385,343</u> | <u>\$709,477,921</u> | <u>\$344,793,924</u> | <u>\$263,628,722</u> | <u>\$8,740,523</u> | <u>\$17,473,943</u> | <u>\$4,728,500,376</u> |

Required Supplementary Information

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

Schedule of Employer Contributions

| APERS | | | District Judges | | |
|-------------|------------------------------|------------------------|-----------------|------------------------------|------------------------|
| Fiscal Year | Annual Required Contribution | Percentage Contributed | Fiscal Year | Annual Required Contribution | Percentage Contributed |
| 1995 | \$ 75,028,320 | 100% | | | |
| 1996 | 76,772,911 | 100 | | | |
| 1997 | 82,050,663 | 100 | | | |
| 1998 | 87,528,945 | 100 | | | |
| 1999 | 93,322,444 | 100 | | | |
| 2000 | 96,348,947 | 100 | | | |
| 2001 | 100,925,338 | 100 | | | |
| 2002 | 109,037,491 | 100 | | | |
| 2003 | 115,690,798 | 100 | | | |
| 2004 | 118,419,346 | 100 | | | |
| 2005* | 135,027,447 | 100 | 2005* | \$ 357,182 | 102% |
| 2006* | 158,152,183 | 100 | 2006* | 1,859,139 | 110 |
| 2007 | 163,223,695 | 100 | 2007 | 1,732,368 | 106 |
| 2008 | 173,462,377 | 100 | 2008 | 1,525,167 | 110 |
| 2009 | 159,232,361 | 100 | 2009 | 1,581,100 | 102 |
| 2010 | 169,604,041 | 100 | 2010 | 1,906,776 | 93 |
| 2011 | \$195,628,572 | 100% | 2011 | \$1,950,782 | 95% |

* 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

| 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 |
| 6/30/11# | \$5,467 | \$7,734 | \$2,267 | 71% | \$1,623 | 139.7% |

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.

Supporting Schedules

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 |
| 6/30/11 | \$ 12,950,730 | \$ 27,524,848 | \$ 14,574,118 | 47 | \$ 3,345,497 | 436 |

@ After changes in actuarial assumptions and methods.

Schedule of
Investment
Expense

| | <u>6/30/11</u> | <u>6/30/10</u> |
|---------------------------------|----------------------------|----------------------------|
| Investment consultant fee | \$ 211,680 | \$ 210,000 |
| Money manager fees | 19,145,281 | 17,694,320 |
| Custodian bank fees | 526,147 | 500,752 |
| International withholding taxes | 630,017 | 383,275 |
| Securities lending expenses | 79,929 | 10,358 |
| Transaction Fee | (9,197) | 0 |
| TOTAL INVESTMENT EXPENSE | <u>\$20,583,857</u> | <u>\$18,798,705</u> |

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

Total Investment Expense includes international withholding taxes which are not included in the "Schedule of Investment Fees" on page 48. Figures may not tie due to rounding.

| | | <u>6/30/11</u> | <u>6/30/10</u> |
|---|--|-------------------------|-------------------------|
| Schedule of Payments For Professional Consultants | Gabriel, Roeder, Smith & Company | \$161,140 | \$124,625 |
| | Other | 0 | 0 |
| | Total Payments for Professional Consultants | <u>\$161,140</u> | <u>\$124,625</u> |

Supporting Schedules

Schedule of
Administrative
Expense

| | 6/30/11 | 6/30/10 |
|--------------------------------------|---------------------------|---------------------------|
| PERSONNEL SERVICES: | | |
| Salaries and wages | \$2,990,743 | \$2,847,508 |
| Employee benefits | 586,235 | 499,873 |
| Post Employment Benefits | 284,026 | 279,043 |
| Insurance | 355,680 | 346,320 |
| Other | <u>10,776</u> | <u>10,346</u> |
| Total Personnel Services | 4,227,460 | 3,983,090 |
| COMMUNICATIONS: | | |
| Postage | 139,999 | 143,109 |
| Telecommunications | 39,025 | 46,190 |
| Printing and advertising | 141,502 | 58,394 |
| Freight and Express | 1,763 | 760 |
| Subscriptions and publications | <u>6,209</u> | <u>2,458</u> |
| Total Communications | 328,498 | 250,911 |
| PURCHASES: | | |
| Office Supplies | 52,382 | 59,719 |
| Equipment | <u>5,480</u> | <u>5,776</u> |
| Total Purchases | 57,862 | 65,495 |
| SERVICES AND CHARGES: | | |
| Professional fees and services | 218,400 | 209,650 |
| Rent expense | 662,114 | 611,126 |
| Travel and conference fees | 35,106 | 27,647 |
| Taxes, licenses and permits | 279 | 279 |
| Repairing and servicing | 95,371 | 90,953 |
| Training fees | 0 | 0 |
| Insurance and surety bonds | 5,172 | 5,035 |
| Bank and federal service charges | 38,771 | 33,246 |
| Data processing charges | 691,611 | 690,987 |
| Claims commission expense | <u>2,526</u> | <u>0</u> |
| Total Services and Charges | 1,749,350 | 1,668,923 |
| DEPRECIATION EXPENSE | <u>11,209</u> | <u>12,939</u> |
| TOTAL ADMINISTRATION EXPENSES | <u>\$6,374,379</u> | <u>\$5,981,358</u> |

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Investments

Report on Investments

Outline of Investment Policies

Investment Objectives Review

Asset Allocation

Review of Investment Process

Actual vs. Target Asset Allocation

Manager Distribution

Performance Comparisons:

Fiscal Years 2007 through 2011

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.}

October 4, 2011



Dear Trustees:

We are pleased to provide a brief review of the progress of the APERS Retirement Plan for the fiscal year ending June 30, 2011.

Introduction and Background

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

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

During the fiscal year ending June 30, 2011, returns were positive across both domestic and international markets. The Russell 3000 Index, a broad-based U.S. equity index, had a 32.37% return for the year while MSCI EAFE, an international index, was up 30.36%.

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, 2011 are listed below:

| | <u>Target</u> | <u>Actual</u> |
|------------------------------|----------------------|----------------------|
| Domestic Equity | 46% | 50% |
| International Equity | 16% | 17% |
| Domestic Fixed | 21% | 20% |
| Alternative Inv./Real Estate | 15% | 11% |
| Global Energy | 2% | 2% |

For fiscal year ended June 30, 2011, the total fund rate of return, including gains, losses and income was 26.00%. 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 4.70%. The return was below the actuarially assumed interest rate of 8%.

At the beginning of the fiscal year, the assets of the fund totaled \$4.91 billion; at June 30, 2011 the Fund assets totaled \$6.02 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 Review

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.

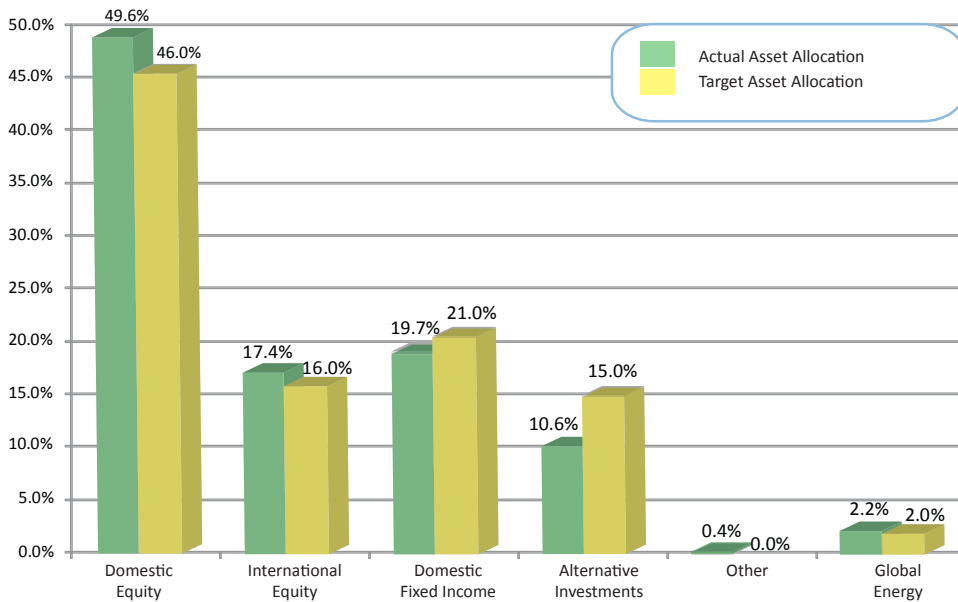
C. The periodic re-evaluation also will involve an evaluation of the continued appropriateness of:

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 versus Target Asset Allocation

as of June 30, 2011



The graph to the left shows the Fund's asset allocation as of June 30, 2011. The green column represents the Actual asset allocation; the yellow column represent the Target asset allocation as outlined in the investment policy statement.

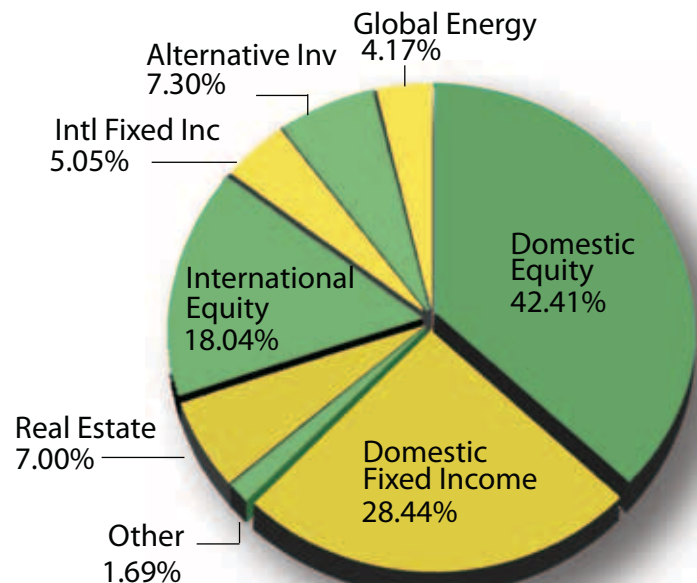
The table below gives a further breakdown of the asset allocations, showing the difference in percentage and actual dollar amounts between the Actual and Target allocations.

| Asset Class | \$000s Actual | APERS | ASPRS | Percent Actual | Percent Target | Percent Difference | \$000s Difference |
|----------------------|--------------------|--------------------|------------------|----------------|----------------|--------------------|-------------------|
| Domestic Equity | \$2,985,617 | \$2,872,686 | \$112,931 | 49.60% | 46.00% | 3.60% | \$ 215,052 |
| International Equity | 1,049,833 | 1,010,123 | 39,710 | 17.40 | 16.00 | 1.40 | 86,158 |
| Fixed Income | 1,189,414 | 1,144,424 | 44,990 | 19.70 | 21.00 | (1.30) | (75,409) |
| Alt. Investments | 641,426 | 617,164 | 24,262 | 10.60 | 15.00 | (4.40) | (262,019) |
| Cash | 24,004 | 23,096 | 908 | 0.40 | 0.00 | 0.40 | 24,004 |
| Global Energy | 132,673 | 127,655 | 5,018 | 2.20 | 2.00 | 0.20 | 12,214 |
| Total* | \$6,022,967 | \$5,795,148 | \$227,819 | 100.00% | 100.00% | | |

Public Plan Sponsor Database

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

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



Manager Distribution

| Asset Allocation | Total Market Value (\$ Thousands) | Percent Of Total | 6/30/2011 APERS | 6/30/2011 ASPRS |
|---|-----------------------------------|-----------------------|-------------------------------|-----------------------------|
| Domestic Equity (\$2,985,616,544 - 49.57%) | | | | |
| MCM S&P Index Fund | \$ 657,135,604 | 10.91% | \$ 632,279,450 | \$ 24,856,154 |
| CastleArk Management | \$ 308,771,327 | 5.13% | \$ 297,092,052 | \$ 11,679,275 |
| Golden Capital Mgmt. | \$ 129,323,089 | 2.15% | \$ 124,431,443 | \$ 4,891,646 |
| INTECH | \$ 221,178,679 | 3.67% | \$ 212,812,595 | \$ 8,366,084 |
| Wellington Mgmt. Co. | \$ 282,595,102 | 4.69% | \$ 271,905,942 | \$ 10,689,160 |
| Westwood Mgmt. | \$ 283,559,596 | 4.71% | \$ 272,833,954 | \$ 10,725,642 |
| INVESCO | \$ 250,312,882 | 4.16% | \$ 240,844,797 | \$ 9,468,085 |
| Lazard Asset Mgmt. | \$ 257,155,739 | 4.27% | \$ 247,428,823 | \$ 9,726,916 |
| SSI Investment Mgmt. | \$ 251,465,873 | 4.18% | \$ 241,954,176 | \$ 9,511,697 |
| CastleArk Mgmt. - AR Energy Fund | \$ 63,502,605 | 1.05% | \$ 61,100,619 | \$ 2,401,986 |
| UBS Global Asset Mgmt. | \$ 45,724,159 | 0.76% | \$ 43,994,643 | \$ 1,729,516 |
| Horrell Capital Mgmt. | \$ 54,408,215 | 0.90% | \$ 52,350,224 | \$ 2,057,991 |
| State Street Global Advisors | \$ 45,625,913 | 0.76% | \$ 43,900,113 | \$ 1,725,800 |
| Stephens Inv. Mgmt. Group | \$ 134,493,776 | 2.23% | \$ 129,406,549 | \$ 5,087,227 |
| Transition Account | \$ 363,985 | 0.01% | \$ 350,217 | \$ 13,768 |
| International Equity (\$1,049,832,840 - 17.43%) | | | | |
| Lazard Asset Mgmt. | \$ 201,720,817 | 3.35% | \$ 194,090,727 | \$ 7,630,090 |
| Artisan Partners | \$ 186,861,997 | 3.10% | \$ 179,793,942 | \$ 7,068,055 |
| UBS Global Asset Mgmt. | \$ 177,658,755 | 2.95% | \$ 170,938,813 | \$ 6,719,942 |
| Manning & Napier | \$ 205,052,746 | 3.40% | \$ 197,296,626 | \$ 7,756,120 |
| Pyramis Global Advisors | \$ 278,538,525 | 4.62% | \$ 268,002,805 | \$ 10,535,720 |
| Fixed Income (\$1,189,413,647 - 19.75%) | | | | |
| MacKay Shields | \$ 801,081,874 | 13.30% | \$ 770,780,952 | \$ 30,300,922 |
| Prudential Investments | \$ 388,331,773 | 6.45% | \$ 373,643,124 | \$ 14,688,649 |
| Alternative Investments (\$641,425,795 - 10.65%) | | | | |
| INVESCO Real Estate | \$ 216,317,492 | 3.59% | \$ 208,135,283 | \$ 8,182,209 |
| Pinnacle Forest Investments | \$ 198,115,791 | 3.29% | \$ 190,622,061 | \$ 7,493,730 |
| National Timber Asset Mgmt. | \$ 109,208,332 | 1.81% | \$ 105,077,527 | \$ 4,130,805 |
| INVESCO GLOBAL REITS | \$ 117,784,180 | 1.96% | \$ 113,328,993 | \$ 4,455,187 |
| Global Energy Fund (\$132,672,866 - 2.20%) | | | | |
| CastleArk Management | \$ 132,672,866 | 2.20% | \$ 127,654,515 | \$ 5,018,351 |
| Short-term Investment Fund | | | | |
| | \$ 24,003,897 | 0.40% | \$ 23,095,950 | \$ 907,947 |
| COMPOSITE FUND | <u>\$6,022,965,589</u> | <u>100.00%</u> | <u>\$5,795,146,916</u> | <u>\$227,818,673</u> |

*Columns may not total due to rounding

Performance Comparisons

Performance Comparisons For Fiscal Years Ended 6/30/07 through 6/30/11

| Fiscal Years Ended June 30 | <u>6/30/11</u> | <u>6/30/10</u> | <u>6/30/09</u> | <u>6/30/08</u> | <u>6/30/07</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Total Fund: | | | | | |
| Arkansas Public Employees Retirement System | 26.00% | 11.95% | (20.89)% | (4.45)% | 18.01 % |
| Callan Total Public Fund Median | 21.35 | 12.92 | (18.00) | (4.65) | 17.30 |
| Inflation (Consumer Price Index) | 4.06 | 1.36 | (1.98) | 5.55 | 2.67 |
| Equities: | | | | | |
| Arkansas Public Employees Retirement System | 33.64% | 15.69% | (25.74)% | (8.74)% | 20.01 % |
| Callan Total Equity Database Median | 34.19 | 16.89 | (26.11) | (12.02) | 20.08 |
| Russell 3000 Index | 32.37 | 15.72 | (26.56) | (12.69) | 20.07 |
| International Equities: | | | | | |
| Arkansas Public Employees Retirement System | 33.62% | 7.04% | (32.31)% | (9.27)% | 25.11 % |
| Callan Total Non-US Equities Database Median | 31.68 | 8.99 | (30.89) | (8.63) | 27.82 |
| MSCI-EAFE Index | 30.36 | 5.92 | (31.35) | (10.61) | 27.00 |
| Fixed Income: | | | | | |
| Arkansas Public Employees Retirement System | 8.15% | 15.19% | 2.70 % | 4.43 % | 7.11 % |
| Callan Total Fixed Income Database Median | 4.97 | 11.46 | 5.09 | 5.97 | 6.16 |
| Barclays Capital Aggregate Index | 3.90 | 9.50 | 6.05 | 7.12 | 6.12 |

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>Annualized</u> | | |
|--|-------------------|---------------|---------------|
| | <u>6/30/11</u> | <u>3-Year</u> | <u>5-Year</u> |
| Total Fund: | | | |
| Arkansas Public Employees Retirement System | 26.00% | 3.72 % | 4.70 % |
| Callan Total Public Fund Median | 21.35 | 4.29 | 4.77 |
| Inflation (Consumer Price Index) | 4.06 | 1.12 | 2.30 |
| Equities: | | | |
| Arkansas Public Employees Retirement System | 33.64% | 4.71 % | 4.69 % |
| Callan Total Equity Database Median | 34.19 | 5.60 | 4.90 |
| Russell 3000 Index | 32.37 | 4.00 | 3.35 |
| International Equities: | | | |
| Arkansas Public Employees Retirement System | 33.62% | (1.07)% | 1.91 % |
| Callan Total Non-US Equities Database Median | 31.68 | 0.07 | 3.00 |
| MSCI-EAFE Index | 30.36 | (1.77) | 1.48 |
| Fixed Income: | | | |
| Arkansas Public Employees Retirement System | 8.15% | 8.56 % | 7.43 % |
| Callan Total Fixed Income Database Median | 4.97 | 7.19 | 6.91 |
| Barclays Capital Aggregate Index | 3.90 | 6.46 | 6.52 |

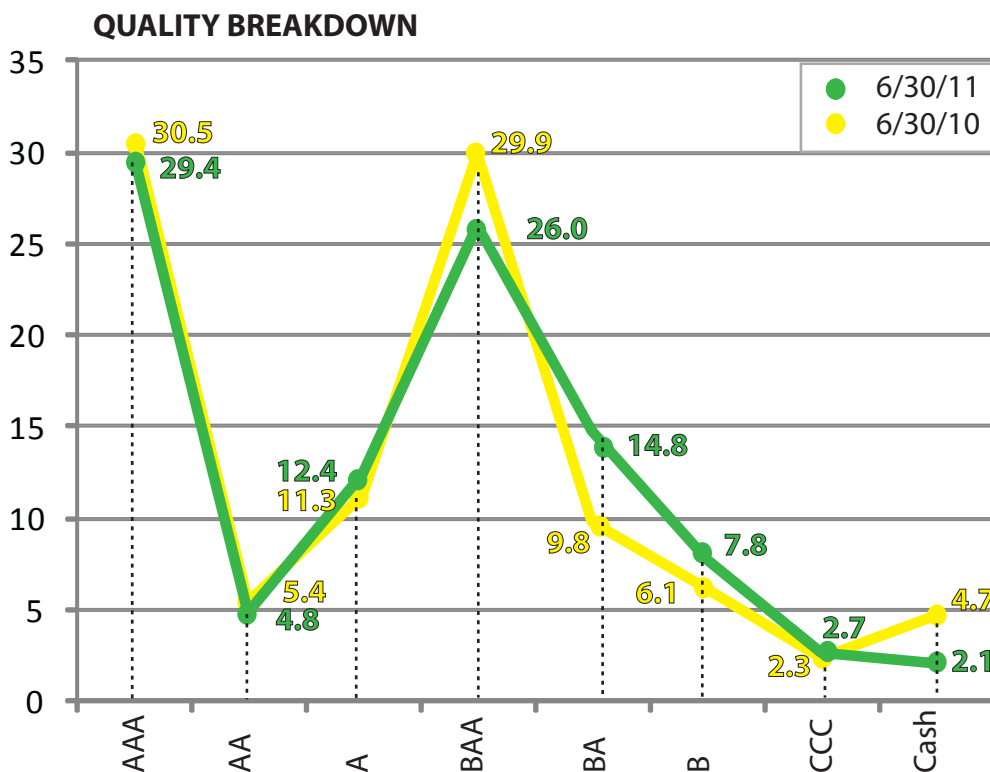
Source: Callan Associates Inc. (Callan database contains returns of over 115 Public retirement funds).
Returns Reported Gross of Fees

Portfolio Characteristics

| Selected Bond Characteristics: | | 6/30/11 | 6/30/10 |
|---|--|----------------|----------------|
| Yield to Maturity (Market) | | 4.47% | 4.74% |
| Current Yield | | 5.01 | 4.84 |
| Average Coupon Rate | | 5.10 | 5.18 |
| Average Maturity | | 5.74Yrs. | 6.06Yrs. |
| Quality Breakdown: | | | |
| AAA (Includes Govts. & Agencies) | | 29.40% | 30.50% |
| AA | | 4.80 | 5.40 |
| A | | 12.40 | 11.30 |
| BAA | | 26.00 | 29.90 |
| BA | | 14.80 | 9.80 |
| B | | 7.80 | 6.10 |
| CCC Below & NR | | 2.70 | 2.30 |
| *Cash | | 2.10 | 4.70 |
| Selected Stock Characteristics: | | | |
| Average P/E Ratio | | 16.22x | 14.57x |
| Estimated Earnings Growth Rate (Next 5 Years) | | 11.41% | 11.07% |
| Current Yield | | 1.67 | 1.90 |

* 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 | 6/30/11 APERS | 6/30/11 ASPRS |
| 1) 5,363,333 | U.S. Treasury Bond 3.875% 08/15/2040 | \$ 4,910,829 | \$ 4,725,077 | \$ 185,752 |
| 2) 4,863,333 | U.S. Treasury Note 3.125% 05/15/2021 | 4,849,667 | 4,666,228 | 183,439 |
| 3) 3,796,667 | U.S. Treasury Note 3.625% 08/15/2019 | 4,045,235 | 3,892,224 | 153,011 |
| 4) 3,769,003 | U.S. Treasury CPI 1.125% 01/15/2021 | 3,913,884 | 3,765,841 | 148,043 |
| 5) 3,333,333 | Federal Nat'l Mtg Assn Debs 4.625% 10/15/2014 | 3,709,200 | 3,568,900 | 140,300 |
| 6) 3,333,333 | FNMA 30yr TBA 4.50% 07/01/2041 | 3,448,433 | 3,317,996 | 130,437 |
| 7) 2,706,667 | Interest Rate Swap - USD 2.5263% 05/15/2018 | 2,706,667 | 2,604,287 | 102,380 |
| 8) 2,613,333 | U.S. Treasury Note 2.375% 07/31/2017 | 2,641,113 | 2,541,213 | 99,900 |
| 9) 1,833,333 | Bank of America Corp. 5.42% 03/15/2017 | 1,870,293 | 1,799,549 | 70,744 |
| 10) 1,011,667 | Priceline.com Inc. 1.25% 03/15/2015 | 1,794,444 | 1,726,569 | 67,875 |
| | Total | <u>\$33,889,765</u> | <u>\$32,607,885</u> | <u>\$1,281,880</u> |

| Domestic Equity Holdings (By Market Value) | | | | |
|---|--------------------------------|-----------------------------|-----------------------------|---------------------------|
| Shares | Security | Total Market Value | 6/30/11 APERS | 6/30/11 ASPRS |
| 1) 1,446,699 | Pfizer Inc. | \$ 29,801,999 | \$ 28,674,738 | \$1,127,261 |
| 2) 158,385 | International Business Machine | 27,170,947 | 26,143,206 | 1,027,741 |
| 3) 338,330 | Conoco Phillips | 25,439,033 | 24,476,802 | 962,231 |
| 4) 73,940 | Apple Inc. | 24,819,440 | 23,880,645 | 938,795 |
| 5) 218,220 | Chevron Corp. | 22,441,745 | 21,592,886 | 848,859 |
| 6) 252,893 | Exxon Mobil Corp. | 20,580,432 | 19,801,977 | 778,455 |
| 7) 613,320 | Wells Fargo & Co. | 17,209,759 | 16,558,800 | 650,959 |
| 8) 301,475 | Qualcomm Inc. | 17,120,765 | 16,473,172 | 647,593 |
| 9) 645,926 | Microsoft Corp. | 16,794,076 | 16,158,840 | 635,236 |
| 10) 308,500 | Halliburton Co. | 15,733,500 | 15,138,380 | 595,120 |
| | Total | <u>\$217,111,696</u> | <u>\$208,899,446</u> | <u>\$8,212,250</u> |

| International Equity Holdings (By Market Value) | | | | |
|--|-------------------------|----------------------------|----------------------------|---------------------------|
| Shares | Security | Total Market Value | 6/30/11 APERS | 6/30/11 ASPRS |
| 1) 1,027,858 | Compass Group | \$ 9,917,550 | \$ 9,542,418 | \$ 375,131 |
| 2) 149,428 | Novartis AG | 9,139,599 | 8,793,893 | 345,705 |
| 3) 215,276 | TE Connectivity Ltd. | 7,913,546 | 7,614,216 | 299,330 |
| 4) 257,900 | Amdocs Ltd. | 7,837,581 | 7,541,124 | 296,457 |
| 5) 108,300 | Royal Dutch Shell Plc | 7,703,379 | 7,411,999 | 291,380 |
| 6) 137,681 | Signet Jewelers | 6,444,848 | 6,201,071 | 243,776 |
| 7) 200,997 | Arch Capital Group Ltd. | 6,415,824 | 6,173,146 | 242,679 |
| 8) 454,960 | Sonic Healthcare Ltd. | 6,268,722 | 6,031,607 | 237,114 |
| 9) 79,150 | Lonza Group | 6,185,356 | 5,951,395 | 233,961 |
| 10) 107,393 | Publicis Groupe SA | 5,986,809 | 5,760,358 | 226,451 |
| | Total | <u>\$73,813,213</u> | <u>\$71,021,228</u> | <u>\$2,791,985</u> |

Figures may not total due to rounding.

Schedule of Brokerage Commissions

| <u>Brokerage Firm</u> | <u>Number of Shares Traded</u> | <u>Total Commission</u> | <u>Commission Per Share</u> | <u>6/30/11 APERS Commission</u> | <u>6/30/11 ASPRS Commission</u> |
|--|------------------------------------|-----------------------------|---------------------------------|---|---|
| Barclays Capital Inc. | 7,163,127 | \$ 462,877 | \$0.06 | \$ 445,369 | \$ 17,508 |
| Credit Suisse First Boston | 7,990,786 | 437,016 | 0.05 | 420,486 | 16,530 |
| Societe Generale Securities Corp. | 3,219,600 | 341,846 | 0.11 | 328,916 | 12,930 |
| Deutsche Bank Securities, Inc. | 6,454,669 | 311,790 | 0.05 | 299,997 | 11,793 |
| Liquidnet Inc. | 6,295,633 | 235,699 | 0.04 | 226,784 | 8,915 |
| Instinet, LLC | 5,793,850 | 183,778 | 0.03 | 176,827 | 6,951 |
| Goldman Sachs & Co. | 4,864,273 | 181,344 | 0.04 | 174,485 | 6,859 |
| ITG Inc. | 4,881,787 | 152,926 | 0.03 | 147,142 | 5,784 |
| Citigroup Global Markets Inc. | 3,135,043 | 145,535 | 0.05 | 140,030 | 5,505 |
| Morgan Stanley & Co. Inc. | 4,321,566 | 143,745 | 0.03 | 138,308 | 5,437 |
| Simmons & Co. Inc. | 2,210,570 | 104,106 | 0.05 | 100,168 | 3,938 |
| J.P. Morgan Securities Inc. | 1,469,223 | 94,784 | 0.06 | 91,199 | 3,585 |
| UBS Securities LLC | 3,364,254 | 89,416 | 0.03 | 86,034 | 3,382 |
| Pickering Energy Partners | 1,697,099 | 84,497 | 0.05 | 81,301 | 3,196 |
| Jefferies & Co. | 3,118,353 | 75,687 | 0.02 | 72,824 | 2,863 |
| Merrill Lynch, Pierce, Fenner & Smith Inc. | 2,637,293 | 67,677 | 0.03 | 65,117 | 2,560 |
| BTIG LLC | 5,863,720 | 63,867 | 0.01 | 61,451 | 2,416 |
| William Blair & Co., LLC | 1,510,774 | 63,555 | 0.04 | 61,151 | 2,404 |
| Sanford C. Bernstein & Co., LLC | 1,997,263 | 62,101 | 0.03 | 59,752 | 2,349 |
| Buckingham Research Group Inc. | 1,043,815 | 52,894 | 0.05 | 50,893 | 2,001 |
| ISI Group Inc. | 1,496,314 | 52,571 | 0.04 | 50,583 | 1,988 |
| Piper Jaffray & Co. | 939,401 | 44,060 | 0.05 | 42,393 | 1,667 |
| Stifel, Nicolaus & Co., Inc. | 954,302 | 43,284 | 0.05 | 41,647 | 1,637 |
| Robert W. Baird & Co., Inc. | 1,042,405 | 40,332 | 0.04 | 38,806 | 1,526 |
| Soliel Securities Corp. | 731,756 | 36,588 | 0.05 | 35,204 | 1,384 |
| Others (including 67 brokerage firms) | <u>16,812,951</u> | <u>549,474</u> | <u>0.03</u> | <u>528,690</u> | <u>20,784</u> |
| Total | <u>101,009,827</u> | <u>\$4,121,449</u> | <u>\$0.04</u> | <u>\$3,965,555</u> | <u>\$155,894</u> |

Schedule of Investment Fees

| Equities | Total Market Value | Fee | Basis Points | 6/30/11 APERS | | 6/30/11 ASPRS | |
|---|-------------------------------|----------------------------|-----------------|-------------------------------|-----------------------------|-----------------------------|-------------------------|
| | | | | Market Value | Fees | Market Value | Fees |
| SSI Investment Mgmt. - Convertible Securities | \$ 251,465,873 | \$ 993,211 | 40 | \$ 241,954,176 | \$ 955,643 | \$ 9,511,697 | \$ 37,568 |
| INVESCO - Value | 250,312,882 | 618,545 | 30 | 240,844,797 | 595,149 | 9,468,085 | 23,396 |
| Lazard Asset Mgmt. - Value | 257,155,739 | 732,469 | 30 | 247,428,823 | 704,763 | 9,726,916 | 27,706 |
| Golden Capital Mgmt. - Growth | 129,323,089 | 273,896 | 22.5 | 124,431,443 | 263,536 | 4,891,646 | 10,360 |
| Westwood Mgmt. - SMID Cap | 283,559,596 | 1,553,522 | 25 | 272,833,954 | 1,494,760 | 10,725,642 | 58,762 |
| MCM S&P 500 Index Fund | 657,135,604 | 139,913 | 3.5 | 632,279,450 | 134,621 | 24,856,154 | 5,292 |
| INTECH - Growth | 221,178,679 | 962,847 | 48 | 212,812,595 | 926,427 | 8,366,084 | 36,420 |
| CastleArk Mgmt. - Growth | 308,771,327 | 986,027 | 35 | 297,092,052 | 948,731 | 11,679,275 | 37,296 |
| Wellington Mgmt. Co. - Value | 282,595,102 | 798,730 | 30 | 271,905,942 | 768,518 | 10,689,160 | 30,212 |
| Stephens Investment Mgmt. - Growth | 134,493,776 | 944,594 | 77 | 129,406,549 | 908,865 | 5,087,227 | 35,729 |
| CastleArk Mgmt. - AR Energy Fund | 63,502,605 | 729,463 | 125 | 61,100,619 | 701,871 | 2,401,986 | 27,592 |
| State Street Global Advisors - 130/30 | 45,625,913 | 206,854 | 50 | 43,900,113 | 199,030 | 1,725,800 | 7,824 |
| UBS Global Asset Mgmt. - GTAA | 45,724,159 | 357,042 | 90 | 43,994,643 | 343,537 | 1,729,516 | 13,505 |
| Horrell Capital Mgmt. - AR Index Fund | 54,408,215 | 143,994 | 27 | 52,350,224 | 138,547 | 2,057,991 | 5,447 |
| Lazard Asset Mgmt. - Int'l Equity | 201,720,817 | 582,835 | 65 | 194,090,727 | 560,789 | 7,630,090 | 22,046 |
| Manning & Napier Advisors - Int'l Equity | 205,052,746 | 1,012,903 | 50 | 197,296,626 | 974,590 | 7,756,120 | 38,313 |
| Pyramis Global Advisors - Int'l Equity | 278,538,525 | 519,931 | 20 | 268,002,805 | 500,265 | 10,535,720 | 19,666 |
| UBS Global Asset Mgmt. - Int'l Equity | 177,658,755 | 862,821 | 50 | 170,938,813 | 830,185 | 6,719,942 | 32,636 |
| Artisan Partners - Int'l Equity | 186,861,997 | 1,081,872 | 55 | 179,793,942 | 1,040,950 | 7,068,055 | 40,922 |
| Total Equity | <u>\$4,035,085,399</u> | <u>\$13,501,469</u> | | <u>\$3,882,458,294</u> | <u>\$12,990,776</u> | <u>\$152,627,105</u> | <u>\$510,693</u> |
| Global Energy | | | | | | | |
| CastleArk Management | \$ 132,672,866 | \$ 1,064,920 | 100 | \$ 127,654,515 | \$ 1,024,639 | \$ 5,018,351 | \$ 40,281 |
| Total Global Energy | <u>\$ 132,672,866</u> | <u>\$ 1,064,920</u> | | <u>\$ 127,654,515</u> | <u>\$ 1,024,639</u> | <u>\$ 5,018,351</u> | <u>\$ 40,281</u> |
| Fixed Income | | | | | | | |
| Mackay Shields - Core Plus I | \$ 391,559,948 | \$ 758,346 | 20 | \$ 376,749,193 | \$ 729,662 | \$ 14,810,755 | \$ 28,684 |
| Mackay Shields - Core Plus II | 409,521,926 | 605,106 | 15 | 394,031,759 | 582,218 | 15,490,167 | 22,888 |
| Prudential Investments - Core Plus | 388,331,773 | 750,383 | 20 | 373,643,124 | 722,000 | 14,688,649 | 28,383 |
| Total Fixed Income | <u>\$1,189,413,647</u> | <u>\$ 2,113,835</u> | | <u>\$1,144,424,076</u> | <u>\$ 2,033,879</u> | <u>\$ 44,989,571</u> | <u>\$ 79,956</u> |
| Alternatives | | | | | | | |
| Pinnacle Forest Investments – Timberland | \$ 198,115,791 | \$ 1,587,549 | 90 | \$ 190,622,061 | \$ 1,527,500 | \$ 7,493,730 | \$ 60,049 |
| INVESCO Real Estate-Core & Global REITS | 334,101,672 | 1,630,046 | 65 | 321,464,276 | 1,568,390 | 12,637,396 | 61,656 |
| Total Alternatives | <u>\$ 532,217,463</u> | <u>\$ 3,217,595</u> | | <u>\$ 512,086,337</u> | <u>\$ 3,095,889</u> | <u>\$ 20,131,126</u> | <u>\$121,706</u> |
| Other Investment Services | | | | | | | |
| Bank of New York Mellon (Custodian) | | \$ 546,828 | | | \$ 526,144 | | \$ 20,684 |
| Bank of New York Mellon (Securities Lending) | | 83,070 | | | 79,928 | | 3,142 |
| Callan Associates (Consultant) | | 220,000 | | | 211,679 | | 8,322 |
| Total Other Services | | <u>849,898</u> | | | <u>817,751</u> | | <u>32,147</u> |
| Total Investment Service Fees | | <u>\$20,747,717</u> | | | <u>\$ 19,962,935</u> | | <u>\$784,782</u> |



Actuarial

Actuary's Certification Letter

Summary of Assumptions Used In Actuarial Valuations

Economic Assumptions

Non-Economic Assumptions

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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November 29, 2011

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, 2011.

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.

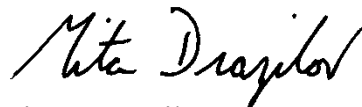
Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering 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, 2011 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, 2011 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:sac

Summary of Assumptions Used in Actuarial Valuations

Assumptions Adopted by Board of Trustees After Consulting with Actuary June 30, 2011 Valuation

Economic Assumptions

The investment return rate used in making the valuation was 8.00% per year, compounded annually (net after investment and administrative expenses). This rate of return is not the assumed real rate of return. The real rate of return is the portion of investment return which is more than the wage inflation rate. Considering the assumed wage inflation rate of 4.00%, the 8.00% investment return rate translates to an assumed net real rate of return of 4.00%. This rate of assumption was first used for the June 30, 2002 valuation and for the District Judges division for the June 30, 2007 valuation.

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

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

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

The number of active members is assumed to continue at 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 54. This table was first used for the June 30, 2008 valuation. Based upon the experience observed during the most recent experience study, it appears that the current table provides for an approximate 15% margin for future mortality improvement.

The probabilities of withdrawal from service, death-in-service, and disability are shown for sample ages on page 55. These probabilities were first used for the June 30, 2011 valuation and for the District Judges division for the June 30, 2007 valuation.

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

The ultimate entry age normal actuarial cost method of the valuation was used in determining liabilities and normal cost (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 6/30/11

| Valuation Date - 6/30/11 | APERS | District Judges |
|-------------------------------|---|--|
| Actuarial Cost Method | Ultimate entry age normal (state & local) Entry age normal (General Assembly) | Individual 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) 17 years (General Assembly) | 26 years (New Plan & Paid Off Old Plan) 24 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. |

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 Judges 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 |
| 28 | 15% |
| 29 | 10 |
| 30-31 | 5 |
| 32 | 40 |
| 33-37 | 30 |
| 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 June 30 | Active Members In Valuation | | Average Pay | | Change in CPI (Inflation) |
|------------------------------|--------------------------------|-------------------|-------------|--------------|---------------------------------|
| | Number | Annual Payroll | Dollars | % Change | |
| | | | | | |
| 1992 | 22,953 | \$468,310,059 | \$20,403 | +5.3% | +3.1 |
| 1993#@ | 23,201 | 495,874,973 | 21,373 | +4.8 | +3.0 |
| 1994 | 24,488 | 530,532,520 | 21,665 | +1.4 | +2.5 |
| 1995#& | 25,392 | 566,317,776 | 22,303 | +2.9 | +3.0 |
| 1996 | 25,496 | 598,416,616 | 23,471 | +5.2 | +2.8 |
| 1997# | 25,699 | 636,196,222 | 24,695 | +5.2 | +3.0 |
| 1998@ | 25,776 | 657,941,805 | 25,525 | +3.4 | +2.3 |
| 1999 | 25,726 | 674,674,818 | 26,225 | +2.7 | +1.7 |
| 1999# | 25,726 | 674,941,818 | 26,225 | +2.7 | +1.7 |
| 2000 | 25,869 | 696,187,512 | 26,912 | <u>+2.6</u> | <u>+3.7</u> |
| 9 Year Average | | | | <u>+3.3%</u> | <u>+2.5</u> |

Local Government Division

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

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

State and Local Government Division

| Valuation Date June 30 | Active Members in Valuation | | Average Pay | | Change in CPI (Inflation) |
|------------------------------|--------------------------------|----------------------|---------------|-------------|---------------------------------|
| | Number | Annual Payroll | Dollars | % Change | |
| | | | | | |
| 2001 | 42,469 | \$1,069,021,325 | \$25,172 | +3.2% | +3.2 |
| 2002 | 42,143 | 1,110,424,974 | 26,349 | +4.7 | +1.1 |
| 2003 | 42,825 | 1,147,269,521 | 26,790 | +1.7 | +2.1 |
| 2004 | 42,772 | 1,175,040,470 | 27,472 | +2.6 | +3.0 |
| 2005 | 42,916 | 1,214,612,719 | 28,302 | +3.1 | +3.2 |
| 2006 | 43,430 | 1,266,726,823 | 29,167 | +3.1 | +4.1 |
| 2007 | 43,613 | 1,302,302,790 | 29,860 | +2.4 | +2.4 |
| 2008 | 44,340 | 1,379,509,276 | 31,112 | +4.2 | +5.6 |
| 2009 | 44,702 | 1,433,497,978 | 32,079 | +3.1 | -2.1 |
| 2010 | 45,330 | 1,522,479,258 | 33,550 | +4.6 | +1.2 |
| 2011 | 45,135 | 1,542,769,994 | 34,181 | +1.9 | +3.6 |

@ After changes in financial assumptions.

& After changes in asset valuation method.

N/A Data not available for this fiscal year.

After legislated changes in benefit provisions.

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 |
| 2011 | 10 | 158,680 | 15,868 | +0.0 | +3.6 |

N/A Data not available for this fiscal year.

After legislated changes in benefit provisions.

@ After changes in financial assumptions.

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

Short Condition Test

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

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

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

- 1) Active member contributions on deposit;
- 2) The liabilities for future benefits to present retired lives;
- 3) The liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liability for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in unusual circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets.

The larger the funded portion of liability 3, the stronger the condition of the system. Liability 3 being fully funded is uncommon.

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

| Entry Age Accrued Liability | | | | | Portion of Present Values Covered By Present Assets | | | |
|---|---|--|---|------------------|---|-------------|------------|------------|
| Val'n Date: June 30 | (1) Active Member Contr. (\$ in Millions) | (2) Retirees and Benef. (\$ in Millions) | (3) Active Members (Employer Fin. Portion) (\$ in Millions) | Valuation Assets | (1) | (2) | (3) | Total |
| 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 |
| 2011@ | \$119.2 | \$3,268.3 | \$4,327.8 | \$5,462.6 | 100% | 100% | 48% | 71% |

@ After changes in financial assumptions

After legislated changes in benefit provisions

Analysis of Financial Experience

For The Year Ended June 30, 2011

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.

| | 6/30/11 APERS | | | 6/30/11 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 | \$1,884.1 | \$10.9 | \$1,895.0 | \$4,154,984 | \$11,507,744 | \$15,662,728 |
| (2) Normal cost from last valuation | 108.7 | 0.0 | 108.7 | 663,412 | 0 | 663,412 |
| (3) Actual employer contributions | 194.4 | 1.2 | 195.6 | 971,540 | 1,047,003 | 2,018,543 |
| (4) Interest accrual: [(1) + ½[(2) - (3)]]x .080 | 147.3 | 0.8 | 148.1 | 320,074 | 878,739 | 1,198,813 |
| (5) Expected UAAL before changes: (1) + (2) - (3) + (4) | 1,945.7 | 10.5 | 1,956.2 | 4,166,930 | 11,339,480 | 15,506,410 |
| (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 | N/A | N/A | N/A |
| (9) Expected UAAL after changes: (5) + (6) + (7) + (8) | 1,981.7 | 10.5 | 1,992.2 | 4,166,930 | 11,339,480 | 15,506,410 |
| (10) Actual UAAL at end of year | <u>2,252.7</u> | <u>13.9</u> | <u>2,266.6</u> | <u>4,074,739</u> | <u>10,499,379</u> | <u>14,574,118</u> |
| (11) Gain/(loss): (9) - (10) | <u>\$(271.0)</u> | <u>\$(3.4)</u> | <u>\$(274.4)</u> | <u>\$ 92,191</u> | <u>\$ 840,101</u> | <u>\$ 932,292</u> |

* Unfunded actuarial accrued liability.

Analysis of Financial Experience - Gains & Losses By Risk Area

| Type of Risk Area | 6/30/11 Gain/(Loss) in Period - (\$ in Millions) | | | |
|---|---|---------------------|------------------|-----------------------------|
| | State and Local Division | General Assembly | Total | % of Accrued Liabilities |
| ECONOMIC RISK AREAS | | | | |
| <u>Pay Increases</u> | | | | |
| If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss. | \$ 65.1 | \$ 0.0 | \$ 65.1 | 0.8 % |
| <u>Investment Return</u> | | | | |
| If there is greater investment return than assumed, there is a gain. If less return, a loss. | \$ (259.3) | \$ (0.5) | \$(259.8) | (3.4)% |
| 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. | \$ 10.7 | \$ 0.0 | \$ 10.7 | 0.1 % |
| <u>Disability Retirements</u> | | | | |
| If there are fewer disabilities than assumed, there is a gain. If more, a loss. | \$ (5.9) | \$ 0.0 | \$ (5.9) | (0.1)% |
| <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. | \$ 7.7 | \$ 0.0 | \$ 7.7 | 0.1 % |
| Total Active Member Actuarial Gains/(Losses) | \$ (181.8) | \$ (0.5) | \$(182.3) | (2.4)% |
| <u>Retired Life Mortality</u> | \$ 20.8 | \$ 0.0 | \$ 20.8 | 0.3% |
| <u>Other</u> | | | | |
| Includes data adjustments at retirement, timing of financial transactions, retired life mortality, and miscellaneous unidentified sources. | \$(110.0) | \$(2.9) | \$(112.9) | (1.5)% |
| Total Actuarial Gains (Losses) | <u>\$(271.0)</u> | <u>\$(3.4)</u> | <u>\$(274.4)</u> | <u>(3.6)%</u> |

Summary of Plan Provisions

(Excludes Special Provisions For General Assembly)

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

New Contributory Plan

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 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 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 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.

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.

Non-Contributory Plan

Voluntary Retirement

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).

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.

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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.

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.

Early Retirement

Vested Retirement Benefits

Deferred Retirement

Disability Retirement

Summary of Plan Provisions

New Contributory Plan

Non-Contributory Plan

Final Average Compensation

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

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

Full Age and Service Retirement Benefits

2.00% of FAC times years of credited service earned (2.03% for service prior to July 1, 2007), plus .5% of FAC times years of service over 28 years for service after July 1, 2009. The minimum monthly benefit is \$150 minus any age and beneficiary option reductions.

The annuity benefit is calculated as 1.72% of FAC times years and months of credited service (1.75% for service prior to July 1, 2007), plus .5% of FAC times years of service over 28 years for service after July 1, 2009. If retirement is prior to age 62, an additional .33% of FAC times years of service will be paid until age 62. The portion of the APERS benefit based on service before 1978 cannot be less than the amount provided by contributory provisions in effect at the time of retirement. The minimum monthly benefit is \$150 minus any age and beneficiary option reductions.

Benefit Increases After Retirement

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

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

Death After Retirement

If death occurs before total monthly benefit payments equal member's accumulated contributions, the difference may be refunded to the designated beneficiary. Should a member elect a straight life benefit and die within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain circumstances. A retiring member can also elect an optional form of benefit, which provides beneficiary protection and is paid for by reducing the retired member's benefit amount.

Member contributions before 1978 are protected in the same manner as under the Contributory Plan. Should a member elect a straight life benefit and die within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain circumstances. Retiring members can also elect an optional form of benefit, which provides beneficiary protection and is paid for by reducing the retired member's benefit amount.

Death While in APERS - Covered Employment

If death occurs while in APERS-covered employment, member's accumulated contributions are refundable. However, if a member has 5 years or more of service, monthly benefits are payable instead. The surviving spouse receives a benefit, payable immediately, computed as if member had retired and elected the Joint and 75% Survivor Option. Each dependent child receives benefit of 10% of compensation, subject to a 25% maximum for all children. Dependent parent benefits are payable if neither spouse nor children benefits are payable.

If death occurs while in APERS covered employment, member's accumulated contributions before 1978 are refundable. However, if a member has 5 years or more of service, monthly benefits are payable instead. The surviving spouse receives a benefit, payable immediately, computed as if member had retired and elected the Joint and 75% Survivor Option. Each dependent child receives benefit of 10% of compensation, subject to a maximum of 25% for all children. Dependent parent benefits are payable if neither spouse nor children benefits are payable.

Summary of Plan Provisions

New Contributory Plan

Non-Contributory Plan

Member Contribution Rates

5% of covered compensation (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 APERS 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 on the balance (6% in 2011) 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 APERS 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 on the balance (6% in 2011) 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 | With a full benefit, 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 APEERS

Schedule of Average Benefit Payments for APEERS

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 |
|------------------------|-------------------------|---------------------------|----------------------|------------------------|----------------------|
| 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 |
| 2011 | 34,639,544 | 196,428,733 | 1,190,041,315 | 8,966,315 | 1,430,075,907 |

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 |
|------------------------|----------------------------------|----------------------------|------------------|----------|--------------------|
| 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 |
| 2011 | 344,140,357 | 6,374,379 | 6,123,910 | 0 | 356,638,646 |

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 | | |
| 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 |
| 2011 | 288,680,604 | 10,136,820 | 408,348 | 20,302,152 |

* Expenses are based on June 30 benefit amounts annualized.

Schedule of Retired Members By Type of Benefit

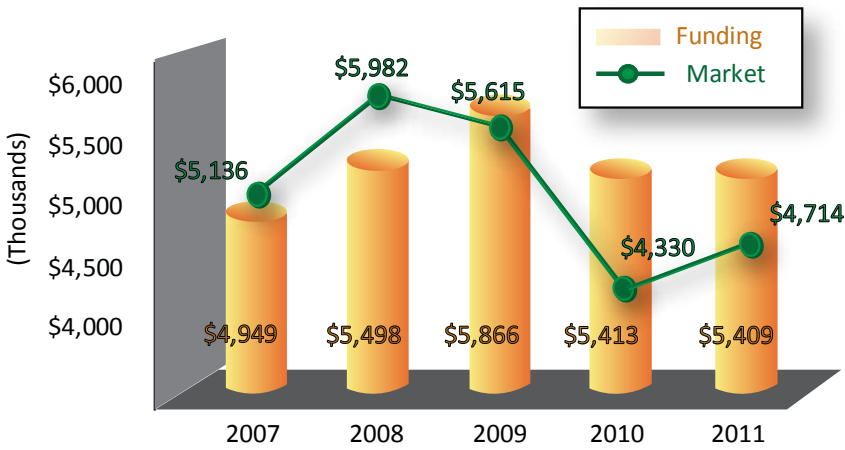
| Type of Annuity | 6/30/11 APERS | |
|---|----------------------|-----------------------------|
| | Number | Annual Annuities |
| Age & Service Retirees | | |
| Life | 16,680 | \$218,359,632 |
| Option A-60 (5 years certain) | 919 | 11,178,048 |
| Option A-120 (10 years certain) | 1,682 | 18,869,436 |
| Option B-50 (joint and 50% survivor) | 968 | 16,743,636 |
| Option B-75 (joint and 75% survivor) | 1,612 | 22,173,216 |
| Option B-100 (joint and 100% survivor) | <u>72</u> | <u>1,356,636</u> |
| Totals | 21,933 | 288,680,604 |
| Beneficiaries of Age & Service Retirees | | |
| Life | 241 | 1,671,348 |
| Option A-60 | 28 | 210,732 |
| Option A-120 | 213 | 1,819,620 |
| Option B-50 | 283 | 2,098,932 |
| Option B-75 | 417 | 3,781,044 |
| Option B-100 | <u>32</u> | <u>555,144</u> |
| Totals | <u>1,214</u> | <u>10,136,820</u> |
| Total Age & Service Retirees & Beneficiaries | 23,147 | 298,817,424 |
| Disability Retirees | | |
| Life | 1,820 | 14,803,656 |
| Option A-60 | 128 | 988,008 |
| Option A-120 | 268 | 2,015,292 |
| Option B-50 | 133 | 1,042,032 |
| Option B-75 | 202 | 1,453,164 |
| Option B-100 | <u>0</u> | <u>0</u> |
| Totals | 2,551 | 20,302,152 |
| Beneficiaries of Disability Retirees | | |
| Life | 60 | 332,088 |
| Option A-60 | 0 | 0 |
| Option A-120 | 0 | 0 |
| Option B-50 | 1 | 13,368 |
| Option B-75 | 373 | 2,298,708 |
| Option B-100 | <u>0</u> | <u>0</u> |
| Totals | <u>434</u> | <u>2,644,164</u> |
| Total Disability Retirees & Beneficiaries | 2,985 | 22,946,316 |
| QDRO Alternate Payees | 130 | 19,716 |
| Death-in-Service Beneficiaries | <u>58</u> | <u>408,348</u> |
| Total Retirees & Beneficiaries | 26,320 | 322,191,804 |
| DROP Participants | <u>1,817</u> | <u>53,497,284</u> |
| Grand Total Including DROP Participants | <u>28,137</u> | <u>\$375,689,088</u> |

Schedule of Average Benefit Payments For APERS

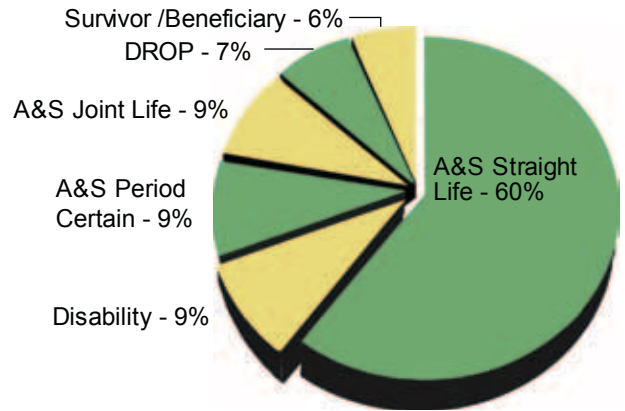
| | 6/30/11 Years of Credited Service | | | | |
|-----------------------------------|--------------------------------------|--------------|--------------|--------------|-------------|
| | <u>10-14</u> | <u>15-19</u> | <u>20-24</u> | <u>25-29</u> | <u>30+</u> |
| Retirement Effective Dates | | | | | |
| <u>7/1/10 to 6/30/11</u> | | | | | |
| Avg. Monthly Benefit | \$ 454.99 | \$ 770.27 | \$ 1,072.74 | \$ 1,502.60 | \$ 2,284.48 |
| Avg. Monthly Final Average Salary | 2,427.21 | 2,701.77 | 2,999.16 | 3,311.94 | 3,838.32 |
| Number of Active Retirants | 288 | 210 | 185 | 237 | 128 |
| 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>7/1/06 to 6/30/11</u> | | | | | |
| Avg. Monthly Benefit | \$ 450.46 | \$ 725.35 | \$ 971.05 | \$ 1,721.16 | \$ 2,273.07 |
| Avg. Monthly Final Average Salary | 2,248.88 | 2,553.51 | 2,648.48 | 3,221.89 | 3,619.80 |
| Number of Active Retirants | 1,259 | 994 | 865 | 1,320 | 576 |

Statistical Graphs

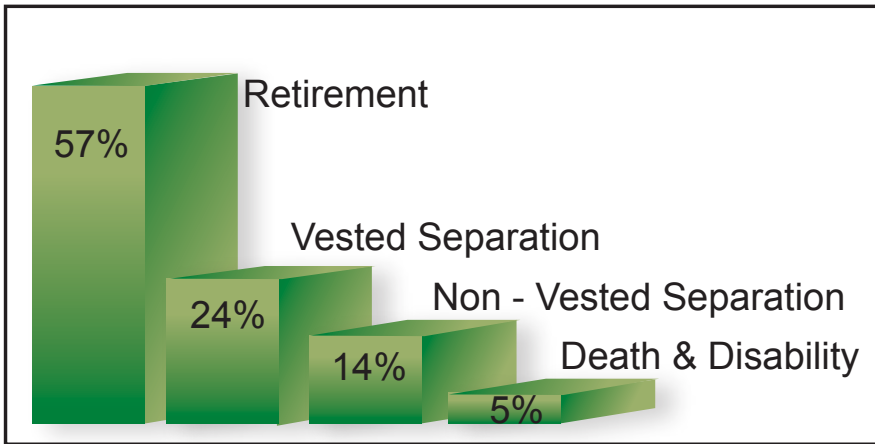
Comparison of Asset Values for Fiscal Years 2007- 2011



Annuity Being Paid By Type



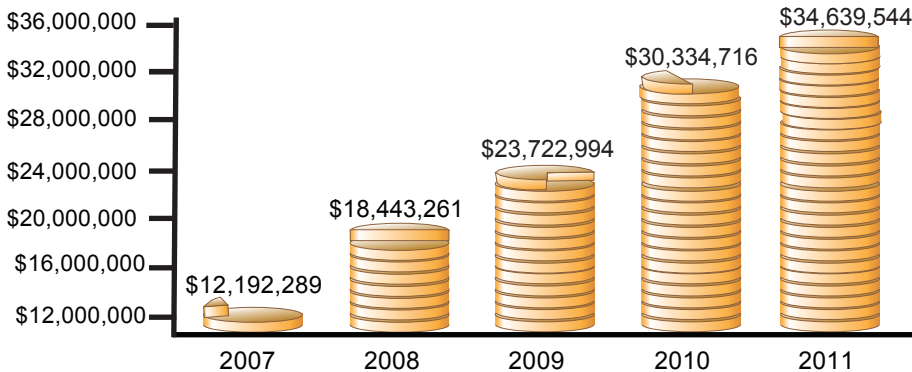
Expected Termination Type From Active Employment



Number of Active Members to Retired Members

| Year | ACTIVE | RETIRED |
|------|--------|---------|
| 2011 | 45,145 | 28,137 |
| 2005 | 42,938 | 21,080 |
| 2000 | 43,121 | 15,544 |

Comparison of Members' Contributions 2007 - 2011



Appendix

APERS & ASPRS Combined Statement of Plan Net Assets

*APERS & ASPRS Combined Statement of Changes
in Plan Net Assets*

Schedule of Participating Employers



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APERS & ASPRS - Combined Statement of Plan Net Assets

| | 6/30/11 | | |
|---|------------------------|------------------------|----------------------|
| ASSETS | Total | APERS | ASPRS |
| Cash and Cash Equivalents | \$151,492,575 | \$ 145,732,783 | \$ 5,759,792 |
| Securities Lending Collateral Investments in Cash Equivs. | | | |
| Receivables: | | | |
| Dec 2004 Actuarial Liability Receivable | 11,354,396 | 11,354,396 | 0 |
| Contributions | 3,321,628 | 3,312,790 | 8,838 |
| Investment Principal Receivable | 43,347,211 | 41,711,287 | 1,635,924 |
| Accrued Investment Income Receivable | 16,251,961 | 15,638,612 | 613,349 |
| Total Receivables | 74,275,196 | 72,017,085 | 2,258,111 |
| Investments At Fair Value | | | |
| Government Securities: | | | |
| U.S. Government Securities | 78,730,179 | 75,762,051 | 2,968,128 |
| Futures | (282,607) | (271,953) | (10,654) |
| Government Agency Securities | 170,179,834 | 163,764,054 | 6,415,780 |
| Corporate Securities: | | | |
| Collateralized Obligations | 210,927,248 | 202,975,291 | 7,951,957 |
| Corporate Bonds | 577,963,452 | 556,174,230 | 21,789,222 |
| Convertible Bonds | 189,533,791 | 182,388,367 | 7,145,424 |
| Convertible Preferred Stock | 57,553,411 | 55,383,647 | 2,169,764 |
| Common Stock | 2,133,014,174 | 2,052,599,540 | 80,414,634 |
| Equity Index Funds | 657,134,877 | 632,360,892 | 24,773,985 |
| Equity Co-mingled | 45,625,913 | 43,905,816 | 1,720,097 |
| High Yield Income Fund | 58,608,468 | 56,398,929 | 2,209,539 |
| International Securities: | | | |
| Global Fixed Income Fund | 138,411 | 133,193 | 5,218 |
| Government Fixed Obligations | 0 | 0 | 0 |
| Corporate Fixed Income | 9,339,727 | 8,987,619 | 352,108 |
| Equity Securities | 454,365,506 | 437,235,926 | 17,129,580 |
| Equity Pooled Fund Units | 673,113,959 | 647,737,563 | 25,376,396 |
| Global Collateralized Obligations | 2,607,677 | 2,509,368 | 98,309 |
| Emerging Markets | 19,915,578 | 19,164,761 | 750,817 |
| Forward Contracts | 238,595 | 229,600 | 8,995 |
| Interest Rate Swaps | 37,311 | 35,904 | 1,407 |
| Real Estate | 214,301,651 | 206,222,479 | 8,079,172 |
| Timberland | 307,324,123 | 295,738,004 | 11,586,119 |
| Municipal Bonds | 4,775,411 | 4,595,378 | 180,033 |
| Commercial Loans | 25,796,966 | 24,824,420 | 972,546 |
| Total Investments | 5,890,943,655 | 5,668,855,079 | 222,088,576 |
| Securities Lending Collateral Investments, At Fair Value: | | | |
| Corporate Bonds | 278,576,103 | 268,073,784 | 10,502,319 |
| Bank Obligations | 83,033,282 | 79,902,927 | 3,130,355 |
| Asset-Backed Securities | 53,455,285 | 51,440,021 | 2,015,264 |
| Repurchase Agreements | 154,919,029 | 149,078,582 | 5,840,447 |
| Total Securities Lending Collateral Investments | 569,983,699 | 548,495,314 | 21,488,385 |
| Prepays and Other Assets | 46,352 | 46,352 | 0 |
| Fixed Assets, Net | 66,170 | 66,170 | 0 |
| TOTAL ASSETS | <u>6,686,807,647</u> | <u>6,435,212,783</u> | <u>251,594,864</u> |
| LIABILITIES | | | |
| Accrued Expenses and Other Liabilities | 7,821,677 | 7,504,698 | 316,979 |
| Investment Principal Payable | 79,251,289 | 76,253,570 | 2,997,719 |
| Other Post Employment Benefits (See page 30) | 1,038,085 | 1,038,085 | 0 |
| Securities Lending Liability | 569,983,699 | 548,495,314 | 21,488,385 |
| TOTAL LIABILITIES | <u>658,094,750</u> | <u>633,291,667</u> | <u>24,803,083</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENS. | <u>\$6,028,712,897</u> | <u>\$5,801,921,116</u> | <u>\$226,791,781</u> |

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

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

| ADDITIONS | TOTAL | 6/30/11 | |
|---|-------------------------------|-------------------------------|-----------------------------|
| | | APERS | ASPRS |
| Contributions | | | |
| Employer | \$ 202,624,798 | \$ 196,428,733 | \$ 6,196,065 |
| Plan Members | 34,639,544 | 34,639,544 | 0 |
| Supplemental | 5,238,192 | 0 | 5,238,192 |
| Court | 1,517,963 | 0 | 1,517,963 |
| Driver's License Reinstatement Fees | <u>1,157,372</u> | <u>0</u> | <u>1,157,372</u> |
| Total Contributions | 245,177,869 | 231,068,277 | 14,109,592 |
| Investment Income: | | | |
| Interest | 64,357,163 | 61,922,026 | 2,435,137 |
| Dividends | 55,451,685 | 53,353,676 | 2,098,009 |
| Investment Gain/Loss | 1,137,465,207 | 1,094,375,724 | 43,089,483 |
| Security Lending Income | 1,069,310 | 1,028,853 | 40,457 |
| Real Estate Income | (57,274) | (55,107) | (2,167) |
| Other | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Investment Income | 1,258,286,091 | 1,210,625,172 | 47,660,919 |
| Less: Investment Expense | <u>21,392,938</u> | <u>20,583,857</u> | <u>809,081</u> |
| Net Investment Income | 1,236,893,153 | 1,190,041,315 | 46,851,838 |
| Other Sources: | | | |
| Miscellaneous Additions | 2,575,731 | 2,557,261 | 18,470 |
| Transfer from Teachers Retirement System | 6,331,031 | 6,331,031 | 0 |
| Miscellaneous Transfers from State Agencies | <u>78,023</u> | <u>78,023</u> | <u>0</u> |
| Total Other Additions | 8,984,784 | 8,966,315 | 18,470 |
| TOTAL ADDITIONS | 1,491,055,807 | 1,430,075,907 | 60,979,901 |
| DEDUCTIONS | | | |
| Benefits | 365,700,484 | 344,140,357 | 21,560,127 |
| Refunds of Contributions | 6,123,910 | 6,123,910 | 0 |
| Administrative Expenses | <u>6,457,613</u> | <u>6,374,379</u> | <u>83,234</u> |
| TOTAL DEDUCTIONS | 378,282,007 | 356,638,646 | 21,643,361 |
| NET INCREASE (DECREASE) | 1,112,773,800 | 1,073,437,261 | 39,336,539 |
| NET ASSETS | | | |
| Beginning of Year | <u>4,915,939,096</u> | <u>4,728,483,855</u> | <u>187,455,241</u> |
| End of Year | <u>\$6,028,712,897</u> | <u>\$5,801,921,116</u> | <u>\$266,791,781</u> |

See Notes to Financial Statements

Schedule of Participating Employers As Of June 30, 2011

State Agencies

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

(Continued)

Appendix

State Agencies (Continued)

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

(Continued)

County Employers (Continued)

Poinsett
 Polk
 Pope
 Prairie
 Pulaski
 Randolph
 Randolph County Nursing Home
 Saline
 Saline County Library
 Scott
 Searcy
 Sebastian
 Sevier
 Sharp
 St. Francis
 Stone
 Union
 Van Buren
 Washington
 White
 White County Public Library
 White River Regional Library
 Woodruff
 Yell
 Yell County Library

Municipal Agencies

Alma
 Alma Water & Sewer Department
 Arkadelphia
 Arkansas City
 Arkansas Municipal League
 Ash Flat
 Ashdown
 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
Norfolk
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 6/30/11

| | |
|---------------------------|------------|
| State Agencies | 247 |
| County Agencies | 85 |
| Municipal Agencies | 177 |
| School Employers | 140 |
| District Judges | 58 |
| District Court Employers* | 38 |
| Other Non-State Agencies | <u>26</u> |
| Total | <u>771</u> |

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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