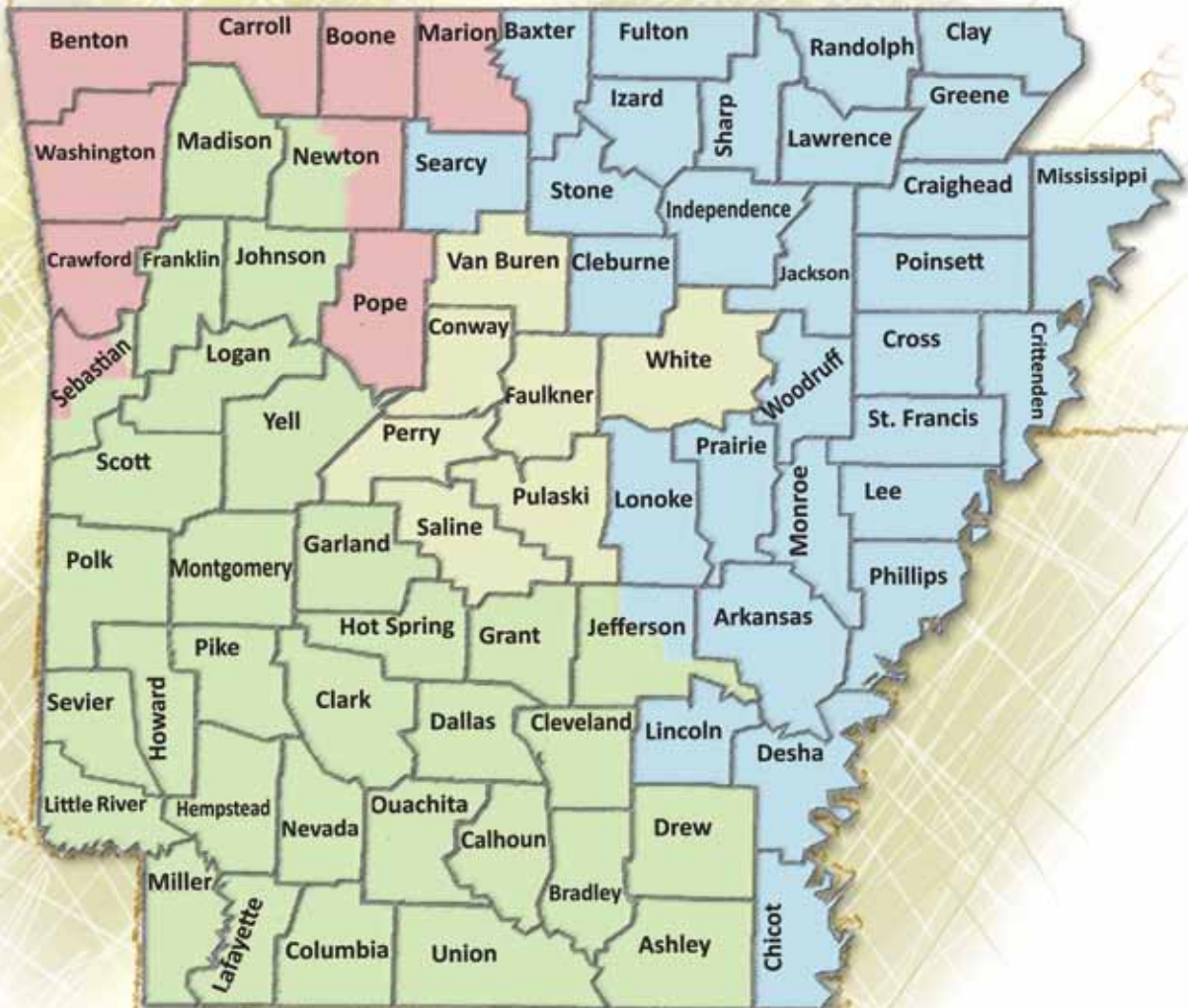


The retirement system benefits the entire state and all Arkansans, not just public employees.

ARKANSAS benefits



The retirement system benefits the entire state, and all Arkansans, not just public employees. How? When a person retires, their benefits help them purchase essential items. Those payments act as an economic engine to the community in which they live, and provides local businesses with income so that they can operate profitably and provide jobs. One person's spending becomes another person's income, thus creating a multiplier effect. All combined, the retirees, the thriving local economies, and a strong workforce, provide true benefits for all Arkansans, and, a better quality of life for everyone.

ARKANSAS benefits



A Pension Trust Fund of the State of Arkansas

Annual Financial Report
For the Year Ended
June 30, 2012

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

Table of Contents

	Page
Introductory Section	
A History of APERS	7
System Highlights	9
Letter of Transmittal	10
Chairman’s Letter	14
Board of Trustees	15
APERS Senior Staff	16
Outside Professional Service Providers	17
Financial Section	
Basic Financial Statements:	
Statement of Plan Net Assets	21
Statement of Changes in Plan Net Assets	22
Notes to Basic Financial Statements	23
Required Supplementary Information:	
Schedule of Funding Progress - APERS	42
Schedule of Funding Progress - District Judges	43
Schedule of Employer Contributions - Combined Statement & Schedules	44
Notes to Required Supplementary Information:	
Schedule of Administrative Expenses	45
Schedule of Investment Expense	46
Schedule of Consultant Fee(s)	46
Investment Section	
Chief Investments Officer’s Report	49
Investment Consultant Report	52
Investment Policy Summary	54
Asset Allocation	56
Schedule of Manager Distribution	58
Portfolio Characteristics	59
Schedule of Comparative Investment Results	60
Top Ten Largest Holdings	62
Schedule of Brokerage Commissions	63
Schedule of Investment Fees	64

Table of Contents

	Page
Actuarial Section	
Actuary’s Certification Letter	67
Summary of Actuarial Assumptions	69
Summary of Actuarial Methods	71
Probabilities of Retirement For Members Eligible To Retire	75
Short Condition Test	78
Analysis of Experience	80
Analysis of Experience - Gains/(Losses) by Risk Area	82
Summaries of Plan Provisions	83
Statistical Section	
Schedule of Revenues by Source	91
Schedule of Expenses by Type	91
Schedule of Benefit Expenses by Type	91
Schedule of Retired Members by Type of Benefit	92
Schedule of Average Benefit Payments	93
Statistical Graphs	94
Appendix	
APERS & ASPRS - Plan Net Assets - Combined Statement	97
APERS & ASPRS - Changes in Plan Net Assets - Combined Statement	98
APERS & ASPRS - Manager Distributions - Combined Statement	99
APERS & ASPRS - Ten Largest Holdings - Combined Schedules	100
APERS & ASPRS - Brokerage Commissions - Combined Schedule	101
APERS & ASPRS - Investment Fees - Combined Schedule	102
Summary of Active Member Valuation	103
Schedule of Retirees and Benefits Paid by County	104
Schedule of Participating Employers	105

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Introductory Section

Arkansas

Arkansas is comprised of 75 counties that are divided into 4 congressional districts.

The Arkansas General Assembly has redrawn the boundaries for each of Arkansas's four congressional districts.

These changes do not take effect until the 113th Session of the U.S. Congress, which convenes in January 2013.

Some counties such as Newton, Sebastian, and Jefferson have been divided and are represented by more than one district.

A History of APERS

System Highlights

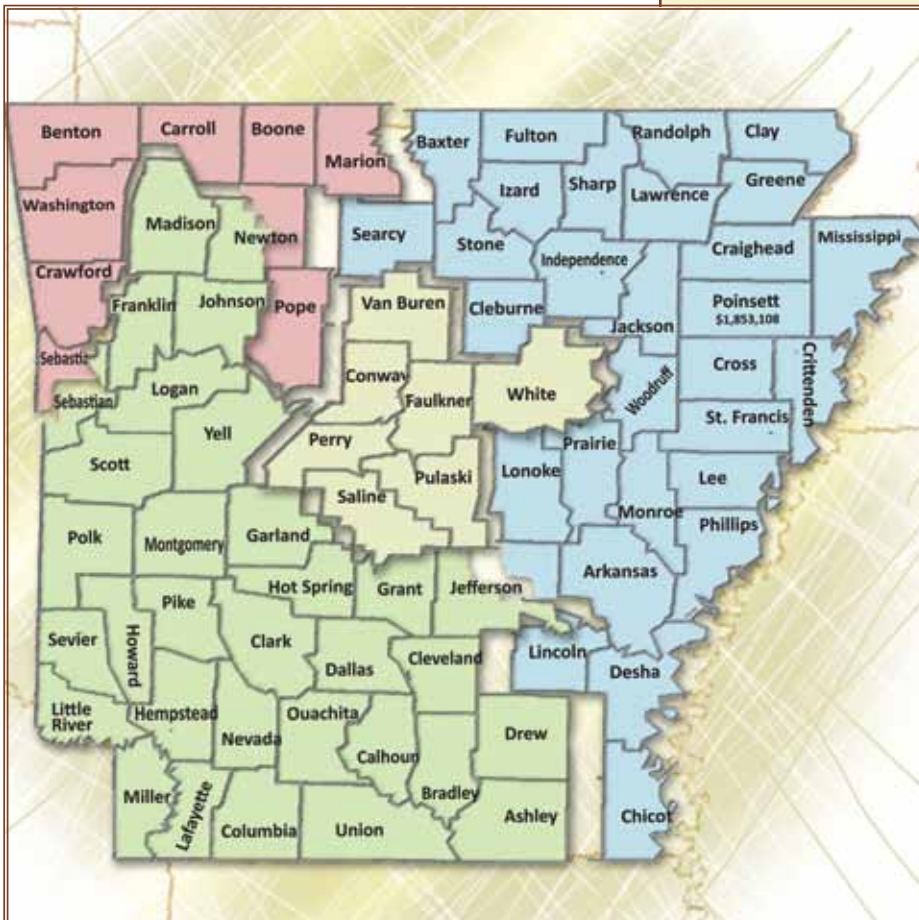
Letter of Transmittal

Chairman's Letter

Board of Trustees

APERS Organizational Chart

Outside Professional Service Providers



*“Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Arkansas.”**

*Source: National Institute on Retirement Security;
www.nirsonline.org

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A History of APERS

The Arkansas Public Employees Retirement System (“APERS”), formerly the Arkansas State Employees Retirement System, was established by the General Assembly in 1957 as a multi-employer defined retirement plan for State of Arkansas employees. APERS is governed by a nine member Board of Trustees. Three of the trustees are Ex-Officio, and the remaining are appointed by the Governor. From inception until 1985, the investment of the trust fund was governed by Arkansas Statutes that provided a permissible list of investments. In 1985, Act 412 repealed the permissible list of investments and enacted the prudent investor rule. It also allowed the establishment of a custodial bank relationship. The Act stated that the System shall seek to invest at least five percent, but no more than ten percent of the System’s portfolio in Arkansas related investments, but, only when consistent with the fiduciary requirements of the trustees. In 1989, Act 302 allowed the System to employ multiple discretionary money managers as appropriate. In 1997, Act 1194 revised and updated the investment policies and rules, including the prudent investor rule.

The Arkansas Public Employees Retirement System (APERS) has developed into a mature system that continues to satisfy the general financial objective of level contribution financing. As of June 30, 2012, the assets of the System remained healthy at \$5.7 billion despite a recently tough investment environment. The APERS investment program has seen rates of return that range from (0.33)% (for fiscal year 2012) to 26.00% (for fiscal year 2011). The investment of these assets is allocated among numerous investment managers that invest in 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 and deferred (non-retired) members, as well as a reduction in the years utilized to calculate the final average salary.

APERS membership has grown steadily. Our current active to retired lives is approximately 1.6 to 1, according to the 2012 APERS Report of Actuarial Valuation and Experience Gain/(Loss). Over the next several years, we will be experiencing the “Baby Boomers” retirement, and active to retired lives is anticipated to be 1 to 1.

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

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 not required to contribute to the System; only the employer contributed. All contributory members of the System at that time were given an opportunity to remain contributory or they could choose to be non-contributory.

Throughout the next several years, various other non-state employers were added to the System through various legislative enactments, as follows:

1989

- Act 653 required that all newly hired public school employees be enrolled in the Arkansas Teacher Retirement System (ATRS). The School Division became a closed plan.

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.

1997

- Act 1137 set the way for the FAS to be set at three (3) years.
- Act 1143 required adherence for retirement systems to the Qualified Domestic Relation Orders (QDRO).
- Effective July 1, 1997 the vesting requirements changed from ten (10) years to five (5) years for all active and future members of the System with the exception of members of the General Assembly (Act 1356 of 1995).
- 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.

1999

- 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.

2005

- In 2005, the 86th General Assembly provided for the establishment of a new contributory provision for the System. Therefore, effective July 1, 2005, all new members of the System would be contributory and would 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.

2007

- 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.

2009

- Act 295, 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, but not more than, five (5) years of service in APERS. Similarly vested members may purchase up to five (5) years of armed forces reserve time in the system. Act 295 also invoked the federal protections afforded by the Uniformed Services Employment and Reemployment Rights Act (USERRA) for APERS members called to active duty.
- Act 1242 merged the investable assets of the Arkansas State Police Retirement System (ASPRS) with those of APERS while granting all investment authority to the APERS Board of Trustees. The reporting schedules contained herein reflect the respective values accruing to each pension plan.

2011

- Act 38, effective February 16, 2011, states that when an APERS DROP participant’s participation ceases, that member is not eligible for employment in any position covered by any authorized state retirement plan.
- Act 558, effective January 1, 2012, amended Arkansas Code §24-4-402 to provide that employers in APERS must make contributions for both active and retired members who have returned to work.
- Act 558 also amended Arkansas Code §24-4-802 regarding participation in the APERS Deferred Retirement Option Plan (DROP) to state that when a member begins participation in the DROP, employee contributions to the system cease; however, employer contributions on behalf of the member shall continue.
- Act 563, effective July 1, 2011, amended Arkansas Code §24-4-521 to restrict the amount of credited service earned by a local elected public official to one (1) year of retirement credit for every year worked unless additional contributions are provided and to declare an emergency.
- Act 774, effective March 30, 2011, extends the termination period required for retirement purposes of individuals who receive at least two-for-one service credit under APERS to one year.

System Highlights

As of June 30, 2012

State and Local divisions only

Active Members		Retired Members		
Number	45,926		<u>Age and Service</u>	<u>Disability</u>
Average Age	44.8 years	Newly Retired Members	1,547	113
Average Years of Service	9.3 years	Average Age	61.4 years	55.1 yrs.
Average Annual Salary	\$34,967	Average Years of Service	16.5 years	15.8 yrs.
		Average Monthly Benefit	\$856	\$774
Inactive Vested Members				
Number	13,053	Total Retired Members	29,282*	
		Average Monthly Benefit	\$1,137	
		* Includes DROP participants.		

District Judges only

Active Members		Retired Members		
Number	55		<u>Total</u>	<u>Disability</u>
Average Age	60.7 years	Retired Members	101	N/A
Average Benefit Service:	15.7 years	Average Age	71.6	N/A
Average Annual Salary	\$61,363	Average Years of Service	17.8	N/A
		Average Monthly Benefit	\$852.37	N/A
Inactive Vested Members				
Number	115			

Letter of Transmittal



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

December 31, 2012

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 2012 Annual Financial Report of the Arkansas Public Employees Retirement System (“APERS” or the “System”) for the fiscal year ended June 30, 2012. 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 contains six sections:

- (1) The “Introductory Section” contains the administrative organization, a letter of transmittal, and the Chairman’s report;
- (2) The “Financial Section” contains the financial statements of the System and required supplementary information;
- (3) The “Investment Section” contains a report on investment activity, investment policies, investment results, and various investment schedules;
- (4) The “Actuarial Section” contains the Actuary’s certification letter and the results of the Annual Actuarial Valuation;
- (5) The “Statistical Section” includes significant trend data pertaining to the System;
- (6) The “Appendix” contains combined APERS and ASPRS financial statements, Member Valuation schedules, Schedule of Benefits paid by County, as well as a list of Participating Employers as of June 30, 2012.

I trust that you and the members of the System will find this annual report helpful in understanding your public employees’ retirement system - a system that continues to maintain a strong and positive financial future.

Economic Condition and Outlook

The economic condition of the system is based primarily upon investment earnings. For the last five years, the System's annualized rate of return has been 1.22%. 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.

Performance

For the fiscal year ending June 30, 2012, the fund recognized a negative 0.33% rate of return. The funding status of the retirement system declined to 69% in fiscal 2012 from 71% in 2011. With the enactment in 2005 of the new employee contributory provisions, the System has enjoyed improved cash flow.

Financial Information and Management Responsibility

The financial statements of APERS have been prepared by management, which is responsible for the integrity and fairness of the data presented, including the any amounts which must, of necessity, be based on estimates and judgments. The AFR has been prepared to conform to the accounting principles generally accepted in the United States.

Management of the System is responsible for establishing and maintaining an adequate internal control over financial reporting. APERS' internal control over financial reporting is 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 the 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. Accumulations for fiscal year 2012 totaled approximately \$251 million (see Table 1).

The overall decrease in additions was approximately \$1.183 billion when compared to fiscal year 2011, due primarily to lower investment returns. The Investment Section of this report reviews activity and the results of the investment portfolio for fiscal year 2012.

TABLE 1.

OPERATING ADDITIONS	2012
Employer contributions	\$231,511,392
Employee contributions	40,220,553
Investment earnings	(30,142,255)
Miscellaneous additions	<u>9,105,829</u>
TOTAL	<u>\$250,695,519</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 2012 totaled approximately \$373.5 million (see Table 2).

The overall increase was approximately 4.74% when compared with fiscal year 2011 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 overall net decrease in Plan net assets was approximately \$123 million during fiscal year 2012.

TABLE 2.

OPERATING DEDUCTIONS	2012
Benefit payments	\$359,330,673
Refunds of contributions	7,420,785
Administrative expenses	<u>6,794,526</u>
TOTAL	<u>\$373,545,984</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, 2012, amounted to \$8.2 billion and \$5.6 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 2012, investments provided a negative 0.33% rate of return. The System's annualized rate of return over the last three (3) years was a positive 12.03%.

Audit

As stated in Arkansas Code §24-2-702, 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

Chairman's Letter



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

December 31, 2012

Dear Members:

On behalf of the Board of Trustees, I am pleased to present the APERS Annual Financial Report for the fiscal year ended June 30, 2012. The Arkansas Public Employees Retirement System continues to be in sound condition with 69% 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

Arkansas Public Employees Retirement System Board of Trustees

	Expiration of Term
Mr. Artee Williams, Chair Executive Director, Department of Workforce Services State Employee Representative	March 9, 2014
The Honorable Mike Jacobs, Vice Chair Johnson County Judge, Clarksville, AR County Employee Representative	March 9, 2015
The Honorable Martha Shoffner State Treasurer	Ex-Officio Member
The Honorable Charlie Daniels State Auditor	Ex-Officio Member
Mr. Richard Weiss Director, Department of Finance and Administration	Ex-Officio Member
Ms. Ouida Wright Conway, AR State Employee Representative	March 9, 2017
Mr. Bill Gaddy Little Rock, AR State Employee Representative	March 9, 2013
The Honorable Charles "Stephen" Northcutt Mayor of Malvern, AR Municipal Employee Representative	March 9, 2016
Ms. Carol Bevis Lonoke, AR Non-State Employee Representative	March 9, 2012

Arkansas Public Employees Retirement System Senior Staff

Ms. Gail Stone

Executive Director

Ms. Michele Williams

Deputy Director

Mr. Jay Wills

Staff Attorney

Ms. Ashley McAdoo

Chief Financial Officer

Mr. Carlos Borrromeo

Chief Investment Officer

Ms. Susan Bowers

Assistant Director of Investments

Ms. Jacobia Twiggs

Manager, Member Services Section

Ms. Abbi Bruno

Manager, Retiree Services Section

Ms. Allison Woods

Manager, Member Records Section

Ms. Becky Walker

Manager, Human Resources

Mr. Phillip Norton

Manager, Information Services Section

Mr. Jon Aucoin

Manager, Communications Section

Outside Professional Service Providers

CUSTODIAL BANK

The Bank of New York Mellon
One Mellon Center
500 Grant Street
Pittsburgh, PA 15258

ACTUARY

Gabriel, Roeder, Smith & Co.
Actuaries and Consultants
One Towne Square, Suite 800
Southfield, MI 48076

INVESTMENT CONSULTANT

Callan Associates, Inc.
120 North LaSalle Street
Suite 2100
Chicago, IL 60602

INVESTMENT MANAGERS

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

Lazard Asset Management
30 Rockefeller Plaza
New York, NY 10112

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

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

Wellington Management Company
280 Congress Street
Boston, MA 02210

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

CastleArk Management, LLC
One North Wacker Drive, Suite 3950
Chicago, IL 60606

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

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

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

Lombardia Capital Partners
55 South Lake Avenue, Suite 750
Pasadena, CA 91101

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

State Street Global Advisors
One Lincoln Street, 33rd Floor
Boston, MA 02111

INVESCO Real Estate
13155 Noel Rd., Suite 500
Dallas, TX 75240

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

Stephens Investment
Management Group
9 Greenway Plaza, Suite 1900
Houston, TX 77046

Newton Capital Management
A BNY Mellon Company
200 Park Avenue
New York, NY 10166-0005

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

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

TA Associates Realty
28 State Street
Boston, MA 02109

Pinnacle Forest Investments, LLC
650 South Shackleford, Suite 400
Little Rock, AR 72211

Outside Professional Service Providers *(cont.)*

AQR Capital Management
Two Greenwich Plaza, 3rd Floor
Greenwich, CT 06830

LaSalle Investment Management
One Front Street
San Francisco, CA 94111

Artisan Partners
875 East Wisconsin Ave., Ste 800
Milwaukee, WI 53202

National Timber Asset Management, LLC
655 Simonds Road
Williamstown, MA 01267

District I

District I covers 28 counties and now includes Chicot, Desha and Lincoln counties and part of Jefferson County.

In 2012, the number of retirees in District I was 6,881.

In 2012, the amount of benefits paid out to retirees in District I was \$71,468,278.

Basic Financial Statements:

Statement of Plan Net Assets

Statement of Changes in Plan Net Assets

Notes to Basic Financial Statements

Required Supplementary Information:

Schedule of Funding Progress - APERS

Schedule of Funding Progress - District Judges

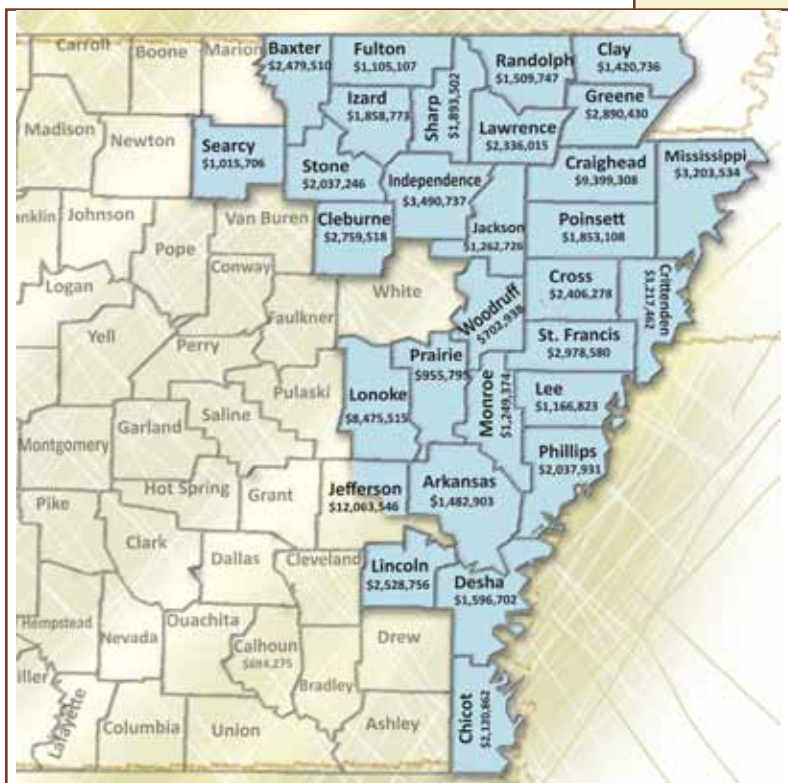
Schedule of Employer Contributions - Combined

Notes to the Required Supplementary Information:

Schedule of Administrative Expenses

Schedule of Investment Expenses

Schedule of Consultant Fee(s)



“The average pension benefit received was \$1,466 per month or \$17,595 per year. These modest benefits provide... income to meet basic needs in retirement.”

*Source: National Institute on Retirement Security;
www.nirsonline.org

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Basic Financial Statements

APERS Statement Of Plan Net Assets - As of June 30

	2012	2011
ASSETS		
Cash and Cash Equivalents	\$ 177,086,939	\$ 141,892,517
Securities Lending Collateral Investments in Cash Equivs.		
Receivables:		
Dec 2004 Actuarial Liability Receivable	10,313,641	11,354,396
Contributions	3,962,889	3,312,790
Investment Principal Receivable	19,366,624	41,840,071
Accrued Investment Income Receivable	16,065,808	15,686,896
Total Receivables	49,708,962	72,194,153
Investments At Fair Value		
Government Securities:		
U.S. Government Securities	84,322,856	75,992,809
Futures	(315,569)	(272,781)
Government Agency Securities	153,440,708	164,262,851
Corporate Securities:		
Collateralized Obligations	177,548,338	203,593,519
Corporate Bonds	505,472,866	557,868,241
Convertible Bonds	150,231,542	182,943,890
Convertible Preferred Stock	38,337,186	55,552,336
Common Stock	1,810,412,750	2,058,851,405
Equity Index Funds	469,596,060	634,286,955
Equity Co-mingled	53,821,018	44,039,546
High Yield Income Fund	51,017,497	56,570,710
International Securities:		
Global Fixed Income Fund	1,232,473	133,598
Corporate Fixed Income	9,200,336	9,014,994
Equity Securities	592,247,709	438,567,671
Equity Pooled Fund Units	880,417,052	649,710,460
Global Collateralized Obligations	6,841,714	2,517,011
Emerging Markets	20,049,577	19,223,133
Forward Contracts	137,066	230,300
Interest Rate Swaps	(42,893)	36,013
Real Estate	224,390,805	206,850,597
Timberland	267,475,739	296,638,771
Municipal Bonds	5,184,736	4,609,375
Commercial Loans	18,452,665	24,900,031
Total Investments	5,519,472,231	5,686,121,436
Securities Lending Collateral Investments, At Fair Value:		
Repurchase Agreements	125,979,775	149,532,650
Asset Backed Floating Rate Notes	94,209,913	0
US Agencies	5,980,790	0
US Governments	9,689,267	0
Certificates of Deposit	59,482,209	0
Commercial Paper	38,754,223	0
Corporate Floating Rate Notes	233,283,294	0
Corporate Bonds	0	268,890,291
Bank Obligations	0	80,146,297
Asset Backed Securities	0	51,596,698
Total Securities Lending Collateral Investments	567,379,471	550,165,936
Prepays and Other Assets	23,672	46,352
Fixed Assets, Net	54,918	66,170
TOTAL ASSETS	6,313,726,193	6,450,486,564
LIABILITIES		
Accrued Expenses and Other Liabilities	8,062,468	7,520,415
Investment Principal Payable	44,545,629	76,495,801
Other Post Employment Benefits	1,322,763	1,038,085
Securities Lending Liability	567,379,471	550,165,936
TOTAL LIABILITIES	621,310,331	635,220,237
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS.	\$5,692,415,862	\$5,815,266,327

Totals may not add due to rounding.

A schedule of Funding Progress is on page 42.

The APERS & ASPRS Combined Statement Of Plan Net Assets can be found on page 97.

Basic Financial Statements

APERS Statement of Changes to Plan Net Assets - As of June 30

	<u>2012</u>	<u>2011</u>
ADDITIONS		
Contributions		
Employer	\$ 231,511,392	\$ 196,428,733
Plan Members	<u>40,220,553</u>	<u>34,639,544</u>
Total Contributions	271,731,945	231,068,277
Investment Income:		
Interest	59,199,267	62,101,600
Dividends	59,575,384	53,508,558
Investment Gain/Loss	(133,970,833)	1,097,554,466
Security Lending Income	729,793	1,031,841
Real Estate Income	(34,602)	(55,267)
Other	<u>4,443,551</u>	<u>0</u>
Total Investment Income	(10,057,440)	1,214,141,198
Less: Investment Expense	<u>20,084,815</u>	<u>20,643,587</u>
Net Investment Income	(30,142,255)	1,193,497,611
Other Sources:		
Miscellaneous Additions	1,797,388	2,557,261
Transfer from Teachers Retirement System	7,229,505	6,331,031
Miscellaneous Transfers from State Agencies	<u>78,936</u>	<u>78,023</u>
Total Other Additions	<u>9,105,829</u>	<u>8,966,315</u>
TOTAL ADDITIONS	250,695,519	1,433,532,203
DEDUCTIONS		
Benefits	359,330,673	344,140,357
Refunds of Contributions	7,420,785	6,123,910
Administrative Expenses	<u>6,794,526</u>	<u>6,374,379</u>
TOTAL DEDUCTIONS	373,545,984	356,638,646
NET INCREASE (DECREASE)	(122,850,465)	1,076,893,557
NET ASSETS		
Beginning of Year	<u>5,815,266,327</u>	<u>4,738,372,770</u>
End of Year	<u><u>\$5,692,415,862</u></u>	<u><u>\$5,815,266,327</u></u>

Totals may not add due to rounding.

See Notes to Financial Statements.

The APERS & ASPRS Combined Statement of Changes in Plan Net Assets can be found on page 98.

Notes to Basic Financial Statements

Note 1: Plan Description

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. Its purpose is to provide retirement benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. The laws governing the 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	2012	2011
State	247	247
County	84	85
Municipal	175	177
School	138	140
District Judges	57	58
District Court	40	38
Other Non-State	<u>26</u>	<u>26</u>
Total	<u>767</u>	<u>771</u>
Membership		
Retirees and beneficiaries receiving benefits (includes DROP participants)	29,282	28,137
Terminated plan members entitled to but not yet receiving benefits	13,053	12,890
Active plan members	45,937	45,145

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, 2012 and 2011 are as follows:

Employer Contribution Rates

	<u>2012</u>	<u>2011</u>
State Division	13.47%	12.46%
Wildlife Subdivision	25.47%	24.46%
State Capitol Police Subdivision	13.47%	12.46%
Administrative Offices of the Courts Subdivision	N/A	N/A
County Division	13.47%	12.46%
Municipal Division	13.47%	12.46%
School Division	4.00%	4.00%
Other Non-State Division	13.47%	12.46%

Benefits

Benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. Members are eligible for full benefits:

- at age sixty-five (65) with five (5) years of actual service;
- at any age with twenty-eight (28) years of actual service; or
- 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 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 twenty-five (25) years of actual service. APERS also provides for disability and survivor benefits.

Tax Status

During the fiscal years ended June 30, 2012 and 2011, APERS was confirmed as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

Funded Status and Funding Progress - Pension Plans

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities (AAL) for benefits. The funded status of each plan as of June 30, 2012, the most recent actuarial date, is as follows (for both APERS and District Judges, dollar amounts in millions):

Plan	Valuation Date	Actuarial Value of Assets	Actuarial Value Accrued Liability (AAL)	Unfunded (Excess) AAL (UAAL)	Funded Ratio	(5) Annual Covered Payroll (Millions)	UAAL (Excess) As Percentage of Covered Payroll
APERS	6/30/12	5,625	8,163	2,538	69%	1,686	151%
District Judges	6/30/12	14	28	14	49%	3	427%

Unfunded (Excess) AAL= (UAAL) = Actuarial Accrued Liability (AAL) less the Actuarial Value of Assets; Funded Ratio = Actuarial Value of Assets divided by Actuarial Accrued Liability (AAL); UAAL (Excess) as Percentage of Covered Payroll = Unfunded (Excess) AAL (UAAL) divided by Annual Covered Payroll.

Actuarial Assumptions and Methods

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, 2012		
	APERS	District Judges
Actuarial Cost Method	Ultimate entry age normal (state & local)	Individual Entry Age Normal
Amortization Method	Level percent of payroll (state & local)	Level dollar (New Plan & Paid Off Old Plan) Level dollar (Still paying Old Plan)
Remaining Amortization Period	30 years open	25 year closed (New Plan & Paid Off Old Plan) 23 year closed (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 two (2) years for men.	RP-2000 Combined Mortality Table projected to 2015, set forward two (2) years for men.

Note 2: Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the retirement system:

Basis of Accounting

Arkansas Public Employees Retirement System accounts and records are maintained using fund accounting principles, and financial statements are prepared using the accrual basis of accounting. Contributions and other revenues are recorded in the accounting period in which they are earned, and expenses are recognized when due and payable in accordance with the terms of the system.

Estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to apply certain estimates and methods that affect the reported value of assets held in trust. Actual results could differ from estimates made by management.

Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash in state treasury, and short-term investment funds (STIF). The STIF accounts are created through daily sweeps of excess cash by the System's custodial bank into bank-sponsored comingled funds that are invested in US Government and agency securities and other short-term investments. The STIF accounts had an average weighted maturity of 90 days or less, and are stated at fair value.

Capital Assets

Capital assets purchased and in the custody of APERS were recorded as expenditures at the time of purchase. Assets with costs exceeding \$5,000 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation and setup costs, and installation costs). Depreciation is reported for capital assets based on a straight-line method, with no salvage value. The estimated useful life generally assigned by APERS to capital assets held ranges from five (5) to twenty (20) years.

Note 3: Deposits and Investment Risk Disclosures

Investments

Arkansas Code Annotated §24-2-601 thru §24-2-619 authorizes the Board of Trustees of the Arkansas Public Employees Retirement System to have full power to invest and reinvest monies of the system and to hold, purchase, sell, assign, transfer or dispose of any of the investments, or proceeds of the investment in accordance with the prudent investor rule. Security transactions and any resulting gains or losses are accounted for on a trade basis. Net investment income includes net appreciation in the fair value of investments, interest income, dividend income and total investment expense, which includes investment management and custodial fees and all other significant investment related costs. Arkansas Code §24-2-608 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, as the Code does state that "Nothing in this section shall in any way limit or impair the responsibility of a fiduciary to invest in accordance with the prudent investor rule set forth in §24-2-610."

The following presents the fair value of investments, by type, as of June 30, 2012:

Statement of Invested Assets

Security Type	Fair Value*
Government Securities	
US Government Securities	\$ 87,333,060
Agency Debentures	6,113,580
Agency CMO	475,557
Agency Pooled	152,329,184
Corporate Securities	
Collateralized Obligations	183,886,559
Convertible Bonds	155,594,593
Corporate Bonds	523,517,521
High Yield Income Fund	52,838,749
Common Stock	1,875,041,884
Conv Pref Stock	39,705,769
Equity Index Funds	486,359,965
Equity - Commingled	55,742,351
International Securities	
Emerging Markets	20,478,454
Emerging Markets Collateralized Obligations	286,864
Global Collateralized Obligations	7,085,953
Global Corporate Fixed	9,528,775
Global Government Fixed	1,276,471
Global Equity	613,390,101
Global Commingled	911,846,675
Forward Contracts	141,959
Futures	(326,835)
Interest Rate Swaps	(44,424)
Real Estate Commingled	232,401,234
Timberland	277,024,239
Commercial Loans	19,111,399
Municipal Bonds	5,369,823
	<u>5,716,509,460</u>
Securities Lending Collateral	
Repurchase Agreements	130,477,072
Asset Backed Floating Rate Notes	97,573,071
US Agencies	6,194,296
US Governments	10,035,160
Certificates of Deposit	61,605,638
Commercial Paper	40,137,693
Corporate Floating Rate Notes	241,611,172
	<u>587,634,102</u>
Total Investments	<u>\$6,304,143,562</u>

* Principal only, figures are APERS & ASPRS combined. Totals may not add due to rounding. Invested assets do not include receivables.

Asset allocation guidelines have been established as follows:

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

Investments are reported at fair value as determined by the custodian bank. The custodian bank's determination of fair values includes, among other things, using pricing services or quotes by major independent brokers at current exchange rates, as available. The schedule on page 30 reflects the fair value of investments.

Custodial Credit Risk – Investments – 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. Arkansas Code §24-2-606 does address the custodianship of assets, and the Investment Policy states that "The custodian bank shall, by nominee agreement, hold any and all securities for the beneficial interest of the APERS fund." As of June 30, 2012, there were no investments exposed to custodial credit risk.

Deposits

Deposits are carried at cost and are included in "Cash and Cash Equivalents" in the financial statements. Cash and cash equivalents include demand accounts, cash in state treasury, short-term investment funds (STIF), and petty cash. As of June 30, 2012, these totals were \$471,021, \$2,032,477, \$173,810,224, and \$200, respectively. State Treasury Management Law governs the management of funds held in the State Treasury (Cash in State Treasury) and it is the responsibility of the Treasurer of State to ensure the funds are adequately insured and collateralized.

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 collateral securities. The System's deposit policy is to place deposits only in collateralized or insured accounts. As of June 30, 2012, the System did not have any exposure to custodial credit risk. The foreign currency balance of \$773,017 was subject to custodial credit risk.

Credit Risk – Credit risk of investments is the risk that the issuer or other counterparty will not fulfill its obligation to the holder of the investment. Credit risk exposure is dictated by each investment manager's agreement. This credit risk is measured by the credit quality of investment in debt securities as described by nationally recognized statistical rating organizations. Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual security quality rating tiers, and/or the average credit quality of the overall portfolio.

The System's exposure to credit risk as of June 30, 2012, was as follows:

Moody's Credit Rating Dispersion Detail by Investment Type

	Aaa	Aa	A	Baa
Government Securities				
US Government Securities	\$ 87,333,060	0	0	0
Agency Debentures	6,113,580	0	0	0
Agency CMO	475,557	0	0	0
Agency Pooled	152,329,184	0	0	0
Corporate Securities				
Collateralized Obligations	82,684,307	12,943,550	15,488,805	12,681,494
Convertible Bonds	0	0	5,730,800	7,920,244
High Yield Income Fund	0	0	0	0
Corporate Bonds	2,227,484	8,994,315	86,087,323	266,490,407
International Securities				
Emerging Markets	0	1,312,423	6,549,976	7,697,994
Emerging Markets - Coll. Obligations	0	0	0	286,864
Global - Collateralized Obligations	6,222,307	0	0	863,646
Global Corporate Fixed	0	0	856,609	3,692,363
Global Government Fixed	0	0	457,728	0
Commercial Loans	0	0	0	0
Municipal Bonds	262,390	1,851,928	3,255,505	0
	<u>337,647,869</u>	<u>25,102,216</u>	<u>118,426,746</u>	<u>299,633,012</u>
Securities Lending Collateral	\$ 129,118,046	165,979,911	147,608,371	7,355,401

S&P's Credit Rating Dispersion Detail by Investment Type

	AAA	AA	A	BBB
Government Securities				
US Government Securities	\$ 0	87,333,060	0	0
Agency Debentures	0	6,113,580	0	0
Agency CMO	0	475,557	0	0
Agency Pooled	0	152,329,184	0	0
Corporate Securities				
Collateralized Obligations	69,596,821	30,090,356	29,096,734	29,572,891
Convertible Bonds	0	0	11,692,438	19,661,819
High Yield Income Fund	0	0	0	0
Corporate Bonds	0	11,554,945	125,233,288	226,384,528
International Securities				
Emerging Markets	0	714,860	5,081,779	7,172,686
Emerging Markets - Coll. Obligations	0	0	0	286,864
Global - Collateralized Obligations	0	4,723,853	2,362,100	0
Global Corporate Fixed	0	856,609	0	3,692,363
Global Government Fixed	0	0	0	818,743
Commercial Loans	0	0	0	0
Municipal Bonds	454,480	1,027,163	3,888,180	0
	<u>70,051,301</u>	<u>295,219,167</u>	<u>177,354,519</u>	<u>287,589,894</u>
Securities Lending Collateral	\$ 86,569,563	181,821,545	171,735,842	0

* Principal only. Figures are APERS & ASPRS combined. Totals may not add due to rounding.

Ba	B	C or below	NR	Fair Value*
0	0	0	0	87,333,060
0	0	0	0	6,113,580
0	0	0	0	475,557
0	0	0	0	152,329,184
9,232,926	5,429,294	11,025,029	34,401,154	183,886,559
6,147,125	14,313,488	0	121,482,936	155,594,593
0	52,838,749	0	0	52,838,749
99,562,842	49,936,053	4,495,846	5,723,251	523,517,521
1,488,025	1,321,002	0	2,109,034	20,478,454
0	0	0	0	286,864
0	0	0	0	7,085,953
2,598,890	1,868,490	0	512,423	9,528,775
818,743	0	0	0	1,276,471
785,050	3,702,171	3,493,468	11,130,710	19,111,399
0	0	0	0	5,369,823
<u>120,633,601</u>	<u>129,409,247</u>	<u>19,014,343</u>	<u>175,359,508</u>	<u>1,225,226,542</u>
0	0	5,610,302	131,962,072	587,634,102

BB	B	CCC or below	NR	Fair Value*
0	0	0	0	87,333,060
0	0	0	0	6,113,580
0	0	0	0	475,557
0	0	0	0	152,329,184
1,993,935	214,649	9,864,446	13,456,727	183,886,559
28,087,806	23,772,750	1,103,037	71,276,743	155,594,593
0	52,838,749	0	0	52,838,749
103,033,878	44,816,798	3,894,988	8,599,096	523,517,521
3,951,738	826,002	0	2,731,389	20,478,454
0	0	0	0	286,864
0	0	0	0	7,085,953
3,325,640	367,999	0	1,286,164	9,528,775
0	0	0	457,728	1,276,471
2,760,516	13,989,476	2,358,481	2,926	19,111,399
0	0	0	0	5,369,823
<u>143,153,513</u>	<u>136,826,423</u>	<u>17,220,952</u>	<u>97,810,773</u>	<u>1,225,226,542</u>
7,355,401	0	5,610,302	134,541,451	587,634,102

Concentration of Credit Risk – The concentration of credit risk is the risk of loss attributed to the magnitude of the System’s investment in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds or external investment pools). The System does have a formal investment policy for concentration of credit risk. None of the System’s investments in any one issuer (other than those issued or guaranteed by the U.S. Government) represented more than five percent (5%) of total investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Investments can be highly sensitive to changes in interest rates due to their terms or characteristics. Interest rate risk is the greatest risk faced by an investor in the debt securities market since the price of a debt security will often move in the opposite direction of the change in interest rates.

The System’s external fixed income investment managers use the measurement of effective duration to mitigate the interest rate risk of the fixed income investments. Each fixed income investment manager monitors and reports the effective duration on a monthly basis. The effective duration of the investment portfolio is required to be +/- 10% of the benchmark’s duration. The benchmark for the U.S. fixed income markets is the Barclays Capital U.S. Aggregate Bond Index. As of June 30, 2012, the System had the following debt security investments and maturities:

Investment Type	Fair Value*	Investment Maturities (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Government Securities					
US Government Securities	\$ 87,333,060	\$ 0	\$ 3,914,277	\$ 43,200,547	\$ 40,218,236
Agency Debentures	6,113,580	5,114,100	999,480	0	0
Agency CMO	475,557	0	475,557	0	0
Agency Pooled	152,329,184	1,710,198	2,750,934	4,744,854	143,123,198
Corporate Securities					
Collateralized Obligations	183,886,559	64,094,326	2,928,300	1,906,470	114,957,463
Convertible Bonds	155,594,593	17,963,100	87,461,811	10,238,169	39,931,513
Corporate Bonds	523,517,521	11,836,101	198,084,212	201,501,401	112,095,807
High Yield Income Fund	52,838,749	0	52,838,749	0	0
International Securities					
Emerging Markets	20,478,454	190,358	12,038,440	7,077,320	1,172,336
Emerging Mkts Coll. Obligations	286,864	0	286,864	0	0
Global Collateralized Obligations	7,085,953	7,085,953	0	0	0
Global Corporate Fixed	9,528,775	0	3,367,101	485,983	5,675,691
Global Government Fixed	1,276,471	0	768,513	507,958	0
Commercial Loans	19,111,399	0	19,111,399	0	0
Municipal Bonds	5,369,823	0	273,611	0	5,096,212
	<u>\$1,225,226,542</u>	<u>\$107,994,136</u>	<u>\$385,299,248</u>	<u>\$269,662,702</u>	<u>\$462,270,456</u>
Securities Lending Collateral					
Repurchase Agreements	\$ 130,477,072	\$130,477,072	\$ 0	\$ 0	\$ 0
Asset Backed Floating Rate Notes	97,573,071	52,975,799	38,986,970	0	5,610,302
US Agencies	6,194,296	0	6,194,296	0	0
US Governments	10,035,160	10,035,160	0	0	0
Certificates of Deposit	61,605,638	61,605,638	0	0	0
Commercial Paper	40,137,693	40,137,693	0	0	0
Corporate Floating Rate Notes	241,611,172	190,887,769	50,723,403	0	0
	<u>\$ 587,634,102</u>	<u>\$486,119,131</u>	<u>\$ 95,904,669</u>	<u>\$ 0</u>	<u>\$ 5,610,302</u>

*Principal only. Figures are APERS & ASPRS combined. Totals may not add due to rounding.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The System’s currency risk resides within the international equity investments, as well as within the fixed income investments and the fixed income managers. The System’s policy is to allow the external investment managers to decide what action to take regarding their respective portfolio’s foreign currency exposure using currency forward contracts. The System does have a formal investment policy for foreign currency risk which limits foreign currency exposure to 10% of the investment manager’s respective portfolio.

The System’s exposure to foreign currency risk on June 30, 2012, was as follows:

Foreign Currency Risk

Currency	%	Fair Value
Australian Dollar	6.29%	\$ 36,457,722
Brazilian Real	1.24%	7,209,819
British Pound Sterling	30.68%	177,802,837
Canadian Dollar	2.22%	12,858,911
Czech Koruna	0.13%	731,579
Danish Krone	1.49%	8,614,049
Euro Currency	28.69%	166,226,776
Hong Kong Dollar	2.41%	13,979,744
Hungarian Forint	0.20%	1,136,067
Japanese Yen	8.58%	49,729,814
Mexican Nuevo Peso	0.20%	1,135,853
Norwegian Krone	2.79%	16,167,833
New Zealand Dollar	0.41%	2,366,917
Peru Neuvo Sol	0.05%	286,864
Polish Zloty	0.28%	1,601,160
Singapore Dollar	0.35%	2,022,994
South African Rand	0.51%	2,940,278
Swedish Krone	2.13%	12,362,229
Swiss Franc	10.99%	63,656,469
Thailand Baht	0.38%	2,176,371
	100.00%	<u>\$579,464,286</u>

Figures are for APERS and ASPRS combined. Totals may not add due to rounding.

Mortgage-Backed Securities—The System does invest in mortgage-backed securities (MBS) which are reported at fair value in the *Statement of Plan Net Assets*. MBS entitle their holders to receive both principal and interest payments from the payments made by the borrowers of the underlying mortgages over the lives of those loans. A MBS depends on the underlying pool or mortgage loans to provide cash flow to make principal and interest payments on the security. The life of a mortgage that underlies a MBS can be shortened by several economic events, including borrower refinancing. When interest rates decline and remain low, borrowers could refinance their existing loans which causes MBS holders to be repaid more quickly than originally anticipated, which is known as “prepayments.” Prepayments reduce the weighted average life of the security, and are a form of market risk assumed by the holders of MBS. Alternatively, when interest rates rise, the refinancing of existing mortgages slows. If interest rates remain high for long periods of time fewer borrowers refinance their mortgages. As a result MBS holders are repaid over longer periods of time, which is known as “extension risk.” Extension risk increases the weighted average life of the security and is another form of market risk assumed by holders of MBS.

A collateralized mortgage obligation (CMO) is a MBS that is comprised of classes of bonds created by prioritizing the cash flows of the underlying mortgage pool. This redistributes prepayment risk and/or credit risk among the various bond classes in the CMO structure. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. CMOs may be collateralized by whole-loan mortgages, mortgage pass-through securities, or stripped mortgage-backed securities.

The System does invest in MBS and CMO for diversification and to enhance fixed income returns. MBS are subject to credit risk, the risk that the borrower will be unable to meet its obligations. They are also subject to prepayment risk, which is the risk that a payment will be made in excess of the regularly scheduled principal payment. Prepayment risk is comprised of two risks: call risk, the risk that prepayments will increase when interest rates have declined, and extension risk, the risk that prepayments will decrease when interest rates have increased.

Asset-Backed Securities – Asset-Backed Securities (ABS) are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, asset-backed securities have been structured as pass-through securities and as structures with multiple bond classes. The System’s ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Corporate Bonds – Corporate bonds are a debt security issued by a corporation. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company’s physical assets may be used as collateral for bonds. They usually have a fixed 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.

Convertible Corporate Bonds – 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.

Pooled Funds - The System 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. APERS has approximately \$912 million invested in international pooled funds.

Securities Lending

Arkansas Code §24-2-602 and the Board of Trustees Investment Policy permits the System to participate in a securities lending program to augment investment income. The System lends its securities to brokers-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into an agreement with BNY Mellon to act as agent for the System in securities lending transactions. BNY Mellon serves as the “Custodian” for the System, and therefore they are the counterparty to securities lending transactions. 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.

Whoever borrows 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). U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest for domestic loans. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. Collateral is marked-to-market daily if price movements exceed certain minimal thresholds.

The Custodian provides for full indemnification to the System funds for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the trust funds for income of the securities while on loan. The System cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral received is invested in APERS’ name; accordingly, investments made with cash collateral appear as an asset on the Statement of Plan Net Assets. A corresponding liability is recorded as APERS must return the cash collateral to the borrower upon expiration of the loan. The loan maturity dates generally do not match the maturity dates of the investments made with cash collateral received.

As of June 30, 2012, the cash collateral investments had an average weighted maturity of 30 days, whereas the weighted average loan maturity was 69 day(s). Investments with cash collateral were approximately \$588 million.

Derivative Instruments

The System does adhere to GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Derivative instruments are financial contracts or agreements whose values depend on the values of one or more underlying assets, reference rates, and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts, and forward foreign currency exchange. APERS, through its external investment managers, could hold such instruments. The external investment managers may enter these certain investments on behalf of APERS, primarily to enhance the performance and reduce the volatility of its portfolio. The external investment managers could enter into swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and they use forward foreign exchange contracts primarily to hedge foreign currency exposure. APERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. APERS’ external investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. APERS’ external investment managers anticipate that the counterparties will be able to satisfy their obligations under the contracts. Investments in limited partnerships and commingled funds may include derivatives that are not shown in any derivative totals.

The external investment managers do invest in mortgage-backed securities which are reported at fair value in the Statement of Plan Net Assets, and are based on the cash flows from interest and principal payments by the underlying mortgages. Therefore, they are sensitive to prepayments by mortgages which are likely in a declining interest rate environment, therefore reducing the value of the securities. The external investment managers invest in mortgage-backed securities to diversify APERS’ portfolio and increase return while minimizing the extent of risk.

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, over a period in the future. Interest Rate Swaps typically exchange a fixed payment for a floating payment. The floating payment is usually the London Interbank Offering Rate (LIBOR). In the most common interest rate swap arrangement, one party agrees to pay fixed interest rate payments on designated dates to a counterparty who, in turn, agrees to make return interest rate payments that float with a specified reference rate. Long swap positions (receive fixed) increase exposure to long-term interest rates, and, short positions (pay fixed) decrease interest rate/risk exposure.

The System’s investment managers may have entered into various inflation and interest rate swap agreements to manage the System’s respective portfolio’s exposure to inflation and interest rate risk.

The System had the following interest rate swaps at June 30, 2012:

Interest Rate Swaps

Country	Description	Counterparty	Counterparty Credit Rating	Exposure	Pay/Receive
Mexican Peso	MXN 5.480000 07/05/2013	Barclays Bank, PLC	A3/A+/AA-	\$ 2,256,832	Pay Float/Receive Fixed
Singapore Dollar	SGD 0.345000 07/21/2012	Deutsche Bank AG	A2/A+/A+	1,973,476	Pay Float/Receive Fixed
Polish Zloty	PLN 4.810000 11/15/2012	Barclays Bank, PLC	A3/A+/AA-	3,985,258	Pay Float/Receive Fixed
Mexican Peso	MXN 5.750000 12/15/2016	Barclays Bank, PLC	A3/A+/AA-	1,936,555	Pay Float/Receive Fixed
Polish Zloty	PLN 5.010000 02/06/2013	Barclays Bank, PLC	A3/A+/AA-	898,930	Pay Float/Receive Fixed
Mexican Peso	MXN 6.600000 02/18/2022	Barclays Bank, PLC	A3/A+/AA-	648,001	Pay Float/Receive Fixed
Singapore Dollar	SGD 0.620000 3/26/2013	Citibank, NA	Baa2/A-/A	5,762,551	Pay Float/Receive Fixed
South African Rand	ZAR 6.890000 4/11/2017	Citibank, NA	Baa2/A-/A	1,088,219	Pay Float/Receive Fixed
Mexican Peso	MXN 6.380000 4/15/2022	JP Morgan Chase Bank, NA	A2/A/A+	588,415	Pay Float/Receive Fixed
Czech Koruna	CZK 1.100000 5/14/2013	Barclays Bank, PLC	A3/A+/AA-	1,794,288	Pay Float/Receive Fixed
Mexican Peso	MXN 6.370000 5/25/2022	Barclays Bank, PLC	A3/A+/AA-	968,278	Pay Float/Receive Fixed
Mexican Peso	MXN 6.300000 6/3/2022	Citibank, NA	Baa2/A-/A	595,863	Pay Float/Receive Fixed
New Zealand Dollar	NZD 2.920000 08/10/2012	Barclays Bank, PLC	A3/A+/AA-	3,215,000	Pay Float/Receive Fixed
New Zealand Dollar	NZD 4.172500 08/18/2016	Citibank, NA	Baa2/A-/A	1,607,500	Pay Float/Receive Fixed
Japanese Yen	JPY 0.340000 10/24/2012	Deutsche Bank AG	A2/A+/A+	3,759,870	Pay Float/Receive Fixed
Canadian Dollar	CAD 1.112500 11/28/2012	Citibank, NA	Baa2/A-/A	5,395,066	Pay Float/Receive Fixed
Australian Dollar	AUD 3.942500 01/04/2013	Barclays Bank, PLC	A3/A+/AA-	4,612,725	Pay Float/Receive Fixed
European Union Euro	EUR 1.406000 01/06/2013	Barclays Bank, PLC	A3/A+/AA-	3,299,530	Pay Float/Receive Fixed
British Pound Sterling	GBP 1.110000 01/04/2013	Barclays Bank, PLC	A3/A+/AA-	3,921,125	Pay Float/Receive Fixed
Norwegian Krone	NOK 2.462500 02/06/2013	Barclays Bank, PLC	A3/A+/AA-	3,700,931	Pay Float/Receive Fixed
Canadian Dollar	CAD 1.707500 02/22/2017	Citibank, NA	Baa2/A-/A	2,158,026	Pay Float/Receive Fixed
Swedish Krona	SEK 2.040000 02/28/2013	Barclays Bank, PLC	A3/A+/AA-	970,677	Pay Float/Receive Fixed
New Zealand Dollar	NZD 3.810000 3/26/2017	HSBC Bank USA, N.A.	Aa3/A+/AA	506,363	Pay Float/Receive Fixed
Norwegian Krone	NOK 3.080000 5/7/2017	Barclays Bank, PLC	A3/A+/AA-	1,429,905	Pay Float/Receive Fixed
Swedish Krona	SEK 1.915000 6/19/2013	Barclays Bank, PLC	A3/A+/AA-	4,042,072	Pay Float/Receive Fixed
U.S. Dollar	USD 3.034860 07/20/2021	Citibank, NA	Baa2/A-/A	880,000	Pay Float/Receive Fixed
U.S. Dollar	USD 2.147660 11/23/2021	Citibank, NA	Baa2/A-/A	(4,370,000)	Pay Fixed/Receive Float
U.S. Dollar	USD 2.071420 01/27/2022	Citibank, NA	Baa2/A-/A	(1,190,000)	Pay Fixed/Receive Float
U.S. Dollar	USD 2.081690 01/30/2022	Citibank, NA	Baa2/A-/A	(1,100,000)	Pay Fixed/Receive Float
U.S. Dollar	USD 2.056447 02/07/2022	Citibank, NA	Baa2/A-/A	(2,370,000)	Pay Fixed/Receive Float
U.S. Dollar	USD 2.110980 4/12/2022	Citibank, NA	Baa2/A-/A	4,660,000	Pay Float/Receive Fixed
U.S. Dollar	USD 0.976540 8/31/2016	Citibank, NA	Baa2/A-/A	(16,725,000)	Pay Fixed/Receive Float
U.S. Dollar	USD 0.974690 8/31/2016	JP Morgan Chase Bank, NA	A2/A/A+	(5,230,000)	Pay Fixed/Receive Float
U.S. Dollar	USD 0.978190 8/31/2016	JP Morgan Chase Bank, NA	A2/A/A+	(5,230,000)	Pay Fixed/Receive Float
U.S. Dollar	USD 0.933870 8/31/2016	Credit Suisse Group, AG	A1/A+/A	16,815,000	Pay Float/Receive Fixed
U.S. Dollar	USD 0.927800 8/31/2016	Citibank, NA	Baa2/A-/A	16,725,000	Pay Float/Receive Fixed
U.S. Dollar	USD 0.912970 11/30/2016	JP Morgan Chase Bank, NA	A2/A/A+	(15,935,000)	Pay Fixed/Receive Float
				<u>\$48,045,457</u>	

Totals may not add due to rounding.
Figures are APERS & ASPRS combined.

Foreign Currency Forward Contracts – A foreign currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry foreign currency risk resulting from adverse fluctuations in foreign exchange rates.

As of June 30, 2012, the System had the following foreign currency forwards:

Foreign Currency Forward Contracts

Security Description	Net Notional Long/ (Short)	Unrealized Gain/(Loss)
Australian Dollar	\$ 2,242,960	\$ 83,965
Canadian Dollar	1,655,335	9,544
Czech Koruna	785,655	(54,075)
Euro Currency	16,591,381	(184,617)
British Pound Sterling	(813,436)	15,801
Mexican Peso	1,079,661	56,192
Norwegian Krone	1,479,252	(30,529)
New Zealand Dollar	2,268,624	98,295
Polish Zloty	1,599,208	1,952
Swedish Krona	1,661,033	44,977
Singapore Dollar	2,006,383	16,612
South African Rand	680,626	(37,301)
Japanese Yen	22,956,364	76,217
Hungarian Forint	1,111,300	24,767
	<u>\$55,304,346</u>	<u>\$121,800</u>

Totals may not add due to rounding.
Figures are APERS & ASPRS combined.

Financial Futures – A financial future is an agreement to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. These derivative securities are used to improve yield, adjust duration of the portfolio, circumvent changes in interest rates, or to replicate an index. Futures contracts are standardized and traded on organized exchanges, thereby reducing credit risk.

The System had the following financial futures at June 30, 2012:

Futures Contracts	Expiration	Notional	Fair Value	Unrealized Gain/Loss
Euro BTP Future	September 2012	\$ 637,444	\$ 650,261	\$ 12,817
U.S. 2-year Treasury Note	September 2013	45,138,437	45,119,187	(19,250)
U.S. 5-year Treasury Note	September 2013	(47,356,062)	(47,403,472)	(47,410)
U.S. 10-year Treasury Note	September 2013	(22,140,250)	(22,638,788)	(498,539)
U.S. 30-year Treasury Bond	September 2013	10,801,719	10,733,125	(68,594)
U.S. Ultra Bond	September 2013	<u>16,684,375</u>	<u>16,978,516</u>	<u>294,141</u>
		<u>\$ 3,765,663</u>	<u>\$ 3,438,828</u>	<u>\$ (326,835)</u>

Mortgage-Backed TBAs	Cusip	Notional	Fair Mkt Value	Duration	Credit Rating
FNMA 30YR 3.50% 07/01/2042	01F032674	\$3,151,333	\$3,148,125	3.07	AA+/Aaa
FNMA 30YR 3.50% 08/01/2042	01F032682	<u>6,296,672</u>	<u>6,288,672</u>	3.06	AA+/Aaa
		<u>\$9,448,005</u>	<u>\$9,436,797</u>		

Totals may not add due to rounding.
 Figures are APERS & ASPRS combined.

Note 4: 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 Annual Financial Report.

The 2012 charge of \$284,678 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 2012 Comprehensive Annual Financial Report will contain the complete OPEB footnote required by GASB 45.

Note 5: 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 table on the following page reflects reserve balances for the respective divisions for the fiscal year ending June 30, 2012.

Divisions - Respective Reserve Balances

2012 Reserve Balances							
	State Division	County Employers	Municipal Employers	School Employers	Non-State Employers	District Judges	System Totals
Members' Deposit Account	\$ 101,690,192	\$ 31,846,055	\$ 15,956,438	\$ 521,619	\$ 1,291,767	\$ 1,288,964	\$ 152,595,035
MDA Interest Reserve	7,386,153	2,427,494	1,449,008	(289,314)	211,170	174,835	11,359,346
Employer Accumulation Account	1,760,808,932	343,605,763	183,869,779	(1,333,778)	5,885,948	(7,481,257)	2,285,355,387
Retirement Reserve	1,927,013,459	421,693,207	201,048,794	237,117,193	4,010,429	(691,154)	2,790,191,928
Deferred Annuity	200,154,122	60,332,899	28,406,714	24,298,752	893,138	0	314,085,625
DROP Reserve	97,337,382	9,944,112	6,156,069	4,655,338	0	0	118,092,901
Delinquent Receivable Reserve	65	8	0	0	0	0	73
Refund Overpayment Receivable Reserve	351	0	0	0	0	0	351
Outlawed Warrants	80,144	7,557	4,241	9,324	0	0	101,266
Partial Purchase of Service Reserve	5,167	123	0	3,642	0	0	8,932
Dec 31, 2004 Accrued Liability Reserve	0	0	0	0	0	20,624,817	20,624,817
Petty Cash Reserve	200	0	0	0	0	0	200
Total	<u>\$4,094,476,167</u>	<u>\$869,857,218</u>	<u>\$436,891,043</u>	<u>\$264,982,776</u>	<u>\$12,292,452</u>	<u>\$13,916,206</u>	<u>\$5,692,415,862</u>

Totals may not add due to rounding.

Required Supplementary Information

The historical trend information is 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 Funding Progress

APERS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age AAL (b)	UAAL (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
6/30/95	\$2,248	\$2,060	\$ (188)	109.1 %	\$ 835	(22.5)%
6/30/96	2,522	2,291	(231)	110.1 %	889	(26.0)%
6/30/97	2,876	2,607	(269)	110.3 %	939	(28.6)%
6/30/98 @ #	3,297	2,921	(376)	112.9 %	975	(38.6)%
6/30/99 @	3,712	3,479	(233)	106.7 %	1,009	(23.1)%
6/30/00	4,121	3,803	(318)	108.4 %	1,050	(30.3)%
6/30/01 @	4,342	4,111	(231)	105.6 %	1,070	(21.6)%
6/30/02 #	4,404	4,398	(6)	100.1 %	1,112	(0.5)%
6/30/03 #	4,416	4,674	258	94.5 %	1,148	22.5%
6/30/04	4,438	5,005	567	88.7 %	1,176	48.2%
6/30/05	4,584	5,323	739	86.1 %	1,215	60.8%
6/30/05 @ #	4,584	5,619	1,035	81.6 %	1,215	85.2%
6/30/06	4,949	5,936	987	83.4 %	1,267	77.9%
6/30/07 @	5,498	6,174	676	89.1 %	1,303	51.9%
6/30/08 #	5,866	6,543	677	89.7 %	1,380	49.1%
6/30/09 @	5,413	6,938	1,525	78.0 %	1,434	106.3%
6/30/10	5,409	7,304	1,895	74.1 %	1,523	124.4%
6/30/11 #	5,467	7,734	2,267	70.7 %	1,623	139.7%
6/30/12	5,625	8,163	2,538	68.9 %	1,686	150.5%

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 (a) and (b) may not add to UAAL due to rounding.

Schedule of Funding Progress (continued)

District Judges

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age AAL (b)	UAAL (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
12/31/04	\$ 0	\$ 0	\$ 0	100.0 %	\$1,841,022	0.0%
6/30/05	7,569,919	24,134,114	16,564,195	31.4 %	3,222,495	514.0%
6/30/06	10,141,040	24,943,381	14,802,341	40.7 %	3,313,454	446.7%
6/30/07	12,582,548	24,387,433	11,804,885	51.6 %	3,366,861	350.6%
6/30/08 @	12,398,225	24,797,303	12,399,078	50.0 %	3,526,319	351.6%
6/30/09	10,004,394	25,671,893	15,667,499	39.0 %	3,368,169	465.2%
6/30/10	11,112,521	26,775,249	15,662,728	41.5 %	3,554,044	440.7%
6/30/11	12,950,730	27,524,848	14,574,118	47.1 %	3,345,497	435.6%
6/30/12	13,925,350	28,343,368	14,418,018	49.1 %	3,374,982	427.2%

@ After changes in actuarial assumptions and methods.

Schedule of Employer Contributions - Combined

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.

APERS

Year Ended June 30	Annual Required Contribution	Percent Contributed
1994	\$ 75,710,660	100%
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%
2006	158,152,183	100%
2007	163,223,695	100%
2008	173,462,377	100%
2009	159,232,361	100%
2010	169,604,041	100%
2011	195,628,572	100%
2012	229,631,149	100%

District Judges

Year Ended June 30	Annual Required Contribution	Percent Contributed
2005*	\$ 357,182	102%
2006*	1,859,139	110%
2007	1,732,368	106%
2008	1,525,167	110%
2009	1,581,100	102%
2010	1,906,776	93%
2011	1,950,782	95%
2012	1,805,741	102%

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

Notes to Required Supplementary Information:

Schedule of Administrative Expenses

	2012	2011
PERSONNEL SERVICES		
Salaries and wages	\$3,125,481	\$2,990,743
Employee benefits	634,362	586,235
Post Employment Benefits	284,678	284,026
Insurance	374,400	355,680
Other	<u>10,895</u>	<u>10,776</u>
Total Personnel Services	4,429,816	4,227,460
COMMUNICATIONS		
Postage	172,329	139,999
Telecommunications	41,471	39,025
Printing and advertising	78,651	141,502
Freight and Express	290	1,763
Subscriptions and publications	<u>2,229</u>	<u>6,209</u>
Total Communications	294,971	328,498
PURCHASES		
Office Supplies	61,468	52,382
Equipment	<u>111,349</u>	<u>5,480</u>
Total Purchases	172,817	57,862
SERVICES AND CHARGES		
Professional fees and services	121,500	218,400
Rent expense	677,982	662,114
Travel and conference fees	31,027	35,106
Taxes, licenses and permits	279	279
Repairing and servicing	73,132	95,371
Insurance and surety bonds	5,421	5,172
Bank and federal service charges	39,889	38,771
Data processing charges	932,542	691,611
Claims commission expense	<u>3,897</u>	<u>2,526</u>
Total Services and Charges	1,885,669	1,749,350
DEPRECIATION EXPENSE	<u>11,253</u>	<u>11,209</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$6,794,526</u>	<u>\$6,374,379</u>

Totals may not add due to rounding

Schedule of Investment Expenses

	2012	2011
Investment consultant fee	\$ 219,323	\$ 212,294
Money manager fees	19,665,715	19,200,837
Custodian bank fees	541,098	527,674
International withholding taxes	734,989	631,845
Securities lending expenses	(1,141,802)	80,161
Transaction fee	<u>65,492</u>	<u>(9,224)</u>
TOTAL INVESTMENT EXPENSE	<u>\$20,084,815</u>	<u>\$ 20,643,587</u>

For fees paid to investment managers, please see "Schedule of Investment Fees" shown on page 64 in the Investment Section of this report.

Total Investment Expenses includes international withholding taxes which are not included in the "Schedule of Investment Fees" on page 64.

Totals may not add due to rounding.

Schedule of Consultant Fees

	2012	2011
Gabriel, Roeder, Smith & Company	<u>\$121,500</u>	<u>\$161,140</u>

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 244,421	-	-	\$ 44,421
Less:				
Accumulated Depreciation	<u>(178,251)</u>	<u>11,253</u>	<u>-</u>	<u>(189,504)</u>
	<u>\$ 66,170</u>	<u>\$11,253</u>	<u>\$ -</u>	<u>\$ 54,917</u>

District II

District II covers central Arkansas and includes Little Rock, the state's capitol city.

In 2012, the number of retirees in District II was 9,268

In 2012, the amount of benefits paid out to retirees in District II was \$144,210,785

Chief Investment Officer's Report

Investment Consultant Report

Investment Policy Summary

Asset Allocation

Manager Distribution

Portfolio Characteristics

Comparative Investment Results

Top Ten Largest Holdings

Schedule of Brokerage Commissions

Schedule of Investment Fees



*“Earnings on investments and employee contributions – not taxpayer contributions – have historically made up the bulk of pension fund receipts.”**

*Source: National Institute on Retirement Security;
www.nirsonline.org

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Chief Investment Officer's Report



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

Dear Members,

On behalf of the APERS' Investment Department, it is my pleasure to present the *Investment Section* of the APERS' *Annual Financial Report* for the fiscal year ended June 30, 2012.

Performance and Stability

For fiscal year 2012, the APERS investment portfolio closed with total investments of \$5,519,472,231. The investment return for the fiscal year was -0.33% net of all fees and expenses. The second half of 2011 provided encouragement as fiscal year 2011 closed and fiscal year 2012 began. The global rally in equity markets seemed to be continuing based on classic valuation measures. Equities appeared to be reasonable valued on a historical basis. The S&P was trading at about 13.5x forward earnings which were below the 15-year average of 17x. However, the seemingly positive financial market environment was about to change as the global economic environment dominated the news.

Fiscal Year 2012 Financial Market Recap

The European sovereign debt crisis will probably be remembered as the major economic event of 2011. It dominated the headlines and drove overall sentiment. However, there were other significant global events: political upheaval in the Middle East; a terrible earthquake and tsunami in Japan which cause the Fukushima disaster; S&P downgraded the credit rating of the United States, and the blowup of investment bank MF Global which resulted in the 7th largest bankruptcy in U.S. history.

With that background, the US stock market went absolutely nowhere. The S&P 500 closed 2010 at 1,257.64 and closed 2011 at 1,257.60. The index fell just four one hundredths of a point; the smallest annual price change since 1947.

The U.S. Federal Reserve committed to ZIRP (zero interest rate policy) at least until mid-2013 and announced it will provide forecasts on its intentions for 12 months. These quarterly forecasts are a first in Fed policy. With ZIRP having an obvious lower bound, nominal rates cannot drop below zero, the Fed also instituted a purchase program on longer dated Treasuries in an attempt to bring down longer term rates and further flatten the yield curve. Dubbed by the press as "Operation Twist," it pushed 10- and 30-year interest rates to historic lows.

Inflation was fairly benign. Headline CPI dropped slightly in late 2011 to an annualized rate of 3.4% while Core CPI (excluding food and energy) rose to 2.2%. With 10-year Treasury rates below 2%, investors suffered negative real yields for the safety of U.S. Government obligations.

American consumers remained defensive due in large part to high unemployment, stagnant wages, and weak housing prices. Unemployment did fall below 9% (8.5% at 2011 year-end).

The first quarter of 2012 was a favorable environment for equities in the U.S. as well as around the world. The rise was rather sharp, +12.6% for the S&P 500 which is the best quarterly rise since the third quarter of 2009. International equities also participated as the MSCI EAFE Index rose 10.9%.

After a sharp spike in interest rates in mid-March many market prognosticators declared the bond market to be dead, again. However, yields did fall lower by the close of the first quarter and the Barclays Aggregate index did manage a fractional gain for 1Q12.

Turmoil in Europe continued to be the major news in the second quarter of 2012, right up to the final day of the System's fiscal year end. Spain and Cyprus both formally requested bailout funds from the European Central Bank. Spain's bailout was the fourth bailout of the five PIIGS countries joining Portugal, Ireland, and Greece. Spain requested \$125 billion to shore up its faltering banking system, and Cyprus requested €2 billion, or 10% of its GDP. Italy avoided a bailout due in part to a stronger fiscal position; despite a very high debt-to-GDP ratio.

While Europe continued to capture the headlines, the U.S. had its own issue, namely the "fiscal cliff." Given the political impact of the fiscal cliff and the timing of the presidential and congressional elections, the financial markets expected little progress until the 11th hour, reminiscent of the debt ceiling debate standoff in the fall of 2011. The economic forecasts of the "cost" of the possible congressional inaction to avoid the fiscal cliff vary between 3-5% of GDP.

Late in the second quarter, the city of Stockton, California became the largest city in U.S. history to declare Chapter 9 bankruptcy. Stockton, CA was followed by San Bernardino, CA and Mammoth Lakes, CA as those two cities have also filed for bankruptcy. Bankruptcy filings were not contained to the state of California, as Central Falls, RI and Jefferson County, AL both filed for bankruptcy, as did Harrisburg, PA and Boise County, ID, but the latter two claims were rejected. Since 2010, there have been twenty-eight (28) municipal bankruptcy filings, and seven city and local bankruptcy filings. How the bankruptcies will impact investors in those municipal bonds is not completely clear, however, municipal bankruptcies dating back to 1981 does indicate that bondholders historically have not been forced to take a principal haircut in the event of a municipal bankruptcy.

Portfolio Thoughts

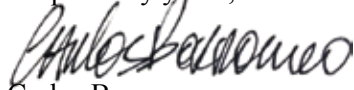
As I write this section, the U.S. elections are behind us. However, turbulence will more than likely continue in the U.S. economy. There will be a fiscal cliff facing the President and Congress in January 2013. To summarize the situation, the fiscal cliff could lead to the largest single-year drop in the annual deficit as a percentage of the economy since 1969. But because it would be so abrupt and arbitrary, it could also throw the country into a recession when more than \$500 billion would be taken out of the economy. With the uncertainty of the U.S. fiscal cliff and the continued unresolved European situation, I fully expect turbulence and volatility to continue in the financial markets. Given the uncertainty of just how the markets will react, I do believe that having a diversified strategies allocation is prudent. I believe taking volatility off the table will be beneficial as we move forward in the upcoming fiscal year. I am hopeful that the third quarter of 2012 (first quarter of fiscal year 2013) is a positive indication, as the system returned approximately 5.59% in the third quarter of 2012.

Conclusion

Our country and the world continues to face some daunting financial challenges ahead. In my view, the good news is that APERS investment policies are built on cornerstones of broad diversification and sound governance. Those two foundations have served APERS well over the years, and will likely continue to do so well into the future.

I would like to thank each of the Board of Trustees, the ultimate fiduciaries of APERS, for embracing an investment structure that allows APERS to continue to seek above average results for our members and Arkansas taxpayers. APERS' staff is committed to placing the system in the best position to continue to face the challenges of the global financial markets and to ensure that the APERS assets are positioned to provide long-term financial stability for you, the members.

Respectfully yours,



Carlos Borromeo
Chief Investment Officer

Investment Consultant's Report



Callan Associates Inc.
120 North LaSalle Street
Suite 2100
Chicago, IL 60602



Main 312.346.3536
Fax 312.346.1356

www.callan.com

August 20, 2012

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, 2012.

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, 2012, returns were positive across both domestic equity and fixed income markets, but negative in international markets. The Russell 3000 Index, a broad-based U.S. equity index, had a 3.84% return for the year while MSCI EAFE Index, an international index, was down 12.88%.

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	37%	41%
International Equity	24%	23%
Domestic Fixed	18%	19%
Diversified Strategies	5%	3%
Real Assets	16%	14%

For fiscal year ended June 30, 2012, the total fund rate of return, including gains, losses and income was -0.33%. The performance calculations presented above were prepared by Callan Associates using a time-weighted rate of return methodology based upon the market value of assets and are GIPS compliant.

Over the past five years, the Fund has had an annualized return of 1.22%. The return was below the actuarially assumed interest rate of 8%.

Callan

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At the beginning of the fiscal year, the assets of the fund totaled \$6.02 billion; at June 30, 2012 the Fund assets totaled \$5.90 billion. Positive performance across both domestic equity and fixed income markets were offset by negative returns in international equities.

Summary

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

Sincerely,



R. Ryan Ball, CFA
Vice President

Investment Policy Summary

Investment Policies

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:

Market Value Exposure

Asset Class	Target	Range
Domestic Equity	37%	32% to 42%
International Equity	24%	19% to 29%
Fixed Income	18%	13% to 23%
Diversified Strategy	5%	0% to 10%
Real Assets	16%	11% to 21%

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.

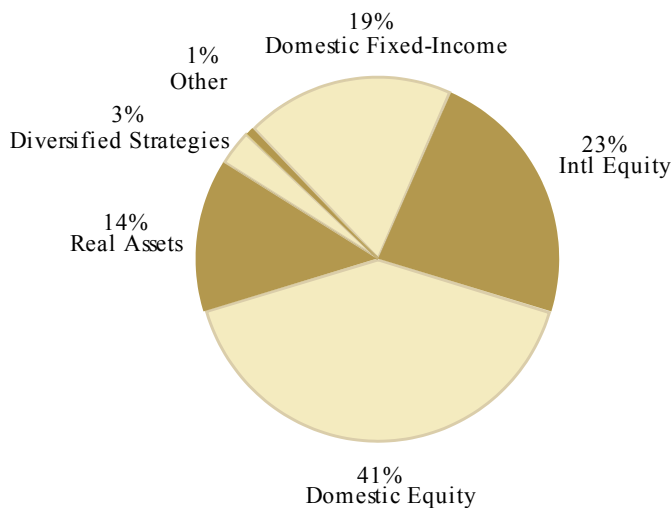
Review of Investment Process

- 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:
 - a. The investment managers performed in adherence to the investment philosophy and policy guidelines; and
 - b. 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:
 - a. The manager structure;
 - b. The allocation of assets among the managers; and
 - c. 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.

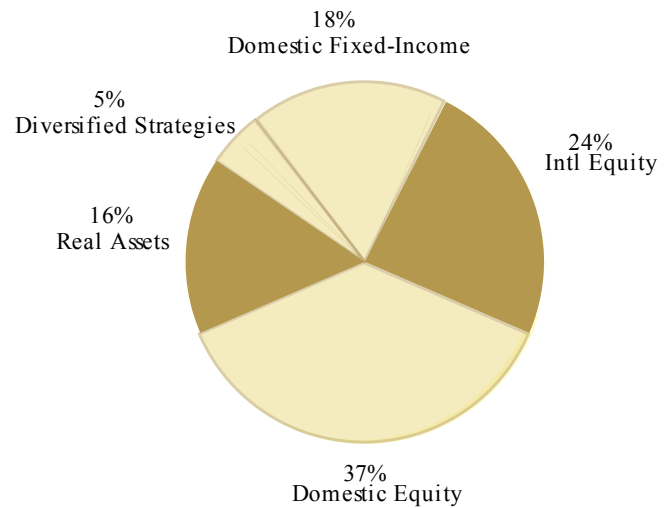
Actual versus Target Asset Allocation as of June 30, 2012

Asset Allocation of Assets as of June 30, 2012

The previously approved Target Asset Allocation was implemented as of April 1, 2012. The current target and new target are as follows:



Actual Asset Allocation



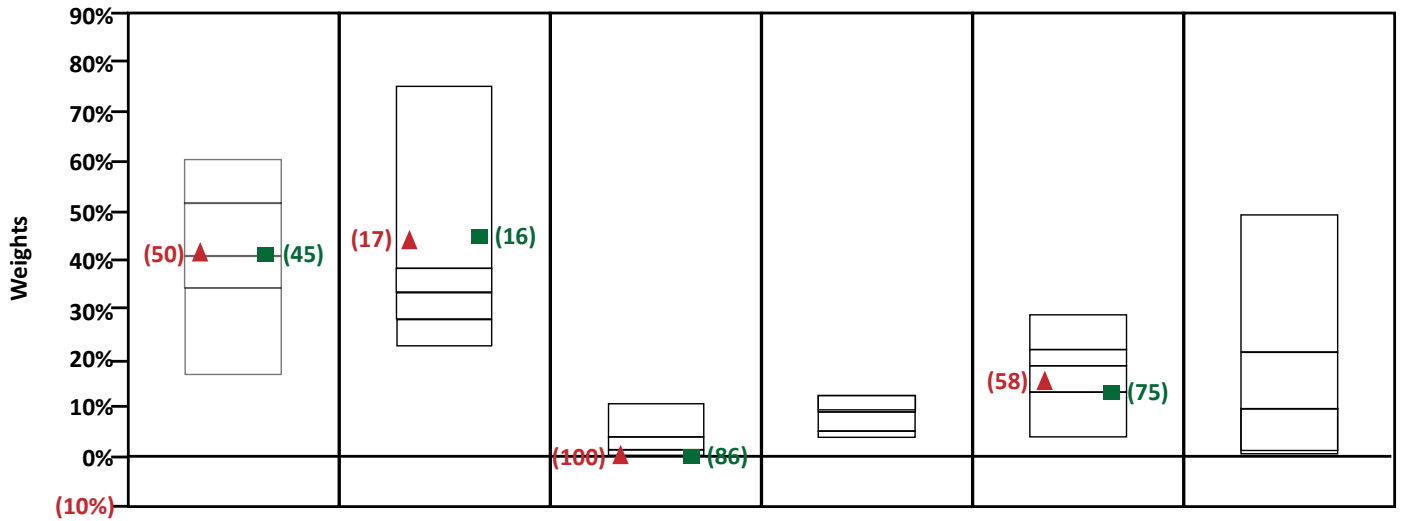
Target Asset Allocation

Asset Class	in \$000's			\$000's			
	Actual	APERS	ASPRS	Actual	Target	Difference	Difference
Domestic Equity	\$2,401,575	\$2,318,797	\$ 82,778	40.7%	37.0%	3.70 %	219,736
International Equity	1,361,172	1,314,255	46,917	23.1	24.0	(0.90)	(54,075)
Fixed Income	1,111,946	1,073,620	38,327	18.9	18.0	0.90	50,511
Diversified Strategies	180,507	174,285	6,222	3.1	5.0	(1.90)	(114,337)
Cash	38,625	30,940	7,684	0.7	0.0	0.70	38,625
Real Assets	803,038	775,359	27,679	13.6	16.0	(2.40)	(140,460)
Total	\$5,896,863	\$5,687,256	\$209,607	100.0%	100.0%		

* Totals may not equal 100 percent due to rounding.

The illustration below 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%.

CAI Public Fund Sponser Database



	Domestic Equity	Domestic Fixed-Income	Cash & Equivalents	Real Estate	International Equity	Alternatives
10th Percentile	63.46	75.61	10.70	12.37	28.85	49.15
25th Percentile	51.44	38.34	4.01	9.37	21.73	21.11
Median	40.97	33.39	1.37	9.04	18.51	9.74
75th Percentile	34.44	27.85	0.33	5.16	13.12	1.29
90th Percentile	16.46	22.45	0.02	3.85	3.90	0.57
Fund ■	41.57	45.13	0.18	-	13.12	-

Schedule of Manager Distribution

APERS Manager Distribution for Period Ending June 30, 2012

	Market Value	Percent Of Total	APERS
Domestic Equity (2,401,575,227 - 40.73%)			
MCM S&P Index Fund	\$ 486,360,007	8.25%	\$ 469,596,101
CastleArk Management	296,483,765	5.03%	286,264,532
Golden Capital Mgmt.	125,874,274	2.13%	121,535,627
INTECH	251,639,807	4.27%	242,966,261
Wellington Mgmt. Co.	245,285,582	4.16%	236,831,054
Westwood Mgmt.	156,542,824	2.65%	151,147,090
Lazard Asset Mgmt.	229,970,151	3.90%	222,043,516
Lombardia Capital	113,004,902	1.92%	109,109,838
SSI Investment Mgmt.	200,839,043	3.41%	193,916,502
Horrell Capital Mgmt.	55,297,779	0.94%	53,391,770
State Street Global Advisors	55,742,351	0.95%	53,821,018
Stephens Inv. Mgmt. Group	184,534,742	3.13%	178,174,180
International Equity (1,361,171,929 - 23.08%)			
Lazard Asset Mgmt.	274,931,644	4.66%	265,455,272
Artisan Partners	280,001,331	4.75%	270,350,217
UBS Global Asset Mgmt.	265,762,874	4.51%	256,602,532
Manning & Napier	266,032,786	4.51%	256,863,141
Pyramis Global Advisors	274,443,294	4.65%	264,983,755
Fixed Income (1,111,946,375 - 18.86%)			
MacKay Shields	739,623,722	12.54%	714,130,296
Prudential Investments	372,322,653	6.31%	359,489,398
Real Assets (803,037,918 - 13.62%)			
INVESCO Real Estate	234,401,882	3.98%	226,322,494
INVESCO Global REITs	120,160,967	2.04%	116,019,247
CastleArk Mgmt. AR Energy Fund	50,077,044	0.85%	48,350,983
CastleArk Mgmt. Global Energy Fund	121,373,786	2.06%	117,190,262
Pinnacle Forest Investments	207,635,225	3.52%	200,478,433
National Timber Asset Mgmt.	69,389,014	1.18%	66,997,306
Diversified Strategies (180,506,561 - 3.06%)			
AQR Capital	89,786,708	1.52%	86,691,931
Newton Capital	90,719,853	1.54%	87,592,912
Short-term Investment Fund	38,624,609	0.66%	30,940,393
COMPOSITE FUND	<u>\$5,896,862,619</u>	<u>100.00%</u>	<u>\$5,687,256,060</u>

Totals may not add due to rounding.

Schedule of APERS and ASPRS Combined Manager Distributions can be found on page 99.

Portfolio Characteristics

	2012	2011
SELECTED BOND CHARACTERISTICS		
Yield to Maturity (Market)	3.79%	4.47%
Current Yield	4.69%	5.01%
Average Coupon Rate	4.88%	5.10%
Average Maturity (in years)	6.86	5.74
QUALITY BREAKDOWN		
AAA (Includes Govts. & Agencies)	26.10%	29.40%
AA	3.90%	4.80%
A	14.90%	12.40%
BAA	29.30%	26.00%
BA	10.30%	14.80%
B	7.10%	7.80%
CCC Below & NR	1.60%	2.70%
*Cash	6.80%	2.10%
SELECTED STOCK CHARACTERISTICS		
Average P/E Ratio	14.64x	16.22x
Estimated Earnings Growth Rate (Next 5 Years)	14.60%	11.41%
Current Yield	2.03%	1.67%

* Includes short term investment fund

Source: Callan Associates Inc.

Schedule of Comparative Investment Results - Fiscal Years Ended 2008 through 2012

	2012	2011	2010	2009	2008
Total Fund:					
Arkansas Public Employees Retirement System	(0.33)%	26.00%	11.95%	(20.89)%	(4.45)%
Callan Total Public Fund Median	1.16	21.35	12.92	(18.00)	(4.65)
Inflation (Consumer Price Index)	1.58	4.06	1.36	(1.98)	5.55
Equities:					
Arkansas Public Employees Retirement System	2.30%	33.64%	15.69%	(25.74)%	(8.74)%
Callan Total Equity Database Median	0.36	34.20	16.87	(26.12)	(12.02)
Russell 3000 Index	3.84	32.37	15.72	(26.56)	(12.69)
International Equities:					
Arkansas Public Employees Retirement System	(12.75)%	33.62%	7.04%	(32.31)%	(9.27)%
Callan Total Non-US Equities Database Median	(12.56)	31.71	8.99	(30.99)	(8.63)
MSCI-EAFE Index	(13.83)	30.36	5.92	(31.35)	(10.61)
Fixed Income:					
Arkansas Public Employees Retirement System	8.07%	8.15%	15.19%	2.70%	4.43%
Callan Total Fixed Income Database Median	7.39	4.98	11.46	5.09	5.97
Barclays Capital Aggregate Index	7.47	3.90	9.50	6.05	7.12

Source: Callan Associates Inc. (Callan database contains returns of over 115 public retirement funds); returns are reported gross of fees.

Schedule of Comparative Investment Results - For the Current Year & the Preceding 3-Year and 5-Year Rates of Return

Fiscal Years Ended June 30	Annualized		
	2012	3-Year	5-Year
Total Fund:			
Arkansas Public Employees Retirement System	(0.33)%	12.03%	1.22%
Callan Total Public Fund Median	1.16	11.73	1.86
Inflation (Consumer Price Index)	1.58	2.33	2.08
Equities:			
Arkansas Public Employees Retirement System	2.30%	16.51%	1.40%
Callan Total Equity Database Median	0.36	16.99	1.18
Russell 3000 Index	3.84	16.73	0.39
International Equities:			
Arkansas Public Employees Retirement System	(12.75)%	7.66%	(5.18)%
Callan Total Non-US Equities Database Median	(12.56)	7.83	(4.48)
MSCI-EAFE Index	(13.83)	5.96	(6.10)
Fixed Income:			
Arkansas Public Employees Retirement System	8.07%	10.42%	7.62%
Callan Total Fixed Income Database Median	7.39	8.30	7.14
Barclays Capital Aggregate Index	7.47	6.93	6.79

Source: Callan Associates Inc. (Callan database contains returns of over 115 public retirement funds); returns are reported gross of fees.

Top Ten Largest Holdings

As of June 30, 2012

Domestic Fixed Income Holdings	Par	Market Value	APERS
US Treasury Bond 3.00% 05/15/2042	11,350,000	\$11,887,309	\$11,477,576
US Treasury Note 1.75% 05/15/2022	10,125,000	10,207,316	9,855,489
US Treasury TIP 1.125% 01/15/2021	4,995,575	5,748,808	5,550,657
US Treasury Note 3.625% 08/15/2019	4,672,500	5,480,329	5,291,432
FNMA 30yr TBA 3.50% 08/01/2042	3,000,000	3,144,840	3,036,443
Countrywide Financial Corp 6.25% 05/15/2016	2,750,000	2,862,200	2,763,545
FHLMC 4.50% 01/15/2013	2,500,000	2,557,050	2,468,913
US Treasury Bond 3.75% 08/15/2041	2,117,500	2,553,578	2,465,561
FHLMC POOL #G0-6252 4.00% 02/01/2041	2,156,172	2,312,602	2,232,891
Entergy Gulf States Louisiana 5.59% 10/01/2024	1,900,000	2,208,009	2,131,903
		<u>\$48,962,041</u>	<u>\$47,274,412</u>

Domestic Equity Holdings	Shares	Market Value	APERS
Apple Inc.	80,102	\$ 46,779,568	\$ 45,167,165
Exxon Mobil Corp.	325,461	27,849,698	26,889,772
Citigroup Inc.	619,520	16,981,043	16,395,739
Wal-Mart Stores Inc.	220,778	15,392,642	14,862,087
Pfizer Inc.	545,674	12,550,502	12,117,910
Comcast Corp.	388,300	12,192,620	11,772,364
International Business Machines Corp.	61,940	12,114,225	11,696,671
Chevron Corp.	100,200	10,571,100	10,206,734
Wells Fargo & Co.	303,830	10,160,075	9,809,877
American Express Co.	170,100	9,901,521	9,560,234
		<u>\$174,492,995</u>	<u>\$168,478,552</u>

International Equity Holding	Shares	Market Value	APERS
Compass Group	1,592,097	\$ 16,705,763	\$ 16,129,947
Novartis AG	266,208	14,878,397	14,365,567
TE Connectivity Ltd.	365,548	11,664,637	11,262,579
Arch Capital Group Ltd.	280,150	11,119,154	10,735,897
Ryanair Holdings PLC	320,280	9,736,512	9,400,913
KAO Corp.	344,900	9,483,778	9,156,890
AON Corp.	202,574	9,476,412	9,149,778
Covidien PLC	174,145	9,316,758	8,995,627
Sonic Healthcare Ltd.	693,540	9,028,597	8,717,399
Diageo	341,903	8,805,352	8,501,849
		<u>\$110,215,359</u>	<u>\$106,416,445</u>

Totals may not add due to rounding.

Schedules of the APERS and ASPRS Combined Ten Largest Holdings can be found on page 100.

Schedule of Brokerage Commissions

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share	APERS Commission
Barclays Capital Inc.	7,399,407	\$ 223,783	\$0.03	\$ 216,069
Credit Suisse First Boston	7,035,914	212,361	0.03	205,041
Societe Generale Securities Corp.	4,292,130	198,619	0.05	191,773
Deutsche Bank Securities, Inc.	5,320,403	180,072	0.03	173,865
Liquidnet Inc.	7,035,635	178,239	0.03	172,096
Instinet, LLC	4,638,545	148,402	0.03	143,287
Goldman Sachs & Co.	5,413,394	133,145	0.02	128,555
ITG Inc.	3,708,811	131,645	0.04	127,107
Citigroup Global Markets Inc.	2,934,526	126,523	0.04	122,162
Morgan Stanley & Co., Inc.	3,392,548	119,459	0.04	115,342
Simmons & Co., Inc.	4,538,886	113,421	0.02	109,511
J.P. Morgan Securities Inc.	3,088,984	104,041	0.03	100,455
UBS Securities LLC	3,390,810	99,296	0.03	95,874
Pickering Energy Partners	2,690,144	87,699	0.03	84,676
Jefferies & Co.	4,754,948	85,768	0.02	82,812
Merrill Lynch, Pierce, Fenner & Smith Inc.	1,535,942	74,745	0.05	72,169
BTIG LLC	1,476,306	71,165	0.05	68,712
William Blair & Co., LLC	4,089,694	64,075	0.02	61,866
Sanford C. Bernstein & Co., LLC	2,077,620	62,329	0.03	60,180
Buckingham Research Group Inc.	1,360,033	61,336	0.05	59,222
ISI Group Inc.	1,358,620	60,407	0.04	58,325
Piper Jaffray & Co.	1,431,764	58,120	0.04	56,117
Stifel, Nicolaus & Co., Inc.	1,314,334	55,921	0.04	53,993
Robert W. Baird & Co., Inc.	1,237,452	51,515	0.04	49,739
Soliel Securities Corp.	747,990	50,361	0.07	48,625
Others (including 95 brokerage firms)	<u>31,301,421</u>	<u>962,271</u>	0.03	<u>929,103</u>
	<u>117,566,261</u>	<u>\$3,714,717</u>	\$0.03	<u>\$3,586,678</u>

Totals may not add due to rounding.

A Schedule of APERS and ASPRS Combined Brokerage Commissions can be found on page 101.

Schedule of Investment Fees

	Market Value	Fee	Basis Points	Market Value	APERS Fee
Equities					
SSI Investment Mgmt - Convertibles	\$ 200,839,043	\$ 880,981	40	\$ 193,916,502	\$ 844,491
Lazard Asset Mgmt. - Value	229,970,151	703,820	30	222,043,516	674,668
Golden Capital Mgmt - Growth	125,874,274	277,236	22.5	121,535,627	265,753
Westwood Mgmt. - SMID Cap	156,542,824	1,165,951	25	151,147,090	1,117,658
MCM S&P 500 Index Fund	486,360,007	127,870	3.5	469,596,101	122,574
INTECH - Growth	251,639,807	1,031,603	48	242,966,261	988,875
INVESCO - Value *	0	285,791	30	0	273,953
CastleArk Mgmt. - Growth	296,483,765	971,306	35	286,264,532	931,074
Wellington Mgmt. Co. - Value	245,285,582	765,061	30	236,831,054	733,372
Stephens Investment Mgmt. - Growth	184,534,742	1,036,972	77	178,174,180	994,091
State Street Global Advisors - 130/30	55,742,351	239,145	50	53,821,018	229,240
Lombardia Capital - Small Cap	113,004,902	640,101	70	109,109,838	613,588
Horrell Capital Mgmt.-AR Index Fund	55,297,779	141,816	27	53,391,770	135,942
Lazard Asset Mgmt - Int'l Equity	274,931,644	690,010	65	265,455,272	661,430
Manning & Napier Int'l Equity	266,032,786	1,062,602	50	256,863,141	1,018,589
Pyramis Global Advisors - Int'l Equity	274,443,294	586,366	20	264,983,755	562,079
UBS Global Asset Mgmt - Int'l Equity	265,762,874	919,211	50	256,602,532	881,138
Artisan Partners - Int'l Equity	280,001,331	1,226,591	55	270,350,217	1,175,786
	<u>\$ 3,762,747,156</u>	<u>\$ 12,752,433</u>		<u>\$ 3,633,052,405</u>	<u>\$ 12,224,231</u>
Diversified Strategies					
AQR Capital	\$ 89,786,708	\$ 345,968	72	\$ 86,691,931	\$ 331,638
Newton Capital	90,719,853	342,045	70	87,592,912	327,878
	<u>\$ 180,506,561</u>	<u>\$ 688,014</u>		<u>\$ 174,284,843</u>	<u>\$ 659,516</u>
Fixed Income					
MacKay Shields - Core Plus I	\$ 367,832,266	\$ 779,696	20	\$ 355,153,786	\$ 747,401
MacKay Shields - Core Plus II	370,791,456	589,127	15	358,010,978	564,726
Prudential Investments - Core Plus	372,322,653	757,552	20	359,489,398	726,175
	<u>\$ 1,110,946,375</u>	<u>\$ 2,126,375</u>		<u>\$ 1,072,654,162</u>	<u>\$ 2,038,301</u>
Real Assets					
INVESCO Real Estate - Core & Global REITS	\$ 354,562,849	\$ 1,649,273	65	\$ 358,010,978	\$ 1,580,960
CastleArk Mgmt. - AR Energy Fund	50,077,044	649,192	125	48,149,078	622,303
CastleArk Mgmt. - Global Energy Fund	121,373,786	1,002,075	100	116,700,895	960,570
Pinnacle Forest Investments – Timberland	207,635,225	1,648,098	90	199,641,269	1,579,834
	<u>\$ 733,648,904</u>	<u>\$ 4,948,638</u>		<u>\$ 705,403,421</u>	<u>\$ 4,743,667</u>
Other Investment Services					
Bank of New York Mellon (Custodian)		\$ 564,479			\$ 541,098
Callan Associates (Consultant)		228,800			219,323
Total Other Services		<u>\$ 793,279</u>			<u>\$ 760,422</u>
		<u>\$ 20,962,771</u>			<u>\$ 20,094,499</u>

* Manager Terminated

A Schedule of APERS and ASPRS Combined Schedule of Investment Fees can be found on page 102.

District III

District III is located in the northwest corner of the state and is made up of 9 counties including parts of Newton and Sebastian county.

In 2012, the number of retirees in District III was 3,292.

In 2012, the amount of benefits paid out to retirees in District III was \$37,096,746.

Actuary's Certification Letter

Summary of Actuarial Assumptions

Summary of Actuarial Methods

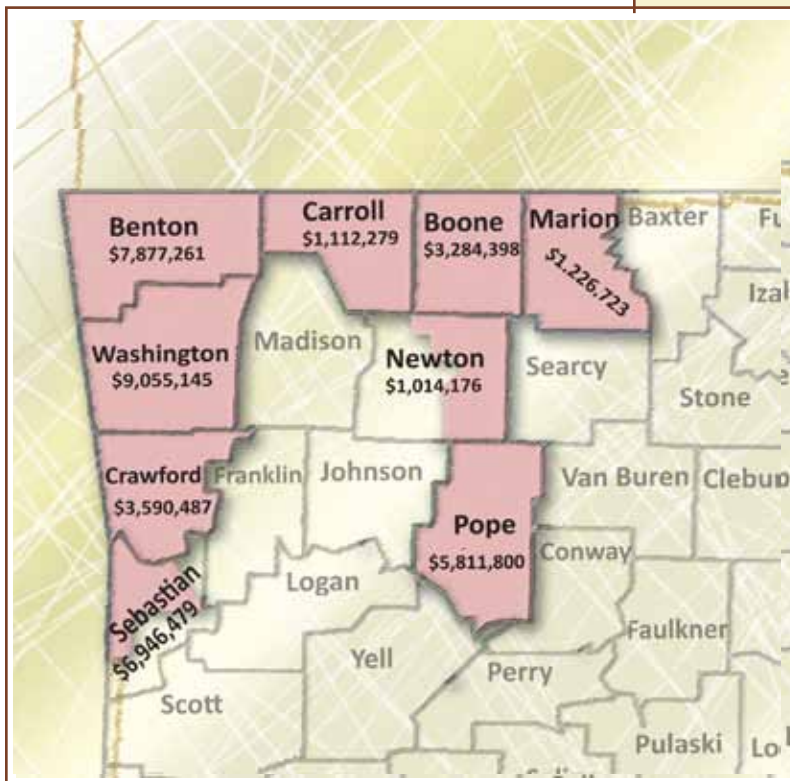
Probabilities of Retirement

Short Condition Test

Analysis of Experience

Analysis of Experience By Risk Area

Summaries of Plan Provisions



*“Retiree expenditures stemming from state and local pension plan benefits supported 11,528 jobs in the state. The total income to state residents supported by pension expenditures was \$437.3 million.”**

*Source: National Institute on Retirement Security; www.nirsonline.org

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Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

November 28, 2012

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, 2012.

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

The Board of Trustees
November 28, 2012
Page 2

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

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2012 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, 2012 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.

Mita Drazilov is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,


Mita D. Drazilov, ASA, MAAA


David L. Hoffman

MDD:bd

Summary of Actuarial Assumptions

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 4.0%, the 8.00% investment return rate translates to an assumed net real rate of return of 4.0%. This 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 76. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4.0% recognizes wage inflation. These assumptions were 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 4.0% a 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 Healthy Table projected to 2015 using Projection Scale AA, set forward 2 years for men. Related values are shown on page 75. This assumption 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 retirement for members eligible to retire are shown on pages 77 through 79. 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 withdrawal from service, death-in-service and disability are shown for sample ages on page 76. 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 normal 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 value 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 (MAAA).

Summary of Actuarial Methods

APERS Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2012
Actuarial Cost Method	Ultimate Entry Age Normal
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	30 year open
Asset Valuation Method	4-Year Smoothed Market with 25% Corridor
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases Including Inflation at	4.7% - 10.6%
Cost-of-Living Adjustments	4.0%
	3.0% Annual Compounded Increase

	<u>Number</u>
Retirees and beneficiaries receiving benefits #	29,282
Terminated plan members entitled to but not yet receiving benefits	13,053
Active plan members	<u>45,937</u>
Total	88,272

Includes DROP participants.

District Judges Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar (New Plan and Paid Off Old Plan) Level Dollar (Still Paying Old Plan)
Remaining Amortization Period	25 year closed (New Plan and Paid Off Old Plan) 23 year closed (Still Paying Old Plan)
Asset Valuation Method	4-Year Smoothed Market with 25% Corridor (New Plan and Paid Off Old Plan) Market Value (Still Paying Old Plan)
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases Including Inflation at	4.7% - 9.8%
Cost-of-living Adjustments	4.0%
	3.0% Annual Compounded Increase on benefits for service after January 1, 2005
	Number
Retirees and beneficiaries receiving benefits	101
Terminated plan members entitled to but not yet receiving benefits	115
Current active plan members	<u>55</u>
Total	271

Single Life Retirement Values -

Based on RP-2000 Combined Mortality Table projected to 2015 at 8.00% Interest
June 30, 2012

Sample Attained Ages	Present Value of \$1.00 Monthly for Life		Present Value of \$1.00 Monthly for Life Increasing 3% Annually		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
40	\$145.15	\$147.67	\$206.27	\$213.28	39.93	44.05
45	141.08	144.37	196.01	204.36	35.15	39.19
50	135.38	139.78	183.34	193.40	30.40	34.38
55	127.66	133.53	168.05	180.10	25.75	29.64
60	117.86	125.50	150.47	164.62	21.30	25.08
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

Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive	
		Men	Women
60	\$100	100%	100%
65	116	96	96
70	134	89	91
75	155	79	81
80	180	63	68

The mortality table was set forward 10 years for disabilities.

Based on RP-2000 Combined Healthy male and female mortality tables projected to 2015 using Projection Scale AA, set forward two (2) years for males. This assumption was first used for the June 30, 2008 valuation.

State and Local Government Division

APERS Separations from Active Employment Before Service Retirement
June 30, 2012

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
June 30, 2012

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	0.27	0.27	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

State and Local Probabilities of Retirement for Members Eligible to Retire

Percent of Eligible Active Members Retiring Within Next Year
June 30, 2012

Retirement Ages (with less than 28 years of service)	Percent of Eligible Active Members Retiring Within Next Year	
	Unreduced	Reduced
55		2 %
56		2
57		3
58		3
59		4
60		5
61		7
62		20
63		18
64		15
65	25 %	
66	25	
67	25	
68	20	
69	20	
70	20	
71	20	
72	20	
73	20	
74-77	20	
78	20	
79	20	
80-82	20	
83	20	
84	20	
85	100	

A member was assumed eligible for unreduced retirement after attaining age 65 with five (5) years of service, or 28 years regardless of age.

A member was assumed eligible for reduced retirement after attaining age 55 with five (5) or more years of service.

Service	Percent of Eligible Active Members Retiring Within Next Year
28	15 %
29	10
30	5
31	5
32	40
33	30
34	30
35	30
36	30
37	30
38	100

Probabilities of Retirement for Members Eligible to Retire

General Assembly Division

Retirement Ages	Percentages of Eligible Active Memebers Retiring Within Next Year
50	30%
51	30
52	30
53	30
54	30
55	30
56	30
57	30
58	30
59	30
60	30
61	30
62	50
63	30
64	50
65	50
66	30
67-79	20
80	100

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.

Probabilities of Retirement for Members Eligible to Retire

District Judges Division

Retirement Ages	Percentages of Eligible Active Members Retiring Within Next Year
50	10%
51	10
52	10
53	10
54	10
55	12
56	12
57	14
58	14
59	14
60	18
61	18
62-73	30
74	100

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.

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 liabilities 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.

Short Condition

10-Year Comparative Statement, (\$ in Millions)

Val'n Date: June 30	Entry Age Accrued Liability			Valuation Assets	Portion of Present Values Covered By Present Assets			
	(1) Active Member Contr.	(2) Retirees and Benef.	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)	Total
STATE 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 DIVISION								
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 AND LOCAL GOVERNMENT DIVISION								
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%
2012	122.1	3,518.7	4,521.9	5,625.4	100%	100%	44%	69%

After legislated changes in benefit provisions.

@ After changes in actuarial assumptions.

Analysis of Experience

Regular actuarial valuations give valuable information about the composite change in unfunded actuarial accrued liabilities – whether or not the liabilities are increasing or decreasing and by how much.

But valuations do not show the portion of the change attributable to each risk area within the Retirement System: the rate of investment return which plan assets earn; the rates of withdrawal of active members who leave covered employment; the rates of mortality; the rates of disability; the rates of pay increases; and the ages at actual retirement. In an actuarial valuation, assumptions must be made as to what these rates will be, for the next year and for decades in the future.

The objective of a gain and loss analysis is to determine the portion of the change in actuarial condition (unfunded actuarial accrued liabilities) attributable to each risk area.

The fact that actual experience differs from assumed experience is to be expected – the future cannot be predicted with precision. The economic risk areas (particularly investment return and pay increases) are volatile. Inflation directly affects economic risk areas, and inflation seems to defy reliable prediction.

Changes in the valuation assumed experience for a risk area should be made when the differences between assumed and actual experience have been observed to be sizable and persistent. A gain and loss analysis covering a relatively short period may or may not be indicative of long-term trends, which are the basis of actuarial assumptions.

Analysis of Experience - APERS

	Total (\$ in millions)
(1) UAAL* at beginning of year	\$ 2,266.6
(2) Normal cost from last valuation	108.1
(3) Actual employer contributions	229.6
(4) Interest accrual: [(1) + ½[(2) - (3)]]x .080	176.5
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	2,321.6
(6) Increase from benefit changes	0.0
(7) Changes from revised actuarial assumptions and methods	0.0
(8) New entrant liabilities	35.4
(9) Expected UAAL after changes: (5) + (6) + (7) + (8)	2,357.0
(10) Actual UAAL at end of year	2,537.3
(11) Gain/(Loss): (9) - (10)	\$ (180.3)

* Unfunded actuarial accrued liability

Analysis of Experience - District Judges

	New Plan and Paid Off Old Plan	Still Paying Old Plan	Total
(1) UAAL* at beginning of year	\$4,074,739	\$10,499,379	\$14,574,118
(2) Normal cost from last valuation	670,946	-	670,946
(3) Actual contributions	1,010,368	1,003,558	2,013,926
(4) Interest accrual: [(1) + ½[(2) - (3)]]x .080	312,402	799,808	1,112,210
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	4,047,719	10,295,629	14,343,348
(6) Increase from benefit changes	-	-	=
(7) Changes from revised actuarial assumptions and methods	-	-	-
(8) Expected UAAL after changes: (5) + (6) + (7) + (8)	4,047,719	10,295,629	14,343,348
(9) Actual UAAL at end of year	<u>3,982,259</u>	<u>10,435,759</u>	<u>14,418,018</u>
(10) Gain/(Loss) (8) - (9)	<u>\$ 65,460</u>	<u>\$ (140,130)</u>	<u>\$ (74,670)</u>

* Unfunded actuarial accrued liability

Analysis of Experience By Risk Area - APERS

Type of Risk Area	Total (\$ in millions)	% Of Accrued Liabilities
ECONOMIC RISK AREAS...		
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	\$ 35.8	0.4%
Investment Return. If there is greater investment return than assumed, there is a gain. If less return, a loss.	(189.5)	(2.3)%
NON-ECONOMIC RISK AREAS		
Non-Casualty Retirements. 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.	11.1	0.1%
Disability Retirements. If there are fewer disabilities than assumed, there is a gain. If more, a loss.	0.8	0.0%
Death-in-Service Benefits. If there are fewer claims than, assumed, there is a gain. If more, a loss.	(0.2)	0.0%
Withdrawal. If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	(4.2)	(0.1)%
Total Active Member Actuarial Gains/(Losses)	\$(146.1)	(1.8)%
Retired Life Mortality	25.6	0.3%
Other. Includes data adjustments at retirement, timing of financial transactions, retired life mortality, and miscellaneous unidentified sources.	(59.7)	(0.7)%
Total Actuarial Gains (Losses)	\$(180.3)	(2.2)%

Summaries of Plan Provisions - APERS

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

New Contributory Plan

Non-Contributory Plan

VOLUNTARY RETIREMENT

With a full benefit, after either (a) age 65 with 5 years of service, or (b) 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).

With a full benefit, after either (a) age 65 with 5 years of service, or (b) 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).

With a reduced benefit, after age 55 with 5 years of service or any age with 25 years of service. The reduction is equal to ½ of 1% for each month retirement proceeds normal retirement age or 1% for each month below 28 years of actual service, whichever is less.

With a reduced benefit, after age 55 with 5 years of service or any age with 25 years of service. The reduction is equal to ½ of 1% for each month retirement proceeds normal retirement age or 1% for each month below 28 years of actual service, whichever is less.

FINAL AVERAGE COMPENSATION (FAC)

Average of highest 36 calendar months of covered compensation.

Average of highest 36 calendar months of covered compensation.

FULL AGE & SERVICE RETIREMENT BENEFIT

2.00% of FAC times years of service (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.

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.

New Contributory Plan**Non-Contributory Plan****BENEFIT INCREASES AFTER RETIREMENT**

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

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

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 interest on the contributions at a rate of 4% annually.

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.

VESTED RETIREMENT BENEFITS

5 years service, and leaving APERS-covered employment before full retirement age. Deferred full retirement benefit, based on service and pay at termination, begins at age 65. A death benefit is payable to surviving spouse of member who dies before benefit commencement.

5 years service and leaving APERS-covered employment before full retirement age. Deferred full retirement benefit, based on service and pay at termination, begins at age 65. A death benefit is payable to surviving spouse of member who dies before benefit commencement.

In place of deferred full benefit, at age 55 or older a qualifying member can elect an immediate reduced benefit.

In place of deferred full benefit, at age 55 or older a qualifying member can elect an immediate reduced benefit.

TOTAL AND PERMANENT DISABILITY

Disabled after 5 years service, including credit for 18 of the 24 months preceding disability.

Disabled after 5 years service, including credit for 18 of the 24 months preceding disability.

Amount is computed as an age & service benefit, based on service and pay at disability.

Amount is computed as an age & service benefit, based on service and compensation at disability.

New Contributory Plan

Non-Contributory Plan

DEATH AFTER RETIREMENT

If death occurs before total monthly benefit payments equal member's accumulated contributions, the difference is refunded.

A retiring member can also elect an optional form of benefit, which provides beneficiary protection paid for by reducing the retired member's benefit amount. Should the member elect a straight life benefit and decease within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain conditions.

Member contributions before 1978 are protected in the same manner as under the Contributory Plan.

A retiring member can also elect an optional form of benefit, which provides beneficiary protection paid for by reducing the retired member's benefit amount. Should the member elect a straight life benefit and decease within 12 months of the date of retirement, a benefit may be payable to the surviving spouse under certain conditions.

DEATH WHILE IN APERS-COVERED EMPLOYMENT

Member's accumulated contributions are refundable.

If the member had 5 years service, monthly benefits are payable instead. Surviving spouse receives a benefit computed as if member had retired and elected the Joint & 75% Survivor Option. Payment begins immediately.

Each dependent child receives benefit of 10% of compensation (maximum of 25% for all children).

Dependent parents benefits are payable if neither spouse nor children's benefits are payable.

Member's accumulated contributions before 1978 are refundable.

If the member had 5 years service, monthly benefits are payable instead. Surviving spouse receives a benefit computed as if member had retired and elected the Joint & 75% Survivor Option. Payment begins immediately.

Each dependent child receives benefit of 10% of compensation (maximum of 25% for all children).

Dependent parents benefits are payable if neither spouse nor children's benefits are payable.

New Contributory Plan**Non-Contributory Plan**

Public Safety Members (including State Capitol Police and Wildlife Sub-Division members) hired before July 1, 1997

Governor (hired before July 1, 1999)

Elected State Constitutional Officers
(hired before July 1, 1999)

General Assembly

Other Elected Public Officials
(municipal and county officials)

All Other Members

1-1/2 times regular rate with 5 years actual service required to meet benefit eligibility rules.

3 times regular rate with 5 years actual service required to meet death-in-service eligibility and 4 years actual service required for other benefit eligibility.

2-1/2 times regular rate with 5 years actual service required to meet benefit eligibility.

Regular crediting rate with 5 years of actual service required to meet death-in-service eligibility and 10 years of actual service required for other benefit eligibility.

2 times regular rate with 5 years actual service required to meet benefit eligibility.

Regular rate.

ARKANSAS PUBLIC EMPLOYEES DEFERRED RETIREMENT OPTION PLAN

Members with 28 years of actual service in APERS or in combination with a reciprocal system are eligible to participate.

Members, for a maximum of 7 years, may continue employment and have 75% of their accrued benefit (at date of participation with 30 or more years of service) paid into the Deferred Retirement Option Plan in lieu of any further benefit accruals.

The payments into the Deferred Retirement Option Plan accumulate with interest at a rate established by the Board. The interest is paid on the mean balance and is paid to the member at termination of active membership in either a lump sum or as an annuity.

Employer contributions continue for members participating in the DROP.

Summaries 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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District IV

District IV covers the southwest corner of the state and now includes Franklin, Johnson, Madison and Yell counties and parts of Crawford, Newton and Sebastian counties.

In 2012, the number of retirees in District IV was 7,968.

In 2012, the amount of benefits paid out to retirees in District IV was \$90,369,217.

Schedule of Revenues by Source

Schedule of Expenses by Type

Schedule of Benefit Expenses by Type

Schedule of Retired Members by Type of Benefit

Schedule of Average Benefit Payments

Statistical Graphs



*“Retirees’ expenditures... supported a total of \$1.4 billion in total economic output in the state, and \$757.2 million in value added in the state.”**

*Source: National Institute on Retirement Security; www.nirsonline.org

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Schedule of Revenues by Source - APERS

Year Ending June 30	Member Contributions	Employer Contributions	Investment Income	Transfers And Other	Total
2003	\$ 159,642	\$115,690,798	\$ 191,929,218	\$ 8,874,658	\$ 316,654,316
2004	117,955	118,419,346	484,159,506	9,522,046	612,218,853
2005	\$82,836	135,027,446	401,429,532	9,354,055	545,893,869
2006	4,667,067	158,152,183	545,321,895	10,630,255	718,771,400
2007	12,192,289	163,888,295	899,333,698	8,844,973	1,084,259,255
2008	18,443,261	174,119,820	(283,602,698)	32,563,899	(58,475,718)
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	1,193,497,611	8,966,315	1,433,532,203
2012	40,220,553	231,511,392	(30,142,255)	9,105,829	250,695,519

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

Schedule of Expenses by Type - APERS

Year Ending June 30	Benefit Payments ¹	Administrative Expenses	Refunds	Total
2003	\$169,763,198	\$4,370,719	\$678,143	\$174,812,060
2004	182,901,681	4,759,527	374,972	188,036,180
2005	207,122,449	4,313,081	526,398	211,961,928
2006	219,711,792	7,272,313	62,133	227,046,238
2007	244,137,717	4,747,840	632,790	249,518,347
2008	266,301,400	4,892,076	1,900,783	273,094,259
2009	299,896,780	5,482,554	2,661,289	308,040,623
2010	318,998,006	5,981,358	3,586,861	328,566,225
2011	344,140,357	6,374,379	6,123,910	356,638,646
2012	359,330,673	6,794,526	7,420,785	373,545,984

¹ Includes DROP and PAW distributions.

Schedule of Benefit Expenses by Type* - APERS

Year Ended June 30	Age & Service		Death In Service	Disability Retirees
	Retirees	Survivors		
2003	\$142,976,196	\$4,018,200	\$3,866,724	\$8,308,800
2004	154,032,252	4,461,732	4,121,640	9,000,408
2005	168,774,960	6,170,316	4,431,564	9,914,448
2006	178,052,748	5,700,516	4,670,760	10,925,028
2007	206,975,784	2,598,444	577,224	14,215,140
2008	224,223,624	2,639,616	534,252	15,937,188
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
2012	309,980,256	10,502,736	347,292	21,950,568

* Expenses are based on June 30 benefit amounts annualized.

Schedule of Retired Members by Type of Benefit - APERS

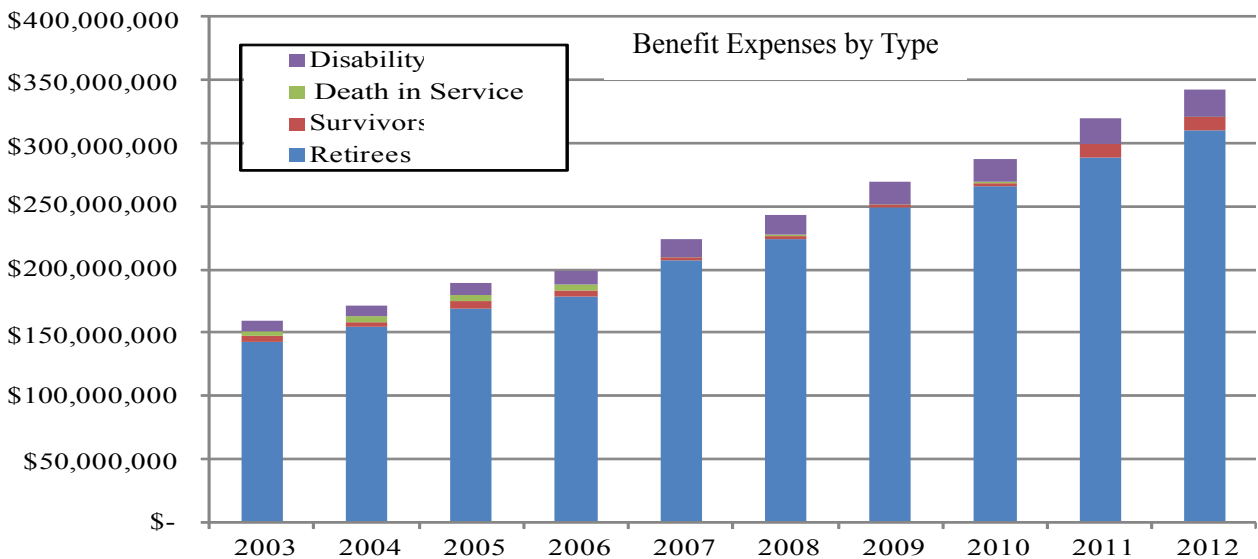
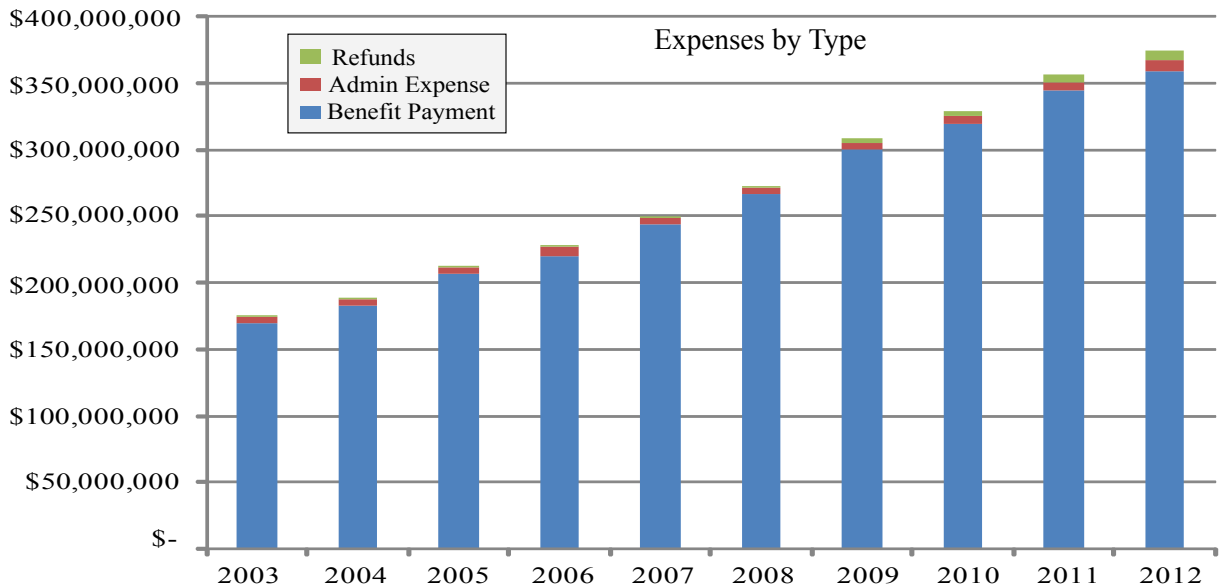
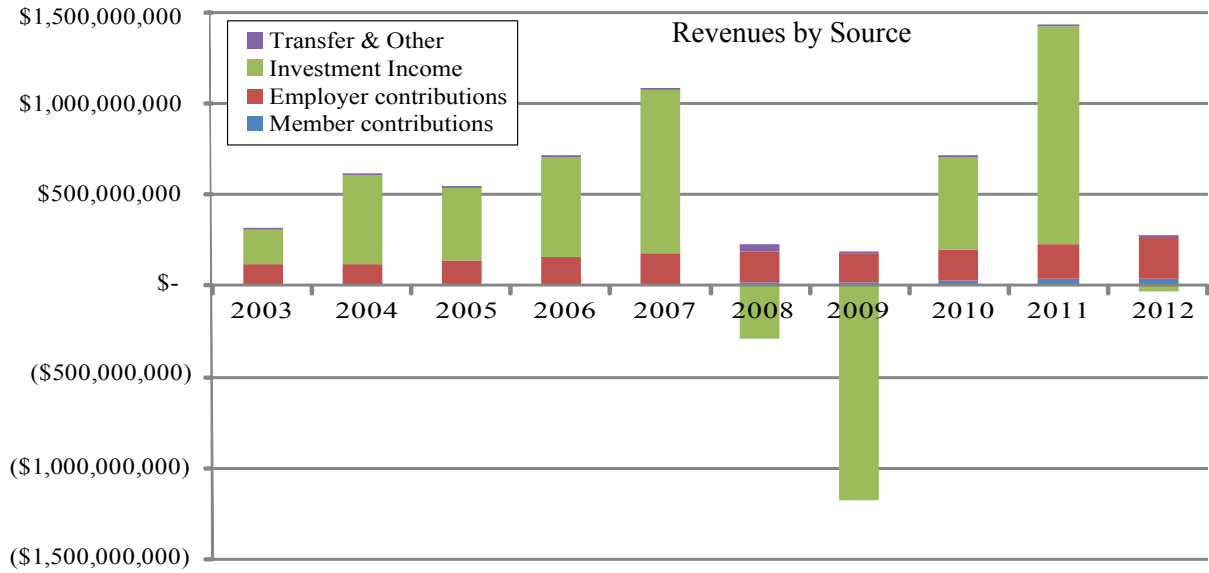
Type of Annuity	Number	Annual Annuities
Age & Service Retirees		
Life	17,229	\$231,567,168
Option A-60 (5 years certain)	1,008	12,422,460
Option A-120 (10 years certain)	1,842	21,167,052
Option B-50 (joint and 50% survivor)	1,031	18,235,320
Option B-75 (joint and 75% survivor)	1,843	25,235,424
Option B-100 (joint and 100% survivor)	<u>70</u>	<u>1,352,832</u>
Totals	23,023	309,980,256
Beneficiaries of Age & Service Retirees		
Life	232	1,658,328
Option A-60	17	165,204
Option A-120	217	1,837,656
Option B-50	296	2,167,476
Option B-75	440	4,084,056
Option B-100	<u>33</u>	<u>590,016</u>
Totals	<u>1,235</u>	<u>10,502,736</u>
Total Age & Service Retirees & Beneficiaries	24,258	320,482,992
Disability Retirees		
Life	1,894	15,843,516
Option A-60	133	1,063,140
Option A-120	286	2,251,176
Option B-50	133	1,078,932
Option B-75	225	1,713,804
Option B-100	<u>0</u>	<u>0</u>
Totals	2,671	21,950,568
Beneficiaries of Disability Retirees		
Life	60	346,476
Option A-60	0	0
Option A-120	0	0
Option B-50	1	13,764
Option B-75	355	2,273,400
Option B-100	<u>0</u>	<u>0</u>
Totals	416	2,633,640
Total Disability Retirees & Beneficiaries	3,087	24,584,208
QDRO Alternate Payees	138	1,058,268
Death-in-Service Beneficiaries	<u>53</u>	<u>347,292</u>
Total Retirees & Beneficiaries	27,536	346,472,760
DROP Participants	<u>1,746</u>	<u>53,051,268</u>
Grand Total Including DROP Participants	<u>29,282</u>	<u>\$399,524,028</u>

Schedule of Average Benefit Payments - APERS*

	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
Retirement Effective Dates - 7/1/11 to 6/30/12					
Avg. Monthly Benefit	\$354.54	\$764.09	\$1,140.50	\$1,751.45	\$2,145.22
Avg. Monthly Final Average Salary	\$2,135.55	\$2,831.24	\$3,166.26	\$3,663.00	\$3,661.38
Number of Active Retirants	794	227	190	251	102
Retirement Effective Dates - 7/1/10 to 6/30/11					
Avg. Monthly Benefit	\$368.73	\$770.76	\$1,074.74	\$1,597.87	\$2,422.67
Avg. Monthly Final Average Salary	\$2,151.36	\$2,709.28	\$2,993.73	\$3,304.80	\$3,849.58
Number of Active Retirants	675	205	188	240	140
Retirement Effective Dates - 7/1/09 to 6/30/10					
Avg. Monthly Benefit	\$327.50	\$705.82	\$929.63	\$1,699.30	\$2,286.53
Avg. Monthly Final Average Salary	\$1,954.99	\$2,547.07	\$2,645.95	\$3,277.83	\$3,721.79
Number of Active Retirants	620	181	158	206	97
Retirement Effective Dates - 7/1/08 to 6/30/09					
Avg. Monthly Benefit	\$334.18	\$719.11	\$977.31	\$1,847.78	\$2,194.01
Avg. Monthly Final Average Salary	\$1,869.83	\$2,529.22	\$2,653.22	\$3,218.86	\$3,347.38
Number of Active Retirants	681	227	189	359	163
Retirement Effective Dates - 7/1/07 to 6/30/08					
Avg. Monthly Benefit	\$351.44	\$780.80	\$888.93	\$1,870.48	\$2,423.83
Avg. Monthly Final Average Salary	\$1,881.92	\$2,485.70	\$2,370.10	\$3,246.79	\$3,643.83
Number of Active Retirants	532	177	166	340	84
Retirement Effective Dates - 7/1/06 to 6/30/07					
Avg. Monthly Benefit	\$441.11	\$673.46	\$986.49	\$1,693.97	\$2,545.23
Avg. Monthly Final Average Salary	\$2,114.94	\$2,451.45	\$2,664.20	\$3,053.62	\$3,720.32
Number of Active Retirants	227	192	162	220	117
Retirement Effective Dates - 7/1/05 to 6/30/06					
Avg. Monthly Benefit	\$429.94	\$626.96	\$851.46	\$1,608.73	\$2,032.10
Avg. Monthly Final Average Salary	\$2,077.05	\$2,151.28	\$2,264.52	\$2,975.45	\$3,423.51
Number of Active Retirants	218	206	162	297	77
Retirement Effective Dates - 7/1/04 to 6/30/05					
Avg. Monthly Benefit	\$397.23	\$591.28	\$831.36	\$1,619.66	\$2,056.63
Avg. Monthly Final Average Salary	\$1,967.82	\$2,070.83	\$2,281.03	\$2,922.83	\$3,258.99
Number of Active Retirants	186	181	155	286	134
Retirement Effective Dates - 7/1/03 to 6/30/04					
Avg. Monthly Benefit	\$410.91	\$615.92	\$875.05	\$1,737.15	\$1,929.11
Avg. Monthly Final Average Salary	\$1,921.45	2,141.94	\$2,334.81	\$2,869.20	\$3,032.98
Number of Active Retirants	213	181	164	241	84
Retirement Effective Dates - 7/1/02 to 6/30/03					
Avg. Monthly Benefit	\$376.77	\$590.45	\$922.99	\$1,794.16	\$2,461.62
Avg. Monthly Final Average Salary	\$1,735.65	\$1,908.45	\$2,341.66	\$2,875.68	\$3,249.57
Number of Active Retirants	201	177	166	258	114
10 year average - 07/01/02 to 06/30/12					
Avg. Monthly Benefit	\$379.24	\$683.87	\$947.85	\$1,722.06	\$2,249.70
Avg. Monthly Final Average Salary	\$1,981.06	\$2,382.65	\$2,571.55	\$3,140.81	\$3,490.93
Number of Active Retirants	435	195	170	270	111

* 2002-2007 data as originally presented in each year's respective annual report. Data has changed since originally reported due to deaths, etc.

Statistical Graphs



Arkansas benefits

Arkansas is comprised of 75 counties that are divided into 4 congressional districts.

Total number of retirees from the APERS system residing in the state of Arkansas in 2012 was 27,409.

Total amount paid out in benefits to retirees residing in Arkansas in 2012 was \$343,145,026.

APERS & ASPRS - Plan Net Assets

APERS & ASPRS - Changes in Plan Net Assets

APERS & ASPRS - Manager Distributions

APERS & ASPRS - Ten Largest Holdings

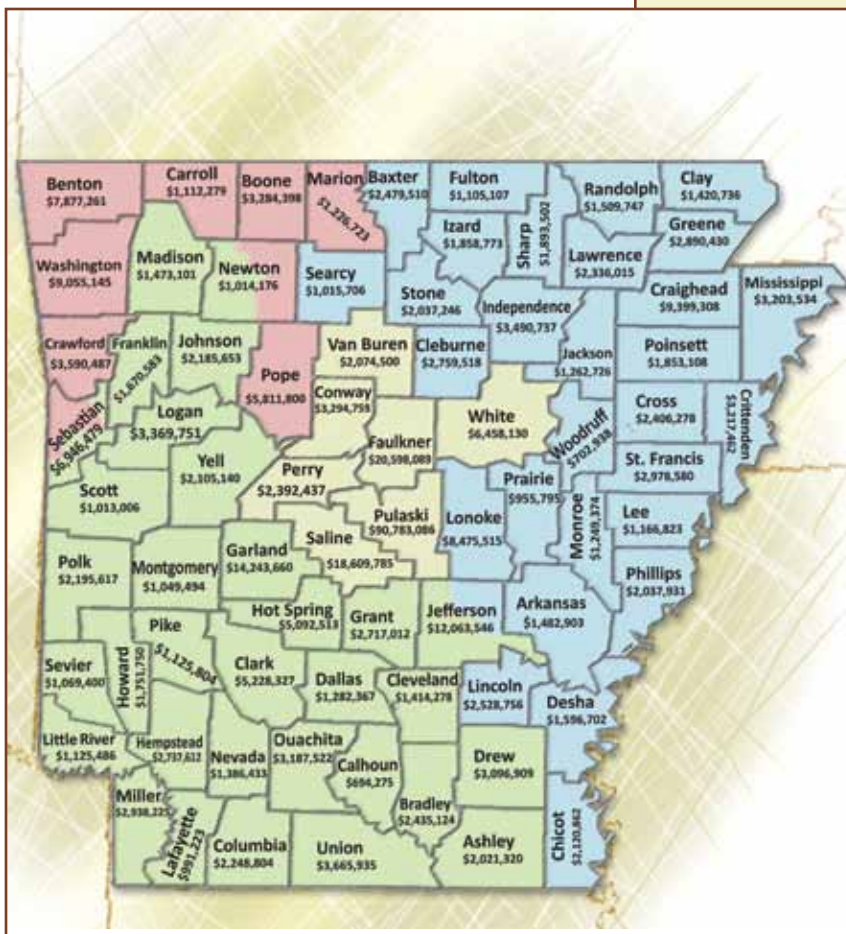
APERS & ASPRS - Brokerage Commissions

APERS & ASPRS - Investment Fees

Summary of Active Member Valuation

Schedule of Retiree and Benefits Paid by County

Schedule of Participating Employers



*“State and local pension payments made to Arkansas residents supported a total of \$230.3 million in revenue to federal, state, and local governments.”**

*Source: National Institute on Retirement Security; www.nirsonline.org

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APERS & ASPRS - Plan Net Assets - Combined Statement

ASSETS	Combined Total	APERS	ASPRS
Cash and Cash Equivalents	\$ 190,771,822	\$ 177,086,939	\$ 13,684,882
Securities Lending Collateral Investments in Cash Equivalents			
Receivables:			
Dec 2004 Actuarial Liability Receivable	10,313,641	10,313,641	0
Contributions	3,976,156	3,962,889	13,267
Investment Principal Receivable	20,057,985	19,366,624	691,361
Accrued Investment Income Receivable	16,639,335	16,065,808	573,527
Total Receivables	50,987,117	49,708,962	1,278,155
Investments At Fair Value			
Government Securities:			
U.S. Government Securities	87,333,060	84,322,856	3,010,204
Futures	(326,835)	(315,569)	(11,265)
Government Agency Securities	158,918,321	153,440,708	5,477,613
Corporate Securities:			
Collateralized Obligations	183,886,559	177,548,338	6,338,221
Corporate Bonds	523,517,521	505,472,866	18,044,655
Convertible Bonds	155,594,593	150,231,542	5,363,050
Convertible Preferred Stock	39,705,769	38,337,186	1,368,582
Common Stock	1,875,041,884	1,810,412,750	64,629,134
Equity Index Funds	486,359,965	469,596,060	16,763,905
Equity Co-Mingled	55,742,351	53,821,018	1,921,333
High Yield Income Fund	52,838,749	51,017,497	1,821,251
International Securities:			
Global Fixed Income Fund	1,276,471	1,232,473	43,998
Corporate Fixed Income	9,528,775	9,200,336	328,439
Equity Securities	613,390,101	592,247,709	21,142,392
Equity Pooled Fund Units	911,846,675	880,417,052	31,429,624
Global Collateralized Obligations	7,085,953	6,841,714	244,239
Emerging Markets	20,765,318	20,049,577	715,741
Forward Contracts	141,959	137,066	4,893
Interest Rate Swaps	(44,424)	(42,893)	(1,531)
Real Estate	232,401,234	224,390,805	8,010,429
Timberland	277,024,239	267,475,739	9,548,500
Municipal Bonds	5,369,823	5,184,736	185,088
Commercial Loans	19,111,399	18,452,665	658,734
Total Investments	5,716,509,460	5,519,472,231	197,037,229
Securities Lending Collateral Investments, At Fair Value			
Repurchase Agreements	130,477,072	125,979,775	4,497,297
Asset Backed Floating Rate Notes	97,573,071	94,209,913	3,363,159
US Agencies	6,194,296	5,980,790	213,506
US Governments	10,035,160	9,689,267	8,327,878
Certificates of Deposit	61,605,637	59,482,209	345,893
Commercial Paper	40,137,693	38,754,223	1,383,470
Corporate Floating Rate Notes	241,611,172	233,283,294	2,123,429
Total Securities Lending Collateral Investments	587,634,103	567,379,471	20,254,632
Prepays and Other Assets	23,672	23,672	0
Fixed Assets, Net	54,917	54,918	0
TOTAL ASSETS	6,545,981,091	6,313,726,193	232,254,898
LIABILITIES			
Accrued Expenses and Other Liabilities	8,392,173	8,062,468	329,704
Investment Principal Payable	46,135,844	44,545,629	1,590,215
Other Post Employment Benefits	1,322,763	1,322,763	0
Securities Lending Liability	587,634,102	567,379,471	20,254,632
TOTAL LIABILITIES	643,484,882	621,310,331	22,174,551
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$5,902,496,209	\$5,692,415,862	\$210,080,347
(A schedule of Funding Progress is on page 42).			

Totals may not add due to rounding.

The APERS Statement of Plan Net Assets is on page 21.

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

ADDITIONS	TOTAL	APERS	ASPRS
Contributions			
Employer	\$ 238,001,006	\$ 231,511,392	\$ 6,489,613
Plan Members	40,220,553	40,220,553	0
Supplemental	6,255,842	0	6,255,842
Court	1,362,937	0	1,362,937
Driver's License Reinstatement Fees	1,162,657	0	1,162,657
Motor Vehicle Title Fees	4,246,637	0	4,246,637
Total Contributions	<u>291,249,632</u>	<u>271,731,945</u>	<u>19,517,686</u>
Investment Income:			
Interest	61,757,601	59,199,267	2,558,334
Dividends	62,149,603	59,575,384	2,574,219
Investment Gain/Loss	(139,759,638)	(133,970,833)	(5,788,805)
Security Lending Income	761,327	729,793	31,534
Real Estate Income	(36,097)	(34,602)	(1,495)
Other Investment Income	4,635,554	4,443,551	192,003
Total Investment Income	<u>(10,491,650)</u>	<u>(10,057,440)</u>	<u>(434,210)</u>
Less: Investment Expense	20,952,668	20,084,815	867,853
Net Investment Income	<u>(31,444,318)</u>	<u>(30,142,255)</u>	<u>(1,302,063)</u>
Other Sources:			
Miscellaneous Additions	1,945,580	1,797,388	148,192
Transfer from Teachers Retirement System	7,229,505	7,229,505	0
Miscellaneous Transfers from State Agencies	78,936	78,936	0
Total Other Additions	<u>9,254,021</u>	<u>9,105,829</u>	<u>148,192</u>
TOTAL ADDITIONS	269,059,334	250,695,519	18,363,815
DEDUCTIONS			
Benefits	380,979,831	359,330,673	21,649,158
Refunds of Contributions	7,420,785	7,420,785	0
Administrative Expenses	6,875,368	6,794,526	80,842
TOTAL DEDUCTIONS	395,275,984	373,545,984	21,730,000
NET INCREASE (DECREASE)	(126,216,650)	(122,850,465)	(3,366,185)
NET ASSETS			
Beginning of Year	<u>6,028,712,859</u>	<u>5,815,266,327</u>	<u>213,446,532</u>
End of Year	<u>\$5,902,496,209</u>	<u>\$5,692,415,862</u>	<u>\$210,080,347</u>

Totals may not add due to rounding.

See Notes to Financial Statements

The APERS Statement Of Changes In Plan Net Assets can be found on page 22.

APERS & ASPRS - Manager Distribution - Combined Statement

APERS Manager Distribution for Period Ending June 30, 2012				
	Market Value	Percent Of Total	APERS	ASPRS
Domestic Equity (2,401,575,227 - 40.73%)				
MCM S&P Index Fund	\$ 486,360,007	8.25%	\$ 469,596,101	\$ 16,763,906
CastleArk Management	296,483,765	5.03%	286,264,532	10,219,233
Golden Capital Mgmt.	125,874,274	2.13%	121,535,627	4,338,647
INTECH	251,639,807	4.27%	242,966,261	8,673,546
Wellington Mgmt. Co.	245,285,582	4.16%	236,831,054	8,454,528
Westwood Mgmt.	156,542,824	2.65%	151,147,090	5,395,734
Lazard Asset Mgmt.	229,970,151	3.90%	222,043,516	7,926,635
Lombardia Capital	113,004,902	1.92%	109,109,838	3,895,064
SSI Investment Mgmt	200,839,043	3.41%	193,916,502	6,922,541
Horrell Capital Mgmt.	55,297,779	0.94%	53,391,770	1,906,009
State Street Global Advisors	55,742,351	0.95%	53,821,018	1,921,333
Stephens Inv. Mgmt. Group	184,534,742	3.13%	178,174,180	6,360,562
International Equity (1,361,171,929 - 23.08%)				
Lazard Asset Mgmt.	274,931,644	4.66%	265,455,272	9,476,372
Artisan Partners	280,001,331	4.75%	270,350,217	9,651,114
UBS Global Asset Mgmt.	265,762,874	4.51%	256,602,532	9,160,342
Manning & Napier	266,032,786	4.51%	256,863,141	9,169,645
Pyramis Global Advisors	274,443,294	4.65%	264,983,755	9,459,539
Fixed Income (1,111,946,375 - 18.86%)				
MacKay Shields	739,623,722	12.54%	714,130,296	25,493,426
Prudential Investments	372,322,653	6.31%	359,489,398	12,833,255
Real Assets (803,037,918 - 13.62%)				
INVESCO Real Estate	234,401,882	3.98%	226,322,494	8,079,388
INVESCO Global REITs	120,160,967	2.04%	116,019,247	4,141,720
CastleArk Mgmt. AR Energy Fund	50,077,044	0.85%	48,350,983	1,726,061
CastleArk Mgmt. Global Energy Fund	121,373,786	2.06%	117,190,262	4,183,524
Pinnacle Forest Investments	207,635,225	3.52%	200,478,433	7,156,792
National Timber Asset Mgmt.	69,389,014	1.18%	66,997,306	2,391,708
Diversified Strategies (180,506,561 - 3.06%)				
AQR Capital	89,786,708	1.52%	86,691,931	3,094,777
Newton Capital	90,719,853	1.54%	87,592,912	3,126,941
Short-term Investment Fund	38,624,609	0.66%	30,940,393	7,684,216
COMPOSITE FUND	<u>\$5,896,862,619</u>	<u>100.00%</u>	<u>\$5,687,256,060</u>	<u>\$209,606,559</u>

Totals may not add due to rounding.

A schedule of the APERS Manager Distribution can be found on page 58.

APERS & ASPRS - Ten Largest Holdings - Combined Schedule

Domestic Fixed Income Holdings	Par	Market Value	APERS	ASPRS
US Treasury Bond 3.00% 05/15/2042	11,350,000	\$11,887,309	\$11,477,576	\$ 409,733
US Treasury Note 1.75% 05/15/2022	10,125,000	10,207,316	9,855,489	351,827
US Treasury TIP 1.125% 01/15/2021	4,995,575	5,748,808	5,550,657	198,150
US Treasury Note 3.625% 08/15/2019	4,672,500	5,480,329	5,291,432	188,897
FNMA 30yr TBA 3.50% 08/01/2042	3,000,000	3,144,840	3,036,443	108,397
Countrywide Financial Corp 6.25% 05/15/2016	2,750,000	2,862,200	2,763,545	98,655
FHLMC 4.50% 01/15/2013	2,500,000	2,557,050	2,468,913	88,137
US Treasury Bond 3.75% 08/15/2041	2,117,500	2,553,578	2,465,561	88,017
FHLMC POOL #G0-6252 4.00% 02/01/2041	2,156,172	2,312,602	2,232,891	79,711
Entergy Gulf States Louisiana 5.59% 10/01/2024	1,900,000	2,208,009	2,131,903	76,106
		<u>\$48,962,041</u>	<u>\$47,274,412</u>	<u>\$1,687,629</u>

Domestic Equity Holdings	Shares	Market Value	APERS	ASPRS
Apple Inc.	80,102	\$ 46,779,568	\$ 45,167,165	\$ 1,612,403
Exxon Mobil Corp.	325,461	27,849,698	26,889,772	959,926
Citigroup Inc.	619,520	16,981,043	16,395,739	585,304
Wal-Mart Stores Inc.	220,778	15,392,642	14,862,087	530,555
Pfizer Inc.	545,674	12,550,502	12,117,910	432,592
Comcast Corp.	388,300	12,192,620	11,772,364	420,256
International Business Machines Corp.	61,940	12,114,225	11,696,671	417,554
Chevron Corp.	100,200	10,571,100	10,206,734	364,366
Wells Fargo & Co.	303,830	10,160,075	9,809,877	350,199
American Express Co.	170,100	9,901,521	9,560,234	341,287
		<u>\$174,492,995</u>	<u>\$168,478,552</u>	<u>\$6,014,442</u>

International Equity Holding	Shares	Market Value	APERS	ASPRS
Compass Group	1,592,097	\$ 16,705,763	\$ 16,129,947	\$ 575,816
Novartis AG	266,208	14,878,397	14,365,567	512,830
TE Connectivity Ltd.	365,548	11,664,637	11,262,579	402,058
Arch Capital Group Ltd.	280,150	11,119,154	10,735,897	383,256
Ryanair Holdings PLC	320,280	9,736,512	9,400,913	335,599
KAO Corp.	344,900	9,483,778	9,156,890	326,888
AON Corp.	202,574	9,476,412	9,149,778	326,634
Covidien PLC	174,145	9,316,758	8,995,627	321,131
Sonic Healthcare Ltd.	693,540	9,028,597	8,717,399	311,199
Diageo	341,903	8,805,352	8,501,849	303,504
		<u>\$110,215,359</u>	<u>\$106,416,445</u>	<u>\$3,798,914</u>

Totals may not add due to rounding.

A Schedule of the APERS Ten Largest Holdings can be found on page 62.

APERS & ASPRS - Brokerage Commissions - Combined Schedule

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share	APERS Commission	ASPRS Commission
Barclays Capital Inc.	7,399,407	\$ 223,783	\$0.03	\$ 216,069	\$ 7,713
Credit Suisse First Boston	7,035,914	212,361	0.03	205,041	7,320
Societe Generale Securities Corp.	4,292,130	198,619	0.05	191,773	6,846
Deutsche Bank Securities, Inc.	5,320,403	180,072	0.03	173,865	6,207
Liquidnet Inc.	7,035,635	178,239	0.03	172,096	6,144
Instinet, LLC	4,638,545	148,402	0.03	143,287	5,115
Goldman Sachs & Co.	5,413,394	133,145	0.02	128,555	4,589
ITG Inc.	3,708,811	131,645	0.04	127,107	4,538
Citigroup Global Markets Inc.	2,934,526	126,523	0.04	122,162	4,361
Morgan Stanley & Co., Inc.	3,392,548	119,459	0.04	115,342	4,118
Simmons & Co., Inc.	4,538,886	113,421	0.02	109,511	3,909
J.P. Morgan Securities Inc.	3,088,984	104,041	0.03	100,455	3,586
UBS Securities LLC	3,390,810	99,296	0.03	95,874	3,423
Pickering Energy Partners	2,690,144	87,699	0.03	84,676	3,023
Jefferies & Co.	4,754,948	85,768	0.02	82,812	2,956
Merrill Lynch, Pierce, Fenner & Smith Inc.	1,535,942	74,745	0.05	72,169	2,576
BTIG LLC	1,476,306	71,165	0.05	68,712	2,453
William Blair & Co., LLC	4,089,694	64,075	0.02	61,866	2,209
Sanford C. Bernstein & Co., LLC	2,077,620	62,329	0.03	60,180	2,148
Buckingham Research Group Inc.	1,360,033	61,336	0.05	59,222	2,114
ISI Group Inc.	1,358,620	60,407	0.04	58,325	2,082
Piper Jaffray & Co.	1,431,764	58,120	0.04	56,117	2,003
Stifel, Nicolaus & Co., Inc.	1,314,334	55,921	0.04	53,993	1,927
Robert W. Baird & Co., Inc.	1,237,452	51,515	0.04	49,739	1,776
Soliel Securities Corp.	747,990	50,361	0.07	48,625	1,736
Others (including 95 brokerage firms)	<u>31,301,421</u>	<u>962,271</u>	0.03	<u>929,103</u>	<u>33,168</u>
	<u>117,566,261</u>	<u>\$3,714,717</u>	\$0.03	<u>\$3,586,678</u>	<u>\$128,039</u>

Totals may not add due to rounding.

A Schedule of APERS Brokerage Commissions can be found on page 63.

APERS & ASPRS - Investment Fees - Combined Schedule

	Basis			APERS		ASPRS	
	Market Value	Fee	Points	Market Value	Fee	Market Value	Fee
Equities							
SSI Investment Mgmt. - Convertibles	\$ 200,839,043	\$ 880,981	40	\$ 193,916,502	\$ 844,491	\$ 6,922,541	\$ 36,490
Lazard Asset Mgmt. - Value	229,970,151	703,820	30	222,043,516	674,668	7,926,635	29,152
Golden Capital Mgmt. - Growth	125,874,274	277,236	22.5	121,535,627	265,753	4,338,647	11,483
Westwood Mgmt. - SMID Cap	156,542,824	1,165,951	25	151,147,090	1,117,658	5,395,734	48,293
MCM S&P 500 Index Fund	486,360,007	127,870	3.5	469,596,101	122,574	16,763,906	5,296
INTECH - Growth	251,639,807	1,031,603	48	242,966,261	988,875	8,673,546	42,729
*INVESCO - Value	0	285,791	30	0	273,953	0	11,837
CastleArk Mgmt. - Growth	296,483,765	971,306	35	286,264,532	931,074	10,219,233	40,231
Wellington Mgmt. Co. - Value	245,285,582	765,061	30	236,831,054	733,372	8,454,528	31,689
Stephens Investment Mgmt. - Growth	184,534,742	1,036,972	77	178,174,180	994,021	6,360,562	42,951
State Street Global Advisors - 130/30	55,742,351	239,145	50	53,821,018	229,240	1,921,333	9,905
Lombardia Capital - Small Cap	113,004,902	640,101	70	109,109,838	613,588	3,895,064	26,513
Horrell Capital Mgmt.-AR Index Fund	55,297,779	141,816	27	53,391,770	135,942	1,906,009	5,874
Lazard Asset Mgmt. - Int'l Equity	274,931,644	690,010	65	265,455,272	661,430	9,476,372	28,580
Manning & Napier - Int'l Equity	266,032,786	1,062,602	50	256,863,141	1,018,589	9,169,645	44,013
Pyramis Global Advisors - Int'l Equity	274,443,294	586,366	20	264,983,755	562,079	9,459,539	24,287
UBS Global Asset Mgmt. - Int'l Equity	265,762,874	919,211	50	256,602,532	881,138	9,160,342	38,073
Artisan Partners - Int'l Equity	280,001,331	1,226,591	55	270,350,217	1,175,786	9,651,114	50,805
	<u>\$ 3,762,747,156</u>	<u>\$ 12,752,433</u>		<u>\$ 3,633,052,405</u>	<u>\$12,224,231</u>	<u>\$129,694,751</u>	<u>\$528,202</u>
Diversified Strategies							
AQR Capital	\$ 89,786,708	\$ 345,968	72	\$ 86,691,931	\$ 331,638	\$ 3,094,777	\$ 14,330
Newton Capital	90,719,853	342,045	70	87,592,912	327,878	3,126,941	14,167
	<u>\$ 180,506,561</u>	<u>688,014</u>		<u>\$ 174,284,843</u>	<u>\$ 659,516</u>	<u>\$ 6,221,718</u>	<u>\$ 28,497</u>
Fixed Income							
MacKay Shields - Core Plus I	\$ 367,832,266	\$ 779,696	20	\$ 355,153,786	\$ 747,401	\$ 12,678,480	\$ 32,295
MacKay Shields - Core Plus II	370,791,456	589,127	15	358,010,978	564,726	12,780,478	24,401
Prudential Investments - Core Plus	372,322,653	757,552	20	359,489,398	726,175	12,833,255	31,378
	<u>\$ 1,110,946,375</u>	<u>\$ 2,126,375</u>		<u>\$ 1,072,654,162</u>	<u>\$ 2,038,301</u>	<u>\$ 38,292,213</u>	<u>\$ 88,074</u>
Real Assets							
INVESCO Real Estate - Core & Global REITS	\$ 354,562,849	\$ 1,649,273	65	\$ 358,010,978	\$ 1,580,960	\$ 12,221,108	\$ 68,312
CastleArk Mgmt. - AR Energy Fund	50,077,044	649,192	125	48,149,078	622,303	1,726,061	26,889
CastleArk Mgmt. - Global Energy Fund	121,373,786	1,002,075	100	116,700,895	960,570	4,183,524	41,506
Pinnacle Forest Investments - Timberland	207,635,225	1,648,098	90	199,641,269	1,579,834	7,156,792	68,264
	<u>\$ 733,648,904</u>	<u>\$ 4,948,638</u>		<u>\$ 705,403,421</u>	<u>\$ 4,743,667</u>	<u>\$ 25,287,485</u>	<u>\$204,971</u>
Other Investment Services							
Bank of New York Mellon (Custodian)		\$ 564,479			\$ 541,098		\$ 23,381
Callan Associates (Consultant)		228,800			219,323		9,477
Total Other Services		<u>\$ 793,279</u>			<u>\$ 760,422</u>		<u>\$ 32,857</u>
		<u>\$ 20,962,771</u>			<u>\$20,094,499</u>		<u>\$868,272</u>

Totals may not add due to rounding

* Manager terminated.

A Schedule of APERS Investment Fees can be found on page 64.

State and Local Government Division (Combined from 2001-present)

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
2012	45,926	\$1,605,879,898	34,967	+2.3	+1.4

Schedule of Retirees and Benefits Paid by County as of June 30, 2012

County	Retirees	Benefits Paid	County	Retirees	Benefits Paid
DISTRICT I			DISTRICT III		
ARKANSAS	166	\$1,482,903	BENTON	685	\$7,877,261
BAXTER	259	\$2,479,510	BOONE	321	\$3,284,398
CHICOT	182	\$2,120,862	CARROLL	145	\$1,112,279
CLAY	170	\$1,420,736	CRAWFORD	354	\$3,590,487
CLEBURNE	248	\$2,759,518	MARION	118	\$1,226,723
CRAIGHEAD	889	\$9,399,308	NEWTON	113	\$1,014,176
CRITTENDEN	267	\$3,217,462	POPE	497	\$5,811,800
CROSS	220	\$2,406,278	SEBASTIAN	564	\$6,946,479
DESHA	161	\$1,596,702	WASHINGTON	726	\$9,055,145
FULTON	122	\$1,105,107	DISTRICT IV		
GREENE	322	\$2,890,430	ASHLEY	206	\$2,021,320
INDEPENDENCE	356	\$3,490,737	BRADLEY	211	\$2,435,124
IZARD	181	\$1,858,773	CALHOUN	85	\$694,275
JACKSON	120	\$1,262,726	CLARK	426	\$5,228,327
LAWRENCE	193	\$2,336,015	CLEVELAND	137	\$1,414,278
LEE	118	\$1,166,823	COLUMBIA	236	\$2,248,804
LINCOLN	217	\$2,528,756	DALLAS	130	\$1,282,367
LONOKE	656	\$8,475,515	DREW	246	\$3,096,909
MISSISSIPPI	343	\$3,203,534	FRANKLIN	174	\$1,670,583
MONROE	111	\$1,249,374	GARLAND	1,067	\$14,243,660
PHILLIPS	234	\$2,037,931	GRANT	198	\$2,717,012
POINSETT	216	\$1,853,108	HEMPSTEAD	242	\$2,737,612
PRAIRIE	106	\$955,795	HOT SPRING	472	\$5,092,513
RANDOLPH	156	\$1,509,747	HOWARD	158	\$1,751,750
SEARCY	111	\$1,015,706	JEFFERSON	946	\$12,063,546
SHARP	195	\$1,893,502	JOHNSON	200	\$2,185,653
ST. FRANCIS	284	\$2,978,580	LAFAYETTE	98	\$991,223
STONE	194	\$2,037,246	LITTLE RIVER	138	\$1,125,486
WOODRUFF	83	\$702,938	LOGAN	360	\$3,369,751
DISTRICT II			MADISON	124	\$1,473,101
CONWAY	290	\$3,294,759	MILLER	259	\$2,938,225
FAULKNER	1,429	\$20,598,089	MONTGOMERY	106	\$1,049,494
PERRY	205	\$2,392,437	NEVADA	138	\$1,386,433
PULASKI	5,277	\$90,783,086	OUACHITA	284	\$3,187,522
SALINE	1,256	\$18,609,785	PIKE	107	\$1,125,804
VAN BUREN	188	\$2,074,500	POLK	227	\$2,195,617
WHITE	623	\$6,458,130	SCOTT	128	\$1,013,006
			SEVIER	114	\$1,069,400
			UNION	322	\$3,665,935
			YELL	199	\$2,105,140

Schedule of Participating Employers as of June 30, 2012

State Agencies

House Speaker's Office	Board of Chiropractic Examiners	Deputy Prosecuting Attorney
1st Judicial Drug Task Force	Board of Collection Agencies	Desha County Conservation District
21st Judicial Drug Task Force	Board of Cosmetology	Development Finance Authority
3rd Judicial Drug Task Force	Board of Dental Examiners	Dietetic Licensing Board
Abstractor's Board of Examiners	Board of Dispensing Opticians	Disability Determination for SS Admin.
Adm. Office of the Courts-Director	Board of Embalmers and Funeral Directors	Disabled Veterans Service
Administrative Office of The Courts	Board of Examiners in Counseling	District Judge Pilot (APERS Employees)
AR Child Abuse & Neglect Prev.	Board of Nursing	Division of Legislative Audit
AR Crime Information Center	Board of Pharmacy	Drew County Conservation District
AR Crime Information Center	Board of Physical Therapy	Drug Crt Juv Prob & Intake Off
AR Department of Agriculture	Board of Reg. for Prof. Geologist	Drug Task Force - 13th Judicial District
AR Economic Development Commission	Board of Registration for Prof Eng. & Prof Sur.	Drug Task Force - 14th Judicial District
AR Fair Housing Commission	Boone County Conservation District	Drug Task Force - 5th Judicial District
AR Public Defender Commission	Buffalo Conservation District	Drug Task Force - Batesville
AR School for Mathematics, Sciences, and the Arts	Building Authority	Drug Task Force - Monticello
AR State Athletic Commission	Burial Assoc. Board	East Arkansas Community College
AR Teacher Housing Development Foundation	Calhoun Co. Conservation District	Educational TV Commission
AR Tobacco Settlement Commission	Capitol Zoning District Commission	Examiners in Psychology
Ark. Dept. of Environmental Quality	Carroll County Conservation District	Faulkner County Conservation District
Arkansas Appraisers Licensing/Cert.	Chicot County Conservation District	Fire Protection Licensing Board
Arkansas County Conservation District	Claims Commission	Forestry Commission
Arkansas Ethics Commission	Clark County Conservation District	Franklin County Conservation District
Arkansas Heritage	Clay County Conservation District	Fulton County Conservation District
Arkansas Lottery Commission	Cleburne County Conservation District	Game & Fish Commission
Arkansas Minority Health Commission	Cleveland County Conservation District	Game & Fish Commission - Wildlife Officer
Arkansas Northeastern College	Code Revision Commission	Garland County Conservation District
Arkansas Sentencing Commission	College of the Ouachitas	General Assembly - Senate
Arkansas State Board of Massage Therapy	Commissioner of State Lands	General Assembly House
Arkansas State Board of Optometry	Constitutional Officers	Geographic Information Office
Arkansas State Library	Contractors Licensing Board	Geological Commission
Arkansas State University	Conway County Conservation District	Governor's Office
Arkansas State University - Beebe	Cossatot Community College - U of A	Greene County Conservation District
Arkansas State University-Mountain Home	Cossatot Conservation District	Health Services Permit Agency
Arkansas Tech University	Court of Appeals	Hempstead County Soil Conservation
Arkansas Tobacco Control Board	Court Reporters	Henderson State University
Arkansas Towing & Recovery Board	Craighead County Conservation District	History Commission
Arkansas Transitional Employment Board	Crawford County Conservation District	Hot Spring County Conservation District
Arkansas Valley Technical Institute	Crittenden County Conservation District	Independence County Conservation District
Arkansas Women's Commission	Crooked Creek Conservation District	Insurance Department
Ashley County Conservation District	Cross County Conservation District	Izard County Conservation District
Assessment Coordination Department	Crowley's Ridge Tech Institute	Jackson County Conservation District
ASU-Newport	Dallas County Conservation District	Jefferson County Conservation District
Attorney General	Department of Aeronautics	Johnson County Conservation District
Auctioneers Licensing Board	Department of Community Correction	Judicial Discipline/Disability Comm.
Auditor of State	Department of Correction	Judicial Drug Task Force-15th
Baxter County Conservation District	Department of Emergency Management	Lafayette County Conservation District
Bd. of Exam. Speech/Lang/Path & Audio	Department of Finance & Administration	L'Aigle Creek Conservation District
Benton County Conservation District	Department of Health	Law Enforcement Standards
Black River Technical College	Department of Higher Education	Lawrence County Conservation District
Board of Accountancy	Department of Human Services	Lee County Conservation District
Board of Architects	Department of Information Systems	Legislative Council
Board of Barber Examiners	Department of Labor	Lieutenant Governor
	Department of Workforce Services	Lincoln County Conservation District

Liquified Petroleum Gas Division
 Little River Conservation District
 Livestock & Poultry Commission
 Logan County Conservation District
 Lonoke Co. Conservation Dist.
 Madison County Conservation District
 Manufactured Home Commission
 Martin Luther King Jr. Commission
 Medical Board
 Miller County Conservation District
 Mine Creek Conservation District
 Mississippi County Conservation District
 Monroe County Conservation District
 Montgomery County Conservation District
 Motor Vehicle Commission
 National Park Community College
 Nevada County Conservation District
 Newton County Conservation District
 North Arkansas College
 Northwest Arkansas Community College
 Northwest Technical Institute
 Office of Health Information Technology
 Office of Information Technology
 Office of Rural Advocacy
 Oil & Gas Commission
 Ouachita County Conservation District
 Ozarka Technical College
 Parks & Tourism
 Phillips Comm. College - U of A
 Phillips County Conservation District
 Pike County Conservation District
 Poinsett County Conservation District
 Pope County Conservation District
 Post Prison Transfer Board
 Poteau River Conservation District
 Prairie County Conservation District
 Prof. Bail Bondsman Licensing Board
 Prosecuting Attorney
 Prosecutor Coordinator
 Public Employees Retirement System
 Public Service Commission
 Pulaski Conservation District
 Pulaski Technical College
 Quapaw Technical Institute
 Randolph County Conservation District
 Real Estate Commission
 Rehabilitation Services (Vocational/
 Technical Educ. Div./Rehab)
 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
 South Central Drug Task Force
 Southeast Arkansas Technical College
 Southern Arkansas University
 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 Military-Civ Firefighters
 State Plant Board
 State Police (Non-Trooper)
 State Treasurer
 Stone County Conservation District
 Student Loan Authority
 Supreme Court
 Title Ins. Agents Licensing Board
 Trial Court Administrative Assistants
 U of A Community College at Hope
 U of A Community College at Morrilton
 Union County Conservation District
 Univ. of Ark. Community College at
 Batesville
 University of AR at Pine Bluff
 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
 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 Agencies

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

(Continued)

County Agencies (*cont.*)

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

Municipal Agencies

City of Horatio
 Alma Water & Sewer Department
 Arkansas Municipal League
 Batesville Water Works
 Bradford Water & Sewer System
 Brinkley Municipal Water/Sewer
 Camden Water & Utilities
 Central Arkansas Water
 City of Alma
 City of Arkadelphia
 City of Arkansas City
 City of Ash Flat
 City of Ashdown
 City of Augusta
 City of Austin
 City of Batesville
 City of Beebe
 City of Bentonville
 City of Bethel Heights
 City of Biscoe
 City of Bono
 City of Bradford
 City of Brinkley
 City of Bryant
 City of Cabot
 City of Caddo Valley
 City of Calico Rock
 City of Cammack Village
 City of Carlisle
 City of Cave City
 City of Cave Springs
 City of Charleston
 City of Cherry Valley
 City of Clarksville
 City of Clinton
 City of Corning
 City of Cotter
 City of Crossett
 City of Des Arc
 City of DeWitt
 City of Dierks
 City of Dover
 City of Elm Springs
 City of Emerson
 City of England
 City of Eudora
 City of Farmington
 City of Flippin
 City of Fordyce
 City of Foreman
 City of Forrest City
 City of Fountain Hill
 City of Friendship
 City of Fulton
 City of Gassville
 City of Gentry
 City of Goshen
 City of Gravette
 City of Green Forest
 City of Greenland
 City of Gum Springs
 City of Hackett
 City of Hamburg
 City of Hampton
 City of Hardy
 City of Harrisburg
 City of Harrison
 City of Haskell
 City of Hazen
 City of Heber Springs
 City of Helena-West Helena
 City of Holly Grove
 City of Hope
 City of Hot Springs
 City of Humnoke
 City of Huntington
 City of Huntsville
 City of Huttig
 City of Jacksonville
 City of Jasper
 City of Junction City
 City of Kibler
 City of Lamar
 City of Lavaca
 City of Lepanto
 City of Leslie
 City of Lewisville
 City of Lincoln
 City of Lockesburg
 City of Lowell
 City of Magnolia
 City of Malvern
 City of Mammoth Spring
 City of Marked Tree
 City of Marshall
 City of Marvell
 City of McRae
 City of Melbourne
 City of Mena
 City of Monette
 City of Monticello
 City of Morrilton
 City of Mount Ida
 City of Mountain Home
 City of Mountain Pine
 City of Mountain View
 City of Mt. Pleasant
 City of Nashville

City of Norman
 City of Ola
 City of Pangburn
 City of Paragould
 City of Paris
 City of Perryville
 City of Piggott
 City of Plumerville
 City of Prairie Grove
 City of Prescott
 City of Pyatt
 City of Quitman
 City of Ravenden
 City of Rector
 City of Rison
 City of Rogers
 City of Russellville
 City of Salem
 City of Searcy
 City of Shannon Hills
 City of Sheridan
 City of Shirley
 City of Smackover
 City of Stamps
 City of Star City
 City of Strong
 City of Stuttgart
 City of Summit
 City of Town of Highfill
 City of Van Buren
 City of Viola
 City of Waldron
 City of Ward
 City of Warren
 City of West Fork
 City of Western Grove
 City of Wilmar
 City of Wynne
 City of Yellville
 Clinton Water & Sewer
 Crossett Public Library
 Crossett Water Commission
 El Dorado Water Works
 Fordyce Water & Sewer
 Forrest City Water Utilities
 Fort Smith Public Library
 Harrisburg Water & Gas Division
 Hope Water & Light
 Hot Springs Adv. & Promotion
 Commission
 Huntsville Water & Sewer
 Incorporated Town of Poyen
 Jacksonville Wastewater Utility
 Jacksonville Water Commission

Little Rock Municipal Water Works
 LR Wastewater Utility
 Magnolia Municipal Water System
 Magnolia Sewer Department
 Malvern Waterworks
 McGehee Water & Sewer System
 Mena Water & Sewer
 NLR Advertising & Promotion Comm.
 No. Little Rock Water Department
 Pangburn Water Dept.
 Piggott Light & Water System
 Rogers Water Utilities
 Star City Water & Sewer
 Stuttgart & No. Ark. County Library
 Van Buren Municipal Utilities
 Vilonia Waterworks Association
 Warren Water & Sewer
 Wynne Municipal Water Utilities

Schools

Alma School Dist.
 Alpena School Dist.
 Arkadelphia School Dist.
 Ashdown School Dist.
 Atkins School Dist.
 Bald Knob School Dist.
 Barton School Dist.
 Bauxite School Dist.
 Beebe School Dist.
 Benton School Dist.
 Bentonville School Dist.
 Bergman School Dist.
 Berryville School Dist.
 Bismarck School Dist.
 Blytheville School Dist.
 Booneville School Dist.
 Bradley School Dist.
 Brinkley School Dist.
 Brookland School Dist.
 Cabot School Dist.
 Cedar Ridge School
 Cedarville School Dist.
 Clarendon School Dist.
 Clarksville School Dist.
 Clinton School District
 Concord School Dist.
 Conway School Dist.
 Corning School Dist.
 Cossatot River School Dist.
 Cotter School Dist.
 Cross County School Dist.
 Crossett School Dist.
 Cutter Morning Star Sch
 Dardanelle School Dist.
 Deer/Mt Judea Sch Dist.
 Dequeen School Dist.
 Dermott Special School Dist.
 Des Arc School Dist.
 Dollarway Schools
 Dover School Dist.
 Dumas Spec School Dist.
 Earle School Dist.
 El Dorado School Dist.
 England School Dist.
 Fairview School Dist.
 Fayetteville School Dist.
 Flippin School Dist.
 Fordyce School Dist.
 Foreman School Dist.
 Forrest City School Dist
 Fouke School Dist.
 Ft Smith School Dist.
 Genoa Central School Dist.1
 Gentry School Dist.

(Continued)

Schools (Continued)

Green Forest School Dist.
 Greene Co Tech. School Dist.
 Greenwood School Dist.
 Gurdon School Dist.
 Hamburg School Dist.
 Harrison School Dist.
 Hartford School Dist.
 Hazen School Dist.
 Heber Springs School Dist.
 Helena-West Helena School Dist
 Highland School Dist.
 Hope School Dist.
 Horatio School Dist.
 Hot Springs School Dist.
 Hoxie School Dist.
 Huntsville School Dist
 Izard Co Cons School Dist.
 Jackson County Schools
 Jasper School Dist
 Jonesboro Public Schools
 Junction City School Dist.
 Lafayette County School Dist.
 Lake Hamilton School Dist.
 Lakeside Public Schools
 Lavaca School Dist
 Lee County School Dist.
 Little Rock School Dist.
 Lonoke School Dist.
 Magazine School Dist.
 Magnolia School Dist.
 Malvern School Dist.
 Mansfield School Dist
 Marion School Dist.
 McCrory Public Schools
 McGehee Public Schools
 Mountain Home School Dist.
 Mountain View School Dist.
 Mountainburg School Dist.
 Nettleton School Dist.
 Newport Special School Dist.
 No Little Rock School Dist
 Osceola School Dist.
 Ozark School Dist.
 Palestine School Dist.
 Paragould School Dist.
 Pea Ridge School Dist.
 Piggott School Dist.
 Pine Bluff Schools
 Pocahontas School Dist.
 Pottsville School Dist.
 Prescott School Dist.
 Pulaski Co Special School Dist.
 Riverview School District
 Rogers School Dist.
 Russellville School. Dist.

Searcy County School Dist.
 Sheridan School Dist.
 Shirley School Dist.
 Siloam Springs School Dist.
 Smackover Public School.
 So Conway County School Dist.
 South Central Service Coop
 South Miss. Co School Dist.
 South Pike County School Dist.
 South Side School Dist.
 Springdale School Dist.
 Star City School Dist.
 Stephens School Dist.
 Stuttgart School Dist.
 Texarkana Ark Sch Dist.
 Trumann School Dist.
 Two Rivers School District
 Valley Springs School Dist.
 Valley View School Dist.
 Van Buren School Dist.
 Vilonia School Dist.
 Waldron School Dist.
 Warren School Dist.
 Watson Chapel School Dist.
 West Memphis School Cafeteria
 White Hall School Dist.
 Wynne School Dist.
 Yellville Summit School Dist.

District Judges

ADJRS Pilot
 Arkansas County
 Ashdown
 Ashley County
 Beebe
 Biscoe
 Bradley County
 Brinkley
 Cabot
 Calhoun County
 Camden
 Charleston
 Cherokee Village
 Chicot County
 Clarksville
 Craighead County
 Crossett
 Dermott
 Devalls Bluff
 East Camden
 Elkins
 Eureka Springs
 Fayetteville
 Franklin County
 Grant County
 Hamburg
 Hampton
 Hazen
 Helena/West Helena
 Hot Springs
 Hoxie
 Lake Village
 Lawrence County
 Lee County
 Little Rock
 Magnolia
 Malvern
 Marion
 Nevada County
 Newport
 Newton County
 Ouachita County
 Ozark
 Phillips County
 Prairie Grove
 Prescott
 Randolph County
 Rison
 Sharp County
 Sheridan
 Sherwood
 Stuttgart
 Walnut Ridge
 Ward
 West Fork

(Continued)

West Memphis
Woodruff County
Yell County

District Court Employers*

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

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

Other Non-State Employers

Blytheville – Gosnell Regional Airport
Alpine Public Water Authority
Benton County Solid Waste District
Boone County Airport
Boston Mountain Solid Waste
Buffalo Island Regional Water District
Clark County Country Water Facilities
Hot Spring County Solid Waste Authority
James Fork Regional Water Dist
Kimzey Regional Water District
Marion County Regional Airport
Milltown-Washburn Water Users
Montgomery Cty Reg Water Authority
Nevada County Prescott Solid Waste Management
No East Arkansas Regional Solid Waste Management
North Garland County 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 Dist.
Saline County Regional Waste Management District
Sardis Water Association
SE White County Water Authority
SW Boone County Water Association
SW White County Water Assn
Upper SW Arkansas Solid Waste Management District
Washington Water Authority

Number of Participating Employers

As of June 30, 2012

State Agencies	247
County Agencies	84
Municipal Agencies	175
School Employers	138
District Judges	57
District Court Employers*	40
Other Non-State Agencies	<u>26</u>
Total	<u>767</u>