

APPENDICES

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM



Annual Financial Report 2013

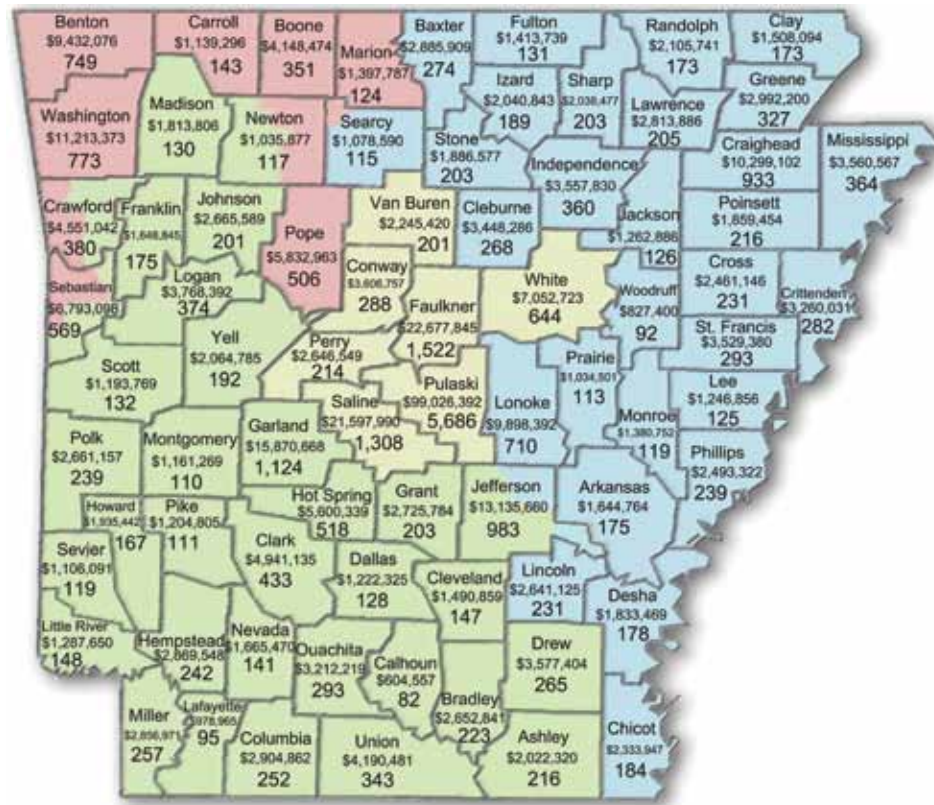
The retirement system benefits the entire state and all Arkansans, not just public employees. When a person retires, their benefits help them purchase essential items. Those payments act as an economic engine to the community in which they live, and provides local businesses with income so that they 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 economies, and a strong workforce, provide true benefits for all Arkansans, and a better quality of life for everyone.

ARKANSAS
benefits

Arkansas Public Employees Retirement System

A Pension Trust Fund of the State of Arkansas

Annual Financial Report For the Fiscal Year Ended June 30, 2013



Number of Retirees and Benefits paid by County for FY2013

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

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

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Public Pension Coordinating Council

***Recognition Award for Funding
2013***

Presented to

Arkansas Public Employees Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in black ink that reads 'Alan H. Winkle'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Alan H. Winkle
Program Administrator

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Introduction Section

A History of APERS

System Highlights

Letter of Transmittal

Chairman's Letter

Board of Trustees

APERS Senior Staff

Outside Professional Service Providers

Municipalities

Any incorporated city or town in the state (which includes all agencies, offices, departments and commissions of the city or town) is eligible to become a participating employer in APERS. The election to participate in APERS is irrevocable.

Municipal employees include all employees whose compensation is payable, either directly or indirectly, by participating municipal public employers. They include employees of the Arkansas Municipal League and employees of the water and sewer system of any city divided by a state line.

The mayor and city clerk of first class cities that join APERS are eligible to remain in their local plan or may participate in APERS.

As of June 2013, 169 employers participate in the Municipal Division of APERS, which includes approximately 7,000 active and retired members.

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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 benefit retirement plan for State of Arkansas employees. 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.

APERS’ is governed by a nine member Board of Trustees. Three of the trustees are Ex-Officio – the Auditor of State, the Treasurer of State, and the Director of the Department of Finance and Administration. The remaining trustees are appointed by the Governor and shall be three members who are state employees and three members who are nonstate employees.

Any member joining the System prior to January 1, 1978 was required to contribute a percentage of his or her salary to the System. However, effective January 1, 1978, new members were not required to contribute to the System; only the employer contributed. At that time, all contributory members of the System were given an opportunity to remain contributory or they could choose to be non-contributory.

Act 653 of 1989 required that all newly hired public school employees be enrolled in the Arkansas Teacher Retirement System (ATRS). The School Division then became a closed plan.

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 enrolled as contributory members and would be required to contribute 5% of their salary into the System. Current members of the System were given the option to remain non-contributory or choose to be a contributory member of the System.

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

Prior to January 1, 2012, when a member began participation in the DROP or retired (and then was rehired), the employer didn’t pay matching on those individual’s salaries. Act 558 of 2011, 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 in an eligible APERS covered position. Act 558 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 but that employer contributions on behalf of the member shall continue.

APERS’ membership has grown steadily. Our current active to retired lives is approximately 1.5 to 1, according to the 2013 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.

Financial Objective

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, 2013, the assets of the System remained healthy at \$6.4 billion. The APERS investment program has seen rates of return that range from (20.89)% (for fiscal year 2009) 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).

A History of APERS

Based on our most recent actuarial valuation, the financial position of the System remains strong at 74.3%.

Investments

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.

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

Retirement Benefit Program

Prior to July 1, 1991, a member could only receive a full month of service credit. Act 757 of 1991 provided for fractional service credit for members who work less than 80 hours per month.

Act 1143 of 1997 required adherence by retirement systems to Qualified Domestic Relation Orders (QDROs). Also, during the 1997 Legislative Session, reciprocity was established. 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.

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. Act 975 of 1991 changed the final average salary (FAS) used in the calculation of retirement benefits from five (5) years to four (4) years. Act 104 of 1999 allowed members to retire with an unreduced benefit with 28 years actual service. Act 1137 of 1997 set the way for the FAS to be set at three (3) years. 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).

Prior to July 1, 1999 if you were retired from another state sponsored retirement system and worked in a position covered by APERS and met the eligibility requirements, you couldn't receive service credit in APERS. That changed, effective July 1, 1999, when 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.

With changes in the retirement world, APERS has experienced the implementation of other retirement options that include a Deferred Retirement Option Plan (DROP) and a Partial Annuity Withdrawal (PAW).

Act 295 of 2009, which went into effect in March 2009, broadened members' ability to purchase retirement credit for time served in the military or armed forces reserves. Vested members who are either eligible for or currently receiving military retirement benefits may purchase up to, 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.

The 2011 legislative session brought about the following changes in addition to those previously discussed:

- Act 38, effective February 16, 2011, states that when an APERS DROP participant's participation ceases the member is not eligible for employment in any position covered by any authorized state retirement plan.
- Act 563, effective July 1, 2011, amended Arkansas Code §24-4-521 to restrict the amount of credited service earned by a local non-contributory elected public official to one (1) year of retirement credit for every year worked unless additional contributions are provided.
- 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.

The 2013 legislative session also brought a number of changes that included:

- Act 332, effective March 14, 2013, states under Section 3 – “Public Safety (police officer or firefighter)” employees that were hired prior to July 1, 1997 are eligible to receive multiple service credit. This Section clarifies that “police officer” does not include a person who has not satisfied the training requirements to be a police officer established by the Arkansas Commission on Law Enforcement Standards and Training under ACA 12-9-106. ACA 24-4-101(34)(A)

Section 6 – A retirant shall not begin receiving annuity payments until all requirements for terminating qualified employment are satisfied.

Section 8 – Requires a participating public employer to promptly provide all information requested concerning the status of an employee to the System.

Section 9 – The disability annuity shall be effective the first day of the calendar month following APERS approval of the disability application and are not retroactive. ACA 24-4-511(a)(2)

Section 12 – A non-contributory APERS member can convert to the contributory provisions at any time. The effective date of the member's contributory coverage shall be the first payroll period that is paid and reported in the next month after the contributory election is made and provided to APERS. This provision is prospective only and is irrevocable.

- Act 288, effective January 1, 2014, states a contributory elected position covered by APERS on or after January 1, 2014, shall be credited as service at two (2) times the regular rate for crediting purposes, and the employee shall contribute an additional two and one-half percent (2.5%) of the gross payroll, and the employer shall contribute an additional two and one-half percent (2.5%) of the gross payroll for the additional service that exceeds the regular rate of service.
- Act 378, effective July 1, 2013, amended ACA 14-14-1320(a)(2) by requiring any county elected officer who resigns during a term of office shall be ineligible for appointment to any county elective office during the term for which he or she resigned.

System Highlights

As of June 30, 2013

State and Local divisions only

Active Members		Retired Members*		
			<u>Age and Service</u>	<u>Disability</u>
Number	45,703	Newly Retired Members	1,695	116
Average Age (yrs.)	44.9	Average Age (yrs.)	61.8	55.9
Average Service (yrs.)	9.3	Average Service (yrs.)	17.0	14.8
Average Annual Salary	\$ 35,285	Average Monthly Benefit	\$ 904.38	\$ 770.41
Inactive Vested Members				
Number	13,267	Total Retired Members	30,533	
		Average Monthly Benefit	\$ 1,163.22	

* Includes DROP participants.

District Judges only

Active Members		Retired Members		
			<u>Total</u>	<u>Disability</u>
Number	44	Retired Members	104	N/A
Average Age (yrs.)	60.9	Average Age (yrs.)	72.0	N/A
Average Service (yrs.)	16.6	Average Service (yrs.)	17.4	N/A
Average Annual Salary	\$ 67,942	Average Monthly Benefit	\$ 855.78	N/A
Inactive Vested Members				
Number	126			

Letter of Transmittal



124 WEST CAPITOL AVENUE • SUITE 400 • LITTLE ROCK, AR 722

December 30, 2013

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 2013 Annual Financial Report of the Arkansas Public Employees Retirement System (“APERS” or the “System”) for the fiscal year ended June 30, 2013. 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:

- The *Introduction Section* contains the administrative organization, a letter of transmittal, and the Chairman’s report;
- The *Financial Section* contains the financial statements of the System and required supplementary information;
- The *Investment Section* contains a report on investment activity, investment policies, investment results, and various investment schedules;
- The *Actuarial Section* contains the Actuary’s certification letter and the results of the Annual Actuarial Valuation;
- The *Statistical Section* includes significant trend data pertaining to the System;
- 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, 2013.

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.



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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 5.18%. 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, 2013, the fund recognized a positive 15.58% rate of return. The funding status of the retirement system increased to 74% in fiscal 2013 from 69% in 2012. 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 2013 totaled approximately \$1.154 billion, see the following table:

OPERATING ADDITIONS	2013	2012
Employer contributions	\$ 249,062,186	\$230,495,674
Plan Member contributions	44,549,911	41,361,523
Supplemental contributions	1,863,992	1,481,214
Investment earnings	851,920,691	(30,142,255)
Miscellaneous additions	1,203,348	191,882
Transfers from other public employee retirement systems	5,848,612	7,307,481
TOTAL	\$1,154,448,740	\$ 250,695,519

The overall increase in additions was approximately \$904 million when compared to fiscal year 2012, due primarily to higher investment returns. The Investment Section of this report reviews activity and the results of the investment portfolio for fiscal year 2013.



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Deductions

The primary deductions from the System include 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 2013 totaled approximately \$412 million, see the following table:

OPERATING DEDUCTIONS	2013	2012
Benefit payments	\$ 396,607,128	\$ 359,330,673
Refunds of contributions	8,446,701	7,420,785
Administrative expenses	<u>7,340,273</u>	<u>6,794,526</u>
TOTAL	<u>\$ 412,394,102</u>	<u>\$ 373,545,984</u>

The overall increase in deductions was approximately \$38.8 million when compared with fiscal year 2012 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 increase in Plan net position was approximately \$742 million during fiscal year 2013.

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, 2013, amounted to \$8.28 billion and \$6.16 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 2013, investments provided a positive 15.58% rate of return. The System's annualized rate of return over the last three years was a positive 13.28%.



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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 Section* and the *Statistical Section* 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,

A handwritten signature in black ink that reads "Gail H. Stone".

Gail H. Stone
Executive Director

Chairman's Letter



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

December 30, 2013

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, 2013. The Arkansas Public Employees Retirement System continues to be in sound condition with 74% of all commitments prefunded. The assets accumulated to pay your retirement benefits are carefully invested to ensure the necessary funding when your future benefits are due to you. As Board members we serve as trustees to ensure that your interests are properly safeguarded. We have the responsibility and the mandate to provide retirement benefits to all participants commensurate with the valuable service each has rendered to the citizens of Arkansas.

Act 1242 of 2009 merged the investable assets of the Arkansas 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
<p>Mr. Artee Williams, Chair Executive Director, Department of Workforce Services State Employee Representative</p>	March 9, 2014
<p>The Honorable Mike Jacobs, Vice Chair Johnson County Judge, Clarksville, AR County Employee Representative</p>	March 9, 2015
<p>The Honorable Charles Robinson State Treasurer</p>	Ex-Officio Member
<p>The Honorable Charlie Daniels State Auditor</p>	Ex-Officio Member
<p>Mr. Richard Weiss Director, Department of Finance and Administration</p>	Ex-Officio Member
<p>Ms. Ouida Wright Conway, AR State Employee Representative</p>	March 9, 2017
<p>Mr. Bill Gaddy Little Rock, AR State Employee Representative</p>	March 9, 2019
<p>The Honorable Charles "Stephen" Northcutt Mayor of Malvern, AR Municipal Employee Representative</p>	March 9, 2016
<p>Ms. Carol Bevis Lonoke, AR Non-State Employee Representative</p>	March 9, 2012

APERS 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. Jennifer Taylor
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

Domestic Equity Investment Managers

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

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

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

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

Lazard Asset Management
30 Rockefeller Plaza
New York, NY 10020

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

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

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

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

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

Wellington Management Company
280 Congress Street
Boston, MA 02210

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

Fixed Income Investment Managers

MacKay Shields	Prudential Investments, Inc.
1345 Avenue of the Americas	Two Gateway Center
New York, NY 10105	Newark, NJ 07102

Diversified Strategies Investment Managers

AQR Capital Management	Blackstone Alternative Asset Mgmt., LP	Newton Capital Management
Two Greenwich Plaza, 3 rd Floor	345 Park Avenue, 28 th Floor	A BNY Mellon Company
Greenwich, CT 06830	New York, NY 10154	200 Park Avenue
		New York, NY 10166-0005

Real Assets Investment Managers

CastleArk Management, LLC	Invesco Real Estate	Pinnacle Forest Investments, LLC
One North Wacker Drive, Suite 3950	Three Galleria Tower, Suite 500	650 South Shackleford, Suite 400
Chicago, IL 60606	Dallas, TX 75240	Little Rock, AR 72211
TA Associates Realty	LaSalle Investment Management	
28 State Street, 10 th Floor	One Front Street	
Boston, MA 02109	San Francisco, CA 94111	

International Equity Investment Managers

Artisan Partners	Manning & Napier Advisors	Lazard Asset Management
875 East Wisconsin Ave., Suite 800	655 Metro Place South, Suite 800	30 Rockefeller Plaza
Milwaukee, WI 53202	Dublin, OH 43017	New York, NY 10020
Pyramis Global Advisors		
900 Salem Street, OT3N1		
Smithfield, RI 02917		

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The background of the page features a large, detailed image of the Arkansas State Capitol building in Little Rock. The building is a grand, classical-style structure with a prominent central dome topped with a golden finial. The facade is composed of numerous columns and arches. In the foreground, there are colorful flowers in shades of red, yellow, and pink. Overlaid on the top half of the image is a collage of various Arkansas state agency logos and seals, including the Arkansas Board of Examiners, ADFA, ACIE, and the Arkansas Forestry Commission. The text 'Financial Section' is prominently displayed in a large, white, serif font across the top center.

Financial Section

Management Discussion and Analysis

Basic Financial Statements

- Statement of Plan Net Position
- Statement of Changes in Plan Net Position
- 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 Required Supplementary Information

- Schedule of Administrative Expenses
- Schedule of Investment Expenses
- Payments for Professional Consultants

State Government

The State Division includes all agencies, offices, departments, boards, commissions and state-supported institutions that are duly constituted agencies of the state. "State employees" means all otherwise eligible employees whose compensations were, or are, payable from funds appropriated by the State.

State-supported institutions of higher learning may participate in APERS or an alternate retirement plan that has been approved by the respective institution.

The State Division, the largest segment of the System's membership, is composed of 241 employers ranging from 7500+ employees at the Department of Human Services to one employee at some of the conservation districts.

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Management Discussion and Analysis

To help facilitate a better understanding of the Arkansas Public Employees Retirement System (the “System” and/or “APERS”) financial condition as of June 30, 2013, the results of its operation for the fiscal year ended and the fiscal policies that govern its significant business operations, management has prepared this narrative analysis. This narrative is intended to supplement the System’s financial statements, and as such, should be read in conjunction with these statements, which are presented beginning on page 28.

Overview of the Financial Statements

This overview is intended to serve as an introduction to the System’s financial reporting. Collectively, all the information contained in the *Financial Section* of this Annual Report presents the net assets held in trust for pension benefits as of June 30, 2013.

The basic financial statements contained in the *Financial Section* of the Annual Report consist of:

The *Statement of Net Position* reports the pension trust funds’ assets, liabilities, and resulting net position where Assets – Liabilities = Net Position at the end of the fiscal year. It is a snapshot of the financial position of the pension trust funds at that specific point in time. Below you will find a summary of total assets, total liabilities, and resulting net position for fiscal years 2013 and 2012.

	2013	2012
Total Assets	\$ 7,227,250,915	\$ 6,313,726,193
Total Liabilities	792,780,415	621,310,331
Net Position	<u>\$ 6,434,470,500</u>	<u>\$ 5,692,415,862</u>

The *Statement of Changes in Net Position* summarizes the pension trust funds’ financial transactions that have occurred during the fiscal year where Additions – Deductions = Net Change in Net Position. It supports the change that has occurred to the prior year’s net position value on the Statement of Plan Net Position. Below you will find a summary of the financial transactions of the trust fund for fiscal years 2013 and 2012.

	2013	2012
Additions		
Employer Contributions	\$ 249,062,186	\$ 231,511,392
Plan Members Contributions	44,549,911	40,220,553
Net Investment Income	851,920,691	(30,142,255)
Total Other Additions	8,915,952	9,105,829
Total Contributions	1,154,448,740	250,695,519
Deductions		
Benefits	396,607,128	359,330,673
Refunds of Contributions	8,446,701	7,420,785
Administrative Expenses	7,340,273	6,794,526
Total Deductions	412,394,102	373,545,984
Net Increase (Decrease)	742,054,638	(122,850,465)
Net Position		
Beginning of the year	5,692,415,862	5,815,266,327
End of the year	<u>\$ 6,434,470,500</u>	<u>\$ 5,692,415,862</u>

The *Notes to the Basic Financial Statements* are provided as an integral component of the financial statements to help explain in narrative form some of the more complex or less obvious elements of the statements. Further, the notes to the financial statements provide additional information (e.g., varying types of investment risk) that is essential for a comprehensive understanding of the System's financial condition and the results of its operations.

Note 1 provides a general description of the System. Information regarding membership and employers are provided.

Note 2 provides a summary of significant accounting policies, including the basis of accounting, management's use of estimates, and other accounting policies.

Note 3 describes deposits, discloses investment risks, addresses securities lending as well as derivative instruments.

Note 4 addresses other post employment benefits (OPEB).

Note 5 provides information regarding legally required reserves.

Note 6 provides Capital Assets activity.

The *Required Supplementary Information* provides additional detail and historical information considered to be useful in evaluating the condition of the plan administered by APERS. The System provides certain required schedules and related note disclosures that collectively demonstrate the System's annual progress toward funding its actuarial accrued liability (i.e., Schedule of Funding Progress) and discloses the annual required employer contributions and percent contributed.

The other supplementary schedules presented summarize the major categories of administrative and investment expenses and provides detail related to amounts paid to professional consultants.

Funding

The System's overall funding objective is to accumulate sufficient assets over time to meet its long term benefit obligations as they become due. Accordingly, collecting employer and member contributions as well as earning an adequate long-term rate of return on its investments are essential components of the System's plan for accumulating the funds needed to finance future retirement benefits.

APERS' overall pension fund net position increased during the fiscal year ended June 30, 2013 by \$742,054,638. The increase can be attributed to an increase in investment values and their associated income.

System Investments as of June 30, 2013

The investments of the pension trust funds generated a 15.58% return for the fiscal year, which is an improvement from the prior year's return of -0.33%. The 15.58% placed APERS in the top 5% when compared with a median large public plan return of 13.57%. Investment results over time compared with the System's benchmarks are presented in the *Schedule of Comparative Investment Results* located in the *Investments Section* of this annual report.

Domestic Equity

The System had \$2.693 billion in U.S. domestic equity securities which is approximately a 12% increase from fiscal year 2012. Domestic equity posted a return of 20.99% for the fiscal year. The benchmark used for the System posted a return of 22.09%.

International Equity

The System had \$1.637 billion in International equity securities which is approximately an 11.6% increase from fiscal year 2012. International equity posted a return of 20.88% for the fiscal year. The benchmark used for the System posted a return of 16.03%.

Fixed Income

The System had \$1.148 billion in Fixed Income securities which is approximately the equivalent amount the System had in fiscal year 2012. Fixed Income posted a return of 3.51% for the fiscal year. The benchmark used for the System posted a return of 1.07%.

Diversified Strategies

The System had \$319 million in Diversified Strategies which is approximately a 2% increase from fiscal year 2012. Diversified Strategies posted a return of 9.73% for the fiscal year.

Real Assets

The System had \$795 million in Real Assets which is approximately a 1.0% decrease from fiscal year 2012. Real Assets posted a return of 10.26% for the fiscal year. The benchmark used for the System posted a return of 5.76%

Securities Lending

The System earns additional investment income by lending investment securities to broker-dealers. This is done by the System's custodial bank, Bank of New York Mellon (BNYM). The broker-dealers provide collateral to BNYM and generally use the borrowed securities to cover short sales and failed trades for their clients. BNYM invests cash collateral to earn interest. For the fiscal year 2013, securities lending income to the System amounted to \$3.688 million.

Actuarial Valuations and Funding Progress

An actuarial valuation of the System is performed annually as of June 30th. The funded status of the System is shown in the Schedule of Funding Progress. This table shows the funding ratios for the past 18 years. It also shows the actuarial value of assets as far back as 1995.

The actuarial accrued liability and actuarial value of assets of the System as of June 30, 2013, amounted to \$8.28 billion and \$6.16 billion, respectively.

As of June 30, 2013, the APERS plan experienced an increase in its funded status from 70% to 77% on a market value basis. On a funding basis, the System experienced an increase in its funded status from 69% to 74%

Requests for information

This annual report is designed to provide a general overview of the finances of the System. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, AR 72201.

Basic Financial Statements

Statement of Plan Net Position - As of June 30

	2013	2012
Assets		
Cash and Cash Equivalents	\$ 197,005,448	\$ 177,086,939
Receivables:		
Contributions	4,026,944	3,122,202
Dec 2004 Actuarial Liability Receivable	10,145,451	10,313,641
Investment Principal Receivable	19,706,894	19,366,624
Accrued Investment Income Receivable	19,891,358	16,065,808
Other Receivables	843,783	840,687
Total Receivables	54,614,430	49,708,962
Investments, At Fair Value		
Government Securities:		
U.S. Government Securities	103,365,196	84,322,856
Futures	633,126	(315,569)
Government Agency Securities	135,034,237	153,440,708
Corporate Securities:		
Collateralized Obligations	166,864,026	177,548,338
Corporate Bonds	492,099,617	505,472,866
Convertible Bonds	170,566,983	150,231,542
Convertible Preferred Stock	39,474,969	38,337,186
Common Stock	2,038,116,530	1,810,412,750
Equity Index Funds	551,082,519	469,596,060
Equity Co-Mingled	64,776,089	53,821,018
High Yield Income Fund	55,765,901	51,017,497
International Securities:		
Global Fixed Income Fund	10,770,871	1,232,473
Corporate Fixed Income	36,101,993	9,200,336
Equity Securities	715,367,311	592,247,709
Equity Pooled Fund Units	610,149,121	880,417,052
Global Equity Index Funds	296,199,571	0
Global Collateralized Obligations	5,481,114	6,841,714
Emerging Markets	26,175,846	20,049,577
Emerging Markets Collateralized Obligations	235,133	0
Forward Contracts	785,881	137,066
Interest Rate Swaps	4,238	(42,893)
Real Estate	259,578,181	224,390,805
Diversified Strategies	217,372,992	0
Timberland	204,819,735	267,475,739
Municipal Bonds	5,167,044	5,184,736
Commercial Loans	21,572,758	18,452,665
Total Investments	6,227,560,982	5,519,472,231
Securities Lending Collateral Investments, At Fair Value:		
Repurchase Agreements	131,976,556	125,979,775
Asset Backed Floating Rate Notes	105,713,712	94,209,913
US Agencies	11,103,225	5,980,790
US Governments	0	9,689,267
Certificates of Deposit	43,061,345	59,482,209
Commercial Paper	70,407,711	38,754,223
Corporate Floating Rate Notes	290,949,419	233,283,294
Bank Obligations	94,783,855	0
Total Securities Lending Collateral Investments	747,995,823	567,379,471
Prepays and Other Assets	29,640	23,672
Capital Assets, Net	44,592	54,917
Total Assets	7,227,250,915	6,313,726,193
Liabilities		
Accrued Expenses and Other Liabilities	7,799,664	7,682,381
Compensated Absences Payable	327,572	302,132
Other Post Employment Benefits	1,669,923	1,322,763
Investment Principal Payable	34,914,852	44,545,629
Securities Lending Liability	747,995,823	567,379,471
Due to Other Agencies	72,580	77,955
Total Liabilities	792,780,415	621,310,331
Net Position Restricted for Pension Benefits	\$ 6,434,470,500	\$ 5,692,415,862

Totals may not add due to rounding. A Schedule of Funding Progress is on page 51.
The APERS and ASPRS Combined Statement of Plan Net Position can be found on page 105.

Basic Financial Statements

Statement of Changes in Plan Net Position - For the Year Ended June 30

	<u>2013</u>	<u>2012</u>
Additions		
Contributions		
Employer	\$ 249,062,186	\$ 230,495,674
Plan Member	44,549,911	41,361,523
Supplemental	<u>1,863,992</u>	<u>1,481,214</u>
Total Contributions	295,476,089	273,338,411
Investment Income:		
Interest	52,116,606	59,199,267
Dividends	72,457,239	59,575,384
Investment Gain/(Loss)	749,543,679	(129,527,282)
Security Lending Income/(Loss)	1,776,316	729,793
Real Estate Income/(Loss)	<u>0</u>	<u>(34,602)</u>
Total Investment Income	875,893,840	(10,057,440)
Less: Investment Expense	<u>23,973,149</u>	<u>20,084,815</u>
Net Investment Income	851,920,691	(30,142,255)
Other Additions:		
Miscellaneous Additions	1,203,348	191,882
Transfers from Other Public Employees Retirement Systems	<u>5,848,612</u>	<u>7,307,481</u>
Total Other Additions	7,051,960	7,499,363
Total Additions	<u>1,154,448,740</u>	<u>250,695,519</u>
Deductions		
Benefits	396,607,128	359,330,673
Refunds of Contributions	8,446,701	7,420,785
Administrative Expenses	7,340,273	6,794,526
Total Deductions	<u>412,394,102</u>	<u>373,545,984</u>
Net Increase (Decrease)	742,054,638	(122,850,465)
Net Position Restricted for Pension Benefits		
Beginning of Year	5,692,415,862	5,815,266,327
End of Year	<u>\$ 6,434,470,500</u>	<u>\$ 5,692,415,862</u>

Totals may not add due to rounding.

See Notes to Financial Statements beginning on page 30.

The APERS and ASPRS Combined Statement of Changes in Plan Net Position can be found on page 106.

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, certain non-teaching school employees, and other public entities specifically defined by law.

Reporting Entities 2013	2013	2012
State	241	247
County	86	84
Municipal	169	175
School	131	138
District Judges	56	57
District Court	39	40
Other Non-State	<u>28</u>	<u>26</u>
Total	<u>750</u>	<u>767</u>
Membership		
Retirees and beneficiaries receiving benefits (includes DROP participants)	30,533	29,282
Terminated plan members entitled to but not yet receiving benefits	13,267	13,053
Active plan members	45,707	45,937

Contributions

Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees and 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 who joined 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, 2013 and 2012 are as follows:

Employer Contribution Rates	2013	2012
State Division	14.24%	13.47%
Wildlife Subdivision	26.24%	25.47%
State Capitol Police Subdivision	14.24%	13.47%
County Division	14.24%	13.47%
Municipal Division	14.24%	13.47%
School Division	4.00%	4.00%
Other Non-State Division	14.24%	13.47%

Plan Administration

Costs of administering the plan are paid out of investment earnings.

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, 2013 and 2012, APERS was confirmed as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

Funded Status and Funding Progress

The funded status of each plan as of June 30, 2013, the most recent actuarial date, is as follows (dollar amounts in millions):

Plan	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)]
APERS #	6/30/13	6,159	8,284	2,125	74%	1,693	126%
District Judges #	6/30/13	16	29	13	56%	3	426%

#After changes in actuarial assumptions and methods.

Actuarial accrued liabilities (AAL) are those future periodic payments including lump sum distributions that are attributable to the service employees have rendered to date and the plan provisions of the System. The present value of actuarial accrued liabilities is calculated based on the entry age actuarial cost method with benefits based on projected salary increases. The Actuarial Section, which starts on page 75, provides greater detail and information.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial Assumptions and Methods

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:

	APERS	District Judges
Valuation Date	June 30, 2013	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal
Amortization Method	Level Percent-of-Payroll	Level Dollar (New Plan and Paid Off Old Plan) Level Dollar (Still Paying Old Plan)
Remaining Amortization Period	25 year closed	15 year closed (New Plan and Paid Off Old Plan) 22 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 and Paid Off Old Plan) Market value (Still Paying Old Plan)
Actuarial Assumptions:		
Investment Rate of Return	8.0%	8.0%
Projected Salary Increases	4.0% - 10.6%	4.0% - 7.71%
Including Inflation at	4.0%	4.0%
Cost-of-Living Adjustments	3.0% Annual Compounded Increase	3.0% Annual Compounded Increase on benefits for service after January 1, 2005
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

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. A schedule of capital asset activity for the fiscal year can be found on page 50.

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, 2013:

Statement of Invested Assets

Security Type	Fair Value*
Government Securities	
US Government Securities	\$ 107,055,728
Agency Debentures	10,328,570
Agency CMO	1,124,842
Agency Pooled Securities	128,402,061
Corporate Securities	
Collateralized Obligations	172,821,709
Convertible Bonds	176,656,875
Corporate Bonds	509,669,452
High Yield Income Fund	57,756,956
Common Stock	2,110,885,071
Conv Pref Stock	40,884,375
Equity Index Funds	570,758,268
Equity - Commingled	67,088,842
International Securities	
Emerging Markets	27,110,423
Emerging Markets - Collateralized Obligations	243,527
Global - Collateralized Obligations	5,676,810
Global Corporate Fixed	37,390,972
Global Government Fixed	11,155,432
Global Equity	740,908,655
Global Equity Index Funds	306,775,026
Global Commingled	631,933,774
Forward Contracts	813,939
Futures	655,730
Diversified Strategies	225,134,037
Interest Rate Swaps	4,388
Real Estate Commingled	268,846,113
Timberland	212,132,582
Commercial Loans	22,342,987
Municipal Bonds	5,351,527
	<u>6,449,908,671</u>
Securities Lending Collateral	
Repurchase Agreements	136,688,623
US Agencies	11,499,653
Asset Backed Floating Rate Notes	109,488,095
Corporate Floating Rate Notes	301,337,424
Commercial Paper	72,921,535
Certificates of Deposit	44,598,800
Time Deposits	98,168,000
	<u>774,702,130</u>
	<u>\$ 7,224,610,801</u>

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

Asset allocation guidelines have been established as follows:

Asset Allocation	Target	Lower and Upper Limit
Equities	37%	32% - 42%
International Equities	24%	19% - 29%
Fixed Income	18%	13% - 23%
Diversified Strategies	5%	0% - 10%
Real Assets	16%	11% - 21%

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 40 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, 2013, 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, 2013, these totals were \$407,912, \$2,085,311, \$194,512,024, 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, 2013, the System did not have any exposure to custodial credit risk. The foreign currency balance of \$4,749,109 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.

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The System's exposure to credit risk as of June 30, 2013, was as follows:

Moody's Credit Rating Dispersion Detail by Credit Rating

Investment Type and Fair Value	Aaa	Aa	A
Government Securities			
US Government Securities	\$ 107,055,728	0	0
Agency Debentures	10,328,570	0	0
Agency CMO	1,124,842	0	0
Agency Pooled Securities	128,402,061	0	0
Corporate Securities			
Collateralized Obligations	82,498,210	7,354,817	11,100,257
Convertible Bonds	0	0	5,078,405
High Yield Income Fund	0	0	0
Corporate Bonds	1,277,780	4,881,539	89,068,815
International Securities			
Emerging Markets	0	816,197	3,361,781
Emerging Markets - Collateralized Obligations	0	0	0
Global - Collateralized Obligations	4,748,515	0	0
Global Corporate Fixed	0	635,830	5,153,025
Global Government Fixed	0	347,507	0
Commercial Loans	0	0	0
Municipal Bonds	<u>244,097</u>	<u>1,720,275</u>	<u>3,387,155</u>
	<u>335,679,803</u>	<u>15,756,165</u>	<u>117,149,438</u>
Securities Lending Collateral	\$ 105,295,171	224,297,720	292,941,459

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

Investment Type and Fair Value	AAA	AA	A
Government Securities			
US Government Securities	\$ 0	107,055,728	0
Agency Debentures	0	10,328,570	0
Agency CMO	0	1,124,842	0
Agency Pooled Securities	0	128,402,061	0
Corporate Securities			
Collateralized Obligations	79,725,178	19,400,234	25,276,389
Convertible Bonds	0	0	21,421,409
High Yield Income Fund	0	0	0
Corporate Bonds	0	12,825,724	124,404,633
International Securities			
Emerging Markets	0	607,010	2,935,626
Emerging Markets - Collateralized Obligations	0	0	0
Global - Collateralized Obligations	1,350,568	3,397,947	928,295
Global Corporate Fixed	0	979,762	5,512,436
Global Government Fixed	0	347,508	0
Commercial Loans	0	0	0
Municipal Bonds	<u>244,097</u>	<u>1,313,757</u>	<u>3,793,673</u>
	<u>81,319,843</u>	<u>285,783,143</u>	<u>184,272,461</u>
Securities Lending Collateral	\$ 69,239,345	221,579,046	306,946,366

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

Baa	Ba	B	C or below	NR	Fair Value*
0	0	0	0	0	\$ 107,055,728
0	0	0	0	0	10,328,570
0	0	0	0	0	1,124,842
0	0	0	0	0	128,402,061
9,638,425	7,926,973	6,570,796	9,498,427	38,233,804	172,821,709
9,500,869	14,110,504	18,910,391	0	129,056,706	176,656,875
0	0	57,756,956	0	0	57,756,956
279,015,524	90,707,981	39,807,300	3,912,645	997,868	509,669,452
16,108,280	4,374,398	1,418,517	0	1,031,250	27,110,423
243,527	0	0	0	0	243,527
928,295	0	0	0	0	5,676,810
16,859,837	8,887,803	5,490,956	0	363,521	37,390,972
5,391,247	4,072,065	0	125,937	1,218,676	11,155,432
182,832	871,875	17,387,643	3,424,145	476,492	22,342,987
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,351,527</u>
<u>337,868,836</u>	<u>130,951,599</u>	<u>147,342,559</u>	<u>16,961,154</u>	<u>171,378,317</u>	<u>1,273,087,871</u>
0	0	0	6,399,132	145,768,648	\$ 774,702,130

BBB	BB	B	CCC or below	NR	Fair Value*
0	0	0	0	0	\$ 107,055,728
0	0	0	0	0	10,328,570
0	0	0	0	0	1,124,842
0	0	0	0	0	128,402,061
18,619,987	5,503,265	397,935	9,321,986	14,576,735	172,821,709
32,130,250	39,017,916	26,753,580	3,776,285	53,557,435	176,656,875
0	57,756,956	0	0	0	57,756,956
223,044,636	98,547,066	36,619,095	2,159,101	12,069,197	509,669,452
13,066,475	6,241,921	457,892	0	3,801,499	27,110,423
243,527	0	0	0	0	243,527
0	0	0	0	0	5,676,810
20,889,816	3,901,150	4,485,266	0	1,622,542	37,390,972
4,559,959	2,759,313	411,592	0	3,077,060	11,155,432
0	182,832	3,504,147	2,267,084	16,388,924	22,342,987
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,351,527</u>
<u>312,554,650</u>	<u>213,910,419</u>	<u>72,629,507</u>	<u>17,524,456</u>	<u>105,093,392</u>	<u>1,273,087,871</u>
0	6,119,863	0	6,399,132	164,418,378	\$ 774,702,130

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, 2013, 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	\$ 107,055,728	\$ 0	\$ 33,374,420	\$ 28,720,931	\$ 44,960,377
Agency Debentures	10,328,570	0	7,820,648	2,507,922	0
Agency CMO	1,124,842	0	172,272	952,570	0
Agency Pooled Securities	128,402,061	1,222,317	2,514,072	3,786,124	120,879,548
Corporate Securities					
Collateralized Obligations	172,821,709	64,257,745	1,617,525	2,486,634	104,459,805
Convertible Bonds	176,656,875	33,662,885	82,377,075	10,677,911	49,939,004
Corporate Bonds	509,669,452	14,025,223	192,105,563	190,112,751	113,425,915
High Yield Income Fund	57,756,956	0	57,756,956	0	0
International Securities					
Emerging Markets	27,110,423	371,495	10,571,707	9,840,230	6,326,991
Emerging Markets - Collateralized.Obligations	243,527	0	243,527	0	0
Global - Collateralized Obligations	5,676,810	5,676,810	0	0	0
Global Corporate Fixed	37,390,972	0	10,030,055	14,474,045	12,886,872
Global Government Fixed	11,155,432	0	7,410,700	1,644,993	2,099,739
Commercial Loans	22,342,987	0	22,157,229	185,758	0
Municipal Bonds	5,351,527	0	270,710	5,080,817	0
	<u>\$ 1,273,087,871</u>	<u>\$ 119,216,475</u>	<u>\$ 428,422,459</u>	<u>\$ 270,470,686</u>	<u>\$ 454,978,251</u>
Securities Lending Collateral					
Repurchase Agreements	136,688,623	136,688,623	0	0	0
US Agency Securities	11,499,653	11,499,653	0	0	0
Asset Backed Floating Rate Notes	109,488,095	49,487,044	53,601,919	0	6,399,132
Corporate Floating Rate Notes	301,337,424	178,554,721	122,782,703	0	0
Commercial Paper	72,921,535	72,921,535	0	0	0
Certificates of Deposit	44,598,800	44,598,800	0	0	0
Time Deposits	98,168,000	98,168,000	0	0	0
	<u>\$ 774,702,130</u>	<u>\$ 591,918,376</u>	<u>\$ 176,384,622</u>	<u>\$ 0</u>	<u>\$ 6,399,132</u>

*Principal only. Figures are APERS and 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, 2013, was as follows:

Foreign Currency Risk

Currency	%	Fair Value*	Fixed Income	Equities	Cash	Forward Contracts
Australian Dollar	3.84%	\$ 28,440,671	0	28,077,903	3,173	359,595
Brazilian Real	0.46	3,437,618	0	2,527,969	0	909,649
British Pound Sterling	27.72	205,326,043	3,350,532	203,462,820	240,802	(1,728,111)
Canadian Dollar	3.13	23,186,933	0	22,630,066	2,416	554,451
Chilean Peso	0.13	952,735	0	0	0	952,735
Chinese Yuan Renminbi	1.46	10,823,994	0	10,047,011	0	776,983
Columbian Peso	0.08	562,770	0	0	0	562,770
Czech Koruna	0.00	(4,738)	0	0	0	(4,738)
Danish Krone	2.42	17,913,686	0	17,913,686	0	0
Euro Currency	31.52	233,517,900	20,899,902	218,139,760	4,215,030	(9,736,792)
Hong Kong Dollar	0.94	6,982,919	0	6,931,348	51,571	0
Hungarian Forint	(0.02)	(113,045)	0	0	0	(113,045)
Indian Ruphia	0.00	24,010	0	0	0	24,010
Japanese Yen	9.32	69,011,400	980,224	90,393,068	186,282	(22,548,174)
Malaysian Ringgit	0.05	380,998	0	0	0	380,998
Mexican New Peso	0.25	1,866,060	0	0	509	1,865,551
Norwegian Krone	2.58	19,101,940	0	16,977,854	0	2,124,086
New Zealand Dollar	0.19	1,441,951	0	0	0	1,441,951
Peru Neuvo Sol	0.00	(27,732)	316,227	0	0	(343,959)
Philippines Peso	0.02	154,847	350,049	0	0	(195,202)
Polish Zloty	0.05	379,229	0	0	0	379,229
Russian Rubel	0.66	4,861,777	0	4,816,720	0	45,057
Singapore Dollar	0.28	2,082,610	0	0	867	2,081,743
South African Rand	0.25	1,827,631	0	1,827,630	1	0
South Korean Won	0.90	6,637,066	0	6,256,325	0	380,741
Swedish Krone	3.04	22,530,918	0	20,276,174	66,145	2,188,599
Swiss Franc	10.47	77,543,435	0	77,543,435	0	0
Thailand Baht	0.26	1,930,222	0	1,778,348	151,874	0
	100.00%	<u>\$ 740,773,848</u>	<u>25,896,934</u>	<u>729,600,117</u>	<u>4,918,670</u>	<u>(19,641,873)</u>

* Principal only. Figures are APERS & 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 \$632 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 102.79% of the market value of the securities plus any accrued interest for domestic loans. Non-U.S. securities are loaned versus collateral valued at 105.38% 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 Position. 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, 2013, the cash collateral investments had an average weighted maturity of 25 days, whereas the weighted average loan maturity was 1 day(s). Investments with cash collateral were approximately \$774.7 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 Position, 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.

Swaps - APERS' investment managers have entered into various swap including, but not limited to, interest rate swaps, credit default swaps, and foreign currency swaps. 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. A credit default swap is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party, who in exchange for periodic fees, agrees to make payments in the event of a default or predetermined credit event. A foreign currency swap is an agreement to swap principal and interest payments on a loan made in one currency for principal and interest payments of a loan of equal value in another currency.

The System had the following credit default swaps at June 30, 2013:

Credit Default Swaps Country/Currency	Description	Counterparty	Counterparty Credit Rating	Exposure	Pay/Receive
European Union Euro	ITRAXX.EUR.18.V1	Barclays Bank, PLC	A1-/A/A	\$ (8,545,574)	Pay Fixed/Receive Float
U.S. Dollar	CDX/NA.IG.19.V1	Citigroup Inc.	NR/A-/A	(23,241,955)	Pay Fixed/Receive Float
European Union Euro	ITRAXX.EUR.18.V1	Deutsche Bank AG	Aa3/A+/A+	(8,545,574)	Pay Fixed/Receive Float
				<u>\$ (40,333,102)</u>	

On the next page, the System had the following interest rate swaps at June 30, 2013:

Interest Rate Swaps

Country/Currency	Description	Counterparty	Counterparty Credit Rating	Exposure	Pay/Receive
European Union Euro	EUR 2.065% 12/13/2027	Barclays Bank, PLC	A1-/A/A	\$ (617,520)	Pay Fixed/Receive Float
U.S. Dollar	USD 0.5025% 01/25/2016	Citigroup Inc.	NR/A-/A	(3,461,611)	Pay Fixed/Receive Float
U.S. Dollar	USD 0.750950 08/31/2017	Bank of Nova Scotia	Aa1/A+/AA-	(5,271,242)	Pay Fixed/Receive Float
U.S. Dollar	USD 0.974690 08/31/2016	JPMorgan Chase & Co.	Aa3/A/A+	(5,263,279)	Pay Fixed/Receive Float
U.S. Dollar	USD 0.978190% 08/31/2016	JPMorgan Chase & Co.	Aa3/A/A+	(5,263,916)	Pay Fixed/Receive Float
U.S. Dollar	USD 0.986% 04/18/2018	Citigroup Inc.	NR/A-/A	(165,331)	Pay Fixed/Receive Float
U.S. Dollar	USD 1.106970% 11/30/2017	Barclays Bank, PLC	A1-/A/A	(9,137,140)	Pay Fixed/Receive Float
U.S. Dollar	USD 1.17% 11/30/2017	Credit Suisse Group AG	NR/A/A	(7,551,609)	Pay Fixed/Receive Float
U.S. Dollar	USD 1.334390% 11/15/2019	Citigroup Inc.	NR/A-/A	(13,084,709)	Pay Fixed/Receive Float
U.S. Dollar	USD 1.417120% 11/30/2017	Citigroup Inc.	NR/A-/A	(9,309,312)	Pay Fixed/Receive Float
U.S. Dollar	USD 1.418290% 11/30/2017	Barclays Bank, PLC	A1-/A/A	(9,229,844)	Pay Fixed/Receive Float
U.S. Dollar	USD 1.4375% 04/19/2020	Goldman Sachs Group	A1/A-/A	(552,710)	Pay Fixed/Receive Float
U.S. Dollar	USD 1.441% 04/19/2020	Citigroup Inc.	NR/A-/A	(390,805)	Pay Fixed/Receive Float
U.S. Dollar	USD 2.20% 12/13/2027	Barclays Bank, PLC	A1-/A/A	561,054	Pay Fixed/Receive Float
European Union Euro	EUR-USD 3M Euribor 01/25/2015	Barclays Bank, PLC	A1-/A/A	(7,396,147)	Pay Float
Australian Dollar	AUD 2.82% 12/31/2013	Barclays Bank, PLC	A1-/A/A	3,663,372	Pay Float/Receive Fixed
Australian Dollar	AUD 4.42% 12/19/2032	Barclays Bank, PLC	A1-/A/A	205,844	Pay Float/Receive Fixed
Australian Dollar	AUD 4.42% 12/20/2032	Citigroup Inc.	NR/A-/A	268,373	Pay Float/Receive Fixed
Brazilian Real	BRL DI OIS Jan 2014	Barclays Bank, PLC	A1-/A/A	1,743,573	Pay Float/Receive Fixed
Brazilian Real	BRL DI OIS Jan 2017	Barclays Bank, PLC	A1-/A/A	1,052,924	Pay Float/Receive Fixed
Brazilian Real	BRL DI OIS Jan 2017	Citigroup Inc.	NR/A-/A	653,653	Pay Float/Receive Fixed
Canadian Dollar	CAD 1.32225% 06/13/2014	Bank of Nova Scotia	Aa1/A+/AA-	4,483,082	Pay Float/Receive Fixed
Chilean Peso	CLP OIS 4.70% 07/23/2013	Barclays Bank, PLC	A1-/A/A	1,822,374	Pay Float/Receive Fixed
Chinese Yuan Renminbi	CNH 3.12% 10/26/2013	Deutsche Bank AG	Aa3/A+/A+	1,957,911	Pay Float/Receive Fixed
Columbian Peso	COP 4.74% 07/24/2013	JPMorgan Chase & Co.	Aa3/A/A+	1,774,946	Pay Float/Receive Fixed
Czech Koruna	CZK 0.62% 09/14/2013	Barclays Bank, PLC	A1-/A/A	2,514,965	Pay Float/Receive Fixed
European Union Euro	EUR 0.349% 12/14/2014	Citigroup Inc.	NR/A-/A	(5,455,604)	Pay Float/Receive Fixed
European Union Euro	EUR 0.695% 01/25/2016	Citigroup Inc.	NR/A-/A	3,760,482	Pay Float/Receive Fixed
Hungarian Forint	HUF 3.88% 05/17/2014	Citigroup Inc.	NR/A-/A	2,196,588	Pay Float/Receive Fixed
Hungarian Forint	HUF 6.10% 10/15/2013	Barclays Bank, PLC	A1-/A/A	2,060,544	Pay Float/Receive Fixed
Indian Rupee	INR 7.00% 05/03/2023	Barclays Bank, PLC	A1-/A/A	570,322	Pay Float/Receive Fixed
Japanese Yen	JPY 0.42% 04/18/2018	HSBC Holdings PLC	NR/A+/AA-	401,323	Pay Float/Receive Fixed
Japanese Yen	JPY 0.52% 04/19/2020	Goldman Sachs Group	A1/A-/A	1,440,528	Pay Float/Receive Fixed
Japanese Yen	JPY 0.5625% 04/19/2020	Citigroup Inc.	NR/A-/A	1,096,176	Pay Float/Receive Fixed
Japanese Yen	JPY 0.689% 05/21/2020	Credit Suisse Group AG	NR/A/A	3,114,796	Pay Float/Receive Fixed
Japanese Yen	JPY 0.70% 05/20/2020	Credit Suisse Group AG	NR/A/A	753,946	Pay Float/Receive Fixed
Japanese Yen	JPY 0.785% 04/16/2023	Citigroup Inc.	NR/A-/A	541,016	Pay Float/Receive Fixed
Malaysian Ringgit	MYR 2.965% 07/23/2013	HSBC Holdings PLC	NR/A+/AA-	1,929,469	Pay Float/Receive Fixed
Mexican Peso	MXN 5.09% 12/02/2015	JPMorgan Chase & Co.	Aa3/A/A+	849,178	Pay Float/Receive Fixed
Mexican Peso	MXN 5.10% 04/28/2023	Barclays Bank, PLC	A1-/A/A	828,944	Pay Float/Receive Fixed
Mexican Peso	MXN 5.48% 07/05/2013	Barclays Bank, PLC	A1-/A/A	2,328,278	Pay Float/Receive Fixed
Mexican Peso	MXN 6.02% 06/20/2018	Credit Suisse Group AG	NR/A/A	1,106,180	Pay Float/Receive Fixed
Mexican Peso	MXN 6.37% 05/25/2022	Barclays Bank, PLC	A1-/A/A	989,769	Pay Float/Receive Fixed
New Zealand Dollar	NZD 2.70% 04/29/2014	Barclays Bank, PLC	A1-/A/A	1,543,932	Pay Float/Receive Fixed
New Zealand Dollar	NZD 3.79% 09/25/2022	Citigroup Inc.	NR/A-/A	259,630	Pay Float/Receive Fixed
New Zealand Dollar	NZD 3.81% 03/26/2017	HSBC Holdings PLC	NR/A+/AA-	494,269	Pay Float/Receive Fixed
New Zealand Dollar	NZD 4.1725% 08/18/2016	Citigroup Inc.	NR/A-/A	1,594,623	Pay Float/Receive Fixed
Norwegian Krone	NOK 1.96% 01/31/2014	Deutsche Bank AG	Aa3/A+/A+	3,625,075	Pay Float/Receive Fixed
Norwegian Krone	NOK 2.255% 08/30/2013	Barclays Bank, PLC	A1-/A/A	1,094,104	Pay Float/Receive Fixed
Polish Zloty	PLN 3.12% 01/15/2014	Barclays Bank, PLC	A1-/A/A	1,503,305	Pay Float/Receive Fixed
Polish Zloty	PLN 3.49% 01/31/2014	Barclays Bank, PLC	A1-/A/A	912,620	Pay Float/Receive Fixed
Polish Zloty	PLN 3.726% 06/28/2018	Citigroup Inc.	NR/A-/A	1,796,339	Pay Float/Receive Fixed
Russian Ruble	RUB 7.25% 05/20/2023	Credit Suisse Group AG	NR/A/A	516,717	Pay Float/Receive Fixed
Russian Ruble	RUB 7.25% 05/17/2023	Credit Suisse Group AG	NR/A/A	516,770	Pay Float/Receive Fixed
Singapore Dollar	SGD 0.38% 03/28/2014	HSBC Holdings PLC	NR/A+/AA-	5,752,265	Pay Float/Receive Fixed
South African Rand	ZAR 7.42% 06/25/2018	Barclays Bank, PLC	A1-/A/A	1,223,297	Pay Float/Receive Fixed
South Korean Won	KRW 2.8575% 07/20/2013	HSBC Holdings PLC	NR/A+/AA-	1,926,695	Pay Float/Receive Fixed
Thailand Baht	THB 2.765% 07/23/2013	HSBC Holdings PLC	NR/A+/AA-	1,971,084	Pay Float/Receive Fixed
U.S. Dollar	USD 0.351% 12/14/2014	Citigroup Inc.	NR/A-/A	4,620,959	Pay Float/Receive Fixed
U.S. Dollar	USD 0.654260% 06/07/2016	JPMorgan Chase & Co.	Aa3/A/A+	10,562,085	Pay Float/Receive Fixed
U.S. Dollar	USD 0.93387% 08/31/2016	Credit Suisse Group AG	NR/A/A	16,898,124	Pay Float/Receive Fixed
U.S. Dollar	USD 1.442450% 11/15/2019	Credit Suisse Group AG	NR/A/A	3,635,796	Pay Float/Receive Fixed
U.S. Dollar	USD 1.498940% 11/15/2019	Citigroup Inc.	NR/A-/A	5,351,841	Pay Float/Receive Fixed
				<u>\$ 28,318,357</u>	

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

The System had the following foreign currency swaps at June 30, 2013:

Country/Currency	Pay/Receive	Description	Maturity Date	Counterparty	Counterparty Credit Rating	Exposure
European Union Euro	Pay Float	EUR-USD Basis 3M Euribor -30.5bps	12/4/2014	Barclays Bank PLC	A1-/A/A	\$ (443,446)
European Union Euro	Pay Float	EUR-USD Basis 3M Euribor -25.75bps	1/17/2015	HSBC Holdings PLC	NR/A+/Aa-	\$ (156,675)
European Union Euro	Pay Float	EUR-USD Basis 3M Euribor -26bps	1/25/2015	Citigroup Inc.	NR/A-/A	\$ (6,181,794)
European Union Euro	Pay Float	EUR-USD Basis 3M Euribor -26bps	1/25/2015	HSBC Holdings PLC	NR/A+/Aa-	\$ (3,002,772)
Japanese Yen	Pay Float	JPY-USD 3M JPY LIBOR -32.75bps	5/2/2015	Citigroup Inc.	NR/A-/A	\$ (174,716)
Japanese Yen	Pay Fixed	JPY-USD 4.50% 06/08/2015	6/8/2015	Citigroup Inc.	NR/A-/A	\$ (214,363)
Japanese Yen	Pay Fixed	JPY-USD 4.50% 06/08/2015	6/8/2015	Citigroup Inc.	NR/A-/A	\$ (165,930)
Japanese Yen	Pay Fixed	JPY-USD Basis 3M JPY Libor -54bps	10/12/2016	Barclays Bank PLC	A1-/A/A	\$ (101,483)
Japanese Yen	Pay Fixed	JPY-USD 3.45 03/24/2017	3/24/2017	Citigroup Inc.	NR/A-/A	\$ (235,738)
European Union Euro	Pay Float	EUR-USD Basis 3M Euribor -31.75bps	9/27/2017	HSBC Holdings PLC	NR/A+/Aa-	\$ (327,882)
						<u>\$ (11,004,800)</u>

Country/Currency	Pay/Receive	Description	Maturity Date	Counterparty	Counterparty Credit Rating	Exposure
U.S. Dollar	Receive Float	EUR-USD Basis 3M Euribor -30.5bps	12/4/2014	Barclays Bank PLC	A1-/A/A	\$ 441,651
U.S. Dollar	Receive Float	EUR-USD Basis 3M Euribor -25.75bps	1/17/2015	HSBC Holdings PLC	NR/A+/Aa-	\$ 160,062
U.S. Dollar	Receive Float	EUR-USD Basis 3M Euribor -26bps	1/25/2015	Citigroup Inc.	NR/A-/A	\$ 7,552,221
U.S. Dollar	Receive Float	EUR-USD Basis 3M Euribor -26bps	1/25/2015	HSBC Holdings PLC	NR/A+/Aa-	\$ 6,303,621
U.S. Dollar	Receive Float	EUR-USD Basis 3M Euribor -26bps	1/25/2015	HSBC Holdings PLC	NR/A+/Aa-	\$ 3,053,894
U.S. Dollar	Receive Float	JPY-USD 3M JPY LIBOR -32.75bps	5/2/2015	Citigroup Inc.	NR/A-/A	\$ 175,105
U.S. Dollar	Receive Float	JPY-USD 4.50% 06/08/2015	6/8/2015	Citigroup Inc.	NR/A-/A	\$ 281,988
U.S. Dollar	Receive Float	JPY-USD 4.50% 06/08/2015	6/8/2015	Citigroup Inc.	NR/A-/A	\$ 204,993
U.S. Dollar	Received Fixed	JPY-USD Basis 3M JPY Libor -54bps	10/12/2016	Barclays Bank PLC	A1-/A/A	\$ 100,448
U.S. Dollar	Receive Float	JPY-USD 3.45% 03/24/2017	3/24/2017	Citigroup Inc.	NR/A-/A	\$ 296,390
U.S. Dollar	Receive Float	EUR-USD Basis 3M Euribor -31.75bps	9/27/2017	HSBC Holdings PLC	NR/A+/Aa-	\$ 321,523
						<u>\$ 18,891,896</u>
						<u>\$ 7,887,095</u>

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.

On the next page, the System had the following foreign currency forwards at June 30, 2013:

Foreign Currency Forward Contracts

	Pay/Receive	Payable Market Value	Receivable Market Value	Receivable Unrealized Gain/ (Loss)
Australian Dollar	USD/AUD	\$ (10,188,437)	\$ 9,384,727	\$ (803,710)
Brazilian Real	USD/BRL	(911,000)	909,649	(1,351)
British Pound	USD/GBP	(3,861,300)	3,813,183	(48,117)
Canadian Dollar	USD/CAD	(7,022,662)	6,841,876	(180,786)
Chilean Peso	USD/CLP	(1,724,500)	1,701,405	(23,095)
Chinese Yuan Renminbi	USD/CNY	(2,915,700)	2,946,422	30,722
Columbian Peso	USD/COP	(567,800)	562,770	(5,030)
Czech Koruna	USD/CZK	(3,344,241)	3,297,306	(46,935)
European Union Euro	USD/EUR	(37,101,979)	3,664,997	(36,983)
Hungarian Forint	USD/HUF	(4,664,737)	4,695,038	30,300
Indian Rupee	USD/INR	(426,900)	414,303	(12,597)
Japanese Yen	USD/JPY	(6,243,201)	6,206,840	(36,365)
Malaysian Ringgit	USD/MYR	(381,200)	380,998	(202)
Mexican New Peso	USD/MXN	(8,314,453)	8,065,306	(249,147)
New Zealand Dollar	USD/NZD	(7,003,003)	6,603,433	(399,570)
Norwegian Krone	USD/NOK	(12,685,585)	12,176,631	(508,954)
Peruvian Nuevo Sol	USD/PEN	(311,100)	303,862	(7,238)
Philippine Peso	USD/PHP	(501,710)	499,692	(2,018)
Polish Zloty	USD/PLN	(4,823,670)	4,615,189	(208,481)
Russian Ruble	USD/RUB	(1,010,100)	978,181	(31,919)
Singapore Dollar	USD/SGD	(11,514,196)	11,277,821	(236,374)
Swedish Krona	USD/SEK	(9,938,885)	9,690,036	(248,848)
		<u>\$ (135,456,358)</u>	<u>\$ 99,029,663</u>	<u>\$ (3,026,699)</u>

	Pay/Receive	Payable Market Value	Receivable Market Value	Receivable Unrealized Gain/ (Loss)
Australian Dollar	AUD/USD	\$ 9,025,132	\$ 9,700,100	\$ 674,968
British Pound	GBP/USD	(1,008,081)	1,040,409	32,328
Canadian Dollar	CAD/USD	(6,287,426)	6,413,200	125,774
Chilean Peso	CLP/USD	(748,670)	735,200	(13,470)
Chinese Yuan Renminbi	CNY/USD	(2,169,439)	2,170,661	1,222
Czech Koruna	CZK/USD	(3,302,043)	3,327,800	25,757
European Union Euro	EUR/USD	(13,401,789)	13,680,703	278,913
Hungarian Forint	HUF/USD	(4,808,082)	4,776,800	(31,282)
Indian Rupee	INR/USD	(390,292)	387,000	(3,292)
Japanese Yen	JPY/USD	(28,755,010)	30,240,871	1,485,861
Mexican New Peso	MXN/USD	(6,199,754)	6,401,300	201,546
New Zealand Dollar	NZD/USD	(5,161,482)	5,398,700	237,218
Norwegian Krone	NOK/USD	(10,052,544)	10,397,176	344,631
Peruvian Nuevo Sol	PEN/USD	(647,820)	657,492	9,672
Philippine Peso	PHP/USD	(694,894)	686,738	(8,157)
Polish Zloty	PLN/USD	(4,235,960)	4,358,800	122,840
Russian Ruble	RUB/USD	(933,125)	928,700	(4,425)
Singapore Dollar	SGD/USD	(9,196,079)	9,340,155	144,076
Swedish Krona	SEK/USD	(7,501,438)	7,634,200	132,762
		<u>\$ (96,468,797)</u>	<u>\$ 118,276,004</u>	<u>\$ 3,756,941</u>
		<u>\$ (231,925,156)</u>	<u>\$ 217,305,667</u>	<u>\$ 730,242</u>

Totals may not add due to rounding. Figures are APERS and 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, 2013:

Futures Contracts	Expiration	Notional	Fair Value	Unrealized Gain/Loss
U.S. 2-year Treasury Note	September 2013	\$ (114,650,719)	\$(114,620,000)	\$ 30,719
U.S. 5-year Treasury Note	September 2013	104,255,515	103,858,219	(397,297)
U.S. 10-year Treasury Note	September 2013	(19,325,012)	(18,098,438)	1,226,574
U.S. 30-year Treasury Bond	September 2013	(2,718,809)	(2,445,188)	273,621
U.S. Ultra Bond	September 2013	8,037,594	7,512,938	(524,656)
Euro BOBL	September 2013	(2,125,584)	(2,115,636)	30,754
Euro Schatz	September 2013	(3,988,421)	(4,016,459)	16,014
		<u>\$ (30,515,436)</u>	<u>\$ (29,924,563)</u>	<u>\$ 655,730</u>

The System had the following Mortgage-Backed TBA at June 30, 2013:

Mortgage-Backed TBAs	Cusip	Notional	Fair Market Value	Duration	Credit Rating
FNMA 4.50% 30YR 08/25/2043	F4513BA08	\$ 1,635,288	\$ 1,626,625	5.00	AA+/Aaa

Totals may not add due to rounding.
Figures are APERS and 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 Comprehensive Annual Financial Report.

The 2013 charge of \$347,160 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 2013 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 position restricted 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 75% 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 below reflects reserve balances for the respective divisions for the fiscal year ending June 30, 2013.

Divisions - Respective Reserve Balances*

	State Division	County Employers	Municipal Employers	School Employers	Non-State Employers	District Judges	System Totals
Members' Deposit Account	\$ 123,949,862	\$ 39,187,369	\$ 19,509,847	\$ 512,025	\$ 1,465,955	\$ 1,370,081	\$ 185,995,139
MDA Interest Reserve	11,068,608	3,558,448	2,062,821	(308,868)	264,255	223,445	16,868,707
Employer Accumulation Account	1,807,231,411	351,210,580	190,643,314	(33,598,778)	6,905,073	(7,825,218)	2,314,566,382
Retirement Reserve	2,356,607,688	521,742,549	250,619,291	278,223,806	5,058,174	(2,136,673)	3,410,114,834
Deferred Annuity	242,509,358	70,265,663	35,950,113	22,016,329	1,304,696	0	372,046,159
DROP Reserve	93,285,008	9,231,901	6,688,599	4,821,741	0	0	114,027,248
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	7,130	123	0	2,257	0	0	9,509
Dec 31, 2004 Accrued Liability Reserve	0	0	0	0	0	20,740,631	20,740,631
Petty Cash Reserve	200	0	0	0	0	0	200
Total	<u>\$ 4,634,739,825</u>	<u>\$ 995,204,197</u>	<u>\$ 505,478,225</u>	<u>\$ 271,677,835</u>	<u>\$ 14,998,153</u>	<u>\$ 12,372,265</u>	<u>\$ 6,434,470,500</u>

*Before recommended actuarial transfers.
Totals may not add due to rounding.

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fixed Assets	\$ 244,421	0	(17,339)	227,082
Less:				
Accumulated Depreciation	(189,504)	(10,325)	17,339	(182,490)
Totals	<u>\$ 54,917</u>	<u>\$ (10,325)</u>	<u>\$ 0</u>	<u>\$ 44,592</u>

Required Supplementary Information

The following data on historical trends indicate the System's progress in accumulating sufficient assets to pay benefits when due. It is required supplemental information.

Schedule of Funding Progress - APERS

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Entry Age		Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
		AAL (b)	UAAL (b)-(a)			
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%
6/30/13	6,159	8,426	2,267	73.1%	1,693	133.9%
6/30/13 #	6,159	8,284	2,125	74.3%	1,693	125.5%

Schedule of Funding Progress - District Judges

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age		Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
		AAL (b)	UAAL (b)-(a)			
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%
6/30/13	16,090,536	28,317,316	12,226,780	56.8%	2,989,465	409.0%
6/30/13 #	16,090,536	28,823,709	12,733,173	55.8%	2,989,465	425.9%

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 and methods.

* Please note that differences between columns designated (a) and (b) may not add to UAAL due to rounding.

Schedule of Employer Contributions

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%
2013	249,540,632	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%
2013	1,814,954	103%

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

Notes to Required Supplementary Information:
 APERS Schedule of Administrative Expenses
 For the Year Ended June 30

	<u>2013</u>	<u>2012</u>
PERSONNEL SERVICES		
Salaries and wages	\$ 3,148,107	\$ 3,125,481
Employee benefits	672,397	634,362
Post Employment Benefits	347,160	284,678
Insurance	383,760	374,400
Other	10,165	10,895
Total Personnel Services	<u>4,561,589</u>	<u>4,429,816</u>
COMMUNICATIONS		
Postage	166,017	172,329
Telecommunications	33,256	41,471
Printing and advertising	55,717	78,651
Freight and Express	659	290
Subscriptions and publications	1,722	2,229
Total Communications	<u>257,371</u>	<u>294,971</u>
PURCHASES		
Office Supplies	56,395	61,468
Equipment	48,568	111,349
Total Purchases	<u>104,963</u>	<u>172,817</u>
SERVICES AND CHARGES		
Professional fees and services	709,925	121,500
Rent expense	696,315	677,982
Travel and conference fees	28,530	31,027
Taxes, licenses and permits	256	279
Repairing and servicing	83,991	73,132
Insurance and surety bonds	5,700	5,421
Bank and federal service charges	42,241	39,889
Data processing charges	814,077	932,542
Claims commission expense	0	3,897
Other Services and Charges	24,989	0
Total Services and Charges	<u>2,406,025</u>	<u>1,885,670</u>
DEPRECIATION EXPENSE		
	<u>10,325</u>	<u>11,253</u>
TOTAL ADMINISTRATIVE EXPENSES	<u><u>\$ 7,340,273</u></u>	<u><u>\$ 6,794,526</u></u>

Totals may not add due to rounding.

APERS - Schedule of Investment Expenses

For the Year Ended June 30

	<u>2013</u>	<u>2012</u>
Investment consultant fee	\$ 235,901	\$ 219,323
Money manager fees	24,516,259	19,665,715
Custodian bank fees	525,912	541,098
Other investment expenses	<u>(1,304,923)</u>	<u>(341,321)</u>
Total Investment Expenses	<u>\$ 23,973,149</u>	<u>\$ 20,084,815</u>

For fees paid to investment managers, please see “Schedule of Investment Fees” shown on page 71 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 71.

Totals may not add due to rounding.

APERS - Payments for Professional Consultants

For the Year Ended June 30

	<u>2013</u>	<u>2012</u>
Gabriel, Roeder, Smith & Company	\$ 179,550	\$ 121,500
Linea Solutions	521,406	0
SBS Group	8,969	0
Total Payments for Professional Consultants	<u>\$ 709,925</u>	<u>\$ 121,500</u>

Investment Section

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School Employees

From 1965 to June 30, 1989, all non-teaching public school employees (i.e., bus drivers, cafeteria workers, etc.) were enrolled in APERS. As of July 1, 1989, all newly hired school employees participate in the Arkansas Teacher Retirement System (ATRS). In APERS, the School Division is a closed plan.

As of June 30, 2013, there are approximately 131 public school employers still participating in APERS. In addition, there are approximately 3,880 remaining members and retirees.

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Chief Investment Officer's Report



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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, 2013.

Performance and Stability

For fiscal year 2013, the APERS investment portfolio closed with total assets of \$6,662,631,673. The investment return for the fiscal year was 15.58%. The second half of 2012 provided fiscal year 2013 with a nice start as global equity indices posted solid gains for the 3rd quarter of 2012, and the U.S. indices advanced 5 -7% across the board.

During the fiscal year we saw the Dow Jones Industrial Average surpass its previous October 2007 all-time high of 14,198. But we also saw interest rates in the U.S. spike higher by over 100 basis points.

Fiscal Year 2013 Financial Market Recap

The third quarter of 2012 was dominated by macro events. The quarter started with the LIBOR fixing scandal and culminated with the Federal Reserve announcement of "open-ended" bond purchases, which was dubbed "QE3", or "QE-Infinity", as the Fed displayed its intent to continue with quantitative easing. The Fiscal Cliff continued to loom; China's economy continued to slow; Iran and Israel continued to engage in an escalation of tension over nuclear capabilities; the European Central Bank continued to walk down a path of debt mutualization; and the U.S. Presidential election kicked into high gear.

With that background, domestic equities remained reasonably priced from a forward P/E perspective as the valuations remained at a discount to longer term averages. The same situation was also seen in the non-US equity markets. Despite, or perhaps due to, what appeared to be reasonable valuations, the S&P 500 index achieved a post-2008 high in mid-September. Strong corporate profit margins kept corporate earnings rising. Equity volatility remained fairly low. But the positives did not ease fears as equity mutual funds hemorrhaged capital. Investors worried about the possibility of another 2008-type market decline, or worse, a 1987-like collapse.

In the fixed income markets, the 10-year US Treasury opened and closed the third quarter with a yield of 1.60%, and stayed in a 50bp range, touching 1.39% in July and 1.90% in September. The 1.39% intraday low was the lowest reading in a generation. Concerns over a sputtering US economy coupled with woes in Europe caused rates to hit record lows in July before ECB President Mario Draghi made a bold proclamation to "do whatever it takes to preserve the Euro." In September, rates rose sharply after the Fed announced that it would spend \$40 billion per month to purchase mortgage securities, continue Operation Twist until the end of 2012, and keep rates low through mid-2015. The US central bank appeared committed to keeping the financial markets flush with liquidity while attempting to improve the labor markets. What was powerful about this stimulus was the fact that the Fed made their commitment open-ended. Interest rates fell going into quarter-end as concerns over the global economic slowdown mounted.

The fourth quarter of 2012 was not without its own events. The financial markets started the quarter on the upside as economic data indicated an improving U.S. economy. The combination of low mortgage rates, rising house prices, higher stock prices, and better employment gave a boost to housing and consumer confidence. However, there was the quadrennial Presidential election in November. The nation, and the world, continued its' fixation on the "fiscal



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cliff.” Super storm Sandy slammed into the East Coast. The Fed implemented yet another round of quantitative easing by converting Operation Twist into outright purchases. The Fed also reaffirmed its pledge to keep interest rates “low for long” by removing the 2015 target date and adopting unemployment and inflation targets instead. The Fed basically suggested that the US unemployment rate would need to improve to 6.5% provided inflation remains below 2.5%. The fourth quarter ended on a downturn as the “Fiscal Cliff” turned into a fiasco which pushed investors to the sidelines as expectations for going over the cliff rose.

The U.S. economy was able to bounce back in the first quarter of 2013. An eleventh hour resolution of the fiscal cliff negotiations was agreed to. Concerns over the Federal sequestration (\$1.2 billion) remained front and center. However, consumer spending, exports, and investments in real estate all reported solid gains. The data showed that any drag to economic growth came from government, where the expected declines in spending continued. The fiscal squeeze in the last quarter of 2012 and the first quarter of 2013 was almost unprecedented, which made the continued economic growth even more remarkable. The drop in total government spending since October 2012 was the largest six-month contraction since the end of the Korean War in the mid-1950s. The decline in defense spending over those two quarters was greater than the drop following the withdrawal from Vietnam in 1972.

Europe continued to be a challenge in the first quarter. Much of the Euro-zone remained entrenched in a deep recession. Failed elections in Italy left that country without a government. The financial markets did not like Troika’s demands that Cyprus impose a levy on all bank deposits and a precondition to receiving bailout funds. In China, manufacturing slipped and equities retreated as the government looked to balance growth and inflation risks. In Japan, an aging population coupled with ineffective monetary and fiscal policies crimped consumer spending and failed to stimulate economic activity in any meaningful way. And lastly, tensions in the Korean peninsula were renewed later in the quarter with war rhetoric between the new leaders of the North and South, as well as the United States.

After reaching a new all-time high in May, global markets turned a hard corner in the June as better U.S. economic data brought a sudden change of stance by the Federal Reserve. When 2013 began, the combination of modest growth coupled with the Fed’s continued asset purchases kept U.S. interest rates low and credit spreads on a tightening track as investors reached for yield. But a surprisingly strong labor report, which included upward revisions to prior months, made the U.S. economy look even better. The stronger data and outlook pushed interest rates higher, and Fed officials threw fuel on the fire by suggesting for the first time that the decision to reduce asset purchases could come within a few months. At the Fed’s press conference after the June meeting Fed Chairman Bernanke outlined their base case plan for ending the third, and presumably final, QE program. If the economy remained on course, the Fed would begin to reduce its purchases later this year, tapering to zero around the middle of 2014. Bernanke reassured the markets that short term rates would remain highly accommodative for a considerable time after the asset purchase program ends. New York Fed President William Dudley reiterated this stance the next day. However, the markets dismissed any attempt by the Fed to taper its own rhetoric and technicals in the market quickly deteriorated.



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The U.S. Treasury yield curve steepened to 213bps from the 2-year to the 10-year as the 10-year note yield rose 36bps during the month. As interest rates gapped higher, U.S. stocks reacted negatively.

The S&P Index fell -1.5% in June, and other equity indexes around the globe sold off. The greater impact was felt in asset classes that had become very independent on low interest rates: high yield debt, emerging market bonds, and commodities. Both stocks and bonds were able to rebound as the second quarter, and our fiscal year end came to a close.

Portfolio Thoughts

Since the fiscal year end has ended, interest rates have continued to take the lead. The benchmark 10-year U.S. Treasury note closed June 28, 2013 at roughly 2.52%. Since the end of June, it has reached 2.96%. Over the past few fiscal years APERS has lowered its exposure to fixed income (interest rates). APERS currently sits at 17.2% fixed income, which is lower than FY 2012's 18.9%, FY 2011's 19.7%, and FY 2010's 23.3%.

As I write this report, since the end of the fiscal year, there have been a few events that have given the financial markets some pause. In July, events in Washington, D.C. began to heat up again. The national economic fiscal year ended September 30th and Congress needed to pass either a 2014 budget or some form of continuing resolution authorizing government operations. At the same time, the debt ceiling was expected to be reached again sometime in October or November. In August, geopolitical risk intensified on news that the U.S. might engage in tactical military strikes against Syria. In September, the President's front-runner to succeed Chairman Bernanke withdrew his name from consideration. Fed Vice Chair Janet Yellen became the favorite to succeed Chairman Bernanke. In addition, at the September 2013 Federal Reserve Federal Open Market Committee meeting, the Fed stated that the "Committee decided to keep the target range for the federal funds rate at 0 to 0.25% and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6.50%..." On that statement alone, interest rates moved lower quickly, from 2.89% to 2.67% in a single trading session.

Conclusion

I would like to thank each of the Board of Trustees, the ultimate fiduciaries of APERS, for embracing the current investment structure that allowed APERS to achieve strong results for our members and the 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,

A handwritten signature in black ink that reads "Carlos Borromeo".

Carlos Borromeo
Chief Investment Officer

Investment Consultant's Report



Callan Associates Inc.
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September 3, 2013

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, 2013.

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, 2013, returns were positive across both domestic and intentional equity markets while fixed income markets posted slightly negative returns. The Russell 3000 Index, a broad-based U.S. equity index, had a 21.46% return for the year while the MSCI EAFE Index, an international index, was up 18.62%. Fixed income markets, as measured by the Barclays Capital Aggregate Index, fell -0.69% over the fiscal year.

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, 2013 are listed below.

	<u>Target</u>	<u>Actual</u>
Domestic Equity	37%	40%
International Equity	24%	25%
Domestic Fixed	18%	18%
Diversified Strategies	5%	5%
Real Estate	16%	12%

For fiscal year ended June 30, 2013, the total fund rate of return, including gains, losses and income was 15.58%. 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 5.18%. The return was below the actuarially assumed interest rate of 8%.



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At the beginning of the fiscal year, the assets of the fund totaled \$5.90 billion; at June 30, 2013, the Fund assets totaled \$6.66 billion. The Fund experienced positive performance across all major asset classes during the fiscal year.

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 4%. 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 8.0%. 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 Equities	37%	32% to 42%
International Equities	24%	19% to 29%
Fixed Income	18%	13% to 23%
Diversified Strategies	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

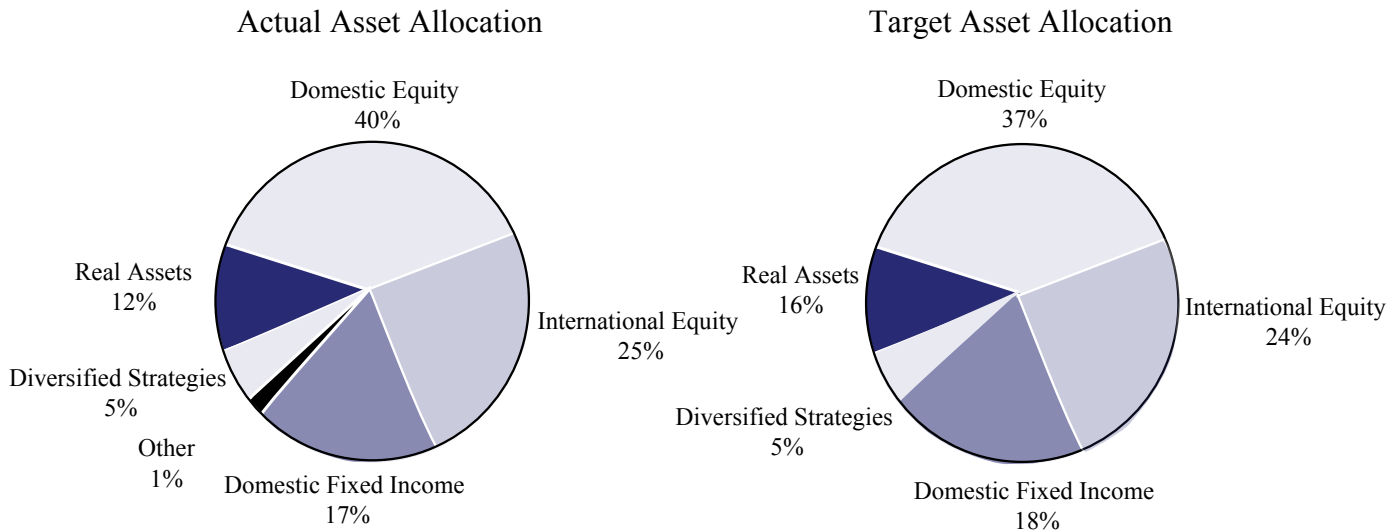
- A. On a timely basis, but not less than twice a year, the Board will review actual investment results achieved by each manager (with a perspective toward a three to five-year time horizon or a peak-to-peak or trough-to-trough market cycle) to determine whether:
 - a. The investment managers performed 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.

Asset Allocation

Actual versus Target Asset Allocation as of June 30, 2013

Asset Allocation of Assets as of June 30, 2013

The previously approved Target Asset Allocation was implemented as of April 1, 2013. The current target and new target are as follows:

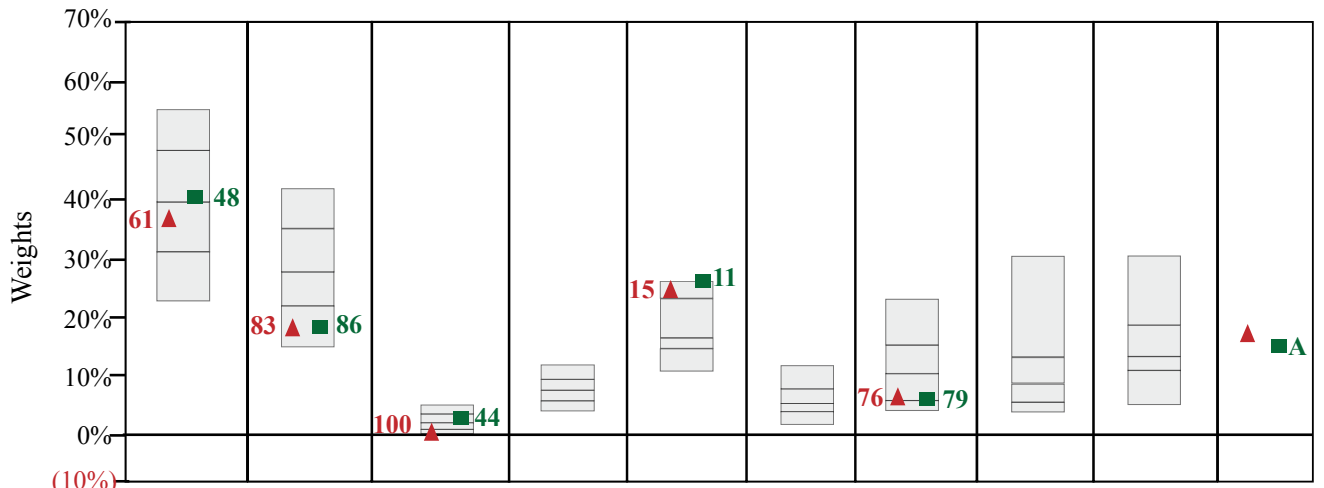


Asset Class	\$000s						\$000s
	Actual	APERS	ASPRS	Actual	Target	Difference	Difference
Domestic Equity	\$ 2,693,966	\$ 2,601,097	\$ 92,869	40.4%	37.0%	3.4%	\$ 228,793
International Equity	1,637,893	1,581,430	56,463	24.6	24.0	0.6	38,862
Fixed Income	1,148,750	1,109,149	39,601	17.3	18.0	(0.7)	(50,524)
Diversified Strategies	319,627	308,608	11,019	4.8	5.0	(0.2)	(13,504)
Cash	67,174	64,858	2,316	1.0	0.0	1.0	67,174
Real Assets	795,221	767,807	27,414	11.9	16.0	(4.1)	(270,800)
Total*	\$ 6,662,631	\$ 6,432,950	\$ 229,681	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%.

Asset Class Weights vs Public Fund Sponsor Database



	Domestic Equity	Domestic Fixed Income	Other	Real Estate	Intl Equity	Intl Fixed-Inc	Other Alternative	Global Balanced	Global Equity Broad	Real Assets
10th Percentile	54.60	43.15	4.93	12.29	25.17	13.99	25.58	29.63	30.20	-
25th Percentile	47.23	35.05	2.24	9.34	21.80	8.37	16.53	14.58	18.09	-
Median	40.08	27.11	0.81	7.46	16.70	5.00	11.34	8.51	11.24	-
75th Percentile	32.25	21.31	0.30	5.22	13.91	3.48	5.05	4.90	8.50	-
90th Percentile	23.65	14.92	0.06	3.47	9.46	1.12	3.18	3.31	3.80	-
Fund ■	40.43	17.24	1.01	-	24.58	-	4.80	-	-	11.94
Target ▲	37.00	18.00	0.00	-	24.00	-	5.00	-	-	16.00
% Group Invested	98.87%	98.87%	62.15%	55.37%	95.48%	18.64%	49.72%	16.38%	23.16%	0.00%

Schedule of Manager Distribution

APERS Manager Distribution for Period Ending June 30, 2013

Asset Allocation	Market Value (\$ Thousands)	Percent of Total	APERS
Domestic Equity (\$2,693,966,405; 40.43%)			
MCM S&P Index Fund	\$ 570,758,322	8.57%	\$ 551,082,570
CastleArk Mgmt.	344,316,365	5.17	332,446,747
Golden Capital Mgmt.	133,181,252	2.00	128,590,095
INTECH	278,757,399	4.18	269,147,795
Wellington Mgmt. Co.	260,744,110	3.91	251,755,478
Westwood Mgmt.	142,699,822	2.14	137,780,531
Lazard Asset Mgmt.	242,292,571	3.64	233,940,019
Lombardia Capital	143,723,090	2.16	138,768,524
SSI Investment Mgmt.	221,215,337	3.32	213,589,381
Horrell Capital Mgmt.	69,926,498	1.05	67,515,922
State Street Global Advisors	67,088,842	1.01	64,776,088
Stephens Investment Mgmt. Group	219,262,796	3.29	211,704,150
International Equity (\$1,638,546,587; 24.59%)			
Lazard Asset Mgmt.	327,981,684	4.92	316,675,171
Artisan Partners	357,201,475	5.36	344,887,669
MCM ACWI ex-US Index	306,775,026	4.60	296,199,571
Transition Account	4,043,457	0.06	3,904,067
UBS Global - Tax Reclaim Receivables	653,239	0.01	630,720
Manning & Napier	314,678,943	4.72	303,831,016
Pyramis Global Advisors	327,212,763	4.91	315,932,757
Fixed Income (\$1,148,749,651; 17.24%)			
MacKay Shields	767,719,950	11.53	741,254,340
Prudential Investments	381,029,702	5.72	367,894,465
Real Assets (\$789,206,971; 11.85%)			
INVESCO Real Estate	265,422,100	3.98	256,272,204
INVESCO GLOBAL REITS	134,285,776	2.02	129,656,542
TA Associates Realty	6,014,212	0.09	5,806,884
CastleArk Mgmt. - AR Energy Fnd	62,382,586	0.94	60,232,071
CastleArk Mgmt. - Global Energy Fnd	139,172,849	2.09	134,375,143
Pinnacle Forest Investments	187,943,660	2.82	181,464,678
Liquidation Account	24,188,921	1.18	23,355,057
Diversified Strategies (\$319,627,379; 4.80%)			
AQR Capital	94,240,680	1.41	90,991,921
Blackstone Alternative Asset Mgmt.	130,893,357	1.96	126,381,070
Newton Capital	94,493,342	1.42	91,235,873
Short-term Investment Fund	42,331,547	0.66	34,722,540
COMPOSITE FUND	<u>\$ 6,662,631,673</u>	<u>100%</u>	<u>\$ 6,426,801,060</u>

Totals may not add due to rounding.

Schedule of APERS and ASPRS Combined Manager Distributions can be found on page 107.

Portfolio Characteristics

Fiscal Years Ended June 30	2013	2012
Selected Bond Characteristics:		
Yield to Maturity (Market)	3.66%	3.79%
Current Yield	4.22	4.69
Average Coupon Rate	4.53	4.88
Average Maturity	7.35 Yrs.	6.86 Yrs.
Quality Breakdown:		
AAA (Includes Govts. & Agencies)	23.60%	26.10%
AA	2.80	3.90
A	14.30	14.90
BAA	27.70	29.30
BA	12.10	10.30
B	7.50	7.10
CCC Below & NR	1.50	1.60
*Cash	10.50	6.80
Selected Stock Characteristics:		
Average P/E Ratio	17.47x	14.64x
Estimated Earnings Growth Rate (Next 5 Years)	12.11%	14.60%
Current Yield	1.78	2.03

* Includes short term investment fund

Source: Callan Associates Inc.

Schedule of Comparative Investment Results

Fiscal Years Ended 2009 through 2013

Fiscal Years Ended June 30	2013	2012	2011	2010	2009
Total Fund:					
Arkansas Public Employees Retirement System	15.58%	(0.17)%	26.00%	11.95%	(20.89)%
Callan Total Public Fund Median	11.99	1.20	20.87	12.91	(17.13)
Inflation (Consumer Price Index)	1.75	1.58	4.06	1.36	(1.98)
Equities:					
Arkansas Public Employees Retirement System	20.99%	2.30%	33.64%	15.69%	(25.74)%
Callan Total Equity Database Median	22.91	0.46	34.22	16.87	(26.12)
Russell 3000 Index	21.46	3.84	32.37	15.72	(26.56)
International Equities:					
Arkansas Public Employees Retirement System	20.88%	(12.75)%	33.62%	7.04%	(32.31)%
Callan Total Non-US Equities Database Median	18.69	(12.53)	31.71	8.99	(30.99)
MSCI-EAFE Index	18.62	(13.83)	30.36	5.92	(31.35)
Fixed Income:					
Arkansas Public Employees Retirement System	3.51%	8.07%	8.15%	15.19%	2.70%
Callan Total Fixed Income Database Median	0.88	7.34	5.00	11.47	5.09
Barclays Capital Aggregate Index	(0.69)	7.47	3.90	9.50	6.05

Schedule of Comparative Investment Results

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

Fiscal Years Ended June 30	Annualized		
	2013	3-Year	5-Year
Total Fund:			
Arkansas Public Employees Retirement System	15.58%	13.28%	5.18%
Callan Total Public Fund Median	11.99	11.02	5.32
Inflation (Consumer Price Index)	1.75	2.46	1.34
Equities:			
Arkansas Public Employees Retirement System	20.99%	18.27%	7.28%
Callan Total Equity Database Median	22.91	18.72	7.98
Russell 3000 Index	21.46	18.63	7.25
International Equities:			
Arkansas Public Employees Retirement System	20.88%	12.11%	0.42%
Callan Total Non-US Equities Database Median	18.69	11.16	0.84
MSCI-EAFE Index	18.62	10.04	(0.63)
Fixed Income:			
Arkansas Public Employees Retirement System	3.51%	6.56%	7.43%
Callan Total Fixed Income Database Median	0.88	4.66	5.97
Barclays Capital Aggregate Index	(0.69)	3.51	5.19

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

Top Ten Largest Holdings*

As of June 30, 2013

Domestic Fixed Income Holdings	Par	Market Value	APERS
U.S. Treasury 0.75% 03/31/2018	23,990,000	\$ 23,350,906	\$ 22,545,930
U.S. Treasury 3.125% 02/15/2043	14,915,000	13,922,258	13,442,316
U.S. Treasury 2.75% 08/15/2042	13,475,000	11,630,677	11,229,733
U.S. Treasury TIP 1.125% 01/15/2021	10,098,690	10,800,044	10,427,734
U.S. Treasury 3.625% 08/15/2019	9,345,000	10,408,741	10,049,920
Countrywide Financial Group 6.25% 05/15/2016	9,455,000	10,310,488	9,955,055
3-month LIBOR Floater 1.42% 11/30/2017	9,305,000	9,305,000	8,984,229
3-month LIBOR Floater 1.42% 11/30/2017	9,225,000	9,225,000	8,906,987
3-month EURIBOR Floater 01/25/2015	7,547,785	7,548,350	7,288,136
U.S. Treasury 1.75% 05/15/2023	7,955,000	7,450,335	7,193,500
Total		<u>\$ 113,951,799</u>	<u>\$ 110,023,540</u>

Domestic Equity Holdings	Shares	Market Value	APERS
Citigroup Inc.	641,125	\$ 30,754,766	\$ 29,694,557
Pfizer Inc.	886,632	24,834,562	23,978,440
Home Depot Inc.	314,324	24,350,680	23,511,239
Apple Inc.	50,912	20,188,135	19,492,189
Andarko Petroleum Corp.	214,840	18,461,201	17,824,788
Cisco Systems Inc.	678,405	16,508,986	15,939,872
Exxon Mobil Corp.	179,801	16,245,020	15,685,005
Unitedhealth Group Inc.	234,745	15,371,103	14,841,215
Gilead Sciences Inc.	265,700	13,622,439	13,152,833
Bank of America Corp.	1,035,600	13,317,816	12,858,711
Total		<u>\$ 193,654,708</u>	<u>\$ 186,978,849</u>

International Equity Holdings	Shares	Market Value	APERS
Tesco PLC	4,281,973	\$ 21,522,668	\$ 20,780,717
Compass Group	1,592,097	20,283,762	19,584,520
Novartis AG	264,700	18,772,256	18,125,120
TE Connectivity Ltd.	343,129	15,626,095	15,087,417
Ryanair Holdings PLC	298,791	15,396,700	14,865,930
AON Corp.	218,745	14,076,241	13,590,991
Arch Capital Group Ltd.	269,987	13,880,032	13,401,546
Schlumberger Ltd.	192,460	13,791,684	13,316,243
Unilever PLC	329,193	13,315,857	12,856,819
Lloyd's Banking Group PLC	13,102,758	12,551,757	12,119,060
Total		<u>\$ 159,217,052</u>	<u>\$ 153,728,363</u>

*by market value. Totals may not add due to rounding.

Schedules of the APERS and ASPRS Combined Ten Largest Holdings can be found on page 108.

Schedule of Brokerage Commissions

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share	APERS
Credit Suisse First Boston	5,843,427	\$ 163,474	\$ 0.03	\$ 157,839
Barclays Capital Inc.	3,616,228	109,079	0.03	105,319
UBS Securities LLC	3,692,748	95,697	0.03	92,398
Investment Technology Group	4,219,139	94,629	0.02	91,367
J.P. Morgan Securities Inc.	1,762,537	89,624	0.05	86,534
Merrill Lynch Pierce Fenner Smith Inc.	4,539,659	83,394	0.02	80,519
Jefferies & Co.	4,950,514	74,588	0.02	72,017
Instinet Corp.	3,315,245	74,278	0.02	71,717
Liquidnet Inc.	2,646,835	71,948	0.03	69,468
Citigroup Global Markets Inc.	1,921,821	71,406	0.04	68,944
Goldman Sachs & Co.	3,319,541	67,850	0.02	65,511
Sanford C. Bernstein & Co.	2,245,028	59,888	0.03	57,823
Morgan Stanley & Co. Inc.	1,673,353	58,972	0.04	56,939
ISI Group Inc.	1,350,214	48,217	0.04	46,555
Deutsche Bank Securities Inc.	1,555,499	43,212	0.03	41,722
Capital Institutional Services Inc.	1,483,218	41,131	0.03	39,713
BTIG LLC	2,728,219	39,976	0.01	38,598
Rosenblatt Securities Corp.	1,339,740	37,562	0.03	36,267
William Blair & Co.	852,489	37,269	0.04	35,984
BNY Convergenx	2,034,853	35,317	0.02	34,100
Piper Jaffray & Co.	780,668	32,861	0.04	31,728
Weeden & Co.	983,950	32,198	0.03	31,088
Robert W. Baird & Co. Inc.	782,523	32,179	0.04	31,070
Citation Group	1,442,283	31,878	0.02	30,779
RBC Capital Markets LLC	643,947	27,111	0.04	26,176
Others (including 91 brokerage firms)	15,981,670	599,316	0.04	578,656
	<u>75,705,348</u>	<u>\$ 2,153,054</u>	\$ 0.03	<u>\$ 2,078,832</u>

Totals may not add due to rounding.

A Schedule of APERS and ASPRS Combined Brokerage Commissions can be found on page 109.

Schedule of Investment Fees

	Market Value	Fee	Basis Points	APERS Market Value	Fee
Equities					
SSI Investment Mgmt. - Convertible Securities	\$ 221,215,337	\$ 860,488	40	\$ 213,589,381	\$ 830,812
Lazard Asset Mgmt. - Value	242,292,571	677,741	30	233,940,019	654,368
Golden Capital Mgmt. - Growth	133,181,252	286,322	22.5	128,590,095	276,446
Westwood Mgmt. - SMID Cap	142,699,822	916,464	25	137,780,531	884,853
MCM S&P 500 Index Fund	570,758,322	124,217	3.5	551,082,570	119,933
INTECH - Growth	278,757,399	1,169,271	48	269,147,795	1,128,946
CastleArk Mgmt. - Growth	344,316,365	1,079,742	35	332,446,747	1,042,504
Wellington Mgmt. Co. - Value	260,744,110	757,869	30	251,755,478	731,730
Stephens Investment Mgmt. - Growth	219,262,796	1,403,535	77	211,704,150	1,355,130
State Street Global Advisors - 130/30	67,088,842	303,363	50	64,776,088	292,903
Lombardia Capital - Small Cap	143,723,090	895,680	70	138,768,524	864,791
Horrell Capital Mgmt. - AR Index Fund	69,926,498	175,791	27	67,515,922	169,728
Lazard Asset Mgmt. - Int'l Equity	327,981,684	957,677	65	316,675,171	924,650
Manning & Napier Advisors - Int'l Equity	314,678,943	1,564,996	50	303,831,016	1,511,025
Pyramis Global Advisors - Int'l Equity	327,212,763	1,149,536	20	315,932,757	1,109,897
UBS Global Asset Mgmt. - Int'l Equity *	0	1,452,260	50	0	1,402,181
MCM ACWI ex-US Index Fund	306,775,026	2,732	6.5	296,199,571	2,637
Artisan Partners - Int'l Equity	357,201,475	1,875,999	55	344,887,669	1,811,303
	<u>\$ 4,327,816,295</u>	<u>\$ 15,653,683</u>		<u>\$ 4,178,623,484</u>	<u>\$ 15,113,837</u>
Diversified Strategies					
AQR Capital	\$ 94,240,680	\$ 676,726	72	\$ 90,991,921	\$ 653,386
Blackstone Alternative Asset Mgmt.	130,893,357	948,676	100	126,381,070	915,958
Newton Capital	94,493,342	599,288	70	91,235,873	578,649
	<u>\$ 319,627,379</u>	<u>\$ 2,224,690</u>		<u>\$ 308,608,864</u>	<u>\$ 2,147,993</u>
Fixed Income					
MacKay Shields - Core Plus I	\$ 377,454,708	\$ 755,987	20	\$ 364,442,712	\$ 729,915
MacKay Shields - Core Plus II	390,265,242	583,241	15	376,811,628	563,126
Prudential Investments - Core Plus	381,029,702	767,078	20	367,894,465	740,623
	<u>\$ 1,148,749,652</u>	<u>\$ 2,106,306</u>		<u>\$ 1,109,148,805</u>	<u>\$ 2,033,664</u>
Real Assets					
INVESCO Real Estate - Core & Global REITS	\$ 399,707,876	\$ 1,810,236	65	\$ 385,928,746	\$ 1,746,996
TA Associates Realty	6,014,212	140,766		5,806,884	135,738
CastleArk Mgmt. - AR Energy Fund	62,382,586	737,402	125	60,232,071	711,971
CastleArk Mgmt. - Global Energy Fund	139,172,849	1,164,889	100	134,375,143	1,124,715
Pinnacle Forest Investments - Timberland	187,943,660	1,555,032	90	181,464,678	1,501,400
	<u>\$ 795,221,183</u>	<u>\$ 5,408,325</u>		<u>\$ 767,807,523</u>	<u>\$ 5,220,820</u>
Other Investment Services					
Bank of New York Mellon (Custodian)		\$ 544,701			\$ 525,912
Callan Associates (Consultant)		237,952			235,901
Total Other Services		<u>782,653</u>			<u>761,813</u>
Total Investment Fees		<u>\$ 26,175,657</u>			<u>\$ 25,278,127</u>

* Manager Terminated

A Schedule of APERS and ASPRS Combined Schedule of Investment Fees can be found on page 110.

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Actuarial Section

Actuary's Certificate Letter

Summary of Actuarial Assumptions

Summary of Actuarial Methods

Probabilities of Retirement

Short Condition Test

Analysis of Experience

Analysis of Experience by Risk Area

Summary of Plan Provisions

Arkansas Counties

The County Division includes any county in the state and includes all agencies, offices, departments, boards, commission and county-supported institutions that are duly constituted agencies of the county. "County employees" means all employees whose compensations are payable, either directly or indirectly, by county participating public employers from appropriated funds and includes employees of the Association of Arkansas Counties.

With only 86 county employers participating in the System as of June 30, 2013, they have approximately 16,000+ active and retired workers, second only to the State Division's workforce in sheer number of APERS members.

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Actuary's Certificate Letter



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November 27, 2013

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 progress towards meeting this financial objective is illustrated in the Schedule of Funding Progress and the Schedule of Employer Contributions.

We performed an actuarial valuation and issued an actuarial valuation report for APERS as of June 30, 2013. The purpose of the June 30, 2013 annual actuarial valuation was to determine the contribution requirements for the year beginning July 1, 2014 (July 1, 2013 for the old plan still paying District Judges portion of APERS), to measure the System's funding progress, and to provide actuarial information in connection with applicable Governmental Accounting Standards Board Statements. The valuation should not be relied upon for any other purpose. The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the cost 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 (level dollar for the District Judges portion of APERS) 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, 2013.

The 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 actuarial report included the following supporting schedules for use in 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

Board of Trustees
November 27, 2013
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 with the exception of the old plan still paying District Judges portion of APERS, where assets are valued on a market basis.

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, 2013 valuations were based upon assumptions that were recommended in connection with a study of experience covering the period 2007-2012.

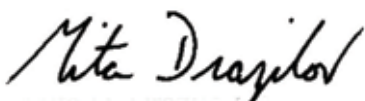
On the basis of the June 30, 2013 actuarial valuations and the benefits and contribution rates then in effect, it is our opinion that the Arkansas Public Employees Retirement System continues to satisfy the general financial objective of level contribution financing.

Future actuarial measurements may differ significantly from those presented in the annual valuations due to such factors as experience differing from that anticipated by actuarial assumptions, or changes in plan provisions, actuarial assumption/methods or applicable law. Due to the limited scope of the assignment, we did not perform an analysis of the potential range of future measurements.

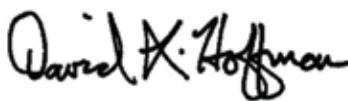
The signing actuaries are independent of the plan sponsor.

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 opinions contained herein.

Respectfully submitted,



Mita D. Drazilov, ASA, MAAA
MDD:bd



David L. Hoffman

Gabriel Roeder Smith & Company

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 81. 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 mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females. Related values are shown on page 80. This assumption was first used for the June 30, 2013 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. This assumption was first used for the June 30, 2013 valuation.

The probabilities of retirement for members eligible to retire are shown on page 82 through page 83. These probabilities were first used for the June 30, 2013 valuation and for the June 30, 2007 valuation for the District Judges division.

The probabilities of withdrawal from service, death-in-service and disability are shown for sample ages on page 81. These probabilities were first used for the June 30, 2013 valuation and for the District Judges division for the June 30, 2013 valuation.

The individual entry-age normal actuarial cost method of the valuation was used in determining liabilities and normal cost.

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

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, 2013
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	25 year closed
Asset Valuation Method	4-Year Smoothed Market with 25% Corridor
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increase	4.0% - 10.6%
Including Inflation at	4.0%
Cost-of-Living Adjustments	3.0% Annual Compounded Increase

	<u>Numbers</u>
Retirees and beneficiaries receiving benefits #	30,533
Terminated plan members entitled to but not yet receiving benefits	13,267
Active plan members	<u>45,707</u>
Total	89,507
# 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, 2013
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	15 year closed (New Plan and Paid Off Old Plan) 22 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	4.0% - 7.71%
Including Price Inflation at	4.0%
Cost-of-Living Adjustments	3.0% Annual Compounded Increase on benefits for service after January 1, 2005

	<u>Numbers</u>
Retirees and beneficiaries receiving benefits	104
Terminated plan members entitled to but not yet receiving benefits	106
Current active plan members	<u>44</u>
Total	254

Single Life Retirement Values

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	\$145.04	\$147.43	\$206.65	\$213.07	40.56
45	141.04	144.18	196.66	204.34	35.81	39.39
50	135.62	139.80	184.55	193.75	31.13	36.64
55	128.53	133.91	170.25	180.99	26.58	29.98
60	119.63	126.19	153.88	165.93	22.23	25.44
65	108.84	116.61	135.67	148.87	18.14	21.14
70	95.93	105.29	115.71	130.29	14.35	17.16
75	81.36	92.36	94.91	110.69	10.95	13.56
80	65.82	77.97	74.32	90.48	8.02	10.35
85	50.26	62.79	55.06	70.67	5.60	7.59

Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive	
		Men	Women
60	\$100	100%	100%
65	116	96	97
70	134	90	92
75	155	80	84
80	180	66	72

The mortality table was set forward 10 years for disabilities.

Based on RP-2000 Combined Healthy male and female mortality tables projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

State and Local Government Division

APERS Separations from Active Employment before Service Retirement
June 30, 2013

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 and 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	0.02%	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	0.06	0.03	0.15	0.15	1.90	4.00	5.90
45		3.4	3.4	0.08	0.05	0.20	0.20	1.50	4.00	5.50
50		2.7	2.7	0.13	0.08	0.40	0.40	1.10	4.00	5.10
55		1.9	1.9	0.22	0.12	0.70	0.70	0.80	4.00	4.80
60		1.2	1.2	0.37	0.21	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, 2013

Sample Ages	Percent of Active Members Separating Within the Next Year				Pay Increase Assumptions For An Individual Employee		
	Withdrawal		Disability		Merit and Seniority	Base (Economy)	Increase Next
	Men	Women	Men	Women			
20	2.0%	2.0%	0.08%	0.08%	2.70%	4.0%	6.70%
25	2.0	2.0	0.08	0.08	2.60	4.0	6.60
30	2.0	2.0	0.08	0.08	2.20	4.0	6.20
35	2.0	2.0	0.08	0.08	1.90	4.0	5.90
40	2.0	2.0	0.20	0.20	1.40	4.0	5.40
45	2.0	2.0	0.27	0.27	1.20	4.0	5.20
50	2.0	2.0	0.49	0.49	0.70	4.0	4.70
55	2.0	2.0	0.89	0.89	0.70	4.0	4.70
60	2.0	2.0	1.41	1.41	0.00	4.0	4.00

State and Local Probabilities of Retirement for Members Eligible to Retire

Percent of Eligible Active Members Retiring Within Next Year June 30, 2013

Retirement Ages (with less than 28 years of service)	Percent of Eligible Active Members Retiring Within Next Year		Service	Percent of Eligible Active Members Retiring Within Next Year
	Unreduced	Reduced		
55		2%	28	15 %
56		2	29	13
57		3	30	11
58		3	31	11
59		4	32	12
60		5	33	12
61		5	34	12
62		18	35	20
63		17	36	25
64		13	37	25
65	23%		38	30
66	23		39	30
67	23		40 & Over	100
68	15			
69	15			
70	17			
71	17			
72	17			
73	17			
74-77	20			
78	15			
79	20			
80-82	20			
83	20			
84	20			
85 & Over	100			

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

A member was assumed eligible for reduced retirement after attaining age 55 with 10 or more years of service.

Probabilities of Retirement for Members Eligible to Retire

General Assembly Division

Retirement Ages	Percentages of Eligible Active Members 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	30
65	50
66	30
67-79	20
80 & Over	100

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 & Over	100

For the General Assembly Division, a member 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.

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.

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

Entry Age Accrued Liability					Portion of Present Values Covered By Present Assets			
Valuation Date:	(1) Active Member Contributions	(2) Retirees and Benefits	(3) Active Members (Employer Financed Portion)	Valuation Assets	(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%
2013@	147.9	3,855.2	4,281.1	6,159.3	100%	100%	50%	74%

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

Analysis of Experience

Purpose of Gain/(Loss) Analysis. 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

	<u>Total (\$ in millions)</u>
(1) UAAL* at beginning of year	\$ 2,537.3
(2) Normal cost from last valuation	112.3
(3) Actual employer contributions	249.5
(4) Interest accrual: $[(1) + \frac{1}{2}[(2) - (3)]] \times .080$	197.5
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	2,597.6
(6) Increase from benefit changes	0.0
(7) Changes from revised actuarial assumptions and methods	(141.8)
(8) New entrant liabilities	39.2
(9) Expected UAAL after changes: (5) + (6) + (7) + (8)	2,495.0
(10) Actual UAAL at end of year	2,124.8
(11) Gain/(Loss): (9) - (10)	<u>\$ 370.2</u>

Analysis of Experience - District Judges

	New Plan and Paid Off Old Plan	Still Paying Old Plan	Total
(1) UAAL* at beginning of year	\$ 3,982,259	\$ 10,435,759	\$ 14,418,018
(2) Normal cost from last valuation	594,007	0	594,007
(3) Actual contributions	984,842	1,046,677	2,031,519
(4) Interest accrual: $[(1) + \frac{1}{2}[(2) - (3)]] \times .080$	302,947	792,994	1,095,941
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	3,894,371	10,182,076	14,076,447
(6) Increase from benefit changes	0	0	0
(7) Changes from revised actuarial assumptions and methods	308,267	198,126	506,393
(8) Expected UAAL after changes: (5) + (6) + (7)	4,202,638	10,380,202	14,582,840
(9) Actual UAAL at end of year	2,901,782	9,831,391	12,733,173
(10) Gain/(Loss): (8) - (9)	<u>\$ 1,300,856</u>	<u>\$ 548,811</u>	<u>\$ 1,849,667</u>

* Unfunded actuarial accrued liability

Analysis of Experience - Gains/(Losses) by Risk Area

Type of Risk Area	Total (\$ in millions)	% of Accrued Liabilities
ECONOMIC RISK AREAS		
<i>Pay Increases.</i> If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	\$ 89.2	1.1%
<i>Investment Return.</i> If there is greater investment return than assumed, there is a gain. If less return, a loss	190.9	2.3%
NON-ECONOMIC RISK AREAS		
<i>Non-Casualty Retirements.</i> 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.	27.6	0.3%
<i>Disability Retirements.</i> If there are fewer disabilities than assumed, there is a gain. If more, a loss.	0.8	0.0%
<i>Death-in-Service Benefits.</i> If there are fewer claims than assumed, there is a gain. If more, a loss.	(0.3)	0.0%
<i>Withdrawal.</i> If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	<u>3.4</u>	<u>0.0%</u>
Total Active Member Actuarial Gains/(Losses)	\$ 311.6	3.7%
<i>Retired Life Mortality.</i>	42.8	0.5%
<i>Other.</i> Includes data adjustments at retirement, timing of financial transactions, and miscellaneous unidentified sources.	<u>\$ 15.8</u>	<u>0.2%</u>
Total Actuarial Gains/(Losses)	\$ 370.2	4.4%

Summary of Plan Provisions

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.

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 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 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.

Final Average Compensation (FAC)

Average of highest 36 calendar months of covered compensation.

Average of highest 36 calendar months of covered compensation.

Full Age and 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.

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.

New Contributory Plan

Non-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.

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

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.

Total and Permanent 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.

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 compensation at disability.

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.

Membership Group	Service Credits
Public Safety Members (including State Capitol Police and Wildlife Sub-Division members) hired before July 1, 1997	1-1/2 times regular rate with 5 years actual service required to meet benefit eligibility rules.
Governor (hired before July 1, 1999)	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.
Elected State Constitutional Officers (hired before July 1, 1999)	2-1/2 times regular rate with 5 years actual service required to meet benefit eligibility.
General Assembly	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.
Other Elected Public Officials (municipal and county officials)	2 times regular rate with 5 years actual service required to meet benefit eligibility.
All Other Members	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 Eligibility

Age 65 with 10 or more years of credited service, 28 years of actual service regardless of age, or age 55 with 12 or more years of actual service, 10 of which must be as a member of the General Assembly. In addition, a member of the General Assembly who was a member of the General Assembly on July 1, 1979, or holding any other Arkansas elective office on July 1, 1979, is eligible to retire with 17.5 years of actual service regardless of age.

Vesting

Termination of employment prior to normal retirement age after completing 10 or more years of credited service.

Retirement Benefit

\$35.00 per month times years of General Assembly service. The amount is \$40.00 per month per year of service for any member who served as Speaker of the House of Representatives or President Pro Tempore of the Senate.

Disability

Eligibility: 10 years of credited service.
Amount: Accrued retirement benefit.

Death-In-Service

Eligibility: 5 years of service.

Amount - Less than 10 years in General Assembly: Same as for regular members.

Amount - 10 or more years in General Assembly: 100% of the benefit the member would have been entitled to had he or she been at retirement age payable to an eligible surviving spouse.

Death-After-Retirement

100% of the benefit the member was receiving payable to an eligible surviving spouse.

Participation

A member of the General Assembly may, at any time, elect either (i) to be covered by regular benefit provisions, or (ii) to discontinue an APERS membership.



Statistical Section

Basic Financial Statements

Statement of Plan Net Position -

10 Year Schedule

Statement of Changes in Plan Net Position -

10 Year Schedule

Schedule of Revenue 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

District Judges and Clerks

The Arkansas District Judge Retirement System (ADJRS) was established as of January 1, 2005 and consisted of active, deferred and retired members of the local retirement plans for district judges and chief district court clerks. While current district judges were covered under the provisions of ADJRS, all current chief district court clerks became members of the Arkansas Public Employees Retirement System (APERS) on January 1, 2005.

As of July 1, 2007, the ADJRS was abolished and transferred to APERS. District judges hired on or after July 1, 2007 became members of APERS and are covered under the provisions of APERS.

As of June 30, 2013, there are approximately 56 employers still reporting under the ADJRS provisions and approximately 230+ active and retired members.

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Basic Financial Statements - Statement of Plan Net Position - 10 Year Schedule

	2013	2012	2011
ASSETS			
Cash and Cash Equivalents	\$ 197,005,448	\$ 177,086,939	\$ 141,892,517
Securities Lending Collateral Investments in Cash Equivalents	0	0	0
Receivables:			
Dec 2004 Actuarial Liability Receivable	10,145,451	10,313,641	11,354,396
Contributions	4,026,944	3,122,202	3,312,790
Investment Principal Receivable	19,706,894	19,366,624	41,840,071
Accrued Investment Income Receivable	19,891,358	16,065,808	15,686,896
Other Receivables	843,783	840,687	0
Total Receivables	54,614,430	49,708,962	72,194,153
Investments At Fair Value			
Government Securities:			
U.S. Government Securities	103,365,196	84,322,856	75,992,809
Futures	633,126	(315,569)	(272,781)
Government Agency Securities	135,034,237	153,440,708	164,262,851
Corporate Securities:			
Collateralized Obligations	166,864,026	177,548,338	203,593,519
Corporate Bonds	492,099,617	505,472,866	557,868,241
Convertible Bonds	170,566,983	150,231,542	182,943,890
Convertible Preferred Stock	39,474,969	38,337,186	55,552,336
Common Stock	2,038,116,530	1,810,412,751	2,058,851,405
Equity Index Funds	551,082,519	469,596,060	634,286,955
Equity Co-Mingled	64,776,089	53,821,018	44,039,546
High Yield Income Fund	55,765,901	51,017,497	56,570,710
Options	0	0	0
International Securities:			
Global Fixed Income Fund	10,770,871	1,232,473	133,598
Government Fixed Obligations	0	0	0
Corporate Fixed Income	36,101,993	9,200,336	9,014,994
Equity Securities	715,367,311	592,247,709	438,567,671
Equity Pooled Fund Units	610,149,121	880,417,052	649,710,460
Global Equity Index Funds	296,199,571	0	0
Global Collateralized Obligations	5,481,114	6,841,714	2,517,011
Emerging Markets	26,175,846	20,049,577	19,223,133
Emerging Markets Collateralized Obligations	235,133	0	0
Forward Contracts	785,881	137,066	230,300
Interest Rate Swaps	4,238	(42,893)	36,013
Real Estate	259,578,181	224,390,805	206,850,597
Diversified Strategies	217,372,992	0	0
Timberland	204,819,735	267,475,739	296,638,771
Municipal Bonds	5,167,044	5,184,736	4,609,375
Commercial Loans	21,572,758	18,452,665	24,900,031
Total Investments	6,227,560,982	5,519,472,231	5,686,121,436
Securities Lending Collateral Investments, At Fair Value:			
Repurchase Agreements	131,976,556	125,979,775	149,532,650
Asset Backed Floating Rate Notes	105,713,712	94,209,913	0
US Agencies	11,103,225	5,980,790	0
US Governments	0	9,689,267	0
Certificates of Deposit	43,061,345	59,482,209	0
Commercial Paper	70,407,711	38,754,223	0
Corporate Floating Rate Notes	290,949,419	233,283,293	0
Corporate Bonds	0	0	268,890,291
Bank Obligations	94,783,855	0	80,146,297
Asset Backed Securities	0	0	51,596,698
Total Securities Lending Collateral Investments	747,995,823	567,379,472	550,165,936
Prepays and Other Assets	29,640	23,672	46,352
Capital Assets, Net	44,592	54,917	66,170
TOTAL ASSETS	<u>7,227,250,915</u>	<u>6,313,726,193</u>	<u>6,450,486,564</u>
LIABILITIES			
Accrued Expenses and Other Liabilities	7,799,664	7,682,381	7,520,415
Compensated Absences Payable	327,572	302,132	0
Due to Other Agencies	72,580	77,955	0
Investment Principal Payable	34,914,852	44,545,629	76,495,801
Other Post Employment Benefits	1,669,923	1,322,763	1,038,085
Securities Lending Liability	747,995,823	567,379,471	550,165,936
TOTAL LIABILITIES	<u>792,780,415</u>	<u>621,310,331</u>	<u>635,220,237</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 6,434,470,500</u>	<u>\$ 5,692,415,862</u>	<u>\$ 5,815,266,327</u>

A Schedule of Funding Progress is on page 51. Totals may not add due to rounding.

2010	2009	2008	2007	2006	2005	2004
\$ 119,233,185	\$ 144,370,189	\$ 164,106,333	\$ 161,350,604	\$ 158,991,030	\$ 219,020,715	\$ 175,809,182
0	0	0	298,532,371	212,092,651	243,612,095	215,840,817
11,949,695	11,063,510	11,016,019	0	0	0	0
2,214,443	2,230,764	2,064,104	2,490,030	2,035,881	1,792,097	1,522,786
27,293,510	45,728,778	56,734,490	71,265,845	54,790,845	58,571,420	26,916,374
14,878,479	12,486,745	13,410,220	15,771,613	15,220,280	13,966,733	12,051,686
0	0	0	0	0	0	0
56,336,127	71,509,797	83,224,833	89,527,488	72,047,006	74,330,250	40,490,846
56,692,011	79,110,077	155,857,122	75,283,764	115,440,837	86,605,545	80,641,818
1,089,585	1,247,843	120,796	0	0	0	0
200,033,915	372,632,738	350,522,222	334,234,608	326,746,744	352,704,738	315,412,784
181,322,952	126,099,722	196,931,595	228,739,239	183,021,390	106,052,354	79,933,909
497,737,991	301,391,448	244,945,286	257,249,675	230,607,819	274,794,448	313,807,921
173,917,850	135,055,273	163,374,858	175,316,139	147,675,495	132,266,649	137,058,613
35,097,199	39,503,362	37,915,127	44,318,594	39,702,470	43,012,269	36,059,855
1,570,950,462	1,499,257,304	1,970,881,463	1,999,739,571	1,715,828,326	1,559,574,683	1,223,768,276
494,513,356	337,125,950	455,441,280	487,951,829	473,010,696	444,471,708	893,277,051
32,510,013	30,033,865	43,094,014	244,991,960	219,480,329	202,400,000	0
50,850,253	42,208,121	35,465,720	37,831,944	36,029,790	37,565,408	38,703,011
0	0	20,349	0	11,516	0	0
3,840,549	0	10,904,054	8,739,267	3,175,181	0	0
0	13,469,217	13,826,156	15,211,812	17,425,975	29,233,376	14,363,917
0	5,156,065	2,747,129	5,331,865	2,940,003	2,845,698	1,644,786
9,212,260	264,903,613	554,482,483	634,645,370	555,548,329	435,197,990	382,353,841
281,549,155	448,929,500	686,835,703	799,248,572	537,557,356	440,473,830	391,641,407
0	0	0	0	0	0	0
500,233,798	0	0	0	0	0	0
18,109,421	15,783,408	38,575,304	47,477,880	38,531,509	40,493,043	24,930,353
0	0	0	0	0	0	0
79,024	(81,302)	(349,553)	141,184	(33,220)	0	0
0	0	0	0	0	0	0
166,155,640	188,073,758	268,845,235	219,680,821	191,333,954	157,623,725	64,908,065
0	0	0	0	0	0	0
294,495,311	294,367,676	240,170,440	216,638,186	178,911,730	157,314,473	157,301,764
5,221,420	6,961,524	9,163,935	13,904,836	14,549,990	20,336,671	22,818,100
34,220,712	43,914,142	26,595,311	19,595,697	3,654,200	0	0
4,607,832,877	4,245,143,304	5,506,366,028	5,866,272,812	5,031,150,418	4,522,966,607	4,178,625,472
80,043,105	112,640,635	5,759,924	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
182,188,563	249,979,379	292,941,710	204,943,347	346,630,656	214,978,659	263,472,042
130,270,736	0	378,952,302	77,499,382	79,978,514	74,980,224	59,998,003
38,751,500	60,640,313	111,001,863	193,286,465	0	117,931,027	10,000,000
431,253,904	423,260,327	788,655,800	475,729,195	426,609,171	407,889,910	333,470,045
129,340	127,404	1,764,984	1,505,559	1,820,827	1,920,368	1,873,848
71,899	79,562	50,808	44,577	49,820	53,101	50,499
5,214,857,332	4,884,490,583	6,544,168,786	6,892,962,606	5,902,760,923	5,469,793,046	4,946,160,709
6,687,309	6,304,171	8,140,996	7,990,755	6,941,948	7,119,251	6,269,500
0	0	0	0	0	0	0
0	0	0	12,958,488	0	0	0
47,661,684	104,638,383	108,712,061	127,507,745	121,614,009	170,393,808	83,734,304
754,059	475,017	208,009	0	0	0	0
431,253,904	423,260,327	788,655,799	774,261,565	638,701,821	651,502,005	549,310,862
486,356,956	534,677,898	905,716,865	922,718,553	767,257,778	829,015,064	639,314,666
<u>\$ 4,728,500,377</u>	<u>\$ 4,349,812,686</u>	<u>\$ 5,638,451,921</u>	<u>\$ 5,970,244,053</u>	<u>\$ 5,135,503,145</u>	<u>\$ 4,640,777,983</u>	<u>\$ 4,306,846,044</u>

Basic Financial Statements

Statement of Changes In Plan Net Position - 10 Year Schedule

	2013	2012	2011
ADDITIONS			
Contributions:			
Employer	\$ 249,062,186	\$ 230,495,674	\$ 196,428,733
Plan Members	44,549,911	41,361,523	34,639,544
Supplemental	1,863,992	1,481,214	0
Total Contributions	<u>295,476,089</u>	<u>273,338,411</u>	<u>231,068,277</u>
Investment Income:			
Interest	52,116,606	59,199,267	62,101,600
Dividends	72,457,239	59,575,384	53,508,558
Investment Gain/Loss	749,543,679	(129,527,282)	1,097,554,466
Security Lending Income	1,776,316	729,793	1,031,841
Real Estate Income	0	(34,602)	(55,267)
Other	0	0	0
Total Investment Income	<u>875,893,840</u>	<u>(10,057,440)</u>	<u>1,214,141,198</u>
Less: Investment Expense	23,973,149	20,084,815	20,643,587
Net Investment Income	<u>851,920,691</u>	<u>(30,142,255)</u>	<u>1,193,497,611</u>
Other Sources:			
Miscellaneous Additions	1,203,348	191,882	2,557,261
Transfer from Teachers Retirement System	0	7,307,481	6,331,031
Miscellaneous Transfers from State Agencies	0	0	78,023
Transfer of Arkansas District Judges Retirement System	0	0	0
Transfer from Other Public Employee Retirement Systems	5,848,612	0	0
Total Other Additions	<u>7,051,960</u>	<u>7,499,363</u>	<u>8,966,315</u>
TOTAL ADDITIONS	<u>1,154,448,740</u>	<u>250,695,519</u>	<u>1,433,532,203</u>
DEDUCTIONS			
Benefits	396,607,128	359,330,673	344,140,357
Refunds of Contributions	8,446,701	7,420,785	6,123,910
Administrative Expenses	7,340,273	6,794,526	6,374,379
TOTAL DEDUCTIONS	<u>412,394,102</u>	<u>373,545,984</u>	<u>356,638,646</u>
NET INCREASE (DECREASE)	742,054,638	(122,850,465)	1,076,893,557
NET POSITION RESTRICTED FOR PENSION BENEFITS			
Beginning of Year	<u>5,692,415,862</u>	<u>5,815,266,327</u>	<u>4,738,372,770</u>
End of Year	<u>\$ 6,434,470,500</u>	<u>\$ 5,692,415,862</u>	<u>\$ 5,815,266,327</u>

See Notes to Financial Statements. Totals may not add due to rounding.

2010	2009	2008	2007	2006	2005	2004
\$ 170,186,564	\$ 159,827,501	\$ 174,119,820	\$ 163,888,295	\$ 158,152,183	\$ 135,027,446	\$ 118,419,346
30,334,716	23,722,994	18,443,261	12,192,289	4,667,067	82,836	117,955
0	0	0	0	0	0	0
<u>200,521,280</u>	<u>183,550,495</u>	<u>192,563,081</u>	<u>176,080,584</u>	<u>162,819,250</u>	<u>135,110,282</u>	<u>118,537,301</u>
62,331,626	62,046,908	65,706,695	66,813,293	57,891,121	54,121,820	71,972,312
43,820,724	45,164,566	48,798,880	57,456,683	48,523,187	39,555,587	29,635,270
410,511,458	(1,269,800,874)	(380,924,989)	794,931,551	459,105,415	323,251,610	390,465,636
2,050,050	10,670,818	37,091,199	41,743,197	29,271,062	16,405,504	8,911,120
(7,588)	(70,140)	(65,458)	186,527	(2,640,933)	(1,760,716)	3,133,752
7,620	(62,078)	0	(20,520)	3,940	0	16,184
<u>518,713,890</u>	<u>(1,152,050,800)</u>	<u>(229,393,673)</u>	<u>961,110,731</u>	<u>592,153,792</u>	<u>431,573,805</u>	<u>504,134,274</u>
18,080,990	21,680,124	54,209,025	61,777,033	46,831,897	30,144,273	19,974,768
<u>500,632,900</u>	<u>(1,173,730,924)</u>	<u>(283,602,698)</u>	<u>899,333,698</u>	<u>545,321,895</u>	<u>401,429,532</u>	<u>484,159,506</u>
(331,483)	3,165,392	2,040,614	2,265,261	3,837,040	2,598,877	3,101,053
6,355,482	6,344,427	6,367,268	6,389,677	6,665,441	6,571,195	6,363,145
75,737	71,997	74,462	190,035	127,774	183,983	57,848
0	0	24,081,555	0	0	0	0
0	0	0	0	0	0	0
<u>6,099,736</u>	<u>9,581,816</u>	<u>32,563,899</u>	<u>8,844,973</u>	<u>10,630,255</u>	<u>9,354,055</u>	<u>9,522,046</u>
<u>707,253,916</u>	<u>(980,598,613)</u>	<u>(58,475,718)</u>	<u>1,084,259,255</u>	<u>718,771,400</u>	<u>545,893,869</u>	<u>612,218,853</u>
318,998,006	299,896,780	266,296,562	244,137,717	219,711,792	207,122,449	182,901,681
3,586,861	2,661,289	1,919,767	632,790	62,133	526,398	374,972
5,981,358	5,482,554	5,100,085	4,747,840	4,272,313	4,313,081	4,759,527
<u>328,566,225</u>	<u>308,040,623</u>	<u>273,316,414</u>	<u>249,518,347</u>	<u>224,046,238</u>	<u>211,961,928</u>	<u>188,036,180</u>
378,687,691	(1,288,639,236)	(331,792,132)	834,740,908	494,725,162	333,931,941	424,182,649
<u>4,349,812,685</u>	<u>5,638,451,921</u>	<u>5,970,244,053</u>	<u>5,135,503,145</u>	<u>4,640,777,983</u>	<u>4,306,846,042</u>	<u>3,882,663,393</u>
<u>\$ 4,728,500,376</u>	<u>\$ 4,349,812,685</u>	<u>\$ 5,638,451,921</u>	<u>\$ 5,970,244,053</u>	<u>\$ 5,135,503,145</u>	<u>\$ 4,640,777,983</u>	<u>\$ 4,306,846,042</u>

Schedule of Revenues by Source

Year Ended June 30	Member Contributions	Employer Contributions	Investment Income	Transfers And Other	Total
2004	117,955	118,419,346	484,159,506	9,522,046	612,218,853
2005	82,836	135,027,446	401,429,532	9,354,055	545,893,869
2006	4,667,067	158,152,183	545,321,895	10,630,255	718,771,400
2007	12,192,289	163,888,295	899,333,698	8,844,973	1,084,259,255
2008	18,443,261	174,119,820	(283,602,698)	32,563,899	(58,475,718)
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
2013	44,549,911	249,062,186	851,920,691	8,915,952	1,154,448,740

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

Schedule of Expenses by Type

Year Ended June 30	Benefit Payments ¹	Administrative Expenses	Refunds	Total
2004	182,901,681	4,759,527	374,972	188,036,180
2005	207,122,449	4,313,081	526,398	211,961,928
2006	219,711,792	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
2013	396,607,128	7,340,273	8,446,701	412,394,102

¹ Includes DROP and PAW distributions.

Schedule of Benefit Expenses by Type*

Year Ended June 30	Age and Service		Death In Service	Disability Retirees
	Retirees	Survivors		
2004	154,032,252	4,461,732	4,121,640	9,000,408
2005	168,774,960	6,170,316	4,431,564	9,914,448
2006	178,052,748	5,700,516	4,670,760	10,925,028
2007	206,975,784	2,598,444	577,224	14,215,140
2008	224,223,624	2,639,616	534,252	15,937,188
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
2013	333,567,174	11,125,082	336,180	26,158,872

* Expenses are based on June 30 benefit amounts annualized.

Schedule of Retired Members by Type of Benefit

As of June 30, 2013

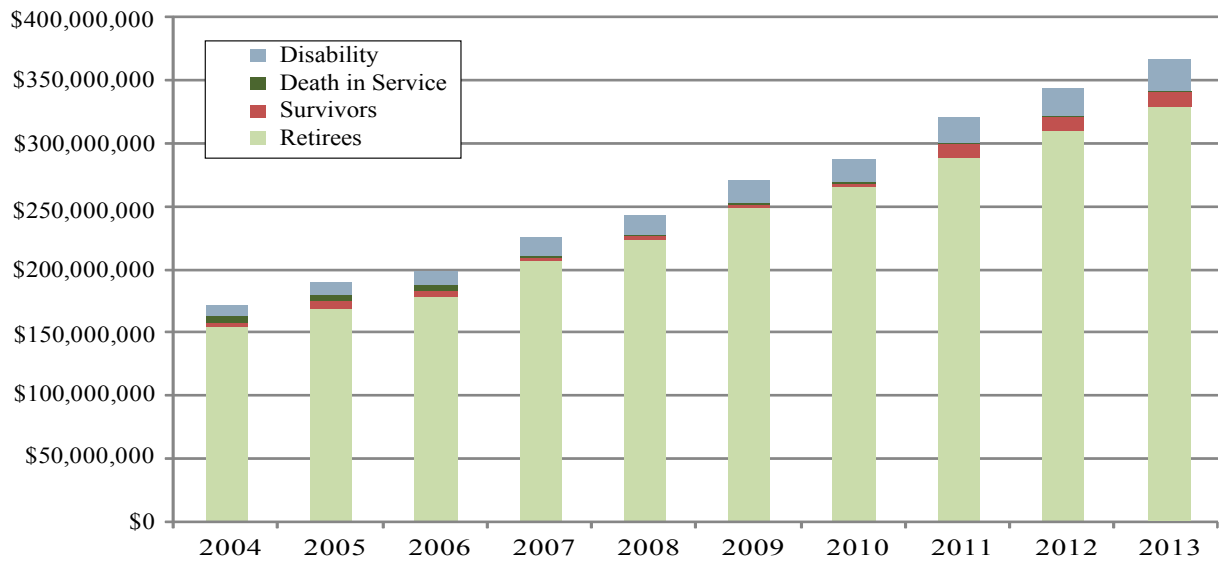
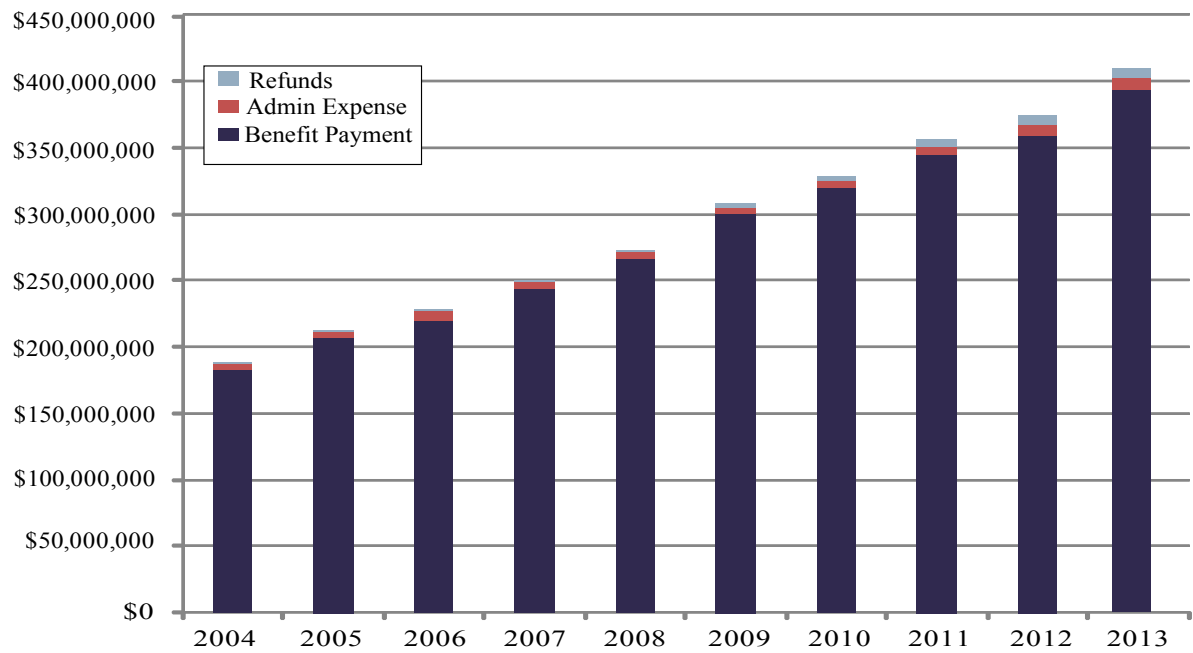
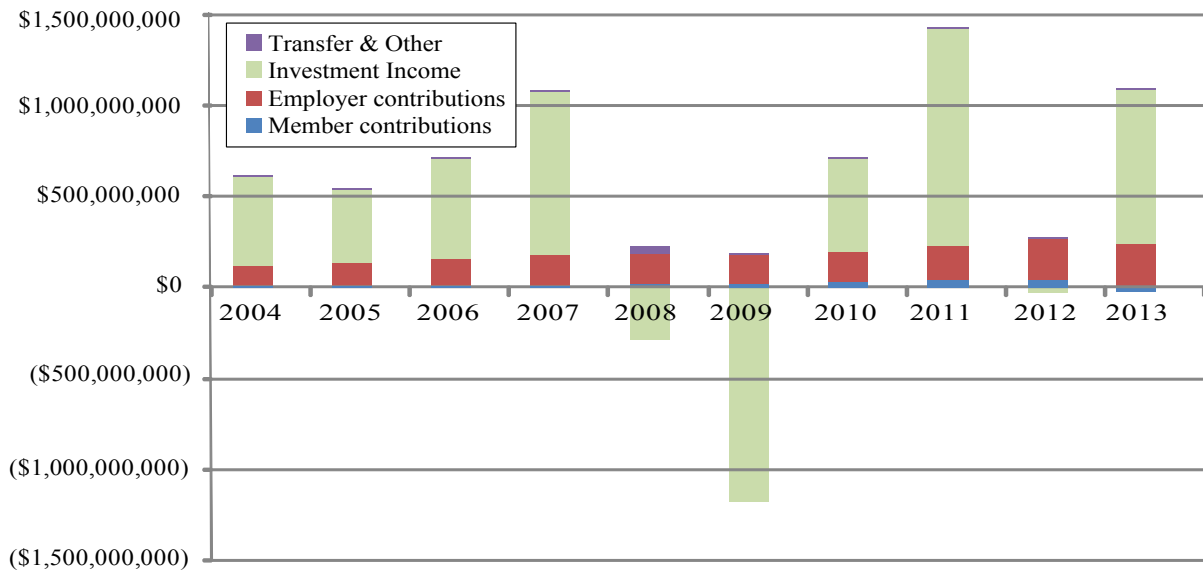
Type of Annuity	Number	Annual Annuities
Age and Service Retirees		
Life	17,815	\$ 245,946,462
Option A-60 (5 years certain)	1,095	13,684,607
Option A-120 (10 years certain)	2,025	23,568,989
Option B-50 (joint and 50% survivor)	1,124	20,461,200
Option B-75 (joint and 75% survivor)	2,043	28,543,492
Option B-100 (joint and 100% survivor)	68	1,362,424
Totals	24,170	333,567,174
Beneficiaries of Age and Service Retirees		
Life	222	1,669,246
Option A-60	21	182,109
Option A-120	201	1,780,542
Option B-50	303	2,346,975
Option B-75	478	4,556,194
Option B-100	32	590,016
Totals	1,257	11,125,082
Total Age and Service Retirees and Beneficiaries	25,427	344,692,256
Disability Retirees		
Life	1,954	16,794,456
Option A-60	136	1,106,424
Option A-120	317	2,582,640
Option B-50	142	1,225,992
Option B-75	238	1,881,672
Option B-100	0	0
Totals	2,787	23,591,184
Beneficiaries of Disability Retirees		
Life	57	332,208
Option A-60	0	0
Option A-120	0	0
Option B-50	0	0
Option B-75	332	2,235,480
Option B-100	0	0
Beneficiaries of Disability Retirees	389	2,567,688
Total Disability Retirees & Beneficiaries	3,176	26,158,872
QDRO Alternate Payees	149	1,145,437
Death-in-Service Beneficiaries	48	336,180
Total Retirees & Beneficiaries	28,800	372,332,745
DROP Participants	1,733	53,865,936
Total Including DROP Participants	30,533	\$ 426,198,681

Schedule of Average Benefit Payments

	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
Retirement Effective Dates - 7/1/12 to 6/30/13					
Avg. Monthly Benefit	\$385.55	\$757.98	1,198.84	1,626.45	2,444.26
Avg. Monthly Final Average Salary	\$2,337.73	\$2,819.21	3,278.63	3,481.46	4,131.90
Number of Active Retirants	866	228	202	266	148
Retirement Effective Dates - 7/1/11 to 6/30/12					
Avg. Monthly Benefit	\$352.20	\$781.98	\$1,119.41	\$1,874.67	\$2,328.65
Avg. Monthly Final Average Salary	\$2,140.13	\$2,842.01	\$3,143.09	\$3,732.86	\$3,680.46
Number of Active Retirants	780	223	189	262	101
Retirement Effective Dates - 7/1/10 to 6/30/11					
Avg. Monthly Benefit	\$362.01	\$785.98	\$1,080.11	\$1,703.85	\$2,554.97
Avg. Monthly Final Average Salary	\$2,167.54	\$2,694.46	\$2,984.43	\$3,381.81	\$3,892.70
Number of Active Retirants	658	201	185	259	143
Retirement Effective Dates - 7/1/09 to 6/30/10					
Avg. Monthly Benefit	\$340.09	\$708.20	\$965.34	\$1,797.06	\$2,460.06
Avg. Monthly Final Average Salary	\$1,948.64	\$2,540.19	\$2,604.87	\$3,316.45	\$3,785.95
Number of Active Retirants	624	181	160	216	101
Retirement Effective Dates - 7/1/08 to 6/30/09					
Avg. Monthly Benefit	\$332.96	\$728.41	\$996.94	\$1,894.06	\$2,295.40
Avg. Monthly Final Average Salary	\$1,871.61	\$2,515.15	\$2,644.84	\$3,224.59	\$3,387.96
Number of Active Retirants	671	224	185	375	173
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
10 Year Average - 07/1/03 to 06/30/13					
Avg. Monthly Benefit	\$380.34	\$705.10	\$979.39	\$1,742.61	\$2,307.02
Avg. Monthly Final Average Salary	\$2,042.88	\$2,471.22	\$2,657.05	\$3,220.51	\$3,595.86
Avg. Number of Active Retirants	460	199	173	271	111

*2003 - 2008 data as originally presented in each year's respective annual report. Data has changed since originally reported due to death, etc.

Statistical Graphs



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Appendix Section

APERS & ASPRS - Plan Net Position

APERS & ASPRS - Changes in Plan Net Position

APERS & ASPRS - Manager Distribution

APERS & ASPRS - Ten Largest Holdings

APERS & ASPRS - Brokerage Commissions

APERS & ASPRS - Investment Fees

Summary of Active Member Valuation

Schedule of Retirees and Benefits Paid by County

Schedule of Participating Employers

Other Non-State Employers

The Non-State Division includes rural waterworks facilities board employees, regional airport authority employees, public facilities board employees, regional solid waste management board employees, joint county and municipal sanitation authority employees, regional water distribution board employees, and the employees of economic development districts recognized as planning and development districts.

As of June 30, 2013, there are approximately 28 employers representing 263 active and retired members participating in the System.

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APERS and ASPRS Combined Statement of Plan Net Position

As of June 30, 2013

	Combined	APERS	ASPRS
Assets			
Cash and Cash Equivalents	\$ 210,382,072	\$ 197,005,448	\$ 13,376,624
Receivables:			
Contributions	4,026,944	4,026,944	0
Dec 2004 Actuarial Liability Receivable	10,145,451	10,145,451	0
Investment Principal Receivable	20,410,505	19,706,894	703,611
Accrued Investment Income Receivable	20,601,556	19,891,358	710,198
Other Receivables	1,601,267	843,783	757,483
Total Receivables	<u>56,785,722</u>	<u>54,614,430</u>	<u>2,171,292</u>
Investments, At Fair Value			
Government Securities:			
U.S. Government Securities	107,055,728	103,365,196	3,690,532
Futures	655,731	633,126	22,605
Government Agency Securities	139,855,473	135,034,237	4,821,236
Corporate Securities:			
Collateralized Obligations	172,821,708	166,864,026	5,957,682
Corporate Bonds	509,669,452	492,099,617	17,569,835
Convertible Bonds	176,656,875	170,566,983	6,089,892
Convertible Preferred Stock	40,884,376	39,474,969	1,409,407
Common Stock	2,110,885,070	2,038,116,530	72,768,540
Equity Index Funds	570,758,268	551,082,519	19,675,749
Equity Co-Mingled	67,088,842	64,776,089	2,312,753
High Yield Income Fund	57,756,956	55,765,901	1,991,055
International Securities:			
Global Fixed Income Fund	11,155,432	10,770,871	384,561
Corporate Fixed Income	37,390,971	36,101,993	1,288,978
Equity Securities	740,908,655	715,367,311	25,541,344
Equity Pooled Fund Units	631,933,774	610,149,121	21,784,653
Global Equity Index Funds	306,775,026	296,199,571	10,575,455
Global Collateralized Obligations	5,676,810	5,481,114	195,696
Emerging Markets	27,110,423	26,175,846	934,577
Emerging Markets Collateralized Obligations	243,528	235,133	8,395
Forward Contracts	813,939	785,881	28,058
Interest Rate Swaps	4,389	4,238	151
Real Estate	268,846,113	259,578,181	9,267,932
Diversified Strategies	225,134,037	217,372,992	7,761,045
Timberland	212,132,581	204,819,735	7,312,846
Municipal Bonds	5,351,527	5,167,044	184,483
Commercial Loans	22,342,987	21,572,758	770,229
Total Investments	<u>6,449,908,671</u>	<u>6,227,560,982</u>	<u>222,347,689</u>
Securities Lending Collateral Investments, At Fair Value:			
Repurchase Agreements	136,688,623	131,976,556	4,712,067
Asset Backed Floating Rate Notes	109,488,095	105,713,712	3,774,383
US Agencies	11,499,653	11,103,225	396,428
US Governments	0	0	0
Certificates of Deposit	44,598,799	43,061,345	1,537,454
Commercial Paper	72,921,535	70,407,711	2,513,824
Corporate Floating Rate Notes	301,337,424	290,949,419	10,388,005
Bank Obligations	98,168,001	94,783,855	3,384,146
Total Securities Lending Collateral Investments	<u>774,702,129</u>	<u>747,995,823</u>	<u>26,706,306</u>
Prepays and Other Assets	29,640	29,640	0
Capital Assets, Net	44,592	44,592	0
Total Assets	<u>7,491,852,827</u>	<u>7,227,250,915</u>	<u>264,601,912</u>
Liabilities			
Accrued Expenses and Other Liabilities	8,178,240	7,799,664	378,576
Compensated Absences Payable	327,572	327,572	0
Other Post Employment Benefits	1,669,923	1,669,923	0
Investment Principal Payable	36,161,446	34,914,852	1,246,594
Securities Lending Liability	774,702,130	747,995,823	26,706,307
Due to Other Agencies	72,580	72,580	0
Total Liabilities	<u>821,111,892</u>	<u>792,780,415</u>	<u>28,331,477</u>
Net Position Restricted for Pension Benefits	<u>\$ 6,670,740,935</u>	<u>\$ 6,434,470,500</u>	<u>\$ 236,270,435</u>

Totals may not add due to rounding.

The APERS Statement of Plan Net Position is on page 28.

APERS and ASPRS Combined Statement of Changes in Plan Net Position

For the Year Ended June 30, 2013

	Combined	APERS	ASPRS
Additions			
Contributions			
Employer	\$ 255,245,907	\$ 249,062,186	\$ 6,183,721
Plan Member	44,668,082	44,549,911	118,170
Supplemental	8,567,089	1,863,992	6,703,097
Motor Vehicle Title Fees	4,356,659	0	4,356,659
Court Fees	1,229,390	0	1,229,390
Driver's License Reinstatement Fees	882,180	0	882,180
Total Contributions	314,949,306	295,476,089	19,473,217
Investment Income:			
Interest	54,021,970	52,116,606	1,905,364
Dividends	75,093,267	72,457,239	2,636,028
Investment Gain/(Loss)	776,318,572	749,543,679	26,774,893
Security Lending Income/(Loss)	1,841,468	1,776,316	65,152
Real Estate Income/(Loss)	0	0	0
Total Investment Income	907,275,277	875,893,840	31,381,437
Less: Investment Expense	24,823,031	23,973,149	849,882
Net Investment Income	882,452,246	851,920,691	30,531,555
Other Additions:			
Miscellaneous Additions	1,203,348	1,203,348	0
Transfers from Other Public Employees Retirement Systems	5,848,612	5,848,612	0
Total Other Additions	7,051,960	7,051,960	0
Total Additions	1,204,453,512	1,154,448,740	50,004,772
Deductions			
Benefits	420,324,630	396,607,128	23,717,503
Refunds of Contributions	8,446,701	8,446,701	0
Administrative Expenses	7,437,454	7,340,273	97,181
Total Deductions	436,208,786	412,394,102	23,814,684
Net Increase (Decrease)	768,244,726	742,054,638	26,190,088
Net Position Restricted for Pension Benefits			
Beginning of Year	5,902,496,209	5,692,415,862	210,080,347
End of Year	\$ 6,670,740,935	\$ 6,434,470,500	\$ 236,270,435

Totals may not add due to rounding.

See Notes to Financial Statements on page 82.

The APERS Statement of Changes in Plan Net Position can be found on page 29.

APERS and ASPRS - Manager Distribution - Combined Statement

APERS Manager Distribution for Period Ending June 30, 2013

Asset Allocation	Market Value (\$ Thousands)	Percent of Total	APERS	ASPRS
Domestic Equity (\$2,693,966,405; 40.43%)				
MCM S&P Index Fund	\$ 570,758,322	8.57%	\$ 551,082,570	\$ 19,675,752
CastleArk Mgmt.	344,316,365	5.17%	332,446,747	11,869,618
Golden Capital Mgmt.	133,181,252	2.00%	128,590,095	4,591,157
INTECH	278,757,399	4.18%	269,147,795	9,609,604
Wellington Mgmt. Co.	260,744,110	3.91%	251,755,478	8,988,632
Westwood Mgmt.	142,699,822	2.14%	137,780,531	4,919,291
Lazard Asset Mgmt.	242,292,571	3.64%	233,940,019	8,352,552
Lombardia Capital	143,723,090	2.16%	138,768,524	4,954,566
SSI Investment Mgmt.	221,215,337	3.32%	213,589,381	7,625,956
Horrell Capital Mgmt.	69,926,498	1.05%	67,515,922	2,410,576
State Street Global Advisors	67,088,842	1.01%	64,776,088	2,312,754
Stephens Inv. Mgmt. Group	219,262,796	3.29%	211,704,150	7,558,646
International Equity (\$1,638,546,587; 24.59%)				
Lazard Asset Mgmt.	327,981,684	4.92%	316,675,171	11,306,513
Artisan Partners	357,201,475	5.36%	344,887,669	12,313,806
MCM ACWI ex-US Index	306,775,026	4.60%	296,199,571	10,575,455
Transition Account	4,043,457	0.06%	3,904,067	139,390
UBS Global - Tax Reclaim Receivables	653,239	0.01%	630,720	22,519
Manning & Napier	314,678,943	4.72%	303,831,016	10,847,927
Pyramis Global Advisors	327,212,763	4.91%	315,932,757	11,280,006
Fixed Income (\$1,148,749,651; 17.24%)				
MacKay Shields	767,719,950	11.53%	741,254,340	26,465,610
Prudential Investments	381,029,702	5.72%	367,894,465	13,135,237
Real Assets (\$789,206,971; 11.85%)				
INVESCO Real Estate	265,422,100	3.98%	256,272,204	9,149,896
INVESCO GLOBAL REITS	134,285,776	2.02%	129,656,542	4,629,234
TA Associates Realty	6,014,212	0.09%	5,806,884	207,328
CastleArk Mgmt. - AR Energy Fnd	62,382,586	0.94%	60,232,071	2,150,515
CastleArk Mgmt. Global Energy Fnd	139,172,849	2.09%	134,375,143	4,797,706
Pinnacle Forest Investments	187,943,660	2.82%	181,464,678	6,478,982
Liquidation Account	24,188,921	1.18%	23,355,057	833,865
Diversified Strategies (\$319,627,379; 4.80%)				
AQR Capital	94,240,680	1.41%	90,991,921	3,248,759
Blackstone Alternative Asset Mgmt.	130,893,357	1.96%	126,381,070	4,512,287
Newton Capital	94,493,342	1.42%	91,235,873	3,257,469
Short-term Investment Fund	42,331,547	0.66%	34,722,540	7,609,007
COMPOSITE FUND	\$ 6,662,631,673	100%	\$ 6,426,801,060	\$ 235,830,613

Totals may not add due to rounding.

A schedule of the APERS Manager Distribution can be found on page 66.

APERS and ASPRS - Ten Largest Holdings*- Combined Schedule

Domestic Fixed Income Holdings	Par	Market Value	APERS	ASPRS
U.S. Treasury 0.75% 03/31/2018	23,990,000	\$ 23,350,906	\$ 22,545,930	\$ 804,976
U.S. Treasury 3.125% 02/15/2043	14,915,000	13,922,258	13,442,316	479,942
U.S. Treasury 2.75% 08/15/2042	13,475,000	11,630,677	11,229,733	400,944
U.S. Treasury TIP 1.125% 01/15/2021	10,098,690	10,800,044	10,427,734	372,310
U.S. Treasury 3.625% 08/15/2019	9,345,000	10,408,741	10,049,920	358,821
Countrywide Financial Group 6.25% 05/15/2016	9,455,000	10,310,488	9,955,055	355,433
3-month LIBOR Floater 1.42% 11/30/2017	9,305,000	9,305,000	8,984,229	320,771
3-month LIBOR Floater 1.42% 11/30/2017	9,225,000	9,225,000	8,906,987	318,013
3-month EURIBOR Floater 01/25/2015	7,547,785	7,548,350	7,288,136	260,214
U.S. Treasury 1.75% 05/15/2023	7,955,000	7,450,335	7,193,500	256,835
Total		<u>\$ 113,951,799</u>	<u>\$ 110,023,540</u>	<u>\$ 3,928,260</u>

Domestic Equity Holdings	Shares	Market Value	APERS	ASPRS
Citigroup Inc.	641,125	\$ 30,754,766	\$ 29,694,557	\$ 1,060,209
Pfizer Inc.	886,632	24,834,562	23,978,440	856,122
Home Depot Inc.	314,324	24,350,680	23,511,239	839,441
Apple Inc.	50,912	20,188,135	19,492,189	695,946
Andarko Petroleum Corp.	214,840	18,461,201	17,824,788	636,413
Cisco Systems Inc.	678,405	16,508,986	15,939,872	569,114
Exxon Mobil Corp.	179,801	16,245,020	15,685,005	560,015
Unitedhealth Group Inc.	234,745	15,371,103	14,841,215	529,888
Gilead Sciences Inc.	265,700	13,622,439	13,152,833	469,606
Bank of America Corp.	1,035,600	13,317,816	12,858,711	459,105
Total		<u>\$ 193,654,708</u>	<u>\$ 186,978,849</u>	<u>\$ 6,675,859</u>

International Equity Holdings	Shares	Market Value	APERS	ASPRS
Tesco PLC	4,281,973	\$ 21,522,668	\$ 20,780,717	\$ 741,951
Compass Group	1,592,097	20,283,762	19,584,520	699,242
Novartis AG	264,700	18,772,256	18,125,120	647,136
TE Connectivity Ltd.	343,129	15,626,095	15,087,417	538,678
Ryanair Holdings PLC	298,791	15,396,700	14,865,930	530,770
AON Corp.	218,745	14,076,241	13,590,991	485,250
Arch Capital Group Ltd.	269,987	13,880,032	13,401,546	478,486
Schlumberger Ltd.	192,460	13,791,684	13,316,243	475,441
Unilever PLC	329,193	13,315,857	12,856,819	459,038
Lloyd's Banking Group PLC	13,102,758	12,551,757	12,119,060	432,697
Total		<u>\$ 159,217,052</u>	<u>\$ 153,728,363</u>	<u>\$ 5,488,689</u>

* by market value

Totals may not add due to rounding.

A Schedule of the APERS Top Ten Largest Holdings can be found on page 69.

APERS and ASPRS - Brokerage Commissions - Combined Schedule

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share	APERS Commission	ASPRS Commission
Credit Suisse First Boston	5,843,427	\$ 163,474	\$ 0.03	\$ 157,839	\$ 5,635
Barclays Capital Inc.	3,616,228	109,079	0.03	105,319	3,760
UBS Securities LLC	3,692,748	95,697	0.03	92,398	3,299
Investment Technology Group	4,219,139	94,629	0.02	91,367	3,262
J.P. Morgan Securities Inc.	1,762,537	89,624	0.05	86,534	3,090
Merrill Lynch Pierce Fenner Smith Inc.	4,539,659	83,394	0.02	80,519	2,875
Jefferies & Co.	4,950,514	74,588	0.02	72,017	2,571
Instinet Corp.	3,315,245	74,278	0.02	71,717	2,561
Liquidnet Inc.	2,646,835	71,948	0.03	69,468	2,480
Citigroup Global Markets Inc.	1,921,821	71,406	0.04	68,944	2,462
Goldman Sachs & Co.	3,319,541	67,850	0.02	65,511	2,339
Sanford C. Bernstein & Co.	2,245,028	59,888	0.03	57,823	2,065
Morgan Stanley & Co. Inc.	1,673,353	58,972	0.04	56,939	2,033
ISI Group Inc.	1,350,214	48,217	0.04	46,555	1,662
Deutsche Bank Securities Inc.	1,555,499	43,212	0.03	41,722	1,490
Capital Institutional Services Inc.	1,483,218	41,131	0.03	39,713	1,418
BTIG LLC	2,728,219	39,976	0.01	38,598	1,378
Rosenblatt Securities Corp.	1,339,740	37,562	0.03	36,267	1,295
William Blair & Co.	852,489	37,269	0.04	35,984	1,285
BNY Convergenx	2,034,853	35,317	0.02	34,100	1,217
Piper Jaffray & Co.	780,668	32,861	0.04	31,728	1,133
Weeden & Co.	983,950	32,198	0.03	31,088	1,110
Robert W. Baird & Co. Inc.	782,523	32,179	0.04	31,070	1,109
Citation Group	1,442,283	31,878	0.02	30,779	1,099
RBC Capital Markets LLC	643,947	27,111	0.04	26,176	935
Others (including 91 brokerage firms)	15,981,670	599,316	0.04	578,656	20,660
	<u>75,705,348</u>	<u>\$ 2,153,054</u>	\$ 0.03	<u>\$ 2,078,832</u>	<u>\$ 74,222</u>

Totals may not add due to rounding.

A Schedule of APERS Brokerage Commissions can be found on page 70.

APERS and ASPRS Combined Schedule of Investment Fees

				APERS		ASPRS	
	Market Value	Fee	Basis Points	Market Value	Fee	Market Value	Fee
Equities							
SSI Investment Mgmt. - Convertible Securities	\$ 221,215,337	\$ 860,488	40	\$ 213,589,381	\$ 830,812	\$ 7,625,956	\$ 29,676
Lazard Asset Mgmt. - Value	242,292,571	677,741	30	233,940,019	654,368	8,352,552	23,373
Golden Capital Mgmt. - Growth	133,181,252	286,322	22.5	128,590,095	276,446	4,591,157	9,875
Westwood Mgmt. - SMID Cap	142,699,822	916,464	25	137,780,531	884,853	4,919,291	31,611
MCM S&P 500 Index Fund	570,758,322	124,217	3.5	551,082,570	119,933	19,675,752	4,284
INTECH - Growth	278,757,399	1,169,271	48	269,147,795	1,128,946	9,609,604	40,326
CastleArk Mgmt. - Growth	344,316,365	1,079,742	35	332,446,747	1,042,504	11,869,618	37,238
Wellington Mgmt. Co. - Value	260,744,110	757,869	30	251,755,478	731,730	8,988,632	26,138
Stephens Investment Mgmt. - Growth	219,262,796	1,403,535	77	211,704,150	1,355,130	7,558,646	48,405
State Street Global Advisors - 130/30	67,088,842	303,363	50	64,776,088	292,903	2,312,754	10,459
Lombardia Capital - Small Cap	143,723,090	895,680	70	138,768,524	864,791	4,954,566	30,889
Horrell Capital Mgmt.-AR Index Fund	69,926,498	175,791	27	67,515,922	169,728	2,410,576	6,062
Lazard Asset Mgmt. - Int'l Equity	327,981,684	957,677	65	316,675,171	924,650	11,306,513	33,026
Manning & Napier Advisors - Int'l Equity	314,678,943	1,564,996	50	303,831,016	1,511,025	10,847,927	53,971
Pyramis Global Advisors - Int'l Equity	327,212,763	1,149,536	20	315,932,757	1,109,897	11,280,006	39,639
UBS Global Asset Mgmt. - Int'l Equity *	0	1,452,260	50	0	1,402,181	0	50,079
MCM ACWI ex-US Index Fund	306,775,026	2,732		296,199,571	2,637	10,575,455	94
Artisan Partners - Int'l Equity	357,201,475	1,875,999	55	344,887,669	1,811,303	12,313,806	64,696
	<u>\$ 4,327,816,295</u>	<u>\$ 15,653,683</u>		<u>\$ 4,178,623,484</u>	<u>\$ 15,113,837</u>	<u>\$ 149,171,612</u>	<u>\$ 539,841</u>
Diversified Strategies							
AQR Capital	\$ 94,240,680	\$ 676,726	72	\$ 90,991,921	\$ 653,386	\$ 3,248,759	\$ 23,340
Blackstone Alternative Asset Mgmt.	130,893,357	948,676	100	126,381,070	915,958	4,512,287	32,718
Newton Capital	94,493,342	599,288	70	91,235,873	578,649	3,257,469	20,640
	<u>\$ 319,627,379</u>	<u>\$ 2,224,690</u>		<u>\$ 308,608,864</u>	<u>\$ 2,147,993</u>	<u>\$ 11,018,515</u>	<u>\$ 76,698</u>
Fixed Income							
MacKay Shields - Core Plus I	\$ 377,454,708	\$ 755,987	20	\$ 364,442,712	\$ 729,915	\$ 13,011,996	\$ 26,072
MacKay Shields - Core Plus II	390,265,242	583,241	15	376,811,628	563,126	13,453,614	20,115
Prudential Investments - Core Plus	381,029,702	767,078	20	367,894,465	740,623	13,135,237	26,455
	<u>\$ 1,148,749,652</u>	<u>\$ 2,106,306</u>		<u>\$ 1,109,148,805</u>	<u>\$ 2,033,664</u>	<u>\$ 39,600,847</u>	<u>\$ 72,642</u>
Real Assets							
INVESCO Real Estate - Core & Global REITS	\$ 399,707,876	\$ 1,810,236	65	\$ 385,928,746	\$ 1,746,996	\$ 13,779,130	\$ 63,240
TA Associates Realty	6,014,212	140,766		5,806,884	135,738	207,328	5,028
CastleArk Mgmt. - AR Energy Fund	62,382,586	737,402	125	60,232,071	711,971	2,150,515	25,431
CastleArk Mgmt. - Global Energy Fund	139,172,849	1,164,889	100	134,375,143	1,124,715	4,797,706	40,174
Pinnacle Forest Investments - Timberland	187,943,660	1,555,032	90	181,464,678	1,501,400	6,478,982	53,632
	<u>\$ 795,221,183</u>	<u>\$ 5,408,325</u>		<u>\$ 767,807,523</u>	<u>\$ 5,220,820</u>	<u>\$ 27,413,660</u>	<u>\$ 187,505</u>
Other Investment Services							
Bank of New York Mellon (Custodian)		\$ 544,701			\$ 525,912		\$ 18,789
Callan Associates (Consultant)		237,952			235,901		2,051
Total Other Services		<u>782,653</u>			<u>761,813</u>		<u>20,840</u>
Total Investment Service Fees		<u>\$ 26,175,657</u>			<u>\$ 25,278,127</u>		<u>\$ 897,526</u>

Totals may not add due to rounding

* Manager terminated.

A Schedule of APERS Investment Fees can be found on page 71.

Summary of Active Member Valuation

State and Local Government Division

Valuation Date	Active Members				Retired Lives			
	Number	Valuation Payroll		% Increase	Number	Active per Retired	Annual Benefits	
		\$ Millions	Average				\$ Millions	As a % of Pay
6/30/84	0	0	0	0	7,036	0	\$ 19.1	4.4%
6/30/85	0	0	0	0	7,331	0	22.0	4.8%
6/30/86	0	0	0	0	7,649	0	24.1	4.9%
6/30/87	0	0	0	0	8,074	0	30.2	6.0%
6/30/88	0	0	0	0	9,155	0	39.6	7.5%
6/30/89	0	0	0	0	9,418	0	42.9	7.6%
6/30/90	0	0	0	0	9,747	0	44.9	7.4%
6/30/91	0	0	0	0	10,110	0	49.2	7.6%
6/30/92	39,752	\$ 698.2	\$ 17,564	NA	10,456	3.8	51.9	7.4%
6/30/93	39,849	733.4	18,404	4.8%	10,840	3.7	56.8	7.7%
6/30/94	40,940	778.7	19,021	3.3%	11,213	3.7	60.7	7.8%
6/30/95	42,041	834.5	19,850	4.4%	11,683	3.6	70.1	8.4%
6/30/96	42,712	889.3	20,821	4.9%	12,073	3.5	76.2	8.6%
6/30/97	43,068	938.5	21,791	4.7%	12,644	3.4	84.8	9.0%
6/30/98	43,047	974.7	22,644	3.9%	13,480	3.2	94.6	9.7%
6/30/99	43,064	1,008.9	23,427	3.5%	14,688	2.9	119.3	11.8%
6/30/00	43,121	1,050.0	24,351	3.9%	15,544	2.8	133.6	12.7%
6/30/01	42,556	1,070.1	25,146	3.3%	16,643	2.6	150.0	14.0%
6/30/02	42,230	1,111.5	26,320	4.7%	17,748	2.4	167.6	15.1%
6/30/03	42,879	1,147.9	26,772	1.7%	18,838	2.3	186.0	16.2%
6/30/04	42,826	1,175.8	27,455	2.6%	19,872	2.2	203.4	17.3%
6/30/05	42,938	1,214.9	28,295	3.1%	21,080	2.0	232.9	19.2%
6/30/06	43,453	1,267.1	29,159	3.1%	22,234	2.0	254.7	20.1%
6/30/07	43,630	1,302.6	29,855	2.4%	22,409	1.9	274.8	21.1%
6/30/08	44,357	1,379.8	31,106	4.2%	23,555	1.9	297.0	21.5%
6/30/09	44,702	1,433.7	32,073	3.1%	24,972	1.8	323.1	22.5%
6/30/10	45,394	1,522.7	33,544	4.6%	25,880	1.8	342.2	22.5%
6/30/11	45,145	1,542.9	34,177	1.9%	28,137	1.6	375.7	24.3%
6/30/12	45,937	1,606.1	34,962	2.3%	29,282	1.6	399.5	24.9%
6/30/13	45,707	1,612.7	37,033	5.9%	30,533	1.5	426.2	26.4%

Schedule of Retirees and Benefits Paid by County*

as of June 30, 2013

	1st District	2nd District	3rd District	4th District	Out of State	Total Retirees and Benefits
Total Retirees	7,255	9,863	3,535	8,197	1,942	30,792
Total Amount	\$79,482,628	\$158,853,676	\$43,611,910	\$96,820,717	\$18,294,924	\$397,063,855

County	Retirees	Benefits Paid
DISTRICT I		
ARKANSAS	175	\$ 1,644,764
BAXTER	274	\$ 2,885,909
CHICOT	184	\$ 2,333,947
CLAY	173	\$ 1,508,094
CLEBURNE	268	\$ 3,448,286
CRAIGHEAD	933	\$10,299,102
CRITTENDEN	282	\$ 3,260,031
CROSS	231	\$ 2,461,146
DESHA	178	\$ 1,833,469
FULTON	131	\$ 1,413,739
GREENE	327	\$ 2,992,200
INDEPENDENCE	360	\$ 3,557,830
IZARD	189	\$ 2,040,843
JACKSON	126	\$ 1,262,886
LAWRENCE	205	\$ 2,813,886
LEE	125	\$ 1,246,856
LINCOLN	231	\$ 2,641,125
LONOKE	710	\$ 9,898,392
MISSISSIPPI	364	\$ 3,560,567
MONROE	119	\$ 1,380,752
PHILLIPS	239	\$ 2,493,322
POINSETT	216	\$ 1,859,454
PRAIRIE	113	\$ 1,034,501
RANDOLPH	173	\$ 2,105,741
SEARCY	115	\$ 1,078,590
SHARP	203	\$ 2,038,477
ST. FRANCIS	293	\$ 3,529,380
STONE	203	\$ 1,886,577
WOODRUFF	92	\$ 827,400
DISTRICT II		
CONWAY	288	\$ 3,606,757
FAULKNER	1,522	\$22,677,845
PERRY	214	\$ 2,646,549
PULASKI	5,686	\$99,026,392
SALINE	1,308	\$21,597,990
VAN BUREN	201	\$ 2,245,420
WHITE	644	\$ 7,052,723

County	Retirees	Benefits Paid
DISTRICT III		
BENTON	749	\$ 9,432,076
BOONE	351	\$ 4,148,474
CARROLL	143	\$ 1,139,296
CRAWFORD	380	\$ 4,551,042
MARION	124	\$ 1,397,787
NEWTON	117	\$ 1,035,877
POPE	506	\$ 5,832,963
SEBASTIAN	569	\$ 6,793,098
WASHINGTON	773	\$11,213,373
DISTRICT IV		
ASHLEY	216	\$ 2,022,320
BRADLEY	223	\$ 2,652,841
CALHOUN	82	\$ 604,557
CLARK	433	\$ 4,941,135
CLEVELAND	147	\$ 1,490,859
COLUMBIA	252	\$ 2,904,862
DALLAS	128	\$ 1,222,325
DREW	265	\$ 3,577,404
FRANKLIN	175	\$ 1,648,845
GARLAND	1,124	\$15,870,668
GRANT	203	\$ 2,725,784
HEMPSTEAD	242	\$ 2,869,548
HOT SPRING	518	\$ 5,600,339
HOWARD	167	\$ 1,935,442
JEFFERSON	983	\$13,135,660
JOHNSON	201	\$ 2,665,589
LAFAYETTE	95	\$ 978,965
LITTLE RIVER	148	\$ 1,287,650
LOGAN	374	\$ 3,768,392
MADISON	130	\$ 1,813,806
MILLER	257	\$ 2,856,971
MONTGOMERY	110	\$ 1,161,269
NEVADA	141	\$ 1,665,470
OUACHITA	293	\$ 3,212,219
PIKE	111	\$ 1,204,805
POLK	239	\$ 2,661,157
SCOTT	132	\$ 1,193,769
SEVIER	119	\$ 1,106,091
UNION	343	\$ 4,190,481
YELL	192	\$ 2,064,785

*Does not include DROP/PAW lump sum payments

Schedule of Participating Employers

as of June 30, 2013

State Agencies

House Speaker's Office	Board of Registration for Professional Geologist	Drug Task Force - 14th Judicial District
1st Judicial Drug Task Force	Board of Registration for Professional Engineers and Professional Surveyors	Drug Task Force - 5th Judicial District
21st Judicial Drug Task Force	Boone County Conservation District	Drug Task Force - Batesville
3rd Judicial Drug Task Force	Buffalo Conservation District	Drug Task Force - Monticello
Administrative Office of the Courts	Building Authority	East Arkansas Community College
AR Child Abuse and Neglect Prevention	Burial Assoc. Board	Educational TV Commission
AR Crime Information Center	Calhoun County Conservation District	Examiners in Psychology
AR Department of Agriculture	Capitol Zoning District Commission	Faulkner County Conservation District
AR Economic Development Commission	Carroll County Conservation District	Fire Protection Licensing Board
AR Fair Housing Commission	Chicot County Conservation District	Franklin County Conservation District
AR Public Defender Commission	Claims Commission	Fulton County Conservation District
AR State Athletic Commission	Clark County Conservation District	Game and Fish Commission
AR Tobacco Settlement Commission	Clay County Conservation District	Game and Fish Commission - Wildlife Off.
AR Department of Environmental Quality	Cleburne County Conservation District	Garland County Conservation District
Arkansas Appraiser Licensing and Certification	Cleveland County Conservation District	General Assembly - Senate
Arkansas County Conservation District	College of the Ouachitas	General Assembly House
Arkansas Ethics Commission	Commissioner of State Lands	Geographic Information Office
Arkansas Heritage	Constitutional Officers	Geological Commission
Arkansas Lottery Commission	Contractors Licensing Board	Governor's Office
Arkansas Minority Health Commission	Conway County Conservation District	Greene County Conservation District
Arkansas Northeastern College	Cossatot Community College - U of A	Health Services Permit Agency
Arkansas Sentencing Commission	Cossatot Conservation District	Hempstead County Soil Conservation
Arkansas State Board of Massage Therapy	Court of Appeals	Henderson State University
Arkansas State Board of Optometry	Court Reporters	History Commission
Arkansas State Library	Craighead County Conservation District	Hot Spring County Conservation District
Arkansas State University	Crawford County Conservation District	Independence County Conservation District
Arkansas State University - Beebe	Crittenden County Conservation District	Insurance Department
Arkansas State University-Mountain Home	Crooked Creek Conservation District	Izard County Conservation District
Arkansas Tech University	Cross County Conservation District	Jackson County Conservation District
Arkansas Tobacco Control Board	Crowley's Ridge Tech Institute	Jefferson County Conservation District
Arkansas Towing and Recovery Board	Dallas County Conservation District	Johnson County Conservation District
Ashley County Conservation District	Department of Aeronautics	Judicial Discipline and Disability Comm.
Assessment Coordination Department	Department of Agriculture	Judicial Drug Task Force-15th
ASU-Newport	Department of Community Correction	Lafayette County Conservation District
Attorney General	Department of Correction	Law Enforcement Standards
Auctioneers Licensing Board	Department of Emergency Management	Lawrence County Conservation District
Auditor of State	Department of Finance and Administration	Lee County Conservation District
Baxter County Conservation District	Department of Health	Legislative Council
Board of Examiners Speech/Lang/Path and Audio	Department of Higher Education	Lieutenant Governor
Benton County Conservation District	Department of Human Services	Lincoln County Conservation District
Black River Technical College	Department of Information Systems	Liquefied Petroleum Gas Division
Board of Accountancy	Department of Labor	Little River Conservation District
Board of Architects	Department of Workforce Services	Logan County Conservation District
Board of Barber Examiners	Deputy Prosecuting Attorney	Lonoke County Conservation District
Board of Chiropractic Examiners	Desha County Conservation District	Madison County Conservation District
Board of Collection Agencies	Development Finance Authority	Manufactured Home Commission
Board of Dental Examiners	Dietetic Licensing Board	Martin Luther King Jr. Commission
Board of Dispensing Opticians	Disability Determination for SS Administration	Medical Board
Board of Embalmers and Funeral Directors	Disabled Veterans Service	Miller County Conservation District
Board of Examiners in Counseling	Division of Legislative Audit	Mine Creek Conservation District
Board of Nursing	Drug Court Juvenile Prob and Intake Off	Mississippi County Conservation District
Board of Pharmacy	Drug Task Force - 13th Judicial District	Monroe County Conservation District
Board of Physical Therapy		Montgomery County Conservation District
		Motor Vehicle Commission
		National Park Community College

State Agencies (Continued)

Natural Resources Commission
 Nevada County Conservation District
 Newton County Conservation District
 North Arkansas College
 Northwest Arkansas Community College
 Office of Health Information Technology
 Office of Rural Advocacy
 Oil and Gas Commission
 Ouachita County Conservation District
 Ozarka Technical College
 Parks and Tourism
 Parole Board
 Phillips Community College - U of A
 Phillips County Conservation District
 Pike County Conservation District
 Poinsett County Conservation District
 Pope County Conservation District
 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
 Randolph County Conservation District
 Real Estate Commission
 Rehabilitation Services (Voc./Tech. Educ. Div./
 Rehab)
 Rich Mountain Community College
 Rich Mountain Conservation District
 School for the Blind
 School for the Deaf
 Science and Technology Authority
 Sebastian County Conservation District
 Secretary of State
 Securities Department
 Senate Clerk
 Sharp County Conservation District
 Social Work Licensing Board
 South Arkansas Community College
 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 District Judges
 State Military Department

State Police (Non-Trooper)
 State Treasurer
 Stone County Conservation District
 Student Loan Authority
 Supreme Court
 Title Insurance 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
 U of A Community College at Batesville
 U of A - Pine Bluff
 U of A - Fayetteville
 U of A - Little Rock
 U of A - Medical Sciences
 U of A - Monticello
 U of A - 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

AR 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
 Craighead County
 Crawford County
 Crittenden County
 Cross County
 Dallas County
 Desha County
 Drew County
 East Central AR 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

County Agencies (Continued)

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 and Sewer Department
 Arkansas Municipal League
 Batesville Water Works
 Bradford Water and Sewer System
 Brinkley Municipal Water/Sewer
 Camden Water and 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 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 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 Huntington
 City of Huntsville
 City of Huttig
 City of Jacksonville
 City of Jasper
 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 Ola
 City of Pangburn

Municipal Agencies (Continued)

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 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 and Sewer
 Crossett Public Library
 Crossett Water Commission
 El Dorado Water Works
 Fordyce Water and Sewer
 Forrest City Water Utilities
 Fort Smith Public Library
 Harrisburg Water and Gas Division
 Hope Water and Light
 Hot Springs Adv. and Promotion Comm.
 Huntsville Water and Sewer
 Jacksonville Wastewater Utility
 Jacksonville Water Commission
 LR Wastewater Utility
 Malvern Waterworks
 McGehee Water and Sewer System
 Mena Water and Sewer
 NLR Visitor's Bureau

Pangburn Water Department
 Piggott Light and Water System
 Rogers Water Utilities
 Star City Water and Sewer
 Stuttgart North AR County Library
 Town of Highfill
 Van Buren Municipal Utilities
 Vilonia Waterworks Association
 Warren Water and Sewer
 Wynne Municipal Water Utilities

Schools

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

District Judges

Greenwood School District	Siloam Springs School District	Arkansas County
Hamburg School District	Smackover Public School	Ashdown
Harrison School District	So Conway County School District	Ashley County
Hartford School District	South Central Service Coop	Biscoe
Hazen School District	South Miss. Co School District	Bradley County
Heber Springs School District	South Pike County School District	Brinkley
Helena-West Helena School District	South Side School District	Cabot
Highland School District	Springdale School District	Calhoun County
Hope School District	Star City School District	Camden
Horatio School District	Stephens School District	Charleston
Hot Springs School District	Stuttgart School District	Cherokee Village
Hoxie School District	Texarkana AR School District	Chicot County
Huntsville School District	Trumann School District	Clarksville
Izard Co Cons School District	Two Rivers School District	Craighead County
Jackson County Schools	Valley Springs School District	Crossett
Jasper School District	Valley View School District	Dermott
Jonesboro Public Schools	Van Buren School District	Devalls Bluff
Junction City School District	Vilonia School District	East Camden
Lafayette County School District	Waldron School District	Elkins
Lake Hamilton School District	Warren School District	Eureka Springs
Lakeside Public Schools	Watson Chapel School District	Fayetteville
Lavaca School District	West Memphis School Cafeteria	Franklin County
Lee County School District	White Hall School District	Grant County
Little Rock School District	Wynne School District	Hamburg
Lonoke School District	Yellville Summit School District	Hampton
Magazine School District		Hazen
Magnolia School District		Helena/West Helena
Malvern School District		Hot Springs
Marion School District		Hoxie
McCrary Public Schools		Lake Village
McGehee Public Schools		Lawrence County
Mountain Home School District		Lee County
Mountain View School District		Little Rock
Mountainburg School District		Magnolia
Nettleton School District		Malvern
Newport Special School District		Marion
No Little Rock School District		Nevada County
Osceola School District		Newport
Ozark School District		Newton County
Palestine School District		Ouachita County
Paragould School District		Ozark
Piggott School District		Phillips County
Pine Bluff Schools		Prairie Grove
Pocahontas School District		Prescott
Pottsville School District		Randolph County
Prescott School District		Sharp County
Pulaski Co Special School District		Sheridan
Riverview School District		Sherwood
Rogers School District		State District Judges
Russellville School District		Stuttgart
Searcy County School District		Walnut Ridge
Sheridan School District		Ward
Shirley School District		West Fork

District Judges (Continued) District Court Employers*

West Memphis
Woodruff County
Yell County

Benton County West
Berryville
Blytheville District Court
Booneville
Camden
Clarendon
Conway
Dequeen
Dermott
Devalls Bluff
Dumas
East Camden
Elkins
Eureka Springs
Fayetteville
Ft. Smith
Hoxie
Lake Village
Little Rock
Lonoke
Marion
Maumelle
McCrary
Mc Gehee
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 City Reg. Water Authority
Nevada County Prescott Solid Waste Management
North East AR 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 District
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 AR Solid Waste Management District
Washington Water Authority

Number of Participating Employers As of June 30, 2013

State Agencies	241
County Agencies	86
Municipal Agencies	169
School Employers	131
District Judges	56
District Court Employers*	39
Other Non-State Agencies	<u>28</u>
Total	<u>750</u>

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