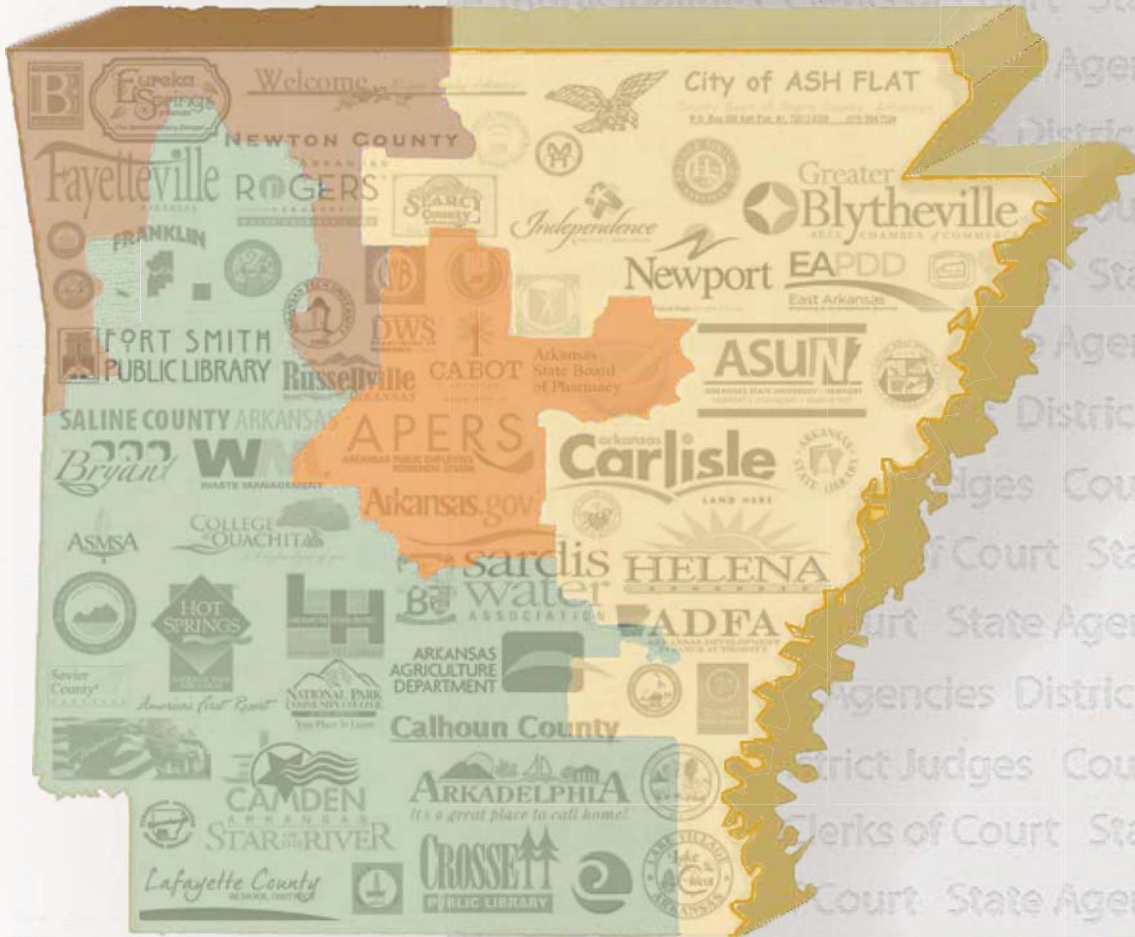


*Arkansas  
benefits...*



*...benefit  
Arkansas*



**Annual Financial Report**

For the fiscal year ended June 30, 2014



## *Arkansas Benefits*

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

*Benefit Arkansas*





A Pension Trust Fund of the State of Arkansas

# **Annual Financial Report**

**For the Fiscal Year Ended June 30, 2014**

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  
2014***

Presented to

***Arkansas PERS***

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

*Presented by the Public Pension Coordinating Council, a confederation of*

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

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle  
Program Administrator

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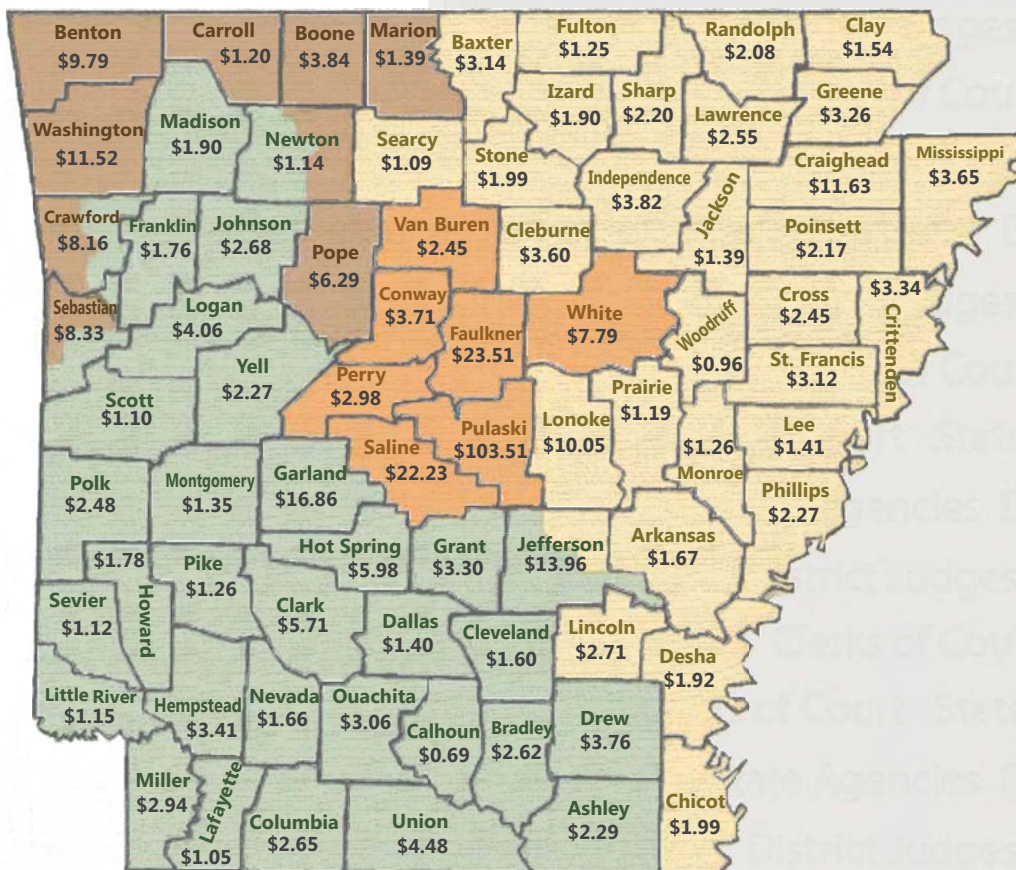


# Introduction

## Arkansas

Arkansas comprises 75 counties that are divided into four congressional districts.

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



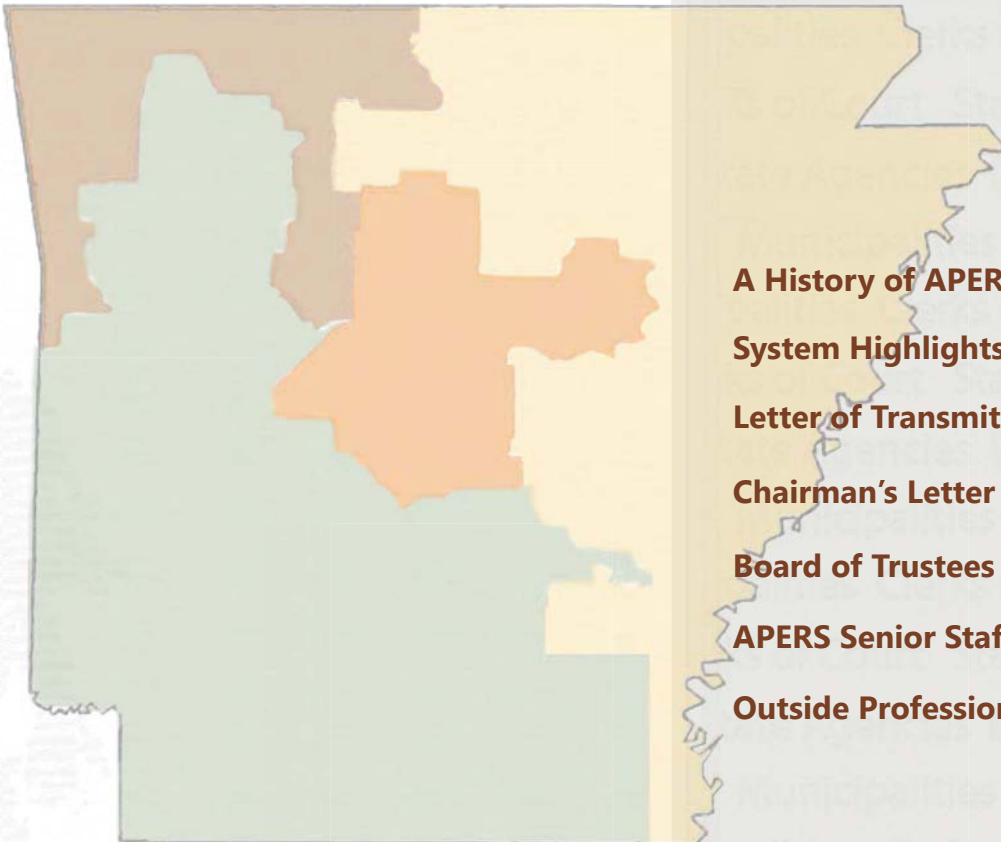
(The figures shown are benefits paid by county in millions of dollars)  
As of June 30, 2014

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

*Defined benefit plans act "as an 'automatic stabilizer' for the economy."*

Source: National Institute on Retirement Security;  
[www.nirsonline.org](http://www.nirsonline.org)

# Introduction



**A History of APERS**

**System Highlights**

**Letter of Transmittal**

**Chairman's Letter**

**Board of Trustees**

**APERS Senior Staff**

**Outside Professional Service Providers**

## 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 choose to become non-contributory.

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

In 2005, the 86th General Assembly established a new contributory provision for the System. Therefore, effective July 1, 2005, all new members would be enrolled as contributory members and would be required to contribute five percent of their salary into the System. Current members of the System were given the option to remain non-contributory or choose to be contributory members 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-covered employees and fall under the same provisions as other APERS members.

Prior to January 1, 2012, when members began participating in the Deferred Retirement Option Plan (DROP) or returned to work after retiring, their employers did not pay matching on their salaries. Act 558 of 2011, effective January 1, 2012, amended the Arkansas Code Annotated (A.C.A.) § 24-4-402 to provide that participating employers must make contributions for both

## A History of APERS

active and retired members who have returned to work in an eligible APERS-covered position. Act 558 amended A.C.A. § 24-4-802 to state that when a member begins participating in the DROP the member's employee contributions to the System cease but the employer's contributions on behalf of the member continue.

APERS' membership has grown steadily. Our current ratio of active to retired lives is approximately 1.4 to 1, according to the *2014 APERS Report of Actuarial Valuation and Experience Gain/(Loss) Analysis*. Over the next several years, we will be experiencing the "Baby Boomers" retirement, and the ratio of active to retired lives is anticipated to be 1 to 1.

### **Financial Objective**

APERS has developed into a mature System that continues to satisfy the general financial objective of level contribution financing. As of June 30, 2014, the assets of the System remained healthy at \$7.53 billion. The APERS investment program has seen rates of return that range from a low of negative 20.89 percent in 2009 to a high of 26 percent in 2011. The investment of these assets is allocated among numerous managers that invest in domestic equities, domestic fixed income, international equities, and alternative investments (for example, timber and real estate). Based on our most recent actuarial valuation, the funded status of the System remains strong at 78 percent.

### **Investments**

From inception until 1985, 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 custodian bank relationship. The act stated that the System should invest at least five percent but no more than 10 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 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.

## A History of APERS

### **Retirement Benefit Program**

Prior to July 1, 1991, a member could only receive service credit in one-month increments. 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 relations orders or "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 used to calculate the final average salary (FAS). Act 975 of 1991 changed the final average salary used in the calculation of retirement benefits from five years to four years. Act 104 of 1999 allowed members with 28 years actual service to retire with an unreduced benefit. Act 1137 of 1997 set the way for the FAS to be set at three years. Effective July 1, 1997, the vesting requirements changed from 10 years to 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, members who were retired from another state-sponsored retirement system, worked in a position covered by APERS, and met the eligibility requirements couldn't receive service credit in APERS. That changed, effective July 1, 1999 when retired members of another state-sponsored retirement system, who worked in a position covered by APERS and met the eligibility requirements, could be reported to APERS.

In keeping with trends in retirement systems, APERS has implemented additional retirement options that include the DROP and a Partial Annuity Withdrawal or "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 years of service in APERS. Similarly vested members may purchase up to five years of armed forces reserve time in the System. Act 295 also invoked the federal protections afforded by USERRA (the Uniformed Services Employment and Reemployment Rights Act) for APERS members called to active duty.

The 2011 legislative session brought about the following changes:

- Act 38, effective February 16, 2011, states that when an APERS DROP participant exits the DROP the member is not eligible for employment in any position covered by any authorized state retirement plan.
- Act 563, effective July 1, 2011, amended A.C.A. § 24-4-521 to restrict the amount of credited service earned by a local non-contributory elected public official to one 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 the following:

- Act 332, effective March 14, 2013, revised several aspects of the System.

Section 3 clarifies that to meet the definition of “police officer,” a person must have satisfied the training requirements to be a police officer established by the Arkansas Commission on Law Enforcement Standards and Training under A.C.A. § 12-9-106.

Section 6 states that 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 by the System concerning the status of an employee.

Section 9 states that the disability annuity shall be effective the first day of the calendar month following APERS’ approval of the disability application and is not retroactive (see A.C.A. § 24-4-511[a][2]).

Section 12 enables a non-contributory APERS member to 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, requires that a newly elected contributory elected official is required to contribute an additional 2.5 percent of his or her gross payroll and that the employer shall also contribute said amount in order for the elected official to receive multiple service credit.
- Act 378, effective July 1, 2013, amended A.C.A. § 14-14-1320(a)(2) by declaring that 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.

# INTRODUCTION

## System Highlights

As of June 30, 2014

### STATE AND LOCAL DIVISIONS ONLY

#### ACTIVE MEMBERS

Number	45,837
Average Age (yrs.)	44.9
Average Service (yrs.)	9.3
Average Annual Salary	\$ 35,735
Inactive Vested Members	
Number	13,514

#### RETIRED MEMBERS\*

	Age and Service	Disability
Newly Retired Members	1,622	160
Average Age (yrs.)	62.2	52.9
Average Service (yrs.)	16.9	13.7
Average Monthly Benefit	\$ 921.73	\$ 674.79
Total Retired Members	31,914	
Average Monthly Benefit	\$ 1,193.54	

\* Includes DROP Participants.



## DISTRICT JUDGES ONLY

### ACTIVE MEMBERS

Number	44
Average Age (yrs.)	61.9
Average Service (yrs.)	17.6
Average Annual Salary	\$ 70,637
Inactive Vested Members	
Number	105

### RETIRED MEMBERS

	Total	Disability
Retired Members	102	N/A
Average Age (yrs.)	72.1	N/A
Average Service (yrs.)	10.0	N/A
Average Monthly Benefit	\$ 1,208.02	N/A

## Letter of Transmittal



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

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 2014 *Annual Financial Report of the Arkansas Public Employees Retirement System* (APERS or the System) for the fiscal year ended June 30, 2014. 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.



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The APERS Annual Financial Report contains six sections:

- The Introduction 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 Investments Section contains a report on investment activity as well as the 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, a schedule of benefits paid by county, as well as a list of participating employers as of June 30, 2014.

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

#### Economic Condition and Outlook

The economic condition of the System is based primarily upon investment earnings. For the last five years, the System's annualized rate of return has been 14.26 percent. 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 Investments Section.

#### Performance

For the fiscal year ending June 30, 2014, the fund recognized a positive 19.68 percent rate of return. The funding status of the System increased to 78 percent in fiscal 2014 from 74 percent in 2013. With the enactment in 2005 of the new employee contributory provisions, the System has enjoyed improved cash flow.



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### 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 amounts which must, of necessity, be based on estimates and judgments. The *2014 Annual Financial Report* has been prepared to conform to the accounting principles generally accepted in the United States.

The executive management of the System is responsible for establishing and maintaining 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 Arkansas 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 2014 totaled approximately \$1.527 billion (see the following table):

OPERATING ADDITIONS	2014	2013
Employer Contributions	\$ 264,477,703	\$ 249,062,186
Plan Member Contributions	48,237,869	44,549,911
Supplemental Contributions	381,216	1,863,992
Investment Earnings	1,208,430,494	851,920,691
Miscellaneous Additions	972,552	1,203,348
Transfers from Other Public Employee Retirement Systems	5,433,053	5,848,612
<b>TOTAL</b>	<b>\$ 1,527,932,888</b>	<b>\$ 1,154,448,740</b>

The overall increase in additions was approximately \$373 million when compared to fiscal year 2013 and was due primarily to higher investment returns. The Investments Section of this report reviews investment activity and the results of the investment portfolio for fiscal year 2014.



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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 2014 totaled approximately \$431 million (see the following table):

OPERATING DEDUCTIONS	2014	2013
Benefit Payments	\$ 414,548,645	\$ 396,607,128
Refunds of Contributions	9,455,348	8,446,701
Administrative Expenses	7,209,769	7,340,273
<b>TOTAL</b>	<b>\$ 431,213,761</b>	<b>\$ 412,394,102</b>

The overall increase in deductions was approximately \$19 million when compared with fiscal year 2013. The increase in benefit payments resulted primarily from an increase in both the number and average amount of benefits paid and from cost-of-living increases granted. The overall net increase in plan net position was approximately \$1.10 billion during fiscal year 2014.

## 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 percentage of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the 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 funding value of assets of the System as of June 30, 2014, amounted to \$8.863 billion and \$6.894 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.



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## 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 a fund. The prudent investor rule states that in making investments, the fiduciaries shall act “using the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital” (A.C.A. § 24-2-619). 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 Investments Section.

The Arkansas Investment Code (A.C.A. Title 24, Chapter 2, Subchapter 6) 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 2014, investments provided a positive 19.68 percent rate of return. The System’s annualized rate of return over the last three years was a positive 11.36 percent.

## Audit

As stated in A.C.A. § 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 they 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.



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### Acknowledgements

The compilation of this report reflects the combined efforts of the staff under the leadership of the Board of Trustees of the Arkansas Public Employees Retirement System. The report 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 1, 2014

Dear Members:

On behalf of the Board of Trustees, I am pleased to present the *Annual Financial Report of the Arkansas Public Employees Retirement System* for the fiscal year ended June 30, 2014. APERS continues to be in sound condition with 78 percent 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 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.





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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". The signature is written in a cursive, flowing style.

Artee Williams, Chair  
APERS Board of Trustees

## Board of Trustees

**Mr. Artee Williams, Chair**

Executive Director, Department of Workforce Services  
State Employee Representative

*Expiration of Term March 9, 2020*

**The Honorable Mike Jacobs, Vice Chair**

Johnson County Judge, Clarksville, AR  
County Employee Representative

*Expiration of Term March 9, 2015*

**The Honorable Charles Robinson**

State Treasurer

*Expiration of Term Ex-Officio Member*

**The Honorable Charlie Daniels**

State Auditor

*Expiration of Term Ex-Officio Member*

**Mr. Richard Weiss**

Director, Department of Finance and Administration

*Expiration of Term Ex-Officio Member*

**Ms. Ouida Wright**

State Employee Representative

*Expiration of Term March 9, 2017*

**Mr. Bill Gaddy**

State Employee Representative

*Expiration of Term March 9, 2019*

**The Honorable Charles "Stephen" Northcutt**

Mayor of Malvern, AR  
Municipal Employee Representative

*Expiration of Term March 9, 2016*

**Ms. Carol Bevis**

Non-State Employee Representative

*Expiration of Term March 9, 2018*

## APERS Senior Staff

**Ms. Gail Stone**

Executive Director

**Ms. Michele Williams**

Deputy Director

**Mr. Jay Wills**

Staff Attorney

**Ms. Sheila Watts**

Chief Financial Officer

**Mr. Carlos Borromeo**

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

### Custodian Bank

The Bank of New York Mellon  
Pittsburgh, PA 15258

### Actuary

Gabriel, Roeder, Smith & Co.  
Southfield, MI 48076

### Investment Consultant

Callan Associates, Inc.  
Chicago, IL 60602

## Domestic Equity Investment Managers

CastleArk Management, LLC  
Chicago, IL 60606

Golden Capital Management  
Charlotte, NC 28262

Horrell Capital Management  
Little Rock, AR 72211

INTECH  
West Palm Beach, FL 33401

Lazard Asset Management  
New York, NY 10020

Lombardia Capital Partners  
Pasadena, CA 91101

Mellon Capital Management  
Pittsburgh, PA 15258

SSI Investment Management  
Beverly Hills, CA 90210

State Street Global Advisors  
Atlanta, GA 30305

Stephens Investment Management Group  
Houston, TX 77046

Wellington Management Company  
Boston, MA 02210

Westwood Management Corp.  
Dallas, TX 75201

## Fixed Income Investment Managers

MacKay Shields  
New York, NY 10105

Prudential Investments, Inc.  
Newark, NJ 07102

## Diversified Strategies Investment Managers

AQR Capital Management  
Greenwich, CT 06830

Blackstone Alternative Asset Mgmt., LP  
New York, NY 10154

Newton Capital Management  
New York, NY 10166-0005

## Real Assets Investment Managers

CastleArk Management, LLC  
Chicago, IL 60606

Invesco Real Estate  
Dallas, TX 75240

LaSalle Investment Management  
San Francisco, CA 94111

Pinnacle Forest Investments, LLC  
Little Rock, AR 72211

TA Associates Realty  
Boston, MA 02109

## International Equity Investment Managers

Artisan Partners  
Milwaukee, WI 53202

Baillie Gifford Overseas Ltd.  
Edinburgh, Scotland

Lazard Asset Management  
New York, NY 10020

Manning & Napier Advisors  
Dublin, OH 43017

Pyramis Global Advisors  
Smithfield, RI 02917

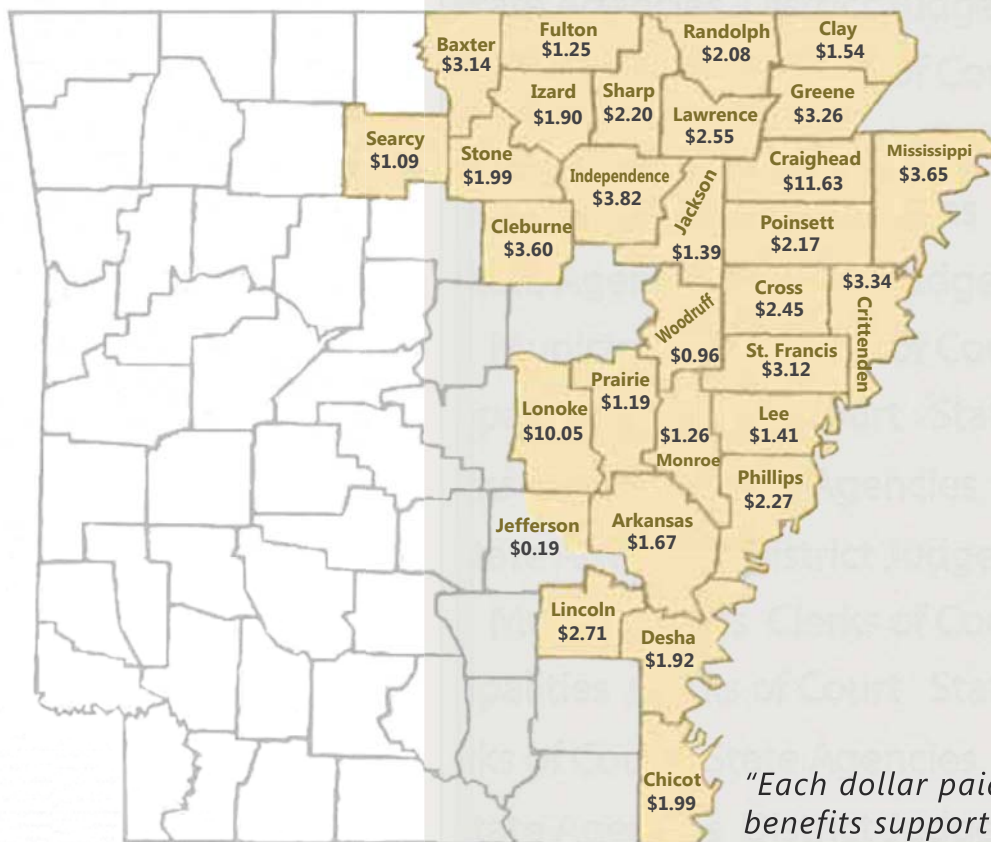
# Financial Section

## District I

District I covers 30 counties and now includes Chicot, Desha, and Lincoln counties and part of Jefferson County.

In 2014, the number of retirees in District I was 7,445.

In 2014, the amount of benefits paid out to retirees in District I was \$81,799,457.



(The figures shown are benefits paid by county in millions of dollars)  
As of June 30, 2014

*"Each dollar paid out in pension benefits supported \$1.75 in total economic activity in Arkansas."*

*"Each dollar 'invested' by Arkansas taxpayers in these plans supported \$5.39 in total economic activity in the state."*

*"Even in tough times, retirees with a reliable pension can maintain spending on basic needs."*

Source: National Institute on Retirement Security;  
[www.nirsonline.org](http://www.nirsonline.org)

# Financial Section



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## Management Discussion and Analysis

To help facilitate a better understanding of the financial condition of the Arkansas Public Employees Retirement System (APERS) as of June 30, 2014, 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. The 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 34.

### 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, 2014.

The basic financial statements contained in the Financial Section of the annual report consist of the following:

The *Statement of Plan Net Position* reports the pension trust fund's assets, liabilities, and resulting net position such that *assets – liabilities = net position* at the end of the fiscal year. It is a snapshot of the financial position of the pension trust fund at that specific time. Below is a summary of total assets, total liabilities, and resulting net position for fiscal years 2014 and 2013:

	2014	2013
Total Assets	\$ 8,630,864,059	\$ 7,227,250,915
Total Liabilities	1,099,674,432	792,780,415
Net Position	<u>\$ 7,531,189,627</u>	<u>\$ 6,434,470,500</u>

The *Statement of Changes in Plan Net Position* summarizes the pension trust fund's financial transactions that have occurred during the fiscal year such that *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 is a summary of the financial transactions of the trust fund for fiscal years 2014 and 2013:

	2014	2013
<b>ADDITIONS</b>		
Employer Contributions	\$ 264,477,703	\$ 249,062,186
Plan Member Contributions	48,237,869	44,549,911
Supplemental Contributions	381,216	1,863,992
Net Investment Income	1,208,430,494	851,920,691
Total Other Additions	6,405,606	7,051,960
<b>TOTAL CONTRIBUTIONS</b>	<b>1,527,932,888</b>	<b>1,154,448,740</b>
<b>DEDUCTIONS</b>		
Benefits	414,548,645	396,607,128
Refunds of Contributions	9,455,348	8,446,701
Administrative Expenses	7,209,769	7,340,273
<b>TOTAL DEDUCTIONS</b>	<b>431,213,761</b>	<b>412,394,102</b>
<b>NET INCREASE (DECREASE)</b>	<b>1,096,719,127</b>	<b>742,054,638</b>
<b>NET POSITION</b>		
Beginning of the Year	6,434,470,500	5,692,415,862
End of the Year	<u>\$ 7,531,189,627</u>	<u>\$ 6,434,470,500</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 Basic 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, including information regarding membership and employers.

**Note 2** summarizes significant accounting policies, including the basis of accounting, management's use of estimates, and other accounting policies.

**Note 3** describes deposits, discloses investment risks, and 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 information regarding the System's net pension liability.

**Note 7** describes the System's Deferred Retirement Option Plan.

**Note 8** 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 (e.g., the schedule of funding progress) and disclose the annual employer contributions required and the percentage contributed.

The other supplementary schedules summarize the major categories of administrative and investment expenses and detail the 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, 2014 by \$1,096,719,127. This increase can be attributed to an increase in the value of investments and their associated income.

## System Investments as of June 30, 2014

The investments of the pension trust fund generated a 19.68 percent return for the fiscal year, which is an improvement from the prior year's return of 15.58 percent. The 19.68 percent placed APERS in the top 2 percent when compared with a median return of 16.11 percent for large public plans. Investment results over time are compared with the System's benchmarks in the schedule of comparative investment results located in the Investments Section of this annual report.

### Domestic Equity

The System had \$3.217 billion in U.S. domestic equity securities, which is approximately a 19.4 percent increase from fiscal year 2013. Domestic equity posted a return of 24.48 percent for the fiscal year. The benchmark used for the System posted a return of 25.01 percent.

### International Equity

The System had \$2.026 billion in international equity securities which is approximately a 23.7 percent increase from fiscal year 2013. International equity posted a return of 24.43 percent for the fiscal year. The benchmark used for the System posted a return of 22.85 percent.

### Fixed Income

The System had \$1.227 billion in fixed income securities, which is approximately a 6.8 percent increase from fiscal year 2013. Fixed income posted a return of 7.03 percent for the fiscal year. The benchmark used for the System posted a return of 5.25 percent.

### Diversified Strategies

The System had \$361 million in diversified strategies, which is approximately a 13 percent increase from fiscal year 2013. Diversified strategies posted a return of 13.91 percent for the fiscal year.

### Real Assets

The System had \$921 million in real assets, which is approximately a 16.7 percent increase from fiscal year 2013. Real assets posted a return of 14.51 percent for the fiscal year. The benchmark used for the System posted a return of 6.07 percent

### Securities Lending

The System earns additional investment income by lending investment securities to broker-dealers. This is done by the System's custodian 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 2014, securities lending income to the System amounted to \$3.672 million.

### Actuarial Valuations and Funding Progress

An actuarial valuation of the System is performed annually as of June 30. The funded status of the System is shown in the schedule of funding progress on page 76 and 77.

The actuarial accrued liability and actuarial value of assets of the System as of June 30, 2014 amounted to \$8.86 billion and \$6.89 billion, respectively.

As of June 30, 2014, the System experienced an increase in its funded status from 77 percent to 85 percent on a market value basis. On a funding basis, the System experienced an increase in its funded status from 74 percent to 78 percent.

### 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, 2014

	2014	2013
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 212,880,111	\$ 197,005,448
<b>Receivables</b>		
Contributions	4,111,080	4,026,944
Dec 2004 Actuarial Liability Receivable	9,612,705	10,145,451
Investment Principal Receivable	38,741,350	19,706,894
Accrued Investment Income Receivable	32,846,584	19,891,358
Other Receivables	0	843,783
<b>Total Receivables</b>	<u>85,311,719</u>	<u>54,614,430</u>
<b>Investments, At Fair Value</b>		
Government Securities		
U.S. Government Securities	126,810,589	103,365,196
Futures	290,751	633,126
Government Agency Securities	116,887,114	135,034,237
Corporate Securities		
Collateralized Obligations	164,723,838	166,864,026
Corporate Bonds	553,666,403	492,099,617
Convertible Bonds	211,537,280	170,566,983
Convertible Preferred Stock	41,420,248	39,474,969
Common Stock	2,522,287,242	2,038,116,530
Equity Index Funds	648,733,806	551,082,519
Equity Commingled	81,917,142	64,776,089
High Yield Income Fund	60,544,471	55,765,901
International Securities		
Global Fixed Income Fund	9,740,932	10,770,871
Corporate Fixed Income	49,192,340	36,101,993
Equity Securities	1,175,864,056	715,367,311
Equity Pooled Fund Units	724,622,479	610,149,121
Global Equity Index Funds	0	296,199,571
Global Collateralized Obligations	1,055,030	5,481,114
Emerging Markets	32,873,981	26,175,846
Emerging Markets Collateralized Obligations	197,328	235,133
Forward Contracts	(188,150)	785,881
Interest Rate Swaps	(18,837)	4,238
Real Estate	315,211,143	259,578,181
Diversified Strategies	250,259,491	217,372,992
Timberland	167,689,287	204,819,735
Municipal Bonds	8,424,105	5,167,044
Commercial Loans	21,619,217	21,572,758
<b>Total Investments</b>	<u>7,285,361,286</u>	<u>6,227,560,982</u>
<b>Securities Lending Collateral Investments, At Fair Value</b>		
Repurchase Agreements	175,342,583	131,976,556
Asset Backed Floating Rate Notes	174,398,971	105,713,712
U.S. Agencies	0	11,103,225
U.S. Governments	0	0
Certificates of Deposit	33,883,375	43,061,345
Commercial Paper	50,374,214	70,407,711
Corporate Floating Rate Notes	481,267,908	290,949,419
Corporate Bonds	0	0
Time Deposits	102,322,066	0
Fixed Rate Notes	23,746,442	0
Bank Obligations	0	94,783,855
Asset Backed Securities	0	0
<b>Total Securities Lending Collateral Investments</b>	<u>1,041,335,559</u>	<u>747,995,823</u>
Prepays and Other Assets	15,947	29,640
Fixed Assets, Net	5,959,437	44,592
<b>TOTAL ASSETS</b>	<u>8,630,864,059</u>	<u>7,227,250,915</u>
<b>LIABILITIES</b>		
Accrued Expenses and Other Liabilities	9,448,802	7,799,664
Compensated Absences Payable	298,007	327,572
Investment Principal Payable	42,757,637	34,914,852
Other Post Employment Benefits	2,024,716	1,669,923
Securities Lending Liability	1,045,145,270	747,995,823
Due to Other Agencies	0	72,580
<b>TOTAL LIABILITIES</b>	<u>1,099,674,432</u>	<u>792,780,415</u>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	<u>\$ 7,531,189,627</u>	<u>\$ 6,434,470,500</u>

Totals may not add due to rounding. The schedule of funding progress - APERS is on page 76. The APERS and ASPRS Combined Statement Of Plan Net Position can be found on page 147.

## Basic Financial Statements

## STATEMENT OF CHANGES IN PLAN NET POSITION

For the year ended June 30, 2014

	2014	2013
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 264,477,703	\$ 249,062,186
Plan Member	48,237,869	44,549,911
Supplemental	381,216	1,863,992
Total Contributions	<u>313,096,788</u>	<u>295,476,089</u>
Investment Income		
Interest	51,082,662	52,116,606
Dividends	91,368,004	72,457,239
Investment Gain/(Loss)	1,090,192,683	749,543,679
Security Lending Income	3,672,418	1,776,316
Total Investment Income	<u>1,236,315,766</u>	<u>875,893,840</u>
Less: Investment Expense	27,885,272	23,973,149
Net Investment Income	<u>1,208,430,494</u>	<u>851,920,691</u>
Other Sources		
Miscellaneous Additions	717,301	1,203,348
Transfers from Other Public Employees Retirement Systems	5,433,053	5,848,612
Miscellaneous Transfers from State Agencies	255,251	0
Total Other Additions	<u>6,405,605</u>	<u>7,051,960</u>
<b>TOTAL ADDITIONS</b>	<u>1,527,932,888</u>	<u>1,154,448,740</u>
<b>DEDUCTIONS</b>		
Benefits	414,548,645	396,607,128
Refunds of Contributions	9,455,348	8,446,701
Administrative Expenses	7,209,769	7,340,273
<b>TOTAL DEDUCTIONS</b>	<u>431,213,761</u>	<u>412,394,102</u>
<b>NET INCREASE (DECREASE)</b>	<u>1,096,719,127</u>	<u>742,054,638</u>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>		
Beginning of Year	6,434,470,500	5,692,415,862
End of Year	<u>\$ 7,531,189,627</u>	<u>\$ 6,434,470,500</u>

Totals may not add due to rounding.

See Notes to the Basic Financial Statements beginning on page 36.

The APERS and ASPRS Combined Statement of Changes in Plan Net Position can be found on page 148.

## Basic Financial Statements

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### Note 1: Plan Description

##### General Information

The Arkansas Public Employees Retirement System (APERS or the System) 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 (A.C.A.), 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 (the Board). 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 Standards Board (GASB) 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.

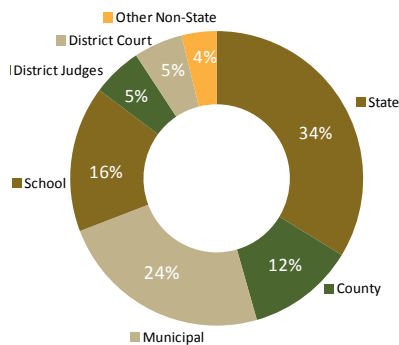
##### Membership

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.

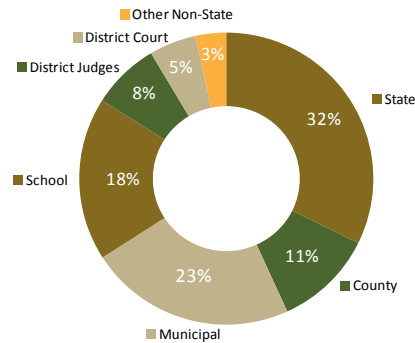
### REPORTING ENTITIES

	2014	2013
State	245	241
County	86	86
Municipal	171	169
School	117	131
District Judges	40	56
District Court	39	39
Other Non-State	28	28
<b>TOTAL</b>	<b>726</b>	<b>750</b>

Reporting Entities 2014



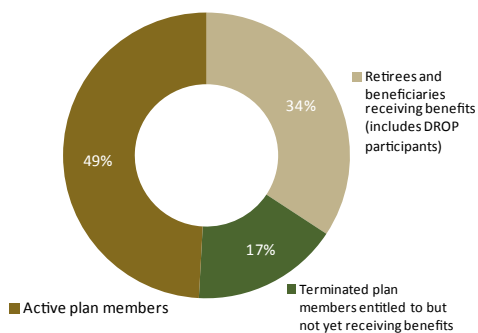
Reporting Entities 2013



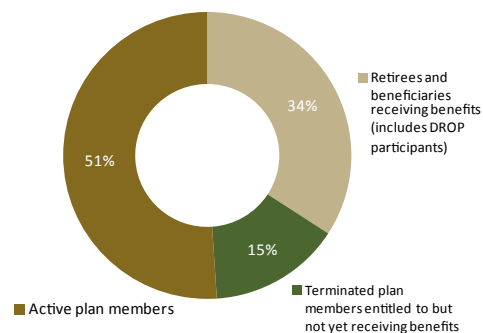
### MEMBERSHIP

	2014	2013
Retirees and Beneficiaries Receiving Benefits (Includes DROP Participants)	31,914	30,533
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	13,514	13,267
Active Plan Members	45,841	45,707

Membership 2014



Membership 2013



## Contributions

Contribution provisions applicable to the participating employers are established by the Board 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.

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 five percent of their salary into the plan. Employees hired before June 30, 2005 who were in the non-contributory plan were given the option to join the new contributory plan by December 31, 2005. Non-contributory members who did not join the new contributory plan by that deadline remain non-contributory members.

Members may have employee contributions in the System if (a) they were members of APERS on or before January 1, 1978, (b) they are members first hired after July 1, 2005, or (c) they have 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 (at the rate of four percent per year), which is 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, 2014 and 2013 were as follows:

Employer Contribution Rates	2014	2013
State Division	14.88%	14.24%
Wildlife Subdivision	26.88	26.24
State Capitol Police Subdivision	14.88	14.24
County Division	14.88	14.24
Municipal Division	14.88	14.24
School Division	4.00	4.00
Other Non-State Division	14.88	14.24

### Plan Administration

The 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 under the following conditions:

- at age 65 with five years of actual service,
- at any age with 28 years of actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

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 55 with at least five years of actual service or at any age with 25 years of actual service. APERS also provides for disability and survivor benefits.

### Tax Status

During the fiscal years ended June 30, 2014 and 2013, 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, 2014, 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 #	6/30/14	\$6,895	\$8,864	\$1,969	78%	\$1,745	113%
District Judges #	6/30/14	\$ 19	\$ 30	\$ 11	62%	\$ 3	368%

#After changes in actuarial assumptions and methods.

Actuarial accrued liabilities (AALs) 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 AALs is calculated based on the entry-age actuarial cost method with benefits based on projected salary increases. The Actuarial Section, which starts on page 109, provides greater detail and information.

The schedules of funding progress, presented as required supplementary information 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, 2014	June 30, 2014
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	23 year closed	14-year closed (New Plan and Paid Off Old Plan) 21-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	7.75%	7.75%
Projected Salary Increases Including Inflation at	3.75% - 10.35% 3.75%	3.75% - 7.71% 0.00%
Cost-of-Living Adjustments	3.0% Annual Compounded Increase	3.0% Annual Compounded Increase on benefits for service after January 1, 2005
	Numbers	Numbers
Retirees and Beneficiaries Receiving Benefits #	31,914	102
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	13,514	105
Active Plan Members	45,841	44
<b>TOTAL</b>	<b>91,269</b>	<b>251</b>

# Includes DROP participants.

## Note 2: Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the System:

### Basis of Accounting

APERS accounts and records are maintained using fund accounting principles, and its 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 the state treasury, and short-term investment funds (STIF). The STIF accounts are created through daily sweeps of excess cash by the System's custodian bank into bank-sponsored commingled funds that are invested in U.S. 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 to 20 years. A schedule of capital asset activity for the fiscal year can be found on page 75.

### Note 3: Deposits and Investment Risk Disclosures

#### Investments

Arkansas Code Annotated §§ 24-2-601 – 24-2-619 authorize 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 fees, custodial fees, and all other significant investment-related costs.

Arkansas Code Annotated § 24-2-608 also states that the System shall seek to invest not less than five percent nor more than 10 percent of the System's portfolio in Arkansas-related investments. APERS recognizes a legal responsibility to seek to invest in the Arkansas economy while realizing that its primary, legal, and fiduciary commitment is to beneficiaries of the retirement system. As stated in A.C.A. § 24-2-608 (d), "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 – 24-2-619."

The following presents the fair value of investments, by type, as of June 30, 2014:

## Statement of Invested Assets

INVESTMENT TYPE	Fair Value*
<b>GOVERNMENT SECURITIES</b>	
U.S. Government Securities	\$ 131,368,755
Agency Debentures	4,812,944
Agency CMO	3,336,536
Agency Pooled	112,939,104
<b>CORPORATE SECURITIES</b>	
Collateralized Obligations	170,644,784
Convertible Bonds	219,140,919
Corporate Bonds	573,567,765
High Yield Income Fund	62,720,723
Common Stock	2,612,950,029
Conv Pref Stock	42,909,087
Equity Index Funds	672,052,335
Equity - Commingled	84,861,628
<b>INTERNATIONAL SECURITIES</b>	
Emerging Markets	34,055,625
Emerging Markets Collateralized Obligations	204,421
Global Collateralized Obligations	1,092,952
Global Corporate Fixed	50,960,543
Global Government Fixed	10,091,067
Global Equity	1,218,130,113
Global Commingled	750,668,802
Forward Contracts	(194,913)
<b>FUTURES</b>	301,202
<b>DIVERSIFIED STRATEGIES</b>	259,254,988
<b>INTEREST RATE SWAPS</b>	(19,514)
<b>REAL ESTATE COMMINGLED</b>	326,541,307
<b>TIMBERLAND</b>	173,716,824
<b>COMMERCIAL LOANS</b>	22,396,313
<b>MUNICIPAL BONDS</b>	8,726,906
	<u>\$ 7,547,231,245</u>
<b>SECURITIES LENDING COLLATERAL</b>	
Repurchase Agreements	181,645,216
Asset Backed Floating Rate Notes	180,667,686
Corporate Floating Rate Notes	498,566,929
Fixed Rate Notes	24,600,000
Commercial Paper	52,184,899
Certificates of Deposit	35,101,302
Time Deposits	106,000,000
	<u>1,078,766,032</u>
	<u>\$ 8,625,997,277</u>

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

Asset allocation guidelines have been established as follows:

#### MARKET VALUE EXPOSURE

Asset Allocation	Target	Lower and Upper
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 44 reflects the fair value of investments.

#### Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are (a) uninsured, (b) not registered in the name of the government, and (c) held by either the counterparty or the counterparty's trust department or agent but not in the System's name. Arkansas Code Annotated § 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, 2014, there were no investments exposed to custodial credit risk.

## Deposits

Deposits are carried at cost and are included in "cash and cash equivalents." Cash and cash equivalents include demand accounts, cash in state treasury, short-term investment funds (STIF), and petty cash. As of June 30, 2014, these totals were \$1,392,565, \$2,318,801, \$209,168,545 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, 2014, the System did not have any exposure to custodial credit risk. The foreign currency balance of \$5,953,658 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 the average credit quality of the overall portfolio.



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The System's exposure to credit risk as of June 30, 2014, was as follows:

### Moody's Credit Rating Dispersion Detail by Credit Rating

Investment Type and Fair Value	Aaa	Aa	A
<b>Government Securities</b>			
U.S. Government Securities	\$ 131,368,755	0	0
Agency Debentures	4,812,944	0	0
Agency CMO	3,336,536	0	0
Agency Pooled	112,939,104	0	0
<b>Corporate Securities</b>			
Collateralized Obligations	91,056,079	5,317,175	10,131,792
Convertible Bonds	0	0	4,689,200
High Yield Income Fund	0	0	0
Corporate Bonds	990,509	4,394,589	88,164,209
<b>International Securities</b>			
Emerging Markets	0	598,069	5,797,053
Emerging Markets - Collateralized Obligations	0	0	0
Global - Collateralized Obligations	642,999	0	0
Global Corporate Fixed	0	917,358	8,343,680
Global Government Fixed	0	343,925	0
Commercial Loans	0	0	0
Municipal Bonds	791,307	4,661,042	3,274,557
	345,938,233	16,232,158	120,400,491
Securities Lending Collateral	\$ 148,975,289	384,841,146	307,497,975

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

Investment Type and Fair Value	AAA	AA	A
<b>Government Securities</b>			
U.S. Government Securities	\$ 0	131,368,755	0
Agency Debentures	0	4,812,944	0
Agency CMO	0	3,336,536	0
Agency Pooled	0	112,939,104	0
<b>Corporate Securities</b>			
Collateralized Obligations	76,532,019	15,566,377	17,826,251
Convertible Bonds	0	0	14,560,888
High Yield Income Fund	0	0	0
Corporate Bonds	990,509	10,846,086	131,273,140
<b>International Securities</b>			
Emerging Markets	0	598,069	3,441,365
Emerging Markets - Collateralized Obligations	0	0	0
Global - Collateralized Obligations	642,999	0	0
Global Corporate Fixed	0	1,102,081	6,652,415
Global Government Fixed	0	343,925	0
Commercial Loans	0	0	0
Municipal Bonds	1,555,565	2,363,774	4,807,567
	79,721,092	283,277,651	178,561,626
Securities Lending Collateral	\$ 145,176,491	354,779,591	361,673,539

\* 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	\$ 131,368,755
0	0	0	0	0	4,812,944
0	0	0	0	0	3,336,536
0	0	0	0	0	112,939,104
7,474,677	8,032,330	5,633,173	7,060,455	35,939,103	170,644,784
11,700,576	13,414,958	19,082,287	0	170,253,898	219,140,919
0	0	62,720,723	0	0	62,720,723
318,866,878	109,760,853	36,317,590	8,087,888	6,985,249	573,567,765
18,317,114	6,510,714	916,063	0	1,916,612	34,055,625
204,421	0	0	0	0	204,421
0	0	0	0	449,953	1,092,952
23,623,300	13,081,106	2,207,412	2,162,500	625,187	50,960,543
5,260,277	2,079,778	0	1,398,450	1,008,637	10,091,067
0	1,679,233	0	2,496,497	18,220,583	22,396,313
0	0	0	0	0	8,726,906
385,447,243	154,558,972	126,877,248	21,205,790	235,399,222	1,406,059,357
0	0	0	6,625,806	230,825,816	\$ 1,078,766,032
BBB	BB	B	CCC or below	NR	Fair Value*
0	0	0	0	0	\$ 131,368,755
0	0	0	0	0	4,812,944
0	0	0	0	0	3,336,536
0	0	0	0	0	112,939,104
15,261,038	5,051,213	1,422,763	7,290,793	31,694,330	170,644,784
29,674,943	50,784,790	39,546,593	0	84,573,705	219,140,919
0	0	62,720,723	0	0	62,720,723
266,924,428	118,469,486	21,554,922	9,183,125	14,326,069	573,567,765
16,153,681	8,653,112	1,651,400	0	3,557,998	34,055,625
204,421	0	0	0	0	204,421
0	0	0	0	449,953	1,092,952
29,291,896	8,750,918	4,369,912	0	793,321	50,960,543
2,671,600	0	1,398,451	0	5,677,091	10,091,067
0	970,922	888,223	3,708,909	16,828,259	22,396,313
0	0	0	0	0	8,726,906
360,182,007	192,680,441	133,552,987	20,182,827	157,900,726	1,406,059,357
0	4,396,271	0	6,625,806	206,114,334	\$ 1,078,766,032

## 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 or 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 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 percent 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, 2014, the System had the following debt security investments and maturities:

Investment Type	Fair Value*	Investment Maturity (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
<b>GOVERNMENT SECURITIES</b>					
U.S. Government Securities	\$ 131,368,755	\$ 0	\$ 40,348,067	\$ 52,672,775	\$ 38,347,913
Agency Debentures	4,812,944	0	2,832,085	1,980,859	0
Agency CMO	3,336,536	0	352,959	2,983,577	0
Agency Pooled	112,939,104	1,043,502	2,120,318	3,817,458	105,957,826
<b>CORPORATE SECURITIES</b>					
Collateralized Obligations	170,644,784	71,985,989	394,160	5,347,275	92,917,360
Convertible Bonds	219,140,919	19,704,117	118,141,658	21,142,995	60,152,149
Corporate Bonds	573,567,765	20,029,989	190,367,913	230,939,742	132,230,121
High Yield Income Fund	62,720,723	0	62,720,723	0	0
<b>INTERNATIONAL SECURITIES</b>					
Emerging Markets	34,055,625	0	16,971,994	10,587,085	6,496,546
Emerging Markets - Collateralized Obligations	204,421	0	204,421	0	0
Global - Collateralized Obligations	1,092,952	642,999	449,953	0	0
Global Corporate Fixed	50,960,543	322,443	6,962,976	24,617,732	19,057,392
Global Government Fixed	10,091,067	1,168,774	6,658,028	343,925	1,920,340
<b>COMMERCIAL LOANS</b>	22,396,313	0	22,213,474	182,839	0
<b>MUNICIPAL BONDS</b>	8,726,906	265,111	0	0	8,461,795
	<b>\$ 1,406,059,357</b>	<b>\$ 115,162,924</b>	<b>\$ 470,738,729</b>	<b>\$ 354,616,262</b>	<b>\$ 465,541,442</b>
<b>SECURITIES LENDING COLLATERAL</b>					
Repurchase Agreements	181,645,216	181,645,216	0	0	0
Asset Backed Floating Rate Notes	180,667,686	77,756,718	96,285,162	0	6,625,806
Corporate Floating Rate Notes	498,566,930	271,037,894	227,529,036	0	0
Fixed Rate Notes	24,600,000	24,600,000	0	0	0
Commercial Paper	52,184,897	52,184,897	0	0	0
Certificates of Deposit	35,101,303	35,101,303	0	0	0
Time Deposits	106,000,000	106,000,000	0	0	0
	<b>\$ 1,078,766,032</b>	<b>\$ 748,326,028</b>	<b>\$ 323,814,198</b>	<b>\$ 0</b>	<b>\$ 6,625,806</b>

\*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 percent of the investment manager's respective portfolio.

The System's exposure to foreign currency risk on June 30, 2014, was as follows:

Currency	%	Fair Value*	Fixed Income	Equities	Cash	Forward Contracts
Australian Dollar	4.78	\$ 59,113,871	\$ 0	\$ 57,825,866	\$ 68,975	\$ 1,219,030
Brazilian Real	0.67	8,272,692	0	7,751,217	599	520,876
British Pound Sterling	26.88	332,265,861	4,039,777	328,642,156	1,142,323	(1,558,395)
Canadian Dollar	2.35	29,068,278	0	26,780,188	2,005	2,286,085
Chilean Peso	0.07	810,153	0	0	0	810,153
Chinese Yuan Renminbi	2.10	25,983,574	0	24,631,476	0	1,352,098
Columbian Peso	0.00	728	0	0	0	728
Danish Krone	3.14	38,792,433	0	38,792,433	0	0
Euro Currency	24.58	303,775,684	14,436,294	281,283,180	4,618,968	3,437,242
Hong Kong Dollar	1.64	20,213,120	0	20,172,562	40,558	0
Hungarian Forint	(0.02)	(199,499)	0	0	0	(199,499)
Indian Ruphia	0.42	5,243,227	0	5,243,227	0	0
Israeli Shekel	(0.01)	(82,367)	0	0	0	(82,367)
Japanese Yen	10.42	128,799,410	1,004,425	153,468,125	212,117	(25,885,257)
Malaysian Ringgit	0.07	835,723	0	0	0	835,723
Mexican New Peso	0.36	4,510,048	0	2,794,349	6,185	1,709,514
New Taiwan Dollar	0.41	5,036,045	0	5,036,045	0	0
New Zealand Dollar	0.77	9,500,329	0	7,692,418	(2)	1,807,913
Norwegian Krone	2.07	25,529,420	0	25,074,600	23,818	431,002
Papua New Guinea Kina	0.47	5,775,219	0	5,775,219	0	0
Peru Neuvo Sol	0.00	(13,718)	297,196	0	0	(310,914)
Philippines Peso	0.19	2,346,373	364,691	2,016,783	0	(35,101)
Polish Zloty	0.07	891,580	0	0	47,424	844,156
Russian Rubel	0.18	2,264,987	0	935,535	0	1,329,452
Singapore Dollar	0.61	7,522,318	0	6,502,954	3,285	1,016,079
South African Rand	1.29	15,931,632	0	14,773,043	0	1,158,589
South Korean Won	2.63	32,470,073	0	31,646,254	0	823,819
Swedish Krone	4.56	56,318,189	0	56,339,853	0	(21,664)
Swiss Franc	8.64	106,803,721	0	106,802,316	1,405	0
Thailand Baht	0.23	2,867,367	0	2,867,367	0	0
Turkish Lira	0.43	5,282,949	0	5,282,949	0	0
	100.00%	\$ 1,235,929,420	\$20,142,383	\$ 1,218,130,115	\$ 6,167,660	\$ (8,510,738)

\* Principal only.

Figures are APERS and ASPRS combined.

Totals may not add due to rounding.

### Mortgage-Backed Securities

The System does invest in mortgage-backed securities (MBSs), which are reported at fair value in the *Statement of Plan Net Position*. MBSs entitle 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. MBSs depend on the underlying pool of mortgage loans to provide cash flow to make principal and interest payments on the security. The life of a mortgage that underlies an 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 and 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 MBSs. 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 MBSs.

A collateralized mortgage obligation (CMO) is an MBS that comprises classes of bonds created by prioritizing the cash flows of the underlying mortgage pool. This redistributes prepayment risk and 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 MBSs and CMOs for diversification and to enhance fixed income returns. MBSs 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 composed 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 (ABSs) 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, ABSs 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

Pooled funds are funds from many individual investors that are aggregated for the purposes of investment and benefit from economies of scale. 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 and ASPRS have approximately \$750 million invested in international pooled funds.

### Securities Lending

Arkansas Code Annotated § 24-2-602 and the Board's investment policy permit 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 is therefore 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 provides 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 102.91 percent of the market value of the securities plus any accrued interest for domestic loans. Non-U.S. securities are loaned versus collateral valued at 104.40 percent 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 because 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, 2014, the cash collateral investments had an average weighted maturity of 27 days, whereas the weighted average loan maturity was three days. Investments with cash collateral were approximately \$1.082 billion.

### 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, 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. They primarily use forward foreign exchange contracts 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 procedures for monitoring exposure. 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 MBSs 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, thereby 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 swaps, including interest rate swaps, credit default swaps, and foreign currency swaps.

### Interest Rate Swaps

An interest rate swap is 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 exposure to interest rate risk.

The System had the following interest rate swaps at June 30, 2014:

Country/Currency	Description	Counterparty	Counterparty Credit Rating	Pay/Receive	Market Value
Australian Dollar	AUD 4.7425% 03/07/2029	London Stock Exchange	Baa2/A-/NR	Pay Float/Receive Fixed	\$ 31,240
Australian Dollar	AUD 4.4225% 12/19/2032	Barclays Bank, PLC	A1/A-/A	Pay Fixed/Receive Fixed	2,954
Australian Dollar	AUD 4.42% 12/20/2032	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	3,760
Australian Dollar	AUD Float 12/31/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	(790)
Brazilian Real	BRL DI OIS JAN 17	HSBC Holdings PLC	NR/A+/AA-	Pay Float/Receive Fixed	(48,432)
Brazilian Real	BRL DI OIS JAN 21	Deutsche Bank AG	Aa3/A/A+	Pay Float/Receive Fixed	38,845
Brazilian Real	BRL DI OIS JAN 17	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	(58,058)
Brazilian Real	BRL DI OIS JAN 17	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	(54,007)
British Pound Sterling	GBP 0.68% 09/06/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	529
Canadian Dollar	CAD 1.276% 06/12/2015	HSBC Holdings PLC	P1/A1/F1+	Pay Float/Receive Fixed	(619)
Chilean Peso	CLP 4.63% OIS 07/24/2014	Barclays Bank, PLC	P2/A2/F1	Pay Fixed/Receive Float	585
Chilean Peso	CLP 5.24% 02/27/2024	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	5,393
Chinese Yuan Renminbi	CNY 3.82% 07/18/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	36
Chinese Yuan Renminbi	CNY 3.99% 10/23/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	1,631
Columbian Peso	COP 3.55% OIS 08/08/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	(2,126)
Columbian Peso	COP 5.29% OIS 11/20/2018	Deutsche Bank AG	Aa3/A/A+	Pay Float/Receive Fixed	(1,117)
Columbian Peso	COP 5.38% OIS 11/19/2018	Deutsche Bank AG	Aa3/A/A+	Pay Float/Receive Fixed	(404)
Czech Koruna	CZK 0.46% 09/18/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	560
European Union Euro	EUR 0.4025% 05/13/2015	London Stock Exchange	Baa2/A-/NR	Pay Float/Receive Fixed	684,929
European Union Euro	EUR 0.4025% 05/13/2015	London Stock Exchange	Baa2/A-/NR	Pay Float/Receive Fixed	(684,575)
European Union Euro	EUR-USD 3M Euribor 01/25/2015	Barclays PLC	A1/A-/A	Pay Float	(7,794,693)
European Union Euro	EUR 2.065% 12/13/2027	Barclays Bank, PLC	A1/A-/A	Pay Fixed/Receive Float	(22,948)
Hungarian Forint	HUF 4.34% 11/18/2018	CME Group	NR/AA-/NR	Pay Float/Receive Fixed	79,605
Hungarian Forint	HUF 2.85% 04/22/2015	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	14,823
Hungarian Forint	HUF 5.94% 09/03/2023	HSBC Holdings PLC	NR/A+/AA-	Pay Float/Receive Fixed	41,494
Hungarian Forint	HUF 3.415% 10/14/2018	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	10,915
Israeli Shekel	ILS 2.163% 11/20/2018	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	60,758
Malaysian Ringgit	MYR 3.245% 07/23/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	(137)
Mexican Peso	MXN 5.48% 04/18/2019	CME Group	NR/AA-/NR	Pay Float/Receive Fixed	31,260
Mexican Peso	MXN 5.09% 12/02/2015	JPMorgan Chase & Co	Aa3/A/A+	Pay Float/Receive Fixed	18,285
Mexican Peso	MXN 5.10% 08/13/2018	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	(59,522)
Mexican Peso	MXN 6.02% 06/20/2018	Credit Suisse Group AG	NR/A-/A	Pay Float/Receive Fixed	60,836
Mexican Peso	MXN 6.54% 10/20/2023	Deutsche Bank AG	Aa3/A/A+	Pay Float/Receive Fixed	22,495
Mexican Peso	MXN 5.41% 11/09/2018	Deutsche Bank AG	Aa3/A/A+	Pay Float/Receive Fixed	31,318
New Zealand Dollar	NZD 3.79% 09/25/2022	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	(21,012)
New Zealand Dollar	NZD 4.1425% 08/12/2018	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	(3,649)
New Zealand Dollar	NZD 4.6475% 08/12/2023	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	(4,002)
New Zealand Dollar	NZD 4.16% 08/13/2018	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	(2,606)
New Zealand Dollar	NZD 4.73% 08/13/2023	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	(1,700)
New Zealand Dollar	NZD 4.2175% 08/13/2018	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	(2,174)
New Zealand Dollar	NZD 4.6675 08/13/2023	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	(2,602)
New Zealand Dollar	NZD 4.845% 08/19/2023	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	(161)
New Zealand Dollar	NZD 3.8575% 09/01/2015	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	(10,108)
New Zealand Dollar	NZD 4.1725% 08/18/2016	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	(1,714)
New Zealand Dollar	NZD 3.81% 09/03/2018	HSBC Holdings PLC	NR/A+/AA-	Pay Float/Receive Fixed	(7,422)
Norwegian Krone	NOK 1.6325% 02/03/2015	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	(2,498)
Norwegian Krone	NOK 1.945% 09/16/2014	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	207
Polish Zloty	PLN 3.736% 06/28/2018	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	71,022
Polish Zloty	PLN 3.985% 09/03/2018	HSBC Holdings PLC	NR/A+/AA-	Pay Float/Receive Fixed	75,834
Polish Zloty	PLN 2.825% 09/06/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	1,736
Russian Ruble	RUB 7.25% 05/17/2023	Credit Suisse Group AG	NR/A-/A	Pay Float/Receive Fixed	(53,674)
Russian Ruble	RUB 7.25% 05/20/2023	Credit Suisse Group AG	NR/A-/A	Pay Float/Receive Fixed	(53,803)
Russian Ruble	RUB 6.57% 09/13/2014	Credit Suisse Group AG	WR/NR/F1	Pay Float/Receive Fixed	(11,685)
Singapore Dollar	SGD 0.3275% 04/02/2015	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	(2,976)
South African Rand	ZAR 8.19% 11/14/2023	CME Group	NR/AA-/NR	Pay Float/Receive Fixed	2,231
South African Rand	ZAR 7.20% 02/24/2016	London Stock Exchange	Baa2/A-/NR	Pay Float/Receive Fixed	7,494
South African Rand	ZAR 7.20% 03/04/2016	London Stock Exchange	Baa2/A-/NR	Pay Float/Receive Fixed	14,952
South African Rand	ZAR 7.42% 06/25/2018	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	2,779
South African Rand	ZAR 8.19% 11/14/2023	CME Group	NR/AA-/NR	Pay Float/Receive Fixed	3,221
South Korean Won	KRW 2.72% 07/24/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	92
Swedish Krona	SEK 1.326% 07/03/2014	Barclays Bank, PLC	P2/A2/F1	Pay Float/Receive Fixed	100
U.S. Dollar	USD 1.625% 11/30/2018	CME Group	NR/AA-/NR	Pay Fixed/Receive Float	(30,686)
U.S. Dollar	USD 2.375% 05/15/2021	CME Group	NR/AA-/NR	Pay Fixed/Receive Float	(194,049)
U.S. Dollar	USD 2.20% 12/13/2027	Barclays Bank, PLC	A1/A-/A	Pay Float/Receive Fixed	(51,339)
U.S. Dollar	USD 4.2475% 08/07/2023	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	305,563
U.S. Dollar	USD 4.2825% 08/08/2023	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	159,681
U.S. Dollar	USD 4.231% 08/09/2023	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	148,964
U.S. Dollar	USD 1.334390% 11/15/2019	Citigroup Inc	NR/A-/A	Pay Float/Receive Fixed	193,298
U.S. Dollar	USD 1.17% 11/30/2017	Credit Suisse Group AG	NR/A-/A	Pay Fixed/Receive Float	(2,638)
					<u>\$ (7,058,499)</u>

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

## Credit Default Swap

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.

The System had the following credit default swaps at June 30, 2014:

Country/Currency	Description	Maturity	Counterparty	Counterparty Credit Rating*	Market Value Exposure	Pay/Receive
U.S. Dollar	CCP_CD.X. BP UL CDX.NA.IG.22_V1	06/19/2019	CME Group Inc/IL	AA-/NR/NR	\$ (495,621)	Pay Fixed/Receive Float
European Union Euro	ITRAXX_EUROPE_18_1	12/20/2017	Barclays PLC	A-/A1/A	(180,106)	Pay Fixed/Receive Float
European Union Euro	ITRAXX_EUROPE_18_1	12/20/2017	Deutsche Bank AG	A/Aa3/A+	(180,106)	Pay Fixed/Receive Float
					<u>\$ (855,834)</u>	

\*Counterparty Credit Rating = Moody's/S&P/Fitch

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

## Foreign Currency Swap

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 foreign currency swaps at June 30, 2014:

Country/Currency	Pay/ Receive	Description	Maturity Date	Counterparty	M	S	F	Market Value Exposure
European Union Euro	Float/Float	EUR-USD Basis 3M EURIBOR +26 bps	1/25/2015	HSBC Holdings PLC	NR	A+	AA-	\$ (3,150,800)
European Union Euro	Float/Float	EUR-USD Basis 3M EURIBOR +25.75 bps	1/17/2015	HSBC Holdings PLC	NR	A+	AA-	(164,382)
European Union Euro	Float/Float	EUR-USD 3M EURIBOR -26 bps	1/25/2015	Citigroup Inc	NR	A-	A	(6,486,539)
European Union Euro	Float/Float	EUR-USD Basis 3M EURIBOR -31.75 bps	9/28/2017	HSBC Holdings PLC	NR	A+	AA-	(341,191)
European Union Euro	Float/Float	EUR-USD Basis 3M EURIBOR -30.5 bps	12/4/2014	Barclays PLC	A1 *	A-	A	(465,652)
Japanese Yen	Float/Fixed	JPY-USD 4.50% 08/06/2015	8/6/2015	Citigroup Inc	NR	A-	A	(154,586)
Japanese Yen	Float/Fixed	JPY-USD 4.50% 06/08/2015	6/8/2015	Citigroup Inc	NR	A-	A	(203,341)
Japanese Yen	Float/Fixed	JPY-USD 3.45% 03/24/2017	3/24/2017	Citigroup Inc	NR	A-	A	(220,875)
Japanese Yen	Float/Float	JYP-USD Basis 3M JPY LIBOR -54 bps	10/12/2016	Barclays PLC	A1 *	A-	A	(98,337)
Japanese Yen	Float/Float	JPY-USD Basis JPY LIBOR -32.75 bps	5/2/2015	Citigroup Inc	NR	A-	A	(169,325)
U.S. Dollar	Float/Float	EUR-USD Basis 3M EURIBOR +26 bps	1/25/2015	HSBC Holdings PLC	NR	A+	AA-	3,052,288
U.S. Dollar	Float/Float	EUR-USD Basis 3M EURIBOR +25.75 bps	1/17/2015	HSBC Holdings PLC	NR	A+	AA-	159,967
U.S. Dollar	Float/Float	EUR-USD Basis 3M EURIBOR +26 bps	1/25/2015	Citigroup Inc	NR	A-	A	6,300,306
U.S. Dollar	Float/Float	EUR-USD Basis 3M EURIBOR +26.5 bps	1/25/2015	Barclays PLC	A1 *	A-	A	7,548,250
U.S. Dollar	Float/Fixed	JPY-USD 3.45% 03/24/2017	3/24/2017	Citigroup Inc	NR	A-	A	283,459
U.S. Dollar	Float/Fixed	EUR-USD Basis 3M LIBOR +333 bps	6/8/2015	Citigroup Inc	NR	A-	A	198,086
U.S. Dollar	Float/Fixed	JPY-USD 4.50% 06/08/2015	6/8/2015	Citigroup Inc	NR	A-	A	268,116
U.S. Dollar	Float/Float	EUR-USD Basis 3M EURIBOR -31.75 bps	9/28/2017	HSBC Holdings PLC	NR	A+	AA-	321,513
U.S. Dollar	Float/Float	EUR-USD Basis 3M EURIBOR -30.5 bps	12/4/2014	Barclays PLC	A1 *	A-	A	441,551
U.S. Dollar	Float/Float	JYP-USD Basis 3M JPY LIBOR -54 bps	10/12/2016	Barclays PLC	A1 *	A-	A	100,386
U.S. Dollar	Float/Float	JPY-USD Basis 3M JPY LIBOR -32.75 bps	5/2/2015	Citigroup Inc	NR	A-	A	175,022
								<u>\$ 7,393,916</u>

M = Moody's

S = S&P

F = Fitch

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

## 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 in order to hedge risks from 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.

The System had the following foreign currency forwards at June 30, 2014:



	Pay	Receive	Payable Market Value	Receivable Market Value	Payable Unrealized Gain/(Loss)
Australian Dollar	AUD	USD	\$ (5,179,677)	\$ 5,086,300	\$ (93,377)
Brazil Real	BRL	USD	(3,525,190)	3,482,396	(42,793)
British Pound	GBP	USD	(4,972,774)	4,890,339	(82,435)
Canadian Dollar	CAD	USD	(4,123,005)	4,007,300	(115,705)
Chinese Yuan Renminbi	CNY	USD	(3,471,661)	3,410,015	(61,646)
Columbian Peso	COP	USD	(2,493,044)	2,465,122	(27,922)
European Union Euro	EUR	USD	(9,223,375)	9,333,643	110,267
Hungarian Forint	HUF	USD	(2,935,236)	2,950,600	15,363
Israeli Shekel	ILS	USD	(82,367)	81,300	(1,067)
Japanese Yen	JPY	USD	(25,761,547)	25,466,418	(295,129)
Malaysian Ringgit	MYR	USD	(783,110)	775,700	(7,410)
Mexican New Peso	MXN	USD	(2,495,569)	2,477,800	(17,769)
New Zealand Dollar	NZD	USD	(2,543,752)	2,468,880	(74,872)
Norwegian Krone	NOK	USD	(2,786,965)	2,825,605	38,640
Peruvian Nuevo Sol	PEN	USD	(310,913)	309,351	(1,561)
Philippine Peso	PHP	USD	(644,487)	640,972	(3,515)
Polish Zloty	PLN	USD	(2,197,349)	2,187,000	(10,349)
Russian Ruble	RUB	USD	(1,137,291)	1,097,900	(39,391)
Singapore Dollar	SGD	USD	(3,192,709)	3,167,100	(25,609)
South African Rand	ZAR	USD	(2,093,418)	2,103,700	10,281
Swedish Krona	SEK	USD	(2,203,241)	2,229,500	26,258
			\$ (82,156,680)	\$ 81,456,944	\$ (699,747)

	Pay	Receive	Payable Market Value	Receivable Market Value	Receivable Unrealized Gain/(Loss)
Australian Dollar	USD	AUD	\$ (6,328,762)	\$ 6,398,708	\$ 69,945
Brazil Real	USD	BRL	(4,002,765)	4,046,066	43,301
British Pound	USD	GBP	(3,357,738)	3,414,380	56,642
Canadian Dollar	USD	CAD	(6,260,156)	6,409,091	148,935
Chilean Peso	USD	CLP	(813,800)	810,153	(3,647)
Chinese Yuan Renminbi	USD	CNY	(4,769,715)	4,823,760	54,044
Columbian Peso	USD	COP	(2,452,744)	2,493,773	41,028
European Union Euro	USD	EUR	(12,213,767)	12,166,570	(47,196)
Hungarian Forint	USD	HUF	(2,772,197)	2,735,738	(36,459)
Malaysian Ringgit	USD	MYR	(1,595,900)	1,618,833	22,933
Mexican New Peso	USD	MXN	(4,155,642)	4,205,083	49,441
New Zealand Dollar	USD	NZD	(4,229,600)	4,351,665	122,065
Norwegian Krone	USD	NOK	(3,333,290)	3,241,682	(91,608)
Philippine Peso	USD	PHP	(592,100)	609,387	17,287
Polish Zloty	USD	PLN	(3,074,552)	3,088,929	14,377
Russian Ruble	USD	RUB	(2,448,317)	2,466,744	18,427
Singapore Dollar	USD	SGD	(4,189,839)	4,208,789	18,950
South African Rand	USD	ZAR	(3,250,159)	3,252,007	1,848
South Korean Won	USD	KRW	(783,631)	823,819	40,188
Swedish Krona	USD	SEK	(2,217,000)	2,181,577	(35,423)
			\$ (72,841,674)	\$ 73,346,754	\$ 505,080
			\$ (154,998,365)	\$ 154,803,698	\$ (194,667)

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

## 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, 2014:

Futures Contracts	Expiration	Notional Value	Fair Value	Unrealized Gain/(Loss)
U.S. 2-year Treasury Note	Sept 2014	\$ (158,828,558)	\$ (158,766,281)	\$ 62,277
U.S. 2-year Treasury Note	Sept 2014	(234,381,379)	(234,306,531)	74,848
U.S. 2-year Treasury Note	Sept 2014	(1,977,187)	(1,976,344)	844
U.S. 5-year Treasury Note	Sept 2014	(26,203,471)	(26,161,945)	41,526
U.S. 5-year Treasury Note	Sept 2014	(51,674,430)	(51,607,125)	67,305
U.S. 5-year Treasury Note	Sept 2014	94,898,266	94,851,985	(46,281)
U.S. 10-year Treasury Note	Sept 2014	(61,498,719)	(61,584,563)	(85,844)
U.S. 10-year Treasury Note	Sept 2014	35,576,048	35,673,984	97,936
U.S. 10-year Treasury Note	Sept 2014	25,836,133	25,910,578	74,445
U.S. 30-year Treasury Bond	Sept 2014	(955,281)	(960,313)	(5,031)
U.S. 30-year Treasury Bond	Sept 2014	(8,597,531)	(8,642,813)	(45,281)
U.S. Ultra Bond	Sept 2014	10,865,500	10,945,438	79,938
U.S. Ultra Bond	Sept 2014	2,675,813	2,698,875	23,063
U.S. Ultra Bond	Sept 2014	(1,480,563)	(1,499,375)	(18,813)
		<u>\$ 375,745,359</u>	<u>\$ 375,424,430</u>	<u>\$ 320,932</u>

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

The System had the following mortgage-backed TBA at June 30, 2014:

Mortgage-Backed TBA	CUSIP	Notional	Fair Market Value	Duration	Credit Rating
FNMA 3.00% 07/01/2029	999ADT905	\$ 2,065,625	\$ 2,077,500	3.6	AA+/Aaa

#### Note 4: Other Post Employment Benefits (OPEB)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, requires that OPEB expense of proprietary and fiduciary funds 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 2014 charge of \$354,793 is a prorated amount from the Arkansas 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 2014 Comprehensive Annual Financial Report* will contain the complete OPEB footnote required by GASB Statement No. 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 MDA 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 increasingly well funded over a period of years. Funded ratios in the 75 percent to 95 percent 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 reverse balances for the respective divisions for the fiscal year ending June 30, 2014:

## Divisions - Respective Reserve Balances\*

	State Division	County Employers	Municipal Employers	School Employers	Non-State Employers	District Judges	System Total
Members' Deposit Account	\$ 148,036,941	\$ 47,268,250	\$ 23,239,146	\$ 506,545	\$ 1,686,571	\$ 1,525,100	\$ 222,262,553
MDA Interest Reserve	15,730,849	5,039,083	2,837,641	(311,941)	328,130	287,186	23,910,947
Employer Accumulation Account	2,314,596,293	459,134,305	255,798,193	(28,390,580)	9,210,097	(8,793,892)	3,001,554,415
Retirement Reserve	2,601,846,481	582,424,862	279,076,333	291,303,407	5,847,798	(3,846,696)	3,756,652,186
Deferred Annuity	258,343,993	75,532,040	35,653,029	19,476,026	1,554,552	0	390,559,640
DROP Reserve	93,898,236	9,421,774	7,027,258	5,353,078	0	0	115,700,346
Delinquent Receivable Reserve	65	9	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	17,439	623	0	3,017	0	0	21,079
Dec 31, 2004 Accrued Liability Reserve	0	0	0	0	0	20,426,571	20,426,571
Petty Cash Reserve	200	0	0	0	0	0	200
<b>TOTAL</b>	<b>\$ 5,432,550,992</b>	<b>\$ 1,178,828,501</b>	<b>\$ 603,635,841</b>	<b>\$ 287,948,876</b>	<b>\$ 18,627,148</b>	<b>\$ 9,598,269</b>	<b>\$ 7,531,189,626</b>

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

## Note 6: Net Pension Liability

The components of the net pension liability of the System at June 30, 2014 were as follows:

	APERS	ADJRS
Total Pension Liability	\$ 8,920,451,518	\$ 16,505,814
Plan Fiduciary Net Position	\$ 7,511,812,555	\$ 15,107,940
Net Pension Liability	\$ 1,408,638,963	\$ 1,397,874
Plan fiduciary net position as a percentage of total pension liability	84.21%	91.53%

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	APERS	District Judges
Valuation Date	June 30, 2014	June 30, 2014
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	23 year closed	14-year closed (New Plan and Paid Off Old Plan) 21-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	7.75%	7.75%
Projected Salary Increases Including Inflation at	3.75% - 10.35%	3.75% - 7.71%
Cost-of-Living Adjustments	3.75%	0.00%
	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 Health 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 Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females



### Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	9.00%	0.50%
Fixed Income Defensive	9.00	0.80
Large Cap Domestic Equity	20.00	6.65
Small/Mid Cap Domestic Equity	17.00	7.90
International Equity	12.00	7.00
Emerging Market Equity	12.00	9.20
Private Equity	2.50	11.30
Hedge Funds	2.50	3.19
Real Estate	16.00	5.10
Total	100.00%	
Total Real Rate of Return		5.91%
Plus: Price Inflation - Actuary's Assumption		2.75
Less: Admin and Investment Expenses*		0.50
Net Expected Return		8.16%

The System's policy in regard to the allocation of invested plan assets was established by the Board and is reviewed at least annually to determine if the asset allocation is consistent with an acceptable level of risk and volatility.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Discount Rate

A single discount rate of 7.75 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.75 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the Net Pension Asset

The following presents the net pension liability of the System, calculated using the discount rate of 7.75 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate of one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
APERS	\$ 2,532,388,229	\$ 1,408,638,963	\$ 471,793,815
ADJRS	\$ 3,075,583	\$ 1,397,874	\$ (50,651)

## Note 7: Deferred Retirement Option Plan

A Deferred Retirement Option Plan (DROP) is available to members of the System as authorized by A.C.A. §§ 24-4-801 through 24-4-806. In lieu of terminating employment and accepting a retirement benefit under the System, any member who has at least 28 years of actual service in the System can elect to participate in the DROP. The DROP allows a member to defer the receipt of retirement benefits for a maximum of seven years. During that time, a percentage of a member's chosen benefit is deposited into an account that accrues interest at a rate of 2.5 percent annually. The System had a balance of \$115,700,346 in the DROP reserve as of June 30, 2014.

## Note 8: Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fixed Assets	\$ 227,082	\$ 19,419	\$ (24,611)	\$ 221,890
Assets Under Construction	0	5,905,609	0	5,905,609
LESS				
Accumulated Depreciation	(182,490)	(7,517)	21,945	(168,062)
<b>TOTAL</b>	<u>\$ 44,592</u>	<u>\$ 5,917,511</u>	<u>\$ (2,666)</u>	<u>\$ 5,959,437</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 AAL (b)	UAAL (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
6/30/05	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	8,284	2,125	74.3	1,693	125.5
6/30/14	6,895	8,655	1,760	79.7	1,745	100.9
6/30/14 #	6,895	8,864	1,969	77.8	1,745	112.8

@ After legislated changes in benefit provisions; # After changes in actuarial assumptions.  
 Note that differences between columns designated (b) and (a) may not add to UAAL due to rounding.

## SCHEDULE OF FUNDING PROGRESS - DISTRICT JUDGES

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age AAL (b)	UAAL (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
12/31/04	\$ 0	\$ 0	\$ 0	100.0%	\$ 1,841,022	0.0%
6/30/05	7,569,919	24,134,114	16,564,195	31.4	3,222,495	514.0
6/30/06	10,141,040	24,943,381	14,802,341	40.7	3,313,454	446.7
6/30/07	12,582,548	24,387,433	11,804,885	51.6	3,366,861	350.6
6/30/08 @	12,398,225	24,797,303	12,399,078	50.0	3,526,319	351.6
6/30/09	10,004,394	25,671,893	15,667,499	39.0	3,368,169	465.2
6/30/10	11,112,521	26,775,249	15,662,728	41.5	3,554,044	440.7
6/30/11	12,950,730	27,524,848	14,574,118	47.1	3,345,497	435.6
6/30/12	13,925,350	28,343,368	14,418,018	49.1	3,374,982	427.2
6/30/13 @	16,090,536	28,823,709	12,733,173	55.8	2,989,465	425.9
6/30/14	18,562,875	29,387,248	10,824,373	63.2	3,108,024	348.3
6/30/14 @	18,562,875	30,005,138	11,442,263	61.9	3,108,024	368.2

@ After changes in actuarial assumptions and methods.

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
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
2014	262,300,624	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
2014	1,699,063	103

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



## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

2014

Year Ended June 30	APERS	ADJRS
<b>Total pension liability</b>		
Service cost	\$ 160,292,473	\$ 631,861
Interest	656,264,011	1,227,042
Benefit changes	-	-
Differences between expected and actual experience	(22,177,672)	(482,435)
Assumption changes	214,180,852	360,021
Benefit payments	(413,068,752)	(505,529)
Refunds	(9,455,347)	-
<b>Net change in total pension liability</b>	<b>586,035,565</b>	<b>1,230,960</b>
<b>Total pension liability, beginning of year</b>	<b>8,334,415,953</b>	<b>15,274,854</b>
<b>Total pension liability, end of year (a)</b>	<b>\$ 8,920,451,518</b>	<b>\$ 16,505,814</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 262,300,624	\$ 779,855
Contributions - member	47,060,476	155,367
Net investment income	1,205,346,863	1,980,622
Other additions	8,302,355	9,413
Benefit payments	(413,068,752)	(505,529)
Refunds	(9,455,348)	-
Administrative expense	(7,192,276)	(13,585)
<b>Net change in plan fiduciary net position</b>	<b>1,093,293,942</b>	<b>2,406,143</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>6,418,518,612</b>	<b>12,701,797</b>
<b>Plan fiduciary net position, end of year (b)</b>	<b>\$ 7,511,812,554</b>	<b>\$ 15,107,940</b>
<b>Net pension liability, end of year (a) - (b)</b>	<b>\$ 1,408,638,964</b>	<b>\$ 1,397,874</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	84.21%	91.53%
<b>Covered-employee payroll</b>	\$ 1,745,242,112	\$ 3,108,024
<b>Net pension liability as a percentage of covered-employee payroll</b>	80.71%	44.98%

## SCHEDULE OF THE NET PENSION LIABILITY

### APERS

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$8,920,451,518	\$7,511,812,554	\$1,408,284,170	84.21%	\$1,745,242,112	80.69%

### ADJRS

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$16,505,814	\$15,107,940	\$1,397,874	91.53%	\$3,108,024	44.98%

## SCHEDULE OF INVESTMENT RETURNS

Annual money-weighted rate of return, net of investment expense	<u>2014</u> 18.97%
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## Notes to Required Supplementary Information

## SCHEDULE OF ADMINISTRATIVE EXPENSES

For the year ended June 30, 2014

	2014	2013
<b>PERSONNEL SERVICES</b>		
Salaries and Wages	\$ 3,111,565	\$ 3,148,107
Employee Benefits	698,262	672,397
Post Employment Benefits	354,793	347,160
Insurance	403,440	383,760
Other	9,989	10,165
<b>TOTAL PERSONNEL SERVICES</b>	<b>4,578,049</b>	<b>4,561,589</b>
<b>COMMUNICATIONS</b>		
Postage	182,291	166,017
Telecommunications	40,412	33,256
Printing and Advertising	63,862	55,717
Freight and Express	1,039	659
Subscriptions and Publications	2,804	1,722
<b>TOTAL COMMUNICATIONS</b>	<b>290,407</b>	<b>257,371</b>
<b>PURCHASES</b>		
Office Supplies	58,391	56,395
Equipment	78,717	48,568
<b>TOTAL PURCHASES</b>	<b>137,108</b>	<b>104,963</b>
<b>SERVICES AND CHARGES</b>		
Professional Fees and Services	400,817	709,925
Rent Expense	713,590	696,315
Travel and Conference Fees	21,522	28,531
Taxes, Licenses and Permits	403	256
Repairing and Servicing	74,476	83,991
Insurance and Surety Bonds	6,080	5,700
Bank and Federal Service Charges	42,973	42,241
Data Processing Charges	870,122	814,077
Claims Commission Expense	0	0
Other Services and Charges	66,705	24,989
<b>TOTAL SERVICES AND CHARGES</b>	<b>2,196,687</b>	<b>2,406,025</b>
<b>DEPRECIATION EXPENSE</b>	<b>7,517</b>	<b>10,325</b>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 7,209,769</b>	<b>\$ 7,340,273</b>

## SCHEDULE OF INVESTMENT EXPENSES

For the year ended June 30, 2014

	2014	2013
Investment Consultant Fee	\$ 238,895	\$ 235,901
Money Manager Fees	28,413,961	24,516,259
Custodian Bank Fees	575,412	525,912
Other Investment Expenses	(1,342,996)	(1,304,923)
<b>TOTAL INVESTMENT EXPENSES</b>	<b>\$ 27,885,272</b>	<b>\$ 23,973,149</b>

For fees paid to investment managers, please see the schedule of investment fees shown on page 105 in the Investments Section of this report.

Total investment expenses includes international withholding taxes which are not included in the schedule of investment fees on page 105.

## PAYMENTS FOR PROFESSIONAL CONSULTANTS

For the year ended June 30, 2014

	2014	2013
Gabriel, Roeder, Smith & Company	\$ 155,200	\$ 179,550
Linea Solutions	119,617	521,406
SBS Group	0	8,969
ICON	126,000	0
<b>TOTAL PAYMENTS FOR PROFESSIONAL CONSULTANTS</b>	<b>\$ 400,817</b>	<b>\$ 709,925</b>

# Investments Section

## District II

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

In 2014, the number of retirees in District II was 10,283.

In 2014, the amount of benefits paid out to retirees in District II was \$166,183,411.



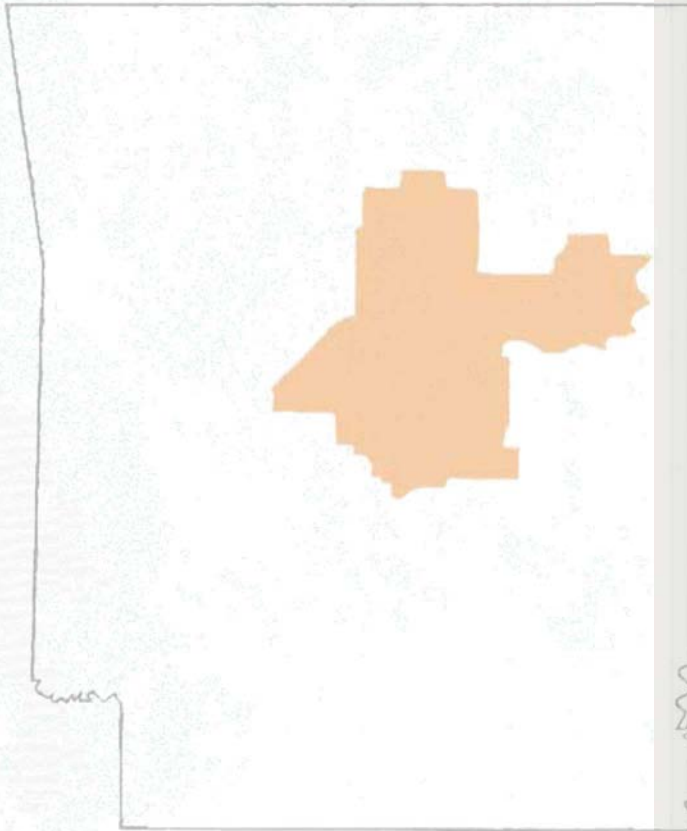
(The figures shown are benefits paid by county in millions of dollars)  
As of June 30, 2014

*"In the State of Arkansas, the average pension benefit received was \$1,532 per month or \$18,390 per year. These modest benefits provide. . . income to meet basic needs in retirement."*

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

Source: National Institute on Retirement Security;  
[www.nirsonline.org](http://www.nirsonline.org)

# Investments Section



**Chief Investment Officer's Report**

**Investment Consultant's Report**

**Investment Policy Summary**

**Asset Allocation**

**Schedule of Manager Distribution**

**Portfolio Characteristics**

**Schedule of Comparative Investment Results**

**Top Ten Largest Holdings**

**Schedule of Brokerage Commissions**

**Schedule of Investment Fees**

## Chief Investment Officer's Report



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Dear Members,

Oh behalf of the APERS' Investment Department, it is my pleasure to present the Investments Section of the APERS' Annual Financial Report for the fiscal year ended June 30, 2014.

### Performance and Stability

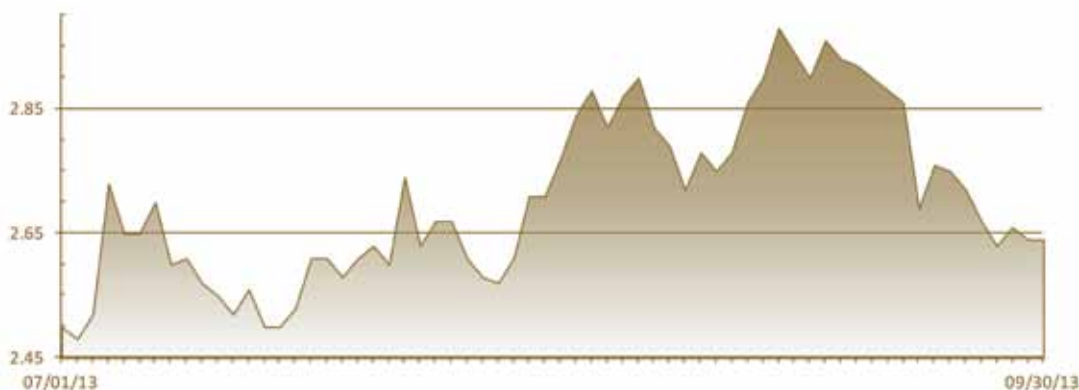
For fiscal year 2014, the APERS investment portfolio closed with total assets of \$7.285 billion. The investment return for the fiscal year was 19.68 percent. The second half of 2013 provided fiscal year 2014 with a nice start as global equity indices posted solid gains for the 3rd quarter of 2013 and the U.S. indices advanced across the board. The S&P 500 Index advanced 16.3 percent in the last half of 2013.

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 2014 Financial Market Recap

If I were going to sum up the third quarter of 2013, I would say that interest rates rose in anticipation of the Federal Reserve tapering its quantitative easing policy, that interest rates then rallied (went lower) after the Federal Reserve skipped the taper, and finally that the federal government shut down as the third quarter ended.

U.S. 10-Year Treasury Yield



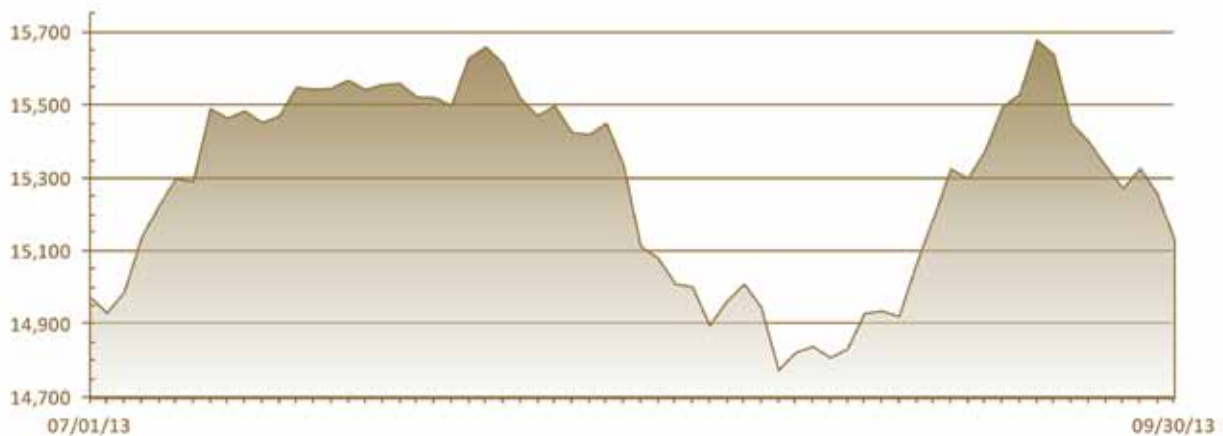


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Interest rates rose following the central bank’s decision to maintain rather than taper the pace of its asset purchase program. The markets were clearly expecting a taper in stimulus, but Federal Reserve Chairman Bernanke cited slow growth and the rapid rise in interest rates over the previous few months as contributing factors in the committee’s decision.

The third quarter also had a considerable degree of volatility, mostly in response to non-economic domestic developments. In July, events in Washington, D.C. began to heat up again. The national economic fiscal year ended on September 30, 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, which provided some assurance that the central bank will likely continue its accommodative monetary policies.

Dow Jones Industrial Average





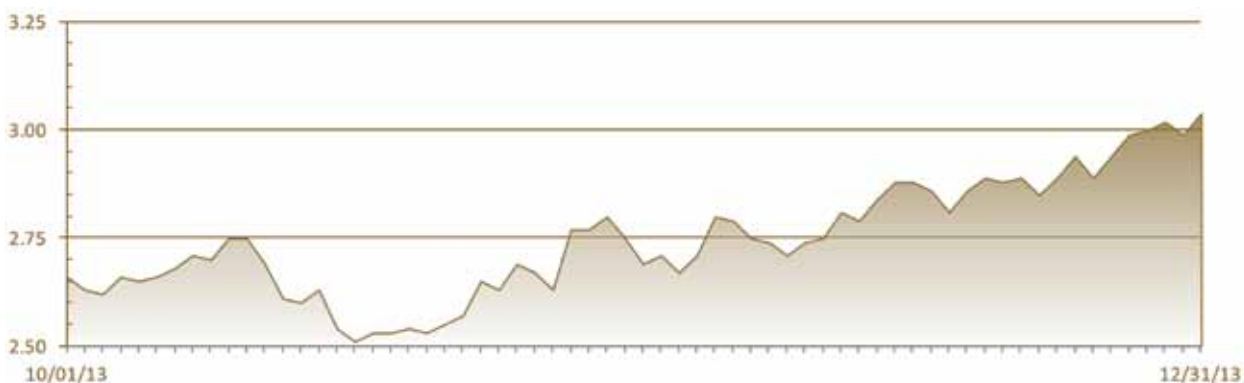


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In Europe, German Chancellor Angela Merkel won a third term, which is an important outcome for long term stability and preservation of the European Union. In Italy, the challenging path of recovery following the risk of a government collapse continued due to pressure by former Prime Minister Berlusconi’s party. Greece remained in the headlines when certain parliament members were arrested and the Troika (composed of the International Monetary Fund, the European Union, and the European Central Bank) announced the temporary suspension of negotiations over the release of rescue funds to the troubled country. In Japan, a consumption tax of 8 percent was levied (up from 5 percent), which was largely anticipated. Japan has shown much improved business conditions since the start of an aggressive stimulus package launched by Prime Minister Shinzo Abe. In conjunction with the announcement of the sales tax, the prime minister also unveiled a ¥5 trillion stimulus plan.

The fourth quarter of 2013 began on a strong note as the credit markets were supported by substantial global liquidity, strengthening U.S. economic data, and the excellent health of the issue base. Both stocks and bonds performed well, with the S&P 500 returning 10.5 percent for the quarter and the BAML High Yield Index delivering 3.5 percent for the quarter. The high yield sector was one of the best performers in the fixed income market with a total return of 7.4 percent for 2013. The benchmark 10-year U.S. Treasury note closed fiscal year 2013 at roughly 2.52 percent. It got as high as 3.04 percent on December 31, 2013.

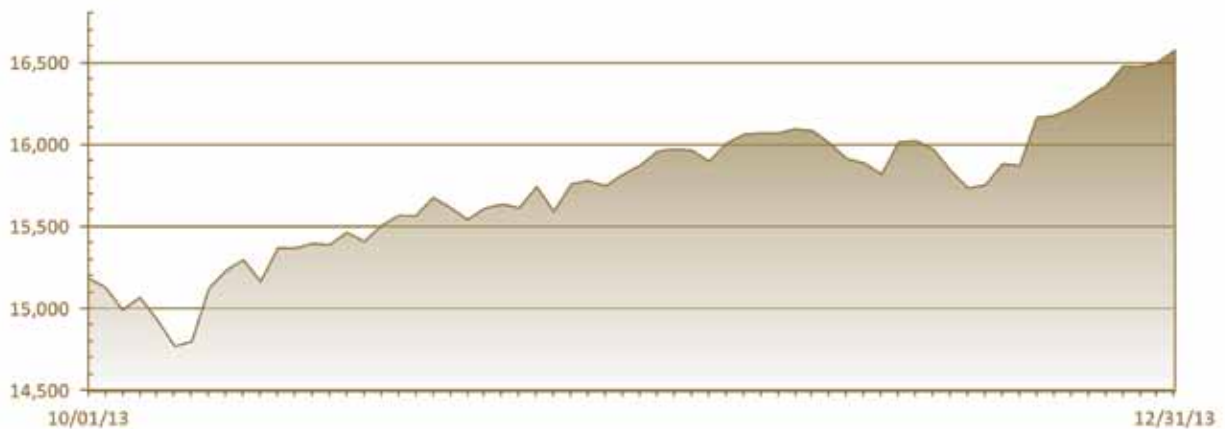
U.S. 10-Year Treasury Yield





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### Dow Jones Industrial Average



Slow and steady improvements in the labor market, along with the diminished downside posed by U.S. fiscal policy, gave the Fed confidence to announce a reduction in the asset purchase program beginning in January 2014. The Fed strengthened its forward guidance on short-term rates and reiterated that it remains “data dependent.” President Obama signed a bill in October to raise the debt ceiling and avert default. He subsequently signed a two-year bipartisan budget deal in late December, which shaves \$23 billion off the deficit and should minimize the risk of a government shutdown in the new year.

In Europe the de-leveraging process continued to make strides, and sovereign bond yields in the peripheral countries (Italy and Spain) reached multi-year lows. Low inflation data, tightening liquidity, and concerns about weak economic growth guided the ECB to cut its main refinancing rate by 25 bps to 0.25 percent. In China, the world’s second largest economy, growth did slow but still remained elevated relative to most other industrial countries. China is an important trading partner with the U.S., accounting for 14.5 percent of total trade of goods. Moreover, the U.S. exports roughly \$109 billion to China. Elsewhere around the globe, focus was on the economic slowdown in many of the emerging economies. GDP growth rates slowed from their previous robust levels, and inflationary pressures increased.



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The first quarter of 2014 saw the U.S. economy's growth trajectory slow. Outside the U.S., capital flows and a deterioration of investor confidence led to a devaluation of a number of emerging market currencies early in the quarter. Most of the volatility was relatively short lived. The exceptions were Ukraine and Russia, where political instability and the threat of war created uncomfortable tensions between the East and the West. The conflict remained unresolved by the end of the quarter.

Despite the tensions in the Ukraine, the financial markets discounted any further escalation. The S&P 500 Index rose 1.3 percent during the quarter, and high yield bonds climbed 3 percent. Short and intermediate U.S. Treasury securities did bounce off their lows in reaction to an exchange between new Fed Chairwoman Yellen and some reporters following her first Federal Open Market Committee meeting. A reporter asked if Ms. Yellen could define the "considerable period" between the end of the asset tapering and the first Fed Funds rate hike. Ms. Yellen responded, "something on the order of six months, or that type of thing." The Fed chairwoman went on to clarify that conditions in the labor market and inflation gauges would factor into the decision. The markets interpreted her statements as a shift in forward guidance with speculation that the first rate hike could occur as early as April 2015. As a result, the stock markets fell, and U.S. Treasury rates quickly moved higher. Later in the month, Ms. Yellen did soften her tone when she indicated that the central bank's stimulus would likely be required for some time.

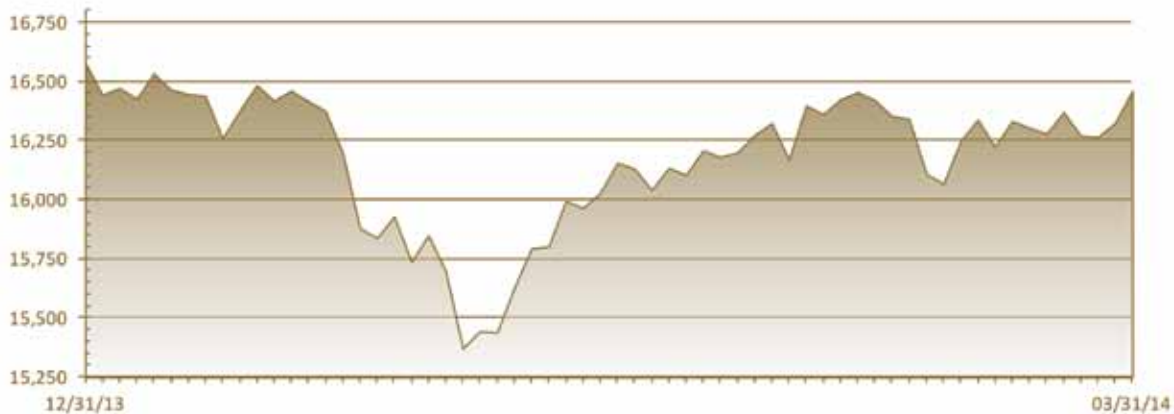
U.S. 10-Year Treasury Yield





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### Dow Jones Industrial Average



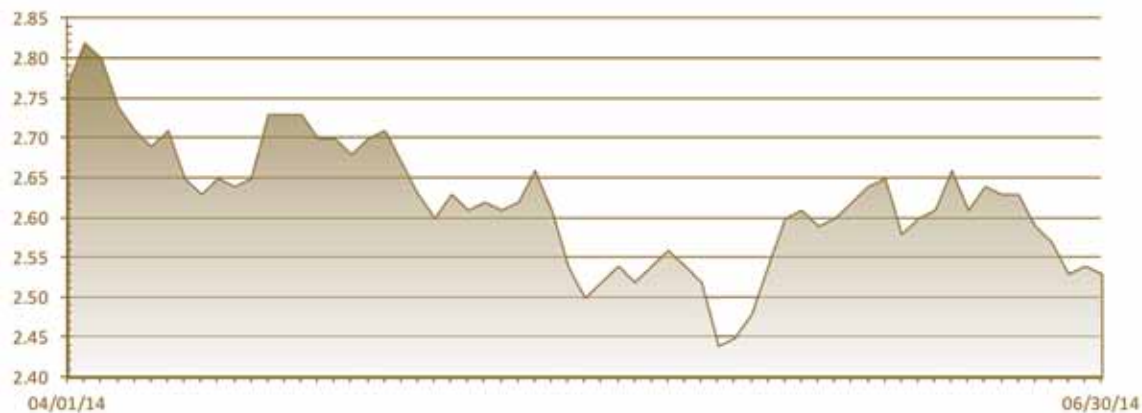
The second quarter of 2014 was just as unsettled in terms of geopolitics and economics, which was good for the fixed income markets. Data releases suggested that the U.S. economy continued to recover from the extremely harsh winter. However, the markets seemed increasingly focused on the weak first quarter GDP figure, which was revised lower, sending economists scrambling to reduce their 2014 growth projections. Conversely, the U.S. job market did post solid gains, and inflation readings did rise towards the Federal Reserve's 2 percent target over the first half of the year as the Fed modestly pulled forward its timetable for raising short-term interest rates.

Despite the increase in the inflation readings, bonds rallied (lower interest rates). The markets were concerned about a possible hard landing in China as well as the geopolitical events in the Middle East and Russia/Ukraine. Equities rallied and fixed income credit spreads compressed. The markets seemed to be able to either sail through or quickly recover from any disturbance. But will it continue going into fiscal year 2015? The bond markets seem to be repeating the 2004-2006 conundrum when long-term interest rates did not rise despite the Fed's 400 basis point rate hike cycle. Interest rates during that period remained range bound. Why are the bond markets repeating 2004-2006? The general hypothesis is simple: during economic recoveries the bond markets overreact to fears of Fed rate hikes. We saw it in 2004. We saw it again in the second half of 2013 as the bond markets responded to the Fed tapering its bond purchases. Long-term rates remained range bound.

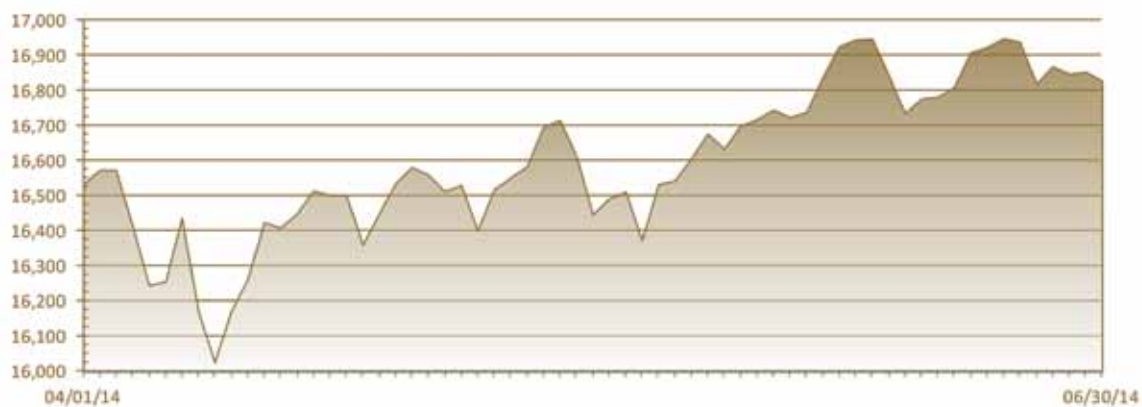


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### U.S. 10-Year Treasury Yield



### Dow Jones Industrial Average



As we began the 2015 fiscal year, the third quarter of 2014 presented some economic question marks surrounding the economic slowdown in China, the success or failure of Japan's Abenomics, and whether U.S. growth can continue accelerating.

Geopolitical events became a priority during the quarter with Western and Middle-Eastern countries coming to Iraq's aid with air strikes on Islamic State (IS). Hostilities continued in the Russia/Ukraine crisis as well amid rising sanctions from the West and signs of capital flight from Russia. Another important event was a management disjunction that cropped up at a major fixed income investment manager, which caused a sudden increase in outflows from its funds and added to uncertainty in the fixed income markets.



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As the quarter continued to progress, it became apparent that growth in the Eurozone economies had stalled. Adding to the situation, inflation and inflation expectations fell further below target, which set off alarm bells at the European Central Bank (ECB). By the end of the quarter, the ECB had cut interest rates and was designing an asset backed and covered bond purchase program to ease credit conditions, boost growth, and help move inflation back up to target. The Eurozone bond markets decisively pushed down core European government bond yields. German bunds, which historically are near similar interest rate levels as U.S. treasuries, rallied to interest rate levels more comparable to Japanese government bonds.

Growth in the U.S. has bumped along at a pace of roughly 2 percent. The unemployment rate has continued to decline, bringing it to the upper range of the Fed's long-term normal range of 5 percent to 6 percent. The Fed has continued to taper its purchase program. At each meeting this year, the Fed has modestly pulled forward its anticipated rate hike schedule.

### Conclusion

I would like to thank each member 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, appearing to read "Carlos Borromeo".

Carlos Borromeo  
Chief Investment Officer

## Investment Consultant's Report



Callan Associates Inc.  
120 North LaSalle Street  
Suite 2400  
Chicago, IL 60602



Main 312.346.3536  
Fax 312.346.1356

[www.callan.com](http://www.callan.com)

September 2, 2014

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, 2014.

### **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, 2014, returns were positive across both domestic equity, international equity and fixed income markets. The Russell 3000 Index, a broad-based U.S. equity index, had a 25.22% return for the year while the MSCI EAFE Index, an international index, was up 23.57%. Fixed income markets, as measured by the Barclays Capital Aggregate Index, rose 4.37% 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, 2014 are listed below:

	<b><u>Target</u></b>	<b><u>Actual</u></b>
Domestic Equity	37%	41%
International Equity	24%	26%
Domestic Fixed	18%	16%
Diversified Strategies	5%	5%
Real Assets	16%	12%

For fiscal year ended June 30, 2014, the total fund rate of return, including gains, losses and income was 19.68%. 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 14.26%. The return was above the actuarially assumed interest rate of 8%.

## Callan

2

At the beginning of the fiscal year, the assets of the fund totaled \$6.66 billion; at June 30, 2014, the Fund assets totaled \$7.80 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  
Senior Vice President



## Investment Policy Summary

### Investment Policies

The investment objective of the Arkansas Public Employees Retirement System (APERS) shall be:

1. to protect the APERS fund (the fund) so that its 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 - in a manner that is 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 four percent. 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 eight percent. 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 Allocation	Target	Lower and Upper
Equities	37%	32% - 42%
International Equities	24	19% - 29%
Fixed Income	18	13% - 23%
Diversified Strategies	5	0% - 10%
Real Assets	16	11% - 21%

The APERS Board of Trustees (the Board) shall review its asset allocation at least annually to determine if the asset allocation is consistent with an acceptable level of risk and volatility acceptable to the fund.

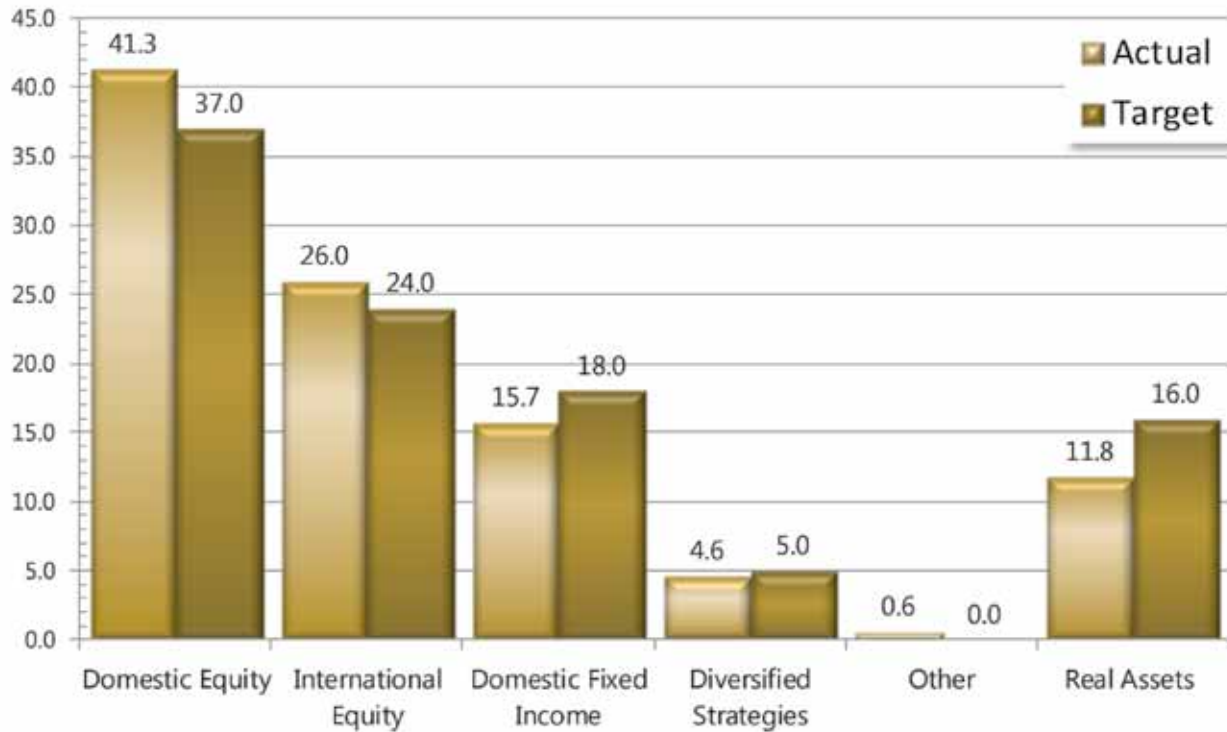
## Review of Investment Process

1. On a timely basis, at least twice a year, the Board will review actual results achieved by the investment managers (with a perspective toward a three to five-year period or a peak-to-peak or trough-to-trough market cycle) to determine whether their performance
  - a. followed APERS' investment philosophy and policy guidelines,
  - b. achieved the investment objectives, and
  - c. compared satisfactorily with the performance of other similarly managed funds.
2. In addition to reviewing each investment manager's results, the Board will periodically re-evaluate its progress in achieving its objectives for the total fund and its equity, fixed-income, and international equity segments.
3. The periodic re-evaluation will also consider the continuing appropriateness of
  - a. the manager structure,
  - b. the allocation of assets among the managers, and
  - c. the investment objectives for the fund's assets.
4. 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, 2014

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

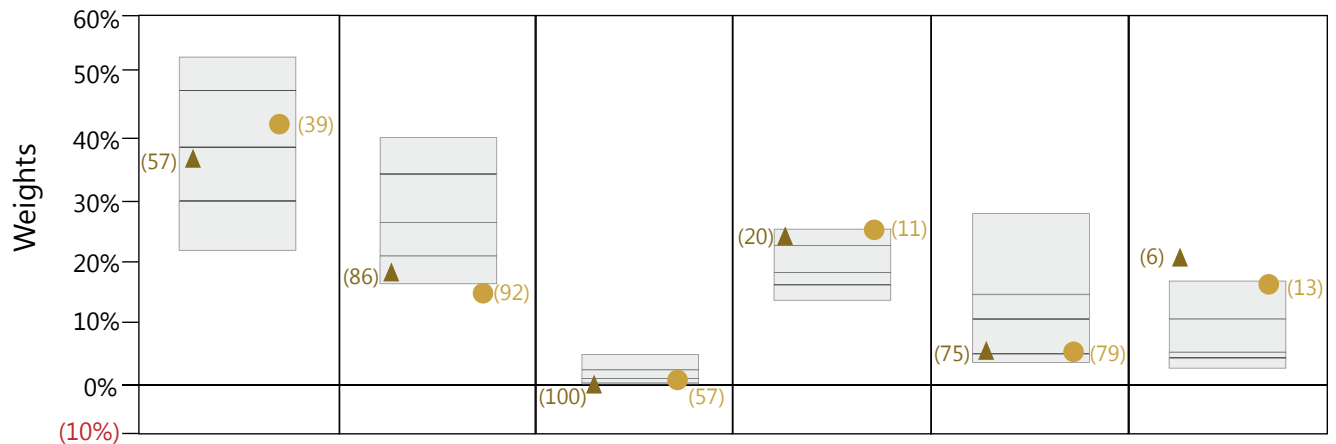


ASSET CLASS	\$000s			Actual		Difference	\$000s	
	Actual	APERS	ASPRS	Actual	Target		Difference	Difference
Domestic Equity	\$ 3,217,969	\$ 3,106,314	\$ 111,655	41.3%	37.0%	4.3%	\$ 331,861	
International Equity	2,026,410	1,956,098	70,311	26.0	24.0	2.0	154,340	
Domestic-Fixed Income	1,227,355	1,184,768	42,586	15.7	18.0	(2.3)	(176,697)	
Diversified Strategies	361,199	348,666	12,533	4.6	5.0	(0.4)	(28,815)	
Other	46,282	44,676	1,606	0.6	0.0	0.6	46,282	
Real Assets	921,076	889,116	31,959	11.8	16.0	(4.2)	(326,970)	
<b>Total</b>	<b>\$ 7,800,292</b>	<b>\$ 7,529,640</b>	<b>\$ 270,651</b>	<b>100.00%</b>	<b>100.00%</b>			

# INVESTMENTS

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

Asset Class Weights vs Public Fund Sponsor Database



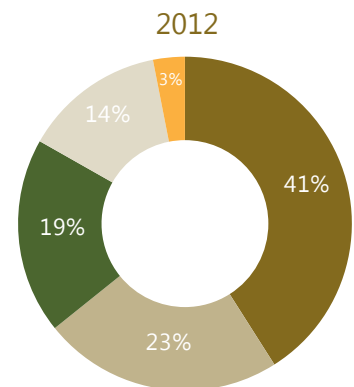
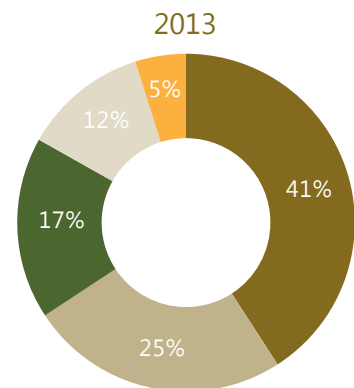
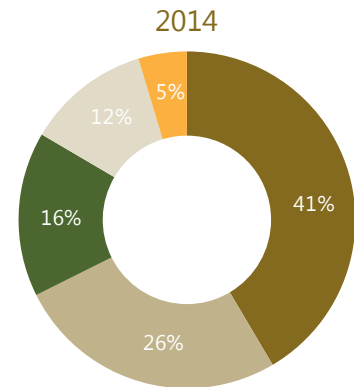
	Domestic Equity	Domestic Fixed-Income	Other	Intl Equity	Other Alternative	Real Assets
10th Percentile	52.34	40.74	4.11	26.13	24.15	12.55
25th Percentile	46.52	33.68	1.97	23.15	14.90	8.51
Median	38.25	27.78	0.84	18.02	10.26	4.84
75th Percentile	30.51	22.12	0.18	15.07	4.93	4.12
90th Percentile	21.98	16.73	0.03	11.09	3.44	2.59
Fund ●	41.25	15.73	0.59	25.98	4.63	11.81
Target ▲	37.00	18.00	0.00	24.00	5.00	16.00
% Group Invested	98.79%	97.58%	63.64%	96.36%	49.09%	4.24%

## Schedule of Manager Distribution

### APERS Manager Distribution as of June 30, 2014

Asset Allocation	Market Value (\$ Thousands)	Percent of Total	APERS
<b>DOMESTIC EQUITY; 41.25%</b>			
MCM S&P Index Fund	\$ 677,752,417	8.69%	\$ 654,236,109
CastleArk Management	398,464,064	5.11	384,638,361
Golden Capital Management	167,348,244	2.15	161,541,680
INTECH	348,432,598	4.47	336,342,861
Wellington Management Co.	304,644,376	3.91	294,073,981
Westwood Management	176,021,083	2.26	169,913,593
Lazard Asset Management	293,431,982	3.76	283,250,629
Lombardia Capital	172,104,428	2.21	166,132,836
SSI Investment Management	264,353,603	3.39	255,181,197
Horrell Capital Management	86,622,659	1.11	83,617,070
State Street Global Advisors	84,861,628	1.09	81,917,143
Stephens Inv. Management Group	243,932,037	3.13	235,468,208
	<b>\$ 3,217,969,119</b>	<b>41.25%</b>	<b>\$3,106,313,668</b>
<b>INTERNATIONAL EQUITY; 25.98%</b>			
Lazard Asset Management	\$ 412,667,283	5.29%	\$ 398,348,764
Artisan Partners	459,326,217	5.89	443,388,750
Baillie Gifford	372,752,876	4.78	359,819,287
Transition Account	4,495	0.00	4,339
Manning & Napier	380,663,285	4.88	367,455,224
Pyramis Global Advisors	400,995,959	5.14	387,082,406
	<b>\$ 2,026,410,115</b>	<b>25.98%</b>	<b>\$ 1,956,098,770</b>
<b>FIXED INCOME; 15.73%</b>			
MacKay Shields	\$ 818,307,381	11.53%	\$ 789,914,169
Prudential Investments	409,048,038	5.72	394,855,098
	<b>\$ 1,227,355,419</b>	<b>15.73%</b>	<b>\$ 1,184,769,267</b>
<b>REAL ASSETS; 11.81%</b>			
INVESCO Real Estate	\$ 293,258,205	3.76%	\$ 283,082,881
INVESCO GLOBAL REITS	153,219,722	1.96	147,903,382
TA Associates Realty	20,138,447	0.26	19,439,693
CastleArk Mgmt. - AR Energy Fund	85,013,944	1.09	82,064,174
CastleArk Mgmt. Global Energy Fund	179,702,249	2.30	173,467,032
Pinnacle Forest Investments	173,716,824	2.23	167,689,286
LaSalle Inc & Growth VI LP	16,026,940	0.21	15,470,845
	<b>\$ 921,076,331</b>	<b>11.81%</b>	<b>\$ 889,117,294</b>
<b>DIVERSIFIED STRATEGIES; 4.63%</b>			
AQR Capital	\$ 114,647,597	1.41%	\$ 110,669,613
Blackstone Alt. Asset Management	144,607,391	1.96	139,589,877
Newton Capital	101,944,265	1.42	98,407,055
	<b>\$ 361,199,253</b>	<b>4.63%</b>	<b>\$ 348,666,546</b>
<b>SHORT-TERM INVESTMENT FUND*</b>			
	<b>\$ 46,281,684</b>	<b>0.59%</b>	<b>\$ 38,404,414</b>
<b>COMPOSITE FUND</b>			
	<b>\$ 7,800,291,921</b>	<b>100.00%</b>	<b>\$ 7,523,369,958</b>

### Manager Distribution Historical Comparison



- Domestic Equity
- International Equity
- Fixed Income
- Real Assets
- Diversified Strategies

\* Includes National Timber Partners and UBS receivables.

Totals may not add due to rounding.

The APERS and ASPRS manager distribution - combined statement can be found on page 149.

# INVESTMENTS

## Portfolio Characteristics

As of June 30, 2014

	2014	2013
<b>SELECTED BOND CHARACTERISTICS</b>		
Yield to Maturity (Market)	2.98%	3.66%
Current Yield	4.22%	4.22%
Average Coupon Rate	4.38%	4.53%
Average Maturity	7.61 yrs.	7.35 yrs.
<b>QUALITY BREAKDOWN</b>		
AAA (Includes Govts. & Agencies)	29.70%	23.60%
AA	2.00%	2.80%
A	14.30%	14.30%
BAA	32.10%	27.70%
BA	11.10%	12.10%
B	6.60%	7.50%
CCC Below & NR	1.70%	1.50%
Cash*	2.50%	10.50%
<b>SELECTED STOCK CHARACTERISTICS</b>		
Average P/E Ratio	19.88x	17.47x
Estimated Earnings Growth Rate (Next 5 Years)	12.91%	12.11%
Current Yield	1.65%	1.78%

\* Includes short term investment fund

Source: Callan Associates Inc.

## Schedule of Comparative Investment Results

As of June 30, 2014

Fiscal Years Ended 2010 through 2014

	2014	2013	2012	2011	2010
<b>TOTAL FUND</b>					
Arkansas Public Employees Retirement System	19.68%	15.58%	(0.17)%	26.00%	11.95%
Callan Total Public Fund Median	16.11	11.95	1.22	20.86	12.91
Inflation (Consumer Price Index)	2.04	1.75	1.58	4.06	1.36
<b>EQUITIES</b>					
Arkansas Public Employees Retirement System	24.48%	20.99%	2.30%	33.64%	15.69%
Callan Total Equity Database Median	25.29	22.83	0.46	34.22	16.87
Russell 3000 Index	25.22	21.46	3.84	32.37	15.72
<b>INTERNATIONAL EQUITIES</b>					
Arkansas Public Employees Retirement System	24.42%	20.88%	(12.75)%	33.62%	7.04%
Callan Total Non-U.S. Equities Database Median	22.88	18.67	(12.48)	31.71	8.99
MSCI-EAFE Index	23.57	18.62	(13.83)	30.36	5.92
<b>FIXED INCOME</b>					
Arkansas Public Employees Retirement System	7.03%	3.51%	8.07%	8.15%	15.19%
Callan Total Fixed Income Database Median	5.37	0.90	7.31	5.00	11.49
Barclays Capital Aggregate Index	4.37	(0.69)	7.47	3.90	9.50

# INVESTMENTS

## Schedule of Comparative Investment Results

As of June 30, 2014

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

	2014	Annualized 3-Year	5-Year
<b>TOTAL FUND</b>			
Arkansas Public Employees Retirement System	19.68%	11.36%	14.26%
Callan Total Public Fund Median	16.11	9.70	12.54
Inflation (Consumer Price Index)	2.04	1.79	2.15
<b>EQUITIES</b>			
Arkansas Public Employees Retirement System	24.48%	15.50%	18.96%
Callan Total Equity Database Median	25.29	16.15	19.91
Russell 3000 Index	25.22	16.46	19.33
<b>INTERNATIONAL EQUITIES</b>			
Arkansas Public Employees Retirement System	24.43%	9.48%	13.42%
Callan Total Non-U.S. Equities Database Median	22.88	8.58	13.07
MSCI-EAFE Index	23.57	8.10	11.77
<b>FIXED INCOME</b>			
Arkansas Public Employees Retirement System	7.03%	6.19%	8.33%
Callan Total Fixed Income Database Median	5.37	4.63	6.22
Barclays Capital Aggregate Index	4.37	3.66	4.85

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, 2014

DOMESTIC FIXED INCOME HOLDINGS	Par	Market Value	APERS
U.S. Treasury Note 0.75% 03/31/2018	23,990,000	\$ 23,570,175	\$ 22,752,349
U.S. Treasury Bond 2.875% 05/15/2043	25,475,000	23,277,781	22,470,100
U.S. Treasury Note 2.50% 05/15/2024	19,240,000	19,212,872	18,546,234
U.S. Treasury CPI Inflation 1.125% 01/15/2021	10,294,485	11,150,986	10,764,075
Countrywide Financial Corp. 6.25% 05/15/2016	9,455,000	10,317,485	9,959,494
U.S. Treasury Note 3.625% 08/15/2019	9,345,000	10,259,034	9,903,071
3-Month Euribor Variable Rate 01/25/2025	7,547,785	7,548,250	7,286,345
U.S. Treasury Note 2.50% 08/15/2023	7,295,000	7,338,332	7,083,710
Prudential Financial Inc. 7.375% 06/15/2019	5,400,000	6,687,360	6,455,325
3-Month Euribor Variable Rate 01/17/2015	6,299,918	6,300,306	6,081,701
<b>TOTAL</b>		<b>\$ 125,662,581</b>	<b>\$ 121,302,405</b>

DOMESTIC EQUITY HOLDINGS	Shares	Market Value	APERS
Apple Inc.	491,763	\$ 45,699,536	\$ 44,113,877
Union Pacific Corp.	304,624	30,386,244	29,331,918
Pfizer Inc.	799,817	23,738,569	22,914,900
Intel Corp.	644,770	19,923,393	19,232,101
Merck & Co. Inc.	333,240	19,277,934	18,609,038
Citigroup Inc.	402,375	18,951,863	18,294,281
Exxon Mobil Corp.	180,706	18,193,480	17,562,212
Advanced Auto Parts Inc.	132,436	17,868,265	17,248,281
Visa Inc.	84,325	17,768,121	17,151,612
Home Depot Inc.	213,941	17,320,663	16,719,679
<b>TOTAL</b>		<b>\$ 229,128,068</b>	<b>\$ 221,177,899</b>

INTERNATIONAL EQUITY HOLDINGS	Shares	Market Value	APERS
Tesco PLC	5,336,326	\$ 25,931,309	\$ 25,031,558
Novartis AG	267,936	24,261,683	23,419,863
Compass Group	1,331,562	23,154,764	22,351,352
Carlsberg	192,275	20,709,852	19,991,272
Baidu Inc.	104,138	19,454,020	18,779,014
Lloyds banking Group PLC	14,935,523	18,961,597	18,303,677
Samsung Electronics Co. Ltd.	14,504	18,950,677	18,293,136
Kao Corp.	446,600	17,576,568	16,966,705
Reed Elsevier	1,078,686	17,337,278	16,735,718
TE Connectivity Ltd.	266,366	16,472,073	15,900,533
<b>TOTAL</b>		<b>\$ 202,809,821</b>	<b>\$ 195,772,829</b>

\*By market value.

Totals may not add due to rounding.

The APERS and ASPRS ten largest holdings - combined statement can be found on page 150.

# INVESTMENTS

## Schedule of Brokerage Commissions

As of June 30, 2014

BROKERAGE FIRM	Number of Shares Traded	Total Commission	Commission Per Share	APERS
Credit Suisse First Boston	5,304,197	\$ 153,123	\$ 0.03	\$ 147,810
Instinet Corp.	4,971,851	145,186	0.03	140,148
J.P. Morgan Securities Inc.	2,269,931	136,596	0.06	131,856
Jefferies & Co.	4,600,497	119,544	0.03	115,396
Deutsche Bank Securities Inc.	4,250,048	116,483	0.03	112,442
Citigroup Global Markets Inc.	3,038,415	115,035	0.04	111,044
UBS Securities LLC	3,561,051	113,432	0.03	109,497
Investment Technology Group	3,812,522	99,267	0.03	95,822
Goldman Sachs & Co.	4,097,421	95,194	0.02	91,891
Barclays Capital Inc.	2,657,793	89,693	0.03	86,580
William Blair & Co.	2,494,966	86,703	0.03	83,694
Liquidnet Inc.	3,068,486	85,328	0.03	82,368
Rosenblatt Securities Corp.	2,489,077	77,772	0.03	75,073
ISI Group Inc.	2,139,650	76,138	0.04	73,496
Merrill Lynch Pierce Fenner Smith Inc.	3,052,322	75,788	0.02	73,159
Simmons & Co. Int'l	1,788,532	66,079	0.04	63,786
Morgan Stanley & Co. Inc.	2,017,030	64,733	0.03	62,487
Bloomberg Tradebook LLC	1,768,550	63,962	0.04	61,743
Capital Institutional Services Inc.	2,244,595	59,454	0.03	57,391
Sanford C. Bernstein & Co.	2,381,039	52,984	0.02	51,146
Pickering Energy Partners, Inc.	1,339,325	52,101	0.04	50,293
Piper Jaffray & Co.	1,453,778	49,629	0.03	47,907
Robert W. Baird & Co. Inc.	1,173,553	43,748	0.04	42,230
Stifel Nicolaus & Co.	1,088,044	42,489	0.04	41,014
Scotia Capital (USA) Inc.	1,045,407	38,949	0.04	37,597
Others (including 95 brokerage firms)	22,573,573	688,363	0.03	664,478
	<u>90,681,653</u>	<u>\$ 2,807,771</u>	<u>\$ 0.03</u>	<u>\$ 2,710,348</u>

Totals may not add due to rounding.

The APERS and ASPRS brokerage commissions - combined statement can be found on page 151.

## Schedule of Investment Fees

As of June 30, 2014

	Market Value	Fee	Basis Points	APERS Market Value	Fee
<b>EQUITIES</b>					
SSI Investment Mgmt. - Convertible Securities	\$ 264,353,603	\$ 996,904	40	\$ 255,181,197	\$ 962,321
Lazard Asset Mgmt. - Value	293,431,982	826,371	30	283,250,629	797,704
Golden Capital Mgmt. - Growth	167,348,244	349,265	23	161,541,680	337,148
Westwood Mgmt. - SMID Cap	176,021,083	1,031,960	25	169,913,593	996,161
MCM S&P 500 Index Fund	677,752,417	142,604	4	654,236,109	137,657
INTECH - Growth	348,432,598	1,377,200	48	336,342,861	1,329,425
CastleArk Mgmt. - Growth	398,464,064	1,273,975	35	384,638,361	1,229,781
Wellington Mgmt. Co. - Value	304,644,376	861,257	30	294,073,981	831,379
Stephens Investment Mgmt. - Growth	243,932,037	1,690,043	77	235,468,208	1,631,415
State Street Global Advisors - 130/30	84,861,628	370,638	50	81,917,143	357,780
Lombardia Capital - Small Cap	172,104,428	1,122,265	70	166,132,836	1,083,333
Horrell Capital Mgmt.-AR Index Fund	86,622,659	210,520	27	83,617,070	203,217
Lazard Asset Mgmt. - Int'l Equity	412,667,283	1,229,998	65	398,348,764	1,187,329
Manning & Napier Advisors - Int'l Equity	380,663,285	1,862,457	50	367,455,224	1,797,847
Pyramis Global Advisors - Int'l Equity	400,995,959	1,121,102	20	387,082,406	1,082,211
Baillie Gifford - Int'l Equity	372,752,876	975,003	44	359,819,287	941,173
MCM EB ACWI ex-U.S. index Fund ***	0	84,959	6	0	82,013
Artisan Partners - Int'l Equity	459,326,217	2,353,386	55	443,388,750	2,271,746
	<u>\$ 5,244,374,739</u>	<u>\$ 17,879,907</u>		<u>\$ 5,062,408,099</u>	<u>\$ 17,259,640</u>
<b>DIVERSIFIED STRATEGIES</b>					
AQR Capital	\$ 114,647,597	\$ 694,146	72	\$ 110,669,613	\$ 669,890
Blackstone Alternative Asset Mgmt.	144,607,391	1,396,449	100	139,589,877	1,348,086
Newton Capital	101,944,265	625,659	70	98,407,055	603,954
<b>TOTAL DIVERSIFIED STRATEGIES</b>	<u>\$ 361,199,253</u>	<u>\$ 2,716,254</u>		<u>\$ 348,666,546</u>	<u>\$ 2,621,930</u>
<b>FIXED INCOME</b>					
MacKay Shields - Core Plus I	\$ 401,080,796	\$ 770,103	20	\$ 387,164,299	\$ 743,388
MacKay Shields - Core Plus II	417,226,585	601,053	15	402,749,870	580,202
Prudential Investments - Core Plus	409,048,038	782,271	20	394,855,098	755,134
<b>TOTAL FIXED INCOME</b>	<u>\$ 1,227,355,419</u>	<u>\$ 2,153,427</u>		<u>\$ 1,184,769,267</u>	<u>\$ 2,078,724</u>
<b>REAL ASSETS</b>					
INVESCO Real Estate - Core & Global REITS	\$ 446,477,927	\$ 1,935,297	65	\$ 430,986,264	\$ 1,868,200
TA Associates Realty	20,138,447	319,919		19,439,693	308,824
LaSalle Inc & Growth VI LP	16,026,940	688,224		15,470,845	664,385
CastleArk Mgmt. - AR Energy Fund	85,013,944	942,408	125	82,064,174	909,715
CastleArk Mgmt. - Global Energy Fund	179,702,249	1,353,835	100	173,467,032	1,306,870
Pinnacle Forest Investments - Timberland	173,716,824	1,445,811	90	167,689,286	1,395,674
<b>TOTAL ALTERNATIVES</b>	<u>\$ 921,076,331</u>	<u>\$ 6,685,494</u>		<u>\$ 889,117,294</u>	<u>\$ 6,453,667</u>
<b>OTHER INVESTMENT SERVICES</b>					
Bank of New York Mellon (Custodian)		\$ 596,092			\$ 575,412
Callan Associates (Consultant)		247,470			238,895
<b>TOTAL OTHER SERVICES</b>		<u>843,562</u>			<u>814,307</u>
<b>TOTAL INVESTMENT SERVICE FEES</b>		<u>\$ 30,278,644</u>			<u>\$ 29,228,269</u>

\*\*\* Terminated Manager

The APERS and ASPRS investment fees - combined statement can be found on page 152.

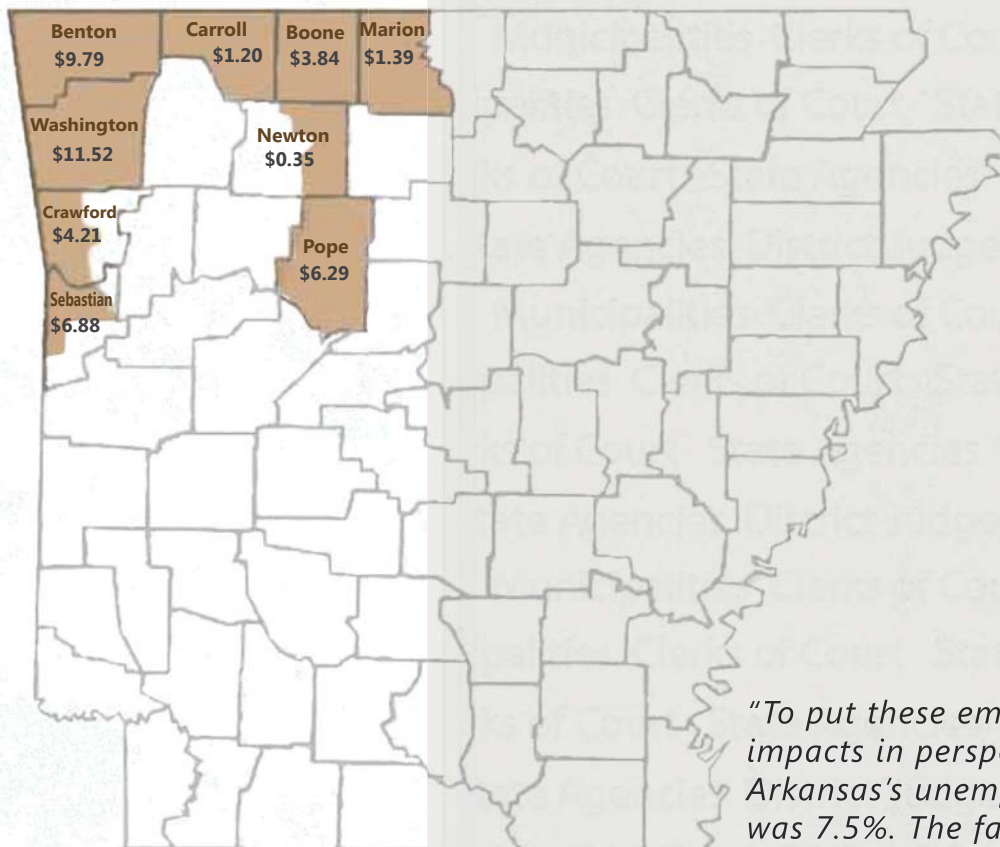
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## District III

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

In 2014, the number of retirees in District III was 3,704.

In 2014, the amount of benefits paid out to retirees in District III was \$45,488,274.



(The figures shown are benefits paid by county in millions of dollars)  
As of June 30, 2014

*"To put these employment impacts in perspective, in 2012 Arkansas's unemployment rate was 7.5%. The fact that DB pension expenditures supported 17,395 jobs is significant, as it represents 1.3 percentage points in Arkansas's labor force."*

*"Taxes attributable to direct, indirect and induced impacts accounted for \$272.7 million in tax revenue."*

# Actuarial Section

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## Actuary's Certificate Letter



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November 17, 2014

The Board of Trustees  
Arkansas Public Employees Retirement System  
Little Rock, Arkansas

Dear Board Members:

*The basic financial objective of the Arkansas Public Employees Retirement System (APERS) as provided in the Arkansas Code is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Arkansas citizens and when combined with present assets and future investment return will be sufficient to meet the financial obligations of APERS to present and future benefit recipients.* The 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, 2014. The purpose of the June 30, 2014 annual actuarial valuation was to determine the contribution requirements for the year beginning July 1, 2015 (July 1, 2014 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 Governmental Accounting Standards Board (GASB) Statement No. 27. The actuarial valuation report 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, 2014. In addition, a separate report will be issued subsequent to the date of this letter to provide actuarial information for GASB Statement No. 67.

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 valuation report and GASB Statement No. 67 report contain the following supporting schedules for use in the Actuarial and Financial Sections of 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

The Board of Trustees  
 November 17, 2014  
 Page 2

**Financial Section**

- Schedule of Funding Progress
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of the Net Pension Liability
- Schedule of Contributions
- Notes to Schedule of Contributions

For actuarial valuation purposes, 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 the Actuarial Standards of Practice. 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, 2014 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, 2014 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 opinion contained herein.

Respectfully submitted,



Mita D. Drazilov, ASA, MAAA



David L. Hoffman

MDD:mdd

Gabriel Roeder Smith & Company



## Summary of Actuarial Assumptions

### ECONOMIC ASSUMPTIONS

**The investment return rate** used in making the valuation was 7.75% 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 3.75%, the 7.75% investment return rate translates to an assumed net real rate of return of 4.0%. This assumption was first used for the June 30, 2014 valuation and for the District Judges division for the June 30, 2014 valuation.

**Pay increase assumptions** for individual active members are shown on pages E-8 and E-10. Part of the assumption for each age is for a merit and/or seniority increase, and the other 3.75% recognizes wage inflation. These assumptions were first used for the June 30, 2014 valuation and for the District Judges division for the June 30, 2014 valuation.

**Total active member payroll** is assumed to increase 3.75% 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, 2014 valuation and for the District Judges division for the June 30, 2014 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 E-3. Based upon the experience observed during the most recent experience study, it appears that at the time of the study 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 pages E-4 through E-7. 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 pages E-8 through E-10. 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, 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, 2014
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	23 year closed
Asset Valuation Method	4-Year Smoothed Market with 25% Corridor
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increase	3.75% - 10.35%
Including Inflation at	3.75%
Cost-of-Living Adjustments	3.0% Annual Compounded Increase
	<u>Numbers</u>
Retirees and Beneficiaries Receiving Benefits	31,914
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	13,514
Active Plan Members	45,841
<b>TOTAL</b>	<b>91,269</b>
# Includes DROP participants.	

## 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	\$148.79	\$151.36	\$213.63	\$220.62	40.56	44.21
45	144.51	147.87	202.83	211.12	35.81	39.39
50	138.75	143.19	189.86	199.70	31.13	34.64
55	131.27	136.95	174.68	186.08	26.58	29.98
60	121.95	128.83	157.43	170.13	22.23	25.44
65	110.72	118.82	138.40	152.20	18.14	21.14
70	97.36	107.05	117.68	132.83	14.35	17.16
75	82.38	93.70	96.25	112.51	10.95	13.56
80	66.49	78.92	75.15	91.71	8.02	10.35
85	50.66	63.41	55.53	71.45	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 mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

State and Local Government Division

Separations from Active Employment Before Service Retirement  
As of June 30, 2014

Sample Ages	Years of Service	Percent of Active Members Separating Within the Next Year						Pay Increase Assumptions For An Individual Employee		
		Withdrawal		Death		Disability		Merit & Seniority	Base (Economy)	Increase Next Year
		Men	Women	Men	Women	Men	Women			
	0	40.0%	40.0%							
	1	25.0	25.0							
	2	20.0	20.0							
	3	15.0	15.0							
	4	12.0	12.0							
20	5+	10.0	10.0	0.02%	0.01%	0.01%	0.01%	6.60%	3.75%	10.35%
25		10.0	10.0	0.02	0.01	0.05	0.05	5.10	3.75	8.85
30		8.8	8.8	0.03	0.01	0.08	0.08	3.20	3.75	6.95
35		6.2	6.2	0.04	0.02	0.10	0.10	2.30	3.75	6.05
40		4.4	4.4	0.06	0.03	0.15	0.15	1.90	3.75	5.65
45		3.4	3.4	0.08	0.05	0.20	0.20	1.50	3.75	5.25
50		2.7	2.7	0.13	0.08	0.40	0.40	1.10	3.75	4.85
55		1.9	1.9	0.22	0.12	0.70	0.70	0.80	3.75	4.55
60		1.2	1.2	0.37	0.21	1.00	1.00	0.70	3.75	4.45

Pay increase rates are age based only, and not service based.

## State and Local Probabilities of Retirement for Members Eligible to Retire

Percentage of Eligible Active Members Retiring Within Next Year  
As of June 30, 2014

Retirement Ages (with less than 28 years of service)	Percentage of Eligible Active Members Retiring Within Next Year		Service	Percentage 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

As of June 30, 2014

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

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.

## 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; and
- 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: June 30	(1) Active Member Contributions	(2) Retirees and Benefits	(3) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	Total
<b>STATE DIVISION (Including sub-divisions)</b>								
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
<b>LOCAL GOVERNMENT DIVISION</b>								
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
<b>STATE AND LOCAL GOVERNMENT DIVISION</b>								
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
2014@	176.3	4,246.7	4,440.6	6,894.9	100	100	56	78

# 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.**

	Total (\$ in millions)
1. UAAL* at Beginning of Year	\$ 2,124.8
2. Normal Cost from Last Valuation	121.0
3. Actual Employer Contributions	262.3
4. Interest Accrual: $[(1) + \frac{1}{2}[(2) - (3)]] \times .080$	164.3
5. Expected UAAL Before Changes: (1) + (2) - (3) + (4)	2,147.8
6. Increase from Benefit Changes	0.0
7. Changes from Revised Actuarial Assumptions and Methods	209.0
8. New Entrant Liabilities	37.2
9. Expected UAAL After Changes: (5) + (6) + (7) + (8)	2,394.0
10. Actual UAAL at End of Year	1,968.8
11. Gain/(Loss): (9) - (10)	<u>\$ 425.2</u>

\* Unfunded actuarial accrued liability

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

Type of Risk Area	Total (\$ in millions)	% of Accrued Liabilities
<b>ECONOMIC RISK AREAS</b>		
<b>Pay Increases.</b> If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	\$ 86.7	1.0%
<b>Investment Return.</b> If there is greater investment return than assumed, there is a gain. If less return, a loss	351.3	4.0
<b>NON-ECONOMIC RISK AREAS</b>		
<b>Non-Casualty Retirements.</b> 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.	13.4	0.2
<b>Disability Retirements.</b> If there are fewer disabilities than assumed, there is a gain. If more, a loss.	0.9	0.0
<b>Death-in-Service Benefits.</b> If there are fewer claims than assumed, there is a gain. If more, a loss.	(0.3)	0.0
<b>Withdrawal.</b> If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	5.6	0.1
<b>TOTAL ACTIVE MEMBER ACTUARIAL GAINS/(LOSSES)</b>		
<b>Retired Life Mortality.</b>	39.9	0.5
<b>Other.</b> Includes data adjustments at retirement, timing of financial transactions, and miscellaneous unidentified sources.	(72.3)	(0.8)
<b>TOTAL ACTUARIAL GAINS/(LOSSES)</b>	\$ 425.2	5.0%

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

**With a 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.

#### Final Average Compensation (FAC)

Average of highest 36 calendar months of covered compensation.

Average of highest 36 calendar months of covered compensation.

New Contributory Plan

Non-Contributory Plan

**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.

**Vested Retirement Benefits**

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

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

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

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

**New Contributory Plan**

**Non-Contributory Plan**

**Total and Permanent Disability**

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

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

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

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

**Death after Retirement**

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

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.

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.

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.

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).

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.

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)	
General Assembly	2-1/2 times regular rate with 5 years actual service required to meet benefit eligibility.
Other Elected Public Officials (municipal and county officials)	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.
All Other Members	2 times regular rate with 5 years actual service required to meet benefit eligibility.
	Regular rate.

**Arkansas Public Employees Deferred Retirement Option Plan**

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

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

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

Employer contributions continue for members participating in the DROP.

## District Judges Actuarial Information

### Actuarial Methods and Assumptions - District Judges

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, 2014
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	14-year closed (New Plan and Paid Off Old Plan) 21-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	7.75%
Projected Salary Increases Including Inflation at	3.75% - 7.71%
Cost-of-Living Adjustments	0.00%
	3.0% Annual Compounded Increase on benefits for service after January 1, 2005

	Numbers
Retirees and Beneficiaries Receiving Benefits	102
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	105
Current Active Plan Members	44
<b>TOTAL</b>	<b>251</b>



Separations from Active Employment Before Service Retirement - District Judges  
As of June 30, 2014

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%	3.75%	6.45%
25	2.0	2.0	0.08	0.08	2.60	3.75	6.35
30	2.0	2.0	0.08	0.08	2.20	3.75	5.95
35	2.0	2.0	0.08	0.08	1.90	3.75	5.65
40	2.0	2.0	0.20	0.20	1.40	3.75	5.15
45	2.0	2.0	0.27	0.27	1.20	3.75	4.95
50	2.0	2.0	0.49	0.49	0.70	3.75	4.45
55	2.0	2.0	0.89	0.89	0.70	3.75	4.45
60	2.0	2.0	1.41	1.41	0.00	3.75	3.75

## Probabilities of Retirement for Members Eligible to Retire - District Judges Division

Retirement Ages	Percentage 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

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.

Analysis of Experience - District Judges

	New Plan and Paid Off Old Plan	Still Paying Old Plan	Total
1. UAAL* at Beginning of Year	\$ 2,901,782	\$ 9,831,391	\$ 12,733,173
2. Normal Cost from Last Valuation	631,861	0	631,861
3. Actual Contributions	935,222	969,681	1,904,903
4. Interest Accrual: $[(1) + \frac{1}{2}[(2) - (3)]] \times .080$	220,008	747,724	967,732
5. Expected UAAL Before Changes: (1) + (2) - (3) + (4)	2,818,429	9,609,434	12,427,863
6. Increase from Benefit Changes	0	0	0
7. Changes from Revised Actuarial Assumptions and Methods	360,021	257,869	617,890
8. Expected UAAL After Changes: (5) + (6) + (7)	3,178,450	9,867,303	13,045,753
9. Actual UAAL at End of Year	2,212,071	9,230,192	11,442,263
10. Gain/(Loss): (8) - (9)	<u>\$ 966,379</u>	<u>\$ 637,111</u>	<u>\$ 1,603,490</u>

\* Unfunded actuarial accrued liability.

## Summary 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

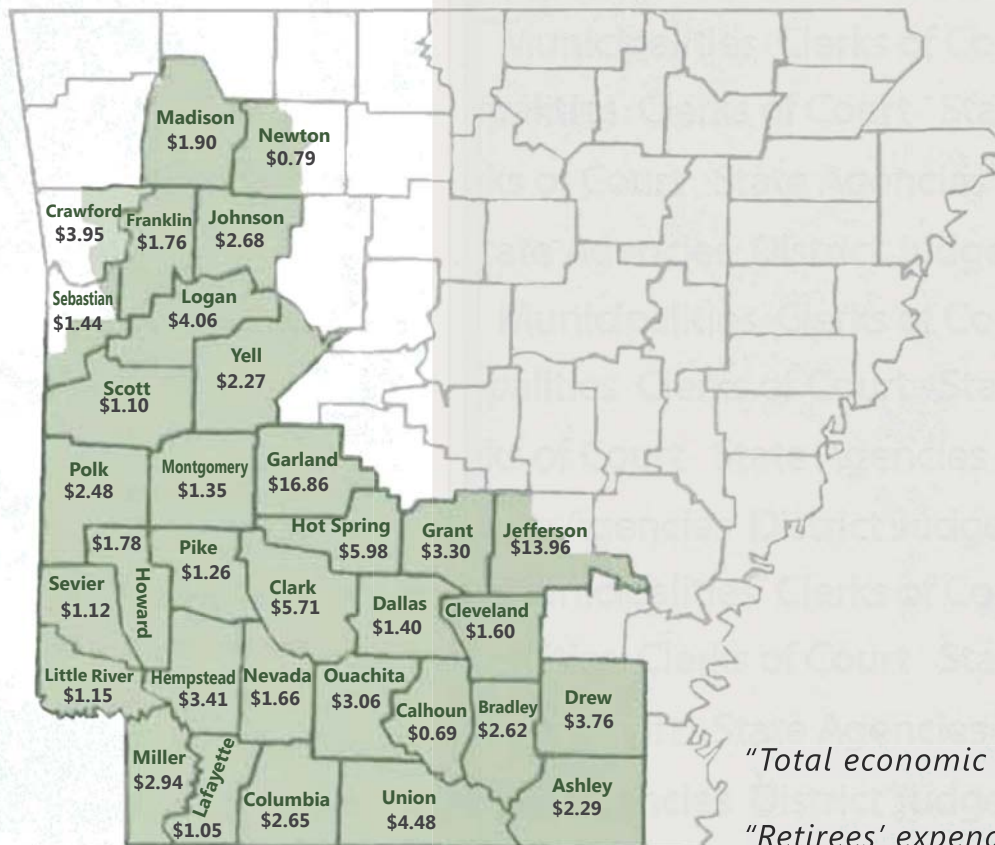
A member of the General Assembly may, at any time, elect either (i) to be covered by regular benefit provisions, or (ii) to discontinue an APERS membership.

## District IV

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

In 2014, the number of retirees in District IV was 8,576.

In 2014, the amount of benefits paid out to retirees in District IV was \$106,328,179.



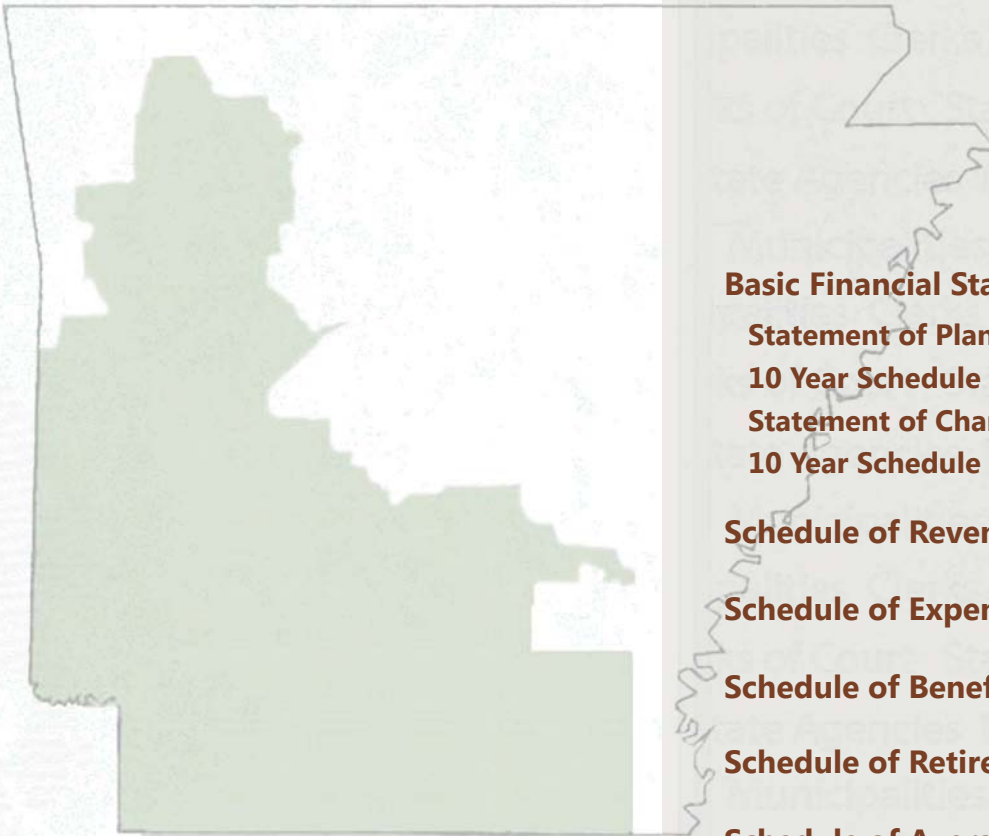
(The figures shown are benefits paid by county in millions of dollars)  
As of June 30, 2014

*"Total economic impact: \$2.5 billion"*

*"Retirees' expenditures. . . supported a total of \$2.5 billion in total economic output in the state, and \$1.3 billion in value added in the state."*

*"Between 1993 and 2012. . . 60.29% of Arkansas's pension fund receipts came from investment earnings."*

# 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 Revenues by Source**

**Schedule of Expenses by Type**

**Schedule of Benefit Expenses by Type**

**Schedule of Retired Members by Type of Benefit**

**Schedule of Average Benefit Payments**

**Statistical Graphs**

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## Basic Financial Statements - STATEMENT OF PLAN NET POSITION - 10 YEAR SCHEDULE

	2014	2013	2012
<b>ASSETS</b>			
Cash and Cash Equivalents	\$212,880,111	\$197,005,448	\$177,086,939
Securities Lending Collateral Investments in Cash Equivalents	0	0	0
<b>Receivables</b>			
Dec 2004 Actuarial Liability Receivable	9,612,705	10,145,451	10,313,641
Contributions	4,111,079	4,026,944	3,122,202
Investment Principal Receivable	38,741,350	19,706,894	19,366,624
Accrued Investment Income Receivable	32,846,584	19,891,358	16,065,808
Other Receivables	0	843,783	840,687
<b>Total Receivables</b>	<b>85,311,719</b>	<b>54,614,430</b>	<b>49,708,962</b>
<b>Investments At Fair Value</b>			
<b>Government Securities</b>			
U.S. Government Securities	126,810,589	103,365,196	84,322,856
Futures	290,751	633,126	(315,569)
Government Agency Securities	116,887,114	135,034,237	153,440,708
<b>Corporate Securities:</b>			
Collateralized Obligations	164,723,838	166,864,026	177,548,338
Corporate Bonds	553,666,403	492,099,617	505,472,866
Convertible Bonds	211,537,280	170,566,983	150,231,542
Convertible Preferred Stock	41,420,248	39,474,969	38,337,186
Common Stock	2,522,287,242	2,038,116,530	1,810,412,751
Equity Index Funds	648,733,806	551,082,519	469,596,060
Equity Commingled	81,917,142	64,776,089	53,821,018
High Yield Income Fund	60,544,471	55,765,901	51,017,497
Options	0	0	0
<b>International Securities</b>			
Global Fixed Income Fund	9,740,932	10,770,871	1,232,473
Government Fixed Obligations	49,192,340	0	0
Corporate Fixed Income	1,175,864,056	36,101,993	9,200,336
Equity Securities	724,622,479	715,367,311	592,247,709
Equity Pooled Fund Units	0	610,149,121	880,417,052
Global Equity Index Funds	0	296,199,571	0
Global Collateralized Obligations	1,055,030	5,481,114	6,841,714
Emerging Markets	32,873,981	26,175,846	20,049,577
Emerging Markets Collateralized Obligations	197,328	235,133	0
Forward Contracts	(188,150)	785,881	137,066
Interest Rate Swaps	(18,837)	4,238	(42,893)
Real Estate	315,211,143	259,578,181	224,390,805
Diversified Strategies	250,259,491	217,372,992	0
Timberland	167,689,287	204,819,735	267,475,739
Municipal Bonds	8,424,105	5,167,044	5,184,736
Commercial Loans	21,619,217	21,572,758	18,452,665
<b>Total Investments</b>	<b>7,285,361,286</b>	<b>6,227,560,982</b>	<b>5,519,472,231</b>
<b>Securities Lending Collateral Investments, At Fair Value</b>			
Repurchase Agreements	175,342,583	131,976,556	125,979,775
Asset Backed Floating Rate Notes	174,398,971	105,713,712	94,209,913
U.S. Agencies	0	11,103,225	5,980,790
U.S. Governments	0	0	9,689,267
Certificates of Deposit	33,883,375	43,061,345	59,482,209
Commercial Paper	50,374,214	70,407,711	38,754,223
Corporate Floating Rate Notes	481,267,908	290,949,419	233,283,293
Corporate Bonds	0	0	0
Time Deposits	102,322,066	0	0
Fixed Rate Notes	23,746,442	0	0
Bank Obligations	0	94,783,855	0
Asset Backed Securities	0	0	0
<b>Total Securities Lending Collateral Investments</b>	<b>1,041,335,559</b>	<b>747,995,823</b>	<b>567,379,472</b>
Prepays and Other Assets	15,947	29,640	23,672
Capital Assets, Net	5,959,437	44,592	54,917
<b>TOTAL ASSETS</b>	<b>8,630,864,059</b>	<b>7,227,250,915</b>	<b>6,313,726,193</b>
<b>LIABILITIES</b>			
Accrued Expenses and Other Liabilities	9,448,802	7,799,664	7,682,381
Compensated Absences Payable	298,007	327,572	302,132
Due to Other Agencies	0	72,580	77,955
Investment Principal Payable	42,757,637	34,914,852	44,545,629
Other Post Employment Benefits	2,024,716	1,669,923	1,322,763
Securities Lending Liability	1,045,145,270	747,995,823	567,379,471
<b>TOTAL LIABILITIES</b>	<b>1,099,674,432</b>	<b>792,780,414</b>	<b>621,310,331</b>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	<b>\$7,531,189,627</b>	<b>\$6,434,470,500</b>	<b>\$5,692,415,862</b>

Totals may not add due to rounding. The schedule of funding progress can be found on page 76.



2011	2010	2009	2008	2007	2006	2005
\$141,892,517 0	\$119,233,185 0	\$144,370,189 0	\$164,106,333 0	\$161,350,604 298,532,371	\$158,991,030 212,092,651	\$219,020,715 243,612,095
11,354,396 3,312,790 41,840,071 15,686,896 0	11,949,695 2,214,443 27,293,510 14,878,479 0	11,063,510 2,230,764 45,728,778 12,486,745 0	11,016,019 2,064,104 56,734,490 13,410,220 0	0 2,490,030 71,265,845 15,771,613 0	0 2,035,881 54,790,845 15,220,280 0	0 1,792,097 58,571,420 13,966,733 0
72,194,153	56,336,127	71,509,797	83,224,833	89,527,488	72,047,006	74,330,250
75,992,809 (272,781) 164,262,851	56,692,011 1,089,585 200,033,915	79,110,077 1,247,843 372,632,738	155,857,122 120,796 350,522,222	75,283,764 0 334,234,608	115,440,837 0 326,746,744	86,605,545 0 352,704,738
203,593,519 557,868,241 182,943,890 55,552,336 2,058,851,405 634,286,955 44,039,546 56,570,710 0	181,322,952 497,737,991 173,917,850 35,097,199 1,570,950,462 494,513,356 32,510,013 50,850,253 0	126,099,722 301,391,448 135,055,273 39,503,362 1,499,257,304 337,125,950 30,033,865 42,208,121 0	196,931,595 244,945,286 163,374,858 37,915,127 1,970,881,463 455,441,280 43,094,014 35,465,720 20,349	228,739,239 257,249,675 175,316,139 44,318,594 1,999,739,571 487,951,829 244,991,960 37,831,944 0	183,021,390 230,607,819 147,675,495 39,702,470 1,715,828,326 473,010,696 219,480,329 36,029,790 11,516	106,052,354 274,794,448 132,266,649 43,012,269 1,559,574,683 444,471,708 202,400,000 37,565,408 0
133,598 0 9,014,994 438,567,671 649,710,460 0 2,517,011 19,223,133 0 230,300 36,013 206,850,597 0 296,638,771 4,609,375 24,900,031 5,686,121,436	3,840,549 0 0 9,212,260 281,549,155 0 500,233,798 18,109,421 0 79,024 0 166,155,640 0 294,495,311 5,221,420 34,220,712 4,607,832,877	0 13,469,217 5,156,065 264,903,613 448,929,500 0 0 15,783,408 0 (81,302) 0 188,073,758 0 294,367,676 6,961,524 43,914,142 4,245,143,304	10,904,054 13,826,156 2,747,129 554,482,483 686,835,703 0 0 38,575,304 0 (349,553) 0 268,845,235 0 240,170,440 9,163,935 26,595,311 5,506,366,028	8,739,267 15,211,812 5,331,865 634,645,370 799,248,572 0 0 47,477,880 0 141,184 0 219,680,821 0 216,638,186 13,904,836 19,595,697 5,866,272,812	3,175,181 17,425,975 2,940,003 555,548,329 537,557,356 0 0 38,531,509 0 (33,220) 0 191,333,954 0 178,911,730 14,549,990 3,654,200 5,031,150,418	0 29,233,376 2,845,698 435,197,990 440,473,830 0 0 40,493,043 0 0 0 157,623,725 0 157,314,473 20,336,671 0 4,522,966,607
149,532,650 0 0 0 0 0 0 0 268,890,291 0 80,146,297 51,596,698 550,165,936 46,352 66,170 6,450,486,564	80,043,105 0 0 0 0 0 0 0 182,188,563 0 130,270,736 38,751,500 431,253,904 129,340 71,899 5,214,857,332	112,640,635 0 0 0 0 0 0 0 249,979,379 0 0 60,640,313 423,260,327 127,404 79,562 4,884,490,583	5,759,924 0 0 0 0 0 0 0 292,941,710 0 378,952,302 111,001,863 788,655,800 1,764,984 50,808 6,544,168,786	0 0 0 0 0 0 0 0 204,943,347 0 77,499,382 193,286,465 475,729,195 1,505,559 44,577 6,892,962,606	0 0 0 0 0 0 0 0 346,630,656 0 79,978,514 0 426,609,171 1,820,827 49,820 5,902,760,923	0 0 0 0 0 0 0 0 214,978,659 0 74,980,224 117,931,027 407,889,910 1,920,368 53,101 5,469,793,046
7,520,415 0 0 76,495,801 1,038,085 550,165,936 635,220,237 \$5,815,266,327	6,687,309 0 0 47,661,684 754,059 431,253,904 486,356,956 \$4,728,500,377	6,304,171 0 0 104,638,383 475,017 423,260,327 534,677,898 \$4,349,812,686	8,140,996 0 0 108,712,061 208,009 788,655,799 905,716,865 \$5,638,451,921	7,990,755 0 12,958,488 127,507,745 0 774,261,565 922,718,553 \$5,970,244,053	6,941,948 0 0 121,614,009 0 638,701,821 767,257,778 \$5,135,503,145	7,119,251 0 0 170,393,808 0 651,502,005 829,015,064 \$4,640,777,983

## Basic Financial Statements

### STATEMENT OF CHANGES IN PLAN NET POSITION - 10 YEAR SCHEDULE

	2014	2013	2012
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 264,477,703	\$ 249,062,186	\$ 230,495,674
Plan Members	48,237,869	44,549,911	41,361,523
Supplemental	381,216	1,863,992	1,481,214
<b>Total Contributions</b>	<b>313,096,788</b>	<b>295,476,089</b>	<b>273,338,411</b>
Investment Income			
Interest	51,082,662	52,116,606	59,199,267
Dividends	91,368,004	72,457,239	59,575,384
Investment Gain/(Loss)	1,090,192,683	749,543,679	(129,527,282)
Security Lending Income	3,672,418	1,776,316	729,793
Real Estate Income	0	0	(34,602)
Other	0	0	0
<b>Total Investment Income</b>	<b>1,236,315,766</b>	<b>875,893,840</b>	<b>(10,057,440)</b>
Less: Investment Expense	27,885,272	23,973,149	20,084,815
<b>Net Investment Income</b>	<b>1,208,430,494</b>	<b>851,920,691</b>	<b>(30,142,255)</b>
Other Sources			
Miscellaneous Additions	717,301	1,203,348	191,882
Transfer from Teachers Retirement System	0	0	7,307,481
Miscellaneous Transfers from State Agencies	255,251	0	0
Transfer of Arkansas District Judges Retirement System	0	0	0
Transfer from Other Public Employee Retirement Systems	5,433,053	5,848,612	0
<b>Total Other Additions</b>	<b>6,405,605</b>	<b>7,051,960</b>	<b>7,499,363</b>
<b>TOTAL ADDITIONS</b>	<b>1,527,932,888</b>	<b>1,154,448,740</b>	<b>250,695,519</b>
<b>DEDUCTIONS</b>			
Benefits	414,548,645	396,607,128	359,330,673
Refunds of Contributions	9,455,348	8,446,701	7,420,785
Administrative Expenses	7,209,769	7,340,273	6,794,526
<b>TOTAL DEDUCTIONS</b>	<b>431,213,761</b>	<b>412,394,102</b>	<b>373,545,984</b>
<b>NET INCREASE (DECREASE)</b>	<b>1,096,719,127</b>	<b>742,054,638</b>	<b>(122,850,465)</b>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>			
Beginning of Year	6,434,470,500	5,692,415,862	5,815,266,327
End of Year	<u>\$ 7,531,189,627</u>	<u>\$ 6,434,470,500</u>	<u>\$ 5,692,415,862</u>

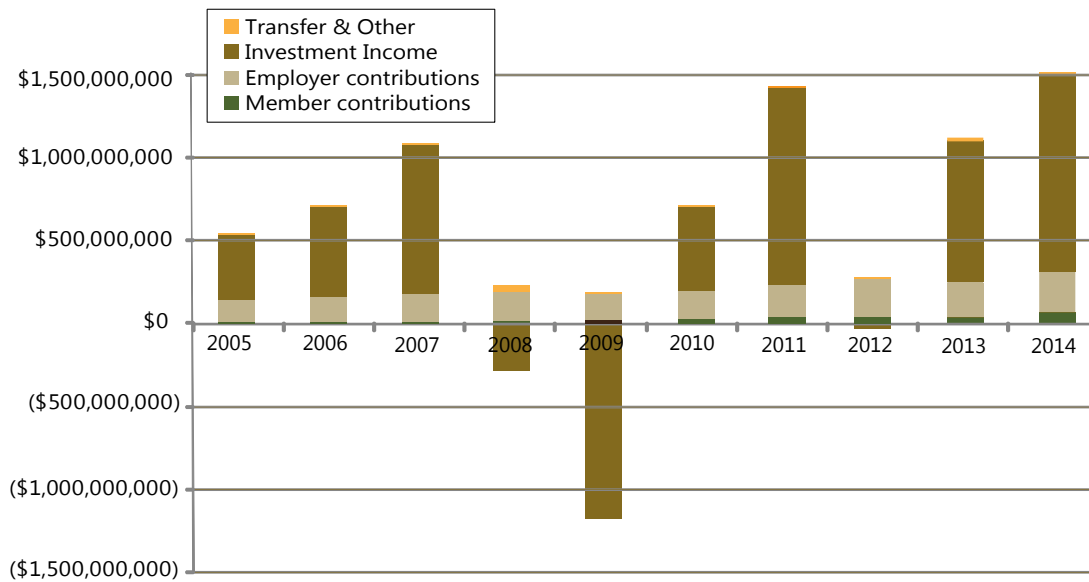
Totals may not add due to rounding.  
See notes to the financial statements.

2011	2010	2009	2008	2007	2006	2005
\$ 196,428,733	\$ 170,186,564	\$ 159,827,501	\$ 174,119,820	\$ 163,888,295	\$ 158,152,183	\$ 135,027,446
34,639,544	30,334,716	23,722,994	18,443,261	12,192,289	4,667,067	82,836
0	0	0	0	0	0	0
231,068,277	200,521,280	183,550,495	192,563,081	176,080,584	162,819,250	135,110,282
62,101,600	62,331,626	62,046,908	65,706,695	66,813,293	57,891,121	54,121,820
53,508,558	43,820,724	45,164,566	48,798,880	57,456,683	48,523,187	39,555,587
1,097,554,466	410,511,458	(1,269,800,874)	(380,924,989)	794,931,551	459,105,415	323,251,610
1,031,841	2,050,050	10,670,818	37,091,199	41,743,197	29,271,062	16,405,504
(55,267)	(7,588)	(70,140)	(65,458)	186,527	(2,640,933)	(1,760,716)
0	7,620	(62,078)	0	(20,520)	3,940	0
1,214,141,198	518,713,890	(1,152,050,800)	(229,393,673)	961,110,731	592,153,792	431,573,805
20,643,587	18,080,990	21,680,124	54,209,025	61,777,033	46,831,897	30,144,273
1,193,497,611	500,632,900	(1,173,730,924)	(283,602,698)	899,333,698	545,321,895	401,429,532
2,557,261	(331,483)	3,165,392	2,040,614	2,265,261	3,837,040	2,598,877
6,331,031	6,355,482	6,344,427	6,367,268	6,389,677	6,665,441	6,571,195
78,023	75,737	71,997	74,462	190,035	127,774	183,983
0	0	0	24,081,555	0	0	0
0	0	0	0	0	0	0
8,966,315	6,099,736	9,581,816	32,563,899	8,844,973	10,630,255	9,354,055
1,433,532,203	707,253,916	(980,598,613)	(58,475,718)	1,084,259,255	718,771,400	545,893,869
344,140,357	318,998,006	299,896,780	266,296,562	244,137,717	219,711,792	207,122,449
6,123,910	3,586,861	2,661,289	1,919,767	632,790	62,133	526,398
6,374,379	5,981,358	5,482,554	5,100,085	4,747,840	4,272,313	4,313,081
356,638,646	328,566,225	308,040,623	273,316,414	249,518,347	224,046,238	211,961,928
1,076,893,557	378,687,691	(1,288,639,236)	(331,792,132)	834,740,908	494,725,162	333,931,941
4,738,372,770	4,349,812,685	5,638,451,921	5,970,244,053	5,135,503,145	4,640,777,983	4,306,846,042
\$ 5,815,266,327	\$ 4,728,500,376	\$ 4,349,812,685	\$ 5,638,451,921	\$ 5,970,244,053	\$ 5,135,503,145	\$ 4,640,777,983

## Schedule of Revenues by Source

For the year ended June 30, 2014

Year Ended June 30	Member Contributions	Employer Contributions	Investment Income	Transfers And Other	Total
2005	\$ 82,836	\$ 135,027,446	\$ 401,429,532	\$ 9,354,055	\$ 545,893,869
2006	4,667,067	158,152,183	545,321,895	10,630,255	718,771,400
2007	12,192,289	163,888,295	899,333,698	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
2014	\$ 48,237,869	\$ 264,477,703	\$ 1,208,430,494	\$ 7,100,881	\$ 1,528,246,947

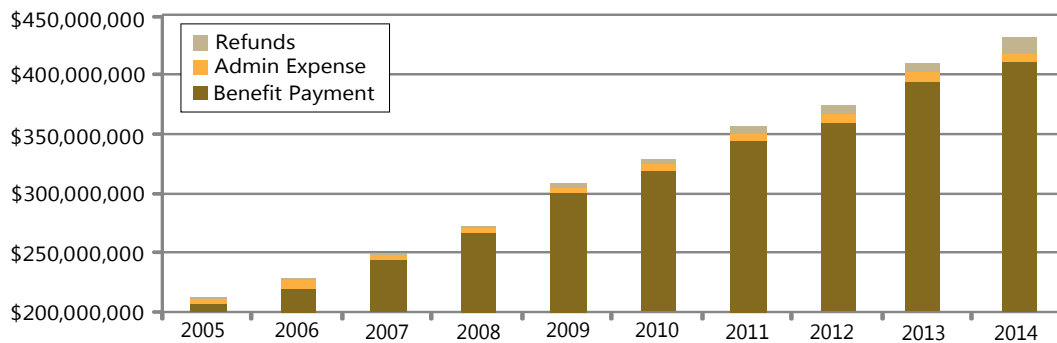


## Schedule of Expenses by Type

For the year ended June 30, 2014

Year Ended June 30	Benefit Payments*	Administrative Expenses	Refunds	Total
2005	\$ 207,122,449	\$ 4,313,081	\$ 526,398	\$ 211,961,928
2006	219,711,792	4,272,313	62,133	224,046,238
2007	244,137,717	4,747,840	632,790	249,518,347
2008	266,301,400	4,892,076	1,900,783	273,094,259
2009	299,896,780	5,482,554	2,661,289	308,040,623
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
2014	\$ 414,548,645	\$ 7,209,769	\$ 9,455,348	\$ 431,213,761

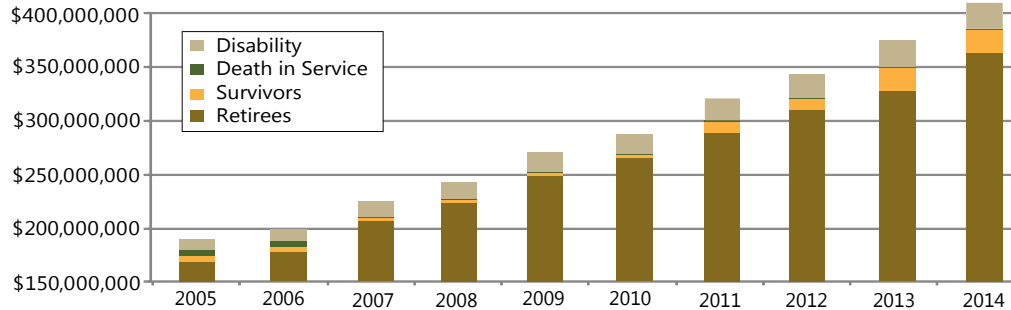
\* Includes DROP and PAW distributions.



## Schedule of Benefit Expenses by Type \*

For the year ended June 30, 2014

Year Ended June 30	Age and Service		Death In Service	Disability Retirees
	Retirees	Survivors		
2005	168,774,960	6,170,316	4,431,564	9,914,448
2006	178,052,748	5,700,516	4,670,760	10,925,028
2007	206,975,784	2,598,444	577,224	14,215,140
2008	224,223,624	2,639,616	534,252	15,937,188
2009	248,677,584	2,733,372	507,672	17,426,148
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
2014	363,644,841	12,006,363	320,928	27,648,624



\* Expenses are based on annualized June 30 benefit amounts.

Schedule of Retired Members by Type of Benefit  
As of June 30, 2014

Type of Annuity	Number	Annual Annuities
<b>AGE &amp; SERVICE RETIREES</b>		
Life	18,552	\$ 266,317,975
Option A-60 (5 years certain)	1,204	15,298,718
Option A-120 (10 years certain)	2,195	26,194,440
Option B-50 (joint and 50% survivor)	1,193	22,440,435
Option B-75 (joint and 75% survivor)	2,251	32,062,471
Option B-100 (joint and 100% survivor)	63	1,330,802
<b>TOTALS</b>	<b>25,458</b>	<b>363,644,841</b>
<b>BENEFICIARIES OF AGE &amp; SERVICE RETIREES</b>		
Life	219	1,661,857
Option A-60	26	212,040
Option A-120	193	1,792,646
Option B-50	319	2,622,625
Option B-75	519	5,110,367
Option B-100	32	606,828
<b>TOTALS</b>	<b>1,308</b>	<b>12,006,363</b>
<b>TOTAL AGE &amp; SERVICE RETIREES &amp; BENEFICIARIES</b>	<b>26,766</b>	<b>375,651,204</b>
<b>DISABILITY RETIREES</b>		
Life	2,020	17,835,012
Option A-60	139	1,137,924
Option A-120	343	2,875,236
Option B-50	145	1,294,800
Option B-75	243	1,988,640
Option B-100	0	0
<b>TOTALS</b>	<b>2,890</b>	<b>25,131,612</b>
<b>BENEFICIARIES OF DISABILITY RETIREES</b>		
Life	55	328,476
Option A-60	0	0
Option A-120	0	0
Option B-50	0	0
Option B-75	315	2,188,536
Option B-100	0	0
Beneficiaries of Disability Retirees	370	2,517,012
<b>TOTAL DISABILITY RETIREES &amp; BENEFICIARIES</b>	<b>3,260</b>	<b>27,648,624</b>
QDRO Alternate Payees	164	1,209,475
Death-in-Service Beneficiaries	45	320,928
<b>TOTAL RETIREES &amp; BENEFICIARIES</b>	<b>30,235</b>	<b>404,830,231</b>
DROP Participants	1,679	52,258,068
<b>TOTAL INCLUDING DROP PARTICIPANTS</b>	<b>31,914</b>	<b>\$ 457,088,299</b>

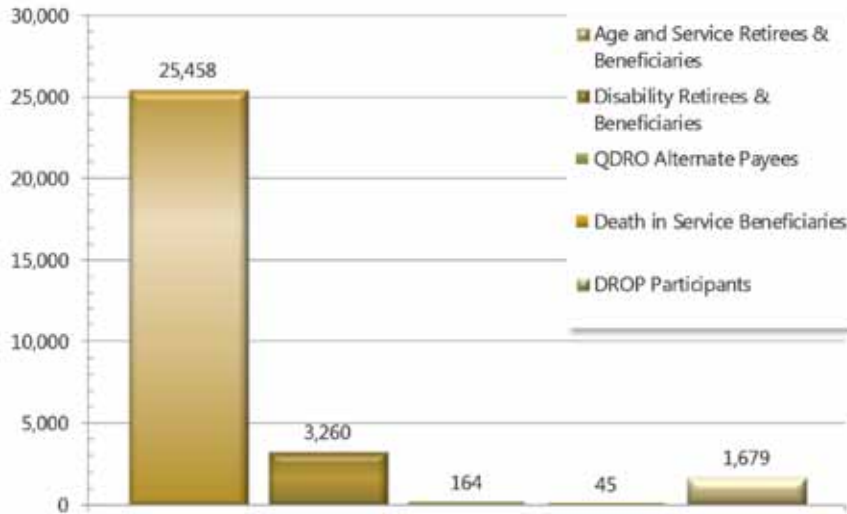
## Schedule of Average Benefit Payments As of June 30, 2014

	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
Retirement Effective Dates July 1, 2013 to June 30, 2014					
Average Monthly Benefit	\$ 379.72	\$ 804.56	\$ 1,207.24	\$ 1,688.93	\$ 2,479.21
Average Monthly Final Average Salary	2,309.88	2,915.76	3,367.25	3,496.79	3,930.04
Number of Active Retirants	804	241	186	289	115
Retirement Effective Dates July 1, 2012 to June 30, 2013					
Average Monthly Benefit	394.49	777.21	1,212.19	1,689.26	2,528.22
Average Monthly Final Average Salary	2,334.79	2,821.56	3,287.84	3,520.94	4,126.51
Number of Active Retirants	845	230	192	289	147
Retirement Effective Dates July 1, 2011 to June 30, 2012					
Average Monthly Benefit	359.22	796.70	1,141.41	1,996.93	2,393.13
Average Monthly Final Average Salary	2,146.27	2,822.81	3,144.98	3,759.45	3,663.40
Number of Active Retirants	773	223	187	280	102
Retirement Effective Dates July 1, 2010 to June 30, 2011					
Average Monthly Benefit	372.68	801.28	1,098.09	1,819.72	2,664.41
Average Monthly Final Average Salary	2,160.58	2,701.81	2,980.81	3,464.61	4,009.20
Number of Active Retirants	659	204	187	276	151
Retirement Effective Dates July 1, 2009 to June 30, 2010					
Average Monthly Benefit	347.84	724.36	986.77	1,879.39	2,531.56
Average Monthly Final Average Salary	1,957.72	2,551.44	2,601.11	3,352.63	3,824.32
Number of Active Retirants	620	180	159	226	106
Retirement Effective Dates July 1, 2008 to June 30, 2009					
Average Monthly Benefit	339.53	740.82	1,034.55	1,947.12	2,350.56
Average Monthly Final Average Salary	1,864.11	2,516.01	2,664.59	3,210.36	3,412.94
Number of Active Retirants	660	220	184	382	170
Retirement Effective Dates July 1, 2007 to June 30, 2008					
Average Monthly Benefit	363.12	786.38	943.75	1,955.95	2,558.47
Average Monthly Final Average Salary	1,878.90	2,511.29	2,415.27	3,260.64	3,684.55
Number of Active Retirants	517	172	155	359	93
Retirement Effective Dates July 1, 2006 to June 30, 2007					
Average Monthly Benefit	378.67	768.78	1,064.47	2,176.91	3,033.46
Average Monthly Final Average Salary	1,867.90	2,443.30	2,637.75	3,308.60	3,835.49
Number of Active Retirants	518	189	176	434	199
Retirement Effective Dates July 1, 2005 to June 30, 2006					
Average Monthly Benefit	372.41	680.62	977.34	2,165.28	2,793.10
Average Monthly Final Average Salary	1,800.74	2,152.16	2,370.68	3,236.92	3,589.65
Number of Active Retirants	489	198	147	472	137
Retirement Effective Dates July 1, 2004 to June 30, 2005					
Average Monthly Benefit	344.58	650.44	963.41	2,115.67	2,703.29
Average Monthly Final Average Salary	1,731.99	1,997.81	2,324.08	3,145.60	3,468.59
Number of Active Retirants	504	162	142	391	184

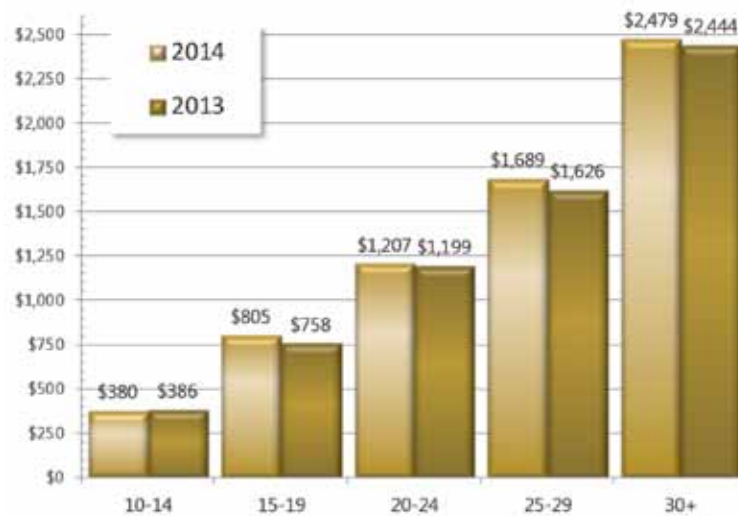


## STATISTICAL GRAPHS

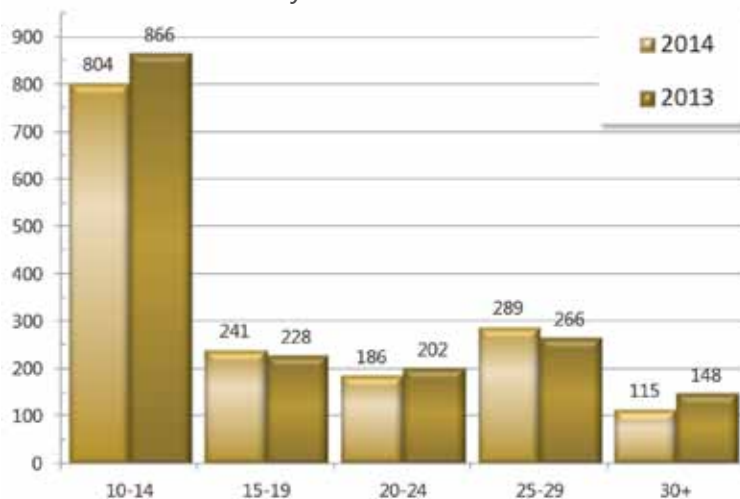
Retired Member by Type of Benefit



Average Benefit Payments by Years of Credited Service



Number of Retirees by Years of Credited Service



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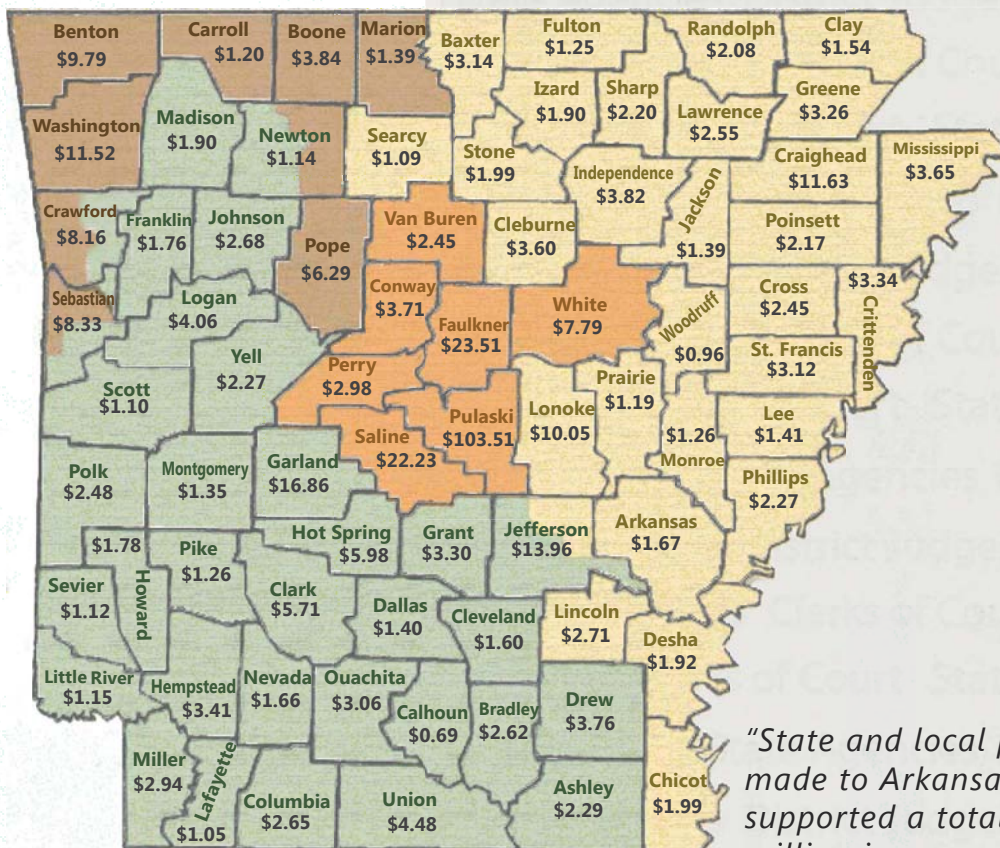
# Appendix

## Arkansas benefits

Arkansas comprises 75 counties that are divided into 4 congressional districts.

The total number of retirees from the APERS system residing in the state of Arkansas in 2014 was 32,081.

The total amount paid out in benefits to retirees residing in Arkansas in 2014 was \$419,931,050.

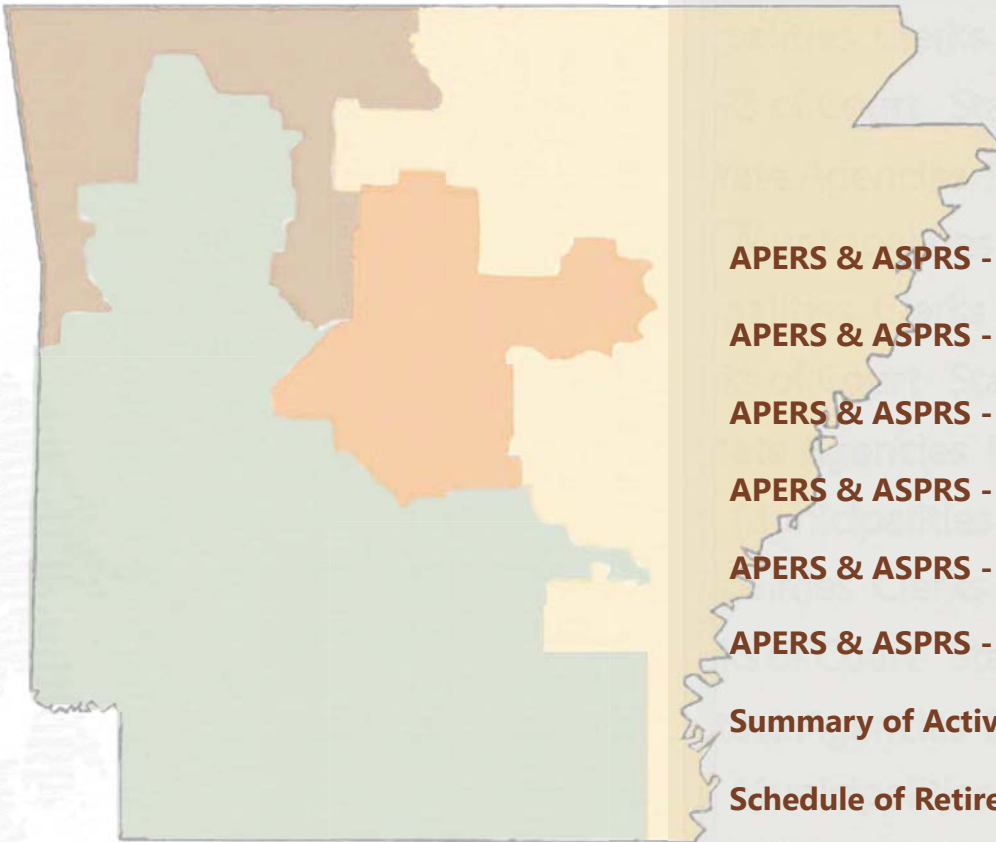


(The figures shown are benefits paid by county in millions of dollars)  
As of June 30, 2014

*"State and local pension payments made to Arkansas residents supported a total of \$335.8 million in revenue to federal, state, and local governments."*

*"Retiree expenditures stemming from state and local pension plan benefits supported 17,395 jobs in the state. The total income to state residents supported by pension expenditures was \$678.8 million."*

# Appendix



**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**

## APERS and ASPRS Combined Statement of Plan Net Position

As of June 30, 2014

	Combined	APERS	ASPRS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 227,703,121	\$ 212,880,111	\$ 14,823,010
<b>Receivables</b>			
Contributions	4,136,658	4,111,080	25,578
Dec 2004 Actuarial Liability Receivable	9,612,705	9,612,705	0
Investment Principal Receivable	40,133,895	38,741,350	1,392,545
Accrued Investment Income Receivable	34,027,244	32,846,584	1,180,660
Other Receivables	0	0	0
<b>Total Receivables</b>	<b>87,910,502</b>	<b>85,311,719</b>	<b>2,598,783</b>
<b>Investments, At Fair Value</b>			
Government Securities			
U.S. Government Securities	131,368,755	126,810,589	4,558,166
Futures	301,202	290,751	10,451
Government Agency Securities	121,088,584	116,887,114	4,201,470
Corporate Securities			
Collateralized Obligations	170,644,784	164,723,838	5,920,946
Corporate Bonds	573,567,765	553,666,403	19,901,362
Convertible Bonds	219,140,920	211,537,280	7,603,640
Convertible Preferred Stock	42,909,086	41,420,248	1,488,838
Common Stock	2,612,950,029	2,522,287,242	90,662,787
Equity Index Funds	672,052,335	648,733,806	23,318,529
Equity Commingled	84,861,627	81,917,142	2,944,485
High Yield Income Fund	62,720,723	60,544,471	2,176,252
International Securities			
Global Fixed Income Fund	10,091,067	9,740,932	350,135
Corporate Fixed Income	50,960,543	49,192,340	1,768,203
Equity Securities	1,218,130,113	1,175,864,056	42,266,057
Equity Pooled Fund Units	750,668,802	724,622,479	26,046,323
Global Equity Index Funds	0	0	0
Global Collateralized Obligations	109,293	1,055,030	37,923
Emerging Markets	34,055,626	32,873,981	1,181,645
Emerging Markets Collateralized Obligations	204,421	197,328	7,093
Forward Contracts	(194,913)	(188,150)	(6,763)
Interest Rate Swaps	(19,514)	(18,837)	(677)
Real Estate	326,541,307	315,211,143	11,330,164
Diversified Strategies	259,254,988	250,259,491	8,995,497
Timberland	173,716,825	167,689,287	6,027,538
Municipal Bonds	8,726,907	8,424,105	302,802
Commercial Loans	22,396,313	21,619,217	777,096
<b>Total Investments</b>	<b>7,547,231,248</b>	<b>7,285,361,286</b>	<b>261,869,962</b>
<b>Securities Lending Collateral Investments, At Fair Value</b>			
Repurchase Agreements	181,645,216	175,342,583	6,302,633
Asset Backed Floating Rate Notes	180,667,686	174,398,971	6,268,715
Certificates of Deposit	35,101,302	33,883,375	1,217,927
Commercial Paper	52,184,899	50,374,214	1,810,685
Corporate Floating Rate Notes	498,566,929	481,267,908	17,299,021
Time Deposits	106,000,000	102,322,066	3,677,934
Fixed Rate Notes	24,600,000	23,746,442	853,558
<b>Total Securities Lending Collateral Investments</b>	<b>1,078,766,032</b>	<b>1,041,335,559</b>	<b>37,430,473</b>
Prepays and Other Assets	15,947	15,947	0
Fixed Assets, Net	5,959,437	5,959,437	0
<b>TOTAL ASSETS</b>	<b>8,947,586,287</b>	<b>8,630,864,059</b>	<b>316,722,228</b>
<b>LIABILITIES</b>			
Accrued Expenses and Other Liabilities	10,162,748	9,746,809	415,939
Investment Principal Payable	44,294,547	42,757,637	1,536,910
Other Post Employment Benefits	2,024,716	2,024,716	0
Securities Lending Liability	1,082,712,682	1,045,145,270	37,567,412
<b>TOTAL LIABILITIES</b>	<b>1,139,194,693</b>	<b>1,099,674,432</b>	<b>39,520,261</b>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	<b>\$ 7,808,391,594</b>	<b>\$ 7,531,189,627</b>	<b>\$ 277,201,967</b>

Totals may not add due to rounding. The APERS Statement Of Plan Net Position can be found on page 34.

## APERS and ASPRS Combined Statement of Changes in Plan Net Position

For the year ended June 30, 2014

	Combined	APERS	ASPRS
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer	\$ 270,883,590	\$ 264,477,703	\$ 6,405,887
Plan Member	48,275,361	48,237,869	37,492
Supplemental	6,338,757	381,216	5,957,541
Court Fees	1,270,223	0	1,270,223
Driver's License Reinstatement Fees	1,387,728	0	1,387,728
Motor Vehicle Title Fees	4,442,806	0	4,442,806
<b>Total Contributions</b>	<b>332,598,465</b>	<b>313,096,788</b>	<b>19,501,677</b>
<b>Investment Income</b>			
Interest	52,916,956	51,082,662	1,834,294
Dividends	94,648,106	91,368,004	3,280,102
Investment Gain/(Loss)	1,129,256,468	1,090,192,683	39,063,785
Security Lending Income	3,804,168	3,672,418	131,750
<b>Total Investment Income</b>	<b>1,280,625,697</b>	<b>1,236,315,766</b>	<b>44,309,931</b>
Less: Investment Expense	28,887,458	27,885,272	1,002,186
<b>Net Investment Income</b>	<b>1,251,738,239</b>	<b>1,208,430,494</b>	<b>43,307,745</b>
<b>Other Sources</b>			
Miscellaneous Additions	717,308	717,301	7
Transfers from Other Public Employees Retirement Systems	5,433,053	5,433,053	0
Miscellaneous Transfers from State Agencies	255,251	255,251	0
<b>Total Other Additions</b>	<b>6,405,612</b>	<b>6,405,605</b>	<b>7</b>
<b>TOTAL ADDITIONS</b>	<b>1,590,742,317</b>	<b>1,527,932,888</b>	<b>62,809,429</b>
<b>DEDUCTIONS</b>			
Benefits	436,236,884	414,548,645	21,688,239
Refunds of Contributions	9,455,348	9,455,348	0
Administrative Expenses	7,399,427	7,209,769	189,658
<b>TOTAL DEDUCTIONS</b>	<b>453,091,658</b>	<b>431,213,761</b>	<b>21,877,897</b>
<b>NET INCREASE (DECREASE)</b>	<b>1,137,650,659</b>	<b>1,096,719,127</b>	<b>40,931,532</b>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>			
Beginning of Year	6,670,740,935	6,434,470,500	236,270,435
End of Year	\$ 7,808,391,594	\$ 7,531,189,627	\$ 277,201,967

Totals may not add due to rounding.

See notes to financial statements.

The APERS *Statement Of Changes In Plan Net Position* can be found on page 35.

## APERS and ASPRS Manager Distribution - Combined Statement

As of June 30, 2014

Asset Allocation	Market Value (\$ Thousands)	Percent of Total	APERS	ASPRS
<b>DOMESTIC EQUITY (\$3,217,969,119; 41.25%)</b>				
MCM S&P Index Fund	\$ 677,752,417	8.69%	\$ 654,236,109	\$ 23,516,308
CastleArk Management	398,464,064	5.11	384,638,361	13,825,703
Golden Capital Mgmt.	167,348,244	2.15	161,541,680	5,806,564
INTECH	348,432,598	4.47	336,342,861	12,089,737
Wellington Mgmt. Co.	304,644,376	3.91	294,073,981	10,570,395
Westwood Mgmt.	176,021,083	2.26	169,913,593	6,107,490
Lazard Asset Mgmt.	293,431,982	3.76	283,250,629	10,181,353
Lombardia Capital	172,104,428	2.21	166,132,836	5,971,592
SSI Investment Mgmt.	264,353,603	3.39	255,181,197	9,172,406
Horrell Capital Mgmt.	86,622,659	1.11	83,617,070	3,005,589
State Street Global Advisors	84,861,628	1.09	81,917,143	2,944,485
Stephens Inv. Mgmt. Group	243,932,037	3.13	235,468,208	8,463,829
<b>INTERNATIONAL EQUITY (\$2,026,410,115; 25.98%)</b>				
Lazard Asset Mgmt.	412,667,283	5.29	398,348,764	14,318,519
Artisan Partners	459,326,217	5.89	443,388,750	15,937,467
Baillie Gifford	372,752,876	4.78	359,819,287	12,933,589
Transition Account	4,495	0.00	4,339	156
Manning & Napier	380,663,285	4.88	367,455,224	13,208,061
Pyramis Global Advisors	400,995,959	5.14	387,082,406	13,913,553
<b>FIXED INCOME (\$1,227,355,419; 15.73%)</b>				
Mackay Shields	818,307,381	11.53	789,914,169	28,393,212
Prudential Investments	409,048,038	5.72	394,855,098	14,192,940
<b>REAL ASSETS (\$921,076,331; 11.81%)</b>				
INVESCO Real Estate	293,258,205	3.76	283,082,881	10,175,324
INVESCO GLOBAL REITS	153,219,722	1.96	147,903,382	5,316,340
TA Associates Realty	20,138,447	0.26	19,439,693	698,754
CastleArk Mgmt. - AR Energy Fund	85,013,944	1.09	82,064,174	2,949,770
CastleArk Mgmt. Global Energy Fund	179,702,249	2.30	173,467,032	6,235,217
Pinnacle Forest Investments	173,716,824	2.23	167,689,286	6,027,538
LaSalle Inc. & Growth VI LP	16,026,940	0.21	15,470,845	556,095
<b>DIVERSIFIED STRATEGIES (\$361,199,253; 4.63%)</b>				
AQR Capital	114,647,597	1.41	110,669,613	3,977,984
Blackstone Hedge	144,607,391	1.96	139,589,877	5,017,514
Newton Capital	101,944,265	1.42	98,407,055	3,537,210
<b>SHORT-TERM INVESTMENT FUND*</b>	46,281,684	0.59	38,404,414	7,877,269
<b>COMPOSITE FUND</b>	<u>\$7,800,291,921</u>	<u>100.00%</u>	<u>\$7,523,369,958</u>	<u>\$ 276,921,962</u>

\* Includes National Timber Partners and UBS receivables.

Totals may not add due to rounding.

The APERS schedule of manager distribution can be found on page 99.

# APPENDIX

## APERS and ASPRS Ten Largest Holdings\*- Combined Statement

As of June 30, 2014

### DOMESTIC FIXED INCOME HOLDINGS

	Par	Market Value	APERS	ASPRS
U.S. Treasury Note 0.75% 03/31/2018	23,990,000	\$ 23,570,175	\$ 22,752,349	\$ 817,826
U.S. Treasury Bond 2.875% 05/15/2043	25,475,000	23,277,781	22,470,100	807,681
U.S. Treasury Note 2.50% 05/15/2024	19,240,000	19,212,872	18,546,234	666,638
U.S. Treasury CPI Inflation 1.125% 01/15/2021	10,294,485	11,150,986	10,764,075	386,911
Countrywide Financial Corp. 6.25% 05/15/2016	9,455,000	10,317,485	9,959,494	357,991
U.S. Treasury Note 3.625% 08/15/2019	9,345,000	10,259,034	9,903,071	355,963
3-Month Euribor Variable Rate 01/25/2025	7,547,785	7,548,250	7,286,345	261,905
U.S. Treasury Note 2.50% 08/15/2023	7,295,000	7,338,332	7,083,710	254,622
Prudential Financial Inc. 7.375% 06/15/2019	5,400,000	6,687,360	6,455,325	232,035
3-Month Euribor Variable Rate 01/17/2015	6,299,918	6,300,306	6,081,701	218,605
<b>TOTAL</b>		<b>\$ 125,662,581</b>	<b>\$ 121,302,405</b>	<b>\$ 4,360,176</b>

### DOMESTIC EQUITY HOLDINGS

	Shares	Market Value	APERS	ASPRS
Apple Inc.	491,763	\$ 45,699,536	\$ 44,113,877	\$ 1,585,659
Union Pacific Corp.	304,624	30,386,244	29,331,918	1,054,326
Pfizer Inc.	799,817	23,738,569	22,914,900	823,669
Intel Corp.	644,770	19,923,393	19,232,101	691,292
Merck & Co. Inc.	333,240	19,277,934	18,609,038	668,896
Citigroup Inc.	402,375	18,951,863	18,294,281	657,582
Exxon Mobil Corp.	180,706	18,193,480	17,562,212	631,268
Advanced Auto Parts Inc.	132,436	17,868,265	17,248,281	619,984
Visa Inc.	84,325	17,768,121	17,151,612	616,509
Home Depot Inc.	213,941	17,320,663	16,719,679	600,984
<b>TOTAL</b>		<b>\$ 229,128,068</b>	<b>\$ 221,177,899</b>	<b>\$ 7,950,169</b>

### INTERNATIONAL EQUITY HOLDINGS

	Shares	Market Value	APERS	ASPRS
Tesco PLC	5,336,326	\$ 25,931,309	\$ 25,031,558	\$ 899,751
Novartis AG	267,936	24,261,683	23,419,863	841,820
Compass Group	1,331,562	23,154,764	22,351,352	803,412
Carlsberg	192,275	20,709,852	19,991,272	718,580
Baidu Inc.	104,138	19,454,020	18,779,014	675,006
Lloyds banking Group PLC	14,935,523	18,961,597	18,303,677	657,920
Samsung Electronics Co. Ltd.	14,504	18,950,677	18,293,136	657,541
Kao Corp.	446,600	17,576,568	16,966,705	609,863
Reed Elsevier	1,078,686	17,337,278	16,735,718	601,560
TE Connectivity Ltd.	266,366	16,472,073	15,900,533	571,540
<b>TOTAL</b>		<b>\$ 202,809,821</b>	<b>\$ 195,772,829</b>	<b>\$ 7,036,992</b>

\* By market value.

Totals may not add due to rounding.

The APERS schedule of top ten largest holdings can be found on page 103.



## APERS and ASPRS Brokerage Commissions - Combined Statement

As of June 30, 2014

BROKERAGE FIRM	Number of Shares Traded	Total Commission	Commission Per Share	APERS Commission	ASPRS Commission
Credit Suisse First Boston	5,304,197	\$ 153,123	\$ 0.03	\$ 147,810	\$ 5,313
Instinet Corp.	4,971,851	145,186	0.03	140,148	5,038
J.P. Morgan Securities Inc.	2,269,931	136,596	0.06	131,856	4,740
Jefferies & Co.	4,600,497	119,544	0.03	115,396	4,148
Deutsche Bank Securities Inc.	4,250,048	116,483	0.03	112,442	4,042
Citigroup Global Markets Inc.	3,038,415	115,035	0.04	111,044	3,991
UBS Securities LLC	3,561,051	113,432	0.03	109,497	3,936
Investment Technology Group	3,812,522	99,267	0.03	95,822	3,444
Goldman Sachs & Co.	4,097,421	95,194	0.02	91,891	3,303
Barclays Capital Inc.	2,657,793	89,693	0.03	86,580	3,112
William Blair & Co.	2,494,966	86,703	0.03	83,694	3,008
Liquidnet Inc.	3,068,486	85,328	0.03	82,368	2,961
Rosenblatt Securities Corp.	2,489,077	77,772	0.03	75,073	2,698
ISI Group Inc.	2,139,650	76,138	0.04	73,496	2,642
Merrill Lynch Pierce Fenner Smith Inc.	3,052,322	75,788	0.02	73,159	2,630
Simmons & Co. Int'l	1,788,532	66,079	0.04	63,786	2,293
Morgan Stanley & Co. Inc.	2,017,030	64,733	0.03	62,487	2,246
Bloomberg Tradebook LLC	1,768,550	63,962	0.04	61,743	2,219
Capital Institutional Services Inc.	2,244,595	59,454	0.03	57,391	2,063
Sanford C. Bernstein & Co.	2,381,039	52,984	0.02	51,146	1,838
Pickering Energy Partners, Inc.	1,339,325	52,101	0.04	50,293	1,808
Piper Jaffray 7 Co.	1,453,778	49,629	0.03	47,907	1,722
Robert W. Baird & Co. Inc.	1,173,553	43,748	0.04	42,230	1,518
Stifel Nicolaus & Co.	1,088,044	42,489	0.04	41,014	1,474
Scotia Capital (USA) Inc.	1,045,407	38,949	0.04	37,597	1,351
Others (including 95 brokerage firms)	22,573,573	688,363	0.03	664,478	23,884
	<u>90,681,653</u>	<u>\$ 2,807,771</u>	<u>\$ 0.03</u>	<u>\$ 2,710,348</u>	<u>\$ 97,423</u>

Totals may not add due to rounding.

The APERS schedule of brokerage commissions can be found on page 104.

# APPENDIX

## APERS and ASPRS Investment Fees - Combined Statement As of June 30, 2014

	Market Value		Basis Points	APERS		ASPRS	
	Market Value	Fee		Market Value	Fee	Market Value	Fee
<b>EQUITIES</b>							
SSI Investment Mgmt. - Convertible Securities	\$ 264,353,603	\$ 996,904	40	\$ 255,181,197	\$ 962,321	\$ 9,172,406	\$ 34,583
Lazard Asset Mgmt. - Value	293,431,982	826,371	30	283,250,629	797,704	10,181,353	28,667
Golden Capital Mgmt. - Growth	167,348,244	349,265	23	161,541,680	337,148	5,806,564	12,116
Westwood Mgmt. - SMID Cap	176,021,083	1,031,960	25	169,913,593	996,161	6,107,490	35,799
MCM S&P 500 Index Fund	677,752,417	142,604	4	654,236,109	137,657	23,516,308	4,947
INTECH - Growth	348,432,598	1,377,200	48	336,342,861	1,329,425	12,089,737	47,776
CastleArk Mgmt. - Growth	398,464,064	1,273,975	35	384,638,361	1,229,781	13,825,703	44,195
Wellington Mgmt. Co. - Value	304,644,376	861,257	30	294,073,981	831,379	10,570,395	29,878
Stephens Investment Mgmt. - Growth	243,932,037	1,690,043	77	235,468,208	1,631,415	8,463,829	58,628
State Street Global Advisors - 130/30	84,861,628	370,638	50	81,917,143	357,780	2,944,485	12,858
Lombardia Capital - Small Cap	172,104,428	1,122,265	70	166,132,836	1,083,333	5,971,592	38,932
Horrell Capital Mgmt.-AR Index Fund	86,622,659	210,520	27	83,617,070	203,217	3,005,589	7,303
Lazard Asset Mgmt. - Int'l Equity	412,667,283	1,229,998	65	398,348,764	1,187,329	14,318,519	42,669
Manning & Napier Advisors - Int'l Equity	380,663,285	1,862,457	50	367,455,224	1,797,847	13,208,061	64,610
Pyramis Global Advisors - Int'l Equity	400,995,959	1,121,102	20	387,082,406	1,082,211	13,913,553	38,890
Baillie Gifford - Int'l Equity	372,752,876	975,003	44	359,819,287	941,173	12,933,589	33,831
MCM EB ACWI ex-U.S. index Fund ***	0	84,959	6	0	82,013	0	2,946
Artisan Partners - Int'l Equity	459,326,217	2,353,386	55	443,388,750	2,271,746	15,937,467	81,640
	<u>\$ 5,244,374,739</u>	<u>\$ 17,879,907</u>		<u>\$ 5,062,408,099</u>	<u>\$ 17,259,640</u>	<u>\$ 181,966,640</u>	<u>\$ 620,268</u>
<b>DIVERSIFIED STRATEGIES</b>							
AQR Capital	\$ 114,647,597	\$ 694,146	72	\$ 110,669,613	\$ 669,890	\$ 3,977,984	\$ 24,256
Blackstone Hedge	144,607,391	1,396,449	100	139,589,877	1,348,086	5,017,514	48,363
Newton Capital	101,944,265	625,659	70	98,407,055	603,954	3,537,210	21,704
<b>TOTAL DIVERSIFIED STRATEGIES</b>	<u>\$ 361,199,253</u>	<u>\$ 2,716,254</u>		<u>\$ 348,666,546</u>	<u>\$ 2,621,930</u>	<u>\$ 12,532,707</u>	<u>\$ 94,324</u>
<b>FIXED INCOME</b>							
MacKay Shields - Core Plus I	\$ 401,080,796	\$ 770,103	20	\$ 387,164,299	\$ 743,388	\$ 13,916,497	\$ 26,715
MacKay Shields - Core Plus II	417,226,585	601,053	15	402,749,870	580,202	14,476,715	20,851
Prudential Investments - Core Plus	409,048,038	782,271	20	394,855,098	755,134	14,192,940	27,138
<b>TOTAL FIXED INCOME</b>	<u>\$ 1,227,355,419</u>	<u>\$ 2,153,427</u>		<u>\$ 1,184,769,267</u>	<u>\$ 2,078,724</u>	<u>\$ 42,586,152</u>	<u>\$ 74,704</u>
<b>REAL ASSETS</b>							
INVESCO Real Estate - Core & Global REITS	\$ 446,477,927	\$ 1,935,297	65	\$ 431,986,264	\$ 1,868,200	\$ 15,491,663	\$ 67,096
TA Associates Realty	20,138,447	319,919		19,439,693	308,824	698,754	11,095
LaSalle Inc. & Growth VI LP	16,026,940	688,224		15,470,845	664,385	556,095	23,839
CastleArk Mgmt. - AR Energy Fund	85,013,944	942,408	125	82,064,174	909,715	2,949,770	32,693
CastleArk Mgmt. - Global Energy Fund	179,702,249	1,353,835	100	173,467,032	1,306,870	6,235,217	46,965
Pinnacle Forest Investments - Timberland	173,716,824	1,445,811	90	167,689,286	1,395,674	6,027,538	50,138
<b>TOTAL ALTERNATIVES</b>	<u>\$ 921,076,331</u>	<u>\$ 6,685,494</u>		<u>\$ 889,117,294</u>	<u>\$ 6,453,667</u>	<u>\$ 31,959,037</u>	<u>\$ 231,827</u>
<b>OTHER INVESTMENT SERVICES</b>							
Bank of New York Mellon (Custodian)		\$ 596,092			\$ 575,412		\$ 20,680
Callan Associates (Consultant)		247,470			238,895		8,575
<b>TOTAL OTHER SERVICES</b>		<u>843,562</u>			<u>814,307</u>		<u>29,255</u>
<b>TOTAL INVESTMENT SERVICE FEES</b>		<u>\$ 30,278,644</u>			<u>\$ 29,228,269</u>		<u>\$ 1,050,377</u>

\*\*\* Terminated Manager

Totals may not add due to rounding.

The APERS schedule of investment fees can be found on page 105.

Summary of Active Member Valuation  
State and Local Government Division  
As of June 30, 2014

Valuation Date	Active Members				Retired Lives			
	Number	Valuation Payroll			Active per		Annual Benefits	
		\$ Millions	Average	% Increase	Number	Retired	\$ 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	35,285	0.9	30,533	1.5	426.2	26.4
<b>6/30/14</b>	<b>45,841</b>	<b>1,638.0</b>	<b>35,735</b>	<b>1.3</b>	<b>31,914</b>	<b>1.4</b>	<b>457.1</b>	<b>27.9</b>

The above valuation payroll results do not include DROP payroll.

## Schedule of Retirees and Benefits Paid by County\*

As of June 30, 2014

### DISTRICT I

Total Retirees	7,445	
Total Amount	\$81,799,457	
County	Retirees	Benefits Paid
ARKANSAS	181	\$ 1,673,809
BAXTER	291	\$ 3,139,504
CHICOT	187	\$ 1,992,973
CLAY	178	\$ 1,544,234
CLEBURNE	270	\$ 3,603,411
CRAIGHEAD	961	\$ 11,629,055
CRITTENDEN	292	\$ 3,338,027
CROSS	229	\$ 2,448,391
DESHA	184	\$ 1,919,377
FULTON	131	\$ 1,251,328
GREENE	335	\$ 3,261,017
INDEPENDENCE	365	\$ 3,823,835
IZARD	185	\$ 1,896,436
JACKSON	131	\$ 1,387,564
JEFFERSON**	23	\$ 194,864
LAWRENCE	205	\$ 2,545,862
LEE	125	\$ 1,405,108
LINCOLN	235	\$ 2,713,841
LONOKE	742	\$ 10,054,058
MISSISSIPPI	364	\$ 3,649,591
MONROE	113	\$ 1,255,432
PHILLIPS	246	\$ 2,267,821
POINSETT	229	\$ 2,174,806
PRAIRIE	113	\$ 1,188,575
RANDOLPH	184	\$ 2,081,741
SEARCY	119	\$ 1,094,624
SHARP	218	\$ 2,200,635
ST. FRANCIS	302	\$ 3,118,382
STONE	213	\$ 1,988,004
WOODRUFF	94	\$ 957,136

### DISTRICT II

Total Retirees	10,283	
Total Amount	\$166,183,411	
County	Retirees	Benefits Paid
CONWAY	302	\$ 3,712,096
FAULKNER	1,568	\$ 23,508,521
PERRY	232	\$ 2,982,609
PULASKI	5944	\$ 103,508,778
SALINE	1354	\$ 22,228,006
VAN BUREN	215	\$ 2,449,009
WHITE	668	\$ 7,794,389

### DISTRICT III

Total Retirees	3,704	
Total Amount	\$45,488,274	
County	Retirees	Benefits Paid
BENTON	783	\$ 9,794,053
BOONE	360	\$ 3,841,502
CARROLL	146	\$ 1,200,349
CRAWFORD**	363	\$ 4,213,721
MARION	126	\$ 1,389,241
NEWTON**	46	\$ 350,888
POPE	526	\$ 6,291,276
SEBASTIAN**	538	\$ 6,887,711
WASHINGTON	816	\$ 11,519,531

\*Does not include DROP/PAW lump sum payments.

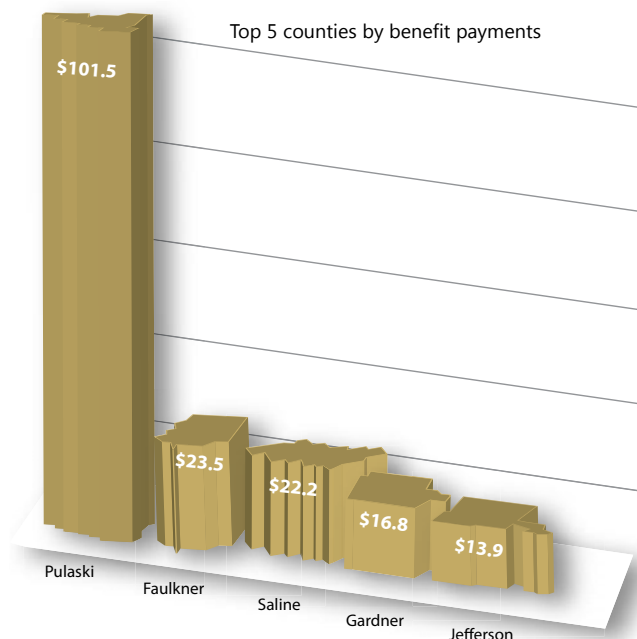
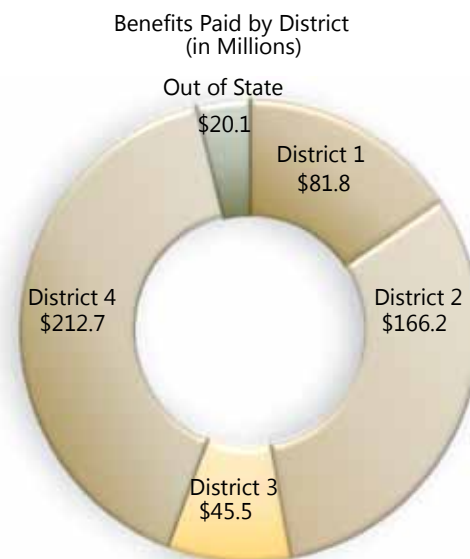
\*\*County totals divided over two districts.

## Schedule of Retirees and Benefits Paid by County\*

### DISTRICT IV

Total Retirees		8,576	
Total Amount		\$212,656,359	
County	Retirees	Benefits Paid	
ASHLEY	218	\$	2,288,012
BRADLEY	225	\$	2,615,945
CALHOUN	82	\$	693,930
CLARK	460	\$	5,710,077
CLEVELAND	155	\$	1,599,052
COLUMBIA	262	\$	2,651,824
CRAWFORD**	56	\$	3,948,643
DALLAS	133	\$	1,402,813
DREW	275	\$	3,756,079
FRANKLIN	177	\$	1,763,503
GARLAND	1189	\$	16,860,158
GRANT	225	\$	3,303,915
HEMPSTEAD	252	\$	3,406,003
HOT SPRING	540	\$	5,976,876
HOWARD	165	\$	1,783,369
JEFFERSON**	1015	\$	13,766,280
JOHNSON	205	\$	2,675,340
LAFAYETTE	104	\$	1,054,717
LITTLE RIVER	142	\$	1,145,584
LOGAN	393	\$	4,064,529
MADISON	134	\$	1,895,841
MILLER	282	\$	2,942,381
MONTGOMERY	120	\$	1,347,338
NEVADA	156	\$	1,663,443
NEWTON**	76	\$	788,687
OUACHITA	298	\$	3,062,868
PIKE	113	\$	1,262,573
POLK	236	\$	2,480,132
SCOTT	133	\$	1,103,433
SEBASTIAN**	79	\$	1,440,339
SEVIER	118	\$	1,119,277
UNION	352	\$	4,481,972
YELL	206	\$	2,273,231

	Total Retirees	Total Amount
1st District	7,445	\$ 81,799,457
2nd District	10,283	\$ 166,183,411
3rd District	3,704	\$ 45,488,274
4th District	8,576	\$ 212,656,359
Out of State	2,073	\$ 20,131,728
<b>Total Retirees and Benefits</b>	<b>32,081</b>	<b>\$ 419,931,050</b>



\*Does not include DROP/PAW lump sum payments.

\*\*County totals divided over two districts.

## Schedule of Participating Employers

As of June 30, 2014

### State Agencies

House Speaker's Office	Boone County Conservation District
1st Judicial Drug Task Force	Buffalo Conservation District
21st Judicial Drug Task Force	Building Authority
3rd Judicial Drug Task Force	Burial Assoc. Board
Administrative Office of the Courts	Calhoun County Conservation District
AR Child Abuse and Neglect Prevention	Capitol Zoning District Commission
AR Crime Information Center	Carroll County Conservation District
AR Department of Agriculture	Chicot County Conservation District
AR Economic Development Commission	Claims Commission
AR Fair Housing Commission	Clark County Conservation District
AR Public Defender Commission	Clay County Conservation District
AR State Athletic Commission	Cleburne County Conservation District
AR Tobacco Settlement Commission	Cleveland County Conservation District
AR Department of Environmental Quality	College of the Ouachitas
Arkansas Appraiser Licensing and Certification	Columbia County Conservation
Arkansas County Conservation District	Commissioner of State Lands
Arkansas Ethics Commission	Constitutional Officers
Arkansas Heritage	Contractors Licensing Board
Arkansas Lottery Commission	Conway County Conservation District
Arkansas Minority Health Commission	Cossatot Community College - U of A
Arkansas Northeastern College	Cossatot Conservation District
Arkansas Sentencing Commission	Court of Appeals
Arkansas State Board of Massage Therapy	Court Reporters
Arkansas State Board of Optometry	Craighead County Conservation District
Arkansas State Library	Crawford County Conservation District
Arkansas State University	Crittenden County Conservation District
Arkansas State University - Beebe	Crooked Creek Conservation District
Arkansas Tech University	Cross County Conservation District
Arkansas Tobacco Control Board	Crowley's Ridge Tech Institute
Arkansas Towing and Recovery Board	Dallas County Conservation District
Ashley County Conservation District	Department of Aeronautics
Assessment Coordination Department	Department of Community Correction
ASU-Newport	Department of Correction
Attorney General	Department of Emergency Management
Auctioneers Licensing Board	Department of Finance and Administration
Auditor of State	Department of Health
Baxter County Conservation District	Department of Higher Education
Board of Examiners Speech/Lang/Path and Audio	Department of Human Services
Benton County Conservation District	Department of Information Systems
Black River Technical College	Department of Labor
Board of Accountancy	Department of Workforce Services
Board of Architects	Deputy Prosecuting Attorney
Board of Barber Examiners	Desha County Conservation District
Board of Chiropractic Examiners	Development Finance Authority
Board of Collection Agencies	Dietetic Licensing Board
Board of Dental Examiners	Disability Determination for SS Administration
Board of Dispensing Opticians	Disabled Veterans Service
Board of Embalmers and Funeral Directors	Division of Legislative Audit
Board of Examiners in Counseling	Drug Court Juvenile Prob and Intake Off
Board of Nursing	Drug Task Force - 13th Judicial District
Board of Pharmacy	Drug Task Force - 14th Judicial District
Board of Physical Therapy	Drug Task Force - 5th Judicial District
Board of Registration for Professional Geologist	Drug Task Force - Batesville
Board of Registration for Professional Engineers and Professional Surveyors	Drug Task Force - Monticello
	East Arkansas Community College

## State Agencies (Continued)

Educational TV Commission  
 Examiners in Psychology  
 Faulkner County Conservation District  
 Fire Protection Licensing Board  
 Franklin County Conservation District  
 Fulton County Conservation District  
 Game and Fish Commission  
 Game and Fish Commission - Wildlife Off.  
 Garland County Conservation District  
 General Assembly - Senate  
 General Assembly - Senate - Regular  
 General Assembly - House  
 General Assembly - House - Regular  
 Geographic Information Office  
 Geological Commission  
 Governor's Office  
 Greene County Conservation District  
 Health Services Permit Agency  
 Hempstead County Soil Conservation  
 Henderson State University  
 History Commission  
 Hot Spring County Conservation District  
 Home Inspector Registration  
 Independence County Conservation District  
 Insurance Department  
 Izard County Conservation District  
 Jackson County Conservation District  
 Jefferson County Conservation District  
 Johnson County Conservation District  
 Judicial Discipline and Disability Comm.  
 Judicial Drug Task Force-15th  
 Lafayette County Conservation District  
 Law Enforcement Standards  
 Lawrence County Conservation District  
 Lee County Conservation District  
 Legislative Council  
 Lieutenant Governor  
 Lincoln County Conservation District  
 Liquefied Petroleum Gas Division  
 Little River Conservation District  
 Logan County Conservation District  
 Lonoke County Conservation District  
 Madison County Conservation District  
 Manufactured Home Commission  
 Martin Luther King Jr. Commission  
 Medical Board  
 Medicaid Inspector General  
 Miller County Conservation District  
 Mine Creek Conservation District  
 Mississippi County Conservation District  
 Monroe County Conservation District  
 Montgomery County Conservation District  
 Motor Vehicle Commission  
 National Park Community College  
 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  
 Southern Arkansas University Tech  
 Spinal Cord Commission  
 St. Francis County Conservation District  
 State Bank Department  
 State Board of Election Commissioners  
 State Capitol Police  
 State Crime Lab  
 State District Judges  
 State Military Department  
 State Police (Non-Trooper)  
 State Treasurer  
 Stone County Conservation District

## State Agencies (Continued)

Student Loan Authority  
 Supreme Court  
 Supreme Court – Bar of Arkansas  
 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  
 Baxter County Library  
 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  
 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	City of Gravette	City of Prairie Grove
Alma Water and Sewer Department	City of Green Forest	City of Prescott
Arkansas Municipal League	City of Greenland	City of Quitman
Batesville Water Works	City of Gum Springs	City of Ravenden
Bradford Water and Sewer System	City of Hackett	City of Rector
Brinkley Municipal Water/Sewer	City of Hamburg	City of Rison
Camden Water and Utilities	City of Hampton	City of Rogers
Central Arkansas Water	City of Hardy	City of Russellville
City of Alma	City of Harrisburg	City of Salem
City of Arkadelphia	City of Harrison	City of Searcy
City of Arkansas City	City of Haskell	City of Shannon Hills
City of Ash Flat	City of Hazen	City of Sheridan
City of Ashdown	City of Heber Springs	City of Shirley
City of Augusta	City of Helena-West Helena	City of Smackover
City of Austin	City of Holly Grove	City of Stamps
City of Batesville	City of Hope	City of Star City
City of Beebe	City of Hot Springs	City of Strong
City of Bentonville	City of Huntington	City of Stuttgart
City of Bethel Heights	City of Huntsville	City of Summit
City of Bigelow	City of Huttig	City of Van Buren
City of Biscoe	City of Jacksonville	City of Viola
City of Bono	City of Jasper	City of Waldron
City of Brinkley	City of Kibler	City of Ward
City of Bryant	City of Knoxville	City of Warren
City of Cabot	City of Lamar	City of West Fork
City of Caddo Valley	City of Lavaca	City of Western Grove
City of Calico Rock	City of Lepanto	City of Wilmar
City of Cammack Village	City of Leslie	City of Wynne
City of Carlisle	City of Lewisville	City of Yellville
City of Cave City	City of Lincoln	Clinton Water and Sewer
City of Cave Springs	City of Lockesburg	Crossett Public Library
City of Centerton	City of Lowell	Crossett Water Commission
City of Charleston	City of Magnolia	El Dorado Water Works
City of Cherry Valley	City of Malvern	Fordyce Water and Sewer
City of Clarksville	City of Mammoth Spring	Forrest City Water Utilities
City of Clinton	City of Marked Tree	Fort Smith Public Library
City of Corning	City of Marshall	Harrisburg Water and Gas Division
City of Cotter	City of Marvell	Hope Water and Light
City of Crossett	City of McRae	Hot Springs Adv. and Promotion Comm.
City of Des Arc	City of Melbourne	Huntsville Water and Sewer
City of DeWitt	City of Mena	Jacksonville Wastewater Utility
City of Dierks	City of Monette	Jacksonville Water Commission
City of Dover	City of Monticello	LR Wastewater Utility
City of Elm Springs	City of Morrilton	Malvern Waterworks
City of Emerson	City of Mount Ida	McGehee Water and Sewer System
City of England	City of Mountain Home	Mena Water and Sewer
City of Eudora	City of Mountain Pine	NLR Visitor's Bureau
City of Farmington	City of Mountain View	Pangburn Water Department
City of Flippin	City of Mt. Pleasant	Piggott Light and Water System
City of Fordyce	City of Nashville	Rogers Water Utilities
City of Foreman	City of Ola	Star City Water and Sewer
City of Forrest City	City of Pangburn	Stuttgart North AR County Library
City of Fountain Hill	City of Paragould	Town of Highfill
City of Fulton	City of Paris	Van Buren Municipal Utilities
City of Gassville	City of Perryville	Vilonia Waterworks Association
City of Gentry	City of Piggott	Warren Water and Sewer
City of Goshen	City of Plumerville	Wynne Municipal Water Utilities

## Schools

Alma 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  
 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  
 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  
 Greenwood School District  
 Hamburg School District  
 Harrison School District  
 Hazen School District  
 Helena-West Helena School District  
 Highland School District  
 Hope School District  
 Horatio School District  
 Hot Springs School District  
 Hoxie School District

Huntsville School District  
 IZard Co Cons School District  
 Jackson County Schools  
 Jasper School District  
 Jonesboro Public Schools  
 Junction City School District  
 Lafayette County School District  
 Lake Hamilton School District  
 Lakeside Public Schools  
 Lavaca School District  
 Lee County School District  
 Little Rock School District  
 Lonoke School District  
 Magazine School District  
 Magnolia School District  
 Malvern School District  
 Marion School District  
 McCrory Public Schools  
 Mountain Home School District  
 Mountain View School District  
 Mountainburg School District  
 Newport Special School District  
 No Little Rock School District  
 Osceola School District  
 Ozark School District  
 Paragould School District  
 Piggott School District  
 Pine Bluff Schools  
 Pocahontas School District  
 Pottsville School District  
 Pulaski Co Special School District  
 Rogers School District  
 Russellville School District  
 Searcy County School District  
 Sheridan School District  
 Shirley School District  
 Siloam Springs School District  
 Smackover Public School  
 So Conway County School District  
 South Miss. Co School District  
 South Pike County School District  
 South Side School District  
 Springdale School District  
 Stephens School District  
 Stuttgart School District  
 Texarkana AR School District  
 Trumann School District  
 Two Rivers School District  
 Valley Springs School District  
 Van Buren School District  
 Vilonia School District  
 Waldron School District  
 Warren School District  
 Watson Chapel School District  
 West Memphis School Cafeteria  
 White Hall School District  
 Wynne School District  
 Yellville Summit School District

## District Judges

Ashdown  
 Ashley County  
 Biscoe  
 Bradley County  
 Brinkley  
 Cabot  
 Camden  
 Charleston  
 Cherokee Village  
 Chicot County  
 Clarksville  
 Crossett  
 Dermott  
 Devalls Bluff  
 East Camden  
 Elkins  
 Franklin County  
 Grant County  
 Hamburg  
 Hazen  
 Helena/West Helena  
 Hot Springs  
 Lee County  
 Little Rock  
 Malvern  
 Newport  
 Newton County  
 Ouachita County  
 Ozark  
 Phillips County  
 Prairie Grove  
 Randolph County  
 Sharp County  
 Sheridan  
 Sherwood  
 State District Judges  
 Ward  
 West Fork  
 Woodruff County  
 Yell County

## District Court Employers\*

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  
 McCrory  
 Mc Gehee  
 Newport  
 North Little Rock  
 Osceola  
 Ozark  
 Perry County  
 Pine Bluff  
 Sherwood  
 Siloam Springs  
 Springdale  
 Texarkana  
 Trumann  
 Tyronza  
 Walnut Ridge  
 West Memphis  
 Wrightsville

## Other Non-State Employers

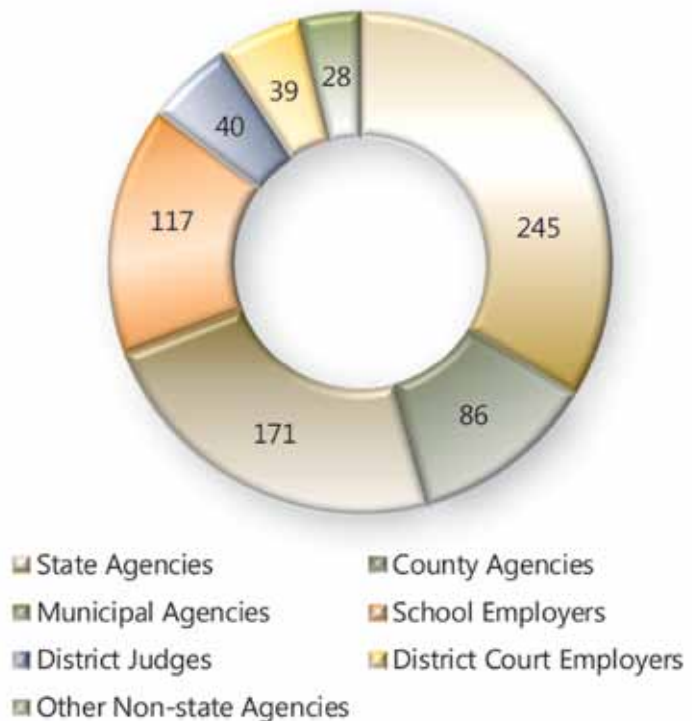
Blytheville – Gosnell Regional Airport  
 Alpine Public Water Authority  
 Benton County Solid Waste District  
 Boone County Airport  
 Boston Mountain Solid Waste  
 Buffalo Island Regional Water District  
 Clark County Country Water Facilities  
 Hot Spring County Solid Waste Authority  
 James Fork 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, 2014

State Agencies	245
County Agencies	86
Municipal Agencies	171
School Employers	117
District Judges	40
District Court Employers*	39
Other Non-State Agencies	28
<b>Total</b>	<b>726</b>

NUMBER OF PARTICIPATING EMPLOYERS



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

State Agencies Schools Municipalities Clerks of Court  
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**Arkansas Public Employees Retirement System**  
124 West Capitol Avenue, Suite 400  
Little Rock, AR 72201