



Arkansas Public Employees Retirement System
Annual Financial Report
For the year ending June 30, 2017



Arkansas Public Employees Retirement System Annual Financial Report

For the Fiscal Year Ended June 30, 2017

A Pension Trust Fund of the State of Arkansas

Gail H. Stone, Executive Director



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2017***

Presented to

Arkansas Public Employees Retirement System

In recognition of meeting professional standards for
plan funding and administration as
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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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A HISTORY OF APERS

The Arkansas Public Employees Retirement System (APERS or the System), 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. Over the next eight years, the system expanded to include all county employers (via Act 42 of 1959), some 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).

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 5% 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, employers did not pay contributions for members participating in the Deferred Retirement Option Plan (DROP) or for retired members who had returned to work. Act 558 of 2011, effective January 1, 2012, amended § 24-4-402 of the Arkansas Code Annotated (A.C.A.) to require participating employers to make contributions for retired members who have returned to work in an eligible APERS-covered position. Act 558 amended A.C.A. § 24-4-802 to require employers to also make contributions on behalf of DROP participants.

Financial Objective

APERS has developed into a mature system that continues to satisfy the financial objective of generationally level contribution financing. As of June 30, 2017, the assets of the System remained healthy at \$8.0 billion. The APERS investment program has seen rates of return that range from a low of -20.89% in 2009 to a high of +26% in 2011. The rate of return in 2017 was 12.3%. 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 80%.

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 5% percent but no more than 10% 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 system.

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 vested members who work fewer 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 number of years used to calculate the final average compensation (FAC). Act 975 of 1991 changed the FAC used in the calculation of retirement benefits from 5 years to 4 years. Act 104 of 1999 allowed members with 28 years actual service to retire with an unreduced benefit. Act 1137 of 1997 set the FAC to 3 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.

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 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 after 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 retiree 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 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.
- Act 288, effective January 1, 2014, requires that a newly elected contributory elected official is required to contribute an additional 2.5% 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.

The 2015 legislative session did not change the laws affecting APERS in any significant fashion. However, the 2017 session did result in one significant change to the APERS DROP.

- Act 552 of 2017 removed the 2011 legislative provision that barred DROP participants from being rehired into a position covered by any state-wide retirement plan. Beginning January 1, 2018, those individuals, after exiting the APERS DROP, may be hired into a position covered by a state-wide plan, but those individuals must still meet the 180 day (or one year for elected officials) separation from service requirement before they may be hired into such a position.

SYSTEM HIGHLIGHTS

State and Local Systems Only as of June 30, 2017

Active Members		Retired Members*		Age and Service	Disability
Number	46,094	Newly Retired Members	2,335		116
Average Age (yrs.)	44.4	Average Age (yrs.)	62.3		54.9
Average Service (yrs.)	8.8	Average Service (yrs.)	18.3		13.4
Average Annual Salary	\$ 36,204	Average Monthly Benefit	\$ 1,326.46		\$ 745.57
Inactive Vested Members					
Number	14,873	Total Retired Members	36,260		
		Average Monthly Benefit	\$ 1,241.34		

* Includes DROP Participants.

LETTER OF TRANSMITTAL

Dear Board Members:

It is my honor to present to you the 2017 Annual Financial Report of the Arkansas Public Employees Retirement System (APERS or the System) for the fiscal year ended June 30, 2017. 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 in the Appendix. The summary of plan provisions is presented in the Actuarial Section. The mission of the System is to provide current and future retirement or survivor benefits for its members. All services provided by the staff are performed to meet that objective.

The APERS Annual Financial Report contains six sections:

- The Introduction 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 member valuation schedules, a schedule of benefits paid by county, as well as a list of participating employers as of June 30, 2017.

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 9.85%. 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, 2017, the fund recognized a positive 12.30% rate of return. On a funding value of assets basis, the funding status of the System decreased to 78% in fiscal 2017 from 80% in fiscal 2016.

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 2017 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.

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, 2017 amounted to \$10.510 billion and \$8.157 billion respectively. A detailed discussion of funding is provided in the Actuarial Section of this report.

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. The System’s annualized rate of return over the last three years was a positive 4.96%.

Audit

The State of Arkansas Division of Legislative Audit in accordance with A.C.A. § 24-2-702, audits the System each fiscal year.

Management’s Discussion and Analysis

Management’s discussion and analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliments this letter of transmittal and should be read in conjunction with it.

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.

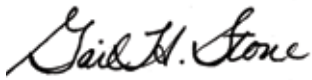
Acknowledgments

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.

I 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". The signature is written in a cursive style with a large, prominent "G" and "S".

Gail H. Stone
Executive Director

CHAIRMAN'S LETTER

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, 2017. APERS continues to be in sound condition with 78% 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.

That said, the APERS staff, in conjunction with project oversight consultant Linea Solutions and system developer Vitech Inc., has spent significant time and energy to create a new pension administration system called COMPASS. It features web-based self-service portals for both members (MSS) and employers (ESS). COMPASS "went live" last March (2017) and has resulted in significant improvements for members, retirees, and employers. To date, we are very pleased with its performance.

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,



Mayor David Morris, Chair
APERS Board of Trustees

BOARD OF TRUSTEES

As of June 30, 2017

Mayor David Morris, Chair
Municipal Employee Representative
Expiration of Term, March 9, 2022

Mr. Larry Walther, Vice Chair
Director of the Department of Finance and Administration
Ex-Officio Member

Ms. Carol Bevis
Other Non-State Employee Representative
Expiration of Term, March 9, 2018

Ms. Candace Franks
State Employee Representative
Expiration of Term, March 9, 2019

Mr. Daryl Bassett
State Employee Representative
Expiration of Term, March 9, 2020

The Honorable David Hudson
County Employee Representative
Expiration of Term, March 9, 2021

Mr. Steve Faris
Retired Employee Representative
Expiration of Term, March 9, 2023

The Honorable Andrea Lea
Auditor of State
Ex-Officio Member

The Honorable Dennis Milligan
Treasurer of State
Ex-Officio Member

APERS SENIOR STAFF

Ms. Gail Stone
Executive Director

Mr. Jay Wills
Deputy Director

Mr. Jason Willett
Chief Financial Officer

Mr. Carlos Borromeo
Chief Investment Officer

Ms. Allison Woods
Director of Benefits Administration

Mr. Phillip Norton
Director of Information Technology

Ms. Becky Walker
Director of Operations

Ms. Jacobia Twiggs
Manager, Educational Outreach

Ms. Jennifer Taylor
Manager, Member and Retiree Services Section

Mr. Jon Aucoin
Manager, Communications Section

Ms. Jessica Middleton
Legal Counsel

Mr. John Owens
Internal Auditor

Ms. Usha Doolabh
Accounting Operations Manager, Investments

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

Investment Managers

AQR Capital Management
Greenwich, CT 06830

Artisan Partners
Milwaukee, WI 53202

Baillie Gifford Overseas Ltd.
Edinburgh, Scotland

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

CastleArk Management, LLC
Chicago, IL 60606

Double Line Capital
Los Angeles, CA 90071

Golden Capital Management
Charlotte, NC 28262

Fidelity Institutional Asset Management
Smithfield, RI 02917

Heitman America Real Estate
Chicago, IL 60606

Horrell Capital Management
Little Rock, AR 72211

INTECH
West Palm Beach, FL 33401

Invesco Real Estate
Dallas, TX 75240

LaSalle Investment Management
San Francisco, CA 94111

Lazard Asset Management
New York, NY 10020

MacKay Shields
New York, NY 10105

Manning & Napier Advisors
Dublin, OH 43017

Investment Managers (continued)

Mellon Capital Management

Pittsburgh, PA 15258

Newton Capital Management

New York, NY 10166-0005

Pinnacle Forest Investments, LLC

Little Rock, AR 72211

Prudential Investments, Inc.

Newark, NJ 07102

SSI Investment Management

Beverly Hills, CA 90210

Stephens Investment Management Group

Houston, TX 77046

TA Associates Realty

Boston, MA 02109

Wellington Management Company

Boston, MA 02210

Westwood Management Corp.

Dallas, TX 75201



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MANAGEMENT'S DISCUSSION AND ANALYSIS

To help facilitate a better understanding of the financial condition of the Arkansas Public Employees Retirement System ("APERS" or the "System") as of June 30, 2017, 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 31.

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, 2017.

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

The Statement of Fiduciary Net Position

The Statement of Fiduciary 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 2017 and 2016:

Summary of Fiduciary Net Position	2017	2016
Assets		
Cash and Cash Equivalents	\$ 187,452,787	\$ 239,355,425
Receivables	74,686,489	82,794,661
Investments	7,808,256,781	7,143,145,466
Securities Lending Collateral	734,918,809	897,813,092
Property and Equipment	19,601,641	15,662,882
Other Assets	46,160	21,013
Total Assets	\$ 8,824,962,668	\$ 8,378,792,539
Liabilities		
Other Liabilities	\$ 59,665,604	\$ 107,154,162
Securities Lending Collateral	736,500,275	900,880,227
Total Liabilities	796,165,878	1,008,034,389
Net Position Restricted For Pension Benefits	\$ 8,028,796,790	\$ 7,370,758,150

The Statement of Changes in Fiduciary Net Position

The Statement of Changes in Fiduciary 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 Fiduciary Net Position*. Below is a summary of the financial transactions of the trust fund for fiscal years 2017 and 2016:

Summary of Changes in Fiduciary Net Position	2017	2016
Additions		
Employer Contributions	\$ 261,656,384	\$ 263,172,688
Member Contributions	58,500,339	55,912,833
Supplemental Contributions	407,363	404,433
Net Investment Income	862,824,701	(4,177,314)
Other Additions	6,105,620	6,271,067
Total Additions	<u>1,189,494,407</u>	<u>321,583,707</u>
Deductions		
Benefits	508,200,406	480,913,495
Refunds of Contributions	13,755,408	13,188,729
Administrative Expenses	9,499,953	6,965,673
Total Deductions	<u>531,455,767</u>	<u>501,067,897</u>
Net Increase (Decrease)	658,038,640	(179,484,191)
Net Position		
Beginning of the Year	<u>7,370,758,150</u>	<u>7,550,242,341</u>
End of the Year	<u>\$ 8,028,796,790</u>	<u>\$ 7,370,758,150</u>

Additions to Fiduciary Net Position

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 2017 totaled approximately \$1.2 billion (see the following table):

Operating Additions	2017	2016
Employer Contributions	\$ 261,656,384	\$ 263,141,390
Member Contributions	58,500,339	55,944,132
Supplemental Contributions	407,363	404,433
Investment Earnings	862,824,701	(4,177,314)
Miscellaneous Additions	1,244,947	1,435,671
Transfers from Other Public Employee Retirement Systems	4,860,673	5,051,635
Total	\$ 1,189,494,407	\$ 321,799,947

The overall increase in additions was approximately \$868 million when compared to fiscal year 2016 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 2017.

Deductions to Fiduciary Net Position

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 System. Deductions for fiscal year 2017 totaled approximately \$531 million (see the following table):

Operating Deductions	2017	2016
Benefit Payments	\$ 508,200,406	\$ 480,913,495
Refunds of Contributions	13,755,408	13,188,729
Administrative Expenses	9,502,608	7,181,912
Total	\$ 531,458,422	\$ 501,284,136

The overall increase in deductions was approximately \$30 million when compared with fiscal year 2016. 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 the System's net position was approximately \$658 million during fiscal year 2017.

The Notes to the Financial Statements

The Notes to the Financial Statements are provided as an integral component of the financial statements to help explain in narrative form some of the more complex or less obvious elements of the statements. Further, the Notes to the Financial Statements provide additional information 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 postemployment 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 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 and 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, 2017 by \$658,038,640. This increase can be attributed to an increase in the value of investments and their associated income.

System Investments as of June 30, 2017

The investments of the pension trust fund generated a 12.30% return for the fiscal year, which is higher than the prior year's return of 0.30%. The 12.30% return placed APERS in the fifty-first percentile when compared with a median return of 12.90% 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. Below is a summary of the performance of the System's assets by class:

- Domestic Equity - The System had \$3.246 billion in U.S. domestic equity securities, which is approximately a 11.69% increase from fiscal year 2016. Domestic equity posted a return of 17.52% for the fiscal year. The Russell 3000 Index posted a return of 18.51%.
- International Equity - The System had \$2.051 billion in international equity securities which is approximately a 16.34% increase from fiscal year 2016. International equity posted a return of positive 18.39% for the fiscal year. The MSCI EAFE Index posted a return of positive 20.27%.
- Fixed Income - The System had \$1.334 billion in fixed income securities, which is approximately a 2.52% increase from fiscal year 2016. Fixed income posted a return of 3.04% for the fiscal year. The Barclays Aggregate Index posted a return of (0.31%).
- Diversified Strategies - The System had \$390 million in diversified strategies, which is approximately a 2.52% increase from fiscal year 2016. Diversified strategies posted a return of 5.51% for the fiscal year.
- Real Assets - The System had \$1.243 billion in real assets, which is approximately a 0.66% increase from fiscal year 2016. Real assets posted a return of 3.27% for the fiscal year.

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 2017, securities lending income to the System amounted to \$4.998 million.

Actuarial Valuations and Funding Progress

An actuarial valuation of the System is performed annually as of June 30. The actuarial accrued liability and actuarial value of assets of the System as of June 30, 2017 amounted to \$10.510 billion and \$8.157 billion, respectively.

As of June 30, 2017, the System experienced no change in its funded status on a market value basis of 76%. On a funding basis, the System experienced a decrease in its funded status from 80% to 78%.

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.

STATEMENT OF FIDUCIARY NET POSITION (as of June 30, 2017)

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 187,452,787	\$ 239,355,425
Receivables		
Contributions	3,605,052	3,225,016
Dec 2004 Actuarial Liability Receivable	8,233,527	8,890,840
Investment Principal Receivable	44,309,479	52,383,622
Accrued Investment Income Receivable	18,538,432	16,981,349
Other Receivables	0	1,313,834
Total Receivables	74,686,489	82,794,661
Investments, At Fair Value		
Government Securities		
U.S. Government Securities	211,350,242	151,567,072
Futures	(95,849)	(1,457,482)
Government Agency Securities	66,466,606	120,720,514
Corporate Securities		
Collateralized Obligations	111,031,538	32,341,769
Corporate Bonds	238,646,514	390,159,487
Convertible Bonds	192,589,184	150,159,963
Convertible Preferred Stock	51,848,401	62,489,439
Common Stock	2,395,636,367	2,291,993,983
Equity Index Funds	846,388,430	680,177,673
High Yield Income Fund	60,607,827	59,886,227
International Securities		
Global Fixed Income Fund	582,565	0
Corporate Fixed Income	43,015,174	26,623,673
Equity Securities	1,123,769,547	956,342,321
Global Preferred Stock	2,190,722	1,412,303
Equity Pooled Fund Units	559,429,713	566,627,008
Global Equity Index Funds	0	0
Global Collateralized Obligations	1,446,868	0
Emerging Markets	31,785,616	0
Emerging Markets Collateralized Obligations	0	0
Forward Contracts	(400,383)	(527,453)
Core Plus Bond Fund	442,275,871	430,447,483
Interest Rate Swaps	0	0
Real Estate	772,158,310	719,132,034
Diversified Strategies	377,168,525	360,402,609
Timberland	107,955,222	132,227,836
Global Energy Fund	128,687,816	0
Commercial Loans	43,721,955	12,419,009
Total Investments	7,808,256,781	7,143,145,467
Securities Lending Collateral Investments, At Fair Value		
Receivables/Payables	(62,686)	0
Repurchase Agreements	186,216,186	80,487,784
Asset Backed Floating Rate Notes	361,813,359	187,766,700
Corporate Floating Rate Notes	0	559,239,577
Time Deposits	0	70,319,031
Asset Backed Securities	186,951,950	0
Total Securities Lending Collateral Investments	734,918,809	897,813,092
Prepays and Other Assets	46,160	21,013
Fixed Assets, Net	19,601,641	15,662,882
TOTAL ASSETS	8,824,962,668	8,378,792,539
LIABILITIES		
Accrued Expenses and Other Liabilities	8,286,618	8,338,000
Investment Principal Payable	48,671,336	96,542,343
Other Post Employment Benefits	2,707,649	2,273,819
Securities Lending Liability	736,500,275	900,880,227
TOTAL LIABILITIES	796,165,878	1,008,034,389
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 8,028,796,790	\$ 7,370,758,150

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(for the fiscal year ended June 30, 2017)

	2017	2016
Additions		
Contributions		
Employer	\$ 261,656,384	\$ 263,172,688
Plan Member	58,500,339	55,912,833
Supplemental	407,363	404,433
Total Contributions	<u>320,564,086</u>	<u>319,489,954</u>
Investment Income		
Interest	71,521,485	72,456,583
Dividends	80,054,349	78,971,953
Investment Gain/(Loss)	736,179,097	(130,702,730)
Security Lending Income	4,998,296	4,494,855
Other	6,176,577	1,322,030
Total Investment Income	<u>898,929,804</u>	<u>26,542,692</u>
Less: Investment Expense	<u>36,105,102</u>	<u>30,720,006</u>
Net Investment Income	862,824,702	(4,177,314)
Other Additions		
Miscellaneous Additions	977,992	952,597
Transfers from Other Public Employees Retirement Systems	4,860,673	5,051,635
Miscellaneous Transfers from State Agencies	266,955	266,835
Total Other Additions	<u>6,105,620</u>	<u>6,271,067</u>
Total Additions	1,189,494,407	321,583,707
Deductions		
Benefits	508,200,406	480,913,495
Refunds of Contributions	13,755,408	13,188,729
Administrative Expenses	9,502,608	7,181,912
Total Deductions	<u>531,458,422</u>	<u>501,284,136</u>
Adjustments		
Actuarial Adjustment to DJ Unfunded Liability	2,655	216,239
Net Increase (Decrease)	658,038,640	(179,484,191)
Net Position Restricted for Pension Benefits		
Beginning of Year	7,370,758,150	7,550,242,341
End of Year	<u>\$ 8,028,796,790</u>	<u>\$ 7,370,758,150</u>

NOTES TO THE 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 (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

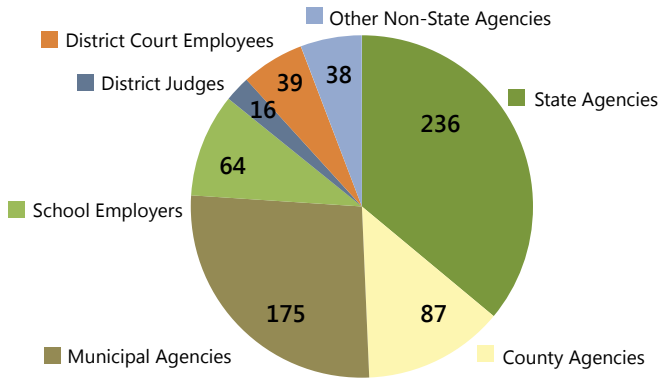
The executive director and administrative staff of APERS also serve as the executive director and administrative staff of two other state retirement systems, the Arkansas State Police Retirement System and the Arkansas Judicial Retirement System. These systems do not constitute part of the APERS reporting 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

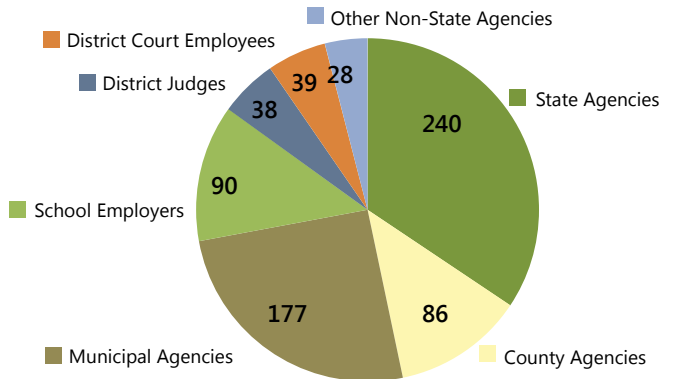
APERS covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under the System, college and university employees, certain non-teaching school employees, and other public entities specifically defined by law.

Reporting Entities	2017	2016
State	236	240
County	87	86
Municipal	175	177
School	64	90
District Judges	16	38
District Court	39	39
Other Non-State	38	28
Total	655	698

Reporting Entities 2017



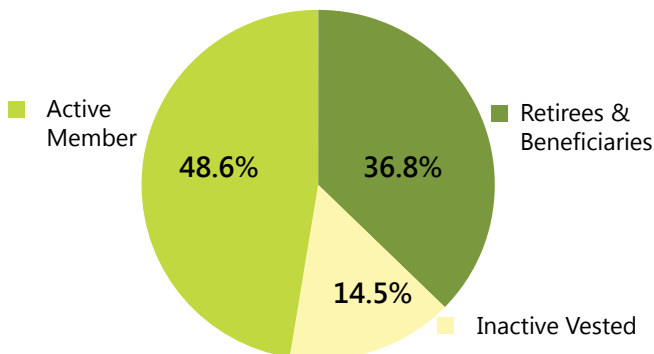
Reporting Entities 2016



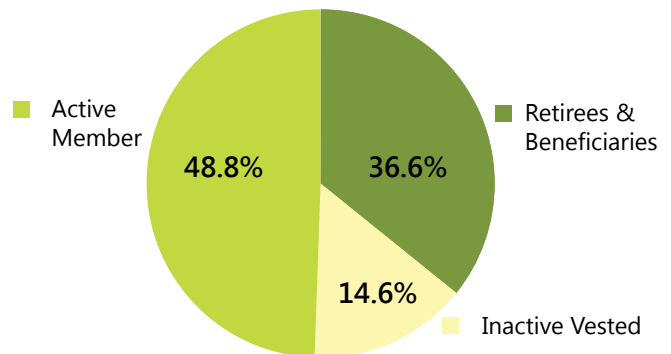
Membership

	2017	2016
Retirees and Beneficiaries Receiving Benefits (Includes DROP Participants)	34,840	34,214
Terminated System Members Entitled to But Not Yet Receiving Benefits	13,735	13,624
Active System Members	45,981	45,676

2017



2016



Contributions

All participating employers are required to contribute a portion of their eligible employees' salaries into the System. The Board establishes the provisions for these employer contributions based on the rates the independent actuary determines are necessary to fund the System. Because of the cost of providing enhanced service credit to certain members classified as public safety employees, and 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 the actuary.

The System was established as a contributory plan in which member-employees also contributed a portion of their salaries to the System. 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 of 2005 directed APERS to establish a new contributory plan effective July 1, 2005. It required that all covered employees first hired on or after July 1, 2005 contribute 5% of their salary into the System. 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. A member's employee contributions are refundable if the member terminates APERS-covered employment before a monthly benefit is payable. Employee contributions remaining on deposit with APERS earn interest (at the rate of 4% per year), which is included in the refund. Contribution refunds do not include contributions made by an employer.

Employer Contribution Rates	2017	2016
State Division	14.5 %	14.5 %
Wildlife Subdivision	26.5	26.5
State Capitol Police Subdivision	14.5	14.5
County Division	14.5	14.5
Municipal Division	14.5	14.5
School Division	4.0	4.0
Other Non-State Division	14.5 %	14.5 %

System Administration

The costs of administering the System 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 local elected 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, 2017 and 2016, APERS was confirmed as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

Note 2: Summary of Significant Accounting Policies

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. Expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized when due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

The System is authorized to invest in eligible investments as approved by the Board as set forth in its investment policy. System investments are reported at fair value. Short-term investments, debt securities, and equity securities are reported at fair value, as determined by the System's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the System in equity index and commingled trust funds is determined by the respective fund trustee based on quoted sales prices of the underlying securities.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, securities lending income and expenses, and investment expenses, which include investment management and custodial fees and all other significant investment related costs. The System's international investment managers may enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. Any gains and losses on these contracts are included in income in the period in which the exchange rates change.

Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term, and those changes could materially affect the amounts reported in the *Statement Of Fiduciary Net Position*.

Use of Estimates

The preparation of the System's financial statements in conformity with accounting principles generally accepted in the U.S. requires the System administrator to make significant estimates and assumptions that affect various data in the report, including the following:

- The net position restricted for pensions at the date of the financial statements
- The net pension liability and other actuarial information presented in Note 6
- The required supplementary information as of the benefit information date
- The changes in fiduciary net position during the reporting period

Estimates may also be involved in formulating disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

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 66.

Risks and Uncertainties

Certain data in this report -- including contributions to the System and the net pension liability, as well as other actuarial information in Note 6 and the required supplementary information -- has been formulated based on certain projections about interest rates, inflation rates, and employee compensation and demographics. Due to the dynamic nature of these factors, it is possible that these projections will need to be revised in the near term. Moreover, because of the uncertainties inherent in making such projections, the effect of any such changes could be material to the financial statements.

Note 3: Deposits and Investments

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, and petty cash. As of June 30, 2017, these totals were \$121,111, \$7,598,299, \$179,733,177, 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 for Deposits

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 policy is to place deposits only in collateralized or insured accounts. As of June 30, 2017, the System’s only deposits exposed to potential custodial credit risk were those holding its foreign currency balance of \$275,397. The System holds foreign currency in banks outside the United States as a result of transactions by international investment managers.

Investments

Arkansas Code Annotated §§ 24-2-601 – 24-2-619 authorize the Board 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 5% nor more than 10% of the System’s portfolio in Arkansas-related investments. APERS recognizes a legal responsibility to seek to invest in the Arkansas economy while realizing 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.”

Investments are reported at fair value as determined by the custodian bank. The custodian bank’s determination of fair values includes, among other things, using pricing services or quotes by major independent brokers at current exchange rates as available. The schedule on page 40 reflects the fair value of investments.

Statement of Invested Assets by Type (fair value* as of June 30, 2016)

Investment Type	Combined	APERS	ASPRS
Government Securities			
U.S. Government Securities	\$ 219,085,934	\$ 211,350,242	\$ 7,735,692
Futures	(99,357)	(95,849)	(3,508)
Agency Pooled Securities	68,899,370	66,466,606	2,432,764
Corporate Securities			
Collateralized Obligations	115,095,435	111,031,538	4,063,898
Corporate Bonds	247,381,285	238,646,514	8,734,771
Convertible Bonds	199,638,197	192,589,184	7,049,013
Convertible Preferred Stock	53,746,120	51,848,401	1,897,719
Common Stock	2,483,319,755	2,395,636,367	87,683,388
Equity Index Funds	877,367,341	846,388,430	30,978,911
High Yield Income Fund	62,826,152	60,607,827	2,218,325
International Securities			
Global Government Fixed	603,888	582,565	21,323
Corporate Fixed Income	44,589,585	43,015,174	1,574,411
Equity Securities	1,164,900,965	1,123,769,547	41,131,418
Global Preferred Stock	2,270,905	2,190,722	80,183
Equity Pooled Fund Units	579,905,564	559,429,713	20,475,851
Global Collateralized Obligations	1,499,825	1,446,868	52,957
Emerging Markets	32,949,011	31,785,616	1,163,395
Forward Contracts	(415,038)	(400,383)	(14,655)
Core Plus Bond Fund	458,463,740	442,275,871	16,187,869
Real Estate	800,420,302	772,158,310	28,261,992
Diversified Strategies	390,973,381	377,168,525	13,804,856
Timberland	111,906,523	107,955,222	3,951,301
Global Energy Fund	133,397,957	128,687,816	4,710,140
Commercial Loans	45,322,235	43,721,955	1,600,280
	<u>8,094,049,074</u>	<u>7,808,256,781</u>	<u>285,792,293</u>
Securities Lending Collateral Investments			
Receivables/Payables	(64,980)	(62,686)	(2,294)
Repurchase Agreements	193,031,939	186,216,186	6,815,753
Floating Rate Notes	375,056,196	361,813,359	13,242,837
Asset Backed Securities	193,794,633	186,951,950	6,842,683
	<u>761,817,788</u>	<u>734,918,809</u>	<u>26,898,979</u>
	<u>\$ 8,855,866,862</u>	<u>\$ 8,543,175,590</u>	<u>\$ 312,691,272</u>

* Principal only.

Asset Allocation

In order to ensure that the System's investments are prudently diversified, the Board has established the following asset allocation guidelines:

Asset Type	Allocation Target	Lower and Upper Limits
Equities	37%	32% - 42%
International Equities	24%	19% - 29%
Fixed Income	18%	13% - 23%
Diversified Strategies	5%	0% - 10%
Real Assets	16%	11% - 21%
	100%	

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are (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, 2017, there were no investments exposed to custodial credit risk.

Credit Risk for Investments

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.

The System's exposure to credit risk as of June 30, 2017, was as follows (following page):

Moody's Credit Rating Dispersion Detail by Credit Rating

Investment Type and Fair Value	Aaa	Aa	A
Government Securities			
U.S. Government Securities	\$ 219,085,934	0	0
Agency Debentures	0	0	0
Agency CMO	8,717,390	0	0
Agency Pooled	60,396,564	0	0
Corporate Securities			
Collateralized Obligations	16,651,707	4,636,166	7,414,335
Convertible Bonds	0	2,211,000	6,393,935
High Yield Income Fund	0	0	0
Corporate Bonds	4,019,456	5,054,626	66,420,127
International Securities			
Emerging Markets	0	3,699,933	5,591,916
Emerging Markets - Collateralized Obligations	0	0	0
Collateralized Obligations	0	0	0
Global - Collateralized Obligations	0	0	0
Corporate Bonds	0	54,763	790,310
Global Government Fixed	0	0	398,388
Global Corporate Fixed	0	2,702,637	9,255,040
Infrastructure Fund	0	0	4,245,197
Global Bond Fund	0	0	20,816,474
Core Plus Bond Fund	0	0	458,463,740
Domestic Commercial Loans	9,259,379	2,065,538	0
International Commercial Loans	0	0	0
High Yield Fund	0	0	0
	<u>318,130,429</u>	<u>20,424,662</u>	<u>579,789,462</u>

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

Investment Type and Fair Value	AAA	AA	A
Government Securities			
U.S. Government Securities	\$ 0	219,085,934	0
Agency Debentures	0	0	0
Agency CMO	0	8,717,390	0
Agency Pooled	0	60,494,013	0
Corporate Securities			
Collateralized Obligations	2,217,000	1,489,595	6,883,386
Convertible Bonds	1,456,991	0	10,441,359
High Yield Income Fund	0	0	0
Corporate Bonds	3,452,116	6,385,642	65,294,204
International Securities			
Emerging Markets	0	4,147,098	3,260,847
Emerging Markets - Collateralized Obligations	0	0	0
Collateralized Obligations	0	0	990,326
Global - Collateralized Obligations	0	0	0
Corporate Bonds	0	54,763	790,310
Global Government Fixed	0	0	398,388
Global Corporate Fixed	246,955	2,470,551	6,157,831
Infrastructure Fund	0	0	4,245,197
Global Bond Fund	0	0	0
Core Plus Bond Fund	0	0	458,463,740
Domestic Commercial Loans	0	0	0
International Commercial Loans	0	0	0
High Yield Income Fund	0	0	0
	<u>7,373,062</u>	<u>302,844,985</u>	<u>556,925,588</u>
Securities Lending Collateral	\$ 151,592,567	310,823,688	56,701,038

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

Baa	Ba	B	Caa or below	NR	Fair Value*
0	0	0	0	0	\$ 219,085,934
0	0	0	0	0	0
0	0	0	0	0	8,717,390
0	0	0	0	8,502,806	68,899,370
1,171,431	1,379,090	8,081,745	17,522,166	42,927,366	99,784,005
28,092,880	26,201,838	12,168,245	1,435,225	176,881,194	253,384,317
0	0	0	0	0	0
127,535,999	21,347,415	7,495,108	2,551,253	9,565,961	243,989,943
12,700,190	1,823,214	3,458,570	210,000	5,465,188	32,949,011
0	0	0	0	0	0
3,003,508	0	0	0	3,590,533	6,594,041
499,825	0	0	0	1,000,000	1,499,825
1,863,578	208,675	0	474,015	0	3,391,342
0	205,500	0	0	0	603,888
23,177,333	2,561,599	4,722,418	118,188	2,052,371	44,589,585
0	0	0	0	0	4,245,197
0	0	0	0	0	20,816,474
0	0	0	0	0	458,463,740
249,935	4,944,862	9,092,543	936,050	18,239,939	44,788,245
0	0	0	0	533,991	533,991
38,031,576	0	24,794,577	0	0	62,826,152
<u>236,326,254</u>	<u>58,672,192</u>	<u>69,813,204</u>	<u>23,246,896</u>	<u>268,759,347</u>	<u>1,575,162,448</u>

BBB	BB	B	CCC or below	NR	Fair Value*
0	0	0	0	0	\$ 219,085,934
0	0	0	0	0	0
0	0	0	0	0	8,717,390
0	0	0	0	8,405,357	68,899,370
733,172	1,987,124	956,781	18,083,222	67,433,725	99,784,005
43,753,635	30,055,272	22,113,983	1,435,225	144,127,852	253,384,317
0	0	0	0	0	0
129,810,991	25,234,571	5,213,997	2,020,603	6,577,820	243,989,943
17,036,584	2,051,781	1,973,789	0	4,478,911	32,949,011
0	0	0	0	0	0
1,506,457	0	0	0	4,097,258	6,594,041
500,000	0	0	0	999,825	1,499,825
1,863,578	0	208,675	212,625	261,390	3,391,342
0	205,500	0	0	0	603,888
26,133,910	8,355,932	550,893	0	673,514	44,589,585
0	0	0	0	0	4,245,197
20,816,474	0	0	0	0	20,816,474
0	0	0	0	0	458,463,740
3,483,456	12,629,831	21,185,545	936,050	6,553,362	44,788,245
0	0	0	0	533,991	533,991
38,031,576	24,794,577	0	0	0	62,826,152
<u>283,669,833</u>	<u>105,314,588</u>	<u>52,203,662</u>	<u>22,687,725</u>	<u>244,143,006</u>	<u>1,575,162,448</u>
0	0	0	4,369,842	238,330,653	\$ 761,817,788

Concentration of Credit Risk for Investments

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 has 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 5% of total investments.

Interest Rate Risk for Investments

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

The System's external fixed income investment managers use the measurement of effective duration to mitigate the interest rate risk of the fixed income investments. Each fixed income investment manager monitors and reports the effective duration on a monthly basis. The effective duration of the investment portfolio is required to be +/- 10% of the benchmark's duration. The benchmark for the U.S. fixed income markets is the Barclays Capital U.S. Aggregate Bond Index.

As of June 30, 2017, the System had the following debt security investments and maturities:

Investment Type	Investment Maturity (In Years)				
	Fair Value*	Less than 1	1 - 5	6 - 10	More than 10
Government Securities					
U.S. Government Securities	\$ 219,085,934	\$ 21,900,402	\$ 96,774,608	\$ 51,528,167	\$ 48,882,757
Agency CMO	8,717,390	0	0	0	8,717,390
Agency Pooled	68,899,370	315,652	63,798	303,935	68,215,985
Corporate Securities					
Collateralized Obligations	99,784,005	22,237,254	202,950	2,003,119	75,340,682
Convertible Bonds	253,384,317	62,017,004	113,496,507	31,288,346	46,582,461
Corporate Bonds	243,989,943	11,815,957	83,836,474	83,422,526	64,914,986
International Securities					
Emerging Markets	32,949,011	1,602,078	2,621,403	20,589,638	8,135,891
Collateralized Obligations	6,594,041	5,097,465	0	0	1,496,576
Global Collateralized Obligations	1,499,825	1,499,825	0	0	0
Corporate Bonds	3,391,342	0	1,352,163	754,178	1,285,000
Global Government Fixed	603,888	0	0	398,388	205,500
Global Corporate Fixed	44,589,585	1,585,662	21,757,031	18,649,940	2,596,951
Infrastructure Fund	4,245,197	0	4,245,197	0	0
Global Bond Fund	20,816,474	0	0	20,816,474	0
Core Plus Bond Fund	458,463,740	0	0	458,463,740	0
Commercial Loans	45,322,235	0	18,668,380	26,653,856	0
High Yield Income Fund	62,826,152	0	62,826,152	0	0
	<u>\$ 1,575,162,448</u>	<u>\$ 128,071,299</u>	<u>\$ 405,844,663</u>	<u>\$ 714,872,307</u>	<u>\$ 326,374,178</u>
Securities Lending Collateral					
Asset Backed Floating Rate Notes	193,794,633	96,524,757	92,900,034	0	4,369,842
Floating Rate Notes	375,056,196	132,633,915	242,422,281	0	0
Repurchase Agreements	193,031,939	193,031,939	0	0	0
	<u>\$ 761,882,768</u>	<u>\$ 422,190,611</u>	<u>\$ 335,322,315</u>	<u>\$ 0</u>	<u>\$ 4,369,842</u>

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

Foreign Currency Risk

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

The System's exposure to foreign currency risk on June 30, 2017, was as follows:

Currency	%	Fair Value	Equities	Cash	Forward Contracts
Australian Dollar	1.77	\$ 24,127,071	\$ 24,127,071	\$ 0	\$ 0
Brazilian Real	0.64	8,721,693	8,721,693	0	0
British Pound Sterling	21.21	288,988,950	288,988,949	1	0
Canadian Dollar	3.48	47,370,222	47,224,426	145,796	0
Chinese Yuan Renminbi	0.31	19,702,032	20,080,981	0	(378,949)
Danish Krone	3.59	48,908,326	48,908,334	(7)	0
Euro Currency	32.88	447,919,831	447,919,852	(21)	0
Hong Kong Dollar	1.01	13,778,204	13,778,204	0	0
Indian Ruphia	0.47	6,375,331	6,375,331	0	0
Israeli Shekel	0.98	13,291,798	13,214,447	77,351	0
Japanese Yen	11.37	162,697,516	162,733,605	0	(36,089)
Malaysian Ringgit	0.20	2,672,632	2,672,632	0	0
Mauritian Rupee	0.15	2,060,373	2,060,373	0	0
Mexican New Peso	0.30	4,050,729	4,050,729	0	0
Norwegian Krone	0.94	12,805,897	12,805,892	4	0
New Zealand Dollar	0.48	6,532,347	6,532,347	0	0
Papua New Guinea Kina	0.05	614,989	614,989	0	0
Philippines Peso	0.13	1,790,829	1,790,829	0	0
Russian Ruble	0.17	2,270,588	2,270,588	0	0
Singapore Dollar	2.13	28,965,021	28,965,021	0	0
South African Rand	1.13	15,447,911	15,447,911	0	0
South Korean Won	3.15	42,890,574	42,890,574	0	0
Swedish Krone	2.75	37,471,762	37,419,468	52,294	0
Swiss Franc	9.80	133,721,639	133,721,661	(22)	0
Taiwan Dollar	0.77	10,525,491	10,525,491	0	0
Thailand Baht	0.16	2,232,923	2,232,923	0	0
	<u>100.00%</u>	<u>\$ 1,385,934,679</u>	<u>\$ 1,386,074,319</u>	<u>\$ 275,397</u>	<u>\$ (415,038)</u>

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

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. 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.

Mortgage-Backed Securities

A mortgage-backed security (MBS) is a type of asset-backed security that is secured by a mortgage or collection of mortgages. MBSs depend on the underlying pool of mortgage loans to provide cash flow to make principal and interest payments on the security to its holders. The payments are usually periodic, similar to coupon payments.

MBSs are subject to credit risk, the risk that the borrower will be unable to meet its obligations. They are also subject to risks created by significant changes in interest rates. Prepayment risk refers to the possibility that interest rates may decline and remain low, encouraging borrowers to refinance their existing loans and thereby cause MBS holders to be repaid more quickly than originally anticipated. Prepayments reduce the weighted average life of the security. Alternatively, extension risk acknowledges the possibility that interest rates could rise and remain high for long periods of time, reducing the number of borrowers seeking to refinance their mortgages. As a result, MBS holders are repaid over longer periods of time. This extension of the mortgage increases the weighted average life of the security.

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 approach 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 invests in MBSs and CMOs for diversification and to enhance fixed income returns. These instruments are reported at fair value in the Statement of Fiduciary Net Position

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 \$579 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 percentage collateralization only). U.S. securities are loaned versus collateral valued at 102.25% of the market value of the securities plus any accrued interest for domestic loans. Non-U.S. securities are loaned versus collateral valued at 105.93% 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 Fiduciary 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, 2017, the cash collateral investments had an average weighted maturity of 32 days, whereas the weighted average loan maturity was three days. Investments with cash collateral were approximately \$828 million

Derivative Instruments

The System adheres 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.

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 no interest rate swaps at June 30, 2017.

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 no credit default swaps at June 30, 2017.

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 no foreign currency swaps at June 30, 2017.

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, 2017:

	Pay	Receive	Notional Value	Market Value	Unrealized Gain/Loss
Japanese Yen	JPY	USD	\$ (8,194,132)	\$ (8,230,221)	\$ (36,089)
Chinese Yuan Renminbi	CNY	USD	(15,524,267)	(15,903,216)	(378,949)
					<u>\$ (415,038)</u>

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, 2017:

Futures Contracts	Expiration	Notional Value	Fair Value	Unrealized Gain/(Loss)
U.S. 2-year Treasury Note	Sept 2017	\$ (44,146,875)	\$ (44,086,313)	\$ 60,562
U.S. 5-year Treasury Note	Sept 2017	38,385,545	38,296,680	(88,865)
U.S. 10-year Treasury Note	Sept 2017	(5,648,906)	(5,648,906)	0
U.S. 30-year Treasury Bond	Sept 2017	(10,379,695)	(10,450,750)	(71,055)
		<u>\$ (21,789,932)</u>	<u>\$ (21,889,289)</u>	<u>\$ (99,357)</u>

Mortgage-Backed To Be Announced (TBA)

The phrase "to be announced" (TBA) is used to describe forward MBS trades. The term is derived from the fact that the actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. The securities are announced 48 hours prior to the established trade settlement date.

The System had the following mortgage-backed TBA at June 30, 2017:

Mortgage-Backed TBA	CUSIP	Notional	Fair Market Value	Duration	Credit Rating
FGLMC 3.500% 07/01/2047	02R032679	\$ 2,166,938	\$ 2,157,372	30.02	Aaa/AA+
FNMA 3.500% 07/01/2047	01F032674	2,082,494	2,074,681	30.02	Aaa/AA+
FNMA 4.000% 07/01/2047	01F040677	4,188,350	4,173,304	28.68	Aaa/AA+
		<u>\$ 8,437,781</u>	<u>\$ 8,405,357</u>		

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

Fair Value Measurements

The Arkansas Public Employees Retirement System categorizes their fair value measurements within the fair value hierarchy by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (Level 1 measurements) and the lower priority to unobservable inputs (Level 3 measurements).

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table(s) on the following pages shows the fair value leveling of the investments for the System.

Assets classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Real estate, timberland, and Partnership assets classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument(s) and should not be perceived as the particular investment's risk.

Investments and Derivative Instruments Measured at Fair Value (as of June 30, 2017)

	Fair Value	Level 1	Level 2	Level 3
Investments at Fair Value				
U.S. Domestic Equities	\$ 1,896,053,811	\$ 1,896,053,811	\$ 0	\$ 0
Convertible Securities	238,409,844	26,454,222	211,955,622	0
Preferred Securities	4,327,111	0	4,327,111	0
International Equities	1,531,944,474	1,527,605,835	0	4,338,638
Lazard	91,414,860	91,414,860	0	0
Convertible Securities	6,602,215	6,602,215	0	0
Preferred Securities	2,388,661	2,190,722	197,939	0
Fixed Income	89,300,491	0	89,300,491	0
Loans/JV interest	486,023	0	0	486,023
Domestic Fixed Income	0	0	0	0
Global Bond Fund	20,081,467	20,081,467		
Infrastructure Fund	4,095,303	4,095,303		
U.S. Government Securities	211,350,242	211,350,242	0	0
Futures	(95,849)	(95,849)	0	0
Equity Securities	0	0	0	0
Corporate Bonds	398,574,865	0	398,574,865	0
Loans/JV interest	43,194,705	0	0	43,194,705
Total Investments	4,538,128,223	3,785,752,828	704,356,029	48,019,367
Securities Lending Collateral Investments at Fair Value				
Repo	186,216,186	0	186,216,186	0
Floating Rate Notes	361,813,359	0	361,813,359	0
Asset Backed Floating Securities	186,951,950	0	186,951,950	0
Total Securities Lending Collateral	734,981,495	0	734,981,495	0
Total Investments at Fair Value	\$ 5,273,109,719	\$ 3,785,752,828	\$ 1,439,337,524	\$ 48,019,367
Investments at the Net Asset Value (NAV)				
High Yield Core Fund	23,919,106			
Defensive Bond Fund	36,688,721			
Domestic Equity Index Funds	846,388,430			
Core Plus Bond Fund	442,275,871			
Timberland	691,688,821			
Global Energy Plus Fund	128,687,816			
Global Equity Pooled Funds				
Invesco Global REITS	145,085,863			
Pyramis	390,167,080			
Real Estate				
Invesco Core	389,126,596			
Heitman	296,016,444			
TA Fund X	24,255,938			
TA Fund XI	19,210,927			
LaSalle Fund Fund VI	15,974,617			
LaSalle Fund Fund VII	27,573,787			
Diversified Strategies				
AQR Global Risk Premium	112,534,316			
Newton Global Real Return	105,416,579			
Blackstone	159,217,630			
Total Investments at the NAV	\$ 3,854,228,544			

Investments classified as level 1 in the preceding table are exchange-traded securities whose values are based on published market prices and quotations from either national security exchanges or active markets for those securities.

Investments classified as level 2 in the preceding table include publicly traded debt securities and exchange traded stocks in inactive markets. Investments in this category are sourced from reputable pricing vendors using pricing matrix models and techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by APERS custodian bank which maintains the book of record for all investments.

Investments classified as level 3 in the preceding table are unobservable, meaning that the assets lack an independent pricing source. Values are provided by the investment manager or an external pricing source such as an independent appraiser.

Investments Measured at the Net Asset Value (NAV)

The fair value of investments that are organized as commingled funds or limited partnerships have no readily ascertainable fair value. The value is determined by using the net asset value per share or its equivalent. Commingled fund values are based on each investor's proportionate share of the total underlying assets in the fund less any liabilities for client withdrawals, investment purchases or other accrued expenses. Limited partnership values are based on the capital account balance the general partner reports at the end of each reporting period, adjusted by subsequent contributions, distributions, management fees, and changes in values of foreign currency and published market prices for certain securities. Even though the limited partnerships and commingled funds issue annual financial statements audited by independent auditors, the year-end for the state and these entities do not always agree. There are inherent uncertainties in estimating fair values for these types of investments, and it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different from the reported net asset value. With certain exceptions, mainly the equity and the fixed income funds, these investments cannot be redeemed, or, have certain restrictions regarding redemption. The real estate investments distributions are through the liquidation of the underlying assets or net operating cash flows. Each investment has a different redemption frequency and notice period as noted in the following table:

Investments Measured at the Net Asset Value (NAV)

	Fair Value	Strategy Type	Fund Life of Non-redeemable Mandates	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Other Redemption Restrictions	Restriction Time Remaining
High Yield Core Fund	\$ 23,919,106	Active High Yield Fixed Income	N/A	none	monthly	T + 3	N/A	N/A
Defensive Bond Fund	36,688,721	Income Oriented	N/A	none	daily	T + 1	N/A	N/A
Domestic Equity Index Funds	846,388,430	S & P 500 Index	N/A	none	daily	T + 3	N/A	N/A
Core Plus Bond Fund	442,275,871	Active Global Fixed Income	N/A	none	daily	T + 3	N/A	N/A
Timberland	691,688,821	Timber	N/A	none	none	N/A	N/A	partnership terminates in December 2027
Global Energy Fund	128,687,816	Global Energy stocks	N/A	none	daily	T + 3	N/A	N/A
International Equity Pooled Funds								
Invesco Global REITS	145,085,863	Global Real Estate securities	N/A	none	daily	T + 1	N/A	N/A
Fidelity	390,167,080	International Equities	N/A	none	daily	T + 1	N/A	N/A
Real Estate								
Invesco	389,126,596	Core Real Estate	N/A	none	quarterly	T + 45	N/A	N/A
Heitman	296,016,444	Core Real Estate	N/A	none	quarterly	T + 90	N/A	N/A
TA Fund X	24,255,938	Value Add Real Estate	N/A	none	7-year lock up	N/A	N/A	currently in capital redistribution phase
TA Fund XI	19,210,927	Value Add Real Estate	N/A	\$30,085,928	7-year lock up	N/A	N/A	the lock up period starts on the day of the last capital call
LaSalle Fund Fund VI	15,974,617	Value Add Real Estate	N/A	none	7-year lock up	N/A	N/A	currently in capital redistribution phase
LaSalle Fund Fund VII	27,573,787	Value Add Real Estate	N/A	\$21,416,977	7-year lock up	N/A	N/A	the lock up period starts on the day of the last capital call
Diversified Strategies								
AQR Global Risk Premium	112,534,316	Risk Premia	N/A	none	weekly and monthly	T + 2	N/A	N/A
Newton Global Real Return	105,416,579	Global Real Return	N/A	none	daily	T + 3	N/A	N/A
Blackstone	159,217,630	Fund of Funds	N/A	none	last day of each quarter	1yr; 2yrs; 3yrs; >3yrs	55% liquidity; then 20%; then 15%; then 10%	N/A
Total	<u>\$ 3,854,228,542</u>			<u>\$51,502,905</u>				

High Yield Core Fund

The High Yield Active Core philosophy is centered on the belief that the best risk-adjusted returns and, ultimately, the best absolute returns are generated by a strategy of yield capture and error avoidance.

Defensive Bond Fund

The investment objective is to exploit different sources of return available in high yield corporate securities in a way that generates risk-adjusted returns superior to those available from conventional high yield securities. The investment strategy is based on the assumption and observation that numerous market inefficiencies exist throughout the capital markets (particularly in the high yield bond markets) and that the prudent, active and systematic exploitation of these inefficiencies can generate returns consistent with these objectives.

Domestic Equity Index Funds

This is an S&P 500 Index fund.

Core Plus Bond Fund

The Core Plus Fixed Income Strategy seeks excess return from multiple sources, including sector allocation and subsector and security selection. Duration, yield curve, and currency positioning is moderate. The largest component of the Core Plus Fixed Income risk budget is allocated to portfolio strategies that have consistently generated the highest return for the lowest unit of risk over time, such as sector allocation and subsector/security selection. The Core Plus Fixed Income portfolios may emphasize spread product in the sector allocation process and therefore may hold larger-than-benchmark allocations to corporate bonds, structured product, high yield bonds, and emerging markets debt. As a result, the strategy would likely outperform in a 'risk on' environment where corporate bonds, for example, are outperforming. The reverse would also likely be true. The Core Plus Fixed Income portfolios take an actively-managed, relative-value driven approach. The Strategy is expected to perform best in markets with excess spread dislocations that it can capitalize on through relative value trading.

Timberland

An objective of a timber investment is to provide the fund with diversification from traditional asset classes. The goal of the timber investment is to get a stable core-type return with very low or little volatility.

Global Energy Fund

The fund seeks to invest globally in opportunities found in the energy industry. The fund invests, both long and short, in the equity securities, and related instruments, of energy and energy related businesses, including companies that are not in the Benchmark, which are expected to outperform the energy sector as a whole.

International Equity Pooled Funds

- Invesco Global REITs — The objective of this collective trust fund is to achieve higher than market return with average market risk over the long-term by investing in the universe of global real estate securities.
- Fidelity Select International Strategy — The Select International strategy utilizes a disciplined investment approach that capitalizes on fundamental research by combining qualitative stock selection with quantitative risk control. The available investment universe is comprised of stocks in Japan, the United Kingdom, Europe ex UK, and Asia Pacific ex Japan rated attractive by Fidelity's analysts. The strategy uses a quantitative model to match the regional weights of the portfolio to the index. This approach is designed to diversify specific risk, reduces tracking error and factor risk, and controls transaction costs.

Real Estate

This asset class provides diversification to the total portfolio and strives to reduce total fund volatility while also enhancing the total return of the portfolio. Real estate has a low, and in some cases, negative, correlation with other major investment asset classes. The following are the strategies that comprise the Real Estate asset class and are explained in greater detail:

- Invesco Core Real Estate (ICRE) — The ICRE strategy is a portfolio of U.S. properties diversified by property type and geographic location, with an emphasis on attractive current income returns and the opportunity for both income and capital growth. It is based on top-down economic fundamentals combined with bottom-up local market intelligence.
- Heitman America Real Estate Trust (HART) — The HART strategy creates a high-quality, low-risk portfolio of stabilized, income-producing assets diversified by property type and economic exposure through acquiring assets in infill locations within major metropolitan areas, focusing on strong site attributes such as proximity to amenities and transportation networks, and ensuring that assets are well constructed with features that will appeal to tenants over long periods of time.
- TA Realty Funds X and XI — TA Realty has managed value-add, commingled real estate funds for approximately 30 years. They have investments in 35 markets, and 4 property types (office, industrial, multifamily, and retail). The firm has developed and refined a consistent approach focused on creating diversified real estate portfolios that can generate strong cash flow, benefit from an intensive asset management approach and result in the long-term creating of value of the life of the fund(s).
- LaSalle Funds V and VI — The Funds pursue non-core properties that exhibit strong fundamentals and are expected to generate both income and appreciation. The sectors that are focused on are office, multifamily, retail, industrial, and specialty.

Diversified Strategies

This asset class provides diversification to the total portfolio and strives to reduce total fund volatility while also enhancing the total return of the portfolio. The following are the strategies that comprise the Diversified Strategies asset class and are explained in greater detail:

- Global Risk Premium Tactical Fund (GRPT) — The AQR Global Risk Premium Tactical Fund seeks to efficiently deliver exposure to a broadly diversified set of global risk premia. In many institutional portfolios, equity risk is the predominant risk, a concentration driven by the need for high expected return that cannot be satisfied in a traditionally constrained, well-diversified portfolio. Rather than diversifying by capital, this strategy seeks to diversify based on risk across global equities, global nominal bonds, inflation sensitive assets, and credit/default related assets. Starting from this strategic risk-parity base, GRPT then employs modest tactical tilts across sub-sectors and across individual exposures, attempting to exploit temporary opportunities which may arise within markets. Following basic financial theory, AQR designed its Risk Parity strategies based on what they believe to be the most optimal liquid portfolio of global market betas, and AQR offers that same portfolio at various levels of leverage to target a desired amount of risk as approximated by ex-ante volatility. AQR's approach employs modest leverage to scale up a lower-risk, broadly-diversified portfolio.
- Newton Global Real Return (US\$) — Newton's global real return US\$ strategy is an actively managed, unconstrained, multi-asset strategy, which aims to achieve a return of one-month USD LIBOR +4 % p.a. over rolling five-year periods. The strategy seeks to add value through security selection and asset type flexibility and it also has an emphasis on capital preservation. The strategy is long only, does not use leverage or short securities and is daily valued.
- Blackstone (Fund of Funds) — The System hired Blackstone to manage a fund-of-funds strategy. As the name suggests Blackstone invests APERS funds in other hedge funds. The number of funds that APERS invests in varies on market conditions. The types of strategies that are contained within the APERS portfolio also vary. For full disclosure purposes on June 30 there were fundamental equity strategies, event driven strategies, fundamental credit strategies, credit trading strategies, distressed credit strategies, RMBS strategies, structured ABS strategies, multi-strat strategies, commodity strategies, macro rates strategies, thematic macro strategies, quantitative strategies, CTA strategies, and special situation strategies in the portfolio.

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 2017 charge of \$433,830 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 2017 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 the equity in the System's net position restricted for benefits. 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% to 95% range are common in public sector retirement plans.

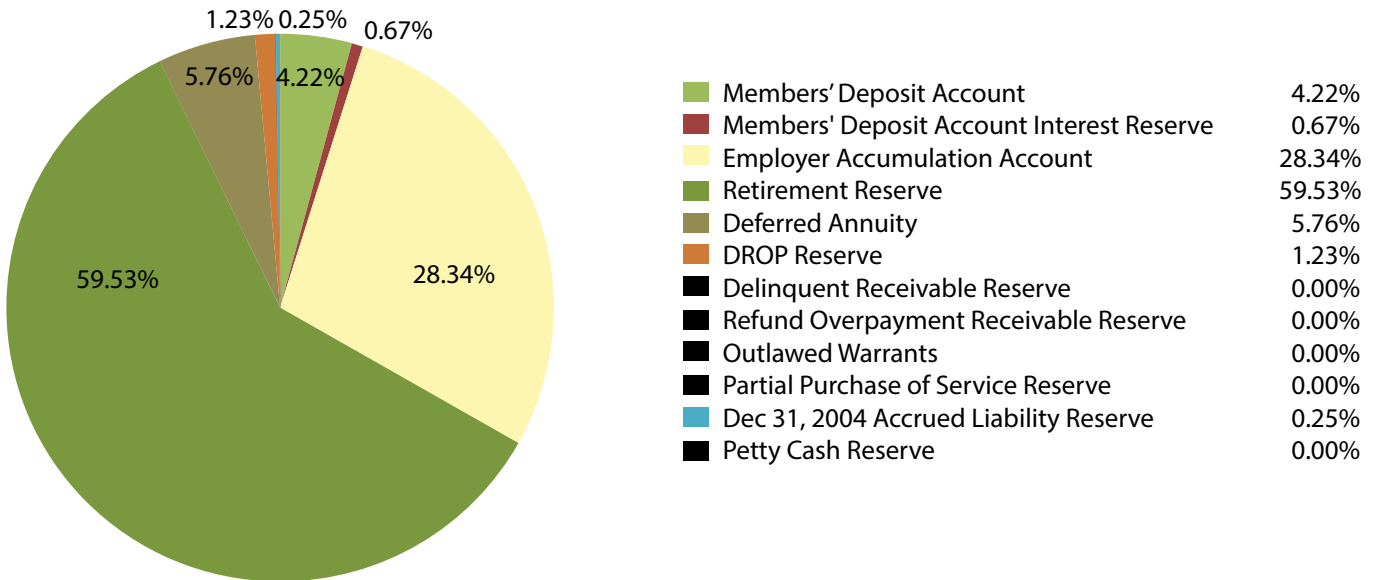
The reserve strength of APERS remains strong both by absolute and relative measures. Sufficient assets were available to pay estimated retirement benefits applicable to retired individuals or beneficiaries currently receiving benefits and inactive vested individuals who are not currently receiving benefits.

Reserve Balances* (on June 30, 2017)

Account	System Total
Members' Deposit Account	\$ 339,134,758
MDA Interest Reserve	53,528,395
Employer Accumulation Account	2,275,198,796
Retirement Reserve	4,779,305,592
Deferred Annuity	462,859,264
DROP Reserve	98,416,745
Delinquent Receivable Reserve	73
Refund Overpayment Receivable Reserve	351
Outlawed Warrants	88,060
Partial Purchase of Service Reserve	1,605
Dec 31, 2004 Accrued Liability Reserve	20,262,951
Petty Cash Reserve	200
Total	\$ 8,028,796,790

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

Reserve Balance by Division



Note 6: Net Pension Liability

The components of the net pension liability of the System on June 30, 2017 were as follows:

	FY 2017	FY 2016
Total Pension Liability	\$ 10,612,937,270	\$ 9,762,106,222
Fiduciary Net Position	\$ 8,028,796,790	\$ 7,370,758,150
Net Pension Liability	<u>\$ 2,584,140,480</u>	<u>\$ 2,391,348,072</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	75.65%	75.50%

Long-Term Expected Return on Plan Assets

The System's policy in regard to the allocation of its invested 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.

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 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 current asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2017 to 2026 were based upon capital market assumptions provided by the System's investment consultants. For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24	6.54
Real Assets	16	4.59
Absolute Return	5	3.15
Domestic Fixed	18	0.83
Total	100%	
Total Real Rate of Return		4.82%
Plus: Price Inflation - Actuary's Assumption		2.50
Less: Investment Expenses (Passive)		0.00
Net Expected Return		7.32%

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.89%. 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 7.15% 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 7.15%. 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 Liability

The following presents the net pension liability of the System, calculated using the discount rate of 7.15%, 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 (6.15%) or one percentage point higher (8.15%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.15%	7.15%	8.15%
APERS \$	3,935,312,997	\$ 2,584,140,480	\$ 1,462,200,291

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 - 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% annually. The System had a balance of \$98,416,745 in the DROP reserve as of June 30, 2017.

Note 8: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fixed Assets	\$ 211,442	\$ 20,059,808	\$ 0	\$ 20,271,250
Assets Under Construction*	15,611,858	6,393,501	22,005,358	0
Less Accumulated Depreciation	(160,418)	(509,191)	0	(669,609)
Total	<u>\$ 15,662,882</u>	<u>\$ 25,944,118</u>	<u>\$ 22,005,358</u>	<u>\$ 19,601,642</u>

* These costs represent design, construction, and testing for a new pension administration system called Compass. The new system was completed and placed into service during March 2017 with all costs at that time being transferred into fixed assets and depreciation began at that point.

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 Employer Contributions

(in millions)

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$ 175.0	\$ 175.0	\$ 0	\$ 1,384	12.65%
2009	160.8	160.8	0	1,437	11.19
2010	171.5	171.5	0	1,527	11.24
2011	197.6	197.6	0	1,626	12.15
2012	231.4	231.4	0	1,689	13.70
2013	251.4	251.4	0	1,696	14.82
2014	264.1	264.1	0	1,748	15.11
2015	263.3	263.3	0	1,757	14.98
2016	264.2	264.2	0	1,795	14.72
2017	\$ 261.3	\$ 261.3	\$ 0	\$ 1,788	14.61%

*Actual contributions are based on covered payroll at the time of the contribution. This payroll is not reported to the actuary. The covered payroll shown in the schedule above is the valuation payroll. Based on the limitations of this schedule, the final column cannot be compared to the contribution rates actually charged to APERS participating employers.

Notes to Schedule of Contributions

Method and Assumptions used to determine Fiscal Year 2017 Contribution Rates:

Valuation Date	June 30, 2015 (excluding District Judges) June 30, 2016 (District Judges)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid-Off Old Plan and District Judges Still-Paying Old Plan)
Remaining Amortization Period	25 years (10.6 years for District Judges New Plan/Paid Off Old Plan and 19 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (market value for Still-Paying Old Plan)
Inflation	3.25% wage inflation and 2.5% price inflation
Salary Increases	3.25% to 9.85%, including inflation (3.25% to 6.96% including inflation for District Judges)
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	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
Notes	There were no benefit changes during the year

Schedule of Changes in Net Pension Liability and Related Ratios

Year Ended June 30	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 174,663,657	\$ 169,112,934	\$ 168,811,990	\$ 160,924,334
Interest	719,134,258	692,210,941	682,217,546	658,535,986
Benefit Changes	0	0	0	0
Differences Between Expected And Actual Experience	62,849,281	2,912,566	(137,672,890)	(23,038,076)
Assumption Changes	416,146,405	0	192,273,597	214,798,742
Benefit Payments, including refunds of employee contributions	(521,962,553)	(494,105,931)	(464,111,187)	(424,003,992)
Net Change In Total Pension Liability	\$ 850,831,048	\$ 370,130,510	\$ 441,519,056	\$ 587,216,994
Total Pension Liability, Beginning Of Year	9,762,106,222	9,391,975,712	8,950,456,656	8,363,239,662
Total Pension Liability, End Of Year (A)	\$ 10,612,937,270	\$ 9,762,106,222	\$ 9,391,975,712	\$ 8,950,456,656
Fiduciary Net Position				
Contributions - Employer	\$ 261,334,560	\$ 264,216,252	\$ 263,332,831	\$ 264,050,160
Contributions - Member	57,711,427	55,000,117	50,750,458	47,215,843
Net Investment Income	862,824,701	(4,260,175)	168,929,698	1,207,897,156
Benefit Payments, including refunds of employee contributions	(521,962,553)	(494,105,931)	(464,111,187)	(424,003,992)
Administrative Expense	(9,495,869)	(6,929,103)	(6,949,282)	(6,854,975)
Other Additions	7,626,374	6,594,649	6,745,403	8,302,355
Net Change In Fiduciary Net Position	658,038,640	(179,484,191)	18,697,921	1,096,606,547
Fiduciary Net Position, Beginning Of Year	\$ 7,370,758,150	\$ 7,550,242,341	\$ 7,531,544,420	\$ 6,434,937,873
Fiduciary Net Position, End Of Year (B)	\$ 8,028,796,790	\$ 7,370,758,150	\$ 7,550,242,341	\$ 7,531,544,420
Net Pension Liability, End Of Year (A) - (B)	\$ 2,584,140,480	\$ 2,391,348,072	\$ 1,841,733,371	\$ 1,418,912,236
Fiduciary Net Position As A Percentage Of The Total Pension Liability	75.65%	75.50%	80.39%	84.15%
Covered-Employee Payroll	\$ 1,788,074,570	\$ 1,795,174,463	\$ 1,757,056,813	\$ 1,748,350,136
Net Pension Liability As A Percentage Of Covered-Employee Payroll	144.52%	133.21%	104.82%	81.16%

Schedule of Net Pension Liability

FY Ending June 30	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 8,950,456,656	\$ 7,531,544,420	\$ 1,418,912,236	84.15%	\$ 1,748,350,136	81.16%
2015	\$ 9,391,975,712	\$ 7,550,242,341	\$ 1,841,733,371	80.39%	\$ 1,757,056,813	104.82%
2016	\$ 9,762,106,222	\$ 7,370,758,150	\$ 2,391,348,072	75.50%	\$ 1,795,174,463	133.21%
2017	\$ 10,612,937,270	\$ 8,028,796,790	\$ 2,584,140,480	75.65%	\$ 1,788,074,570	144.52%

Schedule of Investment Returns

Annual money-weighted rate of return, net of investment expense

2014	18.97%
2015	2.28%
2016	(0.06)%
2017	11.89%

Statement of Fiduciary Net Position - 10 Year Schedule

	2017	2016	2015
ASSETS			
Cash and Cash Equivalents	\$ 187,452,787	\$ 239,355,424	\$ 230,352,583
Receivables			
Contributions	3,605,052	4,538,850	4,157,178
Dec 2004 Actuarial Liability Receivable	8,233,527	8,890,840	8,978,643
Investment Principal Receivable	44,309,479	52,383,622	40,842,637
Accrued Investment Income Receivable	18,538,432	16,918,109	15,984,105
Termination Agreement Receivable	0	0	5,281,099
Allowance for Doubtful Accounts	0	0	(1,922,440)
Other Receivables	0	0	0
Total Receivables	74,686,490	82,731,421	73,321,222
Investments At Fair Value			
Government Securities			
U.S. Government Securities	211,350,242	151,567,072	98,546,504
Futures	(95,849)	(1,457,483)	(855,875)
Government Agency Securities	66,466,606	120,720,514	103,244,018
Corporate Securities			
Collateralized Obligations	111,031,538	32,341,769	41,338,642
Corporate Bonds	238,646,514	390,159,487	416,500,311
Convertible Bonds	192,589,184	150,159,963	188,699,681
Convertible Preferred Stock	51,848,401	62,489,439	49,132,761
Common Stock	2,395,636,367	2,291,993,978	2,524,285,757
Equity Index Funds	846,388,430	680,177,673	641,002,358
Equity Commingled	0	0	88,137,673
High Yield Income Fund	60,607,827	59,886,227	60,023,193
Options	0	0	0
International Securities			
Global Fixed Income Fund	582,565	0	0
Government Fixed Obligations	0	0	0
Corporate Fixed Income	43,015,174	26,623,673	28,458,972
Equity Securities	1,123,769,547	956,342,319	1,144,990,165
Global Preferred Stock	2,190,722	1,412,303	1,224,203
Equity Pooled Fund Units	559,429,713	566,627,008	708,532,111
Global Equity Index Funds	0	0	0
Global Collateralized Obligations	1,446,868	0	0
Emerging Markets	31,785,616	0	1,523,537
Emerging Markets Collateralized Obligations	0	0	0
Forward Contracts	(400,383)	(527,453)	345,529
Core Plus Bond Fund	442,275,871	430,447,478	402,136,164
Interest Rate Swaps	0	0	0
Real Estate	772,158,310	719,132,033	386,947,368
Diversified Strategies	377,168,525	360,402,608	254,613,311
Timberland	107,955,222	132,227,836	157,231,753
Global Energy Fund	128,687,816	0	0
Municipal Bonds	0	0	0
Commercial Loans	43,721,955	12,419,009	5,138,520
Total Investments	7,808,256,781	7,143,145,454	7,301,196,656
Securities Lending Collateral Investments, At Fair Value			
Receivables/Payables	(62,686)	0	0
Repurchase Agreements	186,216,186	80,487,784	180,345,059
Asset Backed Floating Rate Notes	361,813,359	187,766,700	249,063,773
U.S. Agencies	0	0	0
U.S. Governments	0	0	0
Certificates of Deposit	0	0	0
Commercial Paper	0	0	0
Corporate Floating Rate Notes	0	559,302,831	510,360,541
Corporate Bonds	0	0	0
Time Deposits	0	70,319,030	53,240,634
Fixed Rate Notes	0	0	0
Bank Obligations	0	0	0
Asset Backed Securities	186,951,950	0	0
Total Securities Lending Collateral Investments	734,918,809	897,876,345	993,010,007
Prepays and Other Assets	46,160	21,013	29,906
Fixed Assets, Net	19,601,641	15,662,882	10,372,669
TOTAL ASSETS	8,824,962,668	8,378,792,539	8,608,283,042
LIABILITIES			
Accrued Expenses and Other Liabilities	8,286,618	8,338,000	9,050,136
Compensated Absences Payable	0	0	296,754
Investment Principal Payable	48,671,336	96,542,343	49,935,802
Other Post Employment Benefits	2,707,649	2,273,819	2,273,819
Securities Lending Liability	736,500,275	900,880,227	996,629,718
Due to Other Agencies	0	0	103,574
TOTAL LIABILITIES	796,165,878	1,008,034,388	1,058,289,804
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 8,028,796,790	\$ 7,370,758,150	\$ 7,549,993,238

	2014	2013	2012	2011	2010	2009	2008
\$	212,880,111	\$ 197,005,448	\$ 177,086,939	\$ 141,892,517	\$ 119,233,185	\$ 144,370,189	\$ 164,106,333
	4,111,080	4,026,944	3,122,202	3,312,790	2,214,443	2,230,764	2,064,104
	9,612,705	10,145,451	10,313,641	11,354,396	11,949,695	11,063,510	11,016,019
	38,741,350	19,706,894	19,366,624	41,840,071	27,293,510	45,728,778	56,734,490
	32,846,584	19,891,358	16,065,808	15,686,896	14,878,479	12,486,745	13,410,220
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
	0	843,783	840,687	0	0	0	0
	85,311,719	54,614,430	49,708,962	72,194,153	56,336,127	71,509,797	83,224,833
	126,810,589	103,365,196	84,322,856	75,992,809	56,692,011	79,110,077	155,857,122
	290,751	633,126	(315,569)	(272,781)	1,089,585	1,247,843	120,796
	116,887,114	135,034,237	153,440,708	164,262,851	200,033,915	372,632,738	350,522,222
	164,723,838	166,864,026	177,548,338	203,593,519	181,322,952	126,099,722	196,931,595
	553,666,403	492,099,617	505,472,866	557,868,241	497,737,991	301,391,448	244,945,286
	211,537,280	170,566,983	150,231,542	182,943,890	173,917,850	135,055,273	163,374,858
	41,420,248	39,474,969	38,337,186	55,552,336	35,097,199	39,503,362	37,915,127
	2,522,287,242	2,038,116,530	1,810,412,751	2,058,851,405	1,570,950,462	1,499,257,304	1,970,881,463
	648,733,806	551,082,519	469,596,060	634,286,955	494,513,356	337,125,950	455,441,280
	81,917,142	64,776,089	53,821,018	44,039,546	32,510,013	30,033,865	43,094,014
	60,544,471	55,765,901	51,017,497	56,570,710	50,850,253	42,208,121	35,465,720
	0	0	0	0	0	0	20,349
	9,740,932	10,770,871	1,232,473	133,598	3,840,549	0	10,904,054
	0	0	0	0	0	13,469,217	13,826,156
	49,192,340	36,101,993	9,200,336	9,014,994	0	5,156,065	2,747,129
	1,175,864,056	715,367,311	592,247,709	438,567,671	9,212,260	264,903,613	554,482,483
	0	0	0	0	0	0	0
	724,622,479	610,149,121	880,417,052	649,710,460	281,549,155	448,929,500	686,835,703
	0	296,199,571	0	0	0	0	0
	1,055,030	5,481,114	6,841,714	2,517,011	500,233,798	0	0
	32,873,981	26,175,846	20,049,577	19,223,133	18,109,421	15,783,408	38,575,304
	197,328	235,133	0	0	0	0	0
	(188,150)	785,881	137,066	230,300	79,024	(81,302)	(349,553)
	0	0	0	0	0	0	0
	(18,837)	4,238	(42,893)	36,013	0	0	0
	315,211,143	259,578,181	224,390,805	206,850,597	166,155,640	188,073,758	268,845,235
	250,259,491	217,372,992	0	0	0	0	0
	167,689,287	204,819,735	267,475,739	296,638,771	294,495,311	294,367,676	240,170,440
	0	0	0	0	0	0	0
	8,424,105	5,167,044	5,184,736	4,609,375	5,221,420	6,961,524	9,163,935
	21,619,217	21,572,758	18,452,665	24,900,031	34,220,712	43,914,142	26,595,311
	7,285,361,286	6,227,560,982	5,519,472,231	5,686,121,436	4,607,832,877	4,245,143,304	5,506,366,028
	0	0	0	0	0	0	0
	175,342,583	131,976,556	125,979,775	149,532,650	80,043,105	112,640,635	5,759,924
	174,398,971	105,713,712	94,209,913	0	0	0	0
	0	11,103,225	5,980,790	0	0	0	0
	0	0	9,689,267	0	0	0	0
	33,883,375	43,061,345	59,482,209	0	0	0	0
	50,374,214	70,407,711	38,754,223	0	0	0	0
	481,267,908	290,949,419	233,283,293	0	0	0	0
	0	0	0	268,890,291	182,188,563	249,979,379	292,941,710
	102,322,066	0	0	0	0	0	0
	23,746,442	0	0	0	0	0	0
	0	94,783,855	0	80,146,297	130,270,736	0	378,952,302
	0	0	0	51,596,698	38,751,500	60,640,313	111,001,863
	1,041,335,559	747,995,823	567,379,472	550,165,936	431,253,904	423,260,327	788,655,800
	15,947	29,640	23,672	46,352	129,340	127,404	1,764,984
	5,959,437	44,592	54,917	66,170	71,899	79,562	50,808
	8,630,864,059	7,227,250,915	6,313,726,193	6,450,486,564	5,214,857,332	4,884,490,583	6,544,168,786
	9,448,802	7,799,664	7,682,381	7,520,415	6,687,309	6,304,171	8,140,996
	298,007	327,572	302,132	0	0	0	0
	42,757,637	34,914,852	44,545,629	76,495,801	47,661,684	104,638,383	108,712,061
	2,024,716	1,669,923	1,322,763	1,038,085	754,059	475,017	208,009
	1,045,145,270	747,995,823	567,379,471	550,165,936	431,253,904	423,260,327	788,655,799
	0	72,580	77,955	0	0	0	0
	1,099,674,432	792,780,414	621,310,331	635,220,237	486,356,956	534,677,898	905,716,865
\$	7,531,189,627	\$ 6,434,470,500	\$ 5,692,415,862	\$ 5,815,266,327	\$ 4,728,500,377	\$ 4,349,812,686	\$ 5,638,451,921

Statement of Changes in Fiduciary Net Position - 10 Year Schedule

	2017	2016	2015
ADDITIONS			
Contributions			
Employer	\$ 261,656,384	\$ 263,141,390	\$ 262,327,561
Plan Members	58,500,339	55,944,132	51,596,001
Supplemental	407,363	404,433	392,653
Total Contributions	<u>320,564,086</u>	<u>319,489,954</u>	<u>314,316,215</u>
Investment Income			
Interest	71,521,485	72,456,583	73,075,336
Dividends	80,054,349	78,971,953	80,542,075
Investment Gain/(Loss)	736,179,097	(130,702,730)	42,240,341
Security Lending Income	4,998,296	4,494,855	2,930,365
Real Estate Income	0	0	0
Other	6,176,576	1,322,030	0
Total Investment Income	<u>898,929,803</u>	<u>26,542,692</u>	<u>198,788,117</u>
Less: Investment Expense	<u>36,105,102</u>	<u>30,720,006</u>	<u>29,167,098</u>
Net Investment Income	862,824,701	(4,177,314)	169,621,019
Other Additions			
Miscellaneous Additions	977,992	952,597	1,029,024
Transfer from Other Public Employee Retirement Systems	4,860,673	5,051,635	5,267,700
Miscellaneous Transfers from State Agencies	266,955	266,835	261,739
Transfer from Teachers Retirement System	0	0	0
Transfer of Arkansas District Judges Retirement System	0	0	0
Total Other Additions	<u>6,105,620</u>	<u>6,271,067</u>	<u>6,558,462</u>
TOTAL ADDITIONS	<u>1,189,494,407</u>	<u>321,583,707</u>	<u>490,495,697</u>
DEDUCTIONS			
Benefits	508,200,406	480,913,495	451,912,791
Refunds of Contributions	13,755,408	13,188,729	12,195,637
Administrative Expenses	9,502,608	7,181,913	7,201,144
TOTAL DEDUCTIONS	<u>531,458,422</u>	<u>501,284,137</u>	<u>471,309,572</u>
ADJUSTMENTS			
Actuarial Adjustment to DJ Unfunded Liability	2,655	216,239	(382,513)
NET INCREASE (DECREASE)	658,038,640	(179,484,192)	18,803,612
NET POSITION RESTRICTED FOR PENSION BENEFITS			
Beginning of Year	7,370,758,150	7,550,242,341	7,531,189,627
End of Year	<u>\$ 8,028,796,790</u>	<u>\$ 7,370,758,150</u>	<u>\$ 7,549,993,238</u>

2014	2013	2012	2011	2010	2009	2008
\$ 264,477,703	\$ 249,062,186	\$ 230,495,674	\$ 196,428,733	\$ 170,186,564	\$ 159,827,501	\$ 174,119,820
48,237,869	44,549,911	41,361,523	34,639,544	30,334,716	23,722,994	18,443,261
381,216	1,863,992	1,481,214	0	0	0	0
<u>313,096,788</u>	<u>295,476,089</u>	<u>273,338,411</u>	<u>231,068,277</u>	<u>200,521,280</u>	<u>183,550,495</u>	<u>192,563,081</u>
51,082,662	52,116,606	59,199,267	62,101,600	62,331,626	62,046,908	65,706,695
91,368,004	72,457,239	59,575,384	53,508,558	43,820,724	45,164,566	48,798,880
1,090,192,683	749,543,679	(129,527,282)	1,097,554,466	410,511,458	(1,269,800,874)	(380,924,989)
3,672,418	1,776,316	729,793	1,031,841	2,050,050	10,670,818	37,091,199
0	0	(34,602)	(55,267)	(7,588)	(70,140)	(65,458)
0	0	0	0	7,620	(62,078)	0
<u>1,236,315,766</u>	<u>875,893,840</u>	<u>(10,057,440)</u>	<u>1,214,141,198</u>	<u>518,713,890</u>	<u>(1,152,050,800)</u>	<u>(229,393,673)</u>
<u>27,885,272</u>	<u>23,973,149</u>	<u>20,084,815</u>	<u>20,643,587</u>	<u>18,080,990</u>	<u>21,680,124</u>	<u>54,209,025</u>
<u>1,208,430,494</u>	<u>851,920,691</u>	<u>(30,142,255)</u>	<u>1,193,497,611</u>	<u>500,632,900</u>	<u>(1,173,730,924)</u>	<u>(283,602,698)</u>
1,031,360	1,203,348	191,882	2,557,261	(331,483)	3,165,392	2,040,614
5,433,053	5,848,612	0	0	0	0	0
255,251	0	0	78,023	75,737	71,997	74,462
0	0	7,307,481	6,331,031	6,355,482	6,344,427	6,367,268
0	0	0	0	0	0	24,081,555
<u>6,719,664</u>	<u>7,051,960</u>	<u>7,499,363</u>	<u>8,966,315</u>	<u>6,099,736</u>	<u>9,581,816</u>	<u>32,563,899</u>
<u>1,528,246,947</u>	<u>1,154,448,740</u>	<u>250,695,519</u>	<u>1,433,532,203</u>	<u>707,253,916</u>	<u>(980,598,613)</u>	<u>(58,475,718)</u>
414,548,645	396,607,128	359,330,673	344,140,357	318,998,006	299,896,780	266,296,562
9,455,348	8,446,701	7,420,785	6,123,910	3,586,861	2,661,289	1,919,767
7,209,769	7,340,273	6,794,526	6,374,379	5,981,358	5,482,554	5,100,085
<u>431,213,761</u>	<u>412,394,102</u>	<u>373,545,984</u>	<u>356,638,646</u>	<u>328,566,225</u>	<u>308,040,623</u>	<u>273,316,414</u>
(314,059)						
1,096,719,127	742,054,638	(122,850,465)	1,076,893,557	378,687,691	(1,288,639,236)	(331,792,132)
<u>6,434,470,500</u>	<u>5,692,415,862</u>	<u>5,815,266,327</u>	<u>4,738,372,770</u>	<u>4,349,812,685</u>	<u>5,638,451,921</u>	<u>5,970,244,053</u>
<u>\$ 7,531,189,627</u>	<u>\$ 6,434,470,500</u>	<u>\$ 5,692,415,862</u>	<u>\$ 5,815,266,327</u>	<u>\$ 4,728,500,376</u>	<u>\$ 4,349,812,685</u>	<u>\$ 5,638,451,921</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses

(for the fiscal year ended June 30, 2017)

	2017	2016
Personnel Services		
Salaries and Wages	\$ 3,493,037	\$ 3,267,859
Employee Benefits	760,866	702,434
Post Employment Benefits	433,830	249,103
Insurance	463,680	413,280
Other	14,757	15,592
Total Personnel Services	<u>5,166,171</u>	<u>4,648,269</u>
Communications		
Postage	156,186	147,424
Telecommunications	61,013	46,767
Printing and Advertising	18,070	24,042
Freight and Express	761	688
Subscriptions and Publications	2,266	2,759
Total Communications	<u>238,294</u>	<u>221,680</u>
Purchases		
Office Supplies	80,627	56,594
Equipment	14,058	53,754
Total Purchases	<u>94,685</u>	<u>110,347</u>
Services and Charges		
Professional Fees and Services	267,500	210,700
Rent Expense	810,937	778,926
Travel and Conference Fees	23,493	21,821
Taxes, Licenses and Permits	400	284
Repairing and Servicing	184,382	84,455
Insurance and Surety Bonds	5,836	5,743
Bank and Federal Service Charges	51,127	45,463
Data Processing Charges	2,009,294	894,750
Other Services and Charges	141,299	152,334
Total Services and Charges	<u>3,494,267</u>	<u>2,194,476</u>
Depreciation Expense	<u>509,191</u>	<u>7,140</u>
Total Administrative Expenses	<u>\$ 9,502,608</u>	<u>\$ 7,181,913</u>

Schedule of Investment Expenses

(for the fiscal year ended June 30, 2017)

	2017	2016
Investment Consultant Fee	\$ 268,844	\$ 258,268
Money Manager Fees*	30,921,340	29,122,816
Custodian Bank Fees	491,870	493,808
Other Investment Expenses	<u>4,423,048</u>	<u>845,115</u>
Total Investment Expenses#	<u>\$ 36,105,102</u>	<u>\$ 30,720,006</u>

*For fees paid to investment managers, please see the schedule of investment fees shown on page 97 in the Investments Section of this report.

#Total investment expenses include international withholding taxes, which are not included in the schedule of investment fees referenced above.

Payments for Professional Consultants

For the fiscal year ended June 30, 2017

	2017	2016
Gabriel, Roeder, Smith & Company	\$ 267,500	\$ 210,700
Linea Solutions*	383,580	0
ICON	<u>21,120</u>	<u>0</u>
Total Payments for Professional Consultants	<u>\$ 672,200</u>	<u>\$ 210,700</u>

* Fees paid to Linea and ICON in both 2016 and until March 2017 were all capitalized into construction in progress in connection with the design, construction, and testing of the new pension administration system called COMPASS. Upon completion of the project in March 2017 all fees being paid for these consulting services are now being expensed.

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CHIEF INVESTMENT OFFICER'S REPORT

Dear Members,

On behalf of the APERS Investment Department, it is my pleasure to present the Investment Section of the APERS' Annual Financial Report for the fiscal year ended June 30, 2017.

Performance and Stability

For fiscal year 2017, the APERS investment portfolio closed with total investments of \$8,709,539,599. (This figure includes APERS cash and securities lending.) The investment return for the fiscal year was 12.30%.

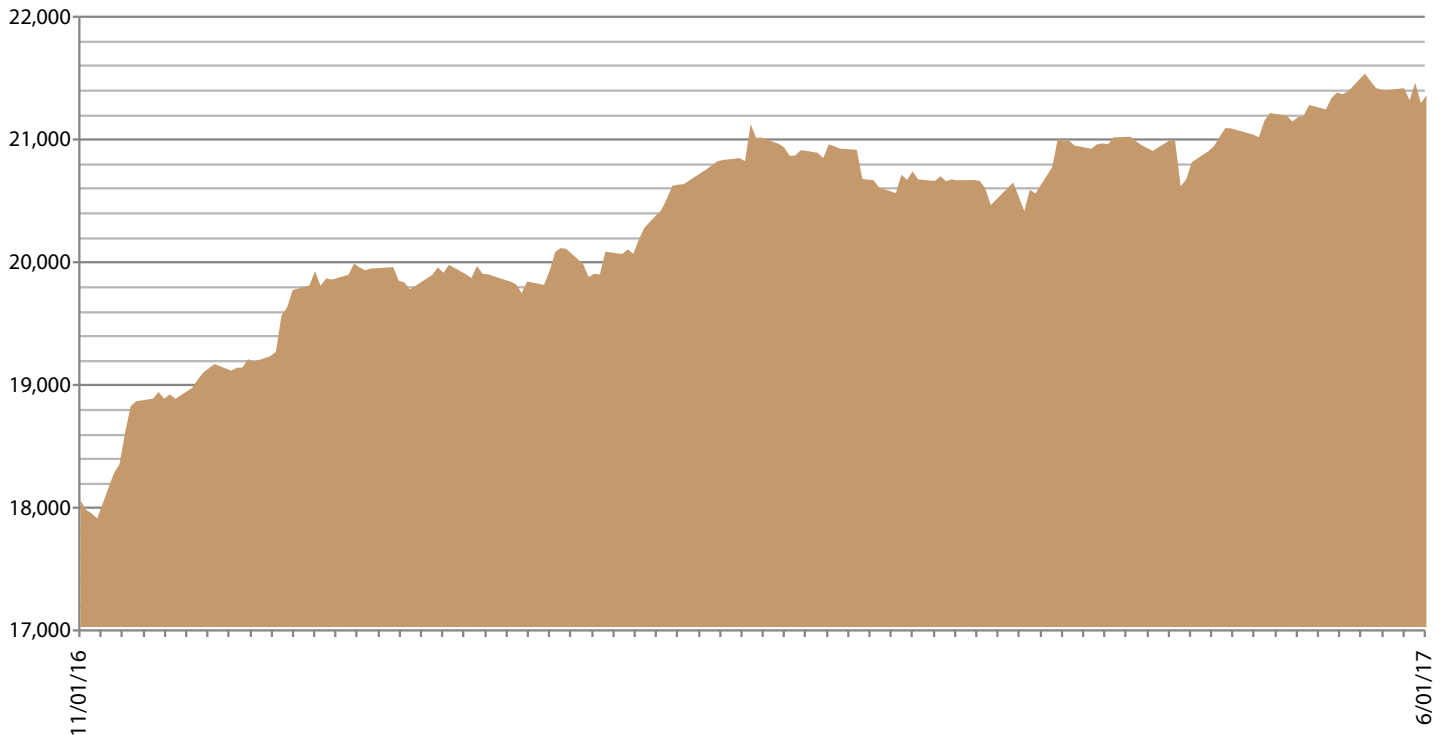
Fiscal Year 2017 Financial Market Recap

One of the last paragraphs that I wrote last year stated that the previous fiscal year was definitely volatile. The first two quarters of the fiscal year continued to see economic uncertainty. Geopolitical events as well as volatility across all asset classes, all major indices, and the currency markets have made the past fiscal year and the beginning of the upcoming fiscal year challenging. The Brexit vote and its repercussions were feared to be the most material exogenous shock to the global economy since the beginning of the post 2008 recovery.

When Donald Trump was elected to be the President of the U.S., it was definitely a watershed moment. His perceived economic platform had the equity markets extremely optimistic. The U.S. financial markets experienced a "Trump bump" as well as a "growth acceleration trade." The U.S. stock markets and interest rates both were propelled higher. The yield on the U.S. 10-year note rose 85bps. British 10-year GILTS rose 49bps, and the 10-year German Bund rose 33bps. The U.S. Federal Reserve tightened monetary policy and hiked the Fed Funds rates 25bps in the middle of December.

Other Central Banks remained in stimulation mode. The Bank of Japan was facing rising bond yields and reasserted its intent to maintain lower rates by offering to purchase unlimited quantities of JGBs of specific maturities and yields. The ECB announced it will trim its monthly bond purchasing program from €80 billion to €60 billion starting in March 2017 and also stated that the deflation risk "has largely disappeared."

U.S. labor conditions remained tight. The November unemployment rate fell to 4.6%. The U.S. had a third-quarter annualized GDP of 2.9%, which was the best in eight quarters. Europe's GDP for the same period was 1.2% annualized. At the end of November, OPEC agreed to cut oil production by 1.2million barrels a day. West Texas Intermediate (WTI) crude oil rallied through year-end. WTI closed the year at \$54 which was a 45% increase for the year.



The first quarter of 2017 (third quarter of the fiscal year) saw the markets reassess the Trump bump. The administration strived to garner enough Republican support in the House of Representatives to repeal and replace Obamacare. “Repeal and replace” was the battle cry of the president’s campaign, along with tax cuts, deregulation, and infrastructure spending. The financial markets reconsidered the timing and likelihood of the new administration’s stimulative policies. The Federal Reserve raised the Fed Funds target in March which was widely expected. The FOMC also signaled that three more rate hikes are likely in 2017. The U.S. Treasury yield curve flattened.

Britain invoked Article 50 of the Lisbon Treaty which set the two-year Brexit process in motion. Inflation data crept up in a number of major markets. The U.S. core Personal Consumption Expenditure Index less food and energy exceeded the Fed’s 2% target as it came in at 2.1%. The U.K came in at 2.3%, and Japan had its first back-to-back rise since 2015 as it came in at 0.2%. West Texas Intermediate closed at \$47.73 which was down \$11.15 for the quarter. The global markets kept a close eye on other elections, particularly in Europe. The defeat of Geert Wilders in the Netherlands was a positive for the capital markets, and the first round of the French presidential election impacted the sovereign debt markets. French candidate Marine Le Pen’s rise caused spreads of French OATs (Obligations Assimilables du Tresor) to widen against German bunds.

The second quarter of 2017 (fourth quarter of the fiscal year) focused mostly on politics and central bank activity. The Federal Reserve laid out its plans to reduce its \$4.5 trillion balance sheet. The tapering was

expected to start later in 2017. The Fed also raised the Fed Funds target rate to 1.25% at their June meeting, which was expected. The U.S. unemployment rate fell to 4.3%, which was a 16 year low.

As of June 30, there had not been any hard economic data to validate a “Trump bump.” The new administration had not enacted any new tax cuts, begun any infrastructure expansion, or succeeded in repealing and replacing the Affordable Care Act. Despite the administration’s inability to deliver on its platform promises, the markets continued to be focused on whether corporate earnings will continue to rise at a healthy clip in spite of what is going on inside the beltway and around the globe, which includes increased tension between the U.S. and North Korea, and the continuing conflict in Syria.

As I write this, global stocks have continued to grind higher in the third quarter of the year (the first quarter of the 2018 fiscal year), despite political turmoil in D.C., the volatile situation in the Middle East, and the increased Brexit uncertainty with investors apparently choosing to be optimistic about the proposed Republican tax plan, an increase in oil prices, buoyant job growth, and a somewhat positive global economic backdrop as we go into the final quarter of the calendar year.

Weather, geopolitics, and presidential tweets did cause some temporary strains. Hurricane Harvey devastated Houston. The Caribbean and Florida got slammed by Hurricanes Irma and Maria. Puerto Rico, a U.S. territory, took the brunt of the devastation. Tensions continue to escalate on the Korean peninsula as North Korea continued to test its nuclear arsenal and fired a missile over Japan prompting Trump to threaten “dire consequences” in a tweet.

The domestic equity markets have viewed the administration’s proposed corporate tax cut favorably. The Dow Jones closed the fiscal year end (06/30/2017) at 21,068, and at the time of this letter, the DJIA has touched an all-time high of 23,485 during the month of October. However, political turmoil continues.

The special counsel continues to investigate Russia’s meddling in the 2016 political election. Facebook, Google, and Twitter all testified before the Senate Intelligence Committee on how Russia may have used their social media platform to meddle in the election. Federal Reserve Chairperson Janet Yellen will not be reappointed to her position. President Trump has nominated Jerome Powell to be the next Chairperson. How will the markets react to a new Chairperson? He’s not as dovish as Yellen.

Also, the most recent updated proposed tax reform could eliminate the deductions for medical and dental expenses, student loan interest, alimony, moving expenses, casualty, disaster & theft losses, and adoption, and it will eliminate the federal tax credit for electric cars. It will also cap the mortgage interest tax break as well as the deduction for property taxes. I am not quite sure how those recent proposals help the average working class American.

With all that said, can the financial markets continue on their upward trajectory? I am hopeful, but skeptical.

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 APERS' assets are positioned to provide long-term financial stability for you, the members.

Respectfully yours,



Carlos Borromeo
Chief Investment Officer

INVESTMENT CONSULTANT’S REPORT



Callan Associates Inc.
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Chicago, IL 60602



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August 30, 2017

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, 2017.

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, 2017, both domestic and international equity markets posted positive returns, while fixed income markets were modestly negative. The Russell 3000 Index, a broad-based U.S. equity index, had a 18.51% return for the year while the MSCI EAFE Index, an international index, was up 20.27%. Fixed income markets, as measured by the Bloomberg Aggregate Index, fell -0.31% during 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, 2017, are listed below:

	Target	Actual
Domestic Equity	37%	39%
International Equity	24%	25%
Domestic Fixed	18%	16%
Diversified Strategies	5%	5%
Real Assets	16%	15%

Callan

For fiscal year ended June 30, 2017, the total fund rate of return, including gains, losses and income was 12.30%. 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 9.85%. The return was above the actuarially assumed interest rate of 7.15%.

At the beginning of the fiscal year, the assets of the fund totaled \$7.62 billion; at June 30, 2017, the Fund assets totaled \$8.30 billion. The Fund experienced an increase in value due to strong returns from domestic and international equities 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

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

1. Protect the APERS fund (the fund) so that its assets are preserved for providing benefits to participants and their beneficiaries, and
2. 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 4.5%. This is the return over the rate of inflation (as measured by the Consumer Price Index). This objective is not to be a goal from year to year but is intended as a long-term guideline to those involved in investing the fund's assets.

An additional overall investment objective will be to achieve a total fund return of at least the actuarial rate of 7.15%. 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 Limits
Equities	37%	32% - 42%
International Equities	24	19% - 29%
Fixed Income	18	13% - 23%
Diversified Strategies	5	0% - 10%
Real Assets	16	11% - 21%

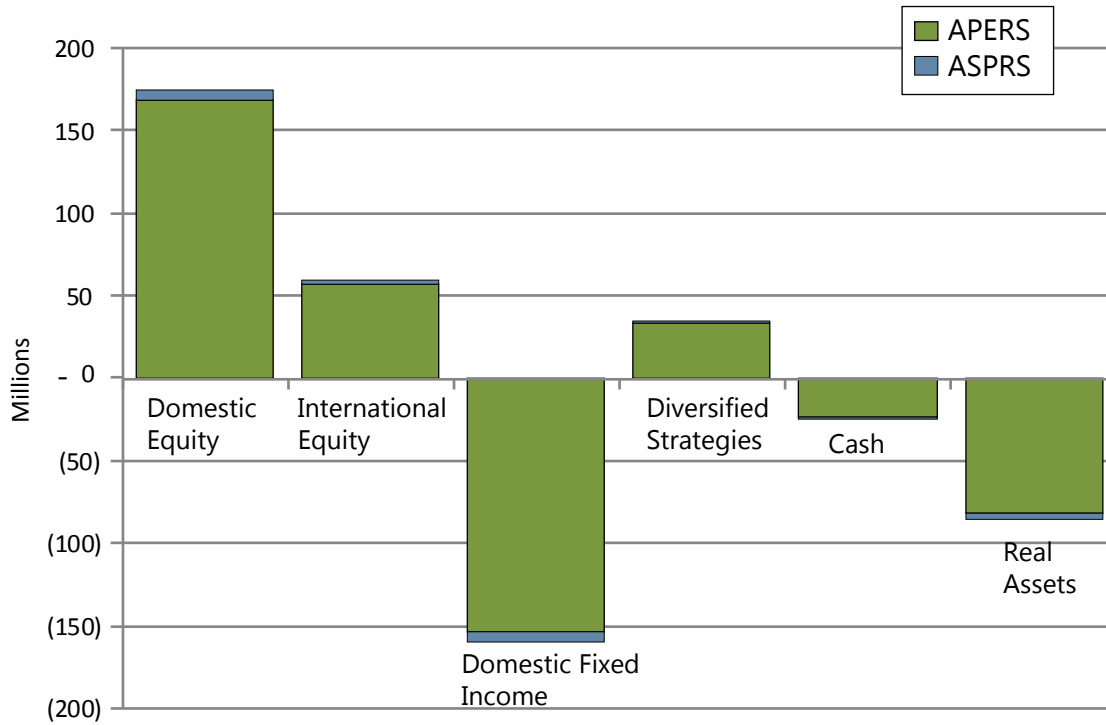
The APERS Board of Trustees (the Board) shall review its asset allocation at least annually to determine if the asset allocation is consistent with an acceptable level of risk and volatility acceptable to the fund.

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 vs. Target Allocation (as of June 30, 2017)

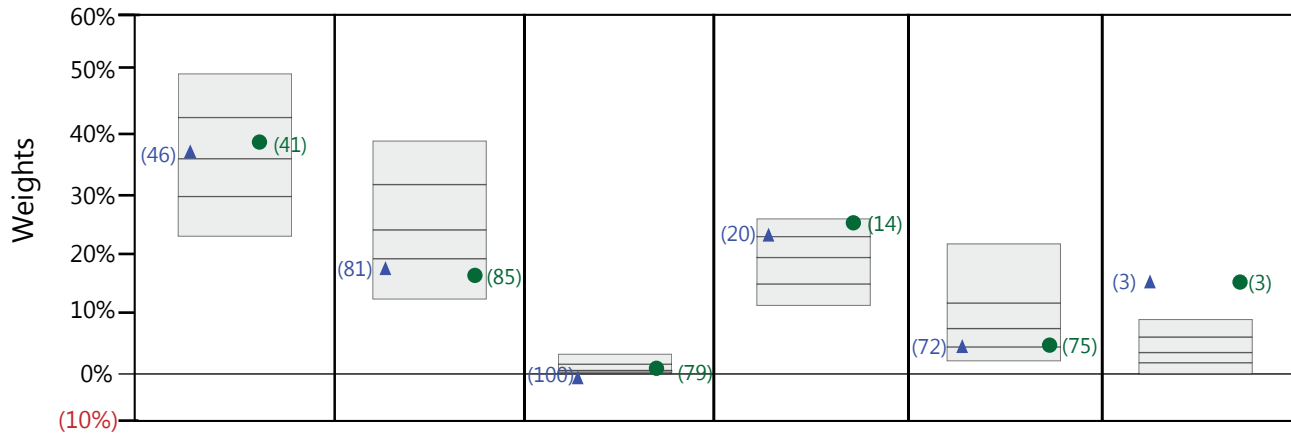


Asset Class	\$000s					APERS
	Actual	APERS	Actual	Target	Difference	Difference
Domestic Equity	\$ 3,246,103	\$ 3,131,487	39.1%	37.0%	2.1%	\$ 168,438
Int'l Equity	2,051,253	1,978,825	24.7	24.0	0.7	56,847
Domestic Fixed Income	1,334,692	1,287,565	16.1	18.0	(1.9)	(153,917)
Other	34,991	33,756	0.4	0.0	0.4	33,756
Diversified Strategies	390,973	377,168	4.7	5.0	(0.3)	(23,243)
Real Assets	1,243,340	1,199,439	15.0	16.0	(1.0)	(81,880)
Total	\$ 8,301,352	\$ 8,008,240	100%	100%		

Asset Class	\$000s					ASPRS
	Actual	ASPRS	Actual	Target	Difference	Difference
Domestic Equity	\$ 3,246,103	\$ 114,616	39.1%	37.0%	2.1%	\$ 6,165
Int'l Equity	2,051,253	72,428	24.7	24.0	0.7	2,081
Domestic Fixed Income	1,334,692	47,127	16.1	18.0	(1.9)	(5,634)
Other	34,991	1,235	0.4	0.0	0.4	1,235
Diversified Strategies	390,973	13,805	4.7	5.0	(0.3)	(851)
Real Assets	1,243,340	43,901	15.0	16.0	(1.0)	(2,997)
Total	\$ 8,301,352	\$ 293,112	100%	100%		

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 Alternatives	Real Assets
10th Percentile	49.97	38.64	3.63	25.99	21.64	9.10
25th Percentile	43.28	32.01	2.19	23.11	11.99	6.18
Median	36.20	24.04	1.22	19.68	7.81	3.54
75th Percentile	29.84	19.32	0.55	15.51	4.72	2.14
90th Percentile	23.32	13.12	0.16	12.01	2.60	0.72
Fund ●	39.10	16.08	0.42	24.71	4.71	14.98
Target ▲	37.00	18.00	0.00	24.00	5.00	16.00
% Group Invested	98.70%	97.40%	70.13%	97.40%	46.91%	21.43%

SCHEDULE OF MANAGER DISTRIBUTION

(as of June 30, 2017)

Asset Allocation	Market Value	Percent of Total	APERS	ASPRS
Domestic Equity				
MCM S&P 500 Index Fund	\$ 732,005,778	8.82%	\$ 706,159,430	\$ 25,846,348
MCM RU2000 Value Fund	160,361,854	1.93	154,699,647	5,662,207
CastleArk Mgmt.	427,931,225	5.15	412,821,427	15,109,798
Golden Capital Mgmt.	170,908,085	2.06	164,873,502	6,034,583
INTECH	385,945,531	4.65	372,318,203	13,627,328
Wellington Mgmt. Co.	289,733,939	3.49	279,503,741	10,230,198
Westwood Mgmt.	161,499,149	1.95	155,796,785	5,702,364
Lazard Asset Mgmt.	294,409,296	3.55	284,014,016	10,395,280
SSI Investment Mgmt.	257,772,889	3.11	248,671,202	9,101,687
Horrell Capital Mgmt.	103,603,215	1.25	99,945,095	3,658,120
Stephens Inv. Mgmt. Group	261,931,927	3.16	252,683,388	9,248,539
	<u>\$ 3,246,102,888</u>	<u>39.10%</u>	<u>\$ 3,131,486,436</u>	<u>\$ 114,616,452</u>
International Equity				
Lazard Asset Mgmt.	\$ 425,227,749	5.12%	\$ 410,213,408	\$ 15,014,341
Artisan Partners	431,920,834	5.20	416,670,167	15,250,667
Baillie Gifford	423,209,321	5.10	408,266,248	14,943,073
Manning & Napier	366,447,288	4.41	353,508,423	12,938,865
Fidelity	404,447,700	4.87	390,167,080	14,280,620
	<u>\$ 2,051,252,892</u>	<u>24.71%</u>	<u>\$ 1,978,825,327</u>	<u>\$ 72,427,565</u>
Fixed Income				
Doubleline Capital	\$ 426,157,255	5.13%	\$ 411,110,094	\$ 15,047,161
MacKay Shields	449,990,314	5.42	434,101,633	15,888,681
Prudential Investments	458,544,429	5.52	442,353,711	16,190,718
	<u>\$ 1,334,691,998</u>	<u>16.08%</u>	<u>\$ 1,287,565,438</u>	<u>\$ 47,126,560</u>
Real Assets				
INVESCO Real Estate	\$ 406,694,193	4.90%	\$ 392,334,252	\$ 14,359,941
INVESCO Global REITS	150,396,193	1.81	145,085,863	5,310,330
TA Associates Realty Fund X	25,143,743	0.30	24,255,944	887,799
TA Associates Realty Fund XI	19,914,072	0.24	19,210,927	703,145
CastleArk Mgmt.	133,397,957	1.61	128,687,817	4,710,140
CastleArk Mgmt. Global Energy Fund	43,893,488	0.53	42,343,655	1,549,833
Pinnacle Forest Investments	111,906,523	1.35	107,955,222	3,951,301
Heitman Real Estate Trust LP	306,851,029	3.70	296,016,444	10,834,585
LaSalle Inc & Growth VI LP	16,559,308	0.20	15,974,616	584,692
LaSalle Inc & Growth VII LP	28,583,023	0.34	27,573,787	1,009,236
	<u>\$ 1,243,339,529</u>	<u>14.98%</u>	<u>\$ 1,199,438,528</u>	<u>\$ 43,901,001</u>
Diversified Strategies				
AQR Capital	\$ 116,653,217	1.41%	\$ 112,534,316	\$ 4,118,901
Blackstone Hedge	165,045,201	1.99	159,217,630	5,827,571
Newton Capital	109,274,962	1.32	105,416,579	3,858,383
	<u>\$ 390,973,380</u>	<u>4.71%</u>	<u>\$ 377,168,524</u>	<u>\$ 13,804,856</u>
Short-term Investment Fund*				
	<u>\$ 34,991,434</u>	<u>0.42%</u>	<u>\$ 27,667,053</u>	<u>\$ 7,313,772</u>
Composite Fund	<u>\$ 8,301,352,121</u>	<u>100.00%</u>	<u>\$ 8,002,151,307</u>	<u>\$ 299,190,206</u>

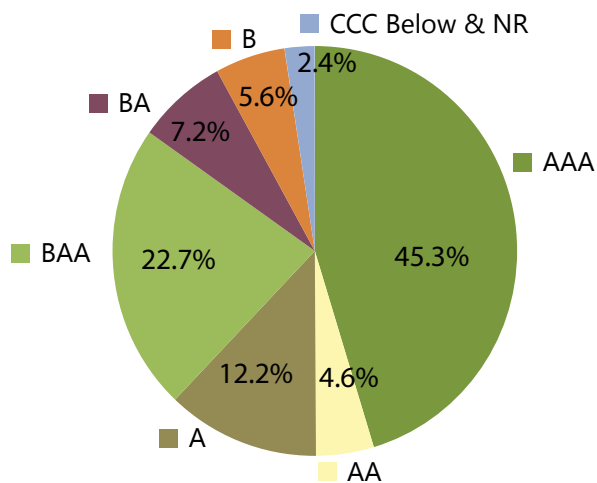
*Includes UBS receivables for APERS only of \$10,608. Totals may not add due to rounding.

PORTFOLIO CHARACTERISTICS

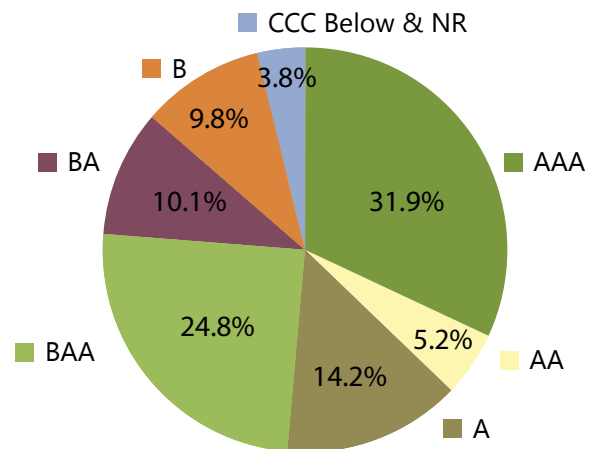
(for fiscal years ended June 30, 2016 - 2017)

	2017	2016
Selected Bond Characteristics		
Yield to Maturity (Market)	3.29%	3.50%
Current Yield	3.51%	5.06%
Average Coupon Rate	3.46%	3.82%
Average Maturity	7.72 yrs.	7.54 yrs.
Quality Breakdown		
AAA (Includes Govts. & Agencies)	45.3%	31.9%
AA	4.6%	5.2%
A	12.2%	14.2%
BAA	22.7%	24.8%
BA	7.2%	10.1%
B	5.6%	9.8%
CCC Below & NR	2.4%	3.8%
Selected Stock Characteristics		
Average P/E Ratio	25.96x	24.17x
Estimated Earnings Growth Rate (Next 5 Years)	14.09%	13.14%
Current Yield	1.60%	1.70%

Quality Breakdown 2017



Quality Breakdown 2016



SCHEDULE OF COMPARATIVE INVESTMENT RESULTS BY YEAR

(for fiscal years ended on June 30, 2013 - 2017)

	2017	2016	2015	2014	2013
Total Fund					
Arkansas Public Employees Retirement System	12.30%	0.30%	2.67%	19.68%	15.58%
Callan Total Public Fund Median	12.42	0.54	3.24	16.30	11.98
Inflation (Consumer Price Index)	1.50	0.64	(0.38)	2.04	1.75
Equities					
Arkansas Public Employees Retirement System	17.52%	(0.38)%	7.25%	24.48%	20.99%
Callan Total Equity Database Median	19.48	(1.58)	7.17	25.26	22.83
Russell 3000 Index	18.51	2.14	7.29	25.22	21.46
International Equities					
Arkansas Public Employees Retirement System	18.39%	(6.88)%	(2.38)%	24.43%	20.88%
Callan Total Non-U.S. Equities Database Median	20.86	(8.20)	(1.80)	23.34	18.85
MSCI-EAFE Index	20.27	(10.16)	(4.22)	23.57	18.62
Fixed Income					
Arkansas Public Employees Retirement System	3.04%	5.06%	1.32%	7.03%	3.51%
Callan Total Fixed Income Database Median	1.16	4.48	1.59	5.54	0.91
Bloomberg Aggregate Index	(0.31)	6.00	1.86	4.37	(0.69)
Diversified Strategies					
Arkansas Public Employees Retirement System	5.51%	2.86%	1.97%	13.91%	9.73%
Callan Int'l/Global Balanced Database Median	7.54	(1.73)	0.59	13.59	7.76
Real Assets					
Arkansas Public Employees Retirement System	3.27%	8.29%	0.19%	14.51%	10.26%
Consumer Price Index - U + 4%	5.63	5.01	4.13	6.07	5.76

SCHEDULE OF COMPARATIVE ANNUALIZED INVESTMENT RESULTS

(for the fiscal year ended June 30, 2017 and the preceding 3-year and 5-year rates of return)

	2017	3-Year Annualized	5-Year Annualized
Total Fund			
Arkansas Public Employees Retirement System	12.30%	4.96%	9.85%
Callan Total Public Fund Median	12.42	5.30	8.78
Inflation (Consumer Price Index)	1.50	0.58	1.11
Equities			
Arkansas Public Employees Retirement System	17.52%	7.88%	13.59%
Callan Total Equity Database Median	19.48	8.33	14.54
Russell 3000 Index	18.51	9.10	14.58
International Equities			
Arkansas Public Employees Retirement System	18.39%	2.48%	10.11%
Callan Total Non-U.S. Equities Database Median	20.86	3.13	9.92
MSCI-EAFE Index	20.27	1.15	8.69
Fixed Income			
Arkansas Public Employees Retirement System	3.04%	3.13%	3.98%
Callan Total Fixed Income Database Median	1.16	2.89	3.09
Bloomberg Aggregate Index	(0.31)	2.48	2.21
Diversified Strategies			
Arkansas Public Employees Retirement System	5.51%	3.43%	6.70
Callan International/Global Balanced Database Median	7.54	2.84	5.69
Real Assets			
Arkansas Public Employees Retirement System	3.27%	3.87%	7.18%
Consumer Price Index - U + 4%	5.63	4.92	5.32

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

TEN LARGEST HOLDINGS*

(as of June 30, 2017)

Domestic Fixed Income Holdings	Par Value	Market Value	APERS	ASPRS
U.S. Treasury 2.00% 08/31/2021	\$ 15,420,000	\$ 15,555,542	\$ 15,006,292	\$ 549,250
U.S. Treasury 1.75% 03/31/2022	15,100,000	15,022,084	14,491,670	530,414
U.S. Treasury 2.00% 11/30/2020	14,210,000	14,377,110	13,869,469	507,641
U.S. Treasury 2.75% 11/15/2042	13,345,000	13,186,595	12,720,990	465,605
U.S. Treasury 1.625% 05/15/2026	12,480,000	11,831,664	11,413,900	417,764
U.S. Treasury 2.125% 02/29/2024	10,700,000	10,712,947	10,334,684	378,263
FNMA 2.50% 07/01/2046 Pool #0BE0484	10,743,597	10,265,614	9,903,146	362,468
FHLMC 3.50% 11/01/2046 Pool #G6-0933	9,951,023	10,259,405	9,897,156	362,249
U.S. Treasury 2.875% 08/15/2045	9,925,000	9,980,481	9,628,081	352,400
FHLMC 3.00% 03/01/2042 Pool #G6-0910	9,873,686	9,907,454	9,557,632	349,822
Total		<u>\$ 121,098,895</u>	<u>\$ 116,823,022</u>	<u>\$ 4,275,874</u>

Domestic Equity Holdings	Shares	Market Value	APERS	ASPRS
Applied Materials Inc.	391,675	\$ 16,180,094	\$ 15,608,792	\$ 571,302
Johnson & Johnson	122,234	16,170,336	15,599,378	570,957
Visa Inc.	168,644	15,815,434	15,257,008	558,426
The Charles Schwab Corp	355,080	15,254,237	14,715,626	538,611
United Parcel Service Inc.	128,896	14,254,609	13,751,294	503,315
CME Group Inc.	111,300	13,939,212	13,447,033	492,179
EOG Resources Inc.	153,595	13,903,419	13,412,504	490,915
The Coca-Cola Company	305,729	13,711,946	13,227,791	484,154
Alphabet Inc. - Class C	14,308	13,002,109	12,543,018	459,091
Facebook Inc.	85,634	12,929,021	12,472,511	456,510
Total		<u>\$ 145,160,417</u>	<u>\$ 140,034,957</u>	<u>\$ 5,125,460</u>

International Equity Holdings	Shares	Market Value	APERS	ASPRS
Medtronic PLC	585,338	\$ 51,948,748	\$ 50,114,492	\$ 1,834,255
Samsung Electronics Co. Ltd.	15,154	31,482,801	30,371,177	1,111,624
Baidu Inc.	137,825	24,651,380	23,780,965	870,414
Compass Group PLC	1,162,625	24,465,106	23,601,269	863,837
Carlsberg A/A	228,843	24,415,584	23,553,495	862,088
Diageo PLC	786,366	23,171,596	22,353,431	818,164
UBS Group AG	1,183,139	20,063,883	19,355,448	708,434
Nestle SA	226,280	19,718,129	19,021,903	696,226
CIE Financiere Richemont SA	238,893	19,707,145	19,011,306	695,838
Anheuser-Busch Inbev SA/NV	173,756	19,165,737	18,489,015	676,722
Total		<u>\$ 258,790,107</u>	<u>\$ 249,652,502</u>	<u>\$ 9,137,604</u>

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

SCHEDULE OF BROKERAGE COMMISSIONS (for the fiscal year ended 2017)

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share	APERS	ASPRS
Citation Group/BCC Clrg, New York	5,728,275	\$ 273,451	\$ 0.048	\$ 263,795	\$ 9,655
J.P. Morgan Securities	8,217,462	233,654	0.028	225,404	8,250
Credit Suisse New York, London, & Melbourne	6,105,105	158,481	0.026	152,885	5,596
Merrill Lynch Pierce Fenner Smith Inc.	8,812,921	137,809	0.016	132,943	4,866
Bloomberg Tradebook, New York	4,620,913	137,694	0.030	132,832	4,862
Goldman Sachs International	6,000,763	123,475	0.021	119,115	4,360
UBS Securities	5,147,864	115,209	0.022	111,141	4,068
Sanford Bernstein & Co., NY	7,394,335	100,864	0.014	97,303	3,561
Morgan Stanley & Co. Inc.	13,449,804	97,362	0.007	93,925	3,438
Citigroup Global Markets Ltd.	5,134,389	96,686	0.019	93,273	3,414
Deutsche Bank Securities	5,169,569	89,691	0.017	86,524	3,167
Jefferies & Co.	4,214,911	85,659	0.020	82,634	3,025
Barclays Capital	4,076,776	73,307	0.018	70,719	2,588
Instinet Corp.	3,058,121	71,495	0.023	68,970	2,524
Capital Institutional Services, Inc.	1,549,223	62,345	0.040	60,144	2,201
Williams Capital Group LP	1,866,923	56,040	0.030	54,062	1,979
SG Americas Securities LLC	1,766,549	55,743	0.032	53,775	1,968
Investment Technology Group	2,673,407	55,516	0.021	53,556	1,960
Piper Jaffray & Co.	1,694,425	54,151	0.032	52,239	1,912
National Financial Services Corp.	1,853,247	52,951	0.029	51,081	1,870
Rosenblatt Securities LLC	1,434,540	40,805	0.028	39,364	1,441
William Blair & Co.	1,264,350	38,035	0.030	36,692	1,343
Robert W. Baird & Co.	987,729	36,219	0.037	34,940	1,279
CDH Securities LLC	1,111,800	33,354	0.030	32,176	1,178
Stifel, Nicolaus & Co.	886,737	33,042	0.037	31,875	1,167
Others (including 147 brokerage firms)	34,560,254	807,654	0.023	779,137	28,517
	<u>138,780,392</u>	<u>\$ 3,120,693</u>		<u>\$ 3,010,504</u>	<u>\$ 110,188</u>

Totals may not add due to rounding.

SCHEDULE OF INVESTMENT FEES (as of June 30, 2017)

	Market Value	Fee	Basis Points	APERS		ASPRS	
				Market Value	Fee	Market Value	Fee
Domestic Equity							
MCM S&P 500 Index Fund	\$ 732,005,778	\$ 156,709	35	\$ 706,159,430	\$ 151,176	\$ 25,846,348	\$ 5,533
MCM RU2000 Value Fund	160,361,854	10,998	20	154,699,647	10,609	5,662,207	388
*Lombardia Capital	0	695,099	70	0	670,556	0	24,543
CastleArk Mgmt.	427,931,225	1,321,668	35	412,821,427	1,275,001	15,109,798	46,667
Golden Capital Mgmt.	170,908,085	369,231	22.5	164,873,502	356,194	6,034,583	13,037
INTECH	385,945,531	1,459,008	48	372,318,203	1,407,492	13,627,328	51,516
Wellington Mgmt. Co.	289,733,939	844,368	30	279,503,741	814,555	10,230,198	29,814
Westwood Mgmt.	161,499,149	965,142	25	155,796,785	931,064	5,702,364	34,078
Lazard Asset Mgmt.	294,409,296	852,479	30	284,014,016	822,379	10,395,280	30,100
SSI Investment Mgmt.	257,772,889	981,520	40	248,671,202	946,864	9,101,687	34,656
Horrell Capital Mgmt.	103,603,215	178,326	20	99,945,095	172,029	3,658,120	6,296
Stephens Inv. Mgmt. Group	261,931,927	1,694,796	77	252,683,388	1,634,955	9,248,539	59,841
	<u>\$ 3,246,102,888</u>	<u>\$ 9,529,344</u>		<u>\$ 3,131,486,436</u>	<u>\$ 9,192,873</u>	<u>\$ 114,616,452</u>	<u>\$ 336,471</u>
International Equity							
Lazard Asset Mgmt.	\$ 425,227,749	\$ 1,187,084	65	\$ 410,213,408	\$ 1,145,170	\$ 15,014,341	\$ 41,915
Artisan Partners	431,920,834	2,250,809	55	416,670,167	2,171,336	15,250,667	79,474
Baillie Gifford	423,209,321	1,648,393	44	408,266,248	1,590,190	14,943,073	58,203
Manning & Napier	366,447,288	1,751,693	50	353,508,423	1,689,842	12,938,865	61,850
Fidelity	404,447,700	738,993	20	390,167,080	712,900	14,280,620	26,093
	<u>\$ 2,051,252,892</u>	<u>\$ 7,576,973</u>		<u>\$ 1,978,825,327</u>	<u>\$ 7,309,438</u>	<u>\$ 72,427,565</u>	<u>\$ 267,535</u>
Fixed Income							
Doubleline Capital	\$ 426,157,255	\$ 240,752	20	\$ 411,110,094	\$ 232,251	\$ 15,047,161	\$ 8,501
#MacKay Shields CP I	0	568,368	20	434,101,633	548,299	15,888,681	20,068
MacKay Shields CP II	449,990,314	660,352	15	0	637,036	0	23,316
Prudential Investments	458,544,429	896,078	20	442,353,711	864,438	16,190,718	31,640
	<u>\$ 1,334,691,998</u>	<u>\$ 2,365,550</u>		<u>\$ 1,287,565,438</u>	<u>\$ 2,282,025</u>	<u>\$ 47,126,560</u>	<u>\$ 83,525</u>
Real Assets							
INVESCO Real Estate	\$ 406,694,193	\$ 1,335,987	33	\$ 392,334,252	\$ 1,288,814	\$ 14,359,941	\$ 47,172
INVESCO GLOBAL REITs	150,396,193	886,972	59	145,085,863	855,654	5,310,330	31,318
+TA Associates Realty Fund X	25,143,743	908,016	200	24,255,944	875,955	887,799	32,061
+TA Associates Realty Fund XI	19,914,072	380,780	190	19,210,927	367,335	703,145	13,445
#CastleArk Mgmt AR Energy Fund	0	536,708	125	0	517,758	0	18,951
CastleArk Mgmt. Global Energy Plus	133,397,957	363,302	100	128,687,817	350,475	4,710,140	12,828
CastleArk Mgmt. Global Energy Fund	43,893,488	1,028,298	100	42,343,655	991,990	1,549,833	36,308
Pinnacle Forest Investments	111,906,523	1,030,157	90	107,955,222	993,783	3,951,301	36,374
Heitman Real Estate Trust LP	306,851,029	2,122,526	69	296,016,444	2,047,582	10,834,585	74,944
+LaSalle Inc & Growth VI LP	16,559,308	264,648	159	15,974,616	255,304	584,692	9,344
+LaSalle Inc & Growth VII LP	28,583,023	680,839	238	27,573,787	656,800	1,009,236	24,040
	<u>\$ 1,243,339,529</u>	<u>\$ 9,538,234</u>		<u>\$ 1,199,438,528</u>	<u>\$ 9,201,449</u>	<u>\$ 43,901,001</u>	<u>\$ 336,785</u>
Diversified Strategies							
AQR Capital	\$ 116,653,217	\$ 755,275	72	\$ 112,534,316	\$ 728,607	\$ 4,118,901	\$ 26,668
Blackstone Hedge	165,045,201	1,610,547	100	159,217,630	1,553,680	5,827,571	56,867
Newton Capital	109,274,962	674,491	70	105,416,579	650,676	3,858,383	23,816
	<u>\$ 390,973,380</u>	<u>\$ 3,040,313</u>		<u>\$ 377,168,524</u>	<u>\$ 2,932,963</u>	<u>\$ 13,804,856</u>	<u>\$ 107,350</u>
Other Investment Service Fees							
Bank of New York Mellon (Custodian)		\$ 510,989			\$ 492,946		\$ 18,042
Callan Associates (Consultant)		278,370			268,541		9,829
		<u>789,359</u>			<u>761,487</u>		<u>27,871</u>
Total Investment Service Fees		\$ 32,839,773			\$ 31,680,236		\$ 1,159,538

* Terminated manager / # terminated strategy / + management fee is base fee plus performance fee.



Actuarial Section

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ACTUARY'S CERTIFICATE LETTER



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November 21, 2017

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, 2017. The purpose of the June 30, 2017 annual actuarial valuation was to determine the contribution requirements for the year beginning July 1, 2018 (July 1, 2017 for the old plan still paying District Judges portion of APERS) and to measure the System's funding progress. 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, 2017. In addition, a separate report was issued (dated October 18, 2017) to provide actuarial information for GASB Statement No. 67 and GASB Statement No. 68.

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. We are not responsible for the accuracy or completeness of the data provided by staff.

The actuarial valuation report and GASB Statement Nos. 67 and 68 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

Board of Trustees
Arkansas Public Employees Retirement System
November 21, 2017
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, 2017 valuations were based upon assumptions that were recommended in connection with a study of experience covering the period 2007-2012 and a subsequent economic assumption study. The investment return assumption was changed for the June 30, 2017 valuations.

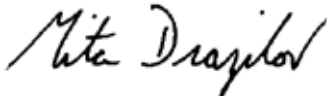
On the basis of the June 30, 2017 actuarial valuations and the benefits and contribution rates then in effect, it is our opinion that the Arkansas Public Employees Retirement System continues to satisfy the general financial objective of level contribution financing.

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 individuals are independent of the plan sponsor.

Mita D. Drazilov and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

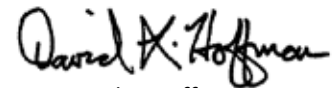
Respectfully submitted,



Mita D. Drazilov, ASA, FCA, MAAA



Heidi G. Barry, ASA, FCA, MAAA



David L. Hoffman

MDD:sc



SUMMARY OF ACTUARIAL ASSUMPTIONS*

Economic Assumptions

The investment return rate used in making the valuation was 7.15% per year, compounded annually (net after investment 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 3.25%, the 7.15% investment return rate translates to an assumed net real rate of return of 3.90%. The wage inflation assumption was first used for the June 30, 2015 valuation, including also the District Judges division. The investment return assumption was first used for the June 30, 2017 valuation, including also the District Judges division.

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 3.25% recognizes wage inflation. The wage inflation assumption consists of 2.50% for price inflation and 0.75% for real wage growth. These assumptions were first used for the June 30, 2015 valuation and for the District Judges division for the June 30, 2015 valuation.

Total active member payroll is assumed to increase 3.25% 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, 2015 valuation and for the District Judges division for the June 30, 2015 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 data referenced in this section is taken from the actuary's report, *Arkansas Public Employees Retirement System Actuarial Valuation and Experience Gain/(Loss) Analysis June 30, 2016*, prepared by Gabriel Roeder Smith & Co. A PDF copy of the report is available for download at www.apers.org.

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).

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	\$ 158.58	\$ 161.65	\$ 232.12	\$ 240.73	40.56	44.21
45	153.51	157.47	219.05	229.05	35.81	39.39
50	146.83	151.96	203.71	215.32	31.13	34.64
55	138.32	144.76	186.13	199.31	26.58	29.98
60	127.88	135.57	166.56	180.97	22.23	25.44
65	115.48	124.43	145.34	160.75	18.14	21.14
70	100.98	111.52	122.67	139.27	14.35	17.16
75	84.94	97.06	99.59	117.12	10.95	13.56
80	68.15	81.29	77.21	94.80	8.02	10.35
85	\$ 51.64	\$ 64.96	\$ 56.70	\$ 73.37	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, 2017)

Sample Ages	Years of Service	Percentage 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%	3.25%	9.85%
25		10.0	10.0	0.02	0.01	0.05	0.05	5.10	3.25	8.35
30		8.8	8.8	0.03	0.01	0.08	0.08	3.20	3.25	6.45
35		6.2	6.2	0.04	0.02	0.10	0.10	2.30	3.25	5.55
40		4.4	4.4	0.06	0.03	0.15	0.15	1.90	3.25	5.15
45		3.4	3.4	0.08	0.05	0.20	0.20	1.50	3.25	4.75
50		2.7	2.7	0.13	0.08	0.40	0.40	1.10	3.25	4.35
55		1.9	1.9	0.22	0.12	0.70	0.70	0.80	3.25	4.05
60		1.2	1.2	0.37	0.21	1.00	1.00	0.70	3.25	3.95

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, 2017)

Retirement Ages (with less than 28 years of service)	Percentage of Eligible Active Members Retiring Within Next Year	
	Unreduced	Reduced
55		2%
56		2
57		3
58		3
59		4
60		5
61		5
62		18
63		17
64		13
65	23%	
66	23	
67	23	
68	15	
69	15	
70	17	
71	17	
72	17	
73	17	
74-75	20	
76-78	15	
79-84	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, 2017)

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

Members may retire at age 50 with 20 or more years of service, age 60 with 16 or more years of service, or age 65 with 8 or more years of service.

SHORT CONDITION TEST

The APERS funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will pay all promised benefits when due -- the ultimate test of financial soundness. Testing for level contribution rates is the long-term condition test.

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

- Active member contributions on deposit;
- The liabilities for future benefits to present retired lives; and
- 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.

TEN-YEAR COMPARATIVE STATEMENT

(dollars in millions)

Valuation Date: June 30	Entry Age Accrued Liability			Valuation Assets	Portion of Present Values Covered By Present Assets			Total
	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)	
STATE DIVISION (Including sub-divisions)								
1998@	\$ 17.2	\$ 640.3	\$ 1,395.9	\$2,328.5	100%	100%	119%	113%
1999@#	16.9	784.0	1,634.2	2,637.1	100	100	112	108
2000	15.8	747.5	1,865.7	2,943.3	100	100	117	112
LOCAL GOVERNMENT DIVISION								
1998@	\$ 8.8	\$ 337.9	\$ 501.1	\$ 968.1	100%	100%	124%	114%
1999#	8.8	446.9	587.9	1,074.7	100	100	105	103
2000	7.6	440.0	706.0	1,178.1	100	100	103	102
STATE AND LOCAL GOVERNMENT DIVISION								
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
2015@	201.1	4,654.5	4,439.2	7,351.7	100	100	56	79
2016	228.4	4,929.2	4,505.1	7,768.9	100	100	58	80
2017	291.1	5,388.3	4,421.3	8,157.0	100	100	56	81
2017@	291.1	5,547.3	4,671.8	8,157.0	100	100	50	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 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	\$ 1,893.8
2. Normal Cost from Last Valuation	134.6
3. Actual Employer Contributions	261.1
4. Interest Accrual: $[(1) + \frac{1}{2}[(2) - (3)]] \times .0750$	137.3
5. Expected UAAL Before Changes: (1) + (2) - (3) + (4)	1,904.6
6. Increase from Benefit Changes	0
7. Changes from Revised Actuarial Assumptions and Methods	409.5
8. New Entrant Liabilities	67.6
9. Expected UAAL After Changes: (5) + (6) + (7) + (8)	2,381.7
10. Actual UAAL at End of Year	2,353.1
11. Gain/(Loss): (9) - (10)	\$ 28.6

* Unfunded actuarial accrued liability

ANALYSIS OF EXPERIENCE - GAINS/(LOSSES) BY RISK AREA

Type of Risk Area	Total (\$ in millions)	% of Accrued Liabilities
ECONOMIC RISK AREAS		
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	\$ 110.6	1.1%
Investment Return. If there is greater investment return than assumed, there is a gain. If less return, a loss.	17.6	0.2
NON-ECONOMIC RISK AREAS		
Non-Casualty Retirements. If members retire at older ages or with lower final average pays than assumed, there is a gain. If younger ages or higher average pays, a loss.	25.5	0.2
Disability Retirements. If there are fewer disabilities than assumed, there is a gain. If more, a loss.	1.9	0.0
Death-in-Service Benefits. If there are fewer claims than assumed, there is a gain. If more, a loss.	(0.3)	0.0
Withdrawal. If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	29.7	0.3
TOTAL ACTIVE MEMBER ACTUARIAL GAINS/(LOSSES)	\$ 185.0	1.8%
Retired Life Mortality.	30.0	0.3
Other. Includes data adjustments at retirement, timing of financial transactions, and miscellaneous unidentified sources.	(186.4)	(1.8)
TOTAL ACTUARIAL GAINS/(LOSSES)	\$ 28.6	0.3%

SUMMARY OF PLAN PROVISIONS

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

New Contributory Plan

Non-Contributory Plan

Voluntary Retirement

With a full benefit, after either (a) age 65 with 5 years of service, or (b) 28 years of actual service, regardless of age. For sheriff and public safety members, the age 65 requirement is reduced 1 month for each 2 months of actual service, but not below age 55 (age 52 for sheriff members with a minimum of 10 years of actual service).

With a full benefit, after 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 $\frac{1}{2}$ of 1% for each month retirement precedes normal retirement age or 1% for each month below 28 years of actual service, whichever is less.

With a reduced benefit after age 55 with 5 years of service or any age with 25 years of service. The reduction is equal to $\frac{1}{2}$ of 1% for each month retirement precedes 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 or more years of 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 or more years of 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 or more years of 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.

Death after Retirement

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

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

Death While in APERS-Covered Employment

Member's accumulated contributions are refundable.

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

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

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

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

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

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.

Member's accumulated contributions before 1978 are refundable.

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

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

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

Membership Group	Service Credits
Public Safety Members (including State Capitol Police and Wildlife Sub-Division members) hired before July 1, 1997	1-1/2 times regular rate with 5 years actual service required to meet benefit eligibility rules.
Governor (hired before July 1, 1999)	3 times regular rate with 5 years actual service required to meet death-in-service eligibility and 4 years actual service required for other benefit eligibility.
Elected State Constitutional Officers (hired before July 1, 1999)	2-1/2 times regular rate with 5 years actual service required to meet benefit eligibility.
General Assembly	Regular crediting rate with 5 years of actual service required to meet death-in-service eligibility and 10 years of actual service required for other benefit eligibility.
Other Elected Public Officials (municipal and county officials)	2 times regular rate with 5 years actual service required to meet benefit eligibility.
All Other Members	Regular rate.

Arkansas Public Employees Deferred Retirement Option Plan

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

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

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

Employer contributions continue for members participating in the DROP.



Statistical Section

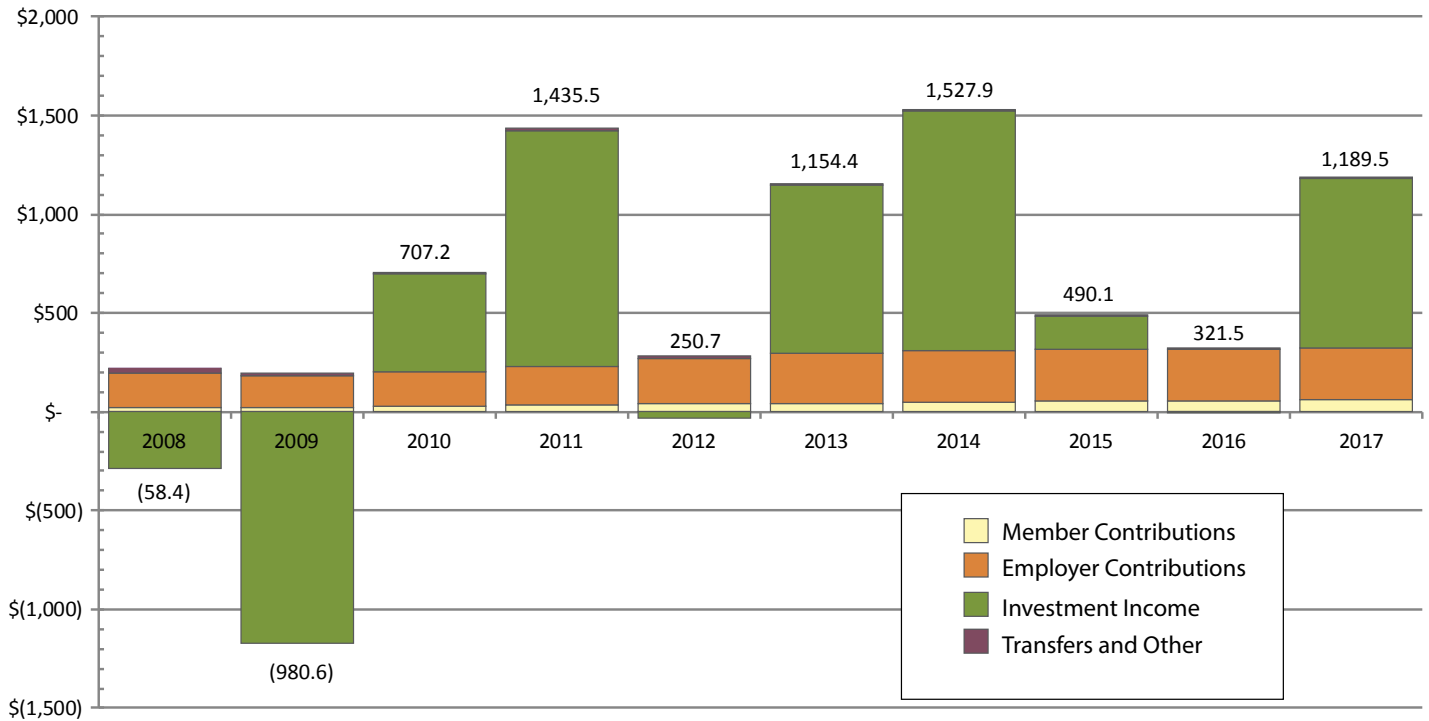
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SCHEDULE OF REVENUES BY SOURCE

(for the fiscal year ended June 30, 2017)

Year Ended June 30	Member Contributions	Employer Contributions	Investment Income	Transfers and Other	Total
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	6,786,822	1,527,932,888
2015	51,596,001	262,720,214	169,621,019	6,558,462	490,495,697
2016	55,944,132	263,545,822	(4,177,314)	6,271,067	321,583,707
2017	\$ 58,500,339	\$ 262,063,747	\$ 862,824,701	\$ 6,105,620	\$ 1,189,494,407

Schedule of Revenue by Source
(Millions)



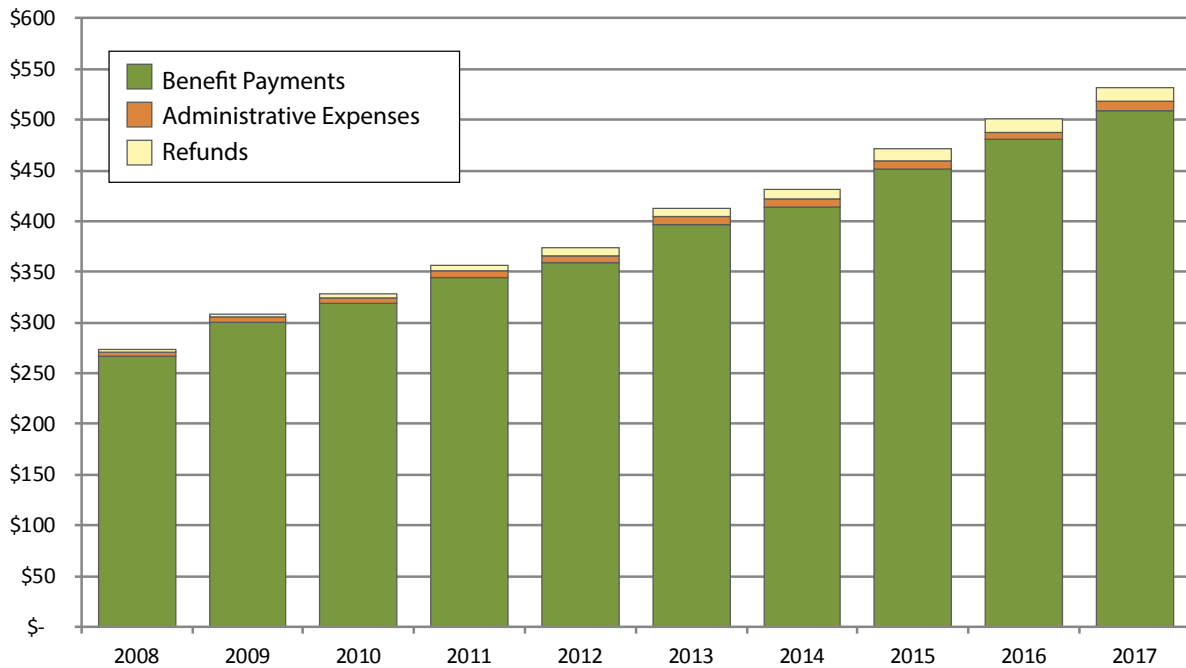
SCHEDULE OF EXPENSES BY TYPE

(for the fiscal year ended June 30, 2017)

Year Ended June 30	Benefit Payments*	Administrative Expenses	Refunds	Total
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
2015	451,912,791	7,201,144	12,195,637	471,309,572
2016	480,913,495	7,181,913	13,188,729	501,284,137
2017	\$ 508,200,406	\$ 9,502,608	\$ 13,755,408	\$ 531,458,422

*Includes DROP and PAW distributions.

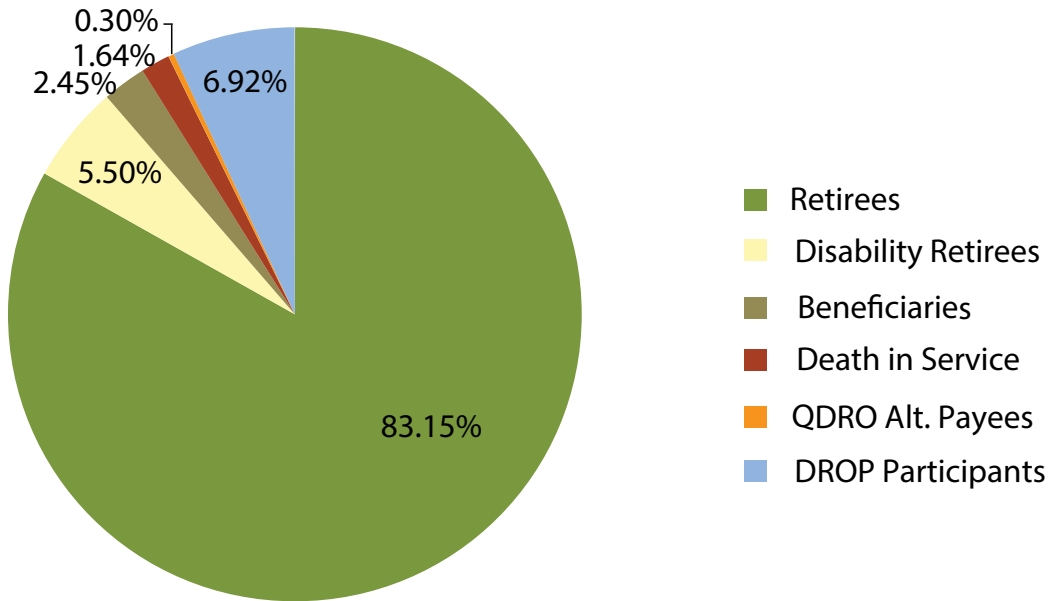
Schedule of Expenses by Type
(Millions)



SCHEDULE OF BENEFIT EXPENSES BY TYPE*
 (for the fiscal year ended June 30, 2017)

Year Ended June 30	Age and Service		Disability		QDRO Alternative Payees	DROP Participants
	Retirees	Beneficiaries	Retirees & Beneficiaries	Death in Service		
2008	\$ 224,223,624	\$ 2,639,616	\$ 15,937,188	\$ 534,252		
2009	248,677,584	2,733,372	17,426,148	507,672		
2010	265,728,720	2,797,848	18,793,560	440,964		
2011	288,680,604	10,136,820	20,302,152	408,348		
2012	309,980,256	10,502,736	21,950,568	347,292		
2013	333,567,174	11,125,082	26,158,872	336,180		
2014	363,644,841	12,006,363	27,648,624	320,928		
2015	392,995,993	13,555,679	26,854,608	7,428	1,346,409	49,188,840
2016	417,856,215	14,859,185	27,738,864	41,088	1,549,793	47,686,116
2017	\$ 449,127,264	\$ 13,258,740	\$ 29,710,308	\$ 8,837,724	\$ 1,798,296	\$ 37,399,188

*Expenses are based on annualized June 30 benefits amounts.
 Prior to 2015, disability beneficiaries were reported in the same category as death-in-service beneficiaries.

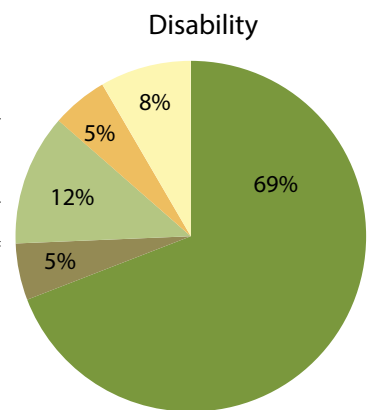
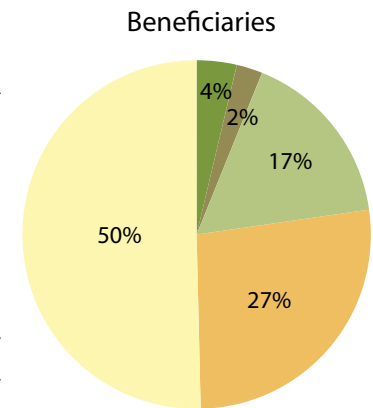
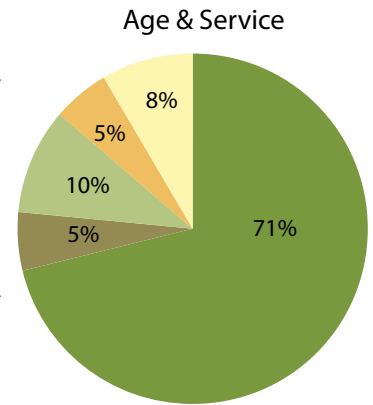


SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

(as of June 30, 2017)

Type of Annuity	Number	Annual Annuities
Age & Service Retirees		
Life	20,662	\$ 323,892,072
Option A-60 (5 years certain)	1,565	20,635,356
Option A-120 (10 years certain)	2,834	34,886,280
Option B-50 (joint and 50% survivor)	1,524	29,859,024
Option B-75 (joint and 75% survivor)	2,457	39,854,532
Total	29,042	449,127,264
Disability Retirees		
Life	2,170	20,955,876
Option A-60	164	1,410,420
Option A-120	380	3,447,888
Option B-50	162	1,559,136
Option B-75	264	2,336,988
Total	3,140	29,710,308
Beneficiaries of Age & Service Retirees		
Life	49	960,804
Option A-60	32	297,132
Option A-120	219	1,935,060
Option B-50	355	3,195,264
Option B-75	665	6,870,480
Total	1,320	13,258,740
Total Age & Service Retirees & Beneficiaries	30,362	462,386,004
Death-in-Service Beneficiaries	1,107	8,837,724
Total Death and Disability Retirees & Beneficiaries	4,247	38,548,032
QDRO Alternate Payees	239	1,798,296
Total Retirees & Beneficiaries	34,848	502,732,332
DROP Participants	1,412	37,399,188
Total Including DROP Participants	36,260	\$ 540,131,520

Retired by Type of Benefit



- Life
- Option A-60
- Option A-120
- Option B-50
- Option B-75

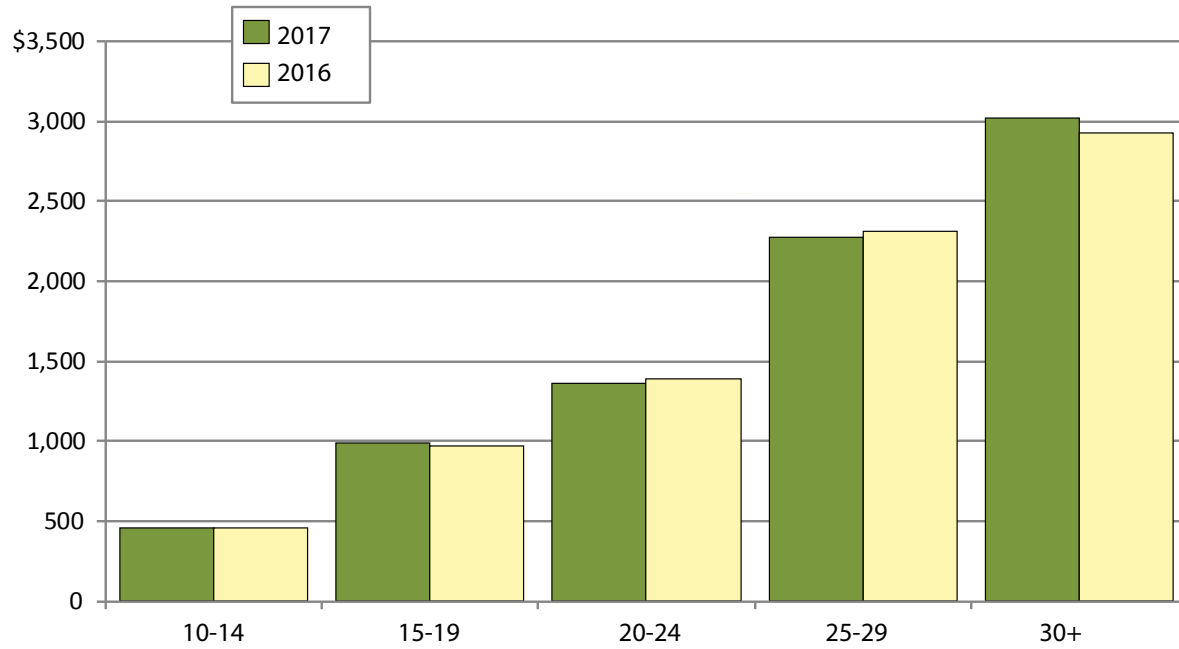
SCHEDULE OF AVERAGE BENEFIT PAYMENTS

(for fiscal years ended June 30, 2007 - June 30, 2017)

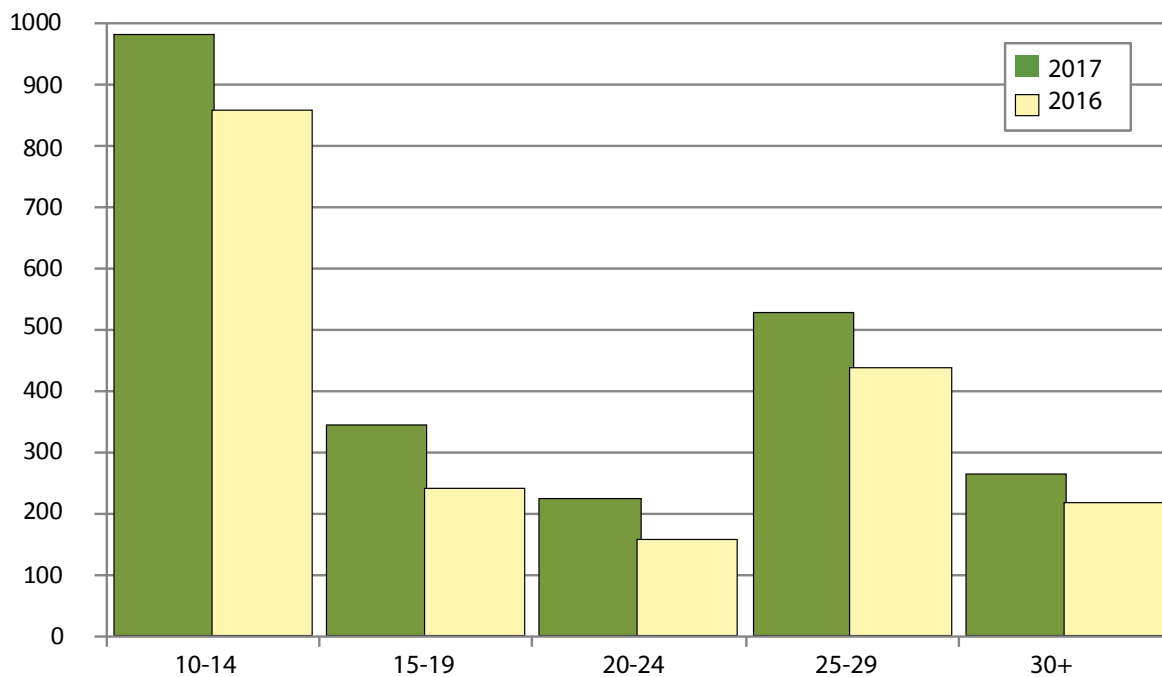
	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
Retirement Effective Dates - July 1, 2016 to June 30, 2017					
Average Monthly Benefit	\$ 463.18	\$ 998.89	\$ 1,361.92	\$2,272.89	\$3,021.21
Average Monthly Final Average Salary	2,736.39	3,341.89	3,497.65	3,605.81	3,807.59
Number of Active Retirees	981	343	225	528	264
Retirement Effective Dates - July 1, 2015 to June 30, 2016					
Average Monthly Benefit	458.52	968.78	1,394.06	2,311.49	2,930.95
Average Monthly Final Average Salary	2,811.73	3,323.26	3,768.80	3,850.76	4,216.82
Number of Active Retirees	857	240	159	438	218
Retirement Effective Dates - July 1, 2014 to June 30, 2015					
Average Monthly Benefit	555.13	997.31	1,396.88	2,305.40	2,805.57
Average Monthly FAS	2,759.44	3,301.08	3,832.59	4,142.67	4,064.83
Number of Active Retirees	912	252	210	448	196
Retirement Effective Dates - July 1, 2013 to June 30, 2014					
Average Monthly Benefit	465.55	906.81	1,358.82	2,249.22	2,772.73
Average Monthly Final Average Salary	2,687.58	3,035.24	3,418.03	3,888.23	8,759.97
Number of Active Retirees	821	227	174	456	154
Retirement Effective Dates - July 1, 2012 to June 30, 2013					
Average Monthly Benefit	455.91	891.09	1,488.26	2,304.43	2,818.61
Average Monthly Final Average Salary	2,540.30	2,907.92	4,025.64	3,785.80	4,245.29
Number of Active Retirees	855	199	182	479	181
Retirement Effective Dates - July 1, 2011 to June 30, 2012					
Average Monthly Benefit	432.53	904.90	1,276.53	2,266.18	2,723.21
Average Monthly Final Average Salary	2,544.71	2,998.37	3,325.55	3,788.46	4,131.52
Number of Active Retirees	789	208	165	415	143
Retirement Effective Dates - July 1, 2010 to June 30, 2011					
Average Monthly Benefit	449.71	942.02	1,424.82	2,257.15	2,671.38
Average Monthly Final Average Salary	2,596.61	2,830.13	3,304.14	3,764.59	4,211.63
Number of Active Retirees	716	180	175	417	170
Retirement Effective Dates - July 1, 2009 to June 30, 2010					
Average Monthly Benefit	383.68	805.27	1,180.62	2,197.89	2,554.49
Average Monthly Final Average Salary	2,311.09	2,647.57	2,876.89	3,941.93	4,212.25
Number of Active Retirees	629	165	149	342	160
Retirement Effective Dates - July 1, 2008 to June 30, 2009					
Average Monthly Benefit	480.72	812.09	1,231.85	2,204.82	2,637.21
Average Monthly Final Average Salary	2,224.60	2,607.43	3,785.38	3,509.85	4,119.77
Number of Active Retirees	718	199	180	485	207
Retirement Effective Dates - July 1, 2007 to June 30, 2008					
Average Monthly Benefit	444.93	876.45	1,201.48	2,058.84	2,796.08
Average Monthly Final Average Salary	2,495.87	2,690.02	2,772.99	3,672.62	4,995.83
Number of Active Retirees	562	154	145	398	117
Retirement Effective Dates - July 1, 2007 to June 30, 2017					
Average Monthly Benefit	462.43	1,929.04	3,207.70	2,928.17	6,661.11
Average Monthly Final Average Salary	1,529.22	1,865.90	1,994.59	2,050.12	2,673.27
Number of Active Retirees	7,840	2,167	1,764	4,406	1,810

STATISTICAL GRAPHS

Comparison of Monthly Annuity by Credited Years of Service



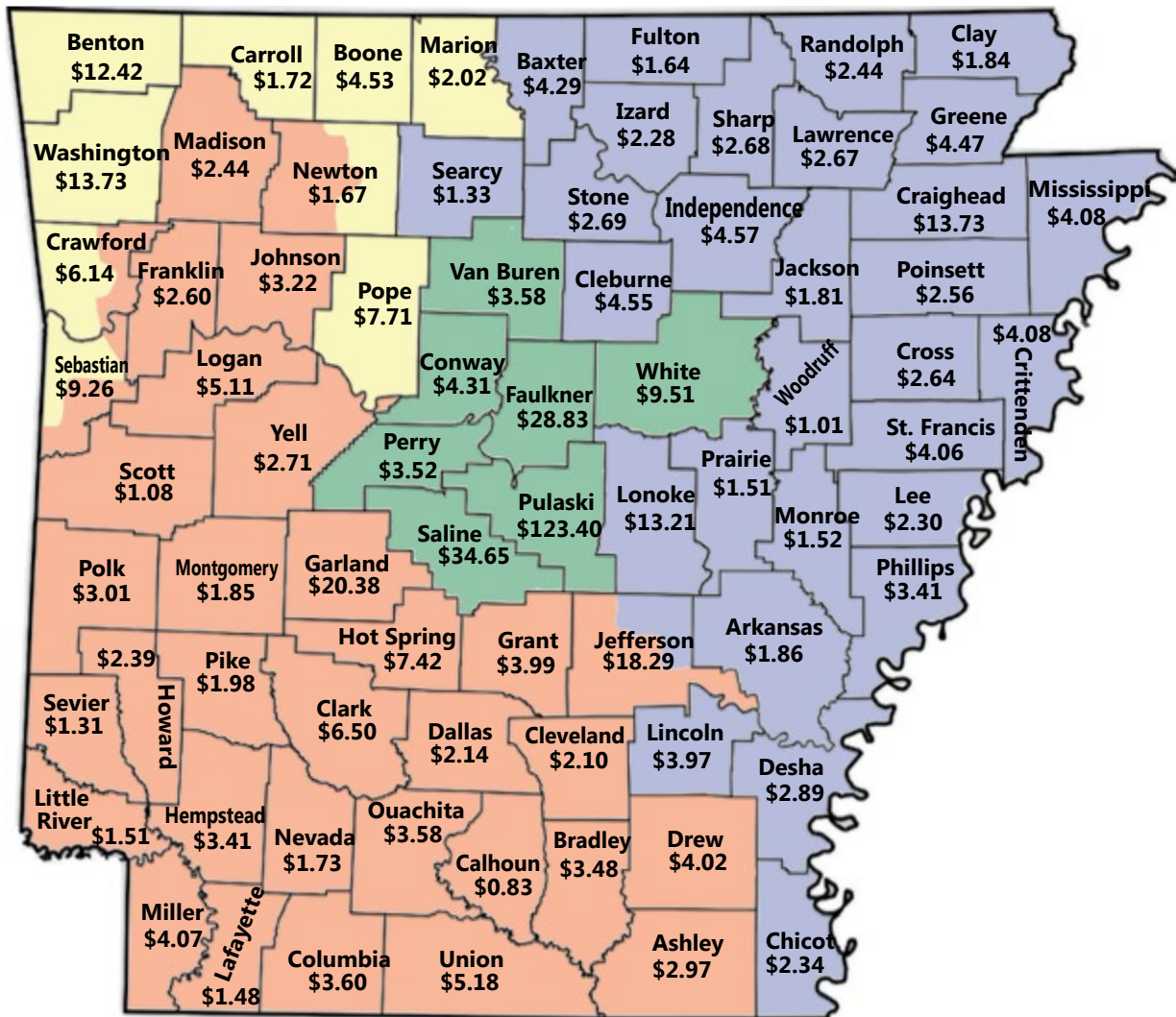
Comparison of Retirees by Credited Years of Service





Appendix

Schedule Of Retirees and Benefits Paid by County	127
Summary of Active Member Valuation	129
Schedule of Participating Employers	130



(The figures shown are benefits paid by county in millions of dollars)

	Total Retirees	Total Amount
1st District	8,840	\$ 105,167,347
2nd District	11,915	\$ 207,795,040
3rd District	4,657	\$ 57,621,839
4th District	9,617	\$ 123,216,704
Out of State	3,448	\$ 29,201,234
Total Retirees and Benefits	38,387	\$ 523,002,164

SCHEDULE OF RETIREES AND BENEFITS PAID BY COUNTY*

(for the fiscal year ended June 30, 2017)

District I

Total Retirees	8,840
Total Amount	\$ 105,167,347

County	Retirees	Benefits Paid
Arkansas	206	\$ 1,858,142
Baxter	355	\$ 4,294,024
Chicot	212	\$ 2,340,951
Clay	192	\$ 1,840,511
Cleburne	358	\$ 4,551,208
Craighead	1051	\$ 13,726,198
Crittenden	351	\$ 4,083,622
Cross	237	\$ 2,635,305
Desha	247	\$ 2,890,067
Fulton	147	\$ 1,643,464
Greene	375	\$ 4,469,676
Independence	431	\$ 4,570,733
Izard	211	\$ 2,282,362
Jackson	176	\$ 1,808,800
Jefferson**	220	\$ 2,712,080
Lawrence	233	\$ 2,671,603
Lee	159	\$ 2,301,429
Lincoln	285	\$ 3,974,882
Lonoke	880	\$ 13,205,331
Mississippi	394	\$ 4,079,247
Monroe	133	\$ 1,519,287
Phillips	294	\$ 3,409,361
Poinsett	247	\$ 2,564,006
Prairie	127	\$ 1,514,917
Randolph	228	\$ 2,439,431
Searcy	136	\$ 1,331,593
Sharp	232	\$ 2,682,168
St. Francis	375	\$ 4,063,141
Stone	250	\$ 2,690,395
Woodruff	98	\$ 1,013,415

District II

Total Retirees	11,915
Total Amount	\$ 207,795,040

County	Retirees	Benefits Paid
Conway	336	\$ 4,308,850
Faulkner	1829	\$ 28,831,084
Perry	269	\$ 3,522,855
Pulaski	6326	\$ 123,395,655
Saline	2094	\$ 34,645,715
Van Buren	274	\$ 3,582,303
White	787	\$ 9,508,578

District III

Total Retirees	4,567
Total Amount	\$57,621,839

County	Retirees	Benefits Paid
Benton	981	\$ 12,424,893
Boone	405	\$ 4,526,041
Carroll	179	\$ 1,715,954
Crawford**	455	\$ 5,905,528
Marion	166	\$ 2,016,746
Newton**	84	\$ 1,073,862
Pope	604	\$ 7,705,344
Sebastian**	677	\$ 8,521,272
Washington	1016	\$ 13,732,200

*Does not include DROP or PAW lump sum payments. Totals may not add due to rounding.

**County totals divided over two districts.

SCHEDULE OF RETIREES AND BENEFITS PAID BY COUNTY*

(for the fiscal year ended June 30, 2017)

District IV

Total Retirees	9,617
Total Amount	\$123,216,704

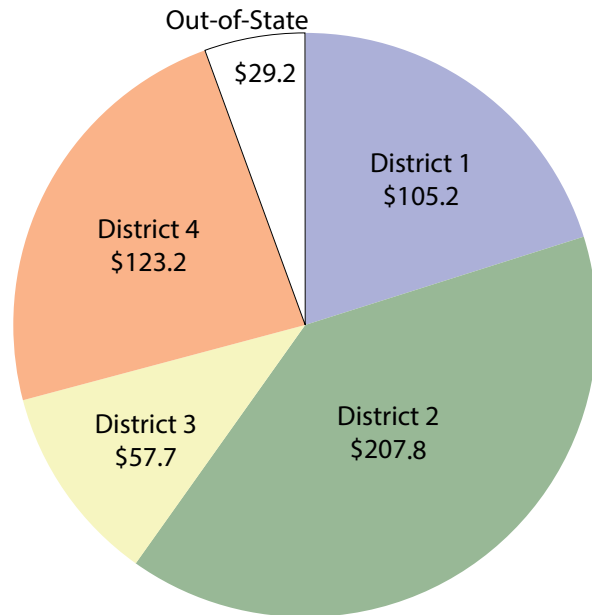
County	Retirees	Benefits Paid
Ashley	254	\$ 2,973,897
Bradley	279	\$ 3,480,693
Calhoun	86	\$ 831,440
Clark	512	\$ 6,495,623
Cleveland	162	\$ 2,097,523
Columbia	288	\$ 3,604,251
Crawford**	31	\$ 231,111
Dallas	151	\$ 2,136,003
Drew	307	\$ 4,021,767
Franklin	188	\$ 2,600,160
Garland	1365	\$ 20,380,258
Grant	271	\$ 3,994,983
Hempstead	286	\$ 3,406,707
Hot Spring	659	\$ 7,418,844
Howard	187	\$ 2,390,456
Jefferson**	1103	\$ 15,578,982
Johnson	243	\$ 3,221,234
Lafayette	108	\$ 1,484,279
Little River	158	\$ 1,511,339
Logan	449	\$ 5,105,830
Madison	156	\$ 2,439,935
Miller	317	\$ 4,065,582
Montgomery	140	\$ 1,846,174
Nevada	165	\$ 1,725,222
Newton**	56	\$ 592,020
Ouachita	321	\$ 3,582,140
Pike	149	\$ 1,976,319
Polk	258	\$ 3,006,825
Scott	127	\$ 1,084,262
Sebastian**	53	\$ 735,345
Sevier	128	\$ 1,307,267
Union	430	\$ 5,183,965
Yell	230	\$ 2,706,266

Benefits By District

(for the fiscal year ended June 30, 2017)

	Total Retirees	Total Amount
1st District	8,840	\$ 105,167,347
2nd District	11,915	\$ 207,795,040
3rd District	4,567	\$ 57,621,839
4th District	9,617	\$ 123,216,704
Out of State	3,448	\$ 29,201,234
Total Retirees and Benefits	38,387	\$ 523,002,164

Benefits Paid by District (In Millions)



*Does not include DROP or PAW lump sum payments. Totals may not add due to rounding.

**County totals divided over two districts.

SUMMARY OF ACTIVE MEMBER VALUATION

(for state and local government divisions as of June 30, 2017)

Valuation Date	Active Members				Retired Lives				
	Valuation Payroll				Annual Benefits				
	Number	\$ Millions	Average	% Increase	Number	Active per 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	
6/30/14	45,841	1,638.0	35,735	1.3	31,914	1.4	457.1	27.9	
6/30/15	45,722	1,645.0	35,979	0.7	33,106	1.4	483.9	29.4	
6/30/16	45,676	1,686.5	36,923	2.6	34,214	1.3	509.7	30.2	
6/30/17	46,094	\$ 1,668.8	\$ 36,204	(1.9)%	36,260	1.3	\$ 540.1	32.4%	

The above valuation payroll results do not include DROP payroll.

SCHEDULE OF PARTICIPATING EMPLOYERS (as of June 30, 2017)

State Agencies

Abstractor's Board, Arkansas
 Accountancy, Arkansas State Board of Public
 Administrative Office of the Courts
 Aeronautics, Arkansas Department of
 Agriculture Department, Arkansas
 Appraiser Licensing and Certification Board, Arkansas
 Architects, Landscape Architects and Interior Designers,
 Arkansas Board of
 Arkansas County Conservation District
 Arkansas Northeastern College
 Arkansas State University
 Arkansas State University - Beebe
 Arkansas State University - Newport
 Arkansas Technical University
 Ashley County Conservation District
 Assessment Coordination Department, Arkansas
 Attorney General, Arkansas
 Auctioneers Licensing Board, Arkansas
 Auditor, Arkansas
 Bail Bondsman Licensing Board, Arkansas
 Bank Department, Arkansas State
 Barber Examiners, Arkansas State Board of
 Baxter County Conservation District
 Benton County Conservation District
 Black River Technical College
 Boone County Conservation District
 Buffalo Conservation District
 Burial Association Board, Arkansas
 Calhoun County Conservation District
 Capitol Zoning District Commission, Arkansas
 Carroll County Conservation District
 Chicot County Conservation District
 Child Abuse and Neglect Prevention Board, Arkansas
 Chiropractic Examiners, Arkansas State Board of
 Claims Commission, Arkansas State
 Clark County Conservation District
 Clay County Conservation District
 Cleburn County Conservation District
 Cleveland County Conservation District
 Collection Agencies, Arkansas State Board of
 College of the Ouachitas
 Columbia County Conservation District
 Community Correction, Arkansas Department of
 Constitutional Officers
 Contractors Licensing Board, Arkansas
 Conway County Conservation District
 Correction, Arkansas Department of
 Cossatot Community College of the University of Arkansas
 Cossatot Conservation District
 Counseling, Arkansas Board of Examiners in
 Court of Appeals, Arkansas
 Craighead County Conservation District
 Crawford County Conservation District
 Crime Information Center, Arkansas
 Crime Laboratory, Arkansas State
 Crittenden County Conservation District
 Crooked Creek Conservation District
 Cross County Conservation District
 Dallas County Conservation District
 Dental Examiners, Arkansas State Board of
 Deputy Prosecuting Attorneys
 Desha County Conservation Districts
 Development Finance Authority, Arkansas
 Dietetics Licensing Board, Arkansas
 Disabled Veterans Service Office
 Drew County Conservation District
 East Arkansas Community College
 Economic Development Commission, Arkansas
 Educational Television Network, Arkansas
 Election Commissioners, Arkansas State Board of
 Embalmers and Funeral Directors, Arkansas State Board of
 Emergency Management, Arkansas Department of
 Engineers and Professional Surveyors, Arkansas Board of
 Licensure for
 Environmental Quality, Arkansas Department of
 Ethics Commission, Arkansas
 Fair Housing Commission, Arkansas
 Faulkner County Conservation District
 Fifteenth (15th) Judicial District Victim Witness Office
 Fifteenth (15th) Judicial Drug Task Force
 Fifth (5th) Judicial Drug Task Force
 Finance and Administration, Arkansas Department of
 Fire Protection Licensing Board, Arkansas
 First (1st) Judicial Drug Task Force
 Fourteenth (14th) Judicial Drug Task Force
 Franklin County Conservation District
 Fulton County Conservation District
 Game and Fish Commission, Arkansas
 Garland County Conservation District
 Geographic Information Office, Arkansas
 Geological Survey, Arkansas
 Governor, Office of
 Greene County Conservation District
 Health Information Technology, Arkansas Office of
 Health Services Permit Agency, Arkansas
 Health, Arkansas Department of
 Hempstead County Conservation District
 Henderson State University
 Heritage, Arkansas Department of
 Higher Education, Arkansas Department of
 Home Inspector Registration Board, Arkansas
 Hot Spring County Conservation District
 House of Representatives - Speaker's Office
 House of Representatives, Arkansas
 Human Services, Arkansas Department of
 Independence County Conservation District
 Information Systems, Arkansas Department of
 Insurance Department, Arkansas
 IZard County Conservation District
 Jackson County Conservation District
 Jefferson County Conservation District
 Johnson County Conservation District
 Judicial Discipline and Disability Commission, Arkansas
 Labor, Arkansas Department of
 Lafayette Conservation District
 L'Aigle Creek Conservation District
 Law Enforcement Standards and Training, Arkansas
 Commission
 Lawrence County Conservation District
 Lee County Conservation District
 Legislative Audit, Arkansas Division of
 Legislative Research, Arkansas Bureau of

State Agencies (continued)

Library, Arkansas State
 Lieutenant Governor, Office of
 Lincoln County Conservation District
 Liquefied Petroleum Gas Board, Arkansas
 Little River Conservation District
 Livestock and Poultry Commission, Arkansas
 Logan County Conservation District
 Lonoke County Conservation District
 Lottery Commission, Arkansas
 Madison County Conservation District
 Manufactured Home Commission, Arkansas
 Martin Luther King, Jr. Commission
 Medicaid Inspector General, Office of
 Medical Board, Arkansas State
 Miller County Conservation District
 Mine Creek Conservation District
 Minority Health Commission, Arkansas
 Mississippi County Conservation District
 Monroe County Conservation District
 Montgomery County Conservation District
 Motor Vehicle Commission, Arkansas
 National Park Community College
 Natural Resources Commission, Arkansas
 Nevada County Conservation District
 Newton County Conservation District
 North Arkansas College
 Northwest Arkansas Community College
 Nursing, Arkansas State Board of
 Oil and Gas Commission, Arkansas
 Opticians, Arkansas Board of Dispensing
 Optometry, Arkansas State Board of
 Ouachita Conservation District
 Ozarka College
 Parks and Tourism, Arkansas Department of
 Parole Board, Arkansas
 Perry County Conservation District
 Pharmacy, Arkansas State Board of
 Phillips Community College of the University of Arkansas
 Phillips County Conservation District
 Physical Therapy, Arkansas State Board of
 Pike County Conservation District
 Poinsett County Conservation District
 Pope County Conservation District
 Poteau River Conservation District
 Prairie County Conservation District
 Prosecuting Attorney
 Prosecutor Coordinator, Office of the
 Psychology, Arkansas Board of
 Public Defender Commission, Arkansas
 Public Employees' Retirement System, Arkansas
 Public Service Commission, Arkansas
 Pulaski Conservation District
 Pulaski Technical College
 Randolph County Conservation District
 Real Estate Commission, Arkansas
 Rehabilitation Services, Arkansas
 Rich Mountain Conservation District
 Saint Francis Conservation District
 School for the Blind, Arkansas
 School for the Deaf, Arkansas
 Sebastian County Conservation District
 Secretary of State, Arkansas
 Securities Department, Arkansas
 Senate Clerk
 Senate, Arkansas
 Sentencing Commission, Arkansas
 Sharp County Conservation District
 Sixteenth (16th) Judicial Drug Task Force
 Social Security Administration, Disability Determination for
 Social Work Licensing Board, Arkansas
 South Arkansas Community College
 South Central Drug Task Force - Eighth (8th) Judicial District
 Southeast Arkansas College
 Southern Arkansas University
 Southern Arkansas University Tech
 Speech-Language Pathology and Audiology, Arkansas Board
 of Examiners in
 Spinal Cord Commission, Arkansas
 State District Courts
 State Lands, Arkansas Commission of
 State Military Department
 State Police, Arkansas Department of
 Stone County Conservation District
 Student Loan Authority, Arkansas
 Supreme Court - Bar of Arkansas
 Supreme Court, Arkansas
 Tenth (10th) Judicial District Victim Assistance Office
 Tenth (10th) Judicial Drug Task Force
 Third (3rd) Judicial Drug Task Force
 Thirteenth (13th) Judicial Drug Task Force
 Tobacco Control Board, Arkansas
 Tobacco Settlement Commission, Arkansas
 Towing and Recovery Board, Arkansas
 Treasurer, Office of the
 Twenty-First (21st) Judicial Drug Task Force
 Union County Conservation District
 University of Arkansas at Fayetteville
 University of Arkansas at Fort Smith
 University of Arkansas at Little Rock
 University of Arkansas at Monticello
 University of Arkansas at Pine Bluff
 University of Arkansas College at Hope
 University of Arkansas Community College at Batesville
 University of Arkansas Community College at Morrilton
 University of Arkansas Cooperative Extension Service
 University of Arkansas for Medical Sciences
 University of Arkansas Rich Mountain
 University of Central Arkansas
 Van Buren County Conservation District
 Veterans Affairs, Arkansas Department of
 Veterans Child Welfare Service
 Veterinary Medical Examining Board, Arkansas
 War Memorial Stadium Commission
 Washington County Conservation District
 Waterways Commission, Arkansas
 White County Conservation District
 Woodruff County Conservation District
 Workers' Compensation Commission, Arkansas
 Workforce Services, Arkansas Department of
 Yell County Conservation District

County Agencies

Arkansas Association of Counties
 Arkansas County
 Arkansas Valley Regional Library
 Ashley County
 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 Arkansas Regional Library
 Faulkner County
 Franklin County
 Fulton County
 Garland County
 Grant County
 Grassy Lake and Tyronza Drainage
 District
 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

Phillips County Library
 Pike County
 Poinsett County
 Polk County
 Pope County
 Prairie County
 Pulaski County
 Randolph County
 Randolph County Nursing Home
 Saint Francis County
 Saline County
 Saline County Library
 Scott County
 Searcy County
 Sebastian County
 Sevier County
 Sharp 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

Alma Water and Sewer Department
 Arkansas Municipal League
 Batesville Waterworks
 Bradford Water and Sewer System
 Brinkley Municipal Water and Sewer
 Camden Water and Utilities
 Central Arkansas Water
 City of Alma
 City of Arkadelphia
 City of Ash Flat
 City of Ashdown
 City of Augusta
 City of Austin
 City of Batesville
 City of Beebe
 City of Bentonville
 City of Bethel Heights
 City of Biscoe
 City of Bono
 City of Bradford
 City of Brinkley
 City of Bryant
 City of Cabot
 City of Caddo Valley
 City of Calico Rock
 City of Cammack Village
 City of Carlisle
 City of Cave City
 City of Cave Springs
 City of Cedarville
 City of Centerton
 City of Charleston
 City of Cherry Valley
 City of Clarksville
 City of Clinton
 City of Corning
 City of Cotter
 City of Crawfordsville
 City of Crossett
 City of Decatur
 City of Des Arc
 City of Dewitt
 City of Dierks
 City of Dover
 City of Elm Springs
 City of England
 City of Eudora
 City of Farmington
 City of Flippin
 City of Fordyce
 City of Foreman
 City of Forrest City
 City of Gassville
 City of Gentry
 City of Goshen
 City of Gravette
 City of Green Forest
 City of Greenland
 City of Hackett
 City of Hamburg
 City of Hampton

Municipal Agencies (continued)

City of Hardy
 City of Harrisburg
 City of Harrison
 City of Haskell
 City of Hazen
 City of Heber Springs
 City of Helena-West Helena
 City of Hilly Grove
 City of Hope
 City of Horatio
 City of Hot Springs
 City of Huntington
 City of Huntsville
 City of Huttig
 City of Jacksonville
 City of Jasper
 City of Kibler
 City of Knoxville
 City of Lamar
 City of Lavaca
 City of Lepanto
 City of Leslie
 City of Lewisville
 City of Lincoln
 City of Lockesburg
 City of Lowell
 City of Magnolia
 City of Malvern
 City of Mammoth Spring
 City of Marked Tree
 City of Marshall
 City of Marvell
 City of McRae
 City of Melbourne
 City of Mena
 City of Monette
 City of Monticello
 City of Morrilton
 City of Mountain Home
 City of Mountain Pine
 City of Mountain View
 City of Mt. Ida
 City of Nashville
 City of Ola
 City of Pangburn
 City of Paragould
 City of Paris
 City of Perryville
 City of Piggott
 City of Plumerville
 City of Prairie Grove
 City of Prescott
 City of Quitman
 City of Rector
 City of Rison
 City of Rogers
 City of Russellville
 City of Salem
 City of Searcy
 City of Shannon Hills
 City of Sheridan
 City of Smackover
 City of Stamps
 City of Star City
 City of Strong
 City of Stuttgart
 City of Summit
 City of Van Buren
 City of Vilonia
 City of Waldron
 City of Ward
 City of Warren
 City of West Fork
 City of Wilmar
 City of Wynne
 City of Yellville
 Clinton Water and Sewer
 Crossett Public Library
 Crossett Water Commission
 El Dorado Waterworks
 Fordyce Water and Sewer
 Forrest City Water Utility
 Fort Smith Public Library
 Harrisburg Water and Gas Division
 Hope Water and Light Company
 Hot Springs Advertising and
 Promotion Commission
 Huntsville Water and Sewer
 Jacksonville Wastewater Utility
 Jacksonville Water Commission
 Little Rock Wastewater Utility
 Malvern Waterworks
 McGehee Water and Sewer System
 Mena Water and Sewer
 Mt. Pleasant Water Department
 Mountain View Water and Sewer
 Commission
 North Little Rock Convention and
 Visitors Bureau
 Pangburn Water Department
 Piggott Light and Water System
 Rogers Water Utilities
 Star City Water and Sewer
 Stuttgart and North Arkansas County
 Library
 Town of Arkansas City
 Town of Bigelow
 Town of Emerson
 Town of Fountain Hill
 Town of Fulton
 Town of Gum Springs
 Town of Highfill
 Town of Ravenden
 Town of Shirley
 Town of Viola
 Town of Western Grove
 Van Buren Municipal Utilities
 Vilonia Waterworks Association
 Warren Water and Sewer
 Wynne Water Utilities

Schools

Arkadelphia School District
 Atkins School District
 Bald Knob School District
 Bauxite School District
 Benton School District
 Bergman School District
 Berryville School District
 Blytheville School District
 Booneville School District
 Brinkley School District
 Cabot School District
 Clarksville School District
 Clinton School District
 Concord School District
 Conway School District
 Cossatot River School District
 Dardanelle School District
 Des Arc School District
 Dollarway Schools
 Dover School District
 Dumas Special School District
 El Dorado School District
 Emerson-Taylor-Bradley School District
 England School District
 Fairview School District
 Fayetteville School District
 Forrest City School District
 Fort Smith School District
 Genoa Central School District
 Gentry School District
 Greenwood School District
 Hamburg School District
 Hazen School District
 Helena West Helena School District
 Hope School District
 Horatio School District
 Hot Springs School District
 Huntsville School District
 Jessieville School District
 Jonesboro Public Schools
 Junction City School District
 Lafayette County School District
 Lake Hamilton School District
 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
 North Little Rock School District
 Osceola School District
 Ozark School District
 Paragould School District
 Piggott School District
 Pine Bluff Schools

Schools (continued)

Pocahontas School District
 Pottsville School District
 Pulaski County Special School District
 Russellville School District
 Searcy County School District
 Sheridan School District
 Shirley School District
 Siloam Springs School District
 So Conway County School District
 South Mississippi County School District
 South Pike County School District
 Southside School District
 Texarkana School District
 Trumann School District
 Two Rivers School District
 Van Buren School District
 Waldron School District
 Warren School District
 Watson Chapel School District
 Wynne School District
 Yellville Summit School District

District Judges

State District Judges
 Ashdown
 Ashley County
 Austin
 Biscoe
 Bradley County
 Brinkley
 Cabot
 Camden
 Charleston
 Cherokee Village
 Clarksville
 Crossett
 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
 Praire Grove
 Randolph County
 Sharp County
 Sheridan
 Sherwood
 Ward
 Woodruff County

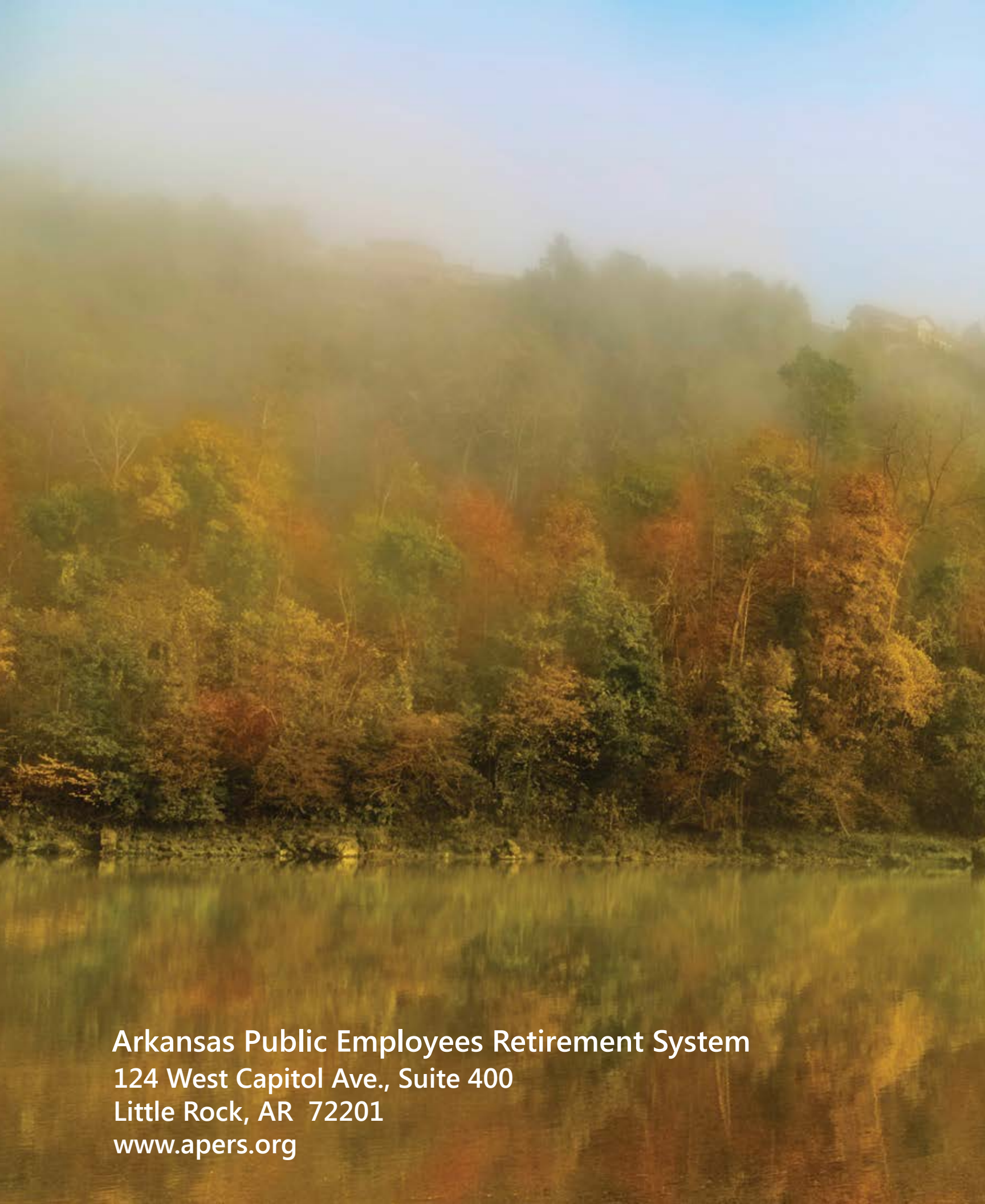
District Court Employers*

Alpena District Court
 Berryville District Court
 Blytheville District Court
 Booneville District Court
 Camden District Court
 Cherokee Village District Court
 Clarendon District Court
 De Queen District Court
 Dermott District Court
 Devalls Bluff District Court
 Dumas District Court
 East Camden District Court
 Elkins District Court
 Eureka Springs District Court
 Faulkner County District Court
 Fayetteville District Court
 Fort Smith District Court
 Hoxie District Court
 Lake Village District Court
 Little Rock District Court
 Lonoke District Court
 Marion District Court
 Maumelle District Court
 McCrory District Court
 McGehee District Court
 Newport District Court
 North Little Rock District Court
 Osceola District Court
 Ozark District Court
 Pine Bluff District Court
 Sherwood District Court
 Siloam Springs District Court
 Springdale District Court
 Texarkana District Court
 Trumann District Court
 Tyronza District Court
 Walnut Ridge District Court
 West Memphis District Court
 Wrightsville District Court

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

Other Non-State Employers

Alpine Public Water Authority
Benton County Solid Waste District
Blytheville-Gosnell Regional Airport Authority
Boone County Airport
Boston Mountain Solid Waste Management District
Buffalo Island Regional Water District
Clark County Country Water Facilities
Hot Spring County Solid Waste Management District
James Fork Regional Water District
Kimzey Regional Water District
Little River Rural Development Authority Water System
Madison County Water Facilities Board
Marion County Regional Airport
Milltown-Washburn Water Users
Montgomery County Regional Water Authority
Nevada County-Prescott Solid Waste Management Authority
North Garland County Regional Water District
Northeast Arkansas Regional Solid Waste Management District
Paragould Housing Authority
Paron-Owensville Water Authority
Pulaski Area Geographic Information System
Pulaski County Regional Solid Waste Management District
Riversouth Rural Water District
Saline County Regional Solid Waste Management District
Sardis Water Association
South Bend Fire District #10
Southeast White County Water Authority
Southwest Boone County Water Association
Southwest White County Regional Water Association
Upper Southwest Arkansas Solid Waste Management District
Washington Water Authority



Arkansas Public Employees Retirement System
124 West Capitol Ave., Suite 400
Little Rock, AR 72201
www.apers.org