



**Arkansas Public Employees Retirement System**  
**Annual Financial Report**  
*For the year ending June 30, 2018*

**Arkansas Public Employees Retirement System  
Annual Financial Report**

For the Fiscal Year Ended June 30, 2018

*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  
2018**

Presented to

**Arkansas Public Employees Retirement System**

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

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

Alan H. Winkle  
Program Administrator

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# Introduction

*The best preparation for tomorrow  
is doing your best today.*

- H. Jackson Brown Jr.

- A History of APERS
- System Highlights
- Letter of Transmittal
- Chairman's Letter
- Board of Trustees
- APERS Senior Staff
- Professional Service Providers



## 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 of APERS 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, 2018, the assets of the System remained healthy at \$8.6 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 2018 was 10.25%. 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 79%.

## 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, 2018

<b>Active Members</b>		<b>Retired Members*</b>		Age and Service	Disability
Number	46,205	Newly Retired Members	2,139		141
Average Age (yrs.)	44.8	Average Age (yrs.)	62.6		56.7
Average Service (yrs.)	9.4	Average Service (yrs.)	18.0		13.6
Average Annual Salary	\$ 37,302	Average Monthly Benefit	\$ 1,295.02		\$ 752.35
<b>Inactive Vested Members</b>					
Number	13,856	Total Retired Members	37,398		
		Average Monthly Benefit	\$ 1,281.43		

\* Includes DROP Participants.

## LETTER OF TRANSMITTAL

Dear Board Members:

It is my honor to present to you the 2018 Annual Financial Report of the Arkansas Public Employees Retirement System (APERS or the System) for the fiscal year ended June 30, 2018. 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, 2018.

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 8.82%. 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, 2018, the fund recognized a positive 10.25% rate of return. On a funding value of assets basis, the funding status of the System increased to 79% in fiscal 2018 from 78% in fiscal 2017.

### 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 2018 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, 2018 amounted to \$10.694 billion and \$8.416 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 7.49%.

## 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.

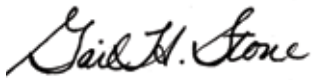
## Acknowledgments

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 initial "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, 2018. APERS continues to be in sound condition with 79% 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 (2018) 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, 2018

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. 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

Mr. Gary Carnahan  
Municipal Employee Representative  
Expiration of Term March 9, 2024

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. Abbi Bruno  
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

**LSV Asset Management**  
Chicago, IL

**MacKay Shields**  
New York, NY 10105

## Investment Managers (continued)

**Manning & Napier Advisors**

Dublin, OH 43017

**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

# Financial Section

*Age is an issue of mind over matter.  
If you don't mind, it doesn't matter.*

- Mark Twain

## Management's Discussion and Analysis Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position Notes to the Financial Statements

- Note 1: Plan Description
- Note 2: Summary of Significant Accounting Policies
- Note 3: Deposits and Investments
- Note 4: Other Post Employment Benefits
- Note 5: Legally Required Reserves
- Note 6: Net Pension Liability
- Note 7: Deferred Retirement Option Plan
- Note 8: Capital Assets

## Required Supplementary Information

- Schedule of Employer Contributions
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Net Pension Liability
- Schedule of Investment Returns
- Statement of Fiduciary Net Position - 10 Year Schedule
- Statement of Changes in Fiduciary Net Position - 10 Year Schedule

## Notes to Required Supplementary Information

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



## 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, 2018, 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, 2018.

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 2018 and 2017:

Summary of Fiduciary Net Position	2018	2017
<b>Assets</b>		
Cash and Cash Equivalents	\$ 215,910,656	\$ 187,452,787
Receivables	96,965,825	74,686,489
Investments	8,372,052,674	7,808,256,781
Securities Lending Collateral	962,147,835	734,918,809
Property and Equipment	18,734,127	19,601,641
Other Assets	305,306	46,160
Total Assets	\$ 9,666,116,424	\$ 8,824,962,668
<b>Liabilities</b>		
Other Liabilities	\$ 99,811,978	\$ 59,665,604
Securities Lending Collateral	963,552,314	736,500,275
Total Liabilities	1,063,364,292	796,165,878
<b>Net Position Restricted For Pension Benefits</b>	\$ 8,602,752,132	\$ 8,028,796,790

## 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 2018 and 2017:

Summary of Changes in Fiduciary Net Position	2018	2017
<b>Additions</b>		
Employer Contributions	\$ 276,229,082	\$ 261,656,384
Member Contributions	64,730,519	58,500,339
Supplemental Contributions	555,150	407,363
Net Investment Income	782,326,768	862,824,701
Other Additions	6,069,774	6,105,620
<b>Total Additions</b>	<u>1,129,911,293</u>	<u>1,189,494,407</u>
<b>Deductions</b>		
Benefits	530,861,312	508,200,406
Refunds of Contributions	13,727,908	13,755,408
Administrative Expenses	11,366,731	9,499,953
<b>Total Deductions</b>	<u>555,955,951</u>	<u>531,455,767</u>
<b>Net Increase (Decrease)</b>	573,955,342	658,038,640
<b>Net Position</b>		
Beginning of the Year	8,028,796,790	7,370,758,150
End of the Year	<u>\$ 8,602,752,132</u>	<u>\$ 8,028,796,790</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 2018 totaled approximately \$1.1 billion (see the following table):

Operating Additions	2018	2017
Employer Contributions	\$ 276,229,082	\$ 261,656,384
Member Contributions	64,730,519	58,500,339
Supplemental Contributions	555,150	407,363
Investment Earnings	782,326,767	862,824,701
Miscellaneous Additions	1,184,830	1,244,947
Transfers from Other Public Employee Retirement Systems	4,884,944	4,860,673
<b>Total</b>	<b>\$ 1,129,911,292</b>	<b>\$ 1,189,494,407</b>

The overall decrease in additions was approximately \$60 million when compared to fiscal year 2017 and was due primarily to lower investment returns. The Investments Section of this report reviews investment activity and the results of the investment portfolio for fiscal year 2018.

### 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 2018 totaled approximately \$556 million (see the following table):

Operating Deductions	2018	2017
Benefit Payments	\$ 530,861,312	\$ 508,200,406
Refunds of Contributions	13,727,908	13,755,408
Administrative Expenses	11,366,731	9,502,608
<b>Total</b>	<b>\$ 555,955,950</b>	<b>\$ 531,458,422</b>

The overall decrease in deductions was approximately \$25 million when compared with fiscal year 2017. 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 \$574 million during fiscal year 2018.



## 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, 2018 by \$573,955,342. This increase can be attributed to an increase in the value of investments and their associated income.

### System Investments as of June 30, 2018

The investments of the pension trust fund generated a 10.25% return for the fiscal year, which is lower than the prior year's return of 12.30%. The 10.25% return placed APERS in the 10th percentile when compared with a median return of 8.23% 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 \$3.568 billion in U.S. domestic equity securities, which is approximately a 9.93% increase from fiscal year 2017. Domestic equity posted a return of 16.27% for the fiscal year. The Russell 3000 Index posted a return of 14.78%.
- International Equity - The System had \$2.183 billion in international equity securities which is approximately a 6.45% increase from fiscal year 2017. International equity posted a return of 7.22% for the fiscal year. The MSCI EAFE Index posted a return of positive 6.84%.
- Fixed Income - The System had \$1.342 billion in fixed income securities, which is approximately a 0.60% increase from fiscal year 2017. Fixed income posted a return of 0.79% for the fiscal year. The Barclays Aggregate Index posted a loss of 0.40%.
- Diversified Strategies - The System had \$413 million in diversified strategies, which is approximately a 5.81% increase from fiscal year 2017. Diversified strategies posted a return of 6.43% for the fiscal year.
- Real Assets - The System had \$1.366 billion in real assets, which is approximately a 9.93% increase from fiscal year 2017. Real assets posted a return of 11.34% for the fiscal year. CPIU+4% posted a return of 6.87%.

## 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 2018, securities lending income to the System amounted to \$3.835 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, 2018 amounted to \$10.694 billion and \$8.416 billion, respectively.

As of June 30, 2018, the System experienced an increase in its funded status on a market value basis from 76% to 80%. On a funding basis, the System experienced an increase in its funded status from 78% to 79%.

## 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, 2018)

	2018	2017
<b>ASSETS</b>		
<b>Cash and Cash Equivalents</b>	\$ 215,910,656	\$ 187,452,787
<b>Receivables</b>		
Contributions	3,508,607	3,605,052
Dec 2004 Actuarial Liability Receivable	6,927,746	8,233,527
Investment Principal Receivable	70,695,290	44,309,479
Accrued Investment Income Receivable	15,834,182	18,538,432
Other Receivables	0	0
<b>Total Receivables</b>	96,965,825	74,686,489
<b>Investments, At Fair Value</b>		
Government Securities		
U.S. Government Securities	165,388,338	211,350,242
Futures	(258,433)	(95,849)
Government Agency Securities	93,502,841	66,466,606
Corporate Securities		
Collateralized Obligations	113,667,116	111,031,538
Corporate Bonds	242,671,633	238,646,514
Convertible Bonds	227,933,339	192,589,184
Convertible Preferred Stock	38,355,563	51,848,401
Common Stock	2,725,256,078	2,395,636,367
Equity Index Funds	584,043,742	846,388,430
High Yield Income Fund	61,712,796	60,607,827
International Securities		
Global Fixed Income Fund	1,138,716	582,565
Corporate Fixed Income	46,817,180	43,015,174
Equity Securities	981,478,501	1,123,769,547
Global Preferred Stock	9,728,790	2,190,722
Equity Pooled Fund Units	547,973,885	559,429,713
Global Equity Index Funds	368,125,560	0
Global Collateralized Obligations	2,058,297	1,446,868
Emerging Markets	26,340,269	31,785,616
Emerging Markets Collateralized Obligations	0	0
Forward Contracts	0	(400,383)
Core Plus Bond Fund	445,718,424	442,275,871
Interest Rate Swaps	0	0
Real Estate	1,004,718,008	772,158,310
Diversified Strategies	398,904,212	377,168,525
Timberland	96,861,103	107,955,222
Global Energy Fund	163,907,952	128,687,816
Municipals	404,643	0
Commercial Loans	25,604,121	43,721,955
<b>Total Investments</b>	8,372,052,674	7,808,256,781
<b>Securities Lending Collateral Investments, At Fair Value</b>		
Receivables/Payables	(10,029,813)	(62,686)
Repurchase Agreements	305,397,790	186,216,186
Asset Backed Floating Rate Notes	0	361,813,359
Corporate Floating Rate Notes	445,923,807	0
Time Deposits	0	0
Asset Backed Securities	220,856,051	186,951,950
<b>Total Securities Lending Collateral Investments</b>	962,147,835	734,918,809
<b>Prepays and Other Assets</b>	305,306	46,160
<b>Fixed Assets, Net</b>	18,734,127	19,601,641
<b>TOTAL ASSETS</b>	9,666,116,424	8,824,962,668
<b>LIABILITIES</b>		
Accrued Expenses and Other Liabilities	8,306,298	8,286,618
Investment Principal Payable	88,158,662	48,671,336
Other Post Employment Benefits	3,347,018	2,707,649
Securities Lending Liability	963,552,314	736,500,275
<b>TOTAL LIABILITIES</b>	1,063,364,292	796,165,878
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	\$ 8,602,752,132	\$ 8,028,796,790

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(for the fiscal year ended June 30, 2018)

	2018	2017
<b>Additions</b>		
Contributions		
Employer	\$ 276,229,082	\$ 261,656,384
Plan Member	64,730,519	58,500,339
Supplemental	555,150	407,363
Total Contributions	<u>341,514,751</u>	<u>320,564,086</u>
Investment Income		
Interest	38,564,154	71,521,485
Dividends	79,754,986	80,054,349
Investment Gain/(Loss)	658,469,912	736,179,097
Security Lending Income	14,031,303	4,998,296
Real Estate Income	33,669,524	0
Other	875,520	6,176,577
Total Investment Income	<u>825,365,400</u>	<u>898,929,804</u>
Less: Investment Expense	<u>43,038,632</u>	<u>36,105,102</u>
Net Investment Income	782,326,768	862,824,702
Other Additions		
Miscellaneous Additions	1,184,830	977,992
Transfers from Other Public Employees Retirement Systems	4,616,262	4,860,673
Miscellaneous Transfers from State Agencies	268,682	266,955
Total Other Additions	<u>6,069,774</u>	<u>6,105,620</u>
<b>Total Additions</b>	1,129,911,293	1,189,494,407
<b>Deductions</b>		
Benefits	530,861,312	508,200,406
Refunds of Contributions	13,727,908	13,755,408
Administrative Expenses	11,503,639	9,502,608
<b>Total Deductions</b>	<u>556,092,859</u>	<u>531,458,422</u>
<b>Adjustments</b>		
Actuarial Adjustment to DJ Unfunded Liability	136,908	2,655
<b>Net Increase (Decrease)</b>	573,955,342	658,038,640
<b>Net Position Restricted for Pension Benefits</b>		
Beginning of Year	8,028,796,790	7,370,758,150
End of Year	<u>\$ 8,602,752,132</u>	<u>\$ 8,028,796,790</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

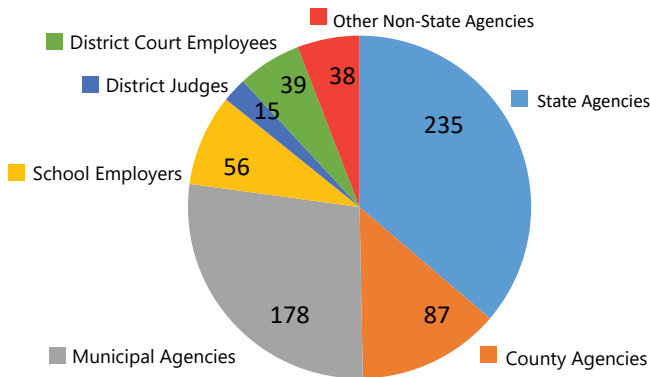
The executive director and administrative staff of APERS also serve as the executive director and administrative staff of two other state retirement systems, the Arkansas State Police Retirement System and the Arkansas Judicial Retirement System. These systems do not constitute part of the APERS reporting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

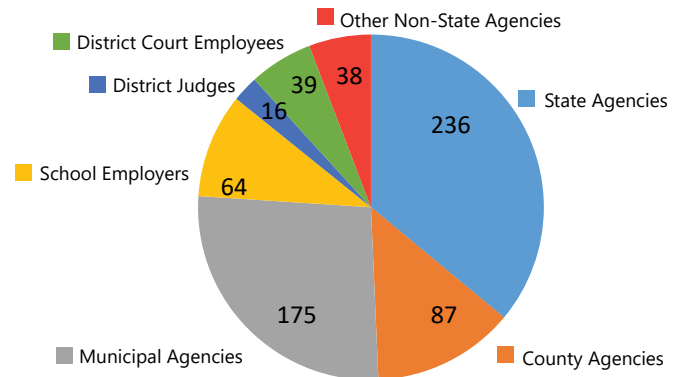
APERS covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under the System, college and university employees, certain non-teaching school employees, and other public entities specifically defined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

Reporting Entities	2018	2017
State	235	236
County	87	87
Municipal	178	175
School	56	64
District Judges	15	16
District Court	39	39
Other Non-State	38	38
<b>Total</b>	<b>648</b>	<b>655</b>

Reporting Entities 2018



Reporting Entities 2017

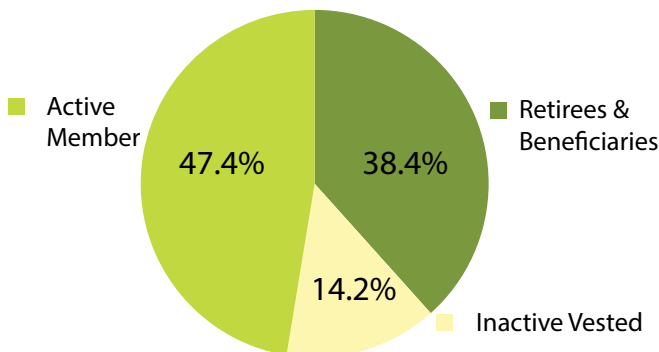


### Membership\*

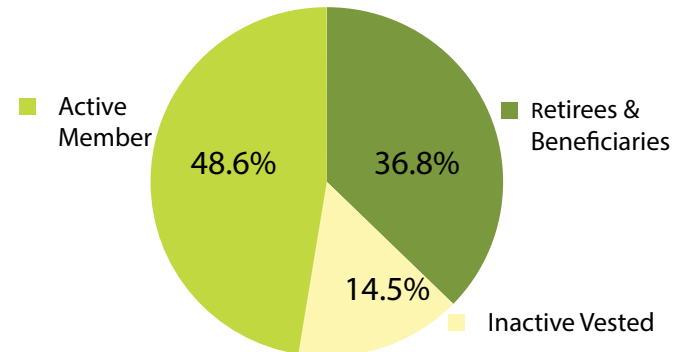
	2018	2017
Retirees and Beneficiaries Receiving Benefits (Includes DROP Participants)	37,565	34,840
Terminated System Members Entitled to But Not Yet Receiving Benefits	13,957	13,735
Active System Members	46,231	45,981

\*Includes members of the Arkansas District Judges Retirement System

2018



2017



### 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.

<b>Employer Contribution Rates</b>	<b>2018</b>	<b>2017</b>
State Division	14.75 %	14.5 %
Wildlife Subdivision	26.75	26.5
State Capitol Police Subdivision	14.75	14.5
County Division	14.75	14.5
Municipal Division	14.75	14.5
School Division	4.0	4.0
Other Non-State Division	14.75 %	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, 2018 and 2017, 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 67.

## 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, 2018, these totals were \$94,805, \$6,494,203, \$209,321,448, 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, 2018, the System’s only deposits exposed to potential custodial credit risk were those holding its foreign currency balance of \$166,990. 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, 2018)

Investment Type	Combined	APERS	ASPRS
<b>Investments at Fair Value</b>			
Government Securities			
U.S. Government Securities	\$ 171,510,594	\$ 165,388,338	\$ 6,122,256
Futures	(268,000)	(258,433)	(9,567)
Agency Pooled Securities	96,964,078	93,502,841	3,461,237
Municipal Bonds	419,622	404,643	14,979
Corporate Securities			
Collateralized Obligations	117,874,784	113,667,116	4,207,668
Corporate Bonds	251,654,720	242,671,633	8,983,087
Convertible Bonds	236,370,852	227,933,339	8,437,513
Convertible Preferred Stock	39,775,388	38,355,563	1,419,825
Common Stock	2,826,138,146	2,725,256,092	100,882,053
U.S. Equity Index Funds	605,663,557	584,043,742	21,619,815
Equity Co-Mingled	0	0	0
High Yield Income Bond Fund	63,997,247	61,712,796	2,284,451
International Securities			
Global Government Fixed	1,180,868	1,138,716	42,152
Corporate Fixed Income	48,550,233	46,817,180	1,733,053
Equity Securities	1,017,810,340	981,478,501	36,331,839
Global Preferred Stock	10,088,925	9,728,790	360,135
Global Co-Mingled Funds	568,258,485	547,973,885	20,284,600
International Equity Index Fund	381,752,633	368,125,560	13,627,073
Global Collateralized Obligations	2,134,490	2,058,297	76,193
Emerging Markets	27,315,319	26,340,269	975,050
Emerging Markets Collateralized Obligations	0	0	0
Forward Contracts	0	0	0
Core Plus Bond Fund	462,217,787	445,718,424	16,499,363
Real Estate	1,041,910,115	1,004,718,008	37,192,107
Diversified Strategies	413,670,632	398,904,212	14,766,420
Timberland	100,446,655	96,861,103	3,585,552
Global Energy Fund	169,975,408	163,907,952	6,067,456
Commercial Loans	26,551,921	25,604,121	947,800
<b>Total Investments</b>	<b>8,681,964,800</b>	<b>8,372,052,690</b>	<b>309,912,110</b>
<b>Securities Lending Collateral Investments at Fair Value</b>			
Receivables/Payables	(10,401,091)	(10,029,813)	(371,278)
Repurchase Agreements	316,702,840	305,397,790	11,305,050
Floating Rate Notes	462,430,773	445,923,807	16,506,966
Asset Backed Securities	229,031,581	220,856,051	8,175,530
<b>Total Securities Lending Collateral Investments</b>	<b>997,764,103</b>	<b>962,147,835</b>	<b>35,616,267</b>
<b>Total Invested Assets</b>	<b>\$ 9,679,728,903</b>	<b>\$ 9,334,200,526</b>	<b>\$ 345,528,377</b>

### 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, 2018, 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, 2018, was as follows (following page):

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

Investment Type and Fair Value	Aaa	Aa	A
<b>Government Securities</b>			
U.S. Government Securities	\$ 171,510,594	0	0
Agency CMO	17,701,406	0	0
Agency Pooled	80,293,801	0	0
U.S. Futures	0	0	0
<b>Corporate Securities</b>			
Collateralized Obligations	13,478,510	7,166,907	6,184,300
Convertible Bonds	0	2,406,140	9,364,464
Corporate Bonds	2,795,989	7,831,121	57,724,418
<b>International Securities</b>			
Emerging Markets	980,920	1,761,822	7,112,845
Global - Collateralized Obligations	0	0	0
Global Government Fixed	0	0	979,368
Global Corporate Fixed	0	964,990	7,813,383
<b>Floating Rate Fund</b>	0	0	0
<b>Global Bond Fund</b>	0	0	25,097,776
<b>Core Plus Bond Fund</b>	0	0	462,217,787
<b>Domestic Commercial Loans</b>	3,893,616	0	2,925,024
<b>High Yield Fund</b>	0	0	0
<b>Municipal Bonds</b>	0	419,622	0
	<u>\$ 290,654,835</u>	<u>20,130,980</u>	<u>579,419,365</u>

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

Investment Type and Fair Value	AAA	AA	A
<b>Government Securities</b>			
U.S. Government Securities	\$ 0	171,510,594	0
Agency CMO	17,701,406	0	0
Agency Pooled	0	80,371,205	0
U.S. Futures	0	0	0
<b>Corporate Securities</b>			
Collateralized Obligations	1,078,440	1,068,971	8,926,594
Convertible Bonds	0	0	18,230,177
Corporate Bonds	4,317,897	9,412,708	53,491,722
<b>International Securities</b>			
Emerging Markets	480,470	1,100,960	6,541,701
Global - Collateralized Obligations	0	0	0
Global Government Fixed	0	0	979,368
Global Corporate Fixed	0	964,990	4,978,566
<b>Floating Rate Fund</b>	0	0	0
<b>Global Bond Fund</b>	0	0	0
<b>Core Plus Bond Fund</b>	0	0	462,217,787
<b>Domestic Commercial Loans</b>	0	0	0
<b>High Yield Fund</b>	0	0	0
<b>Municipal Bonds</b>	0	419,622	0
	<u>23,578,213</u>	<u>264,429,427</u>	<u>555,365,915</u>
<b>Securities Lending Collateral</b>	\$ 181,158,166	331,341,432	95,564,866

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	\$ 171,510,594
0	0	0	0	0	17,701,406
0	0	0	0	16,670,277	96,964,078
0	0	0	0	(268,000)	(268,000)
6,447,257	1,921,715	7,228,919	17,141,441	40,604,329	100,173,378
15,598,742	8,657,327	5,493,886	0	234,625,681	276,146,240
124,494,440	32,585,323	7,565,549	5,217,352	13,440,529	251,654,720
23,898,183	1,595,014	3,398,846	0	7,924,629	46,672,257
1,284,041	0	350,000	0	500,449	2,134,490
201,500	0	0	0	0	1,180,868
8,939,284	9,539,039	0	0	1,936,600	29,193,295
0	0	21,363,337	0	0	21,363,337
0	0	0	0	38,848,575	63,946,350
0	0	0	0	0	462,217,787
1,939,388	4,011,154	6,584,226	0	7,198,513	26,551,921
0	0	25,148,672	0	0	25,148,672
0	0	0	0	0	419,622
<u>182,802,833</u>	<u>58,309,572</u>	<u>77,133,434</u>	<u>22,358,793</u>	<u>361,481,582</u>	<u>\$ 1,592,711,017</u>

BBB	BB	B	CCC or below	NR	Fair Value*
0	0	0	0	0	\$ 171,510,594
0	0	0	0	0	17,701,406
0	0	0	0	16,592,873	96,964,078
0	0	0	0	(268,000)	(268,000)
4,063,337	1,194,395	457,835	18,994,348	64,389,458	100,173,378
30,676,231	30,780,291	9,876,339	1,875,656	184,707,547	276,146,240
138,153,790	26,634,291	5,624,255	4,093,996	9,926,062	251,654,720
24,924,287	2,092,472	3,636,588	469,500	7,426,281	46,672,257
783,139	0	350,000	0	1,001,351	2,134,490
201,500	0	0	0	0	1,180,868
16,974,869	6,274,871	0	0	0	29,193,295
0	0	21,363,337	0	0	21,363,337
38,848,575	0	0	0	25,097,776	63,946,350
0	0	0	0	0	462,217,787
4,143,225	12,299,400	10,109,296	0	0	26,551,921
0	25,148,672	0	0	0	25,148,672
0	0	0	0	0	419,622
<u>258,768,953</u>	<u>104,424,391</u>	<u>51,417,649</u>	<u>25,433,499</u>	<u>308,873,347</u>	<u>1,592,711,017</u>
0	0	0	3,191,332	396,909,398	\$ 1,008,165,194



## 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, 2018, 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
<b>Government Securities</b>					
U.S. Government Securities	\$ 171,510,594	\$ 3,487,132	\$ 67,102,027	\$ 42,616,970	\$ 58,304,464
Agency CMO	17,701,406	0	0	0	17,701,406
Agency Pooled	96,964,078	16,822,137	34,619	222,905	79,884,418
U.S. Futures	(268,000)	0	36,656	(68,656)	(236,000)
<b>Corporate Securities</b>					
Collateralized Obligations	100,173,378	35,065,954	960,292	0	64,147,131
Convertible Bonds	276,146,240	32,969,182	154,605,406	39,504,514	49,067,138
Corporate Bonds	251,654,720	28,222,850	55,416,175	111,909,430	56,106,265
<b>International Securities</b>					
Emerging Markets	46,672,257	4,051,903	12,411,982	21,248,187	8,960,185
Global Collateralized Obligations	2,134,490	1,501,800	0	632,690	0
Global Government Fixed	1,180,868	0	410,124	770,744	0
Global Corporate Fixed	29,193,295	2,634,586	10,684,456	14,284,185	1,590,069
<b>Floating Rate Fund</b>	21,363,337	0	0	21,363,337	0
<b>Global Bond Fund</b>	63,946,350	0	63,946,350	0	0
<b>Core Plus Bond Fund</b>	462,217,787	0	0	462,217,787	0
<b>Commercial Loans</b>	26,551,921	0	7,786,663	18,765,258	0
<b>High Yield Income Fund</b>	25,148,672	0	25,148,672	0	0
<b>Municipal Bonds</b>	419,622	0	0	146,814	272,808
	<u>\$ 1,592,711,017</u>	<u>\$ 124,755,544</u>	<u>\$ 398,543,423</u>	<u>\$ 733,614,166</u>	<u>\$ 335,797,884</u>
<b>Securities Lending Collateral</b>					
Asset Backed Floating Rate Notes	229,031,581	126,257,120	99,583,129	0	3,191,332
Floating Rate Notes	462,430,773	336,150,462	126,280,311	0	0
Repurchase Agreements	316,702,840	316,702,840	0	0	0
	<u>\$ 1,008,165,194</u>	<u>\$ 779,110,422</u>	<u>\$ 225,863,440</u>	<u>\$ 0</u>	<u>\$ 3,191,332</u>

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, 2018, was as follows:

Currency	%	Fair Value	Equities	Cash	Forward Contracts
Australian Dollar	2.07	\$ 22,034,770	\$ 22,034,770	\$ 0	\$ 0
Brazilian Real	1.60	16,966,116	16,966,116	0	0
British Pound Sterling	0.00	11,295	0	1	11,294
Canadian Dollar	6.09	64,712,514	64,712,203	311	0
Chinese Yuan Renminbi	6.28	66,690,204	66,067,814	0	622,390
Danish Krone	3.51	37,316,682	37,316,527	0	155
Euro Currency	30.68	326,075,619	326,053,920	(4)	21,703
Hong Kong Dollar	1.91	20,271,161	20,271,164	0	(3)
Indian Ruphia	0.67	7,105,307	7,105,307	0	0
Israeli Shekel	1.51	16,029,404	16,029,404	0	0
Japanese Yen	13.55	144,041,501	143,766,285	162,924	112,291
Malaysian Ringgit	0.46	4,862,836	4,862,836	0	0
Mauritian Rupee	0.21	2,220,044	2,220,044	0	0
Mexican New Peso	0.26	2,782,926	2,782,926	0	0
Norwegian Krone	1.26	13,380,918	13,379,609	4	1,305
New Zealand Dollar	0.56	5,926,589	5,926,589	0	0
Papua New Guinea Kina	0.07	773,047	773,047	0	0
Philippines Peso	0.17	1,771,180	1,771,180	0	0
Russian Ruble	0.00	0	0	0	0
Singapore Dollar	1.57	16,734,296	16,734,253	0	43
South African Rand	1.92	20,380,682	20,380,975	0	(293)
South Korean Won	8.03	85,285,230	85,285,230	0	0
Swedish Krone	3.77	40,084,090	40,079,774	0	4,317
Swiss Franc	12.02	127,737,279	127,730,768	3,752	2,759
Taiwan Dollar	1.53	16,240,219	16,240,219	0	0
Thailand Baht	0.31	3,264,672	3,264,672	0	0
	<u>100.00%</u>	<u>\$ 1,062,698,581</u>	<u>\$ 1,061,755,632</u>	<u>\$ 166,990</u>	<u>\$ 775,959</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 \$568 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 102.29% of the market value of the securities plus any accrued interest for domestic loans. Non-U.S. securities are loaned versus collateral valued at 114.07% 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, 2018, the cash collateral investments had an average weighted maturity of 26 days, whereas the weighted average loan maturity was 1 day. Investments with cash collateral were approximately \$997.7 million (market value).

### 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, 2018.

### 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, 2018.

### 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, 2018.

### 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, 2018:

	Pay	Receive	Notional Value	Market Value	Unrealized Gain/Loss
Japanese Yen	JPY	USD	\$ (6,933,290)	\$ (6,811,304)	\$ (121,986)
Chinese Yuan Renminbi	CNY	USD	(14,527,810)	(13,905,419)	(622,390)
					<u>\$ (744,376)</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, 2018:

Futures Contracts	Expiration	Notional Value	Fair Value	Unrealized Gain/(Loss)
U.S. 2-year Treasury Note	Sept 2018	\$ 20,362,594	\$ 20,335,500	\$ (27,094)
U.S. 5-year Treasury Note	Sept 2018	10,843,500	10,907,250	63,750
U.S. 10-year Treasury Note	Sept 2018	18,232,031	18,163,375	(68,656)
U.S. Long Bond Treasury	Sept 2018	(9,044,000)	(9,280,000)	(236,000)
		<u>\$ 40,394,125</u>	<u>\$ 40,126,125</u>	<u>\$ (268,000)</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, 2018:

Mortgage-Backed TBA	CUSIP	Notional	Fair Market Value	Duration	Credit Rating
FGLMC 3.500% 07/01/2048	02R032679	\$ 2,078,344	\$ 2,088,975	5.70	Aaa/AA+
FGLMC 3.500% 07/01/2048	02R030673	2,191,294	2,206,744	6.40	Aaa/AA+
FNMA 4.000% 07/01/2048	01F040677	6,273,661	6,290,315	5.10	Aaa/AA+
FNMA 3.500% 07/01/2048	01F032674	4,210,955	4,230,025	5.70	Aaa/AA+
G2SF 3.50% 07/20/2048	21H032670	1,767,788	1,776,815	5.10	Aaa/AA+
		<u>\$ 16,522,042</u>	<u>\$ 16,592,873</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, 2018)

	Fair Value	Level 1	Level 2	Level 3
<b>Investments at Fair Value</b>				
U.S. Domestic Equities	\$ 2,420,586,258	\$ 2,420,586,258	\$ 0	\$ 0
Convertible Securities	239,071,925	20,923,834	218,148,091	0
Preferred Securities	2,254,301	0	2,254,301	0
International Equities	1,379,850,675	1,379,850,675	0	0
Convertible Securities	27,216,977	0	27,216,977	0
Preferred Securities	13,464,429	13,464,429	0	0
Fixed Income	104,824,497	0	104,824,497	0
Loans/JV interest	0	0	0	0
Domestic Fixed Income	0	0	0	0
Global Bond Fund	24,201,883	24,201,883	0	0
Infrastructure Fund	0	0	0	0
U.S. Government Securities	185,989,087	185,989,087	0	0
Futures	(258,433)	(258,433)	0	0
Equity Securities	0	0	0	0
Corporate Bonds	419,521,898	0	419,521,898	0
Loans/JV interest	25,604,121	0	0	25,604,121
Total Investments	4,842,327,619	4,044,757,734	771,965,764	25,604,121
<b>Securities Lending Collateral Investments at Fair Value</b>				
Repo	305,397,790	0	305,397,790	0
Floating Rate Notes	445,923,807	0	445,923,807	0
Asset Backed Floating Securities	220,856,051	0	220,856,051	0
Total Securities Lending Collateral	972,177,648	0	972,177,648	0
<b>Total Investments at Fair Value</b>	<b>\$ 5,814,505,268</b>	<b>\$ 4,044,757,734</b>	<b>\$ 1,744,143,412</b>	<b>\$ 25,604,121</b>
<b>Investments at the Net Asset Value (NAV)</b>				
High Yield Core Fund	24,250,963			
Defensive Bond Fund	37,461,833			
Domestic Equity Index Funds	560,829,787			
Core Plus Bond Fund	445,718,424			
Timberland	96,861,103			
Global Energy Plus Fund	163,907,952			
Global Equity Pooled Funds				
MCM ACWI ex-US Index	368,125,560			
Pyramis	405,742,656			
Real Estate				
MCM REIT Index	156,336,496			
Invesco Core	419,702,512			
Heitman	308,829,858			
TA Fund X	18,204,962			
TA Fund XI	49,589,906			
LaSalle Fund Fund VI	13,561,835			
LaSalle Fund Fund VII	35,005,206			
Diversified Strategies				
AQR Global Risk Premium	123,044,484			
Newton Global Real Return	107,027,533			
Blackstone	168,832,196			
<b>Total Investments at the NAV</b>	<b>\$ 3,503,033,264</b>			

Figures are APERS only. Totals may not add due to rounding.

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
<b>High Yield Core Fund</b>	\$ 24,250,963	Active High Yield Fixed Income	N/A	none	monthly	T + 3	N/A	N/A
<b>Defensive Bond Fund</b>	37,461,833	Income Oriented	N/A	none	daily	T + 1	N/A	N/A
<b>Domestic Equity Index Funds</b>	560,829,787	S & P 500 Index	N/A	none	daily	T + 3	N/A	N/A
<b>Core Plus Bond Fund</b>	445,718,424	Active Global Fixed Income	N/A	none	daily	T + 3	N/A	N/A
<b>Timberland</b>	96,861,103	Timber	N/A	none	none	N/A	N/A	partnership terminates in December 2027
<b>Global Energy Fund</b>	163,907,952	Global Energy stocks	N/A	none	daily	T + 3	N/A	N/A
<b>International Equity Pooled Funds</b>								
MCM REIT Index	156,336,496	Global Real Estate securities	N/A	none	daily	T + 1	N/A	N/A
MCM ACWI ex-US Index	368,125,560		N/A					
Fidelity	405,742,656	International Equities	N/A	none	daily	T + 1	N/A	N/A
<b>Real Estate</b>								
Invesco	419,702,512	Core Real Estate	N/A	none	quarterly	T + 45	N/A	N/A
Heitman	308,829,858	Core Real Estate	N/A	none	quarterly	T + 90	N/A	N/A
TA Fund X	18,204,962	Value Add Real Estate	N/A	none	7-year lock up	N/A	N/A	currently in capital redistribution phase
TA Fund XI	49,589,906	Value Add Real Estate	N/A	none	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	13,561,835	Value Add Real Estate	N/A	none	7-year lock up	N/A	N/A	currently in capital redistribution phase
LaSalle Fund Fund VII	35,005,206	Value Add Real Estate	N/A	\$18,878,946	7-year lock up	N/A	N/A	the lock up period starts on the day of the last capital call
Heitman Value Partners IV	0	Value Add Real Estate	N/A	\$72,322,794	7-year lock up	N/A	N/A	the lock up period starts on the day of the last capital call
TA Fund XII	0	Value Add Real Estate	N/A	\$72,322,794	7-year lock up	N/A	N/A	the lock up period starts on the day of the last capital call
<b>Diversified Strategies</b>								
AQR Global Risk Premium	123,044,484	Risk Premia	N/A	none	weekly and monthly	T + 2	N/A	N/A
Newton Global Real Return	107,027,533	Global Real Return	N/A	none	daily	T + 3	N/A	N/A
Blackstone	168,832,196	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
<b>Total</b>	<u>\$ 3,503,033,264</u>			<u>\$163,524,534</u>				

Figures are APERS only. Totals may not add due to rounding.

## 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

- The MCM EB DV Non-SL REIT Index Fund — This REIT Index Fund seeks to match the performance and the characteristics of the Dow Jones U.S. Select REIT Index which tracks the performance of publicly traded REITs and REIT-like securities and designed to serve as a proxy for direct real estate investments.
- MCM ACWI ex-US Index — The MSCI ACWI ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the U.S.) and 24 Emerging Markets (EM) countries\*. With 2,166 constituents, the index covers approximately 85% of the global equity opportunity set outside the U.S.
- 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, XI, and XII — 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 VI and VII — 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.
- Heitman Value Partners IV (“HPV IV”) is the fourth offering in Heitman’s North American value-add series. It is a closed-end, commingled fund that will pursue a diverse set of real estate opportunities with value-added business plans. The objective is to provide investors with attractive risk-adjusted returns. The strategy seeks to benefit from Heitman’s extensive research, real estate, and capital markets expertise to identify emerging investment opportunities and trends before they are fully appreciated by the broader market. The Fund will execute investment strategies that capitalize on those opportunities.

### 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. 75, 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 2018 charge of \$639,368 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.. The State of Arkansas 2018 Comprehensive Annual Financial Report will contain the complete OPEB footnote required by GASB Statement No.75.

## 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, 2018)

Account	System Total
Members' Deposit Account	\$ 385,971,615
Members' Deposit Account Interest Reserve	68,144,501
Employer Accumulation Account	2,090,808,220
Retirement Reserve	5,425,198,874
Deferred Annuity	528,546,993
DROP Reserve	83,598,204
Delinquent Receivable Reserve	73
Refund Overpayment Receivable Reserve	351
Outlawed Warrants	81,637
Partial Purchase of Service Reserve	1,605
Dec 31, 2004 Accrued Liability Reserve	20,399,860
Petty Cash Reserve	200
Total	<u>\$ 8,602,752,132</u>

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

**Note 6: Net Pension Liability**

The components of the net pension liability of the System on June 30, 2018 were as follows:

	FY 2018	FY 2017
Total Pension Liability	\$ 10,808,687,173	\$ 10,612,937,270
Fiduciary Net Position	\$ 8,602,752,132	\$ 8,028,796,790
Net Pension Liability	\$ 2,205,935,041	\$ 2,584,140,480
Fiduciary Net Position as a Percentage of Total Pension Liability	79.59%	75.65%

## 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 2018 to 2027 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, 2018, 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	6.07
Real Assets	16	4.59
Absolute Return	5	3.15
Domestic Fixed	18	0.83
Total	100%	
Total Real Rate of Return		4.71%
Plus: Price Inflation - Actuary's Assumption		2.50
Less: Investment Expenses (Passive)		0.00
Net Expected Return		7.21%

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.89%. 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 \$	3,606,593,511	\$ 2,205,935,041	\$ 1,050,503,911

## 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 \$83,598,204 in the DROP reserve as of June 30, 2018.

## Note 8: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fixed Assets	\$ 20,271,250	\$ 1,194,529	\$ 18,698	\$ 21,447,081
Less Accumulated Depreciation	(669,609)	(2,061,665)	18,321	(2,712,954)
Total	<u>\$ 19,601,641</u>	<u>\$ (867,137)</u>	<u>\$ 37,019</u>	<u>\$ 18,734,127</u>



## REQUIRED SUPPLEMENTARY INFORMATION

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

### Schedule of Employer Contributions

(dollars in millions)

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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
2018	\$ 276.3	\$ 276.3	\$ 0	\$ 1,849	14.94%

\*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 2018 Contribution Rates:

Valuation Date	June 30, 2016 (excluding District Judges) June 30, 2018 (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	21 years (9.6 years for District Judges New Plan/Paid Off Old Plan and 18 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	7.5% (7.15% for District Judges)
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 (7.50% to 7.15% investment rate of return assumption change)

### Schedule of Changes in Net Pension Liability and Related Ratios

Year Ended June 30	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service Cost	\$ 181,557,602	\$ 174,663,657	\$ 169,112,934	\$ 168,811,990	\$ 160,924,334
Interest	745,846,405	719,134,258	692,210,941	682,217,546	658,535,986
Benefit Changes	0	0	0	0	0
Differences Between Expected And Actual Experience	(6,960,593)	62,849,281	2,912,566	(137,672,890)	(23,038,076)
Assumption Changes	(180,097,868)	416,146,405	0	192,273,597	214,798,742
Benefit Payments, including refunds of employee contributions	(544,595,643)	(521,962,553)	(494,105,931)	(464,111,187)	(424,003,992)
<b>Net Change In Total Pension Liability</b>	\$ 195,749,903	\$ 850,831,048	\$ 370,130,510	\$ 441,519,056	\$ 587,216,994
<b>Total Pension Liability, Beginning of Year</b>	10,612,937,270	9,762,106,222	9,391,975,712	8,950,456,656	8,363,239,662
<b>Total Pension Liability, End of Year (A)</b>	\$ 10,808,687,173	\$ 10,612,937,270	\$ 9,762,106,222	\$ 9,391,975,712	\$ 8,950,456,656
<b>Fiduciary Net Position</b>					
Contributions - Employer	\$ 276,282,425	\$ 261,334,560	\$ 264,216,252	\$ 263,332,831	\$ 264,050,160
Contributions - Member	63,430,545	57,711,427	55,000,117	50,750,458	47,215,843
Net Investment Income	782,326,766	862,824,701	(4,260,175)	168,929,698	1,207,897,156
Benefit Payments, including refunds of employee contributions	(544,595,643)	(521,962,553)	(494,105,931)	(464,111,187)	(424,003,992)
Administrative Expense	(11,497,216)	(9,495,869)	(6,929,103)	(6,949,282)	(6,854,975)
Other Additions	8,008,465	7,626,374	6,594,649	6,745,403	8,302,355
<b>Net Change In Fiduciary Net Position</b>	573,955,342	658,038,640	(179,484,191)	18,697,921	1,096,606,547
<b>Fiduciary Net Position, Beginning of Year</b>	\$ 8,028,796,790	\$ 7,370,758,150	\$ 7,550,242,341	\$ 7,531,544,420	\$ 6,434,937,873
<b>Fiduciary Net Position, End of Year (B)</b>	\$ 8,602,752,132	\$ 8,028,796,790	\$ 7,370,758,150	\$ 7,550,242,341	\$ 7,531,544,420
<b>Net Pension Liability, End of Year (A) - (B)</b>	\$ 2,205,935,041	\$ 2,584,140,480	\$ 2,391,348,072	\$ 1,841,733,371	\$ 1,418,912,236
<b>Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	79.59%	75.65%	75.50%	80.39%	84.15%
<b>Covered-Employee Payroll</b>	\$ 1,849,202,619	\$ 1,788,074,570	\$ 1,795,174,463	\$ 1,757,056,813	\$ 1,748,350,136
<b>Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	119.29%	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%
2018	\$10,808,687,173	\$ 8,602,752,132	\$ 2,205,935,041	79.59%	\$ 1,849,202,619	119.29%

## 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%
2018	9.89%

### Statement of Fiduciary Net Position - 10 Year Schedule

	2018	2017	2016
<b>ASSETS</b>			
<b>Cash and Cash Equivalents</b>	\$ 215,910,656	\$ 187,452,787	\$ 239,355,424
<b>Receivables</b>			
Contributions	3,508,607	3,605,052	4,538,850
Dec 2004 Actuarial Liability Receivable	6,927,746	8,233,527	8,890,840
Investment Principal Receivable	70,695,290	44,309,479	52,383,622
Accrued Investment Income Receivable	15,834,182	18,538,432	16,918,109
Termination Agreement Receivable	0	0	0
Allowance for Doubtful Accounts	0	0	0
Other Receivables	0	0	0
<b>Total Receivables</b>	96,965,825	74,686,490	82,731,421
<b>Investments At Fair Value</b>			
Government Securities			
U.S. Government Securities	165,388,338	211,350,242	151,567,072
Futures	(258,433)	(95,849)	(1,457,483)
Government Agency Securities	93,502,841	66,466,606	120,720,514
Corporate Securities			
Collateralized Obligations	113,667,116	111,031,538	32,341,769
Corporate Bonds	242,671,633	238,646,514	390,159,487
Convertible Bonds	227,933,339	192,589,184	150,159,963
Convertible Preferred Stock	38,355,563	51,848,401	62,489,439
Common Stock	2,725,256,078	2,395,636,367	2,291,993,978
Equity Index Funds	584,043,742	846,388,430	680,177,673
Equity Commingled	0	0	0
High Yield Income Fund	61,712,796	60,607,827	59,886,227
Options	0	0	0
International Securities			
Global Fixed Income Fund	1,138,716	582,565	0
Government Fixed Obligations	0	0	0
Corporate Fixed Income	46,817,180	43,015,174	26,623,673
Equity Securities	981,478,501	1,123,769,547	956,342,319
Global Preferred Stock	9,728,790	2,190,722	1,412,303
Equity Pooled Fund Units	547,973,885	559,429,713	566,627,008
Global Equity Index Funds	368,125,560	0	0
Global Collateralized Obligations	2,058,297	1,446,868	0
Emerging Markets	26,340,269	31,785,616	0
Emerging Markets Collateralized Obligations	0	0	0
Forward Contracts	0	(400,383)	(527,453)
Core Plus Bond Fund	445,718,424	442,275,871	430,447,478
Interest Rate Swaps	0	0	0
Real Estate	1,004,718,008	772,158,310	719,132,033
Diversified Strategies	398,904,212	377,168,525	360,402,608
Timberland	96,861,103	107,955,222	132,227,836
Global Energy Fund	163,907,952	128,687,816	0
Municipal Bonds	404,643	0	0
Commercial Loans	25,604,121	43,721,955	12,419,009
<b>Total Investments</b>	8,372,052,674	7,808,256,781	7,143,145,454
<b>Securities Lending Collateral Investments, At Fair Value</b>			
Receivables/Payables	(10,029,813)	(62,686)	0
Repurchase Agreements	305,397,790	186,216,186	80,487,784
Asset Backed Floating Rate Notes	0	361,813,359	187,766,700
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	445,923,807	0	559,302,831
Corporate Bonds	0	0	0
Time Deposits	0	0	70,319,030
Fixed Rate Notes	0	0	0
Bank Obligations	0	0	0
Asset Backed Securities	220,856,051	186,951,950	0
<b>Total Securities Lending Collateral Investments</b>	962,147,835	734,918,809	897,876,345
<b>Prepays and Other Assets</b>	305,306	46,160	21,013
<b>Fixed Assets, Net</b>	18,734,127	19,601,641	15,662,882
<b>TOTAL ASSETS</b>	9,666,116,424	8,824,962,668	8,378,792,539
<b>LIABILITIES</b>			
Accrued Expenses and Other Liabilities	8,306,298	8,286,618	8,338,000
Compensated Absences Payable	0	0	0
Investment Principal Payable	88,158,662	48,671,336	96,542,343
Other Post Employment Benefits	3,347,018	2,707,649	2,273,819
Securities Lending Liability	963,552,314	736,500,275	900,880,227
Due to Other Agencies	0	0	0
<b>TOTAL LIABILITIES</b>	1,063,364,292	796,165,878	1,008,034,388
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	\$ 8,602,752,132	\$ 8,028,796,790	\$ 7,370,758,150

	2015	2014	2013	2012	2011	2010	2009
\$	230,352,583	\$ 212,880,111	\$ 197,005,448	\$ 177,086,939	\$ 141,892,517	\$ 119,233,185	\$ 144,370,189
	4,157,178	4,111,080	4,026,944	3,122,202	3,312,790	2,214,443	2,230,764
	8,978,643	9,612,705	10,145,451	10,313,641	11,354,396	11,949,695	11,063,510
	40,842,637	38,741,350	19,706,894	19,366,624	41,840,071	27,293,510	45,728,778
	15,984,105	32,846,584	19,891,358	16,065,808	15,686,896	14,878,479	12,486,745
	5,281,099	0	0	0	0	0	0
	(1,922,440)	0	0	0	0	0	0
	0	0	843,783	840,687	0	0	0
	<u>73,321,222</u>	<u>85,311,719</u>	<u>54,614,430</u>	<u>49,708,962</u>	<u>72,194,153</u>	<u>56,336,127</u>	<u>71,509,797</u>
	98,546,504	126,810,589	103,365,196	84,322,856	75,992,809	56,692,011	79,110,077
	(855,875)	290,751	633,126	(315,569)	(272,781)	1,089,585	1,247,843
	103,244,018	116,887,114	135,034,237	153,440,708	164,262,851	200,033,915	372,632,738
	41,338,642	164,723,838	166,864,026	177,548,338	203,593,519	181,322,952	126,099,722
	416,500,311	553,666,403	492,099,617	505,472,866	557,868,241	497,737,991	301,391,448
	188,699,681	211,537,280	170,566,983	150,231,542	182,943,890	173,917,850	135,055,273
	49,132,761	41,420,248	39,474,969	38,337,186	55,552,336	35,097,199	39,503,362
	2,524,285,757	2,522,287,242	2,038,116,530	1,810,412,751	2,058,851,405	1,570,950,462	1,499,257,304
	641,002,358	648,733,806	551,082,519	469,596,060	634,286,955	494,513,356	337,125,950
	88,137,673	81,917,142	64,776,089	53,821,018	44,039,546	32,510,013	30,033,865
	60,023,193	60,544,471	55,765,901	51,017,497	56,570,710	50,850,253	42,208,121
	0	0	0	0	0	0	0
	0	9,740,932	10,770,871	1,232,473	133,598	3,840,549	0
	0	0	0	0	0	0	13,469,217
	28,458,972	49,192,340	36,101,993	9,200,336	9,014,994	0	5,156,065
	1,144,990,165	1,175,864,056	715,367,311	592,247,709	438,567,671	9,212,260	264,903,613
	1,224,203	0	0	0	0	0	0
	708,532,111	724,622,479	610,149,121	880,417,052	649,710,460	281,549,155	448,929,500
	0	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
	1,523,537	32,873,981	26,175,846	20,049,577	19,223,133	18,109,421	15,783,408
	0	197,328	235,133	0	0	0	0
	345,529	(188,150)	785,881	137,066	230,300	79,024	(81,302)
	402,136,164	0	0	0	0	0	0
	0	(18,837)	4,238	(42,893)	36,013	0	0
	386,947,368	315,211,143	259,578,181	224,390,805	206,850,597	166,155,640	188,073,758
	254,613,311	250,259,491	217,372,992	0	0	0	0
	157,231,753	167,689,287	204,819,735	267,475,739	296,638,771	294,495,311	294,367,676
	0	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
	<u>5,138,520</u>	<u>21,619,217</u>	<u>21,572,758</u>	<u>18,452,665</u>	<u>24,900,031</u>	<u>34,220,712</u>	<u>43,914,142</u>
	7,301,196,656	7,285,361,286	6,227,560,982	5,519,472,231	5,686,121,436	4,607,832,877	4,245,143,304
	0	0	0	0	0	0	0
	180,345,059	175,342,583	131,976,556	125,979,775	149,532,650	80,043,105	112,640,635
	249,063,773	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
	510,360,541	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
	53,240,634	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
	0	0	0	0	51,596,698	38,751,500	60,640,313
	<u>993,010,007</u>	<u>1,041,335,559</u>	<u>747,995,823</u>	<u>567,379,472</u>	<u>550,165,936</u>	<u>431,253,904</u>	<u>423,260,327</u>
	29,906	15,947	29,640	23,672	46,352	129,340	127,404
	<u>10,372,669</u>	<u>5,959,437</u>	<u>44,592</u>	<u>54,917</u>	<u>66,170</u>	<u>71,899</u>	<u>79,562</u>
	8,608,283,042	8,630,864,059	7,227,250,915	6,313,726,193	6,450,486,564	5,214,857,332	4,884,490,583
	9,050,136	9,448,802	7,799,664	7,682,381	7,520,415	6,687,309	6,304,171
	296,754	298,007	327,572	302,132	0	0	0
	49,935,802	42,757,637	34,914,852	44,545,629	76,495,801	47,661,684	104,638,383
	2,273,819	2,024,716	1,669,923	1,322,763	1,038,085	754,059	475,017
	996,629,718	1,045,145,270	747,995,823	567,379,471	550,165,936	431,253,904	423,260,327
	103,574	0	72,580	77,955	0	0	0
	<u>1,058,289,804</u>	<u>1,099,674,432</u>	<u>792,780,414</u>	<u>621,310,331</u>	<u>635,220,237</u>	<u>486,356,956</u>	<u>534,677,898</u>
\$	<u>7,549,993,238</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>4,728,500,377</u>	<u>4,349,812,686</u>

### Statement of Changes in Fiduciary Net Position - 10 Year Schedule

	2018	2017	2016
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 276,229,082	\$ 261,656,384	\$ 263,141,390
Plan Members	64,730,519	58,500,339	55,944,132
Supplemental	555,150	407,363	404,433
Total Contributions	<u>341,514,751</u>	<u>320,564,086</u>	<u>319,489,954</u>
Investment Income			
Interest	38,564,154	71,521,485	72,456,583
Dividends	79,754,986	80,054,349	78,971,953
Investment Gain/(Loss)	658,469,912	736,179,097	(130,702,730)
Security Lending Income	14,031,303	4,998,296	4,494,855
Real Estate Income	33,669,524	0	0
Other	875,520	6,176,576	1,322,030
Total Investment Income	<u>825,365,400</u>	<u>898,929,803</u>	<u>26,542,692</u>
Less: Investment Expense	<u>43,038,632</u>	<u>36,105,102</u>	<u>30,720,006</u>
Net Investment Income	782,326,768	862,824,701	(4,177,314)
Other Additions			
Miscellaneous Additions	1,184,830	977,992	952,597
Transfer from Other Public Employee Retirement Systems	4,616,262	4,860,673	5,051,635
Miscellaneous Transfers from State Agencies	268,682	266,955	266,835
Transfer from Teachers Retirement System	0	0	0
Transfer of Arkansas District Judges Retirement System	0	0	0
Total Other Additions	<u>6,069,774</u>	<u>6,105,620</u>	<u>6,271,067</u>
<b>TOTAL ADDITIONS</b>	<u>1,129,911,293</u>	<u>1,189,494,407</u>	<u>321,583,707</u>
<b>DEDUCTIONS</b>			
Benefits	530,861,312	508,200,406	480,913,495
Refunds of Contributions	13,727,908	13,755,408	13,188,729
Administrative Expenses	11,503,639	9,502,608	7,181,913
<b>TOTAL DEDUCTIONS</b>	<u>556,092,859</u>	<u>531,458,422</u>	<u>501,284,137</u>
<b>ADJUSTMENTS</b>			
Actuarial Adjustment to DJ Unfunded Liability	136,908	2,655	216,239
<b>NET INCREASE (DECREASE)</b>	573,955,342	658,038,640	(179,484,192)
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>			
Beginning of Year	8,028,796,790	7,370,758,150	7,550,242,341
End of Year	<u>\$ 8,602,752,132</u>	<u>\$ 8,028,796,790</u>	<u>\$ 7,370,758,150</u>

2015	2014	2013	2012	2011	2010	2009
\$ 262,327,561	\$ 264,477,703	\$ 249,062,186	\$ 230,495,674	\$ 196,428,733	\$ 170,186,564	\$ 159,827,501
51,596,001	48,237,869	44,549,911	41,361,523	34,639,544	30,334,716	23,722,994
392,653	381,216	1,863,992	1,481,214	0	0	0
<u>314,316,215</u>	<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>
73,075,336	51,082,662	52,116,606	59,199,267	62,101,600	62,331,626	62,046,908
80,542,075	91,368,004	72,457,239	59,575,384	53,508,558	43,820,724	45,164,566
42,240,341	1,090,192,683	749,543,679	(129,527,282)	1,097,554,466	410,511,458	(1,269,800,874)
2,930,365	3,672,418	1,776,316	729,793	1,031,841	2,050,050	10,670,818
0	0	0	(34,602)	(55,267)	(7,588)	(70,140)
0	0	0	0	0	7,620	(62,078)
<u>198,788,117</u>	<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>29,167,098</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>169,621,019</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>
1,029,024	1,031,360	1,203,348	191,882	2,557,261	(331,483)	3,165,392
5,267,700	5,433,053	5,848,612	0	0	0	0
261,739	255,251	0	0	78,023	75,737	71,997
0	0	0	7,307,481	6,331,031	6,355,482	6,344,427
0	0	0	0	0	0	0
<u>6,558,462</u>	<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>490,495,697</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>
451,912,791	414,548,645	396,607,128	359,330,673	344,140,357	318,998,006	299,896,780
12,195,637	9,455,348	8,446,701	7,420,785	6,123,910	3,586,861	2,661,289
7,201,144	7,209,769	7,340,273	6,794,526	6,374,379	5,981,358	5,482,554
<u>471,309,572</u>	<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>
(382,513)	(314,059)					
18,803,612	1,096,719,127	742,054,638	(122,850,465)	1,076,893,557	378,687,691	(1,288,639,236)
<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>4,738,372,770</u>	<u>4,349,812,685</u>	<u>5,638,451,921</u>
<u>\$ 7,549,993,238</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>



## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Administrative Expenses

(for the fiscal year ended June 30, 2018)

	2018	2017
<b>Personnel Services</b>		
Salaries and Wages	\$ 3,473,039	\$ 3,493,037
Employee Benefits	766,910	760,866
Post Employment Benefits	639,368	433,830
Insurance	413,700	463,680
Other	1,184	14,757
<b>Total Personnel Services</b>	<u>5,294,202</u>	<u>5,166,171</u>
<b>Communications</b>		
Postage	129,597	156,186
Telecommunications	58,727	61,013
Printing and Advertising	33,942	18,070
Freight and Express	476	761
Subscriptions and Publications	3,936	2,266
<b>Total Communications</b>	<u>226,678</u>	<u>238,294</u>
<b>Purchases</b>		
Office Supplies	76,857	80,627
Equipment	0	14,058
<b>Total Purchases</b>	<u>76,857</u>	<u>94,685</u>
<b>Services and Charges</b>		
Professional Fees and Services	294,500	267,500
Rent Expense	830,525	810,937
Travel and Conference Fees	32,292	23,493
Taxes, Licenses and Permits	400	400
Repairing and Servicing	339,211	184,382
Insurance and Surety Bonds	4,898	5,836
Bank and Federal Service Charges	57,458	51,127
Data Processing Charges	2,209,363	2,009,294
Other Services and Charges	75,434	141,299
<b>Total Services and Charges</b>	<u>3,844,080</u>	<u>3,494,267</u>
<b>Depreciation Expense</b>	<u>2,061,822</u>	<u>509,191</u>
<b>Total Administrative Expenses</b>	<u>\$ 11,503,639</u>	<u>\$ 9,502,608</u>

### Schedule of Investment Expenses

(for the fiscal year ended June 30, 2018)

	2018	2017
Investment Consultant Fee	\$ 286,921	\$ 268,844
Money Manager Fees*	32,065,055	30,921,340
Custodian Bank Fees	493,224	491,870
Other Investment Expenses	<u>10,193,432</u>	<u>4,423,048</u>
Total Investment Expenses#	<u>\$ 43,038,632</u>	<u>\$ 36,105,102</u>

\*For fees paid to investment managers, please see the schedule of investment fees shown on page 98 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, 2018)

	2018	2017
Gabriel, Roeder, Smith & Company	\$ 294,500	\$ 267,500
Linea Solutions	1,550,167	383,580
ICON	<u>22,400</u>	<u>21,120</u>
Total Payments for Professional Consultants	<u>\$ 1,867,067</u>	<u>\$ 672,200</u>

*When you get to my age, you'll really measure your success in life by how many of the people you want to have love you actually do love you.*

- Warren Buffett

## Investments Section

- Chief Investment Officer's Report
- Investment Consultant's Report
- Investment Policy Summary
- Asset Allocation
- Schedule of Manager Distribution
- Portfolio Characteristics
- Schedule of Comparative Investment Results by Year
- Schedule of Comparative Annualized Investment Results
- Ten Largest Holdings
- Schedule of Brokerage Commissions
- Schedule of Investment Fees



## CHIEF INVESTMENT OFFICER'S REPORT

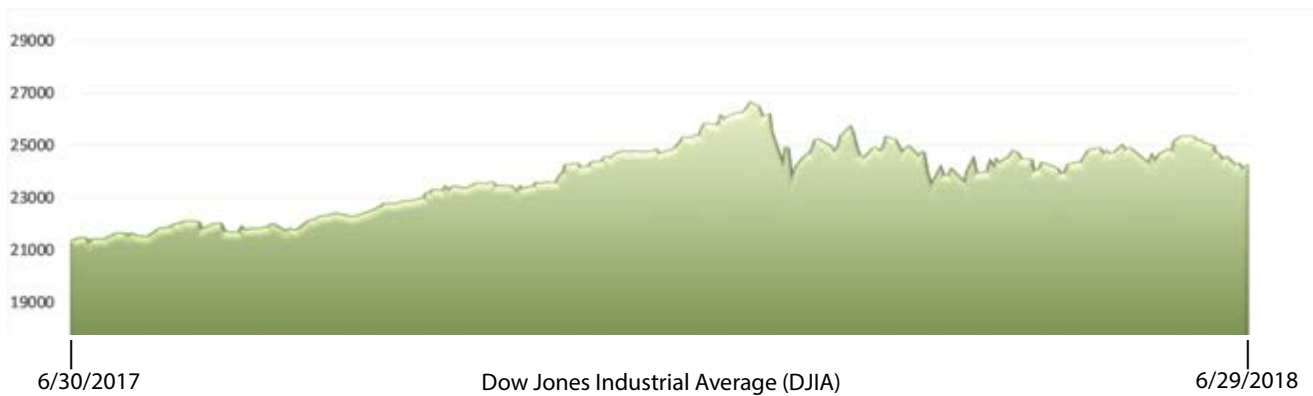
Dear Members,

Oh 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, 2018.

### Performance and Stability

For fiscal year 2018, the APERS investment portfolio closed with total investments of \$8,904,393,859. The investment return for the fiscal year was 10.25%.

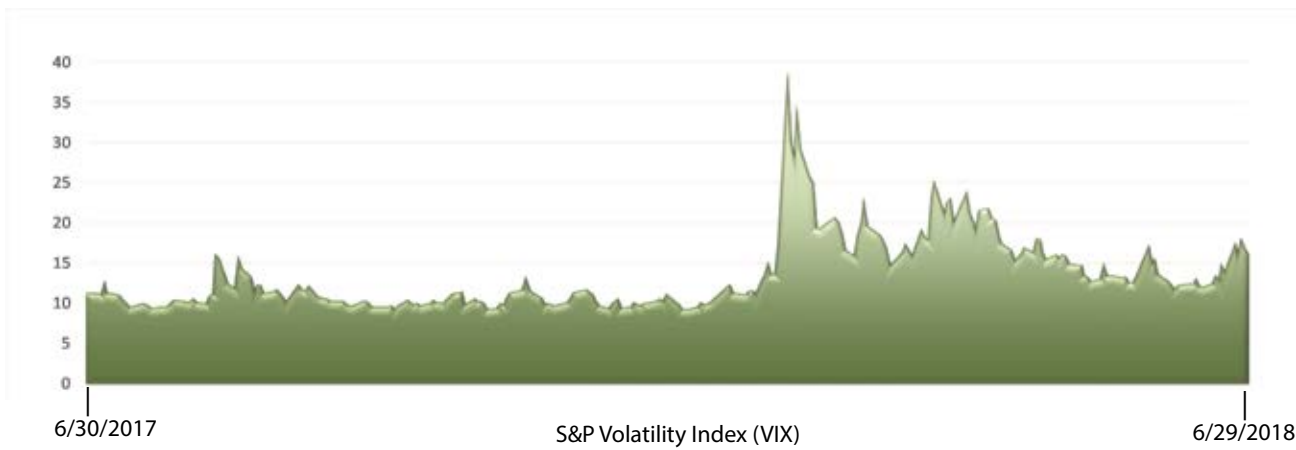
The strength of the return was largely driven by the exposure to domestic equities as you will read in my Financial Market Recap which follows. Domestic Equities as an asset class contributed 16.27% to the total performance of the investment fund as the Dow Jones set a new record high in January 2018 of 26,616.



Domestic fixed income as an asset class contributed 0.79% to the total performance of the investment fund. Interest rates grinding higher muted fixed income returns.



The S&P VIX Index (a measurement of volatility) not only crept higher during the fiscal year, but it spiked higher in the third quarter of the fiscal year (February 2018).



### Fiscal Year 2018 Global Financial Market Recap

The first quarter of fiscal year 2018 (3Q of 2017) saw almost all assets benefit from the proposed Republican tax plan, an increase in crude prices, a very buoyant job market, and continued positive global economic background. The Organization for Economic Cooperation and Development (OECD) announced that all of the 45 countries that it tracks were growing economically in 2017. This was the first instance of simultaneous economic growth since 2007. However weather, geopolitics, and presidential tweets were not as friendly for risk assets. Hurricane Harvey devastated Houston. The Caribbean and Florida also saw devastation due to Hurricanes Irma and Maria. Tensions in the Korean peninsula escalated as North Korea continued to expand and test its nuclear arsenal and fired a missile over Japan which prompted President Trump to threaten “dire consequences.”

Despite all the previously mentioned events, U.S. stock market volatility hit record lows. Energy did see a surge in oil prices to end the quarter, the best quarterly gain in over a year. The Federal Reserve announced that it will begin to taper its program which will reduce the Fed’s holdings of US Treasuries by \$6 billion a month and agency mortgage-backed securities by \$4 billion a month. The FOMC left rates unchanged in the month of September.

German elections resulted in a surprise uptick in parliamentary seats for the far-right Alternative für Deutschland (AfD) party fueled in part by anti-immigration sentiments. Angela Merkel will remain chancellor and may eclipse Helmut Kohl as the longest-serving chancellor during the post-war period. Japan’s Prime Minister Shinzo Abe called a snap election near the end of the quarter. He sought to take advantage of his popularity in the most recent polls.

The second quarter of fiscal year 2018 (4Q 2017) saw continued optimism in the financial markets. U.S. stocks were helped by robust earnings growth as well as richer valuations. President Trump and Congress tried unsuccessfully to repeal the Affordable Care Act. The calendar year was a slow steady progression

of new highs for the S&P 500 with records set 60 times, something which had not been seen in over two decades.

Yields on US Treasuries rose in the front-end of the curve. The 2-year note saw its yield increase 40 basis points, while the 30-year treasury bond actually saw its yield decrease 12 basis points. The FOMC raised rates as expected in December, and Fed Chair Jerome Powell was confirmed by the Senate to replace Janet Yellen.

Mario Draghi of the European Central Bank (ECB) mentioned a “strong pace of economic expansion and a significant improvement in the growth outlook.” U.S. 3Q2017 GDP came in at 3.0% following a 3.1% for 2Q2017. Global manufacturing continued to expand. U.S. unemployment hit 4.1% as the U.S. continued to show evidence of steady growth. Outgoing Fed Chairwoman Janet Yellen noted that “the committee expects the labor market to remain strong, with sustained job creation, ample opportunities for workers and rising wages.” Rating agencies declared \$60 billion of Venezuelan debt in default after Caracas failed to pay interest on some of its sovereign debt and the country’s beleaguered economy, sanctions, and civil strife remain problematic.

The third quarter of fiscal year 2018 (1Q of 2018) began as the previous quarter ended: with strong market gains. The quarter experienced volatile equity markets (particularly in February), outflows in ETFs, potential trade wars and tariffs, and increased borrowing needs by the Federal government due to a tax bill that was passed and a proposed infrastructure program.

Investor concerns over rising inflation and interest rates were blamed for triggering the volatility. I disagreed with that explanation. I have never known the equity markets to predict inflation before the treasury markets. It seemed that a more likely reason was that the increase in hourly earnings could eat into corporate profits.

President Trump announced 25% tariffs on \$60 billion of Chinese imports. This move was not well received by the global equity markets or by the People’s Republic of China. China retaliated with a variety of potential trade sanctions against U.S. exports produced in states that supported Trump in the election. The new Chair of the Federal Reserve, Jay Powell, hiked rates to 1.75%.

Despite all the background noise, the U.S. economy continued to do well. Unemployment continued to remain extremely low at 4.1%. The trade gap continued to widen which became a focal point of the administration. Elsewhere around the globe, Yi Gang was appointed as the new chief of the PBoC, and the ECB removed its “easing bias” language from its policy statement.

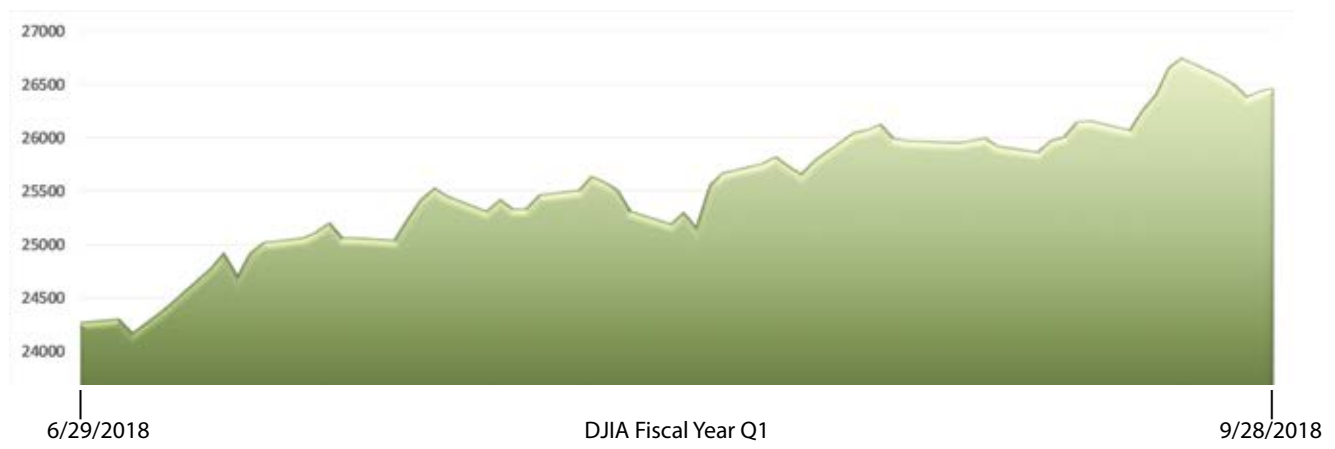
The final quarter of fiscal year 2018 (2Q of 2018) could be called a lot of things, but boring is not one of them. The potential for a trade war between China and the United States heated up as Trump continued to threaten tariffs on a range of imports from China, Mexico, Canada, and Europe. China responded by issuing the same tariffs of the same magnitude on American exports.

Political elections in Italy along with divisions within Germany’s ruling coalition government further rattled

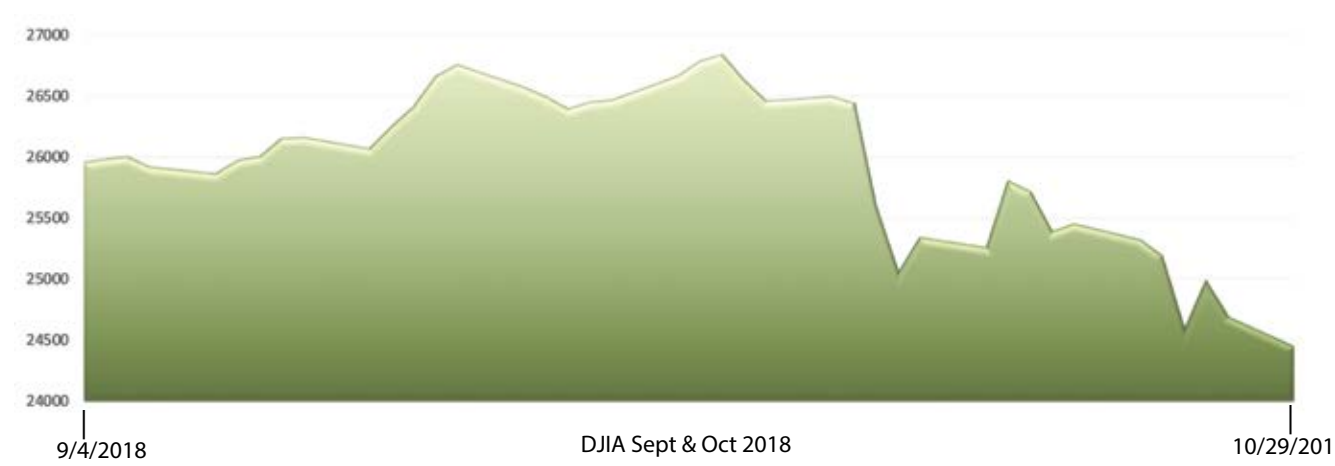
# Investments Arkansas Public Employees Retirement System Annual Financial Report 2018

market sentiment as populist anti-establishment, anti-immigrations movements threatened the stability of the Euro. Mexico elected Lopez Obrador in a landslide vote. Turkey saw President Erdogan consolidate power, and the markets braced for authoritarian rule. Domestically, the Federal Reserve raised rates by 25bps again, to 2.00%, and maintained its hawkish stance.

As I write this CIO letter, the first quarter of fiscal year 2019 just closed. It was a strong quarter for domestic equities. The markets continued to receive favorable economic indicators and encouraging corporate earnings reports.



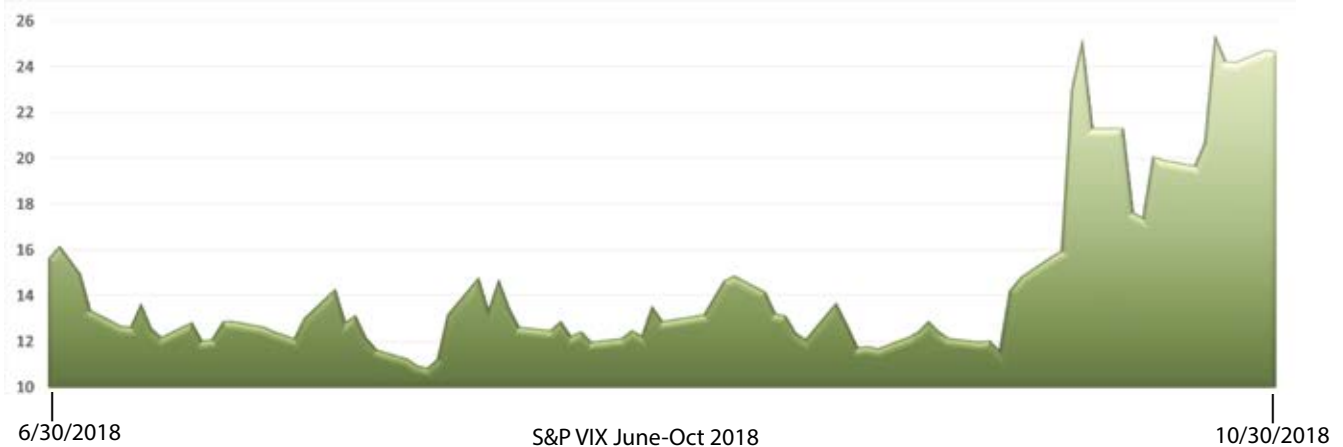
However, towards the end of September there was a new round of reciprocal tariffs. Neither the U.S. or China is ready to flinch, so there's an economic stand-off between the two largest economies in the world. The U.S. imposed an additional \$200 billion in tariffs on Chinese goods and, in return, China imposed \$60 billion in tariffs on U.S. products. The stock market reacted in kind.



Interest rates continue to move higher because of the rising debt load and increasingly pessimistic projections for inflation.



Volatility continues to increase, which is a concern.



With the DJIA within a 9-iron of the all-time high, my opinion of the markets has changed from cautiously optimistic to cautious concern. Did the Federal Reserve hike rates too many times? Does the jawboning about tariffs cease? Do higher interest rates slow down housing? Are stock buy backs the only thing propping up the equity markets? Do emerging market economies improve? Does the U.S. dollar strengthen or not? There are too many unknowns that could tip the scale either way.

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

Respectfully yours,

Carlos Borromeo  
Chief Investment Officer



INVESTMENT CONSULTANT'S REPORT



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August 30, 2018

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, 2018.

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, 2018, 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 14.78% return for the year while the MSCI EAFE Index, an international equity index, was up 6.84%. Fixed income markets, as measured by the Bloomberg Aggregate Index, fell -0.40% 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, 2018, are listed below:

	Target	Actual
Domestic Equity	37%	40%
International Equity	24%	25%
Domestic Fixed	18%	15%
Diversified Strategies	5%	5%
Real Assets	16%	15%

## Callan

For fiscal year ended June 30, 2018, the total fund rate of return, including gains, losses and income was 10.25%. The performance calculations presented above were prepared by Callan LLC using a timeweighted 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 8.82%. 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 \$8.3 billion; at June 30, 2018, the Fund assets totaled \$8.9 billion. The Fund experienced an increase in value due to strong returns from domestic and real assets 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:

<b>Market Value Exposure</b>		
<u>Asset Allocation</u>	<u>Target</u>	<u>Lower and Upper Limits</u>
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

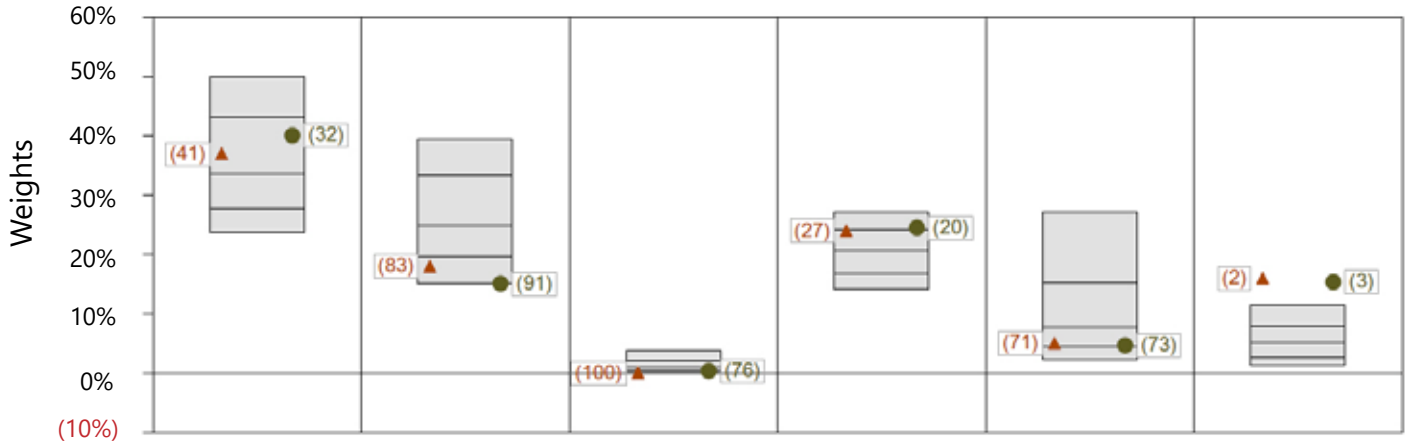
Actual vs. Target Allocation (as of June 30, 2018)



Asset Class	\$000s		Actual	Target	Difference	APERS
	Actual	APERS				Difference
Domestic Equity	\$ 3,568,488	\$ 3,441,107	40.1%	37.0%	3.1%	\$ 264,086
Int'l Equity	2,183,643	2,105,696	24.5	24.0	0.5	44,926
Domestic Fixed Income	1,342,655	1,294,727	15.1	18.0	(2.9)	(250,850)
Other	29,146	28,106	0.3	0.0	0.3	28,106
Diversified Strategies	413,671	398,905	4.6	5.0	(0.4)	(30,423)
Real Assets	1,366,791	1,318,002	15.3	16.0	(0.7)	(55,845)
<b>Total</b>	<b>\$ 8,904,394</b>	<b>\$ 8,586,542</b>	<b>100%</b>	<b>100%</b>		

Asset Class	\$000s		Actual	Target	Difference	ASPRS
	Actual	ASPRS				Difference
Domestic Equity	\$ 3,568,488	\$ 127,381	40.1%	37.0%	3.1%	\$ 9,776
Int'l Equity	2,183,643	77,947	24.5	24.0	0.5	1,663
Domestic Fixed Income	1,342,655	47,928	15.1	18.0	(2.9)	(9,286)
Other	29,146	1,040	0.3	0.0	0.3	1,040
Diversified Strategies	413,671	14,766	4.6	5.0	(0.4)	(1,126)
Real Assets	1,366,791	48,789	15.3	16.0	(0.7)	(2,067)
<b>Total</b>	<b>\$ 8,904,394</b>	<b>\$ 317,852</b>	<b>100%</b>	<b>100%</b>		

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%.



	<b>Domestic Equity</b>	<b>Domestic Fixed-Income</b>	<b>Other</b>	<b>Intl Equity</b>	<b>Other Alternatives</b>	<b>Real Assets</b>
10th Percentile	50.00	39.49	3.66	27.12	27.21	11.45
25th Percentile	43.24	33.40	2.06	24.09	15.20	7.88
Median	33.62	24.83	0.93	20.65	7.75	5.13
75th Percentile	27.78	19.56	0.37	16.68	4.46	2.64
90th Percentile	23.70	15.15	0.05	14.08	2.18	1.19
Fund	40.08	15.08	0.33	24.52	4.65	15.35
Target	37.00	18.00	.00	24.00	5.00	16.00
% Group Invested	98.50%	96.24%	72.18%	96.24%	43.07%	26.32%

## SCHEDULE OF MANAGER DISTRIBUTION

(as of June 30, 2018)

Asset Allocation	Market Value	Percent of Total	APERS	ASPRS
<b>Domestic Equity</b>				
MCM S&P 500 Index Fund	\$ 605,663,556	6.80%	\$ 584,043,741	\$ 21,619,815
LSV Asset Mgmt.	208,558,986	2.34	201,114,248	7,444,738
CastleArk Mgmt.	544,417,622	6.11	524,984,047	19,433,575
Golden Capital Mgmt.	192,040,299	2.16	185,185,213	6,855,086
INTECH	454,001,729	5.10	437,795,647	16,206,082
Wellington Mgmt. Co.	308,017,612	3.46	297,022,591	10,995,021
Westwood Mgmt.	178,535,972	2.01	172,162,938	6,373,034
Lazard Asset Mgmt.	332,138,248	3.73	320,282,215	11,856,033
SSI Investment Mgmt.	284,469,718	3.19	274,315,264	10,154,454
Horrell Capital Mgmt.	121,134,735	1.36	116,810,700	4,324,035
Stephens Inv. Mgmt. Group	339,509,283	3.81	327,390,132	12,119,151
	<u>\$ 3,568,487,760</u>	<u>40.08%</u>	<u>\$ 3,441,106,735</u>	<u>\$ 127,381,025</u>
<b>International Equity</b>				
Mellon ACWI ex-US Fund	\$ 381,752,639	4.29%	\$ 368,125,566	\$ 13,627,073
Lazard Asset Mgmt.	469,386,426	5.27	452,631,171	16,755,255
Artisan Partners	446,280,409	5.01	430,349,948	15,930,461
Baillie Gifford	464,296,458	5.21	447,722,894	16,573,564
Manning & Napier	1,164,971	0.01	1,123,386	41,585
Fidelity	420,762,217	4.73	405,742,655	15,019,562
	<u>\$ 2,183,643,120</u>	<u>24.52%</u>	<u>\$ 2,105,695,620</u>	<u>\$ 77,947,500</u>
<b>Fixed Income</b>				
Doubleline Capital	\$ 429,500,876	4.82%	\$ 414,169,378	\$ 15,331,498
MacKay Shields	450,935,988	5.06	434,839,341	16,096,647
Prudential Investments	462,217,787	5.19	445,718,424	16,499,363
	<u>\$ 1,342,654,651</u>	<u>15.08%</u>	<u>\$ 1,294,727,143</u>	<u>\$ 47,927,508</u>
<b>Real Assets</b>				
INVESCO Real Estate	\$ 438,855,155	4.93%	\$ 423,189,746	\$ 15,665,409
MCM REIT Index Fund	162,123,675	1.82	156,336,495	5,787,180
TA Associates Realty Fund X	18,878,863	0.21	18,204,962	673,901
TA Associates Realty Fund XI	51,425,598	0.58	49,589,906	1,835,692
CastleArk Mgmt	54,459,115	0.61	52,515,138	1,943,977
CastleArk Mgmt. Global Energy Fnd	169,975,408	1.91	163,907,952	6,067,456
Pinnacle Forest Investments	100,446,655	1.13	96,861,103	3,585,552
Heitman Real Estate Trust LP	320,261,954	3.60	308,829,858	11,432,096
LaSalle Inc & Growth VI LP	14,063,860	0.16	13,561,835	502,025
LaSalle Inc & Growth VII LP	36,301,010	0.41	35,005,206	1,295,804
	<u>\$ 1,366,791,293</u>	<u>15.35%</u>	<u>\$ 1,318,002,202</u>	<u>\$ 48,789,091</u>
<b>Diversified Strategies</b>				
AQR Capital	\$ 127,599,278	1.43%	\$ 123,044,484	\$ 4,554,794
Blackstone Hedge	175,081,935	1.97	168,832,196	6,249,739
Newton Capital	110,989,420	1.25	107,027,533	3,961,887
	<u>\$ 413,670,633</u>	<u>4.65%</u>	<u>\$ 398,904,213</u>	<u>\$ 14,766,420</u>
<b>Short-term Investment Fund</b>				
Composite Fund	\$ 29,146,403	0.33%	\$ 21,331,162	\$ 7,815,241
	<u>\$ 8,904,393,860</u>	<u>100.00%</u>	<u>\$ 8,579,767,076</u>	<u>\$ 324,626,784</u>

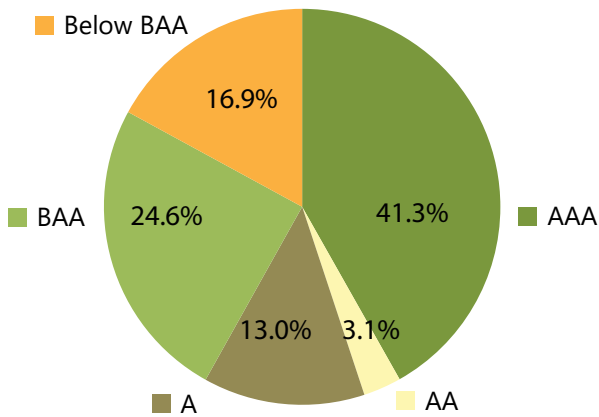
Totals may not add due to rounding.

**PORTFOLIO CHARACTERISTICS**

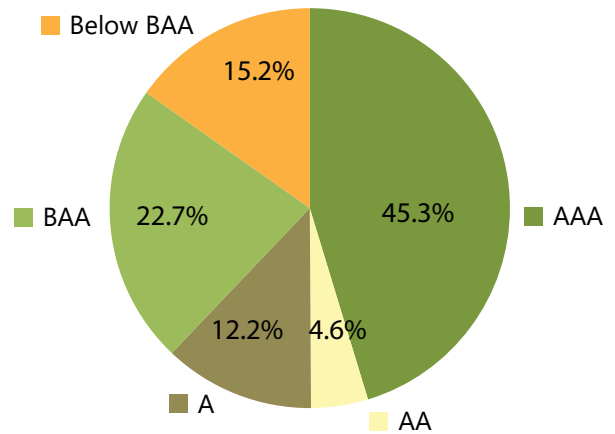
(for fiscal years ended June 30, 2017 - 2018)

	2018	2017
<b>Selected Bond Characteristics</b>		
Yield to Maturity (Market)	4.03%	3.29%
Current Yield	3.40%	3.51%
Average Coupon Rate	3.69%	3.46%
Average Maturity	7.86 yrs.	7.72 yrs.
<b>Quality Breakdown</b>		
AAA (includes Govts & Agencies)	41.34%	45.30%
AA	3.06%	4.60%
A	13.03%	12.20%
BAA	24.56%	22.70%
Below BAA	16.86%	15.20%
<b>Selected Stock Characteristics</b>		
Average P/E Ratio	24.90x	25.96x
Estimated Earnings Growth Rate (Next 5 Years)	17.38%	14.09%
Current Yield	1.51%	1.60%

Quality Breakdown 2018



Quality Breakdown 2017





## SCHEDULE OF COMPARATIVE INVESTMENT RESULTS BY YEAR

(for fiscal years ended on June 30, 2013 - 2018)

	2018	2017	2016	2015	2014
<b>Total Fund</b>					
Arkansas Public Employees Retirement System	10.25%	12.30%	0.30%	2.67%	19.68%
Callan Total Public Fund Median	8.23	12.42	0.54	3.24	16.30
Inflation (Consumer Price Index)	2.87	1.50	0.64	(0.38)	2.04
<b>Equities</b>					
Arkansas Public Employees Retirement System	16.27%	17.52%	(0.38)%	7.25%	24.48%
Callan Total Equity Database Median	15.02	19.48	(1.58)	7.17	25.26
Russell 3000 Index	14.78	18.51	2.14	7.29	25.22
<b>International Equities</b>					
Arkansas Public Employees Retirement System	7.22%	18.39%	(6.88)%	(2.38)%	24.43%
Callan Total Non-U.S. Equities Database Median	8.05	20.86	(8.20)	(1.80)	23.34
MSCI-EAFE Index	6.84	20.27	(10.16)	(4.22)	23.57
<b>Fixed Income</b>					
Arkansas Public Employees Retirement System	0.79%	3.04%	5.06%	1.32%	7.03%
Callan Total Fixed Income Database Median	0.26	1.16	4.48	1.59	5.54
Bloomberg Aggregate Index	(0.40)	(0.31)	6.00	1.86	4.37
<b>Diversified Strategies</b>					
Arkansas Public Employees Retirement System	6.43%	5.51%	2.86%	1.97%	13.91%
Callan Int'l/Global Balanced Database Median	6.53	7.54	(1.73)	0.59	13.59
<b>Real Assets</b>					
Arkansas Public Employees Retirement System	11.34%	3.27%	8.29%	0.19%	14.51%
Consumer Price Index - U + 4%	6.87	5.63	5.01	4.13	6.07

**SCHEDULE OF COMPARATIVE ANNUALIZED INVESTMENT RESULTS**

(for the fiscal year ended June 30, 2018 and the preceding 3-year and 5-year rates of return)

	2018	3-Year Annualized	5-Year Annualized
<b>Total Fund</b>			
Arkansas Public Employees Retirement System	10.25%	7.49%	8.82%
Callan Total Public Fund Median	8.23	6.96	7.87
Inflation (Consumer Price Index)	2.87	1.83	1.54
<b>Equities</b>			
Arkansas Public Employees Retirement System	16.27%	10.83%	12.69%
Callan Total Equity Database Median	15.02	11.41	13.14
Russell 3000 Index	14.78	11.58	13.29
<b>International Equities</b>			
Arkansas Public Employees Retirement System	7.22%	5.73%	7.50%
Callan Total Non-U.S. Equities Database Median	8.05	6.22	7.12
MSCI-EAFE Index	6.84	4.90	6.44
<b>Fixed Income</b>			
Arkansas Public Employees Retirement System	0.79%	2.95%	3.42%
Callan Total Fixed Income Database Median	0.26	2.39	2.82
Bloomberg Aggregate Index	(0.40)	1.72	2.27
<b>Diversified Strategies</b>			
Arkansas Public Employees Retirement System	6.43%	4.92%	6.05
Callan International/Global Balanced Database Median	6.53	4.70	5.65
<b>Real Assets</b>			
Arkansas Public Employees Retirement System	11.34%	7.58%	7.39%
Consumer Price Index - U + 4%	6.87	5.83	5.54

Source: Callan Associates Inc. Returns are reported gross of fees.

## TEN LARGEST HOLDINGS\*

(as of June 30, 2018)

<b>Domestic Fixed Income Holdings</b>	Par Value	Market Value	APERS	ASPRS
U.S. Treasury 2.00% 08/31/2021	\$ 15,734,940	\$ 15,119,464	\$ 14,579,759	\$ 539,706
FNMA 2.50% 07/01/2046	9,919,996	9,777,022	9,428,020	349,001
U.S. Treasury 2.50% 05/15/2046	9,495,599	9,672,792	9,327,511	345,281
FHLMC 3.00% 03/01/2042	9,058,274	8,873,315	8,556,572	316,743
FHLMC 3.50% 11/01/2046	9,124,602	8,809,580	8,495,112	314,467
U.S. Treasury 3.00% 02/15/2047	7,878,697	7,787,858	7,509,862	277,996
Washington Mutual VAR RT 08/25/2036	7,559,664	7,750,773	7,474,100	276,672
FNMA 3.00 05/01/2043	7,757,378	7,603,675	7,332,254	271,421
U.S. Treasury 3.75% 11/15/2043	7,378,038	7,446,302	7,180,498	265,804
U.S. Treasury 2.75% 11/15/2042	6,951,169	6,998,186	6,748,378	249,808
<b>Total</b>		<u>\$ 89,838,967</u>	<u>\$ 86,632,068</u>	<u>\$ 3,206,899</u>

<b>Domestic Equity Holdings</b>	Shares	Market Value	APERS	ASPRS
Apple Inc.	333,204	\$ 61,679,392	\$ 59,477,680	\$ 2,201,713
Microsoft Corp.	545,763	53,817,689	51,896,609	1,921,081
Bank of America Corp.	1,367,517	44,370,880	42,787,013	1,583,866
Amazon.com Inc.	22,480	38,211,504	36,847,503	1,364,001
McDonald's Corp.	150,022	23,506,947	22,667,841	839,106
Abiomed Inc.	57,388	23,474,561	22,636,612	837,950
Facebook Inc.	114,089	22,169,774	21,378,400	791,374
Paypal Holdings Inc.	259,830	21,636,044	20,863,722	772,322
The Boeing Co.	64,237	21,552,156	20,782,828	769,327
Alphabet Inc.-Cl A	18,768	21,192,638	20,436,144	756,494
<b>Total</b>		<u>\$ 331,611,587</u>	<u>\$ 319,774,353</u>	<u>\$ 11,837,234</u>

<b>International Equity Holdings</b>	Shares	Market Value	APERS	ASPRS
Medtronic PLC	433,189	\$ 37,085,310	\$ 35,761,510	\$ 1,323,800
Samsung Electronics Co. Ltd.	659,045	27,585,857	26,601,150	984,707
Compass Group PLC	1,176,678	25,143,545	24,246,019	897,526
Baidu Inc.	97,547	23,703,921	22,857,784	846,137
RELX PLC	902,802	19,338,972	18,648,647	690,326
Aon PLC	140,941	19,332,877	18,642,769	690,108
CIE Financiere Richemont SA	215,589	18,264,109	17,612,152	651,957
ING Groep NV	1,189,034	17,114,428	16,503,510	610,918
UBS Group AG	1,098,826	16,959,070	16,353,698	605,372
Vivendi SA	676,467	16,585,990	15,993,935	592,055
<b>Total</b>		<u>\$ 221,114,079</u>	<u>\$ 213,221,173</u>	<u>\$ 7,892,906</u>

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

### SCHEDULE OF BROKERAGE COMMISSIONS (for the fiscal year ended 2018)

<b>Brokerage Firm</b>	Number of Shares Traded	Total Commission	Commission Per Share	APERS	ASPRS
Merrill Lynch Pierce Fenner Smith Inc., NY	11,824,338	\$ 193,050	\$ 0.02	\$ 186,159	\$ 6,891
Citibank, NY	3,778,775	171,265	0.05	165,152	6,114
Credit Suisse, NY	4,722,460	133,423	0.03	128,661	4,763
Morgan Stanley & Co. Inc., NY	6,347,692	115,108	0.02	110,999	4,109
National Financial Services Corp., NY	4,151,510	109,950	0.03	106,025	3,925
Goldman Sachs & Co., NY	5,283,087	107,834	0.02	103,985	3,849
J.P. Morgan Securities Inc., NY	3,674,985	106,650	0.03	102,843	3,807
MacQuarie Capital Ltd., London	1,964,521	90,805	0.05	87,563	3,241
Sanford Bernstein & Co., NY	3,882,899	70,919	0.02	68,387	2,532
Citigroup/Salomon Global Markets, NY	2,591,255	65,380	0.03	63,046	2,334
Jefferies & Co. Inc., NY	2,817,480	61,269	0.02	59,082	2,187
Deutsche Bank Securities Inc., NY	2,575,040	58,354	0.02	56,271	2,083
J.P. Morgan Clearing Corp., NY	2,013,258	56,557	0.03	54,538	2,019
UBS Securities LLC, Stamford	2,245,838	54,552	0.02	52,605	1,947
Credit Suisse, London	2,367,874	50,965	0.02	49,146	1,819
Barclays Capital LE, NY/NJ	1,770,158	49,043	0.03	47,292	1,751
Instinet Clearing Services Inc., NY	1,369,039	45,872	0.03	44,235	1,637
ICBC Financial Services, NY	1,456,094	44,539	0.03	42,949	1,590
Weeden & Co., NY	1,212,251	42,798	0.04	41,270	1,528
Pershing LLC, Jersey City	1,217,311	37,677	0.03	36,332	1,345
Investment Tech Group Inc., NY	1,780,003	37,447	0.02	36,111	1,337
SG Americas Securities LLC, NY	760,400	32,843	0.04	31,670	1,172
Stifel Nicolaus	1,057,913	32,648	0.03	31,482	1,165
Raymond James & Assoc. Inc., St. Petersburg	981,221	31,099	0.03	29,989	1,110
Instinet Corp., NY	1,112,513	30,770	0.03	29,672	1,098
Others (including 155 brokerage firms)	44,132,534	835,806	0.02	805,971	29,835
	<u>117,090,449</u>	<u>\$ 2,666,624</u>		<u>\$ 2,571,436</u>	<u>\$ 95,188</u>

Totals may not add due to rounding.

### SCHEDULE OF INVESTMENT FEES (as of June 30, 2018)

	Market Value	Fee	Basis Points	APERS		ASPRS	
				Market Value	Fee	Market Value	Fee
<b>Domestic Equity</b>							
MCM S&P 500 Index Fund	\$ 605,663,556	\$ 132,582	2	\$ 584,043,741	\$ 127,849	\$ 21,619,815	\$ 4,733
MCM RU2000 Value Fund	0	7,319	2	0	7,058	0	261
LSV Asset Mgmt.	208,558,986	923,057	60	201,114,248	890,107	7,444,738	32,950
CastleArk Mgmt.	544,417,622	1,598,880	35	524,984,047	1,541,806	19,433,575	57,074
Golden Capitl Mgmt.	192,040,299	421,750	22.5	185,185,213	406,695	6,855,086	15,055
INTECH	454,001,729	1,699,517	48	437,795,647	1,638,851	16,206,082	60,666
Wellington Mgmt. Co.	308,017,612	914,456	30	297,022,591	881,814	10,995,021	32,642
Westwood Mgmt.	178,535,972	917,537	25	172,162,938	884,784	6,373,034	32,752
Lazard Asset Mgmt.	332,138,248	960,815	30	320,282,215	926,517	11,856,033	34,297
SSI Investment Mgmt.	284,469,718	1,097,204	40	274,315,264	1,058,038	10,154,454	39,166
Horrell Capital Mgmt.	121,134,735	199,458	20	116,810,700	192,338	4,324,035	7,120
Stephens Inv. Mgmt. Group	339,509,283	2,008,244	77	327,390,132	1,936,557	12,119,151	71,686
	<u>\$ 3,568,487,760</u>	<u>\$ 10,880,817</u>		<u>\$ 3,441,106,735</u>	<u>\$ 10,492,415</u>	<u>\$ 127,381,025</u>	<u>\$ 388,403</u>
<b>International Equity</b>							
Mellon ACWI ex-US Fund	\$ 381,752,639	\$ 198,817	5	\$ 368,125,566	\$ 191,720	\$ 13,627,073	\$ 7,097
Lazard Asset Mgmt.	469,386,426	1,429,615	65	452,631,171	1,378,583	16,755,255	51,032
Artisan Partners	446,280,409	2,488,791	55	430,349,948	2,399,950	15,930,461	88,840
Baillie Gifford	464,296,458	1,855,111	44	447,722,894	1,788,890	16,573,564	66,220
* Manning & Napier	1,164,971	140,949	50	1,123,386	135,917	41,585	5,031
+ Fidelity	420,762,217	859,469	20	405,742,655	828,789	15,019,562	30,680
	<u>\$ 2,183,643,120</u>	<u>\$ 6,972,751</u>		<u>\$ 2,105,695,620</u>	<u>\$ 6,723,851</u>	<u>\$ 77,947,500</u>	<u>\$ 248,900</u>
<b>Fixed Income</b>							
Doubleline Capital	\$ 429,500,876	\$ 799,904	20	\$ 414,169,378	\$ 771,351	\$ 15,331,498	\$ 28,553
MacKay Shields CP II	450,935,988	902,889	20	434,839,341	870,660	16,096,647	32,230
Prudential Investments	462,217,787	926,567	20	445,718,424	893,492	16,499,363	33,075
	<u>\$ 1,342,654,651</u>	<u>\$ 2,629,361</u>		<u>\$ 1,294,727,143</u>	<u>\$ 2,535,503</u>	<u>\$ 47,927,508</u>	<u>\$ 93,858</u>
<b>Real Assets</b>							
INVESCO Real Estate	\$ 438,855,155	\$ 1,394,060	33	\$ 423,189,746	\$ 1,344,297	\$ 15,665,409	\$ 49,762
* INVESCO Global REITs	0	641,519	59	0	618,619	0	22,900
MCM REIT Index Fund	162,123,675	24,048	5	156,336,495	23,189	5,787,180	858
+ TA Associates Realty Fund X	18,878,863	1,000,775	200+	18,204,962	965,051	673,901	35,724
+ TA Associates Realty Fund XI	51,425,598	745,204	145	49,589,906	718,603	1,835,692	26,601
CastleArk Mgmt. Global Energy Fnd.	54,459,115	495,731	100	52,515,138	478,036	1,943,977	17,696
CastleArk Mgmt Global Energy Plus	169,975,408	1,608,900	100	163,907,952	1,551,469	6,067,456	57,431
Pinnacle Forest Investments	100,446,655	916,176	90	96,861,103	883,472	3,585,552	32,704
Heitman Real Estate Trust LP	320,261,954	2,193,276	69	308,829,858	2,114,985	11,432,096	78,291
+ LaSalle Inc. & Growth VI LP	14,063,860	156,755	111	13,561,835	151,159	502,025	5,596
+ LaSalle Inc. & Growth VII LP	36,301,010	207,093	58	35,005,206	199,700	1,295,804	7,392
	<u>\$ 1,366,791,293</u>	<u>\$ 9,383,536</u>		<u>\$ 1,318,002,202</u>	<u>\$ 9,048,580</u>	<u>\$ 48,789,091</u>	<u>\$ 334,955</u>
<b>Diversified Strategies</b>							
AQR Capital	\$ 127,599,278	\$ 847,497	72	\$ 123,044,484	\$ 817,245	\$ 4,554,794	\$ 30,252
Blackstone Hedge	175,081,935	1,719,836	100	168,832,196	1,658,445	6,249,739	61,391
Newton Capital	110,989,420	684,015	70	107,027,533	659,598	3,961,887	24,417
	<u>\$ 413,670,633</u>	<u>\$ 3,251,349</u>		<u>\$ 398,904,213</u>	<u>\$ 3,135,288</u>	<u>\$ 14,766,420</u>	<u>\$ 116,060</u>
<b>Other Investment Service Fees</b>							
Bank of New York Mellon (Custodian)		\$ 509,304			\$ 491,124		\$ 18,180
Callan Associates (Consultant)		289,505			279,171		0
<b>Total Investment Service Fees</b>		<b>\$ 33,916,622</b>			<b>\$ 32,705,932</b>		<b>\$ 1,200,356</b>

\* Terminated manager / + management fee is base fee plus performance fee.

# Actuarial Section

*Aging is an extraordinary process where you become the person you always should have been.*

- David Bowie

- Actuary's Certificate Letter
- Summary of Actuarial Assumptions
- Single Life Retirement Values
- State and Local Government Division
- State and Local Probabilities of Retirement for Members Eligible to Retire
- Probabilities of Retirement for Members Eligible to Retire
- Short Condition Test
- Analysis of Experience
- Analysis of Experience - Gains/(Losses) by Risk Area
- Summary of Plan Provisions



## ACTUARY'S CERTIFICATE LETTER



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November 14, 2018

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, 2018. The purpose of the June 30, 2018 annual actuarial valuation was to determine the contribution requirements for the years beginning July 1, 2019 and July 1, 2020 (July 1, 2018 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, 2018. In addition, a separate report was issued (dated November 6, 2018) 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

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Board of Trustees  
 Arkansas Public Employees Retirement System  
 November 14, 2018  
 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, 2018 valuations were based upon assumptions that were recommended in connection with a study of experience covering the period 2012-2017. The investment return assumption was changed for the June 30, 2017 valuation and the demographic assumptions were changed for the June 30, 2018 valuation.

***On the basis of the June 30, 2018 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.

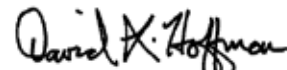
Respectfully submitted,



Mita D. Drazilov, ASA, FCA, MAAA  
 MDD/HGB/DLH:ah



Heidi G. Barry, ASA, FCA, MAAA



David L. Hoffman





## 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, 2018 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 were the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2006 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2006 Employee benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017. This assumption was first used for the June 30, 2018 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, 2018 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, 2018 valuation and for the

\*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, 2018*, prepared by Gabriel Roeder Smith & Co. A PDF copy of the report is available for download at [www.apers.org](http://www.apers.org).

District Judges division for the June 30, 2018 valuation.

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

Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities.

Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (principal and interest) which are level percent-of-payroll contributions. For the District Judges division, unfunded actuarial accrued liabilities are amortized as a level dollar contribution.

Recognizing the special circumstances of the General Assembly division, modifications of the above assumptions were made where appropriate.

Present assets (cash & investments) were valued on a market related basis in which differences between actual and assumed returns are phased-in over a four-year period (including District Judges New Plan and Paid Off Old Plan). The funding value of assets may not deviate from the market value of assets by more than 25%. District Judges Still Paying Old Plan present assets (cash & investments) were valued on a market value basis.

The data about persons now covered and about present assets were furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA).

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	\$ 155.86	\$ 159.76	\$ 228.83	\$ 238.62	40.85	44.56
45	150.67	155.71	215.75	227.14	35.96	39.59
50	144.07	150.25	200.67	213.41	31.19	34.66
55	135.97	143.05	183.75	197.25	26.62	29.83
60	126.16	134.08	165.01	179.03	22.29	25.20
65	114.46	123.16	144.61	158.86	18.22	20.82
70	100.62	109.76	122.59	136.46	14.43	16.66
75	84.59	93.92	99.31	112.42	10.95	12.82
80	67.26	76.39	76.15	88.07	7.90	9.42
85	\$ 50.25	\$ 58.64	\$ 55.03	\$ 65.27	5.41	6.59

Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive*	
		Men	Women
60	\$100	100%	100%
65	116	93	96
70	134	84	89
75	155	72	80
80	180	55	66

\* Applicable to calendar year 2018. Life expectancies and rates in future years are determined by the fully generational MP-2017 projection scale.

## STATE AND LOCAL GOVERNMENT DIVISION

Separations from Active Employment Before Service Retirement (as of June 30, 2018)

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+	11.0	11.0	0.05%	0.02%	0.01%	0.01%	6.60%	3.25%	9.85%
25		11.0	11.0	0.07	0.02	0.04	0.04	5.16	3.25	8.41
30		9.7	9.7	0.07	0.03	0.07	0.07	3.30	3.25	6.55
35		6.8	6.8	0.08	0.04	0.09	0.09	2.28	3.25	5.53
40		4.8	4.8	0.09	0.06	0.13	0.13	1.70	3.25	4.95
45		3.7	3.7	0.13	0.08	0.17	0.17	1.38	3.25	4.63
50		3.0	3.0	0.23	0.14	0.34	0.34	1.00	3.25	4.25
55		2.1	2.1	0.38	0.22	0.60	0.60	0.68	3.25	3.93
60		1.3	1.3	0.67	0.34	0.85	0.85	0.42	3.25	3.67

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, 2018)

Retirement Ages (with less than 28 years of service)	Percentage of Eligible Active Members Retiring Within Next Year	
	Unreduced	Reduced
55		2.5%
56		2.5
57		3.0
58		3.5
59		4.0
60		5.0
61		5.5
62		20.0
63		20.0
64		15.0
65	22%	
66	25	
67	23	
68	18	
69	18	
70	18	
71	18	
72	18	
73	18	
74-84	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, 2018)

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								
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	5,547.3	4,671.8	8,157.0	100	100	50	78
2017@	291.1	5,460.9	4,568.5	8,157.0	100	100	53	79
2018	334.7	5,717.9	4,641.7	8,416.4	100	100	51	79

# 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	\$ 2,163.5
2. Normal Cost from Last Valuation	142.0
3. Actual Employer Contributions	275.8
4. Interest Accrual: $[(1) + \frac{1}{2}[(2) - (3)]] \times .0715$	149.9
5. Expected UAAL Before Changes: (1) + (2) - (3) + (4)	2,179.6
6. Increase from Benefit Changes	0.0
7. Changes from Revised Actuarial Assumptions and Methods	0.0
8. New Entrant Liabilities	78.3
9. Expected UAAL After Changes: (5) + (6) + (7) + (8)	2,257.9
10. Actual UAAL at End of Year	2,277.9
11. Gain/(Loss): (9) - (10)	\$ (20.0)

\* Unfunded actuarial accrued liability

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

Type of Risk Area	Total (\$ in millions)	% of Accrued Liabilities
<b>ECONOMIC RISK AREAS</b>		
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	\$ 4.9	0.0%
Investment Return. If there is greater investment return than assumed, there is a gain. If less return, a loss.	(108.4)	(1.0)
<b>NON-ECONOMIC RISK AREAS</b>		
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.	5.3	0.0
Disability Retirements. If there are fewer disabilities than assumed, there is a gain. If more, a loss.	1.6	0.0
Death-in-Service Benefits. If there are fewer claims than assumed, there is a gain. If more, a loss.	(2.8)	0.0
Withdrawal. If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	64.8	0.6
<b>TOTAL ACTIVE MEMBER ACTUARIAL GAINS/(LOSSES)</b>	<b>\$ (34.6)</b>	<b>(0.4)%</b>
Retired Life Mortality.	12.8	0.1
Other. Includes data adjustments at retirement, timing of financial transactions, and miscellaneous unidentified sources.	1.8	0.0
<b>TOTAL ACTUARIAL GAINS/(LOSSES)</b>	<b>\$ (20.0)</b>	<b>(0.3)%</b>

## 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
<p><b>Voluntary Retirement</b></p>	
<p>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).</p>	<p>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).</p>
<p>With a reduced benefit, after age 55 with 5 years of service or any age with 25 years of service. The reduction is equal to ½ of 1% for each month retirement precedes normal retirement age or 1% for each month below 28 years of actual service, whichever is less.</p>	<p>after age 55 with 5 years of service or any age with 25 years of service. The reduction is equal to ½ of 1% for each month retirement precedes normal retirement age or 1% for each month below 28 years of actual service, whichever is less.</p>
<p><b>Final Average Compensation (FAC)</b></p>	
<p>Average of highest 36 calendar months of covered compensation.</p>	<p>Average of highest 36 calendar months of covered compensation.</p>

## 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

*We don't stop playing because we grow old. We grow old because we stop playing.*

- George Bernard Shaw

- Schedule of Revenues By Source
- Schedule of Expenses by Type
- Schedule of Benefit Expenses by Type
- Schedule of Retired Members by Type of Benefit
- Schedule of Average Benefit Payments
- Statistical Graphs

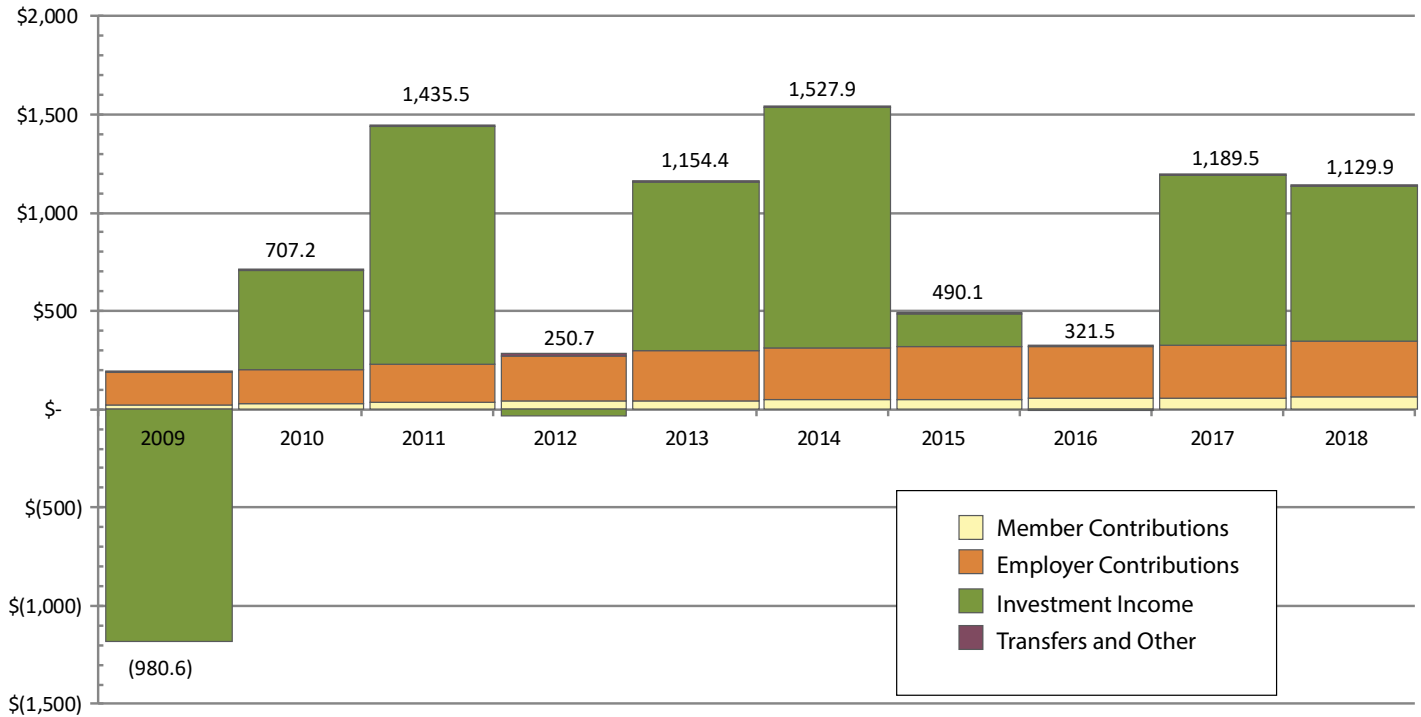


**SCHEDULE OF REVENUES BY SOURCE**

(for the fiscal year ended June 30, 2018)

Year Ended June 30	Member Contributions	Employer Contributions	Investment Income	Transfers and Other	Total
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
2018	\$ 64,730,519	\$ 276,784,232	\$ 782,326,768	\$ 6,069,774	\$ 1,129,911,293

Schedule of Revenue by Source  
(Millions)





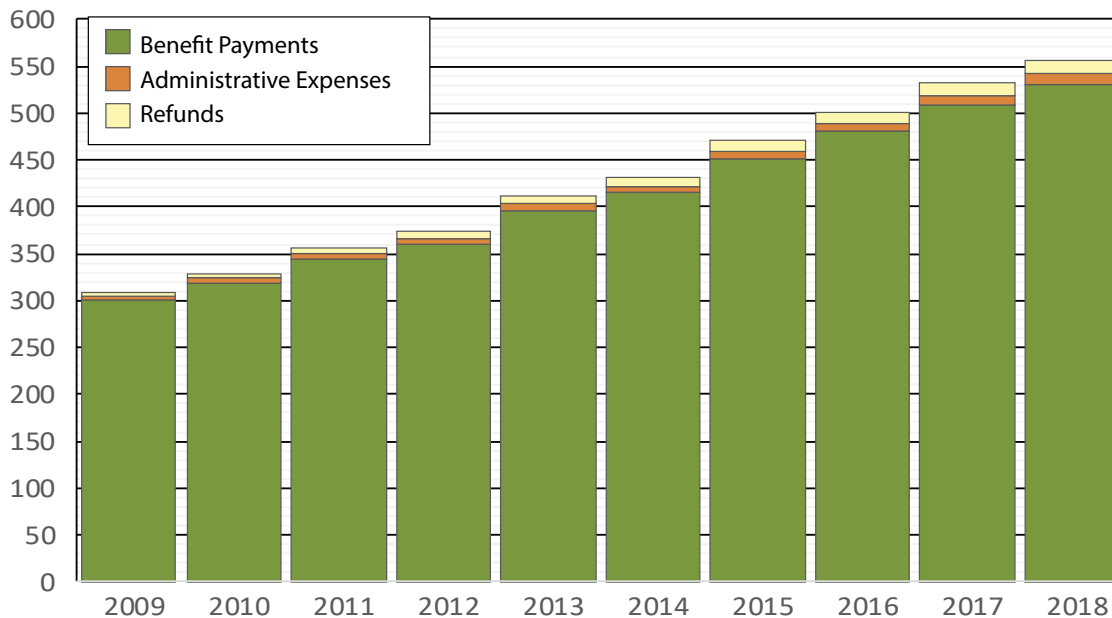
### SCHEDULE OF EXPENSES BY TYPE

(for the fiscal year ended June 30, 2018)

Year Ended June 30	Benefit Payments*	Administrative Expenses	Refunds	Total
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
2018	\$ 530,861,312	\$ 11,503,639	\$ 13,727,908	\$ 556,092,859

\*Includes DROP and PAW distributions.

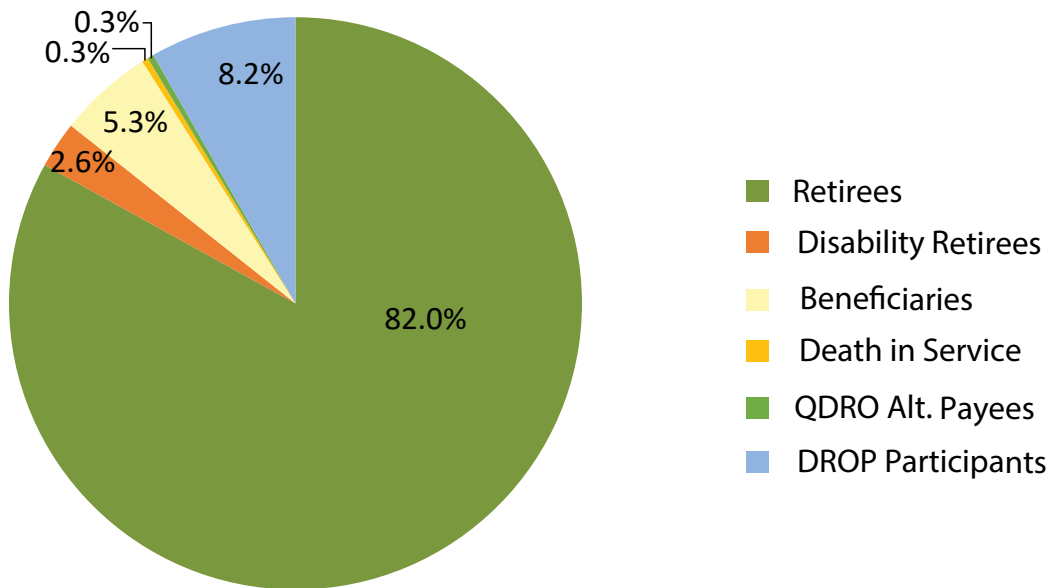
Schedule of Expenses by Type  
(Millions)



**SCHEDULE OF BENEFIT EXPENSES BY TYPE \***  
 (for the fiscal year ended June 30, 2018)

Year Ended June 30	Age and Service		Disability		QDRO Alternative Payees	DROP Participants
	Retirees	Beneficiaries	Retirees & Beneficiaries	Death in Service		
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
2018	\$ 471,378,204	\$ 14,960,412	\$ 30,417,624	\$ 9,385,248	\$ 2,005,704	\$ 46,929,948

\*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.

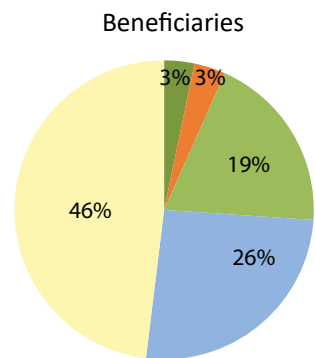
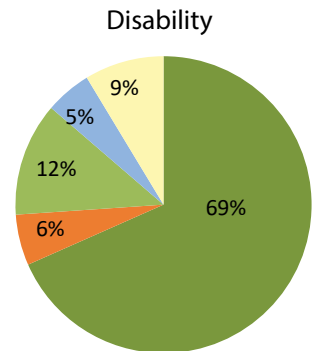
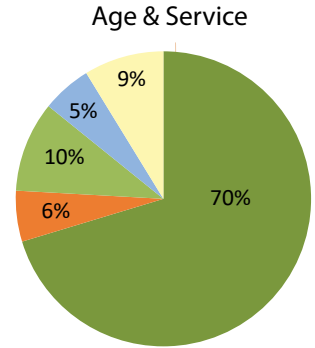


## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

(as of June 30, 2018)

Retired by Type of Benefit

Type of Annuity	Number	Annual Annuities
<b>Age &amp; Service Retirees</b>		
Life	21,060	\$ 336,694,560
Option A-60 (5 years certain)	1,669	22,168,596
Option A-120 (10 years certain)	2,972	37,212,192
Option B-50 (joint and 50% survivor)	1,628	32,453,616
Option B-75 (joint and 75% survivor)	2,621	42,849,240
<b>Total</b>	<b>29,950</b>	<b>471,378,204</b>
<b>Disability Retirees</b>		
Life	2,145	21,176,568
Option A-60	174	1,526,964
Option A-120	388	3,622,584
Option B-50	158	1,564,176
Option B-75	272	2,527,332
<b>Total</b>	<b>3,137</b>	<b>30,417,624</b>
<b>Beneficiaries of Age &amp; Service Retirees</b>		
Life	47	923,856
Option A-60	49	470,436
Option A-120	280	2,633,172
Option B-50	373	3,419,424
Option B-75	693	7,513,524
<b>Total</b>	<b>1,442</b>	<b>14,960,412</b>
<b>Total Age &amp; Service Retirees &amp; Beneficiaries</b>	<b>31,392</b>	<b>486,338,616</b>
<b>Death-in-Service Beneficiaries</b>	<b>1,170</b>	<b>9,385,248</b>
<b>Total Death and Disability Retirees &amp; Beneficiaries</b>	<b>4,307</b>	<b>39,802,872</b>
<b>QDRO Alternate Payees</b>	<b>260</b>	<b>2,005,704</b>
<b>Total Retirees &amp; Beneficiaries</b>	<b>35,959</b>	<b>528,147,192</b>
<b>DROP Participants</b>	<b>1,439</b>	<b>46,929,948</b>
<b>Total Including DROP Participants</b>	<b>37,398</b>	<b>\$ 575,077,140</b>



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

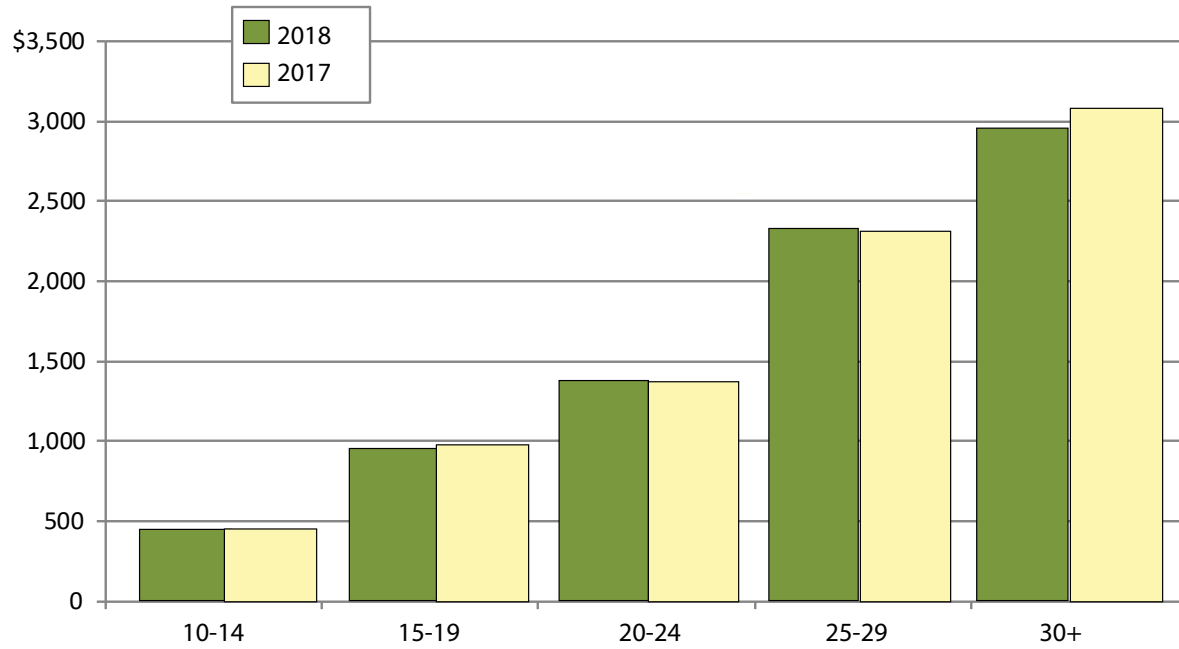
## SCHEDULE OF AVERAGE BENEFIT PAYMENTS

(for fiscal years ended June 30, 2008 - June 30, 2018)

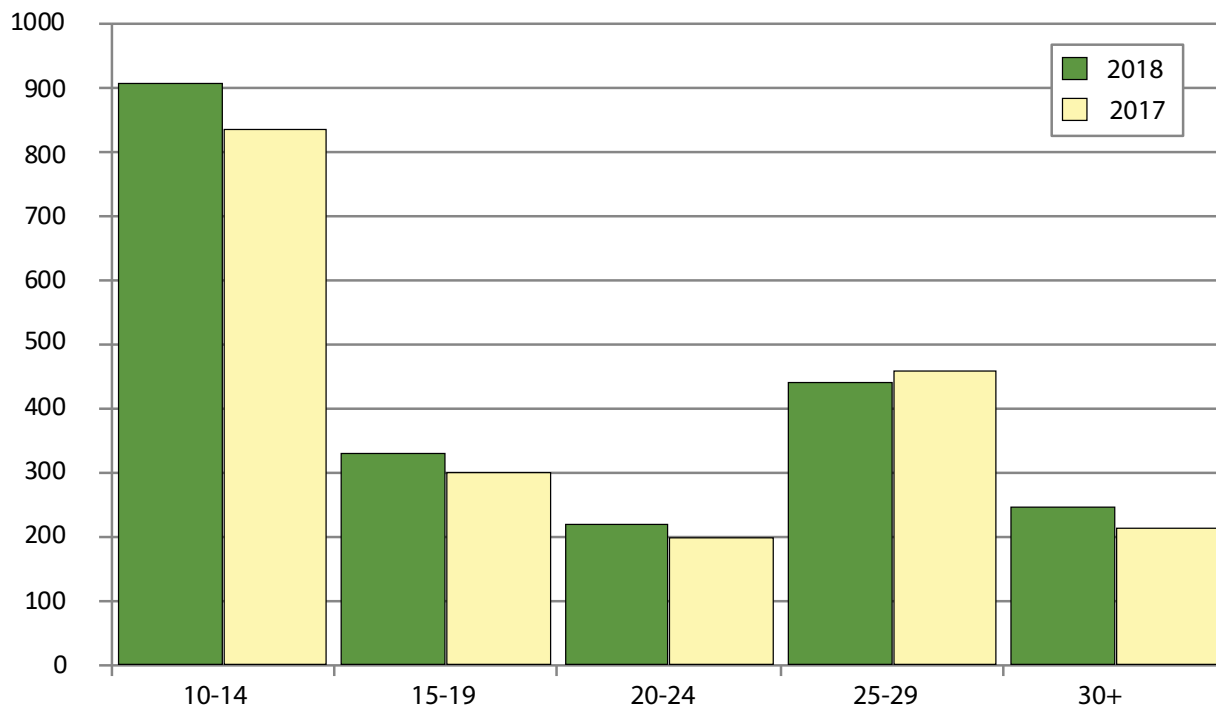
	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
Retirement Effective Dates - July 1, 2017 to June 30, 2018					
Average Monthly Benefit	\$ 448.69	\$ 948.96	\$ 1,376.67	\$2,320.39	\$2,944.11
Average Monthly Final Average Salary	2,706.87	3,298.25	3,637.60	2,423.47	1,827.85
Number of Active Retirees	914	331	220	442	246
Retirement Effective Dates - July 1, 2016 to June 30, 2017					
Average Monthly Benefit	455.60	984.93	1,377.18	2,305.32	3,073.99
Average Monthly Final Average Salary	2,778.74	3,295.27	3,426.86	3,690.52	4,112.53
Number of Active Retirees	843	300	200	461	215
Retirement Effective Dates - July 1, 2015 to June 30, 2016					
Average Monthly Benefit	454.82	970.78	1,394.04	2,283.63	2,924.85
Average Monthly FAS	2,827.27	3,267.71	3,740.30	3,749.98	4,183.96
Number of Active Retirees	844	242	162	450	220
Retirement Effective Dates - July 1, 2014 to June 30, 2015					
Average Monthly Benefit	452.82	1,054.15	1,473.11	2,307.68	2,845.54
Average Monthly Final Average Salary	2,776.27	3,246.04	3,471.76	3,649.56	3,878.24
Number of Active Retirees	861	261	220	465	207
Retirement Effective Dates - July 1, 2013 to June 30, 2014					
Average Monthly Benefit	448.42	914.13	1,377.04	2,210.95	2,779.85
Average Monthly Final Average Salary	2,689.41	3,005.17	3,419.36	3,541.89	3,893.73
Number of Active Retirees	772	240	179	474	159
Retirement Effective Dates - July 1, 2012 to June 30, 2013					
Average Monthly Benefit	428.84	890.37	1,509.72	2,297.09	2,792.77
Average Monthly Final Average Salary	2,547.58	2,856.25	3,538.79	3,515.35	3,940.39
Number of Active Retirees	812	211	186	493	186
Retirement Effective Dates - July 1, 2011 to June 30, 2012					
Average Monthly Benefit	398.93	908.21	1,317.61	2,250.27	2,673.60
Average Monthly Final Average Salary	2,542.55	2,927.34	3,216.91	3,451.41	3,505.05
Number of Active Retirees	748	214	170	434	151
Retirement Effective Dates - July 1, 2010 to June 30, 2011					
Average Monthly Benefit	420.69	925.88	1,410.28	2,222.28	2,612.02
Average Monthly Final Average Salary	2,568.83	2,851.26	3,162.22	3,367.59	3,393.61
Number of Active Retirees	659	192	183	436	187
Retirement Effective Dates - July 1, 2009 to June 30, 2010					
Average Monthly Benefit	362.24	845.23	1,194.88	2,202.81	2,569.14
Average Monthly Final Average Salary	2,262.69	2,676.80	2,737.31	3,504.97	3,761.87
Number of Active Retirees	593	168	148	352	159
Retirement Effective Dates - July 1, 2008 to June 30, 2009					
Average Monthly Benefit	394.54	818.31	1,324.77	2,213.24	2,657.56
Average Monthly Final Average Salary	2,201.99	2,467.92	2,796.96	3,281.84	3,522.84
Number of Active Retirees	648	210	191	498	212
Retirement Effective Dates - July 1, 2008 to June 30, 2018					
Average Monthly Benefit	430.00	1,850.15	3,271.96	2,883.56	6,330.67
Average Monthly Final Average Salary	1,516.68	1,874.02	1,865.21	1,739.38	1,893.00
Number of Active Retirees	7,694	2,369	1,859	4,505	1,942

## STATISTICAL GRAPHS

Comparison of Monthly Annuity by Credited Years of Service



Comparison of Retirees by Credited Years of Service



## Appendix

*The longer I live, the more beautiful life becomes.*

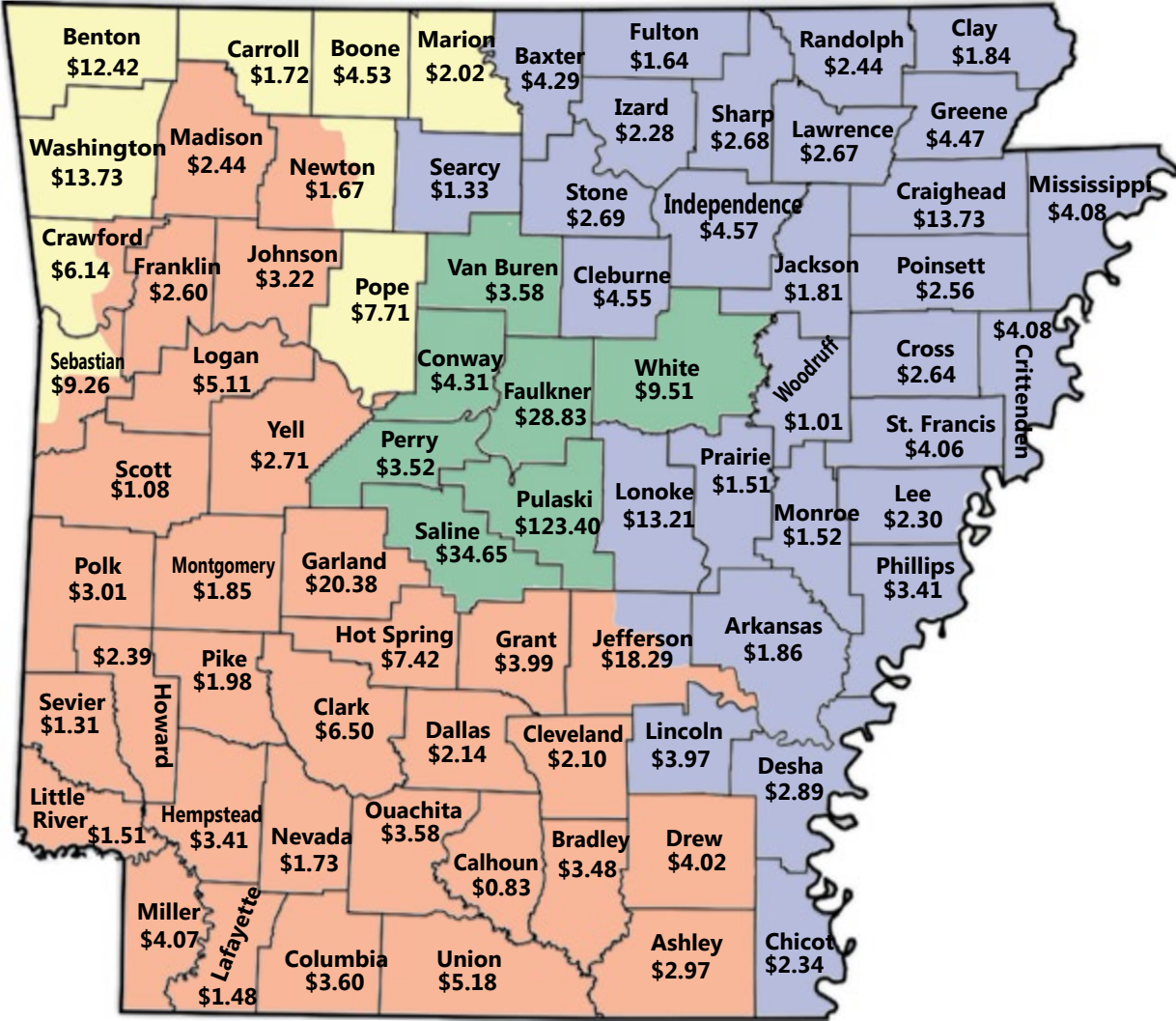
Frank Lloyd Wright

- Schedule Of Retirees and Benefits Paid by County
- Summary of Active Member Valuation
- Schedule of Participating Employers



# RETIREMENT BENEFITS PAID BY COUNTY

As of June 30, 2018



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

**SCHEDULE OF RETIREES AND BENEFITS PAID BY COUNTY\***

(for the fiscal year ended June 30, 2018)

**District I**

Total Retirees	8,931
Total Amount	\$ 107,235,323

County	Retirees	Benefits Paid
Arkansas	207	\$ 2,249,931
Baxter	364	\$ 4,565,300
Chicot	227	\$ 2,537,459
Clay	184	\$ 1,833,804
Cleburne	362	\$ 4,643,635
Craighead	1079	\$ 13,778,247
Crittenden	324	\$ 4,089,512
Cross	236	\$ 2,751,652
Desha	264	\$ 2,823,152
Fulton	159	\$ 1,872,519
Greene	380	\$ 4,421,285
Independence	446	\$ 4,755,513
Izard	222	\$ 2,323,205
Jackson	163	\$ 1,657,985
Jefferson**	230	\$ 2,998,259
Lawrence	235	\$ 2,984,083
Lee	168	\$ 2,013,383
Lincoln	276	\$ 3,767,717
Lonoke	908	\$ 13,988,602
Mississippi	387	\$ 4,061,663
Monroe	128	\$ 1,484,284
Phillips	286	\$ 2,821,824
Poinsett	237	\$ 2,363,592
Prairie	125	\$ 1,506,995
Randolph	226	\$ 2,558,993
Searcy	375	\$ 3,993,772
Sharp	131	\$ 1,329,945
St. Francis	242	\$ 2,808,025
Stone	256	\$ 3,179,910
Woodruff	104	\$ 1,071,078

**District II**

Total Retirees	11,977
Total Amount	\$ 215,459,086

County	Retirees	Benefits Paid
Conway	333	\$ 4,351,706
Faulkner	1829	\$ 29,408,384
Perry	265	\$ 4,452,590
Pulaski	6332	\$ 126,851,030
Saline	2161	\$ 37,326,843
Van Buren	279	\$ 3,710,572
White	778	\$ 9,357,960

**District III**

Total Retirees	4,601
Total Amount	\$ 62,114,913

County	Retirees	Benefits Paid
Benton	989	\$ 13,291,127
Boone	400	\$ 5,383,801
Carroll	165	\$ 1,697,875
Crawford**	455	\$ 6,619,226
Marion	164	\$ 1,702,815
Newton**	87	\$ 1,133,767
Pope	637	\$ 8,355,416
Sebastian**	653	\$ 8,694,227
Washington	1051	\$ 15,236,658

\*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, 2018)

### District IV

Total Retirees	9,703
Total Amount	\$124,977,170

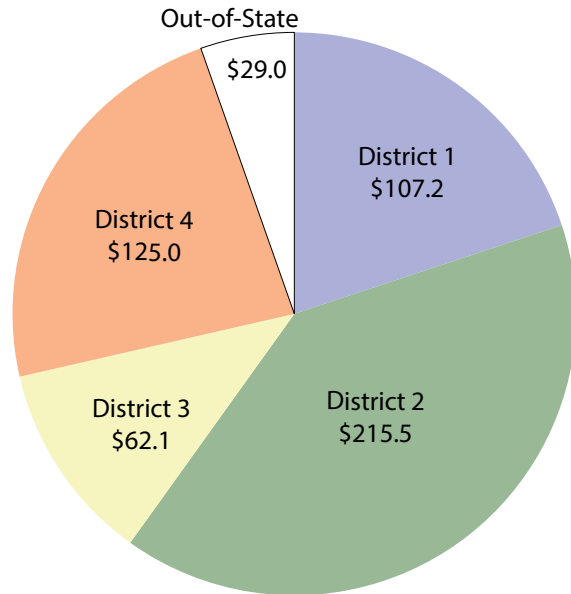
County	Retirees	Benefits Paid
Ashley	264	\$ 2,998,526
Bradley	285	\$ 3,628,492
Calhoun	85	\$ 639,591
Clark	514	\$ 6,951,818
Cleveland	166	\$ 2,139,475
Columbia	308	\$ 4,115,792
Crawford**	15	\$ 132,805
Dallas	147	\$ 1,552,913
Drew	302	\$ 4,329,153
Franklin	194	\$ 2,368,912
Garland	1381	\$ 20,638,618
Grant	272	\$ 4,236,617
Hempstead	288	\$ 3,646,611
Hot Spring	672	\$ 8,030,630
Howard	187	\$ 2,361,192
Jefferson**	1137	\$ 15,767,808
Johnson	238	\$ 2,959,145
Lafayette	119	\$ 1,368,129
Little River	153	\$ 1,468,357
Logan	441	\$ 5,156,635
Madison	170	\$ 2,198,311
Miller	314	\$ 4,100,370
Montgomery	132	\$ 1,760,708
Nevada	167	\$ 1,839,825
Newton**	55	\$ 509,678
Ouachita	324	\$ 3,909,794
Pike	148	\$ 1,852,718
Polk	260	\$ 2,908,502
Scott	122	\$ 1,120,196
Sebastian**	73	\$ 913,230
Sevier	121	\$ 1,264,785
Union	421	\$ 5,131,096
Yell	228	\$ 2,976,739

### Benefits By District

(for the fiscal year ended June 30, 2018)

	Total Retirees	Total Amount
1st District	8,931	\$ 107,235,323
2nd District	11,977	\$ 215,459,086
3rd District	4,601	\$ 62,114,913
4th District	9,703	\$ 124,977,170
Out of State	2,893	\$ 28,962,564
<b>Total Retirees and Benefits</b>	<b>38,105</b>	<b>\$ 538,749,055</b>

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, 2018)

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	0	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	
<b>6/30/18</b>	<b>46,207</b>	<b>\$ 1,723.6</b>	<b>\$ 37,302</b>	<b>3.0%</b>	<b>37,398</b>	<b>1.2</b>	<b>\$ 575.1</b>	<b>33.4%</b>	

The above valuation payroll results do not include DROP payroll.

## SCHEDULE OF PARTICIPATING EMPLOYERS (as of June 30, 2018)

### 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  
 Cleburne 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  
 Developmental Disabilities Services, 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 Pro. 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  
 Hearing Instrument Dispensers, Arkansas Board 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 for  
 Lawrence County Conservation District  
 Lee County Conservation District  
 Legislative Audit, Arkansas Division of  
 Legislative Research, Arkansas Bureau of  
 Library, Arkansas State

## State Agencies (continued)

Lieutenant Governor, Office of  
 Lincoln County Conservation District  
 Liquified Petroleum Gas Board, Arkansas  
 Little River Conservation District  
 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  
 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  
 Batesville Waterworks  
 Bradford Water and Sewer System  
 Brinkley Municipal Waterworks and Sewer  
 Department  
 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 Centeron  
 City of Charleston  
 City of Cherry Valley  
 City of Clarksville  
 City of Clinton  
 City of Corning  
 City of Cotter  
 City of Crawfordville  
 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 Highfill  
 City of Holly 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 Junction City  
 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  
 Hot Springs Advertising and Promotion  
 Commission  
 Hot Springs Municipal Sewer System  
 Huntsville Water and Sewer  
 Jacksonville Wastewater Utility  
 Jacksonville Water Commission  
 Little Rock Water Reclamation Authority  
 Malvern Waterworks  
 McGehee Water and Sewer System  
 Mena Water and Sewer  
 Mount Pleasant Water Department  
 Mountain View Water & Sewer Commission  
 Municipal League, Arkansas  
 North Little Rock Advertising & Promotion  
 Commission  
 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 Gum Springs  
 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 #1  
 Atkins School District #18  
 Bald Knob School District  
 Benton School District #8  
 Bergman School District #3  
 Berryville School District  
 Blytheville School District #5  
 Booneville School District #65  
 Cabot School District #4  
 Clarksville School District #17  
 Conway School District  
 Cossatot River School District  
 Des Arc School District #5  
 Dollarway Schools  
 Dumas Special School District  
 El Dorado School District #15  
 Fairview School District  
 Fayetteville School District #1  
 Forrest City School District  
 Fort Smith School District  
 Gentry School District #19  
 Greenwood School District #25  
 Hamburg School District #51  
 Helena-West Helena School District #2  
 Hope School District #1a  
 Horatio School District #55  
 Hot Springs School District  
 Huntsville School District  
 Jonesboro Public Schools  
 Junction City School District #75  
 Lafayette County School District  
 Lake Hamilton School District #5  
 Lee County School District  
 Little Rock School District  
 Magazine School District #15  
 Magnolia School District #14  
 McCrory Public Schools  
 Mountain Home School District #9  
 North Little Rock School District  
 Ozark School District #14  
 Piggott School District #52  
 Pine Bluff Schools  
 Pottsville School District #61  
 Pulaski County Special School District  
 Rogers School District #30  
 Russellville School District #14  
 Searcy County School District  
 Sheridan School District #37  
 Siloam Springs School District #21  
 South Conway County School District  
 South Mississippi County School District #57  
 South Pike County School District  
 Southside School District #3  
 Two Rivers School District  
 Van Buren School District #42  
 Waldron School District  
 Warren School District #1

### District Judges

Ashdown District Court  
 Brinkley District Court  
 Camden District Court  
 Charleston District Court  
 Cherokee Village District Court  
 Clarksville District Court  
 East Camden District Court  
 Franklin County District Court  
 Hot Springs District Court  
 Little Rock District Court  
 Newport District Court  
 Ouachita County District Court  
 Randolph County District Court  
 Sharp County District Court  
 State District Judges  
 Woodruff County District Court

### 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  
 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

### 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  
 Highway 71 Water District No. 1  
 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

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



**Arkansas Public Employees Retirement System**  
124 West Capitol Ave., Suite 400  
Little Rock, AR 72201  
[www.apers.org](http://www.apers.org)