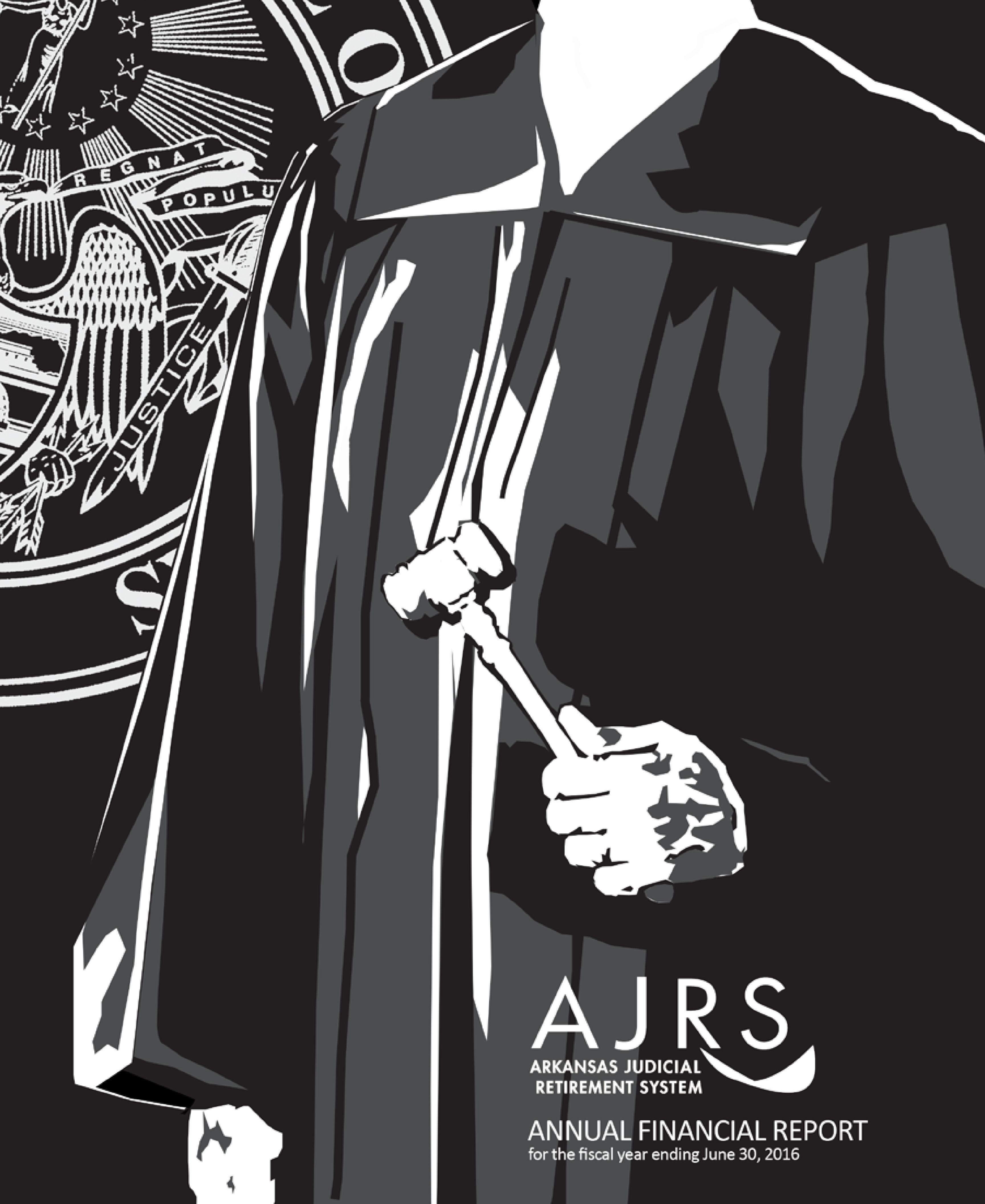

AJRS

ARKANSAS JUDICIAL RETIREMENT SYSTEM

ANNUAL FINANCIAL REPORT

for the fiscal year ending June 30, 2016

Arkansas Judicial Retirement System

A Pension Trust Fund of the State of Arkansas

Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Gail H. Stone, Executive Director

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

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INTRODUCTION

AJRS
ARKANSAS JUDICIAL RETIREMENT SYSTEM

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A Brief History
Arkansas Judicial Retirement System

With the passage of Act 365 on March 28, 1953, the Arkansas General Assembly created the Arkansas Judicial Retirement System (AJRS or the System).

The statutes providing for and governing AJRS may be found in Chapters 2 and 8 of Title 24 of the Arkansas Code Annotated (A.C.A.). The administration and control of the System is vested in the Board of Trustees of the Arkansas Judicial Retirement System (the Board). The Board is appointed by the Arkansas Judicial Council.

The System provides for the retirement of all circuit judges, court of appeals judges,- and Arkansas Supreme Court justices. Act 399 of 1999 created a Tier II benefit plan for all persons who become members of the System after August 1, 1999. Any active member of the System prior to August 1, 1999 had until the end of the term in office in which the member is serving on the effective date to elect coverage under Tier II.

Act 744 of 2009 permits Tier I judges with at least 20 years of judicial service to continue making 6% employee contributions in exchange for a 2.5% increase in benefits for each additional year of service. The maximum benefit payable is 75% of final salary.

This annual financial report, which covers the period from July 1, 2015 through June 30, 2016, provides comprehensive information about the System including statements of financial condition, investment objectives and policy, an actuarial report, historical and statistical information on active members, annuitants and benefit payments, as well as a description of the retirement plan.

System Highlights
As of June 30, 2016

ACTIVE MEMBERS

Number	Average Age (yrs.)	Average Service (yrs.)	Average Annual Salary
139	59.5	17.0	$ 160,489.00

2016 RETIREES

Number	Average Age (yrs.)	Average Service (yrs.)	Average Monthly Benefit
1	62.0	12	$ 3,798.83

ALL RETIRED MEMBERS

Number	Average Age (yrs.)	Average Service (yrs.)	Average Monthly Benefit
138	75.4	NA	$ 7,229.36

Letter of Transmittal

AJRS
ARKANSAS JUDICIAL RETIREMENT SYSTEM
124 West Capitol, Suite 400 • Little Rock, AR 72201-3704
501-682-7800 • 1-800-682-7377 • www.apers.org

January 2, 2017

Dear AJRS Members:

The Arkansas Judicial Retirement System (AJRS) is pleased to present the Annual Financial Report for the period ending June 30, 2016. The report is designed to provide a clear and concise picture of the financial conditions of the System. The report includes the following sections:

- Introduction
- Financial
- Investment
- Actuarial
- Statistical

Accounting System

The accrual basis of accounting is used to record the assets, liabilities, revenues, and expenses of the Arkansas Judicial Retirement System Trust Fund. Revenues are recognized in the accounting period in which they are earned, without regard to date of collection, and expenses are recorded when incurred, regardless of when payment is made. Investments are reported at market values determined by the custodial agent. The agent's determination of market value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Funding

The System is funded through contributions from the state and employees as well as investment income. The general financial objective of the System is to establish and receive contributions which, expressed as a percentage of active member payroll, will remain approximately level from generation to generation.

Investments

In accordance with the Investment Code contained in A.C.A. Title 24, Chapter 2, the Board is required to invest the funds in conformity with the "prudent investor rule." The Investment Code permits the Board to establish an investment policy based upon certain investment criteria and allows the Board to retain professional investment advisors to assist the Board in making investments. The Board has established an investment policy that reflects the level of risk that is deemed appropriate for the fund. The investment advisor retained by the Board is listed in the schedule of professional services contractors.

Professional Services

Professional services are provided to AJRS by a firm selected by the Board to aid in the efficient and effective management of the System. A listing for this firm as well as other professional services contractors retained by AJRS is shown on page 12 of this report.

Acknowledgments

This report is the result of the combined efforts of the AJRS staff under the direction of the Board. Its purpose is to provide complete and reliable information as a basis for making management decisions, as a means for determining compliance with legal provisions, and as a means for determining responsible stewardship over the assets contributed by the members and employers.

Robert Edwards
Judge Robert Edwards
Chairman, AJRS Board

Gail H. Stone
Gail H. Stone
Executive Director

Arkansas Judicial Retirement System Board of Trustees

Administrative Office

Gail Stone - Executive Director
Arkansas Judicial Retirement System
124 West Capitol Avenue, Suite 400
Little Rock, AR 72201
501-682-7800
1-800-682-7377

AJRS 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. Susan Bowers
  Assistant Director of Investments
- Ms. Allison Woods
  Director of Benefits Administration
- Mr. Phillip Norton
  Director of Information Technology
- Ms. Becky Walker
  Director of Operations
- Ms. Jacobia Twiggs
  Manager, Educational Outreach
- Ms. Jennifer Taylor
  Manager, Member and Retiree Services Section
- Mr. Jon Aucoin
  Manager, Communications Section
- Ms. Jessica Middleton-Kurlyko
  Legal Counsel
- Mr. John Owens
  Internal Auditor

Outside Professional Service Providers

Custodian Bank

The Bank of New York Mellon
Pittsburgh, PA 15258

Actuary

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

Investment Consultant

Callan Associates, Inc.
Chicago, IL 60602

Investment Managers

QS Investors, LLC
Boston, MA 02116

Capital Guardian Trust Co.
Los Angeles, CA 90017

Invesco Real Estate
Dallas, TX 75240

MacKay Shields
New York, NY 10105

Boston Partners
Boston, MA 02108

Wellington Management Company
Boston, MA 02210

FINANCIAL

AJRS
ARKANSAS JUDICIAL RETIREMENT SYSTEM

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Management's Discussion and Analysis

To help facilitate a better understanding of the financial condition of the Arkansas Judicial Retirement System (AJRS or the System) as of June 30, 2016, management has prepared this narrative analysis. This narrative is intended to supplement the System's financial statements, and, as such, should be read in conjunction with these statements, which are presented beginning on page 16.

Revenues

The fiscal year 2016 revenue from employer and employee contributions totaled $5.97 million. This amount is $51,535 less than fiscal year 2015. Court fees for fiscal year 2016 were $586,818, which is $22,570 less than fiscal year 2015.

Net investment loss for fiscal year 2016 was $1.74 million after investment expenses of $1,162,251, a decrease of $11.716 million from fiscal year 2015. Overall, the System's total additions decreased by $11.780 million from fiscal year 2015. The primary reason for this large decrease was the lower investment return achieved in fiscal year 2016.

Expenses

Benefit payments for fiscal year 2016 were $12.007 million, or $1,244,666 more than fiscal year 2015. Administrative expenses were $158,420, of which $43,100 was for professional fees and $108,301 was transferred to the Arkansas Public Employment Retirement System (APERS) for indirect administrative costs.

STATEMENT OF FIDUCIARY NET POSITION
As of June 30, 2016

	2016	2015
Assets		
Cash and Cash Equivalents	$ 4,002,128	$ 2,614,398
Receivables		
Contributions	153,411	288,901
Deceased Retirant Receivable	0	1,212
Investment Principal Receivable	158,417	339,825
Accrued Investment Income Receivable	810,120	818,379
Total Receivables	1,121,948	1,448,317
Investments, At Fair Value		
Government Securities		
U.S. Government Securities	27,510,249	21,175,809
U.S. Government Agency Securities	2,303,883	2,799,386
Futures	(241,426)	(43,034)
Corporate Securities		
Fixed Income Commingled	13,833,657	13,863,986
Collateralized Obligations	2,389,961	3,195,731
Corporate Bonds	32,410,857	34,339,069
Common Stock	47,369,145	53,724,351
Domestic Equity Commingled	34,863,219	36,595,418
International Securities		
Global Commingled	29,768,536	34,114,766
Global Corporate Fixed Income	1,769,212	2,640,989
Forwards	31,794	(12,959)
Global Equity	4,595	0
Emerging Markets	0	445,194
Real Estate	19,489,647	17,678,979
Commercial Loans	2,490,143	616,430
Total Investments	213,993,472	221,134,115
Total Assets	219,117,548	225,196,830
Liabilities		
Accrued Expenses and Other Liabilities	304,429	314,967
Investment Principal Payable	3,027,550	1,758,112
Total Liabilities	3,331,979	2,073,081
Net Position Restricted for Pension Benefits	$ 215,785,569	$ 223,123,751

Totals may not add due to rounding.
The accompanying notes are an integral part of these financial statements.
A schedule of funding progress is on page 44.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended June 30, 2016

	2016	2015
Additions		
Contributions		
Employer	$ 4,962,144	$ 5,078,901
Employee	1,011,372	946,149
Court Fees	586,818	609,388
Total Contributions	6,560,333	6,634,438
Investment Income		
Interest	2,818,431	2,804,513
Dividends	1,859,724	1,908,027
Currency Gain/(Loss)	(1,743)	(192,891)
Investment Gain/(Loss)	(5,258,247)	6,655,877
Total Investment Income	(581,835)	11,175,526
Less: Investment Expense	1,162,251	1,203,702
Net Investment Income	(1,744,086)	9,971,824
Other Additions		
Miscellaneous Additions	12,328	2,092
Total Additions	4,828,576	16,608,354
Deductions		
Benefits	12,007,537	10,762,871
Refunds of Contributions	800	14,320
Administrative Expenses	158,420	137,951
Total Deductions	12,166,757	10,915,142
Net Increase (Decrease)	(7,338,182)	5,693,211
Net Position Held in Trust for Benefits		
Beginning of Year	223,123,751	217,430,540
End of Year	$ 215,785,569	$ 223,123,751

Totals may not add due to rounding.
The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Plan Description

AJRS is a single-employer, defined benefit pension plan established on March 28, 1953.

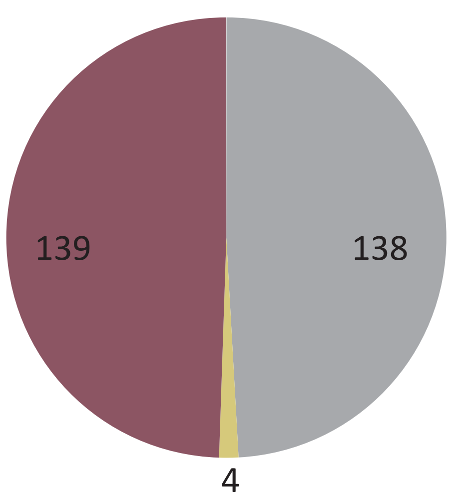
The System provides for the retirement of all circuit judges, court of appeals judges, and Supreme Court justices. The laws governing operations of AJRS are set forth in Arkansas Code of 1987 Annotated (A.C.A.) §§ 24-8-201 through 24-8-228 and §§ 24-8-701 through 24-8-717. The administration and control of the System is vested in the Board of Trustees of the Arkansas Judicial Retirement System (the Board), which includes five members selected by the Arkansas Judicial Council.

Membership

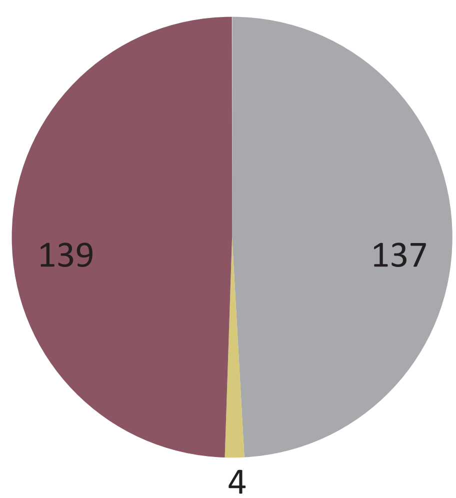
As of June 30, 2016 and 2015, membership was as follows:

MEMBERSHIP	2016	2015
Retirees and Beneficiaries Receiving Benefits	138	137
Terminated plan members entitled to but not yet receiving benefits	4	4
Active Plan Members	139	139
TOTAL	281	280

2016 Membership



2015 Membership



Retirees and Beneficiaries Receiving Benefits
Terminated plan members entitled to but not yet receiving benefits
Active Plan Members

Contributions

Contribution provisions are established by state law and may be amended only by the Arkansas General Assembly. The contribution rate of each member of the System is 6% of annual salary for Tier I (A.C.A. § 24-8-209) and 5% of annual salary for Tier II (A.C.A. § 24-8-706). When a judge is certified as eligible for retirement, no further contribution is required of him for Tier I (A.C.A. § 24-8-211) or for Tier II (A.C.A. § 24-8-708). The employer contribution rate is 12% of salaries paid.

In addition to the 12% employer rate and the statutory fees, the Chief Fiscal Officer of the State is required to transfer from the Constitutional and State Central Services Fund an amount that is equal to the difference between the mandatory contribution rate and the actuarially determined rate necessary to fund the plan (A.C.A. § 24-8-210).

Additionally, supplemental contributions are paid to the system from the Constitutional and Fiscal Agencies Fund in accordance with Section 8 of Act 922 of 1983.

Plan Administration

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

Benefits

An active member in Tier I with a minimum of 10 years of credited service may voluntarily retire upon reaching 65 years of age or thereafter upon filing a written application with the Board. Any other Tier I member who has a minimum of 20 years of credited service may retire regardless of age, and any judge or justice who has served at least 14 years is eligible for benefits upon reaching age 65. In all cases of age and service retirement for judges or justices elected after July 1, 1983 and remaining in Tier I, the member must have a minimum of 8 years of actual service as a justice of the Arkansas State Supreme Court or a judge of the circuit courts or the Arkansas Court of Appeals (A.C.A. § 24-8-215). An active or former member in Tier II may retire at age 65 with 8 or more years of credited service or after 20 years of credited service regardless of age (A.C.A. § 24-8-710).

Increases after Retirement

For any person who was a member on or before June 30, 1983, the retirement benefits are increased or decreased from time to time as the salary for the particular judicial office is increased or decreased. For all judges or justices first elected on or after July 1, 1983, and who have received retirement benefits from the System for at least 12 full calendar months, the retirement benefits are increased each July 1st by 3%. Post retirement increases for members are authorized in A.C.A. sections as follows:

Tier I judges first elected prior to July 1, 1983:	§ 24-8-218 (c) (1) (B)
Tier I judges first elected after July 1, 1983:	§ 24-8-223
Tier II judges:	§ 24-8-717

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the most recent actuarial date, is as follows (dollar amounts in thousands):

Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll [(2-1)/(5)]
6/30/2016	$ 225,254	$ 260,522	$ 35,268	86.5%	$ 22,308	158%

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

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

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 5
- 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, cash in state treasury, and short-term investment funds (STIF). The STIF accounts are created through daily sweeps of excess cash by the System's custodian bank into a bank-sponsored commingled fund that is invested in U.S. Government and agency securities and other short-term instruments.

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 5 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: Legally Required Reserves

A description of reserve accounts and their balances for the years ended June 30, 2016 and 2015 are as follows:

The Members' Deposit Account (MDA) represents members' contributions held in trust until each member's retirement, at which time contributions are 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 Deferred Annuity Account is the reserve account established to cover estimated retirement benefits to inactive vested members who are not currently receiving benefit payments.

The Retirement Reserve Account is the account to which member contributions, interest on those contributions, and employer contributions are transferred upon member retirement.

	2016	2015
Members Deposit Account	$ 13,337,472	$ 12,665,310
Members Deposit Account Interest Reserve	698	698
Employer Accumulation Account	60,761,452	96,866,600
Retirement Reserve Account	139,880,369	112,149,007
Deferred Annuity Account	1,805,577	1,442,136
TOTAL	$ $215,785,569	$ 223,123,751

Totals may not add due to rounding.

Note 4: Deposits and Investments

The deposits and investments of the System are exposed to risks that have the potential to result in losses. The following information discloses risks related to credit, interest rate and foreign currency risks, as well as policies related to these risks.

Deposits

Deposits are carried at cost and are included in "cash and cash equivalents". Cash and cash equivalents consisted of cash deposits with financial institutions of $12,978, STIF accounts in the amount of $3,988,927, and $223 cash in state treasury. State Treasury Management Law governs the management of funds held in the State Treasury (cash in state treasury) and it is the responsibility of the Treasurer of State to ensure the funds are adequately insured and collateralized.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or collateral securities held by an outside party. The System's deposit policy is to place deposits only in collateralized or insured accounts. As of June 30, 2016, the System's only deposits exposed to potential custodial credit risk were those holding its foreign currency balance of $21,315. 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 through 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 fees for investment management, custodial fees, and all other significant investment related costs.

Arkansas Code Annotated § 24-2-608 also states the System shall seek to invest not less than 5% or more than 10% of the System's portfolio in Arkansas-related investments. AJRS recognizes a legal responsibility to seek to invest in the Arkansas economy, while realizing its primary, legal, and fiduciary commitment is to beneficiaries of the retirement system. As 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."

Asset allocation guidelines have been established as follows:

ASSET ALLOCATION	Target	Lower Limit	Upper Limit
Domestic Equities	37 %	32 %	42 %
International Equities	15 %	10 %	20 %
Fixed Income	40 %	35 %	45 %
Real Estate	8 %	3 %	13 %

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 independent brokers at current exchange rates, as available.

As of June 30, 2016, the System had the following investments:

INVESTMENT TYPE	Fair Value*
Government Securities	
U.S. Government Securities	$ 27,510,249
Agency Pooled	2,303,883
Corporate Securities	
Collateralized Obligations	2,389,961
Corporate Bonds	32,410,856
High Yield Bond Fund	13,833,657
Common Stock	47,369,144
Equity Index Fund	34,863,218
International Securities	
Global Corporate Fixed	1,769,212
Global Commingled	29,768,536
Global Equity	4,595
Forwards	31,794
Real Estate Commingled	19,489,647
Commercial Loans	2,490,143
Futures	(241,426)
Total	$ 213,993,471

* Principal only

Totals may not add due to rounding.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are *(a)* uninsured, *(b)* not registered in the name of the government, and *(c)* held by either the counterparty or the counterparty's trust department or agent but not in the System's name. As of June 30, 2016, there were no investments exposed to custodial credit risk.

Interest Rate Risk

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

The System's external fixed income investment manager uses the measurement of effective duration to mitigate the interest rate risk of the fixed income investments. The 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, 2016, the System had the following debt security investments and maturities:

			Investment Maturity (In Years)		
INVESTMENT TYPE	Fair Value*	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government Securities	$ 27,510,249	$ 0	$ 13,146,314	$ 9,472,099	$ 4,891,836
Agency Pooled	2,303,883	0	0	0	2,303,883
Collateralized Obligations	2,389,961	819,409	282,264	0	1,288,288
High Yield Bond Fund	13,833,657	0	13,833,657	0	0
Corporate Bonds	32,410,856	1,809,902	10,824,490	9,389,703	10,386,762
Global Corporate Fixed	1,769,212	0	80,501	1,308,547	380,165
Commercial Loans	2,490,143	0	1,372,003	1,118,140	0
	$ 82,707,961	$ 2,629,311	$ 39,539,228	$ 21,288,490	$ 19,250,934

* Principal only

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 does not have a formal policy for foreign currency risk. All foreign currency investments are in equities, fixed income, cash and forward contracts.

The System's exposure to foreign currency at June 30, 2016 was as follows:

CURRENCY	Fair Value	Fixed Income	Cash	Forward Contracts
British Pound Sterling	743,460	333,365	21,315	388,780

Credit Risk

Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. The System has a formal investment policy for credit risk. Exposure to a single issuer is limited to 5%. The Bank of New York Mellon provided the detail of Standard & Poor's (S&P) and Moody's ratings (see overleaf).

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The System's exposure to credit risk as of June 30, 2016, was as follows:

Moody's Credit Rating Dispersion Detail by Credit Rating

Investment Type and Fair Value	Aaa	Aa	A
Government Securities			
U.S. Government Securities	$ 27,510,249	$ 0	$ 0
Agency Pooled	1,077,529	0	0
Corporate Securities			
Collateralized Obligations	535,875	268,430	187,677
High Yield Bond Fund	0	0	0
Corporate Bonds	0	597,218	8,227,706
International Securities			
Global Corporate Fixed	0	0	333,365
Commercial Loans	373,125	0	0
	$ 29,496,779	$ 865,648	$ 8,748,747

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

Investment Type and Fair Value	AAA	AA	A
Government Securities			
U.S. Government Securities	$ 0	$ 27,510,249	$ 0
Agency Pooled	0	1,077,529	0
Corporate Securities			
Collateralized Obligations	535,875	268,430	120,905
High Yield Bond Fund	0	0	0
Corporate Bonds	0	1,530,349	6,473,727
International Securities			
Global Corporate Fixed	0	0	0
Commercial Loans	0	0	0
	$ 535,875	$ 30,386,558	$ 6,594,632

* Principal only. Totals may not add due to rounding.

Baa	Ba	B	Caa or below	NR	Fair Value*
$ 0	$ 0	$ 0	$ 0	$ 0	$ 27,510,249
0	0	0	0	1,226,354	2,303,883
0	282,264	120,905	915,513	79,297	2,389,961
0	7,534,490	6,299,167	0	0	13,833,657
16,621,730	3,373,307	2,532,181	286,875	771,839	32,410,856
947,760	407,587	0	0	80,501	1,769,212
0	0	486,665	348,830	1,281,523	2,490,143
$ 17,569,490	$11,597,649	$ 9,438,918	$ 1,551,218	$ 3,439,514	$ 82,707,963

BBB	BB	B	CCC or below	NR	Fair Value*
$ 0	$ 0	$ 0	$ 0	$ 0	$ 27,510,249
0	0	0	0	1,226,354	2,303,883
187,677	282,264	0	875,721	119,090	2,389,961
0	13,833,657	0	0	0	13,833,657
17,362,214	4,373,315	1,431,988	579,750	659,514	32,410,856
1,281,125	407,587	0	80,501	0	1,769,212
299,391	373,125	1,468,797	348,830	0	2,490,143
$ 19,130,406	$19,269,948	$ 2,900,785	$ 1,884,801	$ 2,004,958	$ 82,707,963

Concentration of Credit Risk

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). Each investment manager retained by the System has its own individualized investment policy regarding the 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.

Mortgage-Backed Securities

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

A collateralized mortgage obligation (CMO) is an MBS that is composed of classes of bonds created by prioritizing the cash flows of the underlying mortgage pool. This redistributes prepayment risk and credit risk among the various bond classes in the CMO structure. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. CMOs may be collateralized by whole-loan mortgages, mortgage pass-through securities, or stripped mortgage-backed securities. As of June 30, 2016 the System held approximately $2.389 million of collateralized obligations.

The System invests in MBSs and CMOs for diversification and to enhance fixed income returns. In addition to the risks outlined above, MBSs are subject to credit risk, the risk that the borrower will be unable to meet its obligations.

As of June 30, 2016, the System held approximately $2.174 million in mortgage-backed securities, none of which were considered as highly sensitive to changes in interest rates.

Asset-Backed Securities

As of June 30, 2016, the System held asset-backed securities with a fair value of approximately $216 thousand. Asset-backed securities (ABSs) are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to the collateralized mortgage obligations described above, ABSs have been structured as pass-through securities and as structures with multiple bond classes. The System's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Corporate Bonds

As of June 30, 2016, the System held corporate bonds with a fair value of approximately $32.41 million. Corporate bonds are a debt security issued by a corporation. The backing for the bond is usually the ability of the company to pay the debt, which is typically based on money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Such bonds 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.

Pooled Funds

AJRS has approximately $34.8 million invested in international pooled funds. AJRS could be indirectly exposed to credit and market risks associated with currency forward contracts to the extent that these pooled funds hold currency forward contracts for purposes of managing exposure to fluctuations in foreign exchange rates.

Derivative Instruments

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. At any given time, AJRS, through its external investment managers, may hold such instruments. The external investment managers may enter into these investments on behalf of AJRS, primarily to enhance the performance and reduce the volatility of its portfolio. The external investment managers may enter into swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk. AJRS' external investment managers seek to control this risk by evaluating the counterparties before approval, establishing credit limits for each counterparty, and employing procedures for monitoring exposure to credit risk. AJRS' external investment managers anticipate that the counterparties will be able to satisfy their obligations under the contracts. Investments in limited partnerships and commingled funds may include derivatives that are not shown in any derivative totals. The external investment manager does invest in MBSs, which are reported at fair value in the *Statement of Fiduciary Net Position*. Because MBSs are based on the cash flows from interest and principal payments of the underlying mortgages, they are sensitive to prepayments on mortgages in a declining interest rate environment that could reduce the value of the securities. The external investment manager may invest in MBSs to diversify AJRS' portfolio and increase return while minimizing the extent of risk.

As of June 30, 2016, the System had the following currency forwards:

FOREIGN CURRENCY FORWARD CONTRACTS	PAY	RECEIVE	BASE NOTIONAL VALUE	BASE MARKET VALUE	Unrealized Gain/(Loss)
British Pound	USD	GBP	$ 388,780	$ 388,780	$ 0
British Pound	GBP	USD	$ (325,191)	$ (356,985)	$ 31,794

As of June 30, 2016, the System had the following mortgage-backed TBA:

MORTGAGE-BACKED TBA	CUSIP	Notional Value	Fair Mkt Value	Duration	Credit Rating
FNMA 3.50% 07/01/2046	01F032674	$ 408,708	$ 411,512	30.02	Aaa/AA+
FNMA 4.00% 07/01/2046	01F040677	811,894	814,842	28.68	Aaa/AA+
		$ 1,220,602	$ 1,226,354		

Totals may not add due to rounding.

As of June 30, 2016, the System had the following U.S. Treasury futures:

Future Description	Maturity Date	CUSIP	Notional Value	Unrealized Gain/(Loss)
U.S. 2-year Treasury Note	Sept 2016	99F217I6A	$ (16,449,609)	$ (116,015)
U.S. 5-year Treasury Note	Sept 2016	99F183I6A	5,253,055	93,055
U.S. 10-year Treasury Note	Sept 2016	99F139I6A	(7,314,141)	(188,200)
U.S. 30-year Treasury Bond	Sept 2016	99F133I6A	(517,031)	(30,266)
			$ (19,027,727)	$ (241,426)

Totals may not add due to rounding.

Fair Value Measurements

AJRS categorizes its 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, 2016)

	Fair Value	Level 1	Level 2	Level 3
Investments at Fair Value				
U.S. Domestic Equities	$ 47,373,739	$ 47,373,739	$ 0	$ 0
Convertible Securities	0	0	0	0
Preferred Securities	310,500	0	310,500	0
Fixed Income				
U.S. Government Securities	29,814,132	27,510,249	2,303,883	0
Futures	(241,426)	(241,426)	0	0
Equity Securities	0	0	0	0
Corporate Bonds	36,259,529	0	36,259,529	0
Loans/JV interest	16,323,800	0	0	16,323,800
Total Investments at Fair Value	$ 129,840,276	$ 74,642,562	$ 38,873,913	$ 16,323,800

Investments at the Net Asset Value (NAV)	
Capital Guardian International Equity Fund	$ 29,768,536
Invesco Core Real Estate Fund	19,489,647
Wellington Diversified Growth Fund	34,863,218
Total Investments at the NAV	$ 84,121,401

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 AJRS' 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.

Totals may not add due to rounding.

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 Commit-ments	Redemption Frequency (if currently eligible)	Redemp-tion Notice Period	Other Re-demption Restrictions	Restriction Time Remain-ing
Capital Guard-ian International Equity Fund	$ 29,768,536	International Equities	N/A	none	daily	T + 3	N/A	N/A
Invesco Core Real Estate Fund	$ 19,489,647	Core Real Esate	N/A	none	quarterly	T + 45	N/A	N/A
Diversified Growth Fund	$ 34,863,218	U.S. Large Cap Growth stocks	N/A	none	daily	T + 1	N/A	N/A
Total	$ 84,121,401							

Capital Guardian International Equity Fund

Capital Guardian International Equity Fund is a collective investment trust maintained and managed by Capital Guardian Trust Company. The investment objective of the Fund is to provide long-term growth of capital and income. The Fund invests primarily in equity securities of issuers from non-U.S. countries or primarily traded outside the U.S. Capital Guardian seeks to invest in attractively priced securities that represent good, long-term investment opportunities. The Fund focuses on investments in larger capitalization companies; however, investments are not limited to a particular capitalization size. While the assets of the Fund may be invested with geographical flexibility, the emphasis is in securities of developed country issuers.

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.

Wellington CIF II Diversified Growth Fund

The investment objective of the Diversified Growth Fund is to provide long-term returns above those of the Russell 1000 Growth Index by investing primarily in large U.S. companies that are projected to grow faster than other large-cap stocks.

Totals may not add due to rounding.

Note 5: Net Pension Liability

The components of the net pension liability of the System at June 30, 2016, were as follows:

Total Pension Liability	$ 260,522,178
Plan Fiduciary Net Position	$ 215,785,569
Net Pension Liability	$ $44,736,609

Plan fiduciary net position as a percentage of total pension liability	82.83%%

Totals may not add due to rounding.

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were provided by the plan's investment consultant. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016 these best estimates, provided by the plan's investment consultant, are summarized in the following table:

ASSET CLASS	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.0%	6.54%
International Equity	15.0	6.63
Real Estate	8.0	4.90
Cash Equivalents	0.0	0.02
Domestic Fixed	40.0	0.83
Total	100%	
Total Real Rate of Return		4.14%
Plus: Price Inflation - Actuary's Assumption		2.50
Less: Admin and Investment Expenses*		0.00
Net Expected Return		6.64%

Totals may not add due to rounding.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was **a** loss of 0.79%. 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 6.25% 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 6.25%. 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 table presents the net pension liability of the System, calculated using the discount rate of 6.25%, 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 (5.25%) or one percentage point higher (7.25%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
Net Pension Liability	$ 74,617,871	$ 44,736,609	$ 19,369,162

The Board engages an independent firm of actuaries to (1) estimate the present value of actuarial accrued liabilities (AALs) and pension benefit obligations so they can then (2) determine the reserves and employer contribution rates that are required to meet the System's obligations to current and terminated participants, retired individuals, and beneficiaries.

AALs are those future periodic payments including lump sum distributions that are attributable to the service employees have rendered to date and the plan provisions of the System. The present value of AALs is calculated based on the entry age actuarial cost method with benefits based on projected salary increases. The actuarial assumed investment rate of return of 6.25% was allocated to appropriate actuarial accrued liabilities.

Actuarial Gains and Losses

Actuarial gains and losses result from the differences between the AAL amount computed by the actuary and those same amounts reflected in the required supplemental schedules as of the date of the actuarial report. The net actuarial gain or loss increases or decreases the unfunded AAL based on the annual actuarial valuation. The 2016 actuarial gains and losses were due to routine adjustments of actuarial assumptions and methodology, as well as normal experience gains and losses. The resulting actuarial gain was $7,319,486.

Actuarial Computed Liabilities

The total unfunded actuarial computed liability of the System as adjusted to fair value, based on entry age normal cost method which is the projected benefit method with a supplemental cost, used for determining required contributions as appears in the actuarial valuation, was $35,267,807 as of June 30, 2016.

Actuarial Accrued Liabilities

ACTUARIAL PRESENT VALUE OF	(1) Total Present Value	(2) Portion Covered By Future Normal Cost Contributions	(3) Actuarial Accrued Liabilities (1)-(2)
Benefits to be paid to current retirees, beneficiaries, and future beneficiaries of current retirees	$ 142,743,251	$ 0	$ 142,743,251
Age and service allowances based on total service likely to be rendered by present active members	154,696,494	39,087,855	115,608,639
Separation benefits (refunds of contributions and deferred allowances) likely to be paid to present active and inactive members	2,433,379	1,308,422	1,124,957
Disability benefits likely to be paid to present active members	1,025,787	1,324,705	(298,918)
Death-in-service benefits likely to be paid on behalf of present active members	2,153,658	809,409	1,344,249
TOTAL	$ 303,052,569	$ 42,530,391	$ 260,522,178
Applicable Assets (Funding Value)	225,254,371	0	225,254,371
Liabilities to be covered by future contributions	$ 77,798,198	$ 42,530,391	$ 35,267,807

Totals may not add due to rounding.

Required Supplementary Information

The historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is required supplementary information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percent Contributed
2007	$ 5,182,016	100%
2008	5,144,958	100
2009	4,466,571	100
2010	4,667,612	100
2011	5,220,623	100
2012	5,465,079	100
2013	5,672,291	100
2014	6,117,327	100
2015	5,690,381	100
2016	$ 5,561,289	100%

Obtained from 6/30/2016 Actuarial Valuations

The percentage contributed amounts are included per Act 922 of 1983, which authorizes an annual transfer from the Constitutional Officers Fund and the State Central Services Fund to provide full actuarial funding for the System. Because of the timing of this annual transfer, the actual percentage contributed in any single fiscal year may vary from the annual required contribution amount.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age (AAL) (b)	UAAL (b) - (a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
6/30/07	$ 159,587	$ 157,373	$ (2,215)	101.4 %	$ 17,334	0 %
6/30/08	169,061	165,747	(3,314)	102.0	18,074	0
6/30/09	167,433	180,166	12,732	92.9	18,875	67
6/30/10	165,244	182,912	17,668	90.3	18,630	95
6/30/11	165,377	186,635	21,258	88.6	19,338	110
6/30/12	167,796	195,455	27,658	85.8	19,202	144
6/30/13	182,596	203,134	20,537	89.9	19,586	105
6/30/14	201,792	208,006	6,213	97.0	19,782	31
6/30/15	215,448	254,714	39,266	84.6	22,308	176
6/30/16	$ 225,254	$ 260,522	$ 35,268	86.5 %	$ 22,308	158 %

UAAL is Unfunded Actuarial Accrued Liability.
Dollars in thousands.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years	2016	2015
Total Pension Liability		
Service Cost	$ 7,230,267	$ 5,342,168
Interest	15,770,309	14,883,382
Changes in Benefit Terms	0	0
Differences Between Expected and Actual Experience	(5,184,045)	12,969,853
Changes of Assumptions	0	24,290,229
Benefit Payments	(12,008,338)	(10,762,871)
Refunds	0	(14,320)
Net Change in Total Pension Liability	5,808,193	46,708,441
Total Pension Liability, Beginning of Year	254,713,985	208,005,544
Total Pension Liability, End of Year (A)	$ 260,522,178	$ 254,713,985
Plan Fiduciary Net Position		
Employer Contributions	$ 5,561,289	$ $5,690,381
Employee Contributions	1,011,372	946,149
Net Investment Income	(1,744,085)	9,971,823
Benefit Payments	(12,008,338)	(10,762,871)
Refunds	0	(14,320)
Administrative Expense	(158,420)	(137,951)
Net Change in Plan Fiduciary Net Position	(7,338,182)	5,693,211
Plan Fiduciary Net Position, Beginning of Year	223,123,751	217,430,540
Plan Fiduciary Net Position, End of Year (B)	$ 215,785,569	$ 223,123,751
Net Pension Liability, End of Year (A) - (B)	$ 44,736,609	$ $31,590,234
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.83%	87.60%
Covered-Employee Payroll	$ 22,308,000	$ 22,308,000
Net Pension Liability as a Percentage of Covered-Employee Payroll	200.54%	141.61%

Totals may not add due to rounding.

SCHEDULE OF NET PENSION LIABILITIES

FY Ending June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	$ 208,005,544	$ 217,430,541	$ (9,424,997)	104.53%	$ 19,781,628	(47.65)%
2015	254,713,985	223,123,751	31,590,234	87.60%	22,308,000	141.61%
2016	260,522,178	215,785,569	44,736,609	82.83%	22,308,000	200.54%

SCHEDULE OF INVESTMENT RETURNS

Annual money-weighted rate of return, net of investment expense	
2014	15.63%
2015	4.60%
2016	(0.79%)

Notes to Required Supplementary Information

SCHEDULE OF ADMINISTRATIVE EXPENSES

As of June 30, 2016

	2016	2015
Communications		
Printing and Advertising	$ 1,659	$ 2,044
Travel	1,625	1,596
Services and Charges		
Professional Fees and Services	43,100	24,615
Bank & Federal Service Charges	3,735	3,393
Total Services and Charges	46,835	28,008
Transfer to APERS for Administration	108,301	106,303
Total Administrative Expenses	$ 158,420	$ 137,951

NOTE: Administrative expenses will change once pension expense amount is adjusted based upon actuarially determined net pension liability.

SCHEDULE OF INVESTMENT EXPENSES

As of June 30, 2016

	2016	2015
Custodian Bank Fees	$ 14,546	$ 14,899
Investment Consultant Fee	57,200	55,002
Investment Manager Fees*	1,090,504	1,133,801
Transaction Fees	0	0
Total Investment Expenses	$ 1,162,251	$ 1,203,702

SCHEDULE OF PAYMENTS FOR PROFESSIONAL CONSULTANTS

As of June 30, 2016

	2016	2015
Gabriel, Roeder, Smith & Company	$ 43,100	$ 24,615

* For fee paid to investment managers, please see the schedule of investment fees shown on page 68 in the Investments Section of this report.
Totals may not add due to rounding.

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INVESTMENTS

AJRS
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Chief Investment Officer's Report

ARKANSAS JUDICIAL RETIREMENT SYSTEM
124 West Capitol, Suite 400 • Little Rock, AR 72201-3704
501-682-7800 • 1-800-682-7377 • www.apers.org

Dear Members,

Oh behalf of the investment department of the Arkansas Judicial Retirement System (AJRS), it is my pleasure to present the Investment Section of the AJRS Annual Financial Report for the fiscal year ended June 30, 2016.

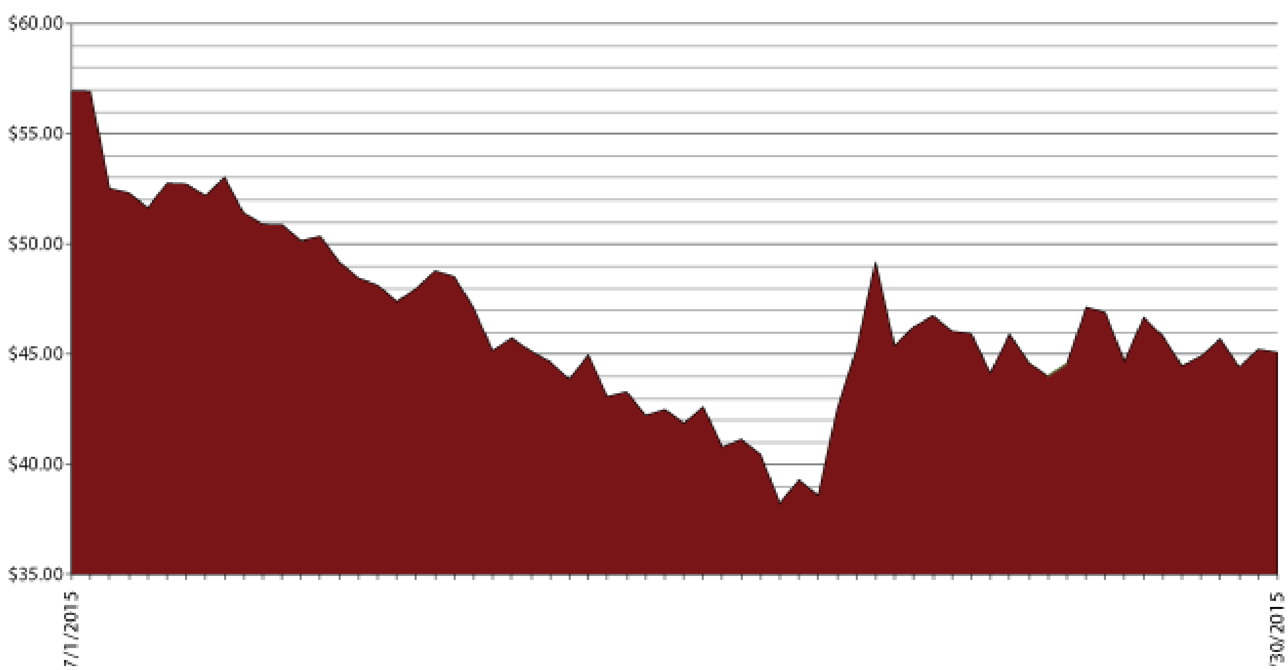
Performance and Stability

For fiscal year 2016, the AJRS investment portfolio closed with total investments of 215,923,386. The investment return for the fiscal year was a negative 0.27%.

Fiscal Year 2015 Financial Market Recap

One of the last paragraphs that I wrote last year stated that the third quarter of 2015 (the first quarter of the fiscal year) did not start off well as uncertainty continued and the timing of any Federal Reserve interest rate hike weakened market sentiment. The financial markets watched the price of West Texas Intermediate (WTI) crude plummet from $56.96 per barrel to a multi-year low of $38.24.

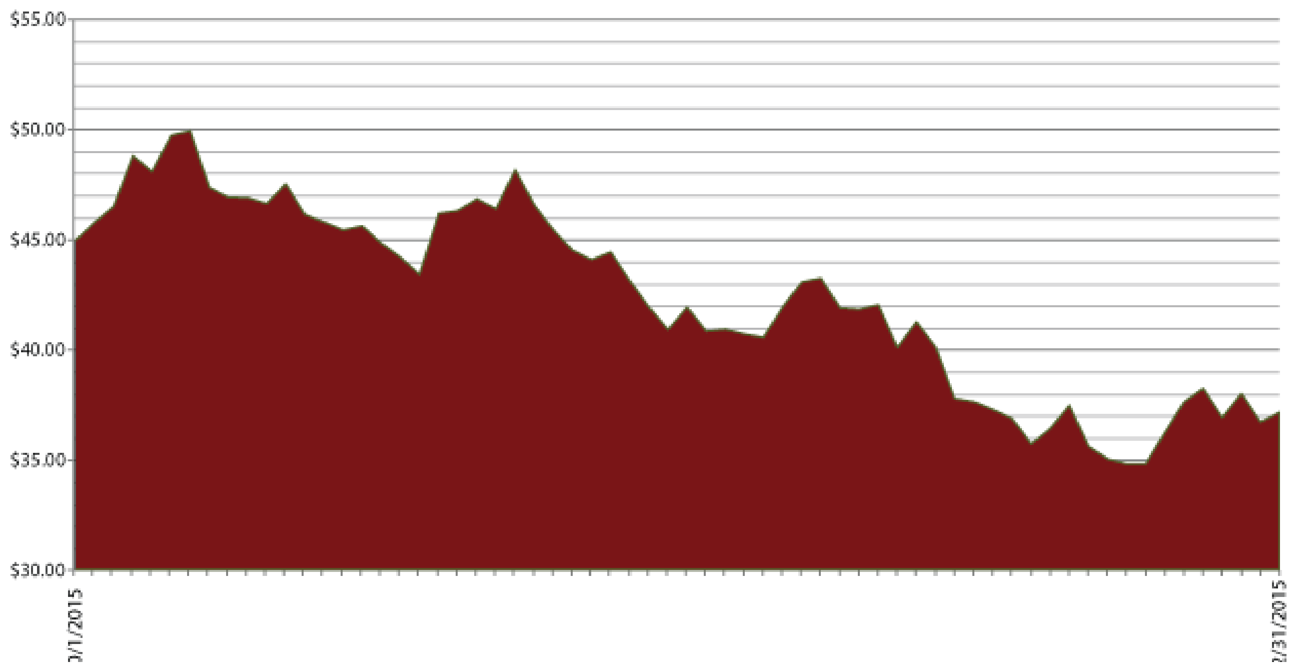
West Texas Intermediate Prices



China devalued its currency and the surprise move sparked a panic-like sell off across all world markets. However the U.S. economy seemed to be insulated from the economic developments in China as the U.S. labor market continued to show improvement, the housing market data was showing momentum, and consumer spending behavior seemed to remain healthy. When the Federal Reserve did not raise rates on September 17th, concerns regarding the timing of a rate hike only fueled market anxiety. The Federal Reserve cited global financial conditions as the reason for not raising interest rates.

Risk aversion and investor anxiety spiked during the final quarter of 2015. Tragic terror attacks in Paris and intensifying tensions between Russia and Turkey helped dampen the holiday season. Oil prices continued to decline. The drop in energy prices was viewed as a function of oversupply rather than poor demand.

West Texas Intermediate Prices



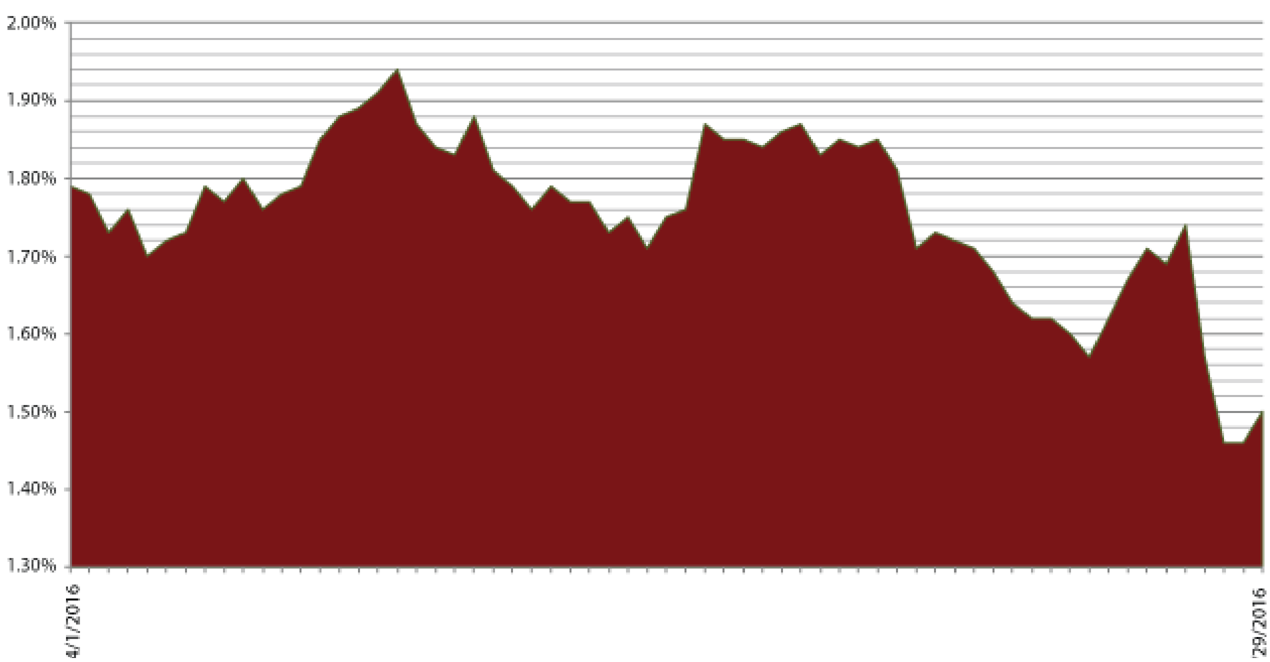
The probability of reduced supply was low, and the markets started to adopt a "lower for longer" outlook regarding energy prices. The positive news was that lower energy prices are considered to be a stimulant for global consumers. Adding to the market anxiety, Third Avenue blocked redemptions from its Credit Fund and placed some of the assets in a liquidating trust that would seek to sell them over time. It was a very unusual step for a mutual fund, which offered daily liquidity to its investors. The Federal Reserve did increase the Federal Funds target for the first time in nearly a decade.

The slowdown in China continued to be viewed as most acute for other countries and for companies with deep economic ties to the country. The U.S. economy is relatively independent of the economic developments in China other than via the transmission mechanism of cheaper commodities.

The first quarter of 2016 witnessed a variety of positive catalysts emerge to alleviate major concerns around central bank activity, weak commodity prices, and global growth. The FOMC minutes dampened fears that the pace of future rate hikes were on autopilot as the minutes cited "global economic and financial developments." The European Central Bank (ECB) announced additional QE by increasing their monthly bond purchase limit from €60 billion to €80 billion. They also expanded the program to include investment grade Euro-denominated non-bank corporate debt for the first time. They also took additional steps to alleviate the strain of negative interest rates on commercial banks and stimulate lending. West Texas Intermediate oil prices rebounded from a quarter low of $26.21, which helped the prices of other major industrial commodity prices rebound as well. Anxiety over the drain on China's foreign exchange reserves and the potential for a devaluation of the yuan abated, and fears of a U.S. recession faded as economic results in the U.S. remained positive.

Without a doubt, the big news in the second quarter of 2016 was the surprise advisory vote in the UK to leave the EU. It will not take effect until Parliament actually votes to invoke Article 50 of the Lisbon Treaty. This may happen after the UK holds new elections in the third quarter. Regardless, the vote to leave the EU upset many risk markets and propelled "safe-haven" sovereign yields lower.

U.S. 10-Year Treasury Note Yield



In Japan, JGB yields dropped to a record low, and the flight to quality pushed the total of global sovereign debt with negative yields to $11.7 trillion according to the Financial Times. The U.K. joined the "negative yield club" as the yield on its 2-year gilt reached 0.003%. The U.S. 10-year note hit 1.43% and closed June 30th at 1.47%, some 80 basis points lower since the beginning of the year. The German 10-year Bund closed the quarter with a yield of -0.11%.

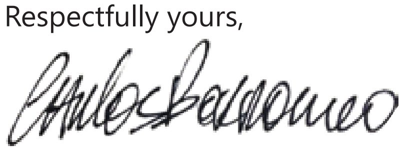
The third quarter of 2016 saw a number of significant geopolitical events, but the markets were not rattled. There was a failed coup d'etat in Turkey, the impeachment of Dilma Rouseff in Brazil, and political turmoil in Venezuela. The European Central Bank announced bond purchases that reached a total of €1.06 trillion by the end of the quarter. The U.S. Federal Reserve signaled the possibility of a December rate hike, but they remain data dependent. The "Brexit" vote became less feared. The Bank of Japan did not cut rates but it did introduce a plan to anchor the ten-year JGB at 0%.

Conclusion

The past fiscal year has definitely been volatile. Economic uncertainty and significant geopolitical events as well as volatility across all asset classes, all major indices, and the currency markets have made the past fiscal year and the beginning of the upcoming fiscal year challenging. The Brexit vote and its repercussions are the most materially exogenous shock to the global economy since the beginning of the post 2008 recovery. Many believe the impact will be most acute in Europe and the EU. I am not so sure that I agree with that view. As I write this conclusion, the U.S. has had its Presidential election, and Donald Trump is the President-elect. The new President-elect's economic platform has the equity markets very optimistic as Mr. Trump has stated that he will withdraw from NAFTA as well as the Trans-Pacific Partnership. Time will tell how everything eventually plays out, but right now, since the election, the domestic equity markets have rallied, but bond yields have moved higher.

I would like to thank each member of the Board of Trustees, the ultimate fiduciaries of AJRS, for embracing the current investment structure that allowed ASPRS to achieve strong results for our members and the Arkansas taxpayers. AJRS' 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 AJRS assets are positioned to provide long-term financial stability for you, the members.

Respectfully yours,



Carlos Borromeo
Chief Investment Officer

Investment Consultant’s Report

Callan

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

Main 312.346.3536
Fax 312.346.1356

www.callan.com

August 24, 2016

Dear Trustees:

AJRS’ investment program objective is to provide plan participants with retirement benefits. This is accomplished by the implementation of a carefully planned and executed long-term investment program. The Board of Trustees (Board) has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies.

The Board is charged with the responsibility of investing the Systems’ assets to provide for the benefits of the members of the systems. To achieve that goal the Board follows a policy of preserving capital while seeking means of enhancing revenues and protecting against undue losses in any particular investment area. The Board diversifies the investment of the assets among classes of securities to reduce risk while maximizing the long-range return.

Asset Allocation

Based on its analysis of capital and money market return patterns, both historical and projected, the Board considers the following asset allocation targets to be consistent with the return requirements and risk tolerance of the fund:

Domestic Equity	37%
International Equity	15%
Domestic Fixed Income	40%
Real Estate	8%

The Fund benchmark is the return that would have been achieved if the Fund had been invested: 37% in the Russell 3000 Index, 15% in the Morgan Stanley Capital International Europe, Australia, Far East Index, 40% in the Barclays Capital Aggregate Bond Index and 8% in the NCREIF Fund Index - Open End Diversified Core Equity Real Estate Index.

Total Fund Goals

The System’s primary funding goal is to achieve and maintain a funded status that provides for the security of retirement income to participants in the Plan.

The Board's investment objective, as per the Investment Policy Statement, shall be to achieve a rate of return on the System's assets of at least two and one-half percent (2.5%) above the rate of inflation and a total return of the actuarially assumed rate of seven and one-half percent (7.25%).

Callan

Total Fund Returns

For the fiscal year 2016 AJRS produced a return of -0.27%. This return trailed the fund benchmark, as described above, by 2.89%.

The five-year annualized return of 7.21% outperformed the Fund's benchmark return of 7.14%. In the Callan Public Fund Universe, AJRS' total fund performance ranks at the 22nd percentile for five years. The five year return did not exceed the actuarially assumed interest rate of 7.25%.

The performance calculations presented above were prepared by the Systems' custodial bank using a time-weighted rate of return methodology based upon the market value of assets.

Sincerely,

Ryan Ball

R. Ryan Ball, CFA
Senior Vice President

Investment Policy Summary

INTRODUCTION
The basic policy of the Board of Trustees of the Arkansas Judicial Retirement System (the Board) shall be to provide all the benefits specified by law to the members of the Arkansas Judicial Retirement System (AJRS or the System) and their beneficiaries.

At all times acting solely in the best interest of the beneficiaries of the System, the Board shall manage the System's funds as provided by Arkansas Code of 1987 Annotated (A.C.A.) §§ 24-2-601 through 24-2-619, operating on the principles of the prudent investor rule. This will include devoting careful consideration to the following factors:

- both the funded and unfunded AALs,
- the period of time necessary to amortize all unfunded AALs,
- the anticipated long term return from both equities and bonds,
- the need for short term liquidity for disbursements to beneficiaries,
- the general economic conditions,
- the effects of inflation or deflation, and
- any other material, actuarial, fiscal, or economic factors.

INVESTMENT OBJECTIVES
The Board's investment objective shall be to achieve a rate of return on the System's assets of at least 2.5% above the rate of inflation and a total return of the actuarially assumed rate of 7.5%, which was lowered to 6.25% effective July 1, 2015.

In pursuing this objective the Board shall attempt to maximize the total return in both income and capital appreciation but with greater emphasis on capital appreciation. However, the effort to obtain maximum returns must be consistent with prudent risk-taking, and short-term fluctuations in market value should be considered secondary to long-term results. The Board shall review individual investment decisions as follows:

- in the context of the entire trust fund,
- as a part of an overall investment strategy, and
- with reasonable objectives for risk and return.

Asset Allocation

The Board, with advice by investment consultants and investment managers, shall cause the System's funds to be invested primarily in equities and fixed income securities.

The System frequently has cash from dividends, interest, sale of securities, and contributions, and it is invested in very short-term, or overnight, investments. The Board is authorized to delegate its investment functions.

Accordingly, the Board has employed investment managers that invest in both equities and fixed income securities and has employed a custodian bank that makes overnight investments with cash.

The Board, after consultation with investment consultants and investment managers, periodically will determine the allocation to be made with the System's assets. The Board has a targeted allocation of 37% to domestic equity investments, 40% to domestic fixed income securities, 15% to international equities, and 8% to real estate with ranges of plus or minus 5% to be tolerated as transitory occurrences. Thus, the current asset allocation is to be as follows:

ASSET CLASS	Range
Domestic Equities	32% to 42%
International Equities	10% to 20%
Fixed Income	35% to 45%
Real Estate	3% to 13%

Review of Investment Processes

The Board is authorized to directly manage the System's funds or to delegate its investment function.

Currently the Board has delegated its investment function to investment managers and has delegated investment discretion to the managers by separate contract. The duties and responsibilities of each of the investment managers hired by the Board shall include the following:

A. Each must manage the assets it holds in accordance with the policy guidelines and objectives expressed in this statement. If some deviation from this statement is deemed prudent and desirable by both the Board and manager, they may accordingly modify this policy statement in writing.

B. Each must demonstrate satisfactory performance in investing the System's funds. In evaluating a manager's performance the Board will give consideration to the investment conditions during the evaluation period, to the manager's style of investment, and to these investment guidelines. The Board will determine the length of a reasonable demonstration period, but each manager's performance will be reviewed at least annually. The manager's performance will be compared against a neutral benchmark of 37% Russell 3000 Index and 40% Barclays Aggregate Index, 15% MSCI EAFE Index, and 8% NFI-ODCE Equal Weight net, as well as against a universe of similarly managed funds in the Investment Consultant's database. The Board may also consider how proxies are voted, which stockbrokers the investment manager employs, and what commissions are paid to them.

C. Managers must keep the Board apprised of their progress in meeting the investment objectives set forth in this statement and must promptly inform the Board of significant changes in any of the following:

    1. the manager's investment strategy or portfolio structure,
    2. the market value of managed assets, and
    3. the ownership, affiliations, organizational structure, financial condition, professional personnel staffing, or clientele of the manager.

D. Each manager must comply with all of the duties and responsibilities the manager has as a fiduciary. In addition, the System's assets are to be invested with the care, skill, prudence, and diligence that a prudent professional investment manager would use in similar circumstances.

Asset Allocation

Actual versus Target asset allocation as of June 30, 2016

AJRS' actual asset allocation is within the target range set by its investment policy. This target should be confirmed based on AJRS' ongoing asset allocation discussions. The current target allocation is as follows:

Actual Asset Allocation

Target Asset Allocation

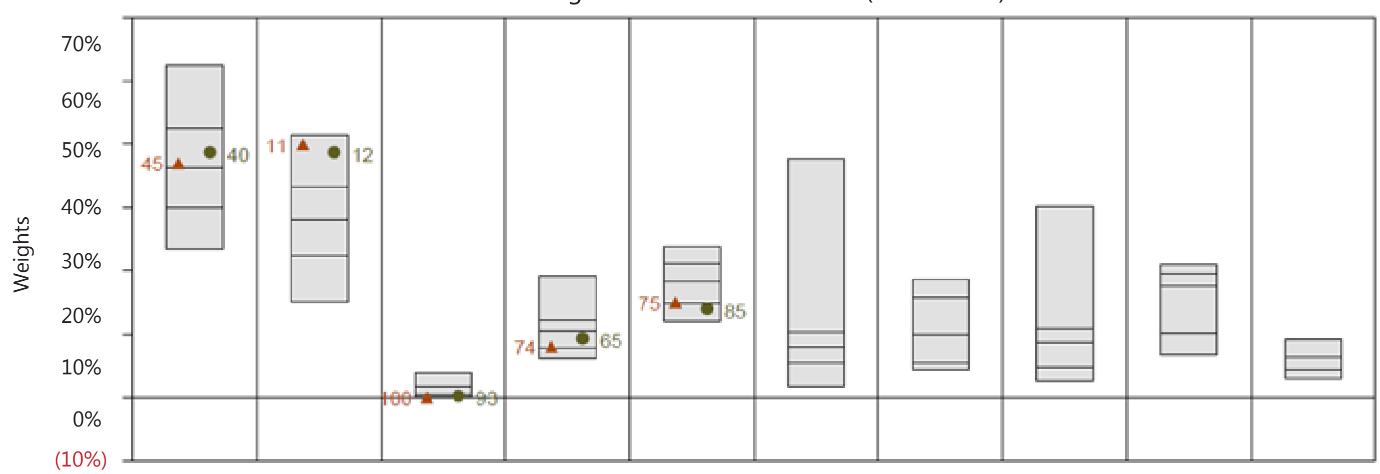
Asset Class	Actual*	Percent Actual	Percent Target	Percent Difference	Difference*
Domestic Equity	$ 83,228	38.5%	37.0%	1.50%	$ 3,336
International Equity	29,769	13.8	15.0	(1.20)	(2,620)
Fixed Income	83,259	38.6	40.0	(1.40)	(3,110)
Real Estate	19,652	9.1	8.0	1.10	2,378
Cash	16	0.0	0.0	0.00	16
Total*	$ 215,923	100.0%	100.0%		

*Dollars in thousands
Total asset class does not include cash at local bank and non-investment receivables. Totals may not add due to rounding.

Public Plan Sponsor Database

The illustration below shows the average percentage of asset allocations by asset type for the Public Plan Sponsor Database. Because different public funds allocate assets differently, percentages will not equal 100%.

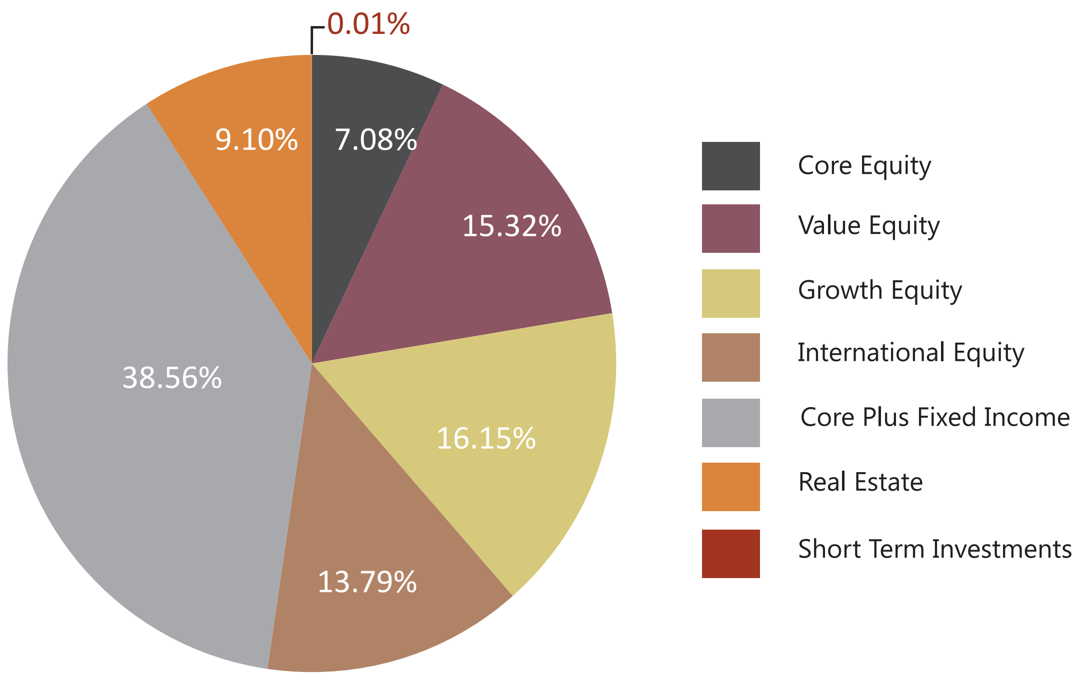
Asset Class Weights vs Public Fund - Mid (100mm-1B)



	Domestic Equity	Domestic Fixed Income	Cash & Equivalents	Real Estate	International Equity	International Fixed Income	Alternative	Global Balanced	Global Equity Broad	Real Assets
10th Percentile	52.58	41.48	3.89	19.25	23.77	37.67	18.72	30.32	20.89	9.21
25th Percentile	42.53	33.22	1.65	12.22	21.20	10.33	15.86	10.76	19.51	6.39
Median	36.39	28.06	0.49	10.48	18.38	7.97	9.91	8.68	17.50	4.48
75th Percentile	29.99	22.43	0.16	7.85	14.98	5.46	5.38	4.74	10.15	3.05
90th Percentile	23.53	15.03	0.01	6.24	12.15	1.77	4.36	2.59	6.73	3.00
Fund ●	38.55	36.56	0.01	9.10	13.79	-	-	-	-	-
Target ▲	37.00	40.00	0.00	8.00	15.00	-	-	-	-	-
% Group Invested	97.06%	98.53%	63.24%	69.12%	95.59%	10.29%	47.06%	20.59%	13.24%	8.82%

Manager Distribution

As of June 30, 2016



Strategy & Investment Manager	Market Value
Core Equity - 7.08%	
QS Investors LLC	$ 15,295,295
Value Equity -15.32%	
Boston Partners	33,069,431
Growth Equity - 16.15%	
Wellington Management Co.	34,863,218
International Equity - 13.79%	
Capital Guardian	29,768,536
Core Plus Fixed Income - 38.56%	
MacKay Shields LLC	83,259,057
Real Estate -9.10%	
Invesco Core Real Estate	19,652,151
Short Term Investments - 0.01%	
AJRS General Fund	15,698
Total Investments	$ 215,923,386

Totals may not add to 100% due to rounding.

Schedule of Comparative Investment Results

As of June 30, 2016

Fiscal Years Ended 2012 through 2016

	2016	2015	2014	2013	2012
Total Fund					
Arkansas Judicial Retirement System	(0.27)%	5.06%	16.09%	14.42%	1.78%
Callan Total Public Fund Median	0.34	3.12	16.03	11.87	1.31
Inflation (Consumer Price Index)	0.64	(0.38)	2.04	1.75	1.58
Equities					
Arkansas Judicial Retirement System	(1.81)%	9.18%	23.49%	22.94%	1.49%
Callan Total Equity Database Median	1.01	7.37	24.78	22.16	1.74
Russell 3000 Index	2.14	7.29	25.22	21.46	3.84
International Equities					
Arkansas Judicial Retirement System	(12.15)%	(1.41)%	21.28%	21.00%	(12.33)%
Callan Total Non-U.S. Equity Database Median	(8.88)	(3.22)	20.83	14.70	(13.73)
MSCI EAFE Index	(10.16)	(4.22)	23.57	18.62	(13.83)
Fixed Income					
Arkansas Judicial Retirement System	3.92%	1.16%	7.55%	4.84%	6.94%
Callan Total Fixed Income Database Median	4.87	1.70	5.10	0.79	7.50
Barclays Capital Aggregate Index	6.00	1.86	4.37	0.69	7.47

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

Schedule of Comparative Investment Results

As of June 30, 2016

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

		Annualized	
	2016	3-Year	5-Year
Total Fund			
Arkansas Judicial Retirement System	(0.27)%	6.75%	7.21%
Callan Total Public Fund Median	0.34	6.31	6.37
Inflation (Consumer Price Index)	0.64	0.76	1.12
Equities			
Arkansas Judicial Retirement System	(1.81)%	9.80%	10.56%
Callan Total Equity Database Median	1.01	10.67	11.01
Russell 3000 Index	2.14	11.13	11.60
International Equities			
Arkansas Judicial Retirement System	(12.15)%	1.65%	2.19%
Callan Total Non-U.S. Equity Database Median	(8.88)	2.15	1.24
MSCI EAFE Index	(10.16)	2.06	1.68
Fixed Income			
Arkansas Judicial Retirement System	3.92%	4.18%	4.86%
Callan Total Fixed Income Database Median	4.87	3.72	3.96
Barclays Capital Aggregate Index	6.00	4.06	3.76

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

Portfolio Characteristics

As of June 30, 2016

	2016	2015
Selected Bond Characteristics		
Yield to Maturity (Market)	3.41%	3.52%
Current Yield	2.98%	3.31%
Average Coupon Rate	3.45%	3.69%
Average Maturity	8.63 yrs.	7.57 yrs.
Quality Breakdown		
AAA (Includes Govts. & Agencies)	36.50%	31.10%
AA	2.30%	2.30%
A	11.80%	14.20%
BAA	29.90%	33.40%
Below BAA	19.60%	18.40%
Cash*	(0.10)%	0.60%
Selected Stock Characteristics		
Average P/E Ratio	19.30x	19.87x
Estimated Earnings Growth Rate (Next 5 Years)	13.77%	11.93%
Current Yield	1.72%	1.53%

* Includes short term investment fund

Source: Callan Associates Inc.

Top Ten Largest Holdings

As of June 30, 2016

FIXED INCOME HOLDINGS (BY MARKET VALUE)

	Par	Description	Market Value
1)	3,350,000	U.S. Treasury Note 2.25% 04/30/2021	$ 3,545,640
2)	2,690,000	U.S. Treasury Note 0.75% 03/31/2018	2,697,344
3)	2,515,000	U.S. Treasury Note 2.25% 11/15/2024	2,682,801
4)	2,205,000	U.S. Treasury Note 2.50% 05/15/2024	2,394,917
5)	1,515,000	U.S. Treasury Note 1.00% 05/31/2018	1,526,711
6)	1,400,000	U.S. Treasury Note 2.50% 08/15/2023	1,516,648
7)	1,370,000	U.S. Treasury Note 1.875% 11/30/2021	1,426,622
8)	1,360,000	U.S. Treasury Note 2.125% 08/31/2020	1,426,409
9)	1,365,000	U.S. Treasury Note 1.75% 05/15/2023	1,408,134
10)	965,000	U.S. Treasury Note 2.75% 11/15/2042	1,061,577
			$ 19,686,802

EQUITY HOLDINGS (BY MARKET VALUE)

	Shares	Description	Market Value
1)	11,089	Berkshire Hathaway Inc.	$ 1,605,576
2)	12,944	Johnson & Johnson	1,570,107
3)	21,538	JPMorgan Chase & Co.	1,338,371
4)	14,716	Merck & Co. Inc.	847,789
5)	10,282	Occidental Petroleum Corp.	776,908
6)	13,048	Verizon Communications Inc.	728,600
7)	53,880	McKesson Corp.	715,243
8)	8,736	Bank of America Corp.	714,988
9)	5,020	Phillips 66	693,114
10)	12,361	Raytheon Co.	682,469
			$ 9,673,165

INTERNATIONAL EQUITY HOLDINGS (BY MARKET VALUE)

	Shares	Description	Market Value*
1)	1,166	Keyence Corp.	$ 780,639
2)	12,621	Novo Nordisk A/S B	674,370
3)	4,945	Murata Manufacturing Co. Ltd	544,894
4)	2,005	Roche Holding AG (Bearer) Non-Voting	525,954
5)	18,406	Hamamatsu Photonics KK	508,881
6)	2,749	Genmab A/S	496,335
7)	8,174	Astrazeneca PLC (GBP)	486,090
8)	6,965	Safran SA	470,902
9)	5,165	Medtronic PLC	448,155
10)	2,902	LVMH Moet Hennessy Louis Vuitton SE	438,040
			$ 5,374,259

*Market Value represents AJRS percentage of investment in international Equity Commingled fund.
Totals may not add due to rounding.

Schedule of Brokerage Commissions

As of June 30, 2016

BROKERAGE FIRM	Number of Shares Traded	Total Commission	Commission Per Share
JP Morgan Securities Inc.	320,962	$ 4,010	$ 0.01
SJ Levinson & Sons LLC	155,251	2,212	0.01
Merrill Lynch Pierce Fenner Smith Inc.	133,950	2,106	0.02
UBS Securities LLC	180,782	2,033	0.01
Credit Suisse	84,968	1,486	0.02
Goldman Sachs & Co.	67,965	1,308	0.02
Sanford C. Bernstein & Co.	94,958	1,175	0.01
Citigroup Global Markets Inc.	41,168	1,159	0.03
Barclays Capital Inc.	79,666	819	0.01
ITG Inc.	42,966	429	0.01
ISI Group Inc.	19,690	403	0.02
Morgan Stanley & Co. Inc.	37,384	379	0.01
Instinet Corp.	36,482	365	0.01
Jefferies & Co. Inc.	10,972	264	0.02
RBC Capital Markets LLC	9,184	246	0.03
Keefe Bruyette And Woods	8,207	246	0.03
Raymond James & Associates Inc.	13,624	235	0.02
Wells Fargo Securities LLC	5,805	228	0.04
Cowen and Company LLC	5,086	180	0.04
Cantor Fitzgerald & Co.	7,055	175	0.02
Leerink Swann & Co.	4,899	159	0.03
MacQuarie Securities	6,770	121	0.02
Liquidnet Inc.	11,939	119	0.01
Stifel, Nicolaus and Co.	3,267	93	0.03
Wedbush Morgan Securities Inc.	1,219	49	0.04
Others (13 brokerage firms)	9,568	206	0.02
	1,393,787	$ 20,207	

Totals may not add due to rounding.

Schedule of Investment Fees

As of June 30, 2016

EQUITY	Market Value	Fee	Basis Points
QS Investors LLC	$ 15,295,295	$ 133,051	0.85
Wellington Management Co.	34,863,218	198,813	0.55
Boston Partners	33,069,431	185,936	0.58
Total Equity	$ 83,227,944	$ 517,799	
FIXED INCOME			
MacKay Shields LLC	$ 83,259,057	$ 240,558	0.30
INTERNATIONAL EQUITY			
Capital Guardian Trust	$ 29,768,536	$ 203,205	0.67
REAL ESTATE			
Invesco Core Real Estate	$ 19,652,151	$ 128,942	0.80
TOTAL INVESTMENT MANAGER FEES		$ 1,090,504	
OTHER SERVICES			
Bank of New York Mellon (Custodian)		$ 14,546	
Callan Associates (Consultant)		57,200	
TOTAL OTHER SERVICES		71,746	
TOTAL INVESTMENT FEES		$ 1,162,251	

Totals may not add due to rounding.

ACTUARIAL

AJRS
ARKANSAS JUDICIAL RETIREMENT SYSTEM

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Actuary's Certificate Letter

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
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248.799.9020 fax
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The Board of Trustees
Arkansas Judicial Retirement System Little Rock, Arkansas

Dear Board Members:

The basic financial objective of the Arkansas Judicial Retirement System (AJRS) 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 AJRS 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 AJRS as of June 30, 2016. The purpose of the June 30, 2016 annual actuarial valuation was to determine the contribution requirements for the fiscal year ending June 30, 2018 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 over a period of up to 30 years. The most recent valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2016. In addition, a separate report was issued (dated November 21, 2016) to provide actuarial information for GASB Statement No. 67 and GASB Statement No. 68.

The AJRS 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. We are not responsible for the accuracy and completeness of the information provided by the administrative staff.

The actuarial valuation report and GASB Statement No. 67 and No. 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

The Board of Trustees November 21, 2016
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.

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, 2016 valuation was based upon assumptions that were recommended in connection with a study of experience through the period 2006-2011 and a subsequent economic assumption study. The investment return, price inflation and wage inflation assumptions were changed for the June 30, 2015 valuation.

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.

On the basis of the June 30, 2016 actuarial valuation and the benefits and contribution rates then in effect, it is our opinion that the Judicial Retirement System is satisfying the general financial objective of level-percent-of-payroll financing.

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, MAAA   Heidi G. Barry, ASA, MAAA   David L. Hoffman

MDD:bd

Gabriel Roeder Smith & Company

Summary of Actuarial Assumptions*

ECONOMIC ASSUMPTIONS

The investment return rate used in making the valuation was 6.25% per year, compounded annually (net after investment expenses). The investment return assumption was revised for the June 30, 2015 valuation.

Pay increase assumptions for individual active members are shown on page D-3. Part of the assumption for each age is for a merit and/or seniority increase, and the other 3.25% recognizes wage inflation. This wage inflation assumption consists of 2.50% for price inflation and 0.75% for real wage growth. The wage inflation assumption was revised 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 recognizing inflation.

The number of active members is assumed to continue at the present number.

NON-ECONOMIC ASSUMPTIONS

The mortality tables used to measure retired life mortality were the RP-2000 mortality tables projected to 2020 using projection scale BB. Related values are shown on page 76. The mortality rates used in evaluating disability allowances were the RP-2000 Combined Healthy mortality tables, set forward 10 years for males and set forward 10 years for females. Related values are shown on page 76. Based upon the experience observed in the most recent experience study for APERS, it appears that, at the time of the study, the current table provides for approximately 8 years of future mortality improvement. Adopted 2012.

The probabilities of retirement for members eligible to retire are shown on page 78. Adopted 2012.

The probabilities of withdrawal from service, ***death-in-service*** and ***disability*** are shown for sample ages on page 77. Adopted 2012.

Normal Cost. Normal Cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry-age actuarial cost method having the following characteristics.

*The data referenced in this section is taken from the actuary's report, *Arkansas Judicial Retirement System Actuarial Valuation and Experience Gain/(Loss) Analysis June 30, 2016*, prepared by Gabriel Roeder Smith & Co. A PDF copy of the report is available for download at www.apers.org.

- The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and

- Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

The normal cost, the present value of future normal cost and the present value of benefits are based on the benefit levels available to each member. The accrued liability is the difference between the present value of benefits and the present value of future normal cost.

Funding value of assets (cash & investments) was determined by phasing-in differences between actual market return and the assumed rate of return over a four-year period.

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

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

Summary of Actuarial Methods

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

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	27-Year Closed
Asset Valuation Method	4-Year Smoothed Market with 25% Corridor
Actuarial Assumptions:	
Investment Rate of Return	6.25%
Projected Salary Increase	3.25%
Including Price Inflation at	2.50%
Cost-of-Living Adjustments	Pre July 1, 1983 retirees: Increased with increases in active judges pay. Post June 30, 1983 retirees: 3% compound.

	Numbers
Retirees and Beneficiaries Receiving Benefits #	138
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	4
Active Plan Members	139
TOTAL	281

Includes DROP participants.

Single Life Retirement Values

As of June 30, 2016

Sample Ages	Present Value of $1 Monthly for Life		Present Value of $1 Monthly for Life Increasing 3% Annually		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
50	$ 164.26	$ 168.65	$ 239.67	$ 250.44	32.99	35.59
55	154.63	160.07	218.09	230.04	28.37	30.90
60	143.02	149.36	194.61	207.34	23.94	26.34
65	129.36	136.56	169.59	182.83	19.74	21.98
70	113.67	121.98	143.44	157.39	15.83	17.93
75	96.28	105.90	116.96	131.66	12.26	14.25
80	78.11	88.66	91.43	106.26	9.13	10.95

Sample Attained Ages	$100 Benefit Increasing 3% Annually	Portion of Age 65 Lives Still Alive	
		Men	Women
65	$ 100.00	100%	100%
70	115.93	94	95
75	134.39	85	88
80	155.80	71	76
85	180.61	52	61

Decrement And Pay Increase Assumptions for Active Members

As of June 30, 2016

		Percentage of Active Members Separating Within the Next Year					Pay Increase Assumptions For Individual Member		
		Male		Female					
Sample Ages	Years Service	Death	Disability	Death	Disability	Withdrawal	Merit & Seniority	Base (Economy)	Increase Next Year
	0					10.00%			
	1					6.00			
	2					4.20			
	3					3.36			
	4					3.02			
30	5+	0.02%	0.04%	0.01%	0.05%	0.85	0.00%	3.25%	3.25%
35		0.04	0.04	0.02	0.05	0.85	0.00	3.25	3.25
40		0.05	0.10	0.03	0.18	0.85	0.00	3.25	3.25
45		0.07	0.13	0.05	0.20	0.85	0.00	3.25	3.25
50		0.10	0.25	0.08	0.28	0.85	0.00	3.25	3.25
55		0.17	0.45	0.12	0.38	0.85	0.00	3.25	3.25
60		0.29	0.71	0.21	0.51	0.85	0.00	3.25	3.25
65		0.50	0.83	0.38	0.62	0.85	0.00	3.25	3.25

Pay increase assumptions are age based only, not service based.

Probabilities of Retirement for Members Eligible to Retire

Retirement Ages	Percentages of Eligible Active Members Retiring Within Next Year	Percentages of Eligible Active Members Electing Early Retirement Within Next Year
50	4%	
51	4	
52	6	
53	6	
54	8	
55	10	
56	10	
57	12	
58	12	
59	12	
60	14	
61	14	
62	20	2%
63	20	2
64	20	2
65-69	24	
70-74	30	
75 & Over	100	

For Tier One, a member was assumed eligible to retire at age 50 with 20 years of service, or at age 65 with 10 years of service. A member was assumed eligible to retire early at age 62 with 14 years of service.

For Tier Two, a member was assumed eligible to retire at age 50 with 20 years of service, or at age 65 with 8 years of service. A member was assumed eligible to retire early at age 62 with 8 years of service.

Schedule of Active Member Valuation Data

Active Member - Historic Comparison Schedule

Valuation Date June 30	Active Members in Valuation				UAAL Financing Period	Computed Employer Contribution Rate
			Averages in Years			
	Number	Average Pay	Age	Service @		
2007 #	134	$ 129,358	56.9 yrs.	11.8 yrs	*	24.20%
2008	137	131,929	57.8	12.6	*	24.59
2009 (a)	138	136,775	56.2	15.0	30	27.43
2010	136	136,984	57.1	15.4	30	29.08
2011	141	137,149	57.6	15.3	30	29.93
2012 #	140	137,155	58.5	15.8	30	31.46
2013	140	139,898	58.7	15.9	30	29.12
2014 #	140	141,297	59.7	16.8	29	25.09
2015 #	139	160,489	58.6	16.4	28	37.99
2016	**139**	**$ 160,489**	**59.5 yrs.**	**17.0 yrs.**	**27 yrs.**	**37.37%**

(a) After changes in benefit provisions.
Revised actuarial assumptions and/or methods.
* Retirement System was fully funded.
@ Includes reciprocal service for Tier One members on and after June 30, 2006 and Tier Two members on and after June 30, 2009.

Employer contributions are the total of all types of revenue to the System except member contributions by payroll deduction and investment return. Employer contributions include court fees and Act 922 transfers.

Short Condition Test

The AJRS 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 test.

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

1) Member accumulated contributions;
2) The liabilities for future benefits to present retired lives;
3) The employer financed portion of liabilities for service already rendered by non-retired members.

In a system that has been following the discipline of level percent-of-payroll financing, active member contributions (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets. 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.

10-Year Comparative Statement ($ in Thousands)

	Entry Age Accrued Liability				Portion of Present Values Covered By Present Assets				
Valuation Date June 30	(1) Active Member Contributions	(2) Retirees and Benefits	(3) Active Member (Employer Financed Portion)	Present Assets	(1)	(2)	(3)	Total	Market Value Total
2007(a)	$11,906	$ 82,165	$ 63,302	$ 159,587	100%	100%	103%	101%	
2008	11,825	81,712	72,211	169,061	100	100	105	102	
2009(a)	12,689	103,249	64,227	167,433	100	100	80	93	73%
2010	11,474	102,200	69,238	165,244	100	100	74	90	78
2011	11,822	102,379	72,434	165,377	100	100	71	89	92
2012(a)	12,356	107,413	75,685	167,796	100	100	63	86	87
2013	12,397	114,770	75,967	182,596	100	100	73	90	94
2014(a)	13,310	113,468	81,228	201,792	100	100	92	97	105
2015(a)	12,665	143,898	98,150	215,448	100	100	60	85	88
2016	$ 13,337	$ 142,743	$ 104,441	$ 225,254	100%	100%	66%	86%	83%

(a) After changes in benefit provisions and/or actuarial assumptions and methods.

Retirees and Beneficiaries Tabulated by Attained Age

	Retirees		Survivor Beneficiaries		Total	
Attained Ages	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
53	1	$ 37,013		$	1	$ 37,013
58			3	192,110	3	192,110
60			1	48,311	1	48,311
61	1	111,569			1	111,569
62	1	76,032			1	76,032
63	1	89,078			1	89,078
64	3	214,341	1	48,636	4	262,977
65	2	221,524	2	126,092	4	347,616
66	4	346,877	1	64,320	5	411,197
67	4	351,892	2	160,800	6	512,692
68	6	564,610	1	92,172	7	656,782
69	3	265,473	1	72,360	4	337,833
70	5	513,286			5	513,286
71	5	495,395	3	227,425	8	722,820
72	5	312,385	1	64,923	6	377,308
73	8	687,599	1	67,706	9	755,305
74	4	430,999	3	204,633	7	635,632
75	5	522,425	2	135,253	7	657,678
76	2	116,834	1	91,039	3	207,873
77	5	449,918			5	449,918
78	4	417,225			4	417,225
79	6	591,398	1	64,869	7	656,267
80	3	285,462	1	68,545	4	354,007
81	5	550,358	1	71,599	6	621,957
82	3	301,687	2	128,640	5	430,327
84	3	297,296			3	297,296
85	2	194,692	1	64,320	3	259,012
86	2	191,558	1	73,410	3	264,968
87	1	103,992	1	64,320	2	168,312
88	1	96,000	2	128,640	3	224,640
89			2	131,253	2	131,253
90	2	242,820	1	64,320	3	307,140
91	1	96,000	1	64,923	2	160,923
92	1	146,820			1	146,820
93			1	64,320	1	64,320
96			1	64,320	1	64,320
Totals	99	$ 9,322,558	39	$ 2,649,259	138	$ 11,971,817

Active Members by Attained Age and Years of Service - Tier One

Attained Age	Years of Service to Valuation Date: 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals: No.	Valuation Payroll
50-54				1	1			2	$ 320,000
55-59									
60									
61									
62									
63				1		1		2	320,000
64						1		1	160,000
65						1	1	2	320,000
66				2		1	1	4	641,500
67						1		1	160,000
68					2	1		3	480,000
69						2	1	3	480,000
70					1			1	160,000
71						1	2	3	486,500
72						1		1	160,000
73				1				1	166,500
Totals				5	4	10	5	24	$ 3,854,500

Group	No.	Averages: Age	Service	Annual Pay
Tier One	24	66.5	26.5	$160,604

Active Members by Attained Age and Years of Service - Tier Two

Attained Age	Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals No.	Valuation Payroll
35-39	2		1					3	$ 481,500
40-44	1	2	3	2				8	1,284,000
45-49	2	3	4	3	3			15	2,403,000
50-54		3	4	1	1	3		12	1,926,500
55-59	2	1	5	2	1	4		15	2,403,000
60	2	1	1	2	1	2	1	10	1,603,000
61			1	3				4	640,000
62			3	2	3		1	9	1,440,000
63	1	1					1	3	481,500
64	1	2			1	1		5	800,000
65	1		2		2	1		6	961,500
66	1	1					2	4	640,000
67		2	2	1			1	6	960,000
68		1				1		2	320,000
69		1	1	2	1		1	6	961,500
70			2					2	320,000
72		2	1					3	481,500
73	1	1						2	346,500
Totals	14	21	30	18	13	12	7	115	$ 18,453,500

Group	No.	Averages Age	Service	Annual Pay
Tier Two	115	58.0	15.0	$ 160,465

Analysis of Experience

Actual experience will not (except by coincidence) coincide exactly with assumed experience. Gains and losses often cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below.

		2016	2015
1)	UAAL* at Start of Year	$ 39,266,434	$ 6,213,273
2)	Normal Cost from Last Valuation	6,401,732	4,613,337
3)	Employer Contributions	5,561,289	5,690,381
4)	Interest Accrual: (1) x .0625 + [(2) - (3)] x .03125	2,480,416	411,419
5)	Expected UAAL Before Changes: (1) + (2) - (3) + (4)	42,587,293	5,547,648
6)	Changes in Benefits/Assumptions/Methods	0	24,290,229
7)	Expected UAAL After Changes: (5) + (6)	42,587,293	29,837,877
8)	Actual UAAL at End of Year	35,267,807	39,266,434
9)	Gain(Loss): (7) - (8)	$ 7,319,486	$ (9,428,557)
10)	Gain(Loss) as Percent of Actuarial Accrued Liabilities at Start of Year: $254,713,985	2.9%	(4.5)%
	Last Year's Accrued Liability	$ 254,713,985	$ 208,005,544

*Unfunded actuarial accrued liability

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

During the period July 1, 2015 to June 30, 2016

Type of Risk Area	Gain (Loss) During Year ($ in Millions)	Gain (Loss) During Year Percent of Liabilities
Economic Risk Areas		
Pay Increases If there are smaller pay increases than assumed, there is a gain, if greater increases, a (loss).	$ 0.0	0.0 %
Investment Return If there is greater investment return than assumed, there is a gain, if less return, a (loss).	2.1	0.8
Non-Economic Risk Areas		
Age & Service Retirements If members retire at older ages or with lower final average pays than assumed, there is a gain. If they retire at younger ages or with higher average pays, a (loss).	3.6	1.4
Disability Retirements If there are fewer disabilities than assumed, there is a gain, if more, a (loss).	0.0	0.0
Death-in-Service Benefits If there are fewer claims than assumed, there is a gain, if more, a (loss).	0.4	0.2
Withdrawal If more liabilities are released by other separations than assumed, there is a gain, if fewer are released, a (loss).	(0.4)	(0.2)
Retiree Mortality / COLAs If there are fewer deaths than assumed, there is a (loss), if more, a gain. This includes gains and losses related to Tier I pre-July 1, 1983 retired member increases.	1.6	0.6
Other Gains and losses resulting from group size change, data adjustments, timing of financial transactions, additional contributions and miscellaneous unidentified sources.	0.0	0.0
Experience Gains/(Losses)	$ 7.3	2.87 %

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.

Tier One	Tier Two
Description	
Elected or appointed prior to the effective date of Act 399 of 1999 and who do not elect to participate in Tier Two.	Elected or appointed after the effective date of Act 399 of 1999 or elected to participate in Tier Two.
Regular Retirement	
An active member may retire at age 65 with 10 or more years of credited service, or after 20 years of credited service regardless of age. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit or Chancery Courts or the Court of Appeals.	An active member or former member may retire at age 65 with 8 or more years of credited service, or after 20 years of credited service regardless of age.
Compulsory Retirement	
Any judge or justice who attains 70 years of age during a term of office to which he has been elected may complete the term without forfeiting rights to retirement benefits. Any judge or justice who is not eligible to retire at age 70 may continue to serve as judge until completion of the term in which there has accrued sufficient credited service to retire. Otherwise, judges or justices must retire by their 70th birthday or lose their retirement benefits.	Any judge or justice who attains 70 years of age during a term of office to which he has been elected may complete the term without forfeiting rights to retirement benefits. Any judge or justice who is not eligible to retire at age 70 may continue to serve as judge until completion of the term in which there has accrued sufficient credited service to retire. Otherwise, judges or justices must retire by their 70th birthday or lose their retirement benefits.

Tier One	Tier Two
Final Salary	
The annual salary for the last judicial office held.	The annual salary for the last judicial office held.
Age and Service Annuity	
60% of the judge's final salary, for life. Each year of additional service after twenty (20) years of judicial service, the benefit shall be increased by two and one-half percent (2.5%) with a maximum benefit payable of seventy-five percent (75%) of the judge's final salary.	3.2% of the salary of the last judicial office held multiplied by the number of years of service not to exceed 80% of the salary of the last judicial office held.
Deferred Retirement	
An inactive member who has 14 or more years of credited service and left judicial service before attaining age 65 will be entitled to an age and service annuity beginning at age 65. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit or the Chancery Courts or the Court of Appeals.	An inactive member who has 8 or more years of credited service and left judicial service before attaining age 65 will be entitled to an age and service annuity beginning at age 65.
Disability Retirement	
An active member with 3 or more consecutive years of credited service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity. The 3 years of service is not required for persons who were members before July 1, 1983.	An active member with 3 or more consecutive years of credited service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity, except that the benefit shall not be less than 25.6% of final salary.

Tier One	Tier Two

Early Retirement

Tier One

A member who became a member before July 1, 1983 and who has 18 but less than 20 years credited service may retire, regardless of age, and receive an immediate annuity. The amount is the full age and service amount reduced proportionately for service less than 20 years.

A member with 14 years of credited service may retire between ages 62 and 65 and receive an immediate annuity. The amount is the full age and service amount reduced 1/2 of 1% for each month that retirement age is younger than age 65. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit Court or Chancery Courts or the Court of Appeals.

Tier Two

A member with 8 years of credited service may retire between ages 62 and 65 and receive an immediate annuity. The amount is the full age and service amount reduced 1/2 of 1% for each month retirement age is younger than age 65.

Survivor Benefits

Tier One

Upon the death of a member with 3 or more years of service, before or after retirement, an annuity of 67% of the judge's benefit is payable to the following survivors (shared if there is more than one eligible survivor):

- A surviving spouse married to the judge more than 1 year at the time of death.
- A minor child of the judge.

The 3-year service requirement is not required of those who became members prior to July 1, 1983.

Tier Two

Upon the death of a member with 3 or more years of service, before or after retirement, an annuity of 67% of the judge's benefit, but not less than 17.152% of final salary, is payable to the following survivors (shared if there is more than one eligible survivor):

- A surviving spouse married to the judge more than 1 year at the time of death.
- A minor child of the judge.

The 3-year service requirement is not required of those who became members prior to July 1, 1983.

Tier One	Tier Two
Increases after Retirement	
For any person who was a member on or before June 30, 1983, the retirement benefits are increased or decreased from time to time as the salary for the particular judicial office is increased or decreased. For all judges or justices first elected after June 30, 1983, and who have received retirement benefits from the System for at least 12 full calendar months, the retirement benefits are increased each July 1st by 3%.	For all judges or justices who have received retirement benefits from the System for at least 12 full calendar months, the retirement benefits are increased each July 1st by 3%.
Member Contributions	
Active members contribute 6% of their salaries. Members with 20 or more years of service and members age 65 or older with 10 or more years of service do not contribute to the Retirement System. At any time a member is accruing the additional 2.5% of final salary benefit, member contributions would be required. If a member leaves service before becoming eligible to retire, accumulated contributions may be refunded.	Active members contribute 5% of their salaries. Members with 25 or more years of service do not contribute to the Retirement System. If a member leaves service before becoming eligible to retire, accumulated contributions may be refunded.

STATISTICS

ARKANSAS JUDICIAL RETIREMENT SYSTEM

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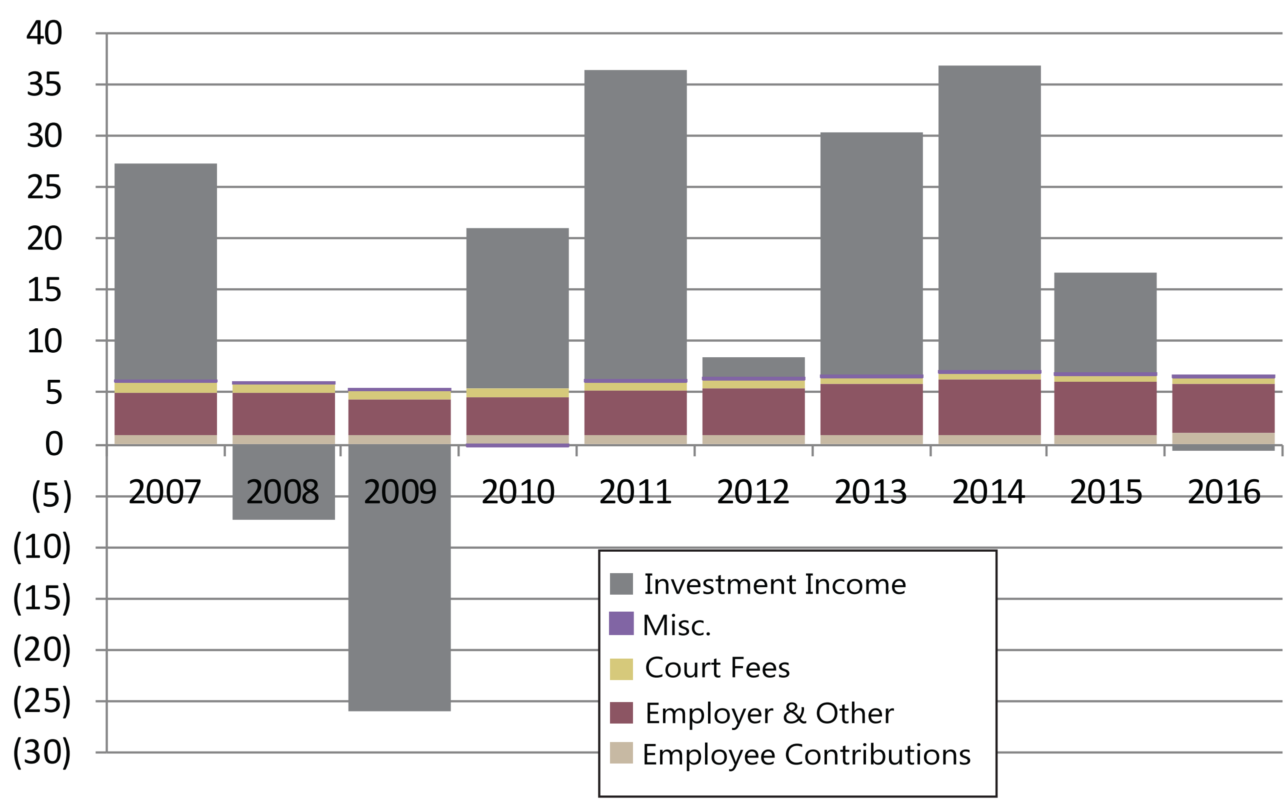
Schedule of Revenues by Source

For the year ended June 30, 2016

Year Ending June 30	Employee Contributions	Employer & Other Entity Contributions	Court Fees	Misc.	Investment Income	Total
2007	$ 811,739	$ 4,279,219	$ 902,797	$ 15,629	$ 21,257,249	$ 27,266,633
2008	803,022	4,231,183	902,797	74,660	(7,438,553)	(1,426,891
2009	816,348	3,500,600	902,797	68,631	(25,971,792)	(20,683,416)
2010	871,330	3,753,808	902,797	(1,193)	15,439,110	20,965,852)
2011	860,565	4,303,921	902,797	13,905	30,449,948	36,531,135
2012	879,762	4,640,182	814,993	9,904	2,148,975	8,493,816
2013	886,685	4,931,998	740,293	40,696	23,706,205	30,305,877
2014	925,324	5,345,572	764,883	6,873	29,793,113	36,835,765
2015	946,149	5,078,901	609,388	2,092	9,971,824	16,608,354
2016	$ 1,011,372	$ 4,962,144	$ 586,818	$ 12,328	$ (581,835)	$ 5,990,826

Revenues by Source

(In Millions)

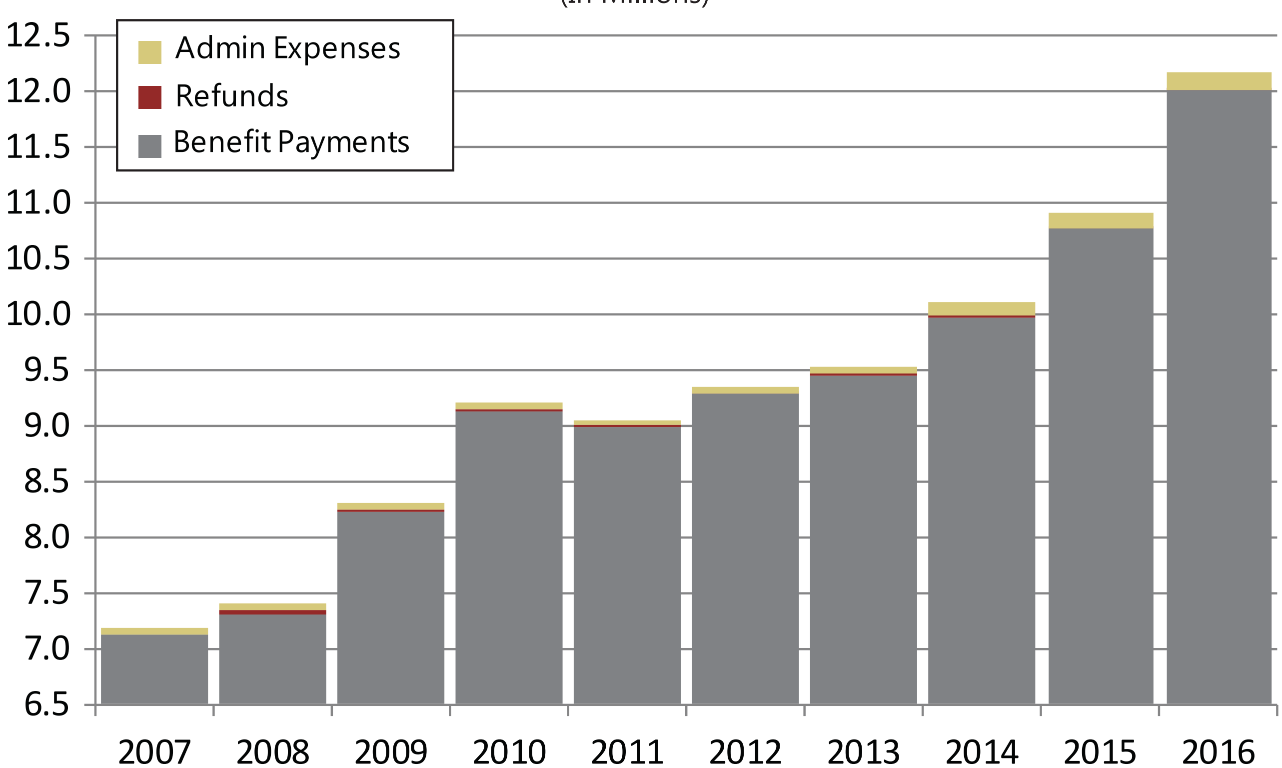


Schedule of Expenses by Type

For the year ended June 30, 2016*

Year Ending June 30	Benefit Payments	Refunds	Administrative Expenses	Total
2007	$ 7,119,046	$ 0	$ 56,922	$ 7,175,968
2008	7,308,028	42,372	58,544	7,408,944
2009	8,235,694	20,505	59,194	8,315,393
2010	9,125,873	22,782	49,021	9,197,676
2011	8,983,419	15,823	48,919	9,048,161
2012	9,280,100	7,014	67,798	9,354,912
2013	9,448,550	27,593	55,591	9,531,734
2014	9,966,020	18,836	130,529	10,115,385
2015	10,762,871	14,320	137,951	10,915,142
2016	$ 12,007,537	$ 800	$ 158,420	$ 12,166,757

Expense by Type
(In Millions)

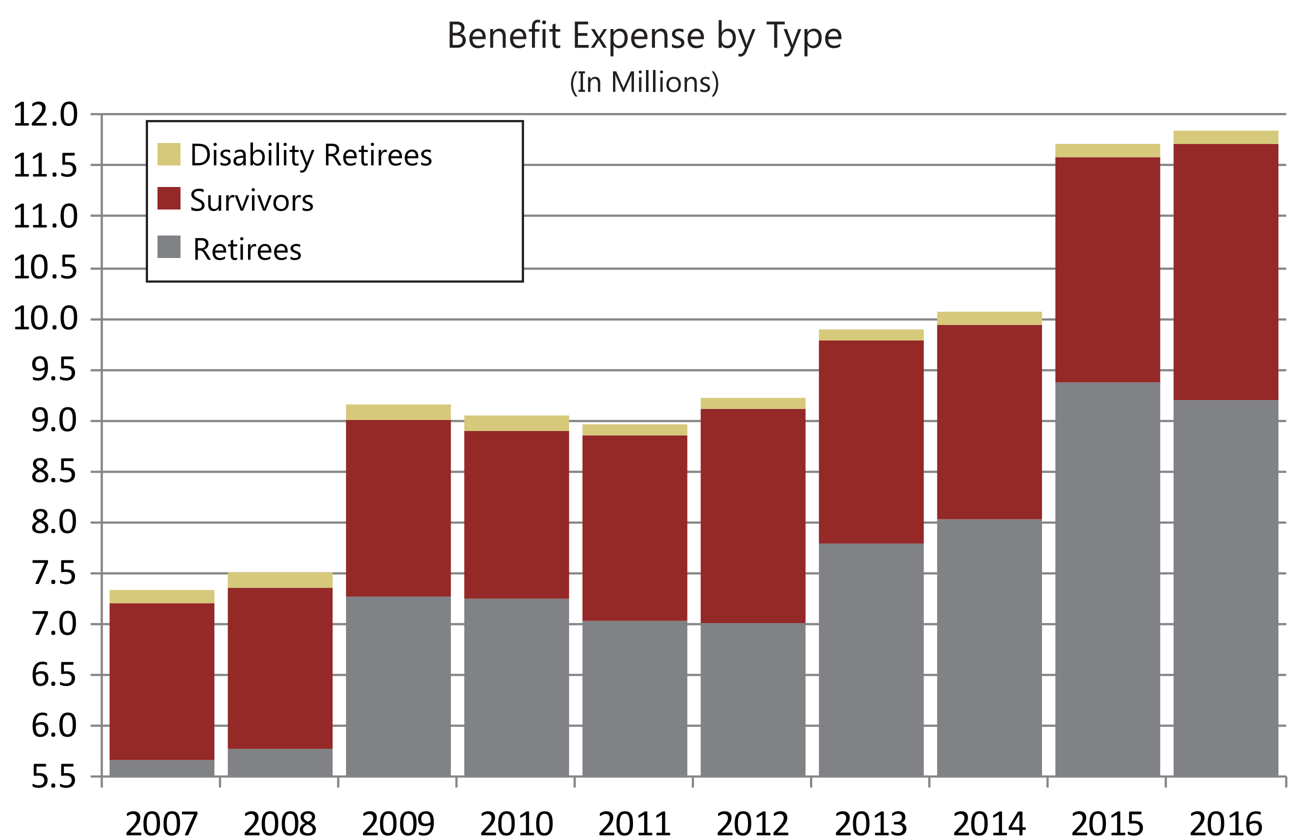


* Expenses are annualized based on June 30 benefit amounts.
NOTE: Administrative expenses will change once the pension expense amount is adjusted based upon actuarially determined net pension liability.

Schedule of Benefit Expenses by Type

For the year ended June 30, 2016 *

Year Ended June 30	Age and Service Retirees	Age and Service Survivors	Disability Retirees
2007	$ 5,657,487	$ 1,536,228	$ 148,797
2008	5,764,682	1,588,875	152,438
2009	7,266,337	1,742,101	157,724
2010	7,254,889	1,642,645	159,842
2011	7,032,265	1,824,181	110,829
2012	7,010,699	2,096,331	114,154
2013	7,783,179	1,992,752	117,579
2014	8,020,300	1,916,865	121,106
2015	9,377,001	2,206,257	124,740
2016	$ 9,194,076	$ 2,516,580	$ 128,482



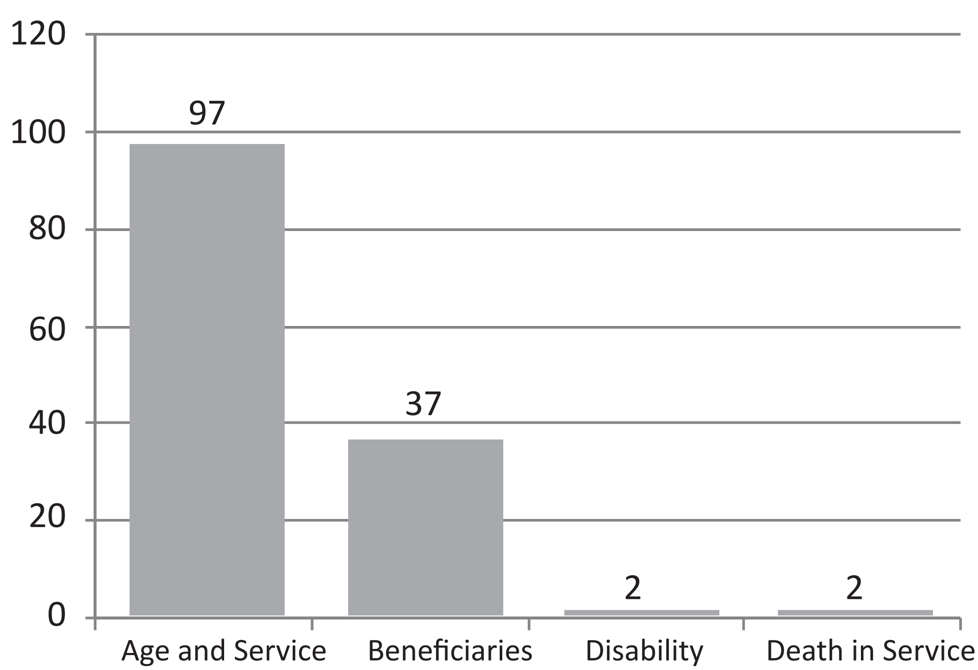
* Expenses are annualized based on June 30 benefit amounts.

Schedule of Retired Members by Type of Benefit

As of June 30, 2016

	Number	Annual Annuities	Annuity Liabilities
Age and Service Retirees			
Life	10	$ 856,489	$ 7,875,215
Life Continuing to Survivor	87	8,337,587	106,048,692
Totals	97	9,194,076	113,923,907
Beneficiaries of Age & Service Retirees	37	2,516,580	25,535,528
Total Age & Service Retirees & Beneficiaries	134	11,710,656	139,459,435
Disability Retirees			
Life	1	86,831	589,732
Life Continuing to Survivor	1	41,651	549,203
Totals	2	128,482	1,138,935
Beneficiaries of Disability Retirees	0	0	0
Total Disability Retirees & Beneficiaries	2	128,482	1,138,935
Death-in-Service Beneficiaries	2	132,679	2,144,881
Total Retirees & Beneficiaries	138	$ 11,971,817	$ 142,743,251

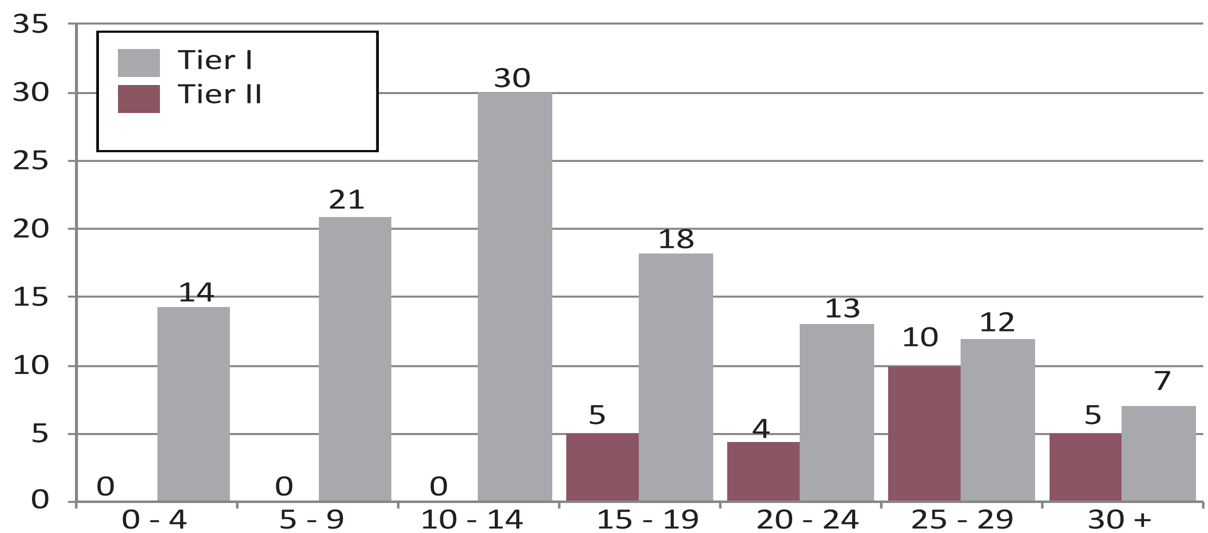
Type of Annuity



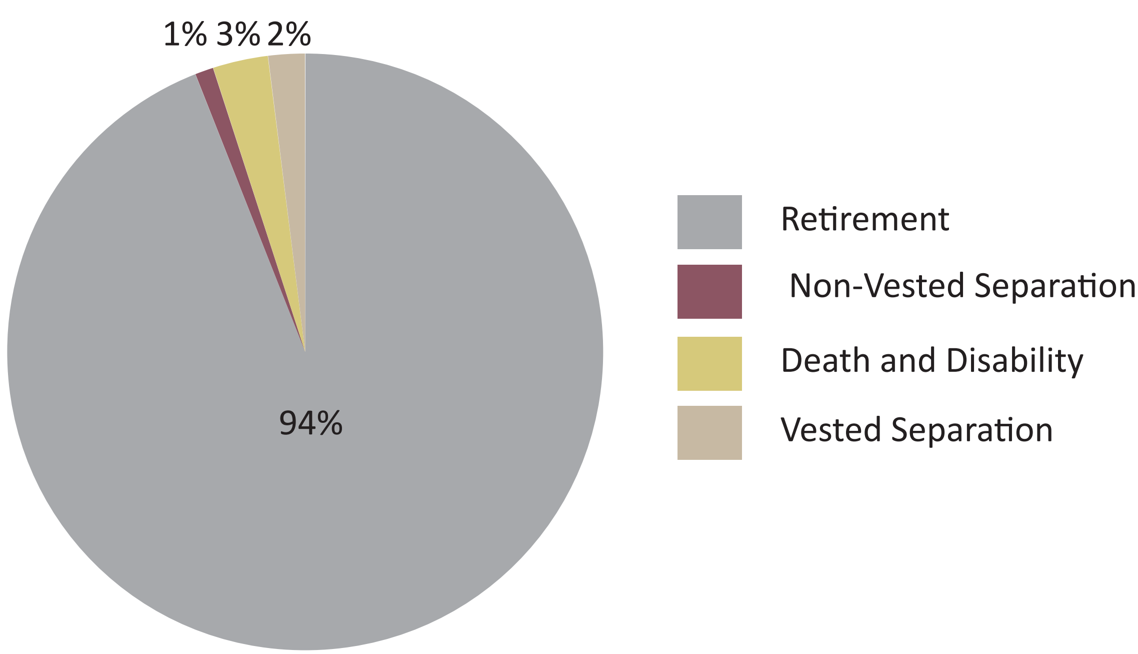
Totals may not add due to rounding.

Statistical Graphs

Active Members for Tier I and Tier II



Projected Separation of Current Membership



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ARKANSAS JUDICIAL RETIREMENT SYSTEM

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