ANNUAL FINANCIAL REPORT

for the fiscal year ending June 30, 2016

ASPRS
ARKANSAS STATE POLICE RETIREMENT SYSTEM

Arkansas State Police 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 Secretary
Colonel Bill Bryant, Director of State Police

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

Table of Contents

INTRODUCTION	5
A Brief History of ASPRS	7
System Highlights	8
Troop Headquarters	9
Letter of Transmittal	10
Board of Trustees	13
ASPRS Senior Staff	14
Professional Service Providers	15
FINANCIAL SECTION	17
Management's Discussion and Analysis	19
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
Notes to the Financial Statements	27
Note 1: Plan Description	27
Note 2: Summary of Significant Accounting Policies	30
Note 3: Deposits and Investments	31
Note 4: Legally Required Reserves	52
Note 5: Net Pension Liability	53
Note 6: Deferred Retirement Option Plan	56
Required Supplementary Information	57
Schedule of Funding Progress	57
Schedule of Employer Contributions	58
Schedule of Changes in Net Pension Liability and Related Ratios	59
Schedule of Net Pension Liability	60
Schedule of Investment Returns	60
Notes to Required Supplementary Information	61
Schedule of Administrative Expenses	61
Schedule of Investment Expenses	61
Payments for Professional Consultants	61
INVESTMENTS SECTION	63
Chief Investment Officer's Report	65
Investment Policy Summary	69
Asset Allocation	70
Schedule of Manager Distribution	73

Table of Contents

Portfolio Characteristics 74
Schedule of Comparative Investment Results by Year 75
Schedule of Comparative Annualized Investment Results 76
Top Ten Largest Holdings 77
Schedule of Brokerage Commissions 78
Schedule of Investment Fees 79

ACTUARIAL SECTION 80

Actuary's Certificate Letter 83
Summary of Actuarial Assumptions 85
Supplementary Information 87
Single Life Retirement Values 88
Separations from Active Employment Before Age and Service Retirement 89
Pay Increase Assumptions for Active Members 90
Probabilities of Retirement for Members Eligible to Retire 91
Active Members in Actuarial Valuation 92
Tier One and Tier Two Participants 93
Short Condition Test 94
Derivation of Experience Gain/(Loss) 96
Analysis of Experience - Gains/(Losses) by Risk Area 97
Summary of Plan Provisions 98

STATISTICAL SECTION 103

Schedule of Revenues By Source 105
Schedule of Expenses by Type 106
Schedule of Benefit Expenses by Type 107
Schedule of Retired Members by Type of Benefit 108
Schedule of Average Benefit Payments 109
Statistical Graphs 110

APPENDIX 113

APERS and ASPRS Combined Statement of Fiduciary Net Position 115
APERS and ASPRS Combined Statement of Changes in Fiduciary Net Position 116
APERS and ASPRS Manager Distribution - Combined Statement 117
APERS and ASPRS Ten Largest Holdings - Combined Statement 118
APERS and ASPRS Brokerage Commissions - Combined Statement 119
APERS and ASPRS Investment Fees - Combined Statement 120

INTRODUCTION

A Brief History of ASPRS

System Highlights

Troop Headquarters

Letter of Transmittal

Board of Trustees

ASPRS Senior Staff

Outside Professional Service Providers

ASPRS
ARKANSAS STATE POLICE
RETIREMENT SYSTEM

A BRIEF HISTORY OF ASPRS

With the passage of Act 311 on March 19, 1951, the Arkansas General Assembly created the State Police Retirement System (ASPRS or the System). This System provides for the retirement of police officer employees of the Department of Arkansas State Police.

In the beginning, all ASPRS members participated in a contributory plan whereby employers and employees made contributions to the System. However, in 1977, Act 793 was signed by then Governor David Pryor. This legislation offered a choice to employees who were currently under the contributory plan. They could remain under the contributory plan or change over to the new non-contributory plan in which only employers make contributions to the System. This choice was offered to employees who were ASPRS members at some previous time and returned to work for the System on or after January 1, 1978; however, anyone joining the System on or after, January 1, 1978 who was not previously an ASPRS member is automatically covered under the new non-contributory plan.

Act 1071 of 1997 created the Tier Two Benefit Plan for the State Police Retirement System (Tier II) for all officers hired on or after April 3, 1997. Members of the plan in effect before April 3, 1997 (Tier I) had one year from April 3, 1997 to elect participation in Tier II.

Act 1242 of 2009 merged the investable assets of ASPRS with those of the Arkansas Public Employees Retirement System (APERS). All authority over investment of the merged assets was granted to the Board of Trustees of the Arkansas Public Employees Retirement System (APERS Board). Investment schedules contained herein reflect the market values accruing to each system.

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

SYSTEM HIGHLIGHTS
(as of June 30, 2016)

Active Members (Excludes DROP participants)

Tier I		Tier II	
Number	70	Number	426
Average Age (yrs.)	49.3	Average Age (yrs.)	37.6
Average Service (yrs.)	21.5	Average Service (yrs.)	8.5
Average Annual Salary	$67,471	Average Annual Salary	$48,886

Inactive Vested Members	
Number	76

2016 Retirees (Includes DROP participants)

	Age and Service	Disability
Retired Members	22	1
Average Age (yrs.)	52.91	46
Average Credited Service (yrs.)	34.36	10
Average Monthly Benefit	$4,561.32	$1,330.00

Total Retirees
(Including DROP Participants, Disability Recipients, & Death-In-Service Beneficiaries)

Retired Members	692
Average Monthly Benefit	$3,165.59

TROOP HEADQUARTERS

Troop "A" 501-618-8282
1 State Police Plaza Drive - Little Rock, AR 72209
Captain Alex Finger - Commander

Troop "B" 870-523-2701
3200 Highway 67 North - Newport, AR 72112
Captain Jeffrey Drew - Commander

Troop "C" 870-935-7302
2216 Browns Lane Access Rd - Jonesboro, AR 72403
Captain John Carter - Commander

Troop "D" 870-633-1454
3205 North Washington - Forrest City, AR 72335
Captain Jackie Clark - Commander

Troop "E" 870-247-1483
6816 Princeton Pike - Pine Bluff, AR 71602
(position vacant) - Commander

Troop "F" 870-226-3713
1237 North Myrtle - Warren, AR 71671
Captain Charles Hubbard - Commander

Troop "G" 870-777-4641
2501 North Hazel - Hope, AR 71801
Captain Brady Gore - Commander

Troop "H" 479-783-5195
5728 Kelly Highway - Fort Smith, AR 72914
Captain Jason Aaron - Commander

Troop "I" 870-741-3455
2724 Airport Road - Harrison, AR 72602
Captain Wesley Smithee - Commander

Troop "J" 479-754-3096
2700 West Main - Clarksville, AR 72830
Captain Dale Saffold - Commander

Troop "K" 501-767-8550
200 Karen Street - Hot Springs, AR 71901
Captain Ron Casey - Commander

Troop "L" 479-751-6663
900 South 48th St - Springdale, AR 72766
Captain Lance King - Commander

LETTER OF TRANSMITTAL

Dear ASPRS Members:

The Arkansas State Police Retirement System (ASPRS or the System) 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 six sections:

- The Introduction contains the administrative organization, a letter of transmittal, and the chairman's report;
- The Financial Section contains the financial statements and required supplementary information;
- The Investments Section contains a report on investment activity, investment policies, investment results, and various investment schedules;
- The Actuarial Section contains the actuary's certification letter and the results of the annual actuarial valuation;
- The Statistical Section includes significant trend data pertaining to the System;
- The Appendix contains combined ASPRS and APERS financial statements.

Accounting System

The accrual basis of accounting is used to record the assets, liabilities, revenues, and expenses of the ASPRS 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.

Revenues

The fiscal year 2016 revenue from employer contributions totaled $6.6 million. This amount is $171,828 more than the amount received in fiscal year 2015. Court fees and driver's license reinstatement fees for the fiscal year were $2.21 million, a decrease of $28,269 from fiscal year 2015. In 2016, motor vehicle title fees totaling $4.66 million were collected in accordance with Act 718 of 2011.

In addition to the funding provided in previous years, Act 1071 of 1997 provided for a transfer from insurance premium taxes to the State Police Retirement Fund. This transfer is equal to the difference between the actuarially computed contribution rate minus other funding sources (employer contributions and driver's license reinstatement fees). The fund received $6.23 million from the insurance premium tax transfer during fiscal year 2016 and $6.57 million in fiscal year 2015.

The System experienced a net investment loss of $210,045 in fiscal year 2016 after expenses of just over $1.1 million, a decrease of $6.34 million from fiscal year 2015. Overall, the System's revenues decreased $6.51 million over fiscal year 2015 due primarily to lower investment returns.

Expenses

Benefit payments for fiscal year 2016 were $26.04 million, which is $2,676,665 more than fiscal year 2015. Administrative expenses were $205,342, of which $37,550 was for professional fees and $157,463 was transferred to APERS for indirect administrative costs.

Funding

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

Investments

Act 1242 of 2009 effectively merged the ASPRS investment program with that of APERS and granted the APERS Board all investment authority. In accordance with the Investment Code contained in the Arkansas Code Annotated, the APERS Board has established a policy which requires that the funds be invested in conformity with the "prudent investor rule." The Investment Code permits the fund to establish an investment policy based upon certain investment criteria and allows for delegation of investment authority to professional investment managers. The statement of investment policy outlines the responsibility for the investment of the fund and reflects the degree of risk that is deemed appropriate for the fund. Investment managers are to execute the investment policy in accordance with statutory authority and the policies and respective guidelines of the APERS Board, but they are free to use full discretion within those policies and guidelines. Compliance by the current investment managers is monitored on a continuing basis by the investment consulting firm Callan Associates Inc. and APERS staff. The investment managers retained by the APERS Board are listed on page 15 of this report.

Professional Services

Professional services are provided to ASPRS by firms selected by the APERS Board to aid in the efficient and effective management of the System. A list of firms retained during the year can be found on page 15 of this report.

Acknowledgments

This report is the result of the combined efforts of the APERS staff under the direction of the Board of Trustees of the State Police Retirement System. 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.

Sincerely yours,

Lt. Brant Tosh

Gail H. Stone

BOARD OF TRUSTEES

ASPRS 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

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: Domestic Equity

CastleArk Management, LLC
Chicago, IL 60606

Golden Capital Management
Charlotte, NC 28262

Horrell Capital Management
Little Rock, AR 72211

INTECH
West Palm Beach, FL 33401

Lazard Asset Management
New York, NY 10020

Lombardia Capital Partners
Pasadena, CA 91101

Mellon Capital Management
Pittsburgh, PA 15258

SSI Investment Management
Beverly Hills, CA 90210

Stephens Investment Management Group
Houston, TX 77046

Wellington Management Company
Boston, MA 02210

Westwood Management Corp.
Dallas, TX 75201

Investment Managers: Fixed Income

MacKay Shields
New York, NY 10105

Prudential Investments, Inc.
Newark, NJ 07102

Investment Managers: Diversified Strategies

AQR Capital Management
Greenwich, CT 06830

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

Newton Capital Management
New York, NY 10166-0005

Investment Managers: Real Assets

CastleArk Management, LLC
Chicago, IL 60606

Heitman America Real Estate
Chicago, IL 60606

Invesco Real Estate
Dallas, TX 75240

LaSalle Investment Management
San Francisco, CA 94111

Pinnacle Forest Investments, LLC
Little Rock, AR 72211

TA Associates Realty
Boston, MA 02109

Investment Managers: International Equity

Artisan Partners
Milwaukee, WI 53202

Baillie Gifford Overseas Ltd.
Edinburgh, Scotland

Lazard Asset Management
New York, NY 10020

Manning & Napier Advisors
Dublin, OH 43017

Pyramis Global Advisors
Smithfield, RI 02917

FINANCIAL SECTION

Management's Discussion and Analysis

Statement of Fiduciary Net Position

Statement of Changes in Fiduciary Net Position

Notes to the Financial Statements
- Note 1: Plan Description
- Note 2: Significant Accounting Policies
- Note 3: Deposits and Investments
- Note 4: Legally Required Reserves
- Note 5: Net Pension Liability
- Note 6: Deferred Retirement Option Plan

Required Supplementary Information
- Schedule of Funding Progress
- Schedule of Employer Contributions
- Schedule of Changes in Net Pension Liability
- Schedule of Net Pension Liability
- Schedule of Investment Returns

Notes to Required Supplementary Information
- Schedule of Administrative Expenses
- Schedule of Investment Expenses
- Schedule of Consultant Fee(s)

ASPRS
ARKANSAS STATE POLICE
RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

To help facilitate a better understanding of the financial condition of the Arkansas State Police Retirement System (ASPRS or the System) as of June 30, 2016, the results of its operation for the fiscal year ended, and the fiscal policies that govern its significant business operations, management has prepared this narrative analysis. The narrative is intended to supplement the System's financial statements and, as such, should be read in conjunction with these statements, which are presented beginning on page 25 and page 26.

Act 1242 of 2009 effectively merged the ASPRS investment program with that of the Arkansas Public Employees Retirement System (APERS) and granted the Board of Trustees of the Arkansas Public Employees Retirement System (APERS Board) all investment authority. The figures referred to in this section are ASPRS figures unless specifically stated otherwise.

Overview of the Financial Statements

This overview is intended to serve as an introduction to the System's financial reporting. Collectively, all the information contained in the Financial Section of this annual report presents the net assets held in trust for pension benefits as of June 30, 2016.

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

The *Statement of Fiduciary Net Position* reports the pension trust fund's assets, liabilities, and resulting net position such that assets – liabilities = net position at the end of the fiscal year. It is a snapshot of the financial position of the pension trust fund at that specific time. Below is a summary of total assets, total liabilities, and resulting net position for fiscal years 2015 and 2016:

Summary of Fiduciary Net Position

Assets	2016	2015
Cash and Cash Equivalents	$ 15,281,566	$ 15,266,923
Receivables	2,591,731	2,211,897
Investments	259,132,507	264,597,302
Securities Lending Collateral	32,572,338	35,986,946
Total Assets	$ 309,578,142	$ 318,063,068
Liabilities		
Other Liabilities	$ 474,545	$ 477,686
Investment Principal Payable	3,502,275	1,809,687
Securities Lending Collateral	32,681,310	36,118,125
Total Liabilities	36,658,130	38,405,498
Net Position Restricted For Pension Benefits	$ 272,920,012	$ 279,657,570

Totals may not add due to rounding.

The Statement of Changes in Fiduciary Net Position

The Statement of Changes in Fiduciary Net Position summarizes the pension trust fund's financial transactions that have occurred during the fiscal year such that additions – deductions = net change in net position. It supports the change that has occurred to the prior year's net position value on the *Statement of Fiduciary Net Position*. Below is a summary of the financial transactions of the trust fund for fiscal years 2015 and 2016:

Summary of Changes in Fiduciary Net Position

Additions	2016	2015
Employer Contributions	$ 6,581,580	$ 6,409,752
Member Contributions	30,170	94,814
Supplemental	6,233,769	6,574,376
Court	974,516	1,011,998
Driver's License Reinstatement Fees	1,231,566	1,222,353
Motor Vehicle Title Fees	4,661,683	4,565,652
Net Investment Income	(210,045)	6,131,684
Other Additions	11	7
Total Additions	19,503,250	26,010,636
Deductions		
Benefits	26,035,466	23,358,801
Administrative Expenses	205,342	196,232
Total Deductions	26,240,808	23,555,033
Net Increase / (Decrease)	(6,737,558)	2,455,603
Net Position		
Beginning of Year	279,657,570	277,201,967
End of Year	$ 272,920,012	$ 279,657,570

Totals may not add due to rounding.

Additions to Fiduciary Net Position

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. Accumulations for fiscal year 2016 totaled approximately $19.5 million (see the following table):

Operating Additions	2016	2015
Employer Contributions	$ 6,581,580	$ 6,409,752
Member Contributions	30,170	94,814
Supplemental Contributions	6,233,769	6,574,376
Court Fees	974,516	1,011,998
Driver's License Reinstatement Fees	1,231,566	1,222,353
Motor Vehicle Title Fees	4,661,683	4,565,652
Net Investment Income	(210,045)	6,131,684
Miscellaneous Additions	11	7
Total	$ 19,503,250	$ 26,010,636

The overall decrease in additions was approximately $6.5 million when compared to fiscal year 2015 and was due primarily to lower investment returns. The Investments Section of this report reviews investment activity and the results of the investment portfolio for fiscal year 2016.

Deductions to Fiduciary Net Position

The primary deductions from the System include the payment of benefits to members and beneficiaries, the refund of contributions to former members, and the cost of administering the System. Deductions for fiscal year 2016 totaled approximately $26.2 million (see the following table):

Operating Deductions	2016	2015
Benefit Payments	$ 26,035,466	$ 23,358,801
Administrative Expenses	205,342	196,232
Total	$ 26,240,808	$ 23,555,033

The overall increase in deductions was approximately $2.7 million when compared with fiscal year 2015. The increase in benefit payments resulted primarily from an increase in both the number and average amount of benefits paid and from cost-of-living increases granted. The overall net decrease in the System's net position was approximately $6.7 million during fiscal year 2016.

Totals may not add due to rounding.

The Notes to the Financial Statements

The Notes to the Financial Statements are provided to help explain in narrative form some of the more complex or less obvious elements of the statements. Further, the Notes to the Financial Statements provide additional information that is essential for a comprehensive understanding of the System's financial condition and the results of its operations.

- Note 1 provides a general description of the System, including information regarding membership and employers.
- Note 2 summarizes significant accounting policies, including the basis of accounting, management's use of estimates, and other accounting policies.
- Note 3 describes deposits, discloses investment risks, and addresses securities lending as well as derivative instruments.
- Note 4 provides information regarding legally required reserves.
- Note 5 provides information regarding the System's net pension liability.
- Note 6 describes the System's Deferred Retirement Option Plan.

The required supplementary information provides additional detail and historical information considered to be useful in evaluating the condition of the plan administered by APERS. The System provides certain required schedules and related note disclosures that collectively demonstrate the System's annual progress toward funding its actuarial accrued liability and disclose the annual employer contributions required and the percentage contributed.

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

Funding

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

ASPRS overall pension fund net position decreased during the fiscal year ended June 30, 2016 by $6.74 million. This decrease can be attributed to a decrease in the value of investments and their associated income.

System Investments as of June 30, 2016

The investments of the pension trust fund generated a 0.30% return for the fiscal year, which is lower than the prior year's return of 2.45%. The 0.30% return placed the ASPRS in the fifty-sixth percentile when compared with a median return of 0.54% for large public plans. Investment results over time are compared with the System's benchmarks in the schedule of comparative investment results located in the Investments Section of this annual report. Below is a summary of the performance of the System's assets by class:

- Domestic Equity - The System had $2.906 billion in U.S. domestic equity securities, which is approximately a 13.54% decrease from fiscal year 2015. Domestic equity posted a return of negative 0.38% for the fiscal year. The Russell 3000 Index posted a return of 2.14%.
- International Equity - The System had $1.763 billion in international equity securities which is approximately a 10.93% decrease from fiscal year 2015. International equity posted a return of negative 6.88% for the fiscal year. The MSCI EAFE Index posted a return of negative 10.16%.
- Fixed Income - The System had $1.31 billion in fixed income securities, which is approximately a 4.65% increase from fiscal year 2015. Fixed income posted a return of 5.06% for the fiscal year. The Barclays Aggregate Index posted a return of 6.00%.
- Diversified Strategies - The System had $373 million in diversified strategies, which is approximately a 2.05% increase from fiscal year 2015. Diversified strategies posted a return of 2.86% for the fiscal year.
- Real Assets - The System had $1.235 billion in real assets, which is approximately a 25.81% increase from fiscal year 2015. Real assets posted a return of 8.29% for the fiscal year.

Securities Lending

The System earns additional investment income by lending investment securities to broker-dealers. This is done by the custodian bank, Bank of New York Mellon (BNYM). The broker-dealers provide collateral to BNYM and generally use the borrowed securities to cover short sales and failed trades for their clients. BNYM invests cash collateral to earn interest. For the fiscal year 2016, securities lending income to the System amounted to $4.738 million.

Actuarial Valuations and Funding Progress

The actuarial accrued liability and actuarial value of assets of the System as of June 30, 2016, amounted to $408.74 million and $289.24 million, respectively.

As of June 30, 2016, the System experienced a decrease in its funded status from 70% to 67% on a market value basis. On a funding basis, the System experienced an increase in its funded status from 69% to 71%.

Requests for Information

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

STATEMENT OF FIDUCIARY NET POSITION (as of June 30, 2016)

Assets	2016	2015
Cash and Cash Equivalents	$ 15,281,566	$ 15,266,923
Receivables		
Contributions & Retiree Receivables	77,680	30,742
Investment Principal Receivable	1,900,325	1,480,148
Accrued Investment Income Receivable	613,726	579,289
Termination Agreement Receivable	0	191,388
Allowance for Doubtful Accounts	0	(69,670)
Total Receivables	2,591,731	2,211,897
Investments, At Fair Value		
Government Securities		
U.S. Government Securities	5,498,412	3,571,351
Futures	(52,873)	(31,017)
Government Agency Securities	4,379,389	3,741,591
Corporate Securities		
Collateralized Obligations	1,173,265	1,498,123
Corporate Bonds	14,153,850	15,094,082
Convertible Bonds	5,447,366	6,838,526
Convertible Preferred Stock	2,266,935	1,780,584
Common Stock	83,146,864	91,480,785
Equity Index Funds	24,674,864	23,230,095
Equity Commingled	0	3,194,133
High Yield Income Fund	2,172,498	2,175,256
International Securities		
Corporate Fixed Income	965,829	1,031,361
Equity Securities	34,693,313	41,494,747
Global Preferred Stock	51,234	44,365
Equity Pooled Fund Units	20,555,577	25,677,391
Emerging Markets	0	55,213
Forward Contracts	(19,134)	12,522
Core Plus Bond Fund	15,615,380	14,573,521
Real Estate	26,088,015	14,023,075
Diversified Strategies	13,074,357	9,227,254
Timberland	4,796,841	5,698,120
Commercial Loans	450,525	186,221
Total Investments	259,132,507	264,597,302
Securities Lending Collateral Investments, At Fair Value		
Repurchase Agreements	2,919,862	6,535,753
Asset Backed Floating Rate Notes	6,811,629	9,026,137
Corporate Floating Rate Notes	20,289,877	18,495,601
Time Deposits	2,550,970	1,929,455
Total Securities Lending Collateral Investments	32,572,338	35,986,946
Total Assets	309,578,142	318,063,068
Liabilities		
Accrued Expenses and Other Liabilities	474,545	477,686
Investment Principal Payable	3,502,275	1,809,687
Securities Lending Liability	32,681,310	36,118,125
Total Liabilities	36,658,130	38,405,498
Net Position Restricted for Pension Benefits	$ 272,920,012	$ 279,657,570

Totals may not add due to rounding. The schedule of funding progress is on page 57.
The ASPRS and APERS Combined Statement of Fiduciary Net Position can be found on page 115.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(for the year ended June 30, 2016)

	2016	2015
Additions		
Contributions		
Employer	$ 6,581,580	$ 6,409,752
Member	30,170	94,814
Supplemental	6,233,769	6,574,376
Court	974,516	1,011,998
Drivers' License Reinstatement Fees	1,231,566	1,222,353
Motor Vehicle Title Fees	4,661,683	4,565,652
Total Contributions	19,713,284	19,878,944
Investment Income		
Interest	2,635,849	2,639,743
Dividends	2,871,021	2,913,153
Investment Gain/(Loss)	(4,786,973)	1,529,599
Security Lending Income	163,416	105,955
Other	23,048	0
Total Investment Income	906,361	7,188,451
Less: Investment Expense	1,116,406	1,056,767
Net Investment Income	(210,045)	6,131,684
Other Additions	11	7
Total Additions	19,503,250	26,010,634
Deductions		
Benefits	26,035,466	23,358,801
Administrative Expenses	205,342	196,231
Total Deductions	26,240,808	23,555,032
Net Increase / (Decrease)	(6,737,558)	2,455,602
Net Position Restricted for Pension Benefits		
Beginning of Year	279,657,570	277,201,968
End of Year	$ 272,920,012	$ 279,657,570

Totals may not add due to rounding.
See Notes to the Financial Statements beginning on page 27.
The ASPRS and APERS Combined Statement of Changes in Fiduciary Net Position can be found on page 116.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Plan Description

General Information

The Arkansas State Police Retirement System (ASPRS or the System) is a single-employer, defined benefit pension plan that was established on March 19, 1951 with the passage of Act 311 of 1951. The System provides for the retirement of police officers employed by the Department of Arkansas State Police. The laws governing the operations of ASPRS are set forth in Arkansas Code Annotated (A.C.A.), Title 24, Chapters 2 and 6. Act 1071 of 1997 created a Tier II benefit plan for all police officers hired on or after April 3, 1997.

Effective July 1, 2009, Act 1242 of 2009 transferred the assets of ASPRS to the Arkansas Public Employees Retirement System (APERS) to hold in trust for ASPRS. Act 1242 of 2009 also states that the State Police Trust Fund shall not be treated as segregated funds but shall be commingled with the assets of APERS strictly for investment purposes and that the assets of ASPRS and APERS shall be invested as determined by the Board of Trustees of the Arkansas Public Employees Retirement System (APERS Board).

Act 1242 of 2009 also created the Arkansas State Police Officers' Tier II Deferred Retirement Option Plan (DROP), and it changed the composition of the Board of Trustees of the State Police Retirement System (ASPRS Board).

Arkansas Code Annotated § 24-6-204 states that the membership of the ASPRS Board shall be composed of seven members as follows:

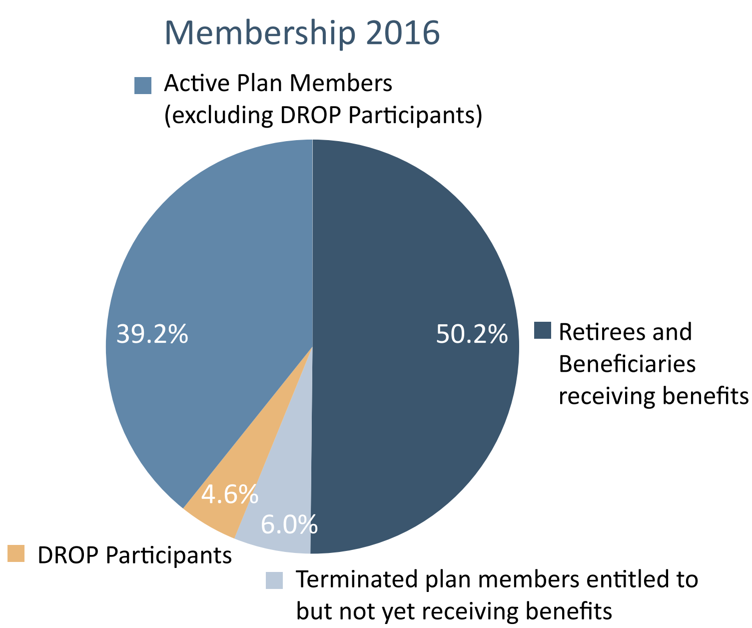
- One active member enrolled in the Tier I benefits program,
- One active, vested member enrolled in the Tier II benefits program,
- The State Police Commissioner who shall be appointed by the Governor,
- The Chief Fiscal Officer of State or his or her designee, and
- Three citizens at large who shall be appointed by the Governor.

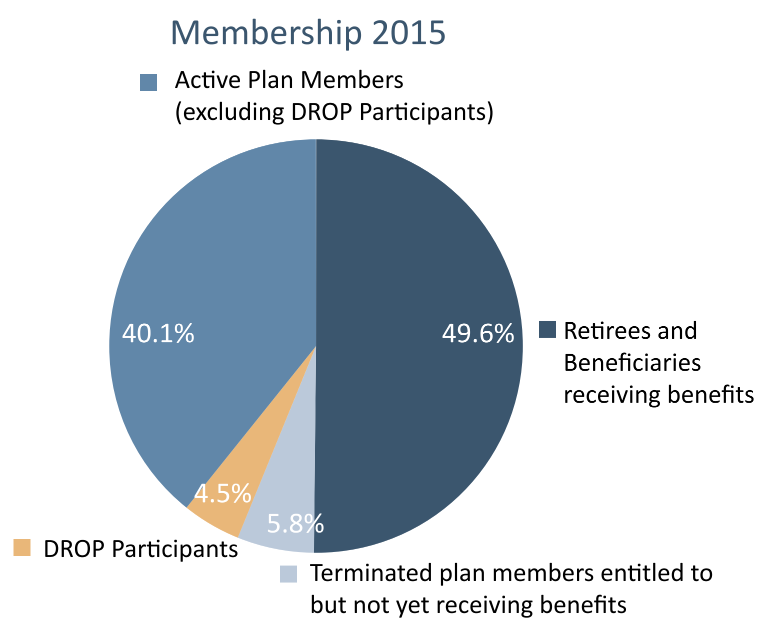
The members of the ASPRS Board are listed on page 13 of this report.

Membership

The membership as of the June 30 end of fiscal years 2015 and 2016 was as follows:

	2016	2015
Retirees and Beneficiaries Receiving Benefits	634	622
Terminated plan members entitled to but not yet receiving benefits	76	73
DROP Participants	58	56
Active Plan Members (Excludes DROP Participants)	496	502
	1,264	1,253





Totals may not add due to rounding.

Contributions

As of June 30, 2015 and 2016, there were no contributory members of ASPRS. Plan member contributions presented in the financial statements are related to service purchase payments. For fiscal year 2015, the employer contribution rate was 22% of salaries paid (A.C.A. § 24-6-209). Contribution provisions are established by state law and may be amended only by the Arkansas General Assembly.

Act 1071 of 1997 provides for a transfer from insurance premium taxes to the State Police Retirement Fund (the ASPRS fund). The ASPRS fund received $6.234 million of Act 1071 funds in fiscal year 2016 and $6.574 million in fiscal year 2015. Additional funds are collected from motor vehicle title fees in accordance with Act 718 of 2011. The ASPRS fund received $4.66 million of Act 718 funds in fiscal year 2016 and $4.57 million in fiscal year 2015.

Plan Administration

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

Benefits

Benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. Members are eligible for full retirement benefits after meeting the following minimum age and service requirements:

- under the Tier I contributory plan at age 50 with five years of actual service,
- under the Tier I non-contributory plan at age 52 with five years of actual service,
- under either the Tier I or Tier II plan at any age with 30 years of actual service, or
- under the Tier II plan at age 65 with at least five actual years of service.

The normal retirement benefit, paid on a monthly basis, is determined based on (a) the member's final average salary and (b) the number of years of service. Under the contributory plan, a member may retire with a reduced benefit after 20 years of service regardless of age. Under the non-contributory plan, a member may retire with a reduced benefit with at least five years of actual service if the member is within 10 years of normal retirement age.

Increases after Retirement

Retirees will receive a 3% cost of living adjustment (COLA) increase in their benefit each July 1. Eligibility for the COLA requires being retired from July 1 for a full 12 months.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The System's accounts and records are maintained using fund accounting principles, and its financial statements are prepared using the accrual basis of accounting. Expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized when due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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, imprest accounts, cash in the state treasury, and short-term investment funds (STIF). The STIF accounts are created through daily sweeps of excess cash by the System's custodian bank into bank-sponsored commingled funds that are invested in U.S. Government and agency securities and other short-term investments. The STIF accounts had an average weighted maturity of 90 days or less and are stated at fair value.

Note 3: Deposits and Investments

Deposits

Deposits are carried at cost and are included in "cash and cash equivalents." Cash and cash equivalents include demand accounts, cash in state treasury, and short-term investment funds (STIF). As of June 30, 2016, these totals were $25,775, $786,750, and $14,469,041 respectively. State Treasury Management Law governs the management of funds held in the State Treasury (cash in state treasury) and it is the responsibility of the Treasurer of State to ensure the funds are adequately insured and collateralized.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or collateral securities. The System's policy is to place deposits only in collateralized or insured accounts. As of June 30, 2016, the System's only deposits exposed to potential custodial credit risk were those holding its foreign currency balance of $34,501. The System holds foreign currency in banks outside the United States as a result of transactions by international investment managers.

Act 1242 of 2009 merged the investable assets of ASPRS with those of APERS. All authority over investment of the merged assets was granted to the APERS Board. Investment schedules reflect the market values accrued to each system.

Investments

Arkansas Code Annotated §§ 24-2-601 – 24-2-619 authorize the APERS 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 investments in accordance with the prudent investor rule. Security transactions and any resulting gains or losses are accounted for on a trade basis. Net investment income includes net appreciation in the fair value of investments, interest income, dividend income, and total investment expense, which includes investment management, 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% nor more than 10% of the System's portfolio in Arkansas-related investments. The APERS Board 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."

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

Investment Type	Fair Value*
Government Securities	
U.S. Government Securities	$ 157,065,484
Agency Pooled	108,115,823
Agency Debentures	16,984,080
Corporate Securities	
Collateralized Obligations	33,515,034
Convertible Bonds	155,607,329
Corporate Bonds	404,313,336
High Yield Bond Fund	62,058,724
Convertible Pref Stock	64,756,374
Common Stock	2,375,140,842
Equity Index Fund	704,852,537
International Securities	
Global Corporate Fixed	27,589,503
Global Preferred Stock	1,463,538
Global Commingled	587,182,585
Global Equity	991,035,632
Diversified Strategies	373,476,965
Core Plus Bond Fund	446,062,859
Real Estate Commingled	745,220,048
Timberland	137,024,677
Commercial Loans	12,869,534
Futures	(1,510,356)
Forwards	(546,587)
	$ 7,402,277,961
Securities Lending Collateral	
Repurchase Agreements	83,407,646
Asset Backed Floating Rate Notes	194,578,329
Corporate Floating Rate Notes	579,592,708
Time Deposits	72,870,000
	930,448,683
	$ 8,332,726,644

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

Asset Allocation

Asset allocation guidelines have been established as follows:

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

Investments are reported at fair value as determined by the custodian bank. The custodian bank's determination of fair values includes, among other things, using pricing services or quotes by major independent brokers at current exchange rates, as available. The schedule on page 37 reflects the fair value of investments.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are (a) uninsured, (b) not registered in the name of the government, and (c) held by either the counterparty or the counterparty's trust department or agent but not in the System's name. Arkansas Code Annotated § 24-2-606 addresses the custodianship of assets, and the investment policy states that "the custodian bank shall, by nominee agreement, hold any and all securities for the beneficial interest of the APERS fund." As of June 30, 2016, there were no investments exposed to custodial credit risk.

Credit Risk for Investments

Credit risk of investments is the risk that the issuer or other counterparty will not fulfill its obligation to the holder of the investment. Credit risk exposure is dictated by each investment manager's agreement. This credit risk is measured by the credit quality of investment in debt securities as described by nationally recognized statistical rating organizations. Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual security quality rating tiers, and the average credit quality of the overall portfolio.

The System's exposure to credit risk as of June 30, 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	$ 157,065,484	0	0
Agency Debentures	16,984,080	0	0
Agency CMO	0	0	0
Agency Pooled	106,679,642	0	0
Corporate Securities			
Collateralized Obligations	14,205,547	1,108,135	3,983,342
Convertible Bonds	0	3,453,066	7,197,223
High Yield Income Fund	0	0	0
Corporate Bonds	3,432,983	2,881,336	68,316,614
International Securities			
Emerging Markets	0	0	0
Emerging Mkts Collateralized Obligations	0	0	0
Global Collateralized Obligations	0	0	0
Global Corporate Fixed	0	0	1,600,150
Global Government Fixed	0	0	0
Core Plus Bond Fund	0	0	446,062,859
Commercial Loans	1,492,500	0	0
Municipal Bonds	0	0	0
	299,860,235	7,442,537	527,160,188
Securities Lending Collateral	$ 194,685,687	425,185,961	127,083,187

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	157,065,484	0
Agency Debentures	0	16,984,080	0
Agency CMO	0	0	0
Agency Pooled	0	108,115,823	0
Corporate Securities			
Collateralized Obligations	10,744,884	8,266,504	3,941,054
Convertible Bonds	2,246,366	0	8,942,671
High Yield Income Fund	0	0	0
Corporate Bonds	3,432,983	4,965,642	78,119,699
International Securities			
Emerging Markets	0	0	0
Emerging Mkts Collateralized Obligations	0	0	0
Global Collateralized Obligations	0	0	0
Global Corporate Fixed	0	0	0
Global Government Fixed	0	0	0
Core Plus Bond Fund	0	0	446,062,859
Commercial Loans	0	0	0
Municipal Bonds	0	0	0
	16,424,233	295,397,533	537,066,283
Securities Lending Collateral	$ 127,088,306	385,179,628	243,553,081

Totals may not add due to rounding.

Baa	Ba	B	Caa or below	NR	Fair Value*
0	0	0	0	0	$ 157,065,484
0	0	0	0	0	16,984,080
0	0	0	0	0	0
0	0	0	0	1,436,181	108,115,823
4,608,683	331,412	1,656,678	3,886,042	3,735,195	33,515,034
14,095,301	14,405,049	8,362,017	0	108,094,672	155,607,329
0	36,009,660	26,049,064	0	0	62,058,724
214,793,892	69,363,997	30,328,779	7,104,337	8,091,398	404,313,336
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
16,369,960	9,177,641	0	0	441,752	27,589,503
0	0	0	0	0	0
0	0	0	0	0	446,062,859
177,949	0	2,295,508	1,827,023	7,076,554	12,869,534
0	0	0	0	0	0
250,045,785	129,287,759	68,692,048	12,817,401	128,875,752	1,424,181,706
0	0	0	4,833,441	178,660,408	$ 930,448,684

BBB	BB	B	CCC or below	NR	Fair Value*
0	0	0	0	0	$ 157,065,484
0	0	0	0	0	16,984,080
0	0	0	0	0	0
0	0	0	0	0	108,115,823
4,017,498	139,683	0	3,855,226	2,550,185	33,515,034
24,705,525	21,957,784	6,233,726	0	91,521,257	155,607,329
0	62,058,724	0	0	0	62,058,724
209,090,562	68,715,435	27,016,981	4,176,690	8,795,344	404,313,336
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
17,753,924	9,393,827	0	441,752	0	27,589,503
0	0	0	0	0	0
0	0	0	0	0	446,062,859
2,273,683	1,492,500	7,276,328	1,827,023	0	12,869,534
0	0	0	0	0	0
257,841,191	163,757,954	40,527,035	10,300,690	102,866,787	1,424,181,706
0	915,882	0	4,833,441	168,878,346	$ 930,448,684

Concentration of Credit Risk for Investments

The concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer (not including investments issued or guaranteed by the U.S. government or investments in mutual funds or external investment pools). The APERS Board has a formal investment policy for concentration of credit risk. None of the investments in any one issuer (other than those issued or guaranteed by the U.S. government) represented more than 5% of total investments.

Interest Rate Risk for Investments

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

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

As of June 30, 2016, the System had the following debt security investments and maturities:

Investment Type	Investment Maturity (In Years)				
	Fair Value*	Less than 1	1 - 5	6 - 10	More than 10
Government Securities					
U.S. Government Securities	$ 157,065,484	$ 3,721,228	$ 60,058,767	$ 38,372,520	$ 54,912,969
Agency Debentures	16,984,080	0	16,984,080	0	0
Agency CMO	0	0	0	0	0
Agency Pooled	108,115,823	715,156	878,405	1,679,815	104,842,446
Corporate Securities					
Collateralized Obligations	33,515,034	4,410,099	0	2,186,762	26,918,173
Convertible Bonds	155,607,329	7,602,503	98,348,734	14,658,152	34,997,940
High Yield Income Fund	62,058,724	0	62,058,724	0	0
Corporate Bonds	404,313,336	11,217,795	164,799,842	123,849,191	104,446,507
International Securities					
Emerging Markets	0	0	0	0	0
Emerging Mkts Collateralized Obligations	0	0	0	0	0
Global Collateralized Obligations	0	0	0	0	0
Global Corporate Fixed	27,589,503	0	5,394,652	20,137,101	2,057,750
Global Government Fixed	0	0	0	0	0
Core Plus Bond Fund	446,062,859	0	0	446,062,859	
Commercial Loans	12,869,534	0	6,609,893	6,259,641	0
Municipal Bonds	0	0	0	0	0
	$ 1,424,181,706	$ 27,666,781	$ 415,133,098	$ 653,206,041	$ 328,175,786
Securities Lending Collateral					
Asset Backed Floating Rate Notes	194,578,329	138,360,860	33,812,963	0	2,404,506
Corporate Floating Rate Notes	579,592,709	496,628,249	82,964,460	0	0
Repurchase Agreements	83,407,646	83,407,646	0	0	0
Time Deposits	72,870,000	72,870,000	0	0	0
	$ 930,448,684	$ 791,266,755	$ 116,777,423	$ 0	$ 2,404,506

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

Foreign Currency Risk

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

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

Currency	%	Fair Value*	Fixed Income	Equities	Cash	Forward Contracts
Australian Dollar	3.89	$ 37,257,039	$ 0	$ 37,257,039	$ 0	$ 0
Brazilian Real	1.10	10,504,935	0	10,504,935	0	0
British Pound Sterling	24.18	231,768,831	1,600,150	231,780,420	713	(1,612,451)
Canadian Dollar	1.00	9,602,276	0	9,602,117	160	0
Chinese Yuan Renminbi	0.75	7,141,449	0	19,188,785	0	(12,047,335)
Danish Krone	4.77	45,686,856	0	45,686,856	0	0
Euro Currency	20.23	193,931,948	0	193,703,756	228,193	0
Hong Kong Dollar	0.98	9,384,066	0	8,851,089	532,977	0
Indian Ruphia	0.68	6,532,631	0	6,532,631	0	0
Israeli Shekel	0.26	2,477,569	0	2,477,569	0	0
Japanese Yen	16.93	162,246,345	0	170,257,099	145,301	(8,156,055)
Malaysian Ringgit	0.17	1,649,589	0	1,649,589	0	0
Mexican New Peso	0.26	2,486,430	0	2,486,430	0	0
Norwegian Krone	2.33	22,295,534	0	22,239,985	55,549	0
New Zealand Dollar	0.64	6,165,132	0	6,165,132	0	0
Papua New Guinea Kina	0.18	1,685,922	0	1,685,922	0	0
Philippines Peso	0.19	1,817,250	0	1,817,250	0	0
Singapore Dollar	0.51	4,926,785	0	4,926,785	0	0
South African Rand	1.27	12,148,349	1	12,148,348	0	0
South Korean Won	3.58	34,330,055	0	34,330,055	0	0
Swedish Krone	3.91	37,432,031	0	37,432,037	(6)	0
Swiss Franc	11.17	107,056,222	0	107,033,571	22,651	0
Taiwan Dollar	0.79	7,569,342	0	7,569,342	0	0
Thailand Baht	0.24	2,309,652	0	2,309,652	0	0
	100.00%	$ 958,406,240	$ 1,600,151	$ 977,636,394	$ 985,537	$ (21,815,841)

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

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

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

The System invests in MBSs and CMOs for diversification and to enhance fixed income returns. MBSs are subject to credit risk, the risk that the borrower will be unable to meet its obligations. They are also subject to prepayment risk, which is the risk that a payment will be made in excess of the regularly scheduled principal payment. Prepayment risk is composed of two risks: call risk, the risk that prepayments will increase when interest rates have declined, and extension risk, the risk that prepayments will decrease when interest rates have increased.

Asset-Backed Securities

Asset-backed securities (ABSs) are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABSs have been structured as pass-through securities and as structures with multiple bond classes. The System's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Corporate Bonds

Corporate bonds are a debt security issued by a corporation. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. They usually have a fixed term maturity and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates.

Convertible Corporate Bonds

Convertible bonds convey an option to the bondholders to be exchanged for another asset, generally a fixed number of shares of common stock at a pre-stated price.

Pooled Funds

Pooled funds are funds from many individual investors that are aggregated for the purposes of investment and benefit from economies of scale. The System could be indirectly exposed to credit and market risks associated with forward currency contracts to the extent that these pooled funds hold forward currency contracts for purposes of managing exposure to fluctuations in foreign exchange rates. APERS and ASPRS have approximately $587 million invested in international pooled funds.

Securities Lending

Arkansas Code Annotated § 24-2-602 and the APERS Board's investment policy permit the System to participate in a securities lending program to augment investment income. The System lends its securities to brokers-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into an agreement with BNY Mellon to act as agent in securities lending transactions. BNY Mellon serves as the custodian and is therefore the counterparty to securities lending transactions. The legal and contractual authorization for the securities lending program is contained in the Securities Lending Discretionary Agency Agreement executed between APERS and the custodian.

Whoever borrows the securities provides collateral in the form of cash and cash equivalents, U.S. Treasury or government agency securities, or letters of credit (for the marginal percentage collateralization only). U.S. securities are loaned versus collateral valued at 102.85% of the market value of the securities plus any accrued interest for domestic loans. Non-U.S. securities are loaned versus collateral valued at 105.55% of the market value of the securities plus any accrued interest. Collateral is marked-to-market daily if price movements exceed certain minimal thresholds.

The custodian provides for full indemnification to the System funds for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the trust funds for income of the securities while on loan. The collateral securities received cannot be pledged or sold unless the borrower defaults. Cash collateral received is invested in APERS' name; accordingly, investments made with cash collateral appear as an asset on the Statement of Fiduciary Net Position. A corresponding liability is recorded because APERS must return the cash collateral to the borrower upon expiration of the loan. The loan maturity dates generally do not match the maturity dates of the investments made with cash collateral received.

As of June 30, 2016, the cash collateral investments had an average weighted maturity of 27 days, whereas the weighted average loan maturity was three days. Investments with cash collateral were approximately $1.005 billion.

Derivative Instruments

The System adheres to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Derivative instruments are financial contracts or agreements whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts, and forward foreign currency exchange. APERS, through its external investment managers, could hold such instruments. The external investment managers may enter these certain investments on behalf of APERS primarily to enhance the performance and reduce the volatility of its portfolio. The external investment managers could enter into swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk. They primarily use forward foreign exchange contracts to hedge foreign currency exposure. APERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. APERS' external investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and procedures for monitoring exposure. APERS' external investment managers anticipate that the counterparties will be able to satisfy their obligations under the contracts. Investments in limited partnerships and commingled funds may include derivatives that are not shown in any derivative totals.

The external investment managers invest in MBSs which are reported at fair value in the Statement of Fiduciary Net Position and are based on the cash flows from interest and principal payments by the underlying mortgages. Therefore, they are sensitive to prepayments by mortgages which are likely in a declining interest rate environment, thereby reducing the value of the securities. The external investment managers invest in mortgage-backed securities to diversify the portfolio and increase return while minimizing the extent of risk.

Swaps

APERS' investment managers have entered into various swaps, including interest rate swaps, credit default swaps, and foreign currency swaps.

Interest Rate Swaps

An interest rate swap is the exchange of one set of cash flows based on interest rate specifications for another based on a specified principal amount over a period in the future. Interest rate swaps typically exchange a fixed payment for a floating payment. The floating payment is usually the London Interbank Offering Rate (LIBOR). In the most common interest rate swap arrangement, one party agrees to pay fixed interest rate payments on designated dates to a counterparty who, in turn, agrees to make return interest rate payments that float with a specified reference rate. Long swap positions (receive fixed) increase exposure to long-term interest rates, and short positions (pay fixed) decrease exposure to interest rate risk.

The System had no interest rate swaps at June 30, 2016.

Credit Default Swap

A credit default swap is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party, who in exchange for periodic fees, agrees to make payments in the event of a default or predetermined credit event.

The System had no credit default swaps at June 30, 2016.

Foreign Currency Swap

A foreign currency swap is an agreement to swap principal and interest payments on a loan made in one currency for principal and interest payments of a loan of equal value in another currency.

The System had no foreign currency swaps at June 30, 2016.

Foreign Currency Forward Contracts

A foreign currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened. These transactions are entered in order to hedge risks from foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry foreign currency risk resulting from adverse fluctuations in foreign exchange rates.

The System had the following foreign currency forwards at June 30, 2016:

	Pay	Receive	Notional Value	Market Value	Unrealized Gain/Loss
Japanese Yen	JPY	USD	$ (7,284,062)	$ (8,156,055)	$ (871,992)
Chinese Yuan Renminbi	CNY	USD	(14,426,147)	(14,241,035)	185,112
British Pound Sterling	GBP	USD	(1,866,724)	(1,714,065)	152,659
			$ (23,576,934)	$ (24,111,155)	$ (534,221)

	Pay	Receive	Notional Value	Market Value	Unrealized Gain/Loss
Chinese Yuan Renminbi	USD	CNY	$ 2,197,486	$ 2,193,700	$ (3,786)
British Pound Sterling	USD	GBP	110,194	101,614	(8,580)
			$ 2,307,680	$ 2,295,314	$ (12,366)
			$ (21,269,254)	$ (21,815,841)	$ (546,587)

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

Financial Futures

A financial future is an agreement to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. These derivative securities are used to improve yield, adjust duration of the portfolio, circumvent changes in interest rates, or to replicate an index. Futures contracts are standardized and traded on organized exchanges, thereby reducing credit risk.

The System had the following financial futures at June 30, 2016:

Futures Contracts	Expiration	Notional Value	Fair Value	Unrealized Gain/(Loss)
U.S. 2-year Treasury Note	Sept 2016	$ (85,172,860)	$ (85,757,297)	$ (584,437)
U.S. 2-year Treasury Note	Sept 2016	(79,300,812)	(79,835,437)	(534,625)
U.S. 5-year Treasury Note	Sept 2016	19,585,398	19,668,414	83,016
U.S. 5-year Treasury Note	Sept 2016	14,040,000	14,293,195	253,195
U.S. 10-year Treasury Note	Sept 2016	(18,310,507)	(18,617,812)	(307,305)
U.S. 10-year Treasury Note	Sept 2016	(17,231,820)	(17,686,921)	(455,101)
U.S. 30-year Treasury Bond	Sept 2016	13,861,640	14,649,218	787,578
U.S. 30-year Treasury Bond	Sept 2016	(12,690,135)	(13,442,812)	(752,677)
		$ (165,219,096)	$ (166,729,452)	$ (1,510,356)

Mortgage-Backed To Be Announced (TBA)

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

The System had the following mortgage-backed TBA at June 30, 2016:

Mortgage-Backed TBA	CUSIP	Notional	Fair Market Value	Duration	Credit Rating
FGLMC 3.00% 07/01/2046	02R030673	$ 2,069,474	$ 2,094,033	3.20	AA+/Aaa
FNMA 3.50% 07/01/2046	01F032674	13,064,248	13,157,845	2.00	AA+/Aaa
FNMA 4.00% 07/01/2046	01F040677	8,311,228	8,341,404	1.70	AA+/Aaa
FNMA 4.50% 07/01/2046	01F042673	6,094,195	$ 6,101,820	2.30	AA+/Aaa
		$ 29,539,145	29,695,102		

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

Fair Value Measurements

The Arkansas Public Employees Retirement System 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 The Arkansas Public Employees Retirement System's 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 levelling 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	$ 2,115,226,728	$ 2,115,226,728	$ 0	$ 0
Convertible Securities	220,363,703	41,523,441	178,840,261	0
International Equities	1,340,269,773	1,336,294,491	0	3,975,282
Preferred Securities	1,463,538	1,463,538	0	0
Fixed Income	0	0	0	0
U.S. Government Securities	282,165,387	157,065,484	125,099,903	0
Futures	(1,510,356)	(1,510,356)	0	0
Equity Securities	327,918	327,918	0	0
Corporate Bonds	460,897,486	0	460,897,486	0
Loans/JV interest	12,869,534	0	0	12,869,534
Total Investments	4,432,073,711	3,650,391,245	764,837,650	16,844,816
Securities Lending Collateral Investments At Fair Value				
Receivables	65,548	0	65,548	0
Repurchase Agreements	83,407,646	0	83,407,646	0
Time Deposits	72,870,000	0	72,870,000	0
Corporate Floating Rate Notes	579,527,161	0	579,527,161	0
Asset Backed Floating Rate Notes	194,578,329	0	194,578,329	0
Total Securities Lending Collateral	930,448,683	0	930,448,684	0
Total Investments at Fair Value	5,362,522,394	3,650,391,245	1,695,286,334	16,844,816

Investments at the Net Asset Value (NAV)	
High Yield Income Fund	62,058,724
Domestic Equity Index Funds	704,852,537
Core Plus Bond Fund	446,062,859
Timberland	137,024,677
Global Equity Pooled Funds	
Lazard	89,647,945
Invesco Global REITS	154,535,920
Pyramis	342,998,720
Real Estate	
Invesco Core	372,923,057
Heitman	296,969,714
TA Fund X	31,649,054
TA Fund XI	12,500,000
LaSalle Fund Fund VI	31,178,223
Diversified Strategies	
AQR Global Risk Premium	110,280,724
Newton Global Real Return	110,706,781
Blackstone	152,489,460
Total Investments at the NAV	$ 3,055,878,395

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

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 the APERS' custodian bank which maintains the book of record for all investments.

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

Investments Measured at the Net Asset Value (NAV)

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

Investments Measured at the Net Asset Value (NAV)

	Fair Value	Strategy Type	Fund Life of Non-redeemable Mandates	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Other Redemption Restrictions	Restriction Time Remaining
High Yield Income Fund	$ 62,058,724	Active High Yield Fixed Income	N/A	none	monthly	T + 3	N/A	N/A
Equity Index Funds	704,852,537	S & P 500 Index	N/A	none	daily	T + 3	N/A	N/A
Core Plus Bond Fund	446,062,859	Active Global Fixed Income	N/A	none	daily	T + 3	N/A	N/A
Timberland	137,024,677	Timber	N/A	none	none	N/A	N/A	Partnership terminates in December 2027
International Equity Pooled Funds								
Invesco Global REITS	154,535,920	Global Real Estate Securities	N/A	none	daily	T + 1	N/A	N/A
Fidelity	342,998,720	International Equities	N/A	none	daily	T + 1	N/A	N/A
Lazard	89,647,945	Emerging Market Equities	N/A	none	daily	T + 1	N/A	N/A
Real Estate								
Invesco	372,923,057	Core Real Estate	N/A	none	quarterly	T + 45	N/A	N/A
Heitman	296,969,714	Core Real Estate	N/A	none	quarterly	T + 90	N/A	N/A
TA Fund X	31,649,054	Value Add Real Estate	N/A	none	7-year lock up	N/A	N/A	Currently in capital redistribution phase
TA Fund XI	12,500,000	Value Add Real Estate	N/A	$37,500,000	7-year lock up	N/A	N/A	The lock up period starts on the day of the last capital call
LaSalle Fund Fund VI	31,178,223	Value Add Real Estate	N/A	none	7-year lock up	N/A	N/A	Currently in capital redistribution phase
LaSalle Fund Fund VII	TBD	Value Add Real Estate	N/A	$ 50,000,000	7-year lock up	N/A	N/A	The lock up period starts on the day of the last capital call
Diversified Strategies								
AQR Global Risk Premium	110,280,724	Risk Premia	N/A	none	weekly and monthly	T + 2	N/A	N/A
Newton Global Real Return	110,706,781	Global Real Return	N/A	none	daily	T + 3	N/A	N/A
Blackstone	152,489,460	Fund of Funds	N/A	none	last day of each quarter	1yr; 2yrs; 3yrs; >3yrs	55% liquidity; then 20%; then 15%; then 10%	N/A
Total	$ 3,055,878,395			$ 87,500,000				

All figures are APERS and ASPRS combined.

High Yield Income Fund

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

Equity Index Funds

This is an S&P 500 Index fund.

Core Plus Bond Fund

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

Timberland

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

International Equity Pooled Funds

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

capital appreciation by investing in companies with strong, sustainable financial productivity at attractive valuations. The Portfolio invests primarily in equity securities, principally common stocks, of non-U.S. companies whose principal activities are located in emerging market countries and that we believe are undervalued based on their earnings, cash flow or asset values. The Portfolio's returns are compared to the MSCI Emerging Markets Index.

Real Estate

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

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

Diversified Strategies

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

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

Note 4: Legally Required Reserves

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

The Member Deposit Account (MDA) represents members' contributions held in trust until their retirement, at which time contributions are transferred to the Retirement Reserve Account.

The MDA Interest Reserve represents the accumulated interest paid on the MDAs held in trust. As members retire, the interest on their contributions is transferred to the Retirement Reserve Account.

The Employers' Accumulation Account accumulates employers' contributions to be used in providing the reserves required for transfer to the Retirement Reserve Account as members retire or become eligible for disability benefits.

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

The DROP Reserve Account is the account established for the accumulation of balances paid to members who have been approved by the ASPRS Board to participate in the DROP. When a member retires, these amounts can be paid to the member as a lump sum, transferred to an authorized account, or be received as an annuity.

The Deferred Annuity Account is the account established to cover estimated retirement benefits to inactive vested members who are not currently receiving benefit payments.

The Outlawed Warrants Reserve is a cumulative total of warrants not cashed in prior years that have been outlawed. These amounts will be paid if members request payment from the Arkansas State Claims Commission and the commission approves payment.

As of June 30, 2016*	Tier I	Tier II	Totals
Member Deposit Account Reserve	$ 293,785	$ 276,001	$ 569,785
MDA Interest Reserve	(71,395)	36,407	(34,989)
Employer Accumulation Account	(37,493,802)	52,518,595	15,024,793
Retirement Reserve Account	244,353,402	2,326,414	246,679,816
DROP Reserve Account	8,005,052	0	8,005,052
Deferred Annuity Reserve	2,153,997	520,463	2,674,460
Outlawed Warrants Reserve	1,095	0	1,095
Total	$ 217,242,132	$ 55,677,880	$ 272,920,012

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

Note 5: Net Pension Liability

The components of the net pension liability of the System as of the June 30 end of fiscal years 2015 and 2016 were as follows:

	FY 2016	FY 2015
Total Pension Liability	$ 413,882,894	$ 403,202,550
Fiduciary Net Position	$ 272,920,012	$ 279,657,570
Net Pension Liability	$ 140,962,882	$ 123,544,980
Fiduciary Net Position as a Percentage of Total Pension Liability	65.94%	69.36%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	23-Year Closed
Asset Valuation Method	4-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	3.25% - 10.25%
Including Price Inflation at	3.25%
Cost-of-Living Increases	3.0% Annual Compound Increases
Retirees and Beneficiaries Receiving Benefits	634
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	76
DROP Members	58
Active Plan Members	496
Total	1,264

Long-Term Expected Return on Plan Assets

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based upon capital market assumptions provided by the investment consultants. For each major asset class that is included in the combined systems' current asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38%	6.82%
International Equity	24	6.88
Real Assets	16	3.07
Absolute Return	5	3.35
Domestic Fixed	17	0.83
Total	100%	
Total Real Rate of Return		5.04%
Plus: Price Inflation - Actuary's Assumption		2.50
Net Expected Return		7.54%

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 negative 0.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5% The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

The following presents the net pension liability of the System, calculated using the discount rate of 7.5%, as well as what the System's net pension liability would be if it were calculated using a discount rate of one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.5%	7.5%	8.5%
ASPRS	$ 188,282,189	$ 140,962,882	$ 101,271,512

Note 6: Deferred Retirement Option Plan

A Deferred Retirement Option Plan (DROP) is available to members of the System as authorized by A.C.A. §§ 24-4-801 - 24-4-806. In lieu of terminating employment and accepting a retirement benefit under the System, any member who has at least 28 years of actual service in the System can elect to participate in the DROP. The DROP allows a member to defer the receipt of retirement benefits for a maximum of seven years. During that time, a percentage of a member's chosen benefit is deposited into an account that accrues interest at a rate of 3.25% annually. The System had a balance of $8,005,052 in the DROP reserve as of June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Funding Progress (dollars in millions)

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Entry Age AAL (b)	UAAL (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
6/30/2007@	$ 233.13	$ 307.66	$ 74.53	75.80%	$ 24.00	310.60%
6/30/2008	238.04	320.10	82.06	74.40	25.91	316.70
6/30/2009#@	206.32	325.94	119.62	63.30	26.80	446.40
6/30/2010	211.07	333.60	122.53	63.30	28.51	429.70
6/30/2011	208.05	343.21	135.16	60.60	28.06	481.60
6/30/2012	215.01	355.30	140.29	60.50	28.43	493.50
6/30/2013@	233.15	361.46	128.31	64.50	28.01	458.10
6/30/2014@	259.46	381.86	122.40	67.90	28.55	428.70
6/30/2015@	274.83	398.96	124.14	68.90	29.93	414.80
6/30/2016	$ 289.24	$ 408.74	$ 119.50	70.80%	$ 29.45	405.80%

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

Schedule of Employer Contributions
(in millions)

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as % of Covered Payroll
2007	$ 9.9	$ 11.5	$ (1.6)	$ 24.6	46.75 %
2008	10.0	11.7	(1.7)	26.4	44.32
2009	10.5	12.1	(1.6)	27.6	43.84
2010	12.7	20.5	(7.8)	28.5	71.93
2011	12.6	14.1	(1.5)	28.2	50.00
2012	14.1	19.7	(5.6)	29.5	66.78
2013	13.6	19.5	(5.9)	28.1	69.40
2014	14.0	19.5	(5.5)	29.1	67.01
2015	14.2	19.8	(5.6)	29.9	66.22
2016	$ 14.3	$ 19.7	$ (5.4)	$ 29.4	67.01 %

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

Schedule of Changes in Net Pension Liability and Related Ratios

Year Ended June 30	2016	2015
Total Pension Liability		
Service Cost	$ 5,488,445	$ 6,101,608
Interest	29,469,678	29,218,802
Benefit Changes	0	0
Differences Between Expected And Actual Experience	1,757,687	(3,107,531)
Assumption Changes	0	8,703,080
Benefit Payments	(26,035,466)	(23,358,801)
Net Change In Total Pension Liability	$ 10,680,344	$ 17,557,158
Total Pension Liability, Beginning Of Year	403,202,550	385,645,392
Total Pension Liability, End Of Year (A)	$ 413,882,894	$ 403,202,550
Fiduciary Net Position		
Contributions - Employer	$ 19,713,295	$ 19,784,130
Contributions - Member	0	94,814
Net Investment Income	(210,045)	6,131,684
Benefit Payments	(26,035,466)	(23,358,801)
Administrative Expense	(205,342)	(196,231)
Other Additions	0	6
Net Change In Fiduciary Net Position	(6,737,558)	2,455,602
Fiduciary Net Position, Beginning Of Year	$ 279,657,570	$ 277,201,968
Fiduciary Net Position, End Of Year (B)	$ 272,920,012	$ 279,657,570
Net Pension Liability, End Of Year (A) - (B)	$ 140,962,882	$ 123,544,980
Fiduciary Net Position As A Percentage Of The Total Pension Liability	65.94%	69.36%
Covered-Employee Payroll	$ $29,448,593	$ $29,929,358
Net Pension Liability As A Percentage Of Covered-Employee Payroll	478.67%	412.79%

Totals may not add due to rounding.

Schedule of Net Pension Liability

FY Ending June 30	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	$385,645,392	$277,201,967	$108,443,425	71.88%	$28,548,873	379.85%
2015	$403,202,550	$279,657,570	$123,544,980	69.36%	$29,929,358	412.79%
2016	$413,882,894	$272,920,012	$140,962,882	65.94%	$29,448,593	478.67%

Schedule of Investment Returns

Annual money-weighted rate of return, net of investment expense	
2014	18.75%
2015	2.26%
2016	(0.08)%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses

(for the fiscal year ended June 30, 2016)

	2016	2015
Communications		
Printing and Advertising	$ 5,011	$ $2,561
Services and Charges		
Professional Fees and Services	37,550	34,300
Conference Fees and Travel	491	220
Bank and Federal Service Charges	4,828	4,817
IRS Penalties	0	0
Total Services and Charges	42,868	39,337
Transfer to APERS for Administrative Expenses	157,463	154,333
Total Administrative Expenses	$ 205,342	$ $196,231

Schedule of Investment Expenses

(for the fiscal year ended June 30, 2016)

	2016	2015
Investment Consultant Fee	$ 9,397	$ 8,821
Money Manager Fees*	1,058,433	1,067,818
Custodian Bank Fees	17,945	18,796
Other Investment Expenses	30,631	(38,668)
Total Investment Expenses#	$ 1,116,406	$ 1,056,767

*See the schedule of investment fees shown on page 79 in the Investments Section of this report.
#Total investment expenses include international withholding taxes, which are not included in the schedule of investment fees referenced above.

Payments for Professional Consultants

(for the fiscal year ended June 30, 2016)

	2016	2015
Gabriel, Roeder, Smith & Company	$ 37,550	$ 34,300

Totals may not add due to rounding.

INVESTMENTS SECTION

Chief Investment Officer's Report

Investment Policy Summary

Asset Allocation

Schedule of Manager Distribution

Portfolio Characteristics

Schedule of Comparative Investment Results by Year

Schedule of Comparative Annualized Investment Results

Top Ten Largest Holdings

Schedule of Brokerage Commissions

Schedule of Investment Fees

ASPRS
ARKANSAS STATE POLICE
RETIREMENT SYSTEM

CHIEF INVESTMENT OFFICER'S REPORT

Dear Members,

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

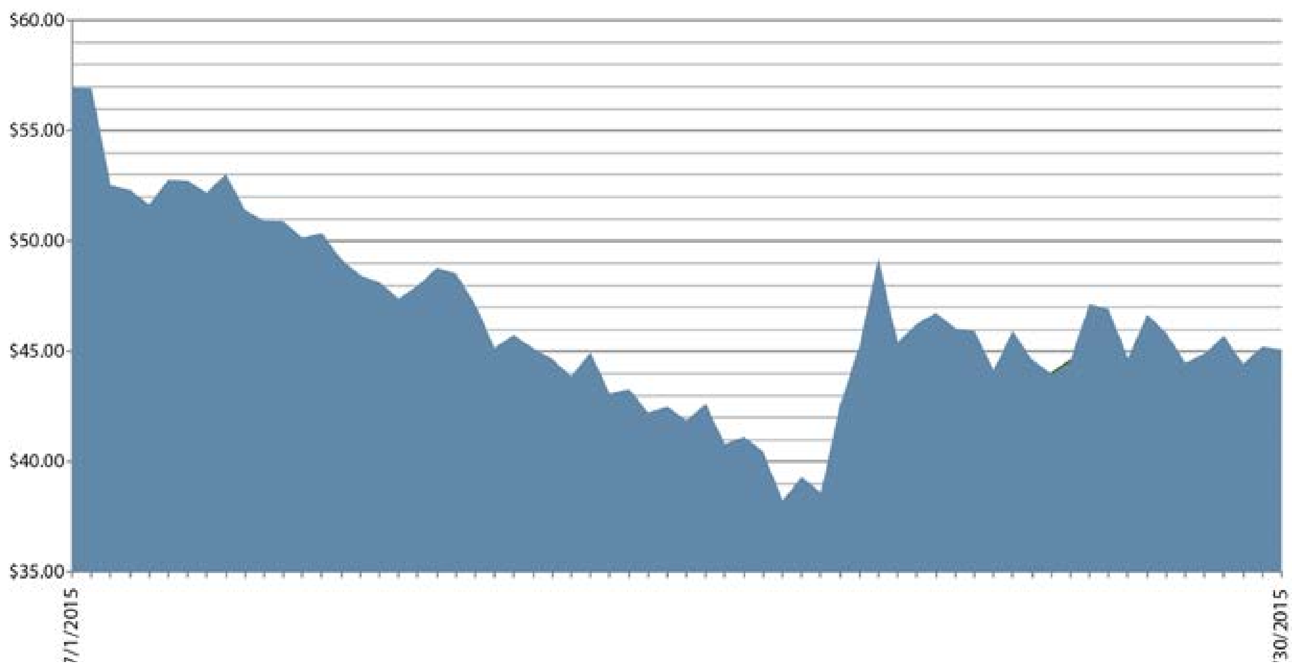
Performance and Stability

For fiscal year 2016, the ASPRS investment portfolio closed with total investments of $272,614,161.
The investment return for the fiscal year was 0.30%.

Fiscal Year 2016 Financial Market Recap

One of the last paragraphs that I wrote last year stated that the third quarter of 2016 (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.

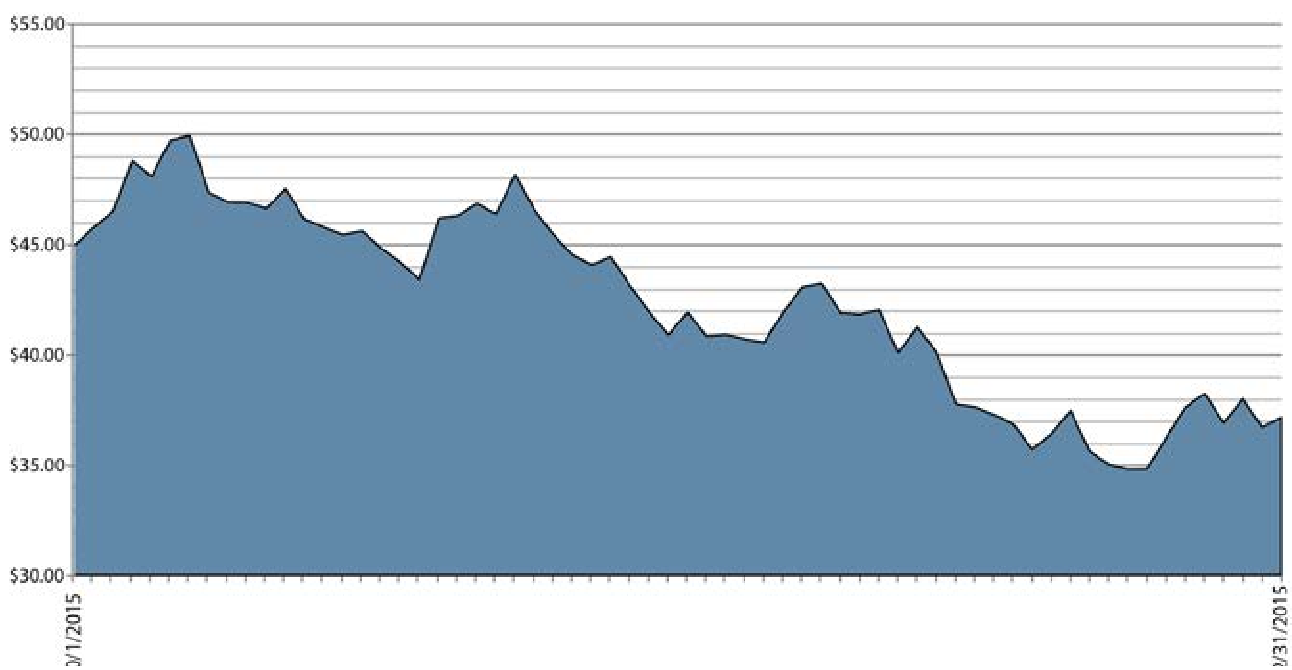
West Texas Intermediate Prices



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



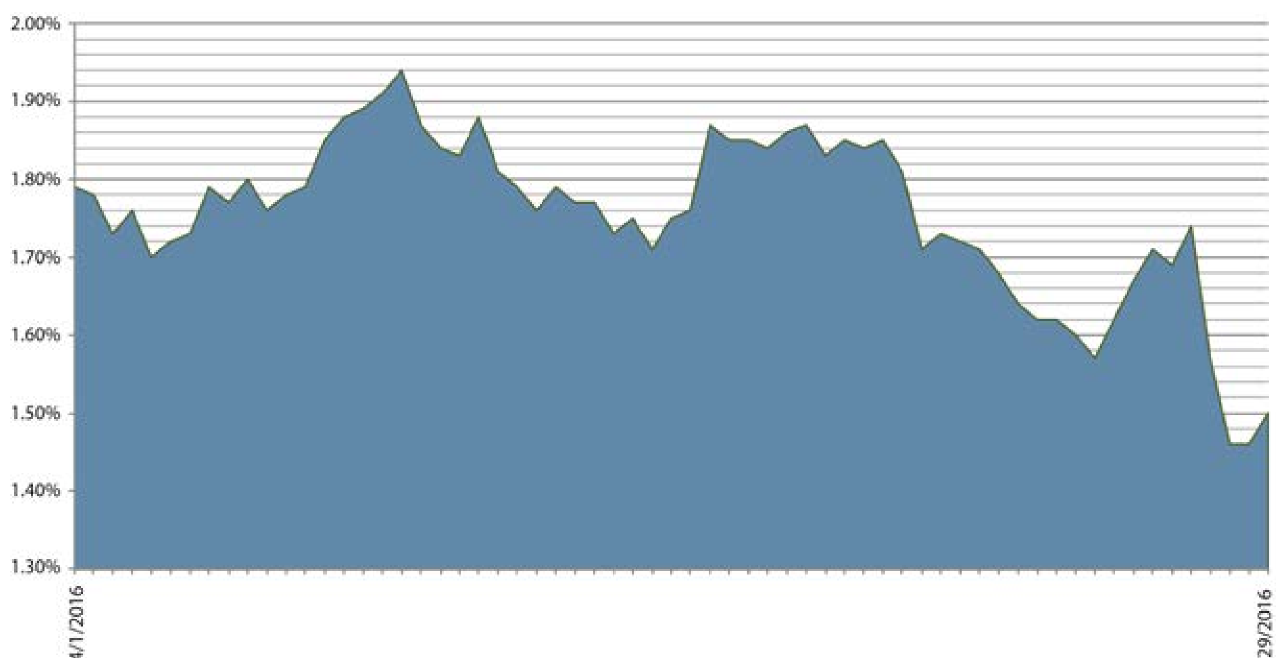
The probability of reduced supply was low, and the markets started to adopt a "lower for longer" outlook regarding energy prices. The positive news was that lower energy prices are considered to be a stimulant for global consumers. Adding to the market anxiety, Third Avenue blocked redemptions from its 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 ASPRS, for embracing the current investment structure that allowed ASPRS to achieve strong results for our members and the Arkansas taxpayers. ASPRS' 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 ASPRS assets are positioned to provide long-term financial stability for you, the members.

Respectfully yours,

Carlos Borromeo
Chief Investment Officer

INVESTMENT POLICY SUMMARY

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

1. to protect the the fund so that its assets are preserved for providing benefits to participants and their beneficiaries, and
2. to maximize total return - either in the form of income or capital appreciation or both - in a manner that is consistent with prudent risk taking on the amounts available to provide such benefits.

For this purpose, short-term fluctuations in value shall be considered secondary to long-term investment results. The long-term return objective for the fund shall be to achieve a real rate of return of 4.5%. This is the return over the rate of inflation (as measured by the Consumer Price Index). This objective is not to be a goal from year to year but is intended as a long-term guideline to those involved in investing the fund's assets.

An additional overall investment objective will be to achieve a total fund return of at least the actuarial rate of 7.5%. The investments of the fund shall be so diversified as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. Investments will be further diversified by hiring an appropriate number of managers whose investment styles are varied enough to provide a balance to the overall risk of the fund.

ASSET ALLOCATION

To avoid extreme exposure to investment risk, the following percentages represent the minimum and maximum portion at market of the portfolio that may be invested by types:

Market Value Exposure

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

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

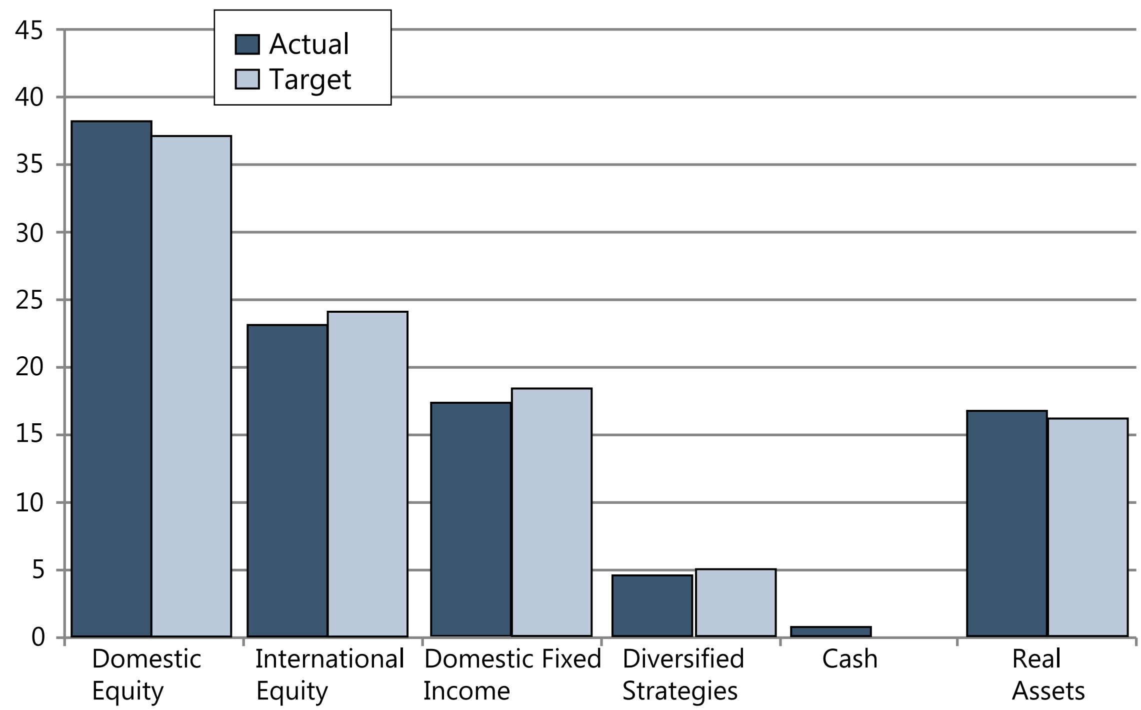
Review of Investment Process

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

ASSET ALLOCATION

Actual vs. Target Allocation (as of June 30, 2016)

The current target and new target are as follows:

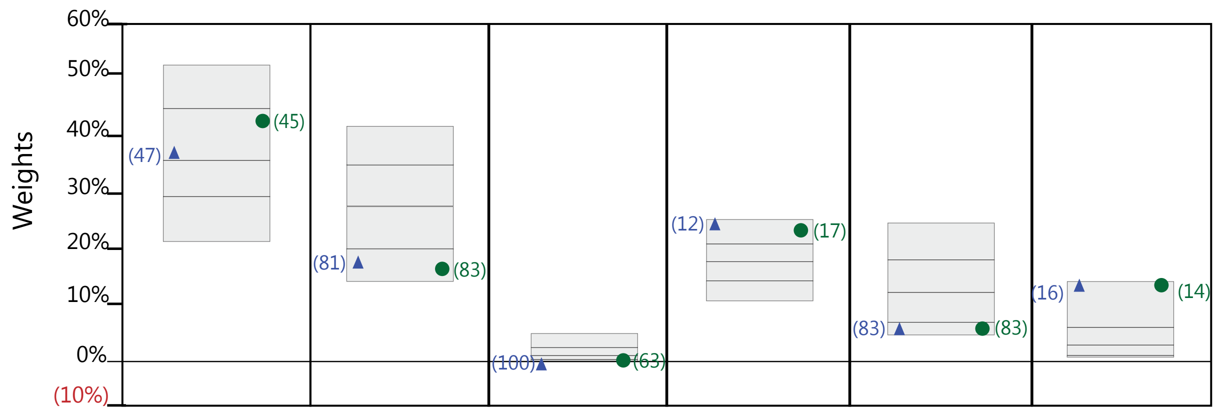


Asset Class	$000s Actual	ASPRS	APERS	Actual	Target	Difference	$000s Difference
Domestic Equity	$ 2,906,257	$ 101,740	$ 2,804,517	38.1%	37.0%	1.10%	$ 85,131
International Equity	1,763,147	61,723	1,701,424	23.1	24.0	(0.90)	(66,773)
Fixed Income	1,301,914	45,576	1,256,338	17.1	18.0	(0.90)	(70,526)
Diversified Strategies	373,477	13,074	360,403	4.9	5.0	(0.14)	(7,756)
Cash	44,740	7,263	37,477	0.6	0.0	0.60	44,740
Real Assets	1,235,130	43,238	1,191,892	16.2	16.0	0.20	15,183
Total	$ 7,624,665	$ 272,614	$ 7,352,051	100%	100%		

Totals may not add due to rounding.

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

Asset Class Weights vs Public Fund Sponsor Database



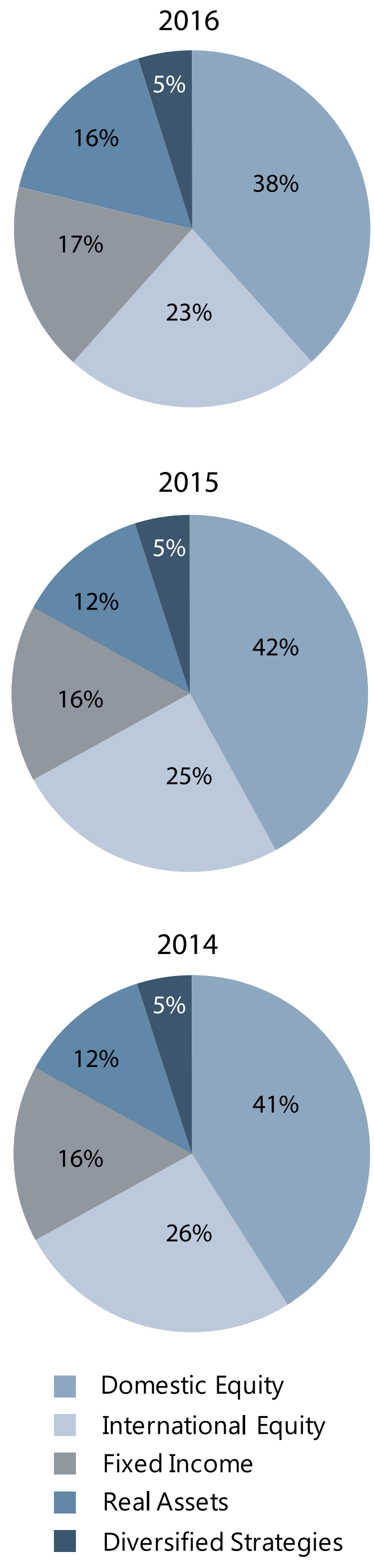
	Domestic Equity	Domestic Fixed-Income	Other	Intl Equity	Other Alternatives	Real Assets
10th Percentile	52.11	40.36	4.05	24.64	24.73	16.49
25th Percentile	44.58	33.46	2.04	21.41	18.47	8.40
Median	36.25	27.44	1.09	18.59	12.00	5.10
75th Percentile	29.74	20.67	0.29	14.58	6.66	3.36
90th Percentile	22.12	14.45	0.10	11.00	3.99	3.03
Fund ●	38.12	17.08	0.59	23.12	4.90	16.20
Target ▲	37.00	18.00	0.00	24.00	5.00	16.00
% Group Invested	98.94%	97.87%	68.62%	97.34%	48.95%	5.85%

SCHEDULE OF MANAGER DISTRIBUTION

As of June 30, 2016

Asset Allocation	Market Value ($ Thousands)	Percent of Total	ASPRS
Domestic Equity; 38.12%			
MCM S&P Index Fund	$ 704,852,732	9.24%	$ 24,674,871
CastleArk Management	373,910,181	4.90	13,089,522
Golden Capital Mgmt.	152,729,014	2.00	5,346,604
INTECH	330,270,585	4.33	11,561,825
Wellington Mgmt. Co.	262,222,084	3.44	9,179,643
Westwood Mgmt.	140,935,984	1.85	4,933,764
Lazard Asset Mgmt.	255,600,028	3.35	8,947,823
Lombardia Capital	139,041,609	1.82	4,867,448
SSI Investment Mgmt	226,736,240	2.97	7,937,385
Horrell Capital Mgmt.	96,106,652	1.26	3,364,418
Stephens Inv. Mgmt. Group	223,852,209	2.94	7,836,423
	$ 2,906,257,318	38.12%	$ 101,739,728
International Equity; 23.12%			
Lazard Asset Mgmt.	$ 376,287,979	4.94%	$ 13,172,762
Artisan Partners	370,167,275	4.85	12,958,494
Baillie Gifford	351,131,930	4.61	12,292,121
Manning & Napier	322,561,002	4.23	11,291,935
Fidelity Institutional Asset Mgmt.	342,998,719	4.50	12,007,401
	$ 1,763,146,905	23.12%	$ 61,722,713
Fixed Income; 17.08%			
MacKay Shields	$ 855,769,947	11.23%	$ 29,958,050
Prudential Investments	446,144,325	5.85	15,618,232
	$ 1,301,914,272	17.08%	$ 45,576,282
Real Assets; 16.20%			
INVESCO Real Estate	$ 376,032,638	4.93%	$ 13,163,823
INVESCO Global REITS	154,535,920	2.03	5,409,859
TA Associates Realty Fund X	31,649,054	0.42	1,107,943
TA Associates Realty Fund XI	12,500,000	0.16	437,589
CastleArk Mgmt. - AR Energy Fund	61,028,874	0.80	2,136,446
CastleArk Mgmt. - Global Energy Fund	134,210,790	1.76	4,698,335
Pinnacle Forest Investments	137,024,677	1.80	4,796,841
Heitman Real Estate Trust LP	296,969,714	3.89	10,396,057
LaSalle Inc & Growth VI LP	31,178,223	0.41	1,091,460
	$ 1,235,129,890	16.20%	$ 43,238,353
Diversified Strategies; 4.90%			
AQR Capital	$ 110,280,724	1.45%	$ 3,860,612
Blackstone Hedge	152,489,460	2.00	5,338,218
Newton Capital	110,706,781	1.45	3,875,527
	$ 373,476,965	4.90%	$ 13,074,357
Short-term Investment Fund*	$ 44,740,096	0.59%	$ 7,262,728
Composite Fund	$ 7,624,665,446	100.00%	$ 272,614,161

Manager Distribution Historical Comparison



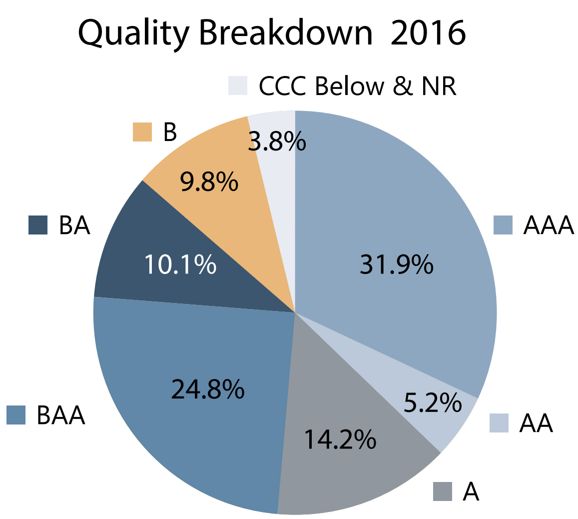
*Includes UBS receivables.
Totals may not add due to rounding.
The APERS and ASPRS manager distribution - combined statement can be found on page 117.

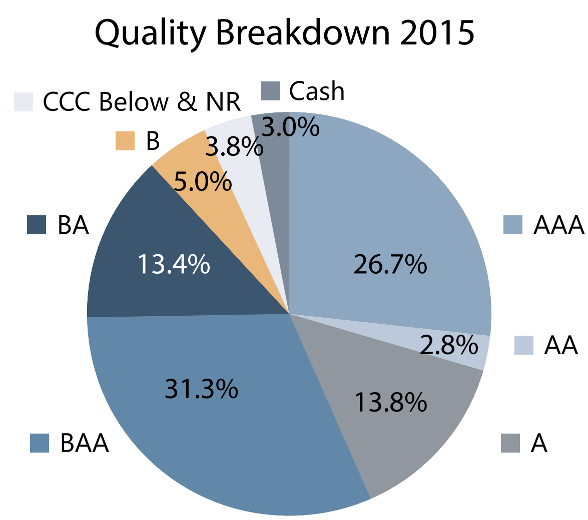
PORTFOLIO CHARACTERISTICS

(for fiscal years ended June 30, 2015 - 2016)

	2016	2015
Selected Bond Characteristics		
Yield to Maturity (Market)	3.50%	3.62%
Current Yield	5.06%	3.82%
Average Coupon Rate	3.82%	3.92%
Average Maturity	7.54 yrs.	7.5 yrs.
Quality Breakdown		
AAA (Includes Govts. & Agencies)	31.9%	26.74%
AA	5.2%	2.80%
A	14.2%	13.85%
BAA	24.8%	31.32%
BA	10.1%	13.40%
B	9.8%	5.02%
CCC Below & NR	3.8%	3.84%
Cash*		3.02%
Selected Stock Characteristics		
Average P/E Ratio	24.17x	22.15x
Estimated Earnings Growth Rate (Next 5 Years)	13.14%	12.76%
Current Yield	1.70%	1.60%

* Includes short term investment fund





SCHEDULE OF COMPARATIVE INVESTMENT RESULTS BY YEAR

(for fiscal years ended on June 30, 2012 - 2016)

	2016	2015	2014	2013	2012
Total Fund					
Arkansas Public Employees Retirement System	0.30%	2.67%	19.68%	15.58%	(0.17)%
Callan Total Public Fund Median	0.54	3.24	16.30	11.98	1.22
Inflation (Consumer Price Index)	0.64	(0.38)	2.04	1.75	1.58
Equities					
Arkansas Public Employees Retirement System	(0.38)%	7.25%	24.48%	20.99%	2.30%
Callan Total Equity Database Median	(1.58)	7.17	25.26	22.83	0.47
Russell 3000 Index	2.14	7.29	25.22	21.46	3.84
International Equities					
Arkansas Public Employees Retirement System	(6.88)%	(2.38)%	24.43%	20.88%	(12.75)%
Callan Total Non-U.S. Equities Database Median	(8.20)	(1.80)	23.34	18.85	(12.81)
MSCI-EAFE Index	(10.16)	(4.22)	23.57	18.62	(13.83)
Fixed Income					
Arkansas Public Employees Retirement System	5.06%	1.32%	7.03%	3.51%	8.07%
Callan Total Fixed Income Database Median	4.48	1.59	5.54	0.91	7.28
Barclays Capital Aggregate Index	6.00	1.86	4.37	(0.69)	7.47
Diversified Strategies					
Arkansas Public Employees Retirement System	2.86%	1.97%	13.91%	9.73%	n/a
Callan Int'l/Global Balanced Database Median	(1.73)	0.59	13.59	7.76	
Real Assets					
Arkansas Public Employees Retirement System	8.29%	0.19%	14.51%	10.26%	n/a
Consumer Price Index - U + 4%	5.01	4.13	6.07	5.76	

SCHEDULE OF COMPARATIVE ANNUALIZED INVESTMENT RESULTS

(for the fiscal year ended June 30, 2016 and the preceding 3-year and 5-year rates of return)

	2016	3-Year Annualized	5-Year Annualized
Total Fund			
Arkansas Public Employees Retirement System	0.30%	7.21%	7.29%
Callan Total Public Fund Median	0.54	6.39	6.42
Inflation (Consumer Price Index)	0.64	0.76	1.12
Equities			
Arkansas Public Employees Retirement System	(0.38)%	9.97%	10.48%
Callan Total Equity Database Median	(1.58)	9.89	10.58
Russell 3000 Index	2.14	11.13	11.60
International Equities			
Arkansas Public Employees Retirement System	(6.88)%	4.19%	3.59%
Callan Total Non-U.S. Equities Database Median	(8.20)	3.86	3.21
MSCI-EAFE Index	(10.16)	2.06	1.68
Fixed Income			
Arkansas Public Employees Retirement System	5.06%	4.44%	4.97%
Callan Total Fixed Income Database Median	4.48	4.05	4.19
Barclays Capital Aggregate Index	6.00	4.06	3.76
Diversified Strategies			
Arkansas Public Employees Retirement System	2.86%	6.11%	n/a
Callan Int'l/Global Balanced Database Median	(1.73)	3.59	
Real Assets			
Arkansas Public Employees Retirement System	8.29%	7.50%	n/a
Consumer Price Index - U + 4%	5.01	5.07	

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

TOP TEN LARGEST HOLDINGS*

(as of June 30, 2016)

Domestic Fixed Income Holdings	Par	Market Value	ASPRS
U.S. Treasury 2.875% 05/15/2043	13,610,000	$ 15,304,309	$ 535,760
U.S. Treasury 2.125% 08/31/2020	13,020,000	13,655,767	478,049
Commit to Pur FNMA SF MTG 3.50% 07/01/2046	12,470,000	13,157,845	460,618
U.S. Treasury CPI-Inflation 1.125% 01/15/2021	10,389,010	11,111,670	388,988
U.S. Treasury 2.00% 08/31/2021	10,220,000	10,703,099	374,685
U.S. Treasury 2.875% 08/15/2045	9,490,000	10,656,226	373,044
U.S. Treasury 2.125% 05/15/2025	9,490,000	10,024,192	350,918
U.S. Treasury 2.25% 11/15/2024	8,775,000	9,360,468	327,683
U.S. Treasury 3.00% 11/15/2045	7,455,000	8,572,057	300,083
Commit to Pur FNMA SF MTG 4.00% 07/01/2046	7,780,000	8,341,405	292,009
Total	102,699,010	$ 110,887,038	$ 3,881,837

Domestic Equity Holdings	Shares	Market Value	ASPRS
Apple Inc.	350,891	$ 33,545,180	$ 1,174,320
Facebook Inc.	249,852	28,553,087	999,562
The Home Depot Inc.	219,976	28,088,735	983,306
Amazon.Com Inc.	38,371	27,459,055	961,263
UnitedHealth Group Inc.	169,671	23,957,545	838,685
Microsoft Corp.	462,456	23,663,874	828,404
General Electric Co.	599,423	18,869,836	660,579
Bank of America Corp.	1,264,221	16,776,213	587,287
Altria Group Inc.	231,081	15,935,346	557,851
EOG Resources Inc.	187,160	15,612,887	546,562
Total		$ 232,461,757	$ 8,137,819

International Equity Holdings	Shares	Market Value	ASPRS
Baidu Inc.	174,981	$ 28,898,112	$ 1,011,640
Medtronic PLC	312,138	27,084,214	948,141
Compass Group PLC	1,347,614	25,617,193	896,784
Samsung Electronics Co. Ltd.	19,925	24,650,031	862,927
Unilever PLC	509,005	24,377,154	853,374
Carlsberg A/S	235,467	22,309,732	781,000
Novartis AG	255,693	21,073,535	737,724
Japan Tobacco Inc.	485,515	19,417,761	679,760
Anheuser-Busch Inbev	145,383	18,993,957	664,924
Aon PLC	146,268	15,976,854	559,304
Total		$ 228,398,543	$ 7,995,578

*By market value.
Totals may not add due to rounding.
The APERS and ASPRS ten largest holdings - combined statement can be found on page 118.

SCHEDULE OF BROKERAGE COMMISSIONS

(as of June 30, 2016)

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share	ASPRS
Credit Suisse	6,279,386	$ 168,926	$ 0.03	$ 5,914
Goldman Sachs & Co.	5,276,956	155,810	0.03	5,454
J.P. Morgan Securities	5,494,090	141,875	0.03	4,967
Investment Technology Group	4,257,383	118,006	0.03	4,131
Instinet Corp	4,001,796	111,938	0.03	3,919
Citigroup Global Markets Inc.	3,663,782	106,462	0.03	3,727
Citation Group	2,255,637	105,810	0.05	3,704
Jefferies & Co. Inc	3,576,423	99,377	0.03	3,479
Capital Institutional Services Inc.	2,068,776	92,895	0.04	3,252
Deutsche Bank Securities Inc.	3,456,226	92,723	0.03	3,246
Morgan Stanley & Co. Inc.	2,792,169	75,840	0.03	2,655
Sanford Bernstein & Co.	3,235,516	74,211	0.02	2,598
ISI Group Inc.	2,339,198	71,078	0.03	2,488
Barclays Capital	3,035,903	70,091	0.02	2,454
Bloomberg Tradebook LLC	2,535,739	69,215	0.03	2,423
BTIG LLC	3,366,559	67,236	0.02	2,354
UBS Securities LLC	2,142,400	58,750	0.03	2,057
Rosenblatt Securities LLC	2,010,714	58,455	0.03	2,046
BMO Capital Markets Corp.	2,008,497	53,222	0.03	1,863
Scotia Capital (USA) Inc.	1,739,381	52,051	0.03	1,822
Simmons & Co. International	1,577,108	47,616	0.03	1,667
Stifel Nicholaus	1,286,236	47,088	0.04	1,648
Merrill Lynch Pierce Fenner Smith Inc.	1,854,115	45,179	0.02	1,582
CDH Securities LLC	1,498,500	44,955	0.03	1,574
Piper Jaffray & Co.	1,360,419	42,831	0.03	1,499
Others (including 98 brokerage firms)	24,611,494	743,361	0.03	26,023
	97,724,403	$ 2,815,001		$ 98,545

Totals may not add due to rounding.
The APERS and ASPRS brokerage commissions - combined statement can be found on page 119.

SCHEDULE OF INVESTMENT FEES (as of June 30, 2016)

	Market Value	Fee	Basis Points	ASPRS Market Value	ASPRS Fee
Equities					
SSI Investment Mgmt. - Convertible Securities	$ 226,736,240	$ 896,347	40	$ 7,937,385	$ 31,431
Lazard Asset Mgmt. - Value	255,600,028	762,991	30	8,947,823	26,754
Golden Capital Mgmt. - Growth	152,729,014	336,351	22.5	5,346,604	11,794
Westwood Mgmt. - SMID Cap	140,935,984	880,385	25	4,933,764	30,870
MCM S&P 500 Index Fund	704,852,732	149,191	3.5	24,674,871	5,233
INTECH - Growth	330,270,585	1,380,669	48	11,561,825	48,413
CastleArk Mgmt. - Growth	373,910,181	1,202,725	35	13,089,522	42,173
Wellington Mgmt. Co. - Value	262,222,084	779,609	30	9,179,643	27,336
Stephens Investment Mgmt. - Growth	223,852,208	1,496,495	77	7,836,423	52,475
*State Street Global Advisors - 130/30	0	152,835	50	0	5,370
Lombardia Capital - Small Cap	139,041,609	943,123	70	4,867,448	33,070
Horrell Capital Mgmt. - AR Index Fund	96,106,652	164,091	27	3,364,418	5,753
Lazard Asset Mgmt. - Int'l Equity	376,287,979	1,210,394	65	13,172,762	42,444
Manning & Napier Advisors - Int'l Equity	322,561,002	1,618,574	50	11,291,935	56,748
Fidelity Institutional Asset Mgmt. - Int'l Equity	342,998,719	865,379	20	12,007,401	30,306
Baillie Gifford - Int'l Equity	351,131,930	1,501,036	44	12,292,121	52,629
Artisan Partners - Int'l Equity	370,167,275	2,112,684	55	12,958,494	74,072
Total Equities	$ 4,669,404,222	$ 16,452,876		$ 163,462,441	$ 576,872
Diversified Strategies					
AQR Capital	$ 110,280,724	$ 697,023	72	$ 3,860,612	$ 24,455
Blackstone Hedge	152,489,460	1,529,661	100	5,338,218	53,671
Newton Capital	110,706,781	657,226	70	3,875,527	23,044
Total Diversified Strategies	$ 373,476,965	$ 2,883,910		$ 13,074,357	$ 101,170
Fixed Income					
MacKay Shields - Core Plus I	$ 419,138,803	$ 805,890	20	$ 14,672,847	$ 28,258
MacKay Shields - Core Plus II	436,631,144	631,119	15	15,285,203	22,129
Prudential Investments - Core Plus	446,144,325	849,933	20	15,618,232	29,788
Total Fixed Income	$ 1,301,914,272	$ 2,286,942		$ 45,576,282	$ 80,175
Real Assets					
INVESCO Real Estate - Core & Global REITS	$ 530,568,558	$ 2,118,302	65	$ 18,573,682	$ 74,329
#TA Associates Realty Fund X	44,149,054	1,229,979	120	1,545,532	43,149
#LaSalle Inc. & Growth VI LP	31,178,223	337,961	135	1,091,460	11,856
Heitman Real Estate Trust - Core	296,969,714	1,923,974	65	10,396,057	67,547
CastleArk Mgmt. - AR Energy Fund	61,028,874	688,425	125	2,136,446	24,138
CastleArk Mgmt. - Global Energy Fund	134,210,790	1,030,356	100	4,698,335	36,127
Pinnacle Forest Investments – Timberland	137,024,677	1,228,522	90	4,796,841	43,069
Total Real Assets	$ 1,235,129,890	$ 8,557,520		$ 43,238,353	$ 300,216
Other Investment Services					
Bank of New York Mellon (Custodian)		$ 511,753			$ 17,945
Callan Associates (Consultant)		267,665			9,397
Total Other Services		$ 779,418			27,342
Total Investment Service Fees		$ 30,960,666			$ 1,085,775

*Terminated manager
Management fee is a base fee plus a performance fee
The APERS and ASPRS investment fees - combined statement can be found on page 120.

ACTUARIAL SECTION

Actuary's Certification Letter

Summary of Actuarial Assumptions

Supplemental Information

Single Life Retirement Values

Separations from Active Employment before Age and Service Retirement

Pay Increase Assumptions for Active Members

Probabilities of Retirement for Members Eligible to Retire

Active Members in Actuarial Valuation

Tier One and Tier Two Participants

Short Condition Test

Derivation of Experience Gain/(Loss)

Gains and Losses by Risk Area

Summary of Plan Provisions

ASPRS
ARKANSAS STATE POLICE RETIREMENT SYSTEM

ACTUARY'S CERTIFICATE LETTER

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

November 21, 2016

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

Dear Board Members:

The basic financial objective of the Arkansas Public Employees Retirement System (APERS) as provided in the Arkansas Code is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Arkansas citizens and when combined with present assets and future investment return will be sufficient to meet the financial obligations of APERS to present and future benefit recipients. The progress towards meeting this financial objective is illustrated in the Schedule of Funding Progress and the Schedule of Employer Contributions.

We performed an actuarial valuation and issued an actuarial valuation report for APERS as of June 30, 2016. The purpose of the June 30, 2016 annual actuarial valuation was to determine the contribution requirements for the year beginning July 1, 2017 (July 1, 2016 for the old plan still paying District Judges portion of APERS) and to measure the System's funding progress. The actuarial valuation report should not be relied upon for any other purpose. The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the cost assigned by the valuation method to the year of service about to be rendered) as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll (level dollar for the District Judges portion of APERS) over a period of up to thirty years. The most recent valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2016. In addition, a separate report was issued (dated November 1, 2016) to provide actuarial information for GASB Statement No. 67 and GASB Statement No. 68.

The APERS administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial data annually. We are not responsible for the accuracy or completeness of the data provided by staff.

The actuarial valuation report and GASB Statement Nos. 67 and 68 report contain the following supporting schedules for use in the Actuarial and Financial Sections of the Comprehensive Annual Financial Report:

Actuarial Section
- Summary of Assumptions Used
- Summary of Actuarial Methods and Assumptions
- Active Member Valuation Data
- Short Condition Test
- Analysis of Financial Experience
- Analysis of Financial Experience – Gains and Losses by Risk Area

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

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of the Actuarial Standards of Practice. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2016 valuations were based upon assumptions that were recommended in connection with a study of experience covering the period 2007-2012 and a subsequent economic assumption study. The investment return, price inflation and wage inflation assumptions were changed for the June 30, 2015 valuations.

On the basis of the June 30, 2016 actuarial valuations and the benefits and contribution rates then in effect, it is our opinion that the Arkansas Public Employees Retirement System continues to satisfy the general financial objective of level contribution financing.

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

The signing individuals are independent of the plan sponsor.

Mita D. Drazilov and Heidi 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:mrb

Gabriel Roeder Smith & Company

SUMMARY OF ACTUARIAL ASSUMPTIONS*

Economic Assumptions

The investment return rate used in making the valuation was 7.50% per year, compounded annually (net after investment expenses). The assumed real rate of return is the portion of investment return which is more than the wage inflation rate. Considering assumed wage inflation of 3.25%, the 7.50% investment return rate translates to an effective assumed real rate of return of 4.25%. The wage inflation assumption was revised for the June 30, 2015 valuation and the investment assumption was revised for the June 30, 2015 valuation.

Pay increase assumptions for individual active members are shown on page D-5. Part of the assumption for each age is for a merit and/or seniority increase, and the other 3.25% recognizes wage inflation. The wage inflation assumption consists of 2.5% for price inflation and 0.75% for real wage growth. The pay increase assumption for individual active members 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 wage 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 Combined Healthy mortality table, Projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females. Related values are shown on page D-3. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional 10 years.

Based upon the experience observed during the most recent experience study, it appears that at the time of the study, the current table provides for an approximate 14% margin for future mortality improvement. Pre-retirement mortality rates are assumed to be 50% of post-retirement mortality rates. The mortality assumption was revised for the June 30, 2013 valuation.

The probabilities of retirement for members eligible to retire are shown on page D-4. The assumption was revised for the June 30, 2013 valuation.

The probabilities of death-in-service, disability and withdrawal from service are shown for sample ages on page D-5. The assumption for death-in-service was revised for the June 30, 2013 valuation.

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

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

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

Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (principal & interest) which are level percent-of-payroll contributions.

Present assets (cash & investments) were valued on a market related basis in which differences between actual and assumed returns are phased-in over a four year period.

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).

SUPPLEMENTARY INFORMATION

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 Normal Cost
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	23-Year Closed
Asset Valuation Method	4-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	3.25% - 10.25%
Including Wage Inflation at	3.25%
Cost-of-Living Adjustments	3.0% Annual Compound Increases
Retirees and Beneficiaries Receiving Benefits	634
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	76
DROP Members	58
Active Plan Members	496
Total	1,264

SINGLE LIFE RETIREMENT VALUES

Sample Attained Ages	Present Value of $1.00 Monthly for Life Increasing 3% Annually		Future Life Expectancy (Years)	
	Men	Women	Men	Women
50	$ 195.44	$ 205.97	31.13	34.64
55	179.30	191.41	26.58	29.98
60	161.13	174.51	22.23	25.44
65	141.22	155.67	18.14	21.14
70	119.72	135.45	14.35	17.16
75	97.62	114.39	10.95	13.56
80	76.00	92.98	8.02	10.35

Sample Attained Ages	$100 Benefit Increasing 3% Yearly
55	$100.00
60	115.93
65	134.39
70	155.79
75	180.60
80	209.36

SEPARATIONS FROM ACTIVE EMPLOYMENT BEFORE AGE AND SERVICE RETIREMENT
(as of June 30, 2016)

Sample Ages	Percentage of Active Members Separating Within the Next Year			
	Death			
	Men	Women	Disabilty	Other
20	0.02%	0.01%	0.06%	5.50%
25	0.02	0.01	0.09	5.50
30	0.03	0.01	0.19	5.50
35	0.04	0.02	0.31	4.18
40	0.06	0.04	0.43	2.64
45	0.08	0.06	0.55	1.43
50	0.13	0.09	0.67	0.55
55	0.22	0.14	0.79	0.00

PAY INCREASE ASSUMPTIONS FOR ACTIVE MEMBERS

Merit & Seniority	Base (Economic)	Increase Next Year
6.29%	3.25%	9.54%
5.39	3.25	8.64
4.01	3.25	7.26
2.29	3.25	5.54
1.50	3.25	4.75
1.10	3.25	4.35
0.80	3.25	4.05
0.60	3.25	3.85

PROBABILITIES OF RETIREMENT FOR MEMBERS ELIGIBLE TO RETIRE

(as of June 30, 2016)

	Percent of Eligible Active Members Retiring Within Next Year			Percent of Eligible Active Members Retiring Within Next Year
Retirement Ages	Tier One	Tier Two	Years of Service	Tier Two
47	2%			
48	2			
49	2			
50	6	2%	30	25%
51	6	2	31	15
52	10	2	32	15
53	10	6	33	20
54	10	6	34	35
55	10	25	35	40
56	10	20	36 & Over	100
57	15	18		
58	20	18		
59	35	20		
60	40	25		
61	50	30		
62	60	100		
63	80	100		
64	100	100		
65	100	100		

A member is assumed to be eligible to retire at age 52 (55 for Tier Two) with 17 years of service, or at any age with 30 years of service (Tier Two). A member is assumed to be eligible to retire early at age 47 (50 for Tier 2) with 17 years of service. For a Tier 2 member with 30 or more years of service at the beginning of a year, the percentages shown for service based retirement (30 or more years) take precedence over the percentages associated with age based retirement.

It was assumed that members eligible to enter the DROP will do so to maximize the value of their benefits.

ACTIVE MEMBERS IN ACTUARIAL VALUATION
(as of June 30, 2016)

		Group Averages		
June 30	Number	Age	Service	Pay
2007	536	41.4	14.5	$44,773
2008	555	41.3	14.1	46,687
2009	539	42	15	49,714
2010	545	42	14.3	52,318
2011	530	42	14.4	52,950
2012	534	41.6	13.9	53,236
2013	525	41.6	13.9	53,344
2014	530	41.6	13.9	53,866
2015	558	41	13	53,637
2016	554	40.9	13.1	53,156

* Includes DROP participants.

TIER ONE AND TIER TWO PARTICIPANTS
(as of June 30, 2016)

		Group Averages		
	Number	Age	Service	Pay
Tier One	70	49.3	21.5	$67,471
Tier One - DROP*	58	55.4	36.4	67,241
Tier Two	426	37.6	8.5	48,886
Total	554	40.9	13.1	$53,156

* $67,241 was used as an estimate of average annual pay for DROP participants.

SHORT CONDITION TEST

The Arkansas SPRS 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 system's present assets (cash and investments) are compared with

- Member accumulated contributions;
- The liabilities for future benefits to present retired lives; and
- The employer financed portion of liabilities for service already rendered by nonretired 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 valuation assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of valuation assets. The larger the funded portion of liability 3, the stronger the condition of the system.

Ten-Year Comparative Statement
(dollars in millions)

	Entry Age Accrued Liability				Portion of Present Values Covered By Valuation Assets			
Valuation Date: June 30	(1) Active Member Contributions	(2) Retirees and Benefits	(3) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	Total
		($ in Millions)						
2007@	$0.51	$158.34	$148.81	$233.13	100%	100%	50%	76%
2008	0.44	167.93	151.73	238.04	100	100	46	74
2009#@	0.45	169.43	156.06	206.32	100	100	23	63
2010	0.35	179.38	153.87	211.07	100	100	20	63
2011	0.28	205.40	137.53	208.05	100	100	2	61
2012	0.31	217.64	137.35	215.01	100	99	0	61
2013@	0.53	227.80	133.13	233.15	100	100	4	65
2014@	0.50	237.17	144.19	259.46	100	100	15	68
2015*	0.37	252.79	145.80	274.83	100	100	15	69
2016	0.57	260.49	147.68	289.24	100	100	19	71

After legislated changes in benefit provisions
@ After changes in actuarial assumptions and/or methods
* (1) was estimated based on reported member contribution balances received by the actuary from ASPRS.

DERIVATION OF EXPERIENCE GAIN/(LOSS)
(as of June 30, 2016)

Actual experience will not (except by coincidence) match 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.

		(dollar figures in 1000's)
1.	UAAL* at Start of Year	$ 124,138
2.	Normal Cost from Last Valuation	6,315
3.	Employer Contributions	19,713
4.	Interest accrual: (1) x 0.075 + ((2) - (3)) x 0.0375	8,808
5.	Expected UAAL Before Changes: (1) + (2) - (3) + (4)	119,548
6.	Change for Revised Actuarial Assumptions and/or Valuation Methods	0
7.	Change from Benefit Changes	0
8.	Expected UAAL After Changes: (5) + (6) + (7)	119,548
9.	Actual UAAL at End of Year	119,502
10.	Gain/loss: (8) - (9)	$ 46
11.	Gain/loss as Percent of Actuarial Accrued Liabilities at Start of Year	0.0%

* 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 in Period Total ($ in millions)	% of Accrued Liabilities
Economic Risk Areas		
Pay Increases: If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	$ 0.9	0.2%
Investment Return: If there is greater recognized investment return than assumed, there is a gain. If less return, a loss.	0.6	0.1
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 higher average pays, a loss.	0.2	0.1
Disability Retirements: If there are fewer disabilities than assumed, there is a gain. If more, a loss.	0.1	0.0
Death-in-Service Benefits: If there are fewer claims than assumed, there is a gain. If more, a loss.	0.0	0.0
Withdrawal: If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	0.0	0.0
Actuarial Gains/(Losses)	$ 1.8	0.4%
Other (gains and losses resulting from group size change, data adjustments, timing of financial transactions, and retiree mortality)	(1.8)	(0.4)
Total Actuarial Gains/Losses	$ 0.0	0.0%

SUMMARY OF PLAN PROVISIONS

(Last changed as of July 1, 2009)

The Non-Contributory Plan was created by Act 793 of 1977 and was effective January 1, 1978. All non-retired members are now covered by non-contributory benefits. Act 1071 of 1997 created a Tier Two benefit plan for all officers hired on or after April 3, 1997. Existing members of the plan in effect prior to this date (Tier One) had one year to elect coverage under Tier Two.

Voluntary Retirement

With a full benefit, after 30 years of actual service, regardless of age, or at age 65 with 5 actual years of service for Tier One and Tier Two. The age requirement is reduced by 1 month for every 2 months of Public Safety service credit, but not below age 52 for Tier One or age 55 for Tier Two members.

Public Safety service credit is granted at the rate of 1.5 months of credit for each month of actual Public Safety employment for Tier One. Service is credited at a rate of one for one in Tier Two.

With a reduced benefit, once a member's age is within 10 years of becoming eligible for full benefits. The reduction for Tier One is equal to ½ of 1% for each month retirement precedes Normal Retirement Age. The reduction for Tier Two is equal to ¾ of 1% for each month retirement precedes Normal Retirement Age.

Final Average Pay (FAP)

Average of the highest 60 calendar months' pays for Tier One or 48 calendar months for Tier Two.

Full Age and Service Retirement Benefit

Tier One: 1.55% of FAP times years and months of credited service. Tier Two: 2.475% of FAP times credited service. If retirement is prior to age 62, an additional .322% of FAP times credited service will be paid until the retiree attains age 62 for Tier One or .513% of FAP times credited service for Tier Two.

Public Safety service credit is granted at the rate of 1.5 months of credit for each month of actual Public Safety employment for Tier One. Service is credited at a rate of one for one in Tier Two.

For Tier One, the portion of the SPRS benefit based on service before 1978 cannot be less than the amount provided by contributory provisions in effect at time of retirement; and if there is credited service for time prior to July 1, 1991, the benefit cannot be less than under the provisions in effect July 1, 1990, (using Social Security offset), plus increases granted since that date.

For Tier One, the minimum monthly benefit is $150 minus any age and beneficiary option reductions.

Vested and Reduced Early Retirement Benefits

5 years of actual service, and leaving System-covered employment before full retirement age.

Deferred full retirement benefit, based on service and pay at termination, begins when full retirement age would have been reached by continuing covered employment.

In place of a deferred full benefit, a qualifying member may elect an immediate reduced benefit, provided the member is within 10 years of full retirement age. The reduced amount is the full amount reduced by 1/2 of 1% for Tier One and/or 3/4 of 1% for Tier Two for each month of difference in benefit commencement ages.

Death While in System Covered Employment

Member's accumulated contributions before 1978 are refundable.

If the deceased member has 5 or more years of service and has qualifying dependents, monthly benefits are payable instead. A surviving spouse receives a benefit as if the member had retired and elected the joint and 75% survivor option. Payment begins immediately if the member was eligible for a full age and service benefit or had 20 years of service; or payment begins at the spouse's age 50 if the member had 15 or more years of service; or payment begins at the spouse's age 62 if the member had less than 15 years of service.

If a member is killed while in the official line of duty and the surviving spouse is eligible for a deferred benefit, then the surviving spouse may elect to receive a reduced benefit immediately. The reduction of the benefit shall be 1/2 of 1% per month for each of the first 60 months that the benefit commences before when it would have otherwise commenced, plus; 1/4 of 1% per month for each month more than 60 months that the benefit commences before when it would have otherwise commenced. However, the total reduction shall not be more than 50%.

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

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

Total and Permanent Disability

Tier One eligibility: Disabled after 5 years of service.

Tier Two eligibility: Disabled after 5 years of service.

Amount is computed as an age and service benefit, based on service and pay to the time of disability.

Death after Retirement

Retiring member can provide protection for a beneficiary by electing an option which provides beneficiary protection by reducing the retired employee's benefit amount.

Under Tier One, if a straight life annuity is paid, upon the retiree's death, 50% of the retiree's benefit is continued to a surviving spouse. If the deceased retiree leaves children under age 18, 75% of the retiree's benefit is continued to the surviving spouse. If there is no surviving spouse, the 75% will be divided among the children under age 18.

Under Tier Two, if a straight life annuity is elected, no survivor benefit is payable.

Benefit Increases after Retirement

Annually, there is a cost-of-living adjustment equal to 3% of the current benefit amount.

Member Contributions

None.

Arkansas State Police Officers Deferred Retirement Option Plan – Tier One (Act 967 of 1995)

Tier One members with 30 years of credited service and who are eligible to receive a service retirement pension may participate.

Participating members may continue in employment for up to 7 years and have their accrued monthly benefit (at date of participation) credited to an individual account in the Deferred Retirement Option Plan in lieu of any further benefit accruals.

The Deferred Retirement Option Plan accounts accumulate with interest and are paid to the member at termination of active membership in either a lump sum or as an annuity of equivalent value. Interest is credited annually at a rate established by the Board of Trustees.

Arkansas State Police Officers Deferred Retirement Option Plan – Tier Two (Act 1242 of 2009)

Tier two members with at least 30 years of actual service and are eligible to receive a service retirement pension may participate.

Participating members may continue in employment for up to 7 years and have seventy-two percent (72%) of their accrued monthly benefit (at date of participation) credited to an individual account in the Deferred Retirement Option Plan in lieu of any further benefit accruals.

The Deferred Retirement Option Plan accounts accumulate with interest and are paid to the member at termination of active membership in either a lump sum or as an annuity of equivalent value. Interest is credited annually to participant accounts at a rate established by the Arkansas State Police Retirement System Board of Trustees that shall not be greater than five percent (5%) nor less than one percent (1%) per annum.

STATISTICAL SECTION

Schedule of Revenues by Source

Schedule of Expenses by Type

Schedule of Benefit Expenses by Type

Schedule of Retired Members by Type of Benefit Paid

Schedule of Average Benefit Payments

Statistical Graphs

ASPRS

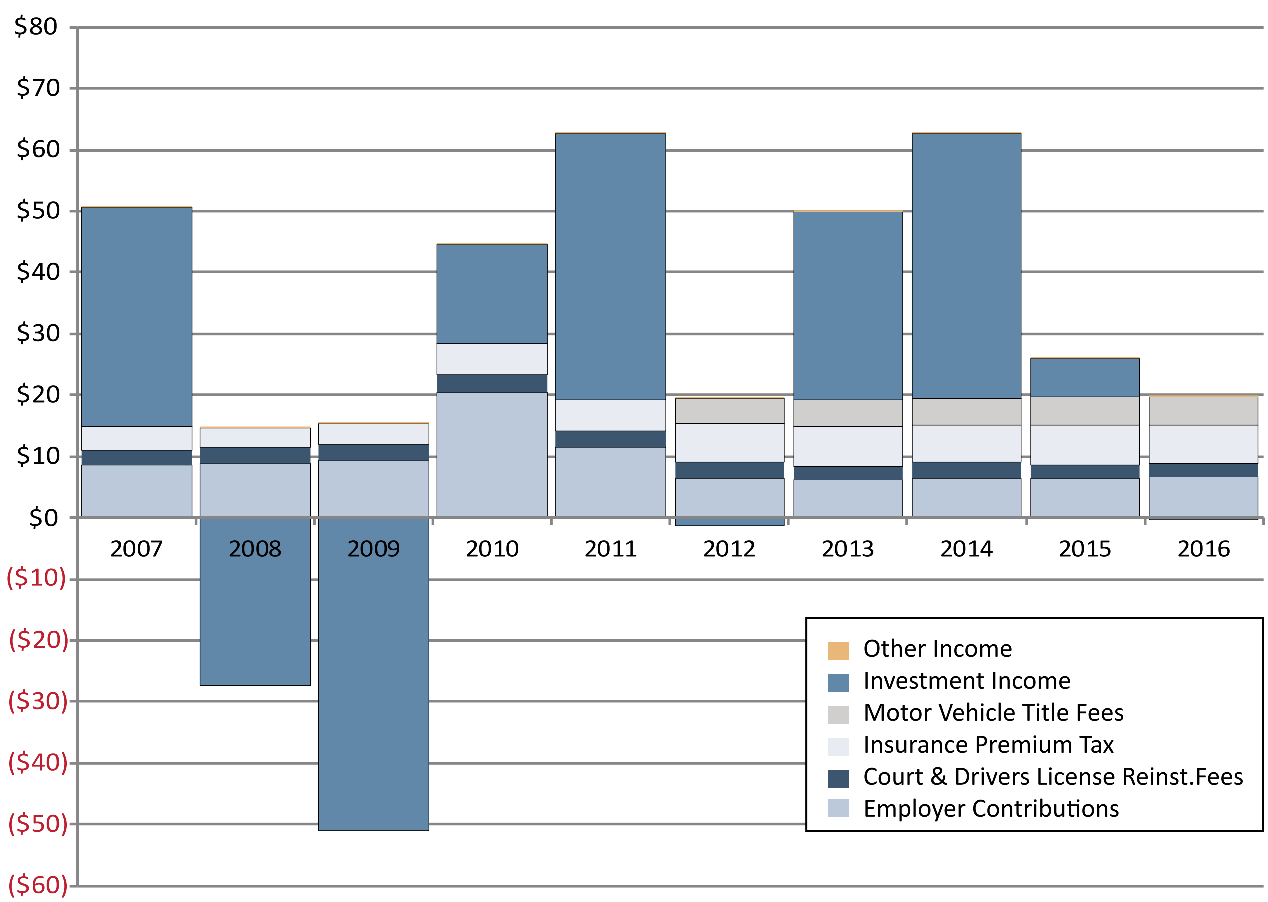
ARKANSAS STATE POLICE RETIREMENT SYSTEM

SCHEDULE OF REVENUES BY SOURCE

(for the fiscal year ended June 30, 2016)

	Employer Contributions	Court & Driver's License Reinst. Fees	Insurance Premium Tax	Motor Vehicle Title Fees	Investment Income	Other Income	Total
2007	8,733,052	2,392,387	3,656,818	0	35,762,584	8,977	46,897,000
2008	8,942,134	2,656,777	3,128,234	0	(27,370,593)	52,494	(15,719,188
2009	9,416,710	2,606,871	3,343,844	0	(50,964,780)	118,479	(38,822,720)
2010	20,547,457	2,682,529	5,285,153	0	15,965,604	63,621	39,259,211)
2011	11,434,257	2,675,335	5,232,634	0	43,395,542	18,470	57,523,604
2012	6,525,196	2,525,594	6,250,117	4,246,637	(1,302,063)	118,334	18,363,815
2013	6,183,721	2,111,570	6,697,200	4,356,659	30,531,555	124,067	50,004,772
2014	6,405,887	2,657,952	5,957,541	4,442,806	43,307,745	37,499	62,809,430
2015	6,409,752	2,234,350	6,574,376	4,565,652	6,131,684	94,820	26,010,634
2016	$ 6,581,580	$ 2,206,082	$ 6,233,769	$ 4,661,683	$ (210,045)	$ 30,181	$ 19,503,250

Schedule of Revenue by Source
(Millions)

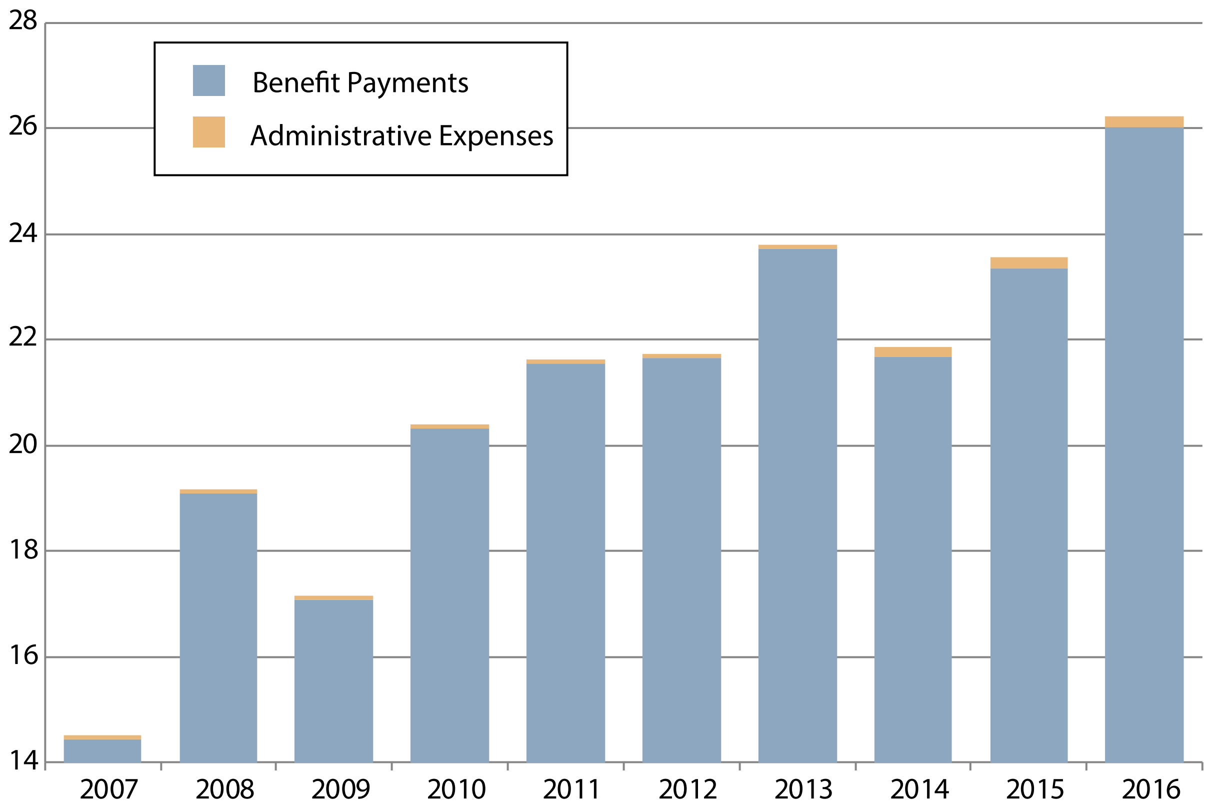


SCHEDULE OF EXPENSES BY TYPE
(for the fiscal year ended June 30, 2016)

Year Ended June 30	Benefit Payments*	Administrative Expenses	Total
2007	14,434,180	85,345	14,519,525
2008	19,087,918	87,020	19,174,938
2009	17,082,320	89,011	17,171,331
2010	20,319,683	79,878	20,399,561
2011	21,560,127	83,234	21,643,361
2012	21,649,158	80,842	21,730,000
2013	23,717,503	97,181	23,814,684
2014	21,688,239	189,658	21,877,896
2015	23,358,801	196,231	23,555,032
2016	$ 26,035,466	$ 205,342	$ 26,240,808

*Includes DROP and PAW distributions.

Schedule of Expenses by Type
(Millions)

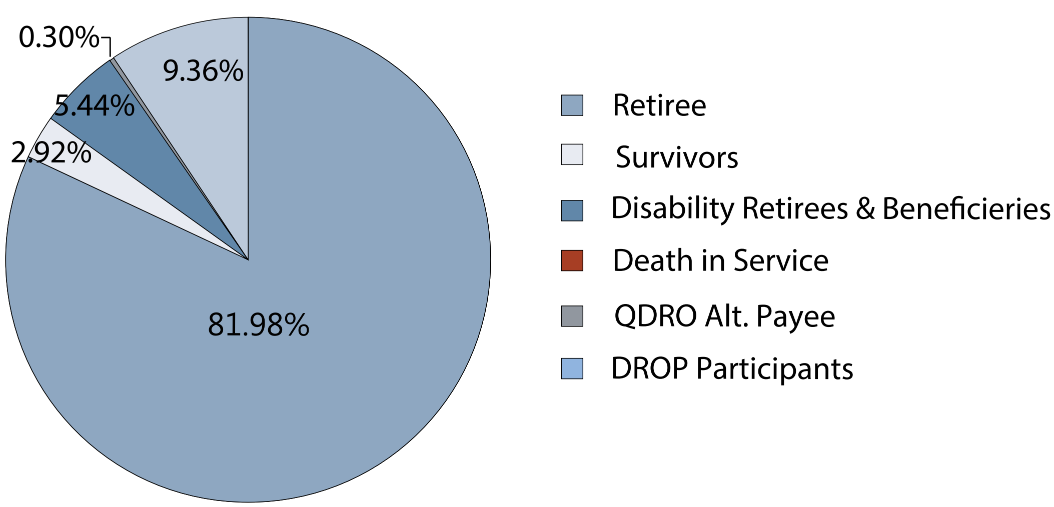


SCHEDULE OF BENEFIT EXPENSES BY TYPE*

(for the fiscal year ended June 30, 2016)

	Age and Service		Disability				
Year Ended June 30	Retirees	Beneficiaries	Retirees	Beneficiaries	Death in Service	QDRO Alternative Payees	DROP Participants
2007	11,482,574	888,957	14,215,140		95,028		
2008	12,336,918	884,153	15,937,188		86,316		
2009	12,878,923	958,545	17,426,148		87,696		
2010	13,646,899	1,113,108	18,793,560		90,312		
2011	14,905,638	1,708,748	20,302,152		93,024		
2012	16,106,010	1,803,169	21,950,568		91,092		
2013	16,901,590	1,950,945	26,158,872		93,828		
2014	17,368,858	2,034,215	27,648,624		74,640		
2015	17,963,207	2,325,900	1,016,556	13,944	76,872	471,880	3,126,156
2016	$ 18,805,319	$ 2,355,686	$ 1,064,772	$ 14,364	$ 79,188	$ 532,792	$ 3,434,940

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



SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
(as of June 30, 2016)

Type of Benefit Being Paid	Number	Annual Pensions	Actuarial Accrued Liability
Age & Service Retirees			
Life	92	$ 3,066,588	$ 30,041,297
B-50	331	15,402,133	183,280,760
B-75	14	336,598	4,198,009
Totals	437	18,805,319	217,520,066
Beneficiaries of Age & Service Retirees			
Life	9	130,326	1,522,219
B-50	103	2,200,352	21,582,707
B-75	2	25,008	338,657
Totals	114	2,355,686	23,443,583
Total Age & Service Retirees	551	21,161,005	240,963,649
Disability Retirees			
Life	18	334,416	3,731,883
B-50	23	726,312	8,220,047
B-75	1	4,044	71,005
Totals	42	1,064,772	12,022,935
Beneficiaries of Disability Retirees	2	14,364	168,544
Total Disability Retirees & Beneficiaries	44	1,079,136	12,191,479
Death-in-Service Beneficiaries	5	79,188	752,234
QDRO Alternate Payees	34	532,792	6,585,408
Total Retirees & Beneficiaries	634	22,852,121	260,492,770
DROP Participants (excluding DROP reserve)	58	3,434,940	45,542,930
Total Retirees, Beneficiaries and DROP Participants	692	$ 26,287,061	$ 306,035,700

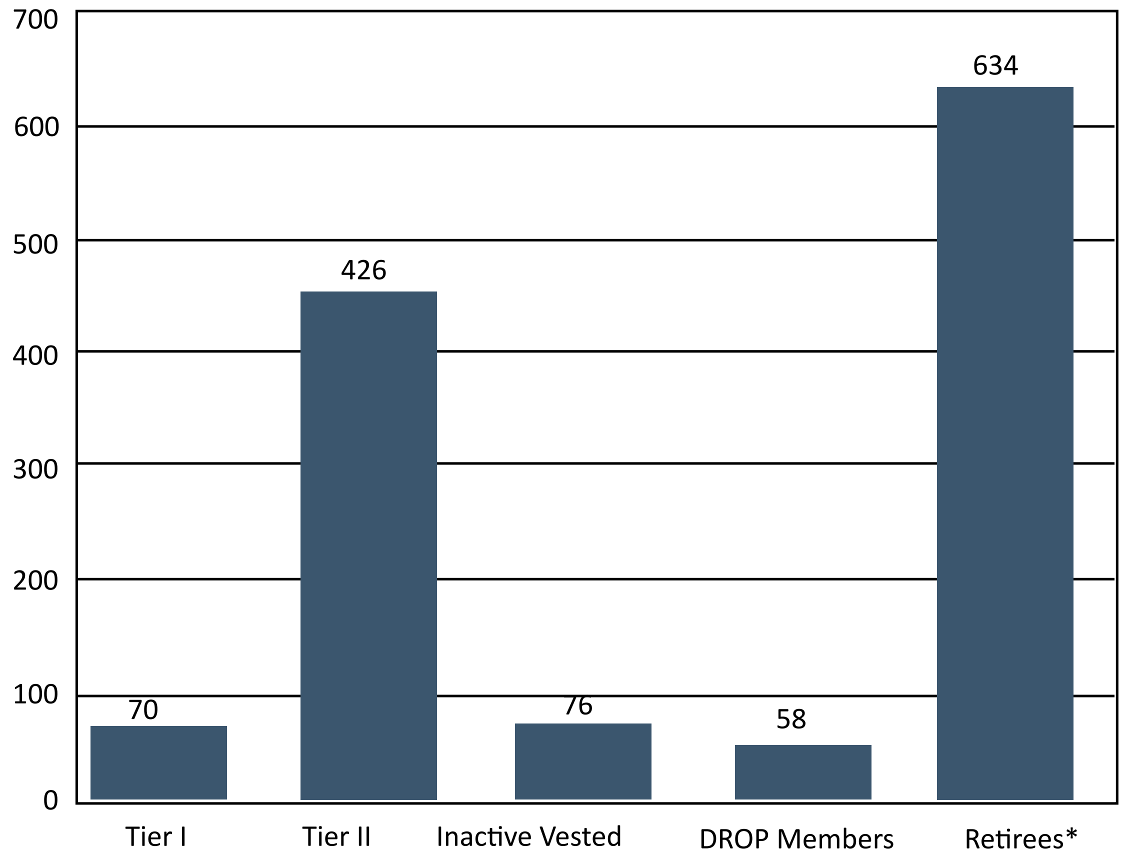
SCHEDULE OF AVERAGE BENEFIT PAYMENTS

(for fiscal years ended June 30, 2011 - June 30, 2016)

		Years of Credited Service				
		10-14	15-19	20-24	25-29	30+
Retirement Effective Dates - July 1, 2015 to June 30, 2016						
Average Monthly Benefit	$	484	881	0	0	4,159.91
Average Monthly Final Average Salary	$	2,675.17	2,550.17	0	0	5,221.25
Number of Active Retirees		1	1	0	0	1
Retirement Effective Dates - July 1, 2014 to June 30, 2015						
Average Monthly Benefit	$	0	2,293.00	1,999.00	4,812.50	3,799.17
Average Monthly Final Average Salary	$	0	3,998.92	4,058.42	4,431.50	4,917.85
Number of Active Retirees		0	1	1	2	6
Retirement Effective Dates - July 1, 2013 to June 30, 2014						
Average Monthly Benefit	$	327	1,411.00	0	2,558.00	3,007.50
Average Monthly Final Average Salary	$	1,485.64	4,149.00	0	4,075.67	4,598.73
Number of Active Retirees		3	1	0	1	4
Retirement Effective Dates - July 1, 2012 to June 30, 2013						
Average Monthly Benefit	$	1,156.00	0	0	1,496.17	4,213.75
Average Monthly Final Average Salary	$	1,437.83	0	0	4,500.17	5,418.08
Number of Active Retirees		1	0	0	1	4
Retirement Effective Dates - July 1, 2011 to June 30, 2012						
Average Monthly Benefit	$	129	0	0	3,307.00	2,492.14
Average Monthly Final Average Salary	$	266.33	0	0	5,047.58	4,784.19
Number of Active Retirees		1	0	0	2	7
Retirement Effective Dates - July 1, 2011 to June 30, 2016						
Average Monthly Benefit	$	458.33	1,528.33	1,999.00	3,382.19	3,331.13
Average Monthly Final Average Salary	$	1,472.71	3,566.03	4,058.42	4,589.00	4,922.04
Number of Active Retirees		6	3	1	6	22

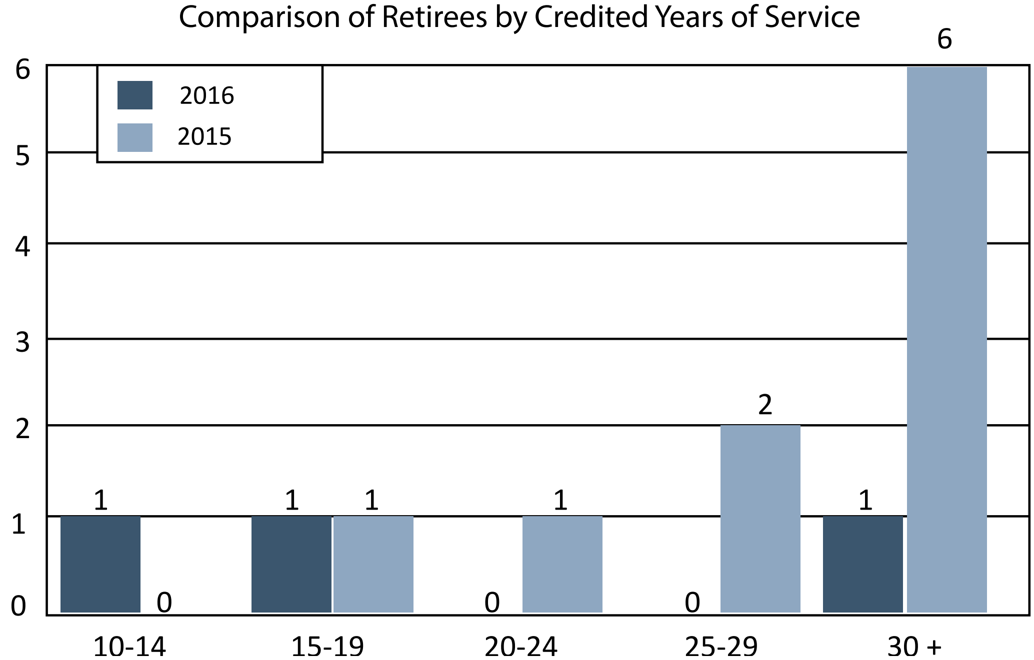
STATISTICAL GRAPHS

Comparison of Membership by Type

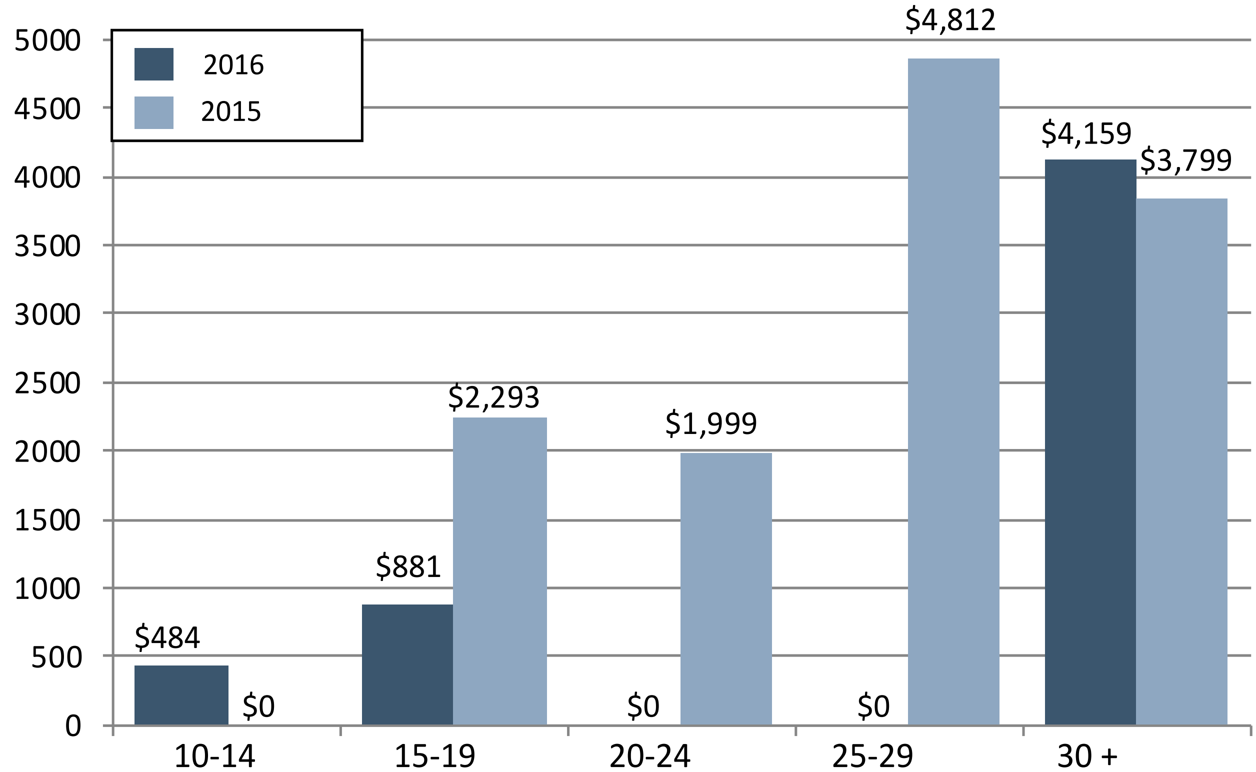


*Including Retirees, Disability Recipients, & Death-In-Service Beneficiaries.

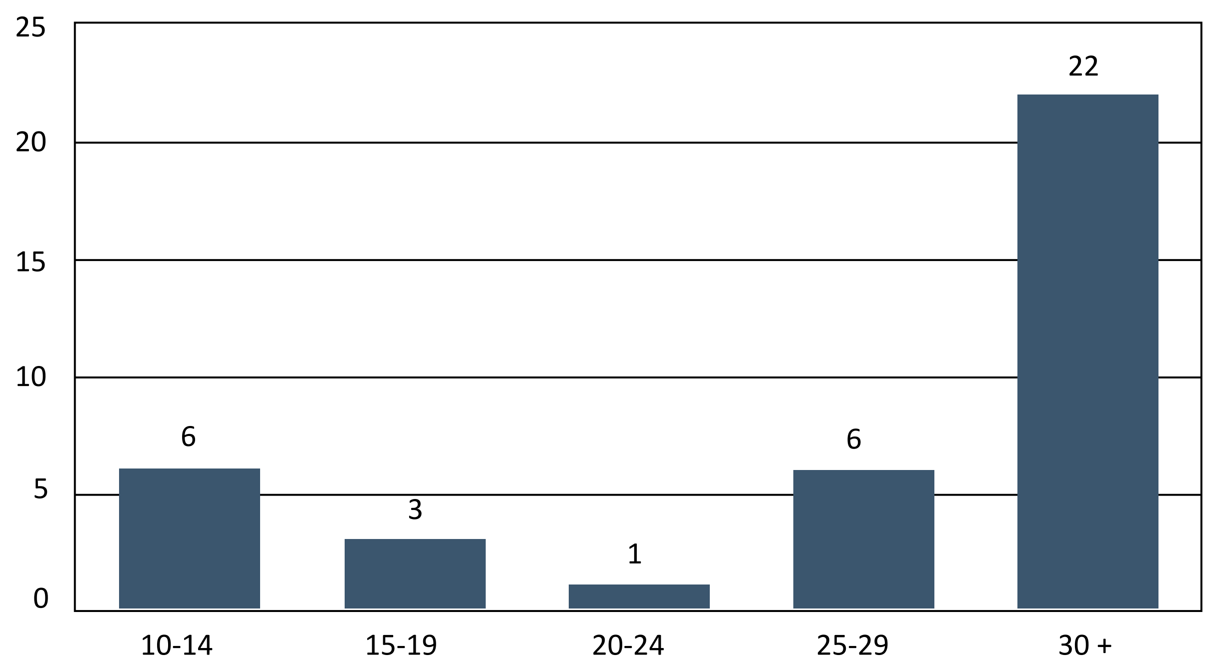
Comparison of Retirees by Credited Years of Service



Comparison of Monthly Annuity by Credited Years of Service



Retirees by Years of Credited Service - 5 year summary



APPENDIX

ASPRS & APERS - Fiduciary Net Position

ASPRS & APERS - Changes in Fiduciary Net Position

ASPRS & APERS - Manager Distribution

ASPRS & APERS - Ten Largest Holdings

ASPRS & APERS - Brokerage Commissions

ASPRS & APERS - Investment Fees

ASPRS

ARKANSAS STATE POLICE RETIREMENT SYSTEM

APERS AND ASPRS COMBINED STATEMENT OF FIDUCIARY NET POSITION
(as of June 30, 2016)

Assets	Combined	ASPRS	APERS
Cash and Cash Equivalents	$ 254,636,990	$ 15,281,566	$ 239,355,424
Receivables			
Contributions	4,616,530	77,680	4,538,850
Dec 2004 Actuarial Liability Receivable	8,890,840	0	8,890,840
Investment Principal Receivable	54,283,947	1,900,325	52,383,622
Accrued Investment Income Receivable	17,531,835	613,726	16,918,109
Total Receivables	85,323,152	2,591,731	82,731,421
Investments, At Fair Value			
Government Securities			
U.S. Government Securities	157,065,484	5,498,412	151,567,072
Futures	(1,510,356)	(52,873)	(1,457,483)
Government Agency Securities	125,099,903	4,379,389	120,720,514
Corporate Securities			
Collateralized Obligations	33,515,034	1,173,265	32,341,769
Corporate Bonds	404,313,337	14,153,850	390,159,487
Convertible Bonds	155,607,329	5,447,366	150,159,963
Convertible Preferred Stock	64,756,374	2,266,935	62,489,439
Common Stock	2,375,140,842	83,146,864	2,291,993,978
Equity Index Funds	704,852,537	24,674,864	680,177,673
High Yield Income Fund	62,058,725	2,172,498	59,886,227
International Securities			
Corporate Fixed Income	27,589,502	965,829	26,623,673
Equity Securities	991,035,632	34,693,313	956,342,319
Global Preferred Stock	1,463,537	51,234	1,412,303
Equity Pooled Fund Units	587,182,585	20,555,577	566,627,008
Forward Contracts	(546,587)	(19,134)	(527,453)
Core Plus Bond Fund	446,062,858	15,615,380	430,447,478
Real Estate	745,220,048	26,088,015	719,132,033
Diversified Strategies	373,476,965	13,074,357	360,402,608
Timberland	137,024,677	4,796,841	132,227,836
Commercial Loans	12,869,534	450,525	12,419,009
Total Investments	7,402,277,960	259,132,507	7,143,145,454
Securities Lending Collateral Investments, At Fair Value			
Repurchase Agreements	83,407,646	2,919,862	80,487,784
Asset Backed Floating Rate Notes	194,578,329	6,811,629	187,766,700
Corporate Floating Rate Notes	579,592,708	20,289,877	559,302,831
Time Deposits	72,870,000	2,550,970	70,319,030
Total Securities Lending Collateral Investments	930,448,683	32,572,338	897,876,345
Prepaids and Other Assets	21,013	0	21,013
Fixed Assets, Net	15,662,882	0	15,662,882
Total Assets	8,688,370,680	309,578,142	8,378,792,539
Liabilities			
Accrued Expenses and Other Liabilities	8,812,545	474,545	8,338,000
Investment Principal Payable	100,044,618	3,502,275	96,542,343
Other Post Employment Benefits	2,707,649	0	2,707,649
Securities Lending Liability	933,561,537	32,681,310	900,880,227
Total Liabilities	1,045,126,349	36,658,130	1,008,468,219
Net Position Restricted for Pension Benefits	$ 7,643,244,332	$ 272,920,012	$ 7,370,324,320

Totals may not add due to rounding. The ASPRS Statement of Fiduciary Net Position can be found on page 25.

APERS AND ASPRS COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(as of June 30, 2016)

	Combined	ASPRS	APERS
Additions			
Contributions			
Employer	$ 269,728,601	$ 6,587,211	$ 263,141,390
Member	55,974,302	30,170	55,944,132
Supplemental	6,632,570	6,228,137	404,433
Court Fees	974,516	974,516	0
Driver's License Reinstatement Fees	1,231,566	1,231,566	0
Motor Vehicle Title Fees	4,661,683	4,661,683	0
Total Contributions	339,203,239	19,713,284	319,489,955
Investment Income			
Interest	75,092,432	2,635,849	72,456,583
Dividends	81,842,974	2,871,021	78,971,953
Investment Gain/(Loss)	(135,489,703)	(4,786,973)	(130,702,730)
Security Lending Income	4,681,319	186,464	4,494,855
Other	1,322,030	0	1,322,030
Total Investment Income	27,449,052	906,361	26,542,691
Less: Investment Expense	31,836,412	1,116,406	30,720,006
Net Investment Income	(4,387,360)	(210,045)	(4,177,315)
Other Additions			
Miscellaneous Additions	952,608	11	952,597
Transfers from Other Public Employees Retirement Systems	5,051,635	0	5,051,635
Miscellaneous Transfers from State Agencies	266,835	0	266,835
Total Other Additions	6,271,078	11	6,271,067
Total Additions	341,086,957	19,503,250	321,583,707
Deductions			
Benefits	506,948,961	26,035,466	480,913,495
Refunds of Contributions	13,188,729	0	13,188,729
Administrative Expenses	7,571,982	205,342	7,366,640
Total Deductions	527,709,672	26,240,808	501,468,864
Adjustments			
Actuarial Adjustment to DJ Unfunded Liability	216,239	0	216,239
Net Increase /(Decrease)	(186,406,476)	(6,737,558)	(179,668,918)
Net Position Restricted for Pension Benefits			
Beginning of Year	7,829,650,808	279,657,570	7,549,993,238
End of Year	$ 7,643,244,332	$ 272,920,012	$ 7,370,324,320

Totals may not add due to rounding. See notes to financial statements.
The ASPRS Statement Of Changes In Fiduciary Net Position can be found on page 26.

APERS AND ASPRS MANAGER DISTRIBUTION - COMBINED STATEMENT

(as of June 30, 2016)

Asset Allocation	Market Value ($ Thousands)	Percent of Total	ASPRS	APERS
Domestic Equity; 38.12%				
MCM S&P Index Fund	$ 704,852,732	9.24%	$ 24,674,871	$ 680,177,861
CastleArk Management	373,910,181	4.90	13,089,522	360,820,659
Golden Capital Mgmt.	152,729,014	2.00	5,346,604	147,382,410
INTECH	330,270,585	4.33	11,561,825	318,708,760
Wellington Mgmt. Co.	262,222,084	3.44	9,179,643	253,042,441
Westwood Mgmt.	140,935,984	1.85	4,933,764	136,002,220
Lazard Asset Mgmt.	255,600,028	3.35	8,947,823	246,652,205
Lombardia Capital	139,041,609	1.82	4,867,448	134,174,161
SSI Investment Mgmt	226,736,240	2.97	7,937,385	218,798,855
Horrell Capital Mgmt.	96,106,652	1.26	3,364,418	$92,742,234
Stephens Inv. Mgmt. Group	223,852,209	2.94	7,836,423	216,015,786
	$ 2,906,257,318	38.12%	$ 101,739,728	$ 2,804,517,590
International Equity; 23.12%				
Lazard Asset Mgmt.	$ 376,287,979	4.94%	$ 13,172,762	$ 363,115,217
Artisan Partners	370,167,275	4.85	12,958,494	357,208,781
Baillie Gifford	351,131,930	4.61	12,292,121	338,839,809
Manning & Napier	322,561,002	4.23	11,291,935	311,269,067
Fidelity Institutional Asset Mgmt.	342,998,719	4.50	12,007,401	330,991,318
	$ 1,763,146,905	23.12%	$ 61,722,713	$ 1,701,424,192
Fixed Income; 17.08%				
MacKay Shields	$ 855,769,947	11.23%	$ 29,958,050	$ 825,811,897
Prudential Investments	446,144,325	5.85	15,618,232	430,526,093
	$ 1,301,914,272	17.08%	$ 45,576,282	$ 1,256,337,990
Real Assets; 16.20%				
INVESCO Real Estate	$ 376,032,638	4.93%	$ 13,163,823	$ 362,868,815
INVESCO Global REITS	154,535,920	2.03	5,409,859	149,126,061
TA Associates Realty Fund X	31,649,054	0.42	1,107,943	30,541,111
TA Associates Realty Fund XI	12,500,000	0.16	437,589	12,062,411
CastleArk Mgmt. - AR Energy Fund	61,028,874	0.80	2,136,446	58,892,428
CastleArk Mgmt. - Global Energy Fund	134,210,790	1.76	4,698,335	129,512,455
Pinnacle Forest Investments	137,024,677	1.80	4,796,841	132,227,836
Heitman Real Estate Trust LP	296,969,714	3.89	10,396,057	286,573,657
LaSalle Inc & Growth VI LP	31,178,223	0.41	1,091,460	30,086,763
	$ 1,235,129,890	16.20%	$ 43,238,353	$ 1,191,891,537
Diversified Strategies; 4.90%				
AQR Capital	$ 110,280,724	1.45%	$ 3,860,612	$ 106,420,112
Blackstone Hedge	152,489,460	2.00	5,338,218	147,151,242
Newton Capital	110,706,781	1.45	3,875,527	106,831,254
	$ 373,476,965	4.90%	$ 13,074,357	$ 360,402,608
Short-term Investment Fund*	$ 44,740,096	0.59%	$ 7,262,728	$ $37,477,368
Composite Fund	$ 7,624,665,446	100.00%	$ 272,614,161	$ 7,352,051,285

*Includes UBS receivables. Totals may not add due to rounding.
The ASPRS schedule of manager distribution can be found on page 73.

APERS AND ASPRS TEN LARGEST HOLDINGS* - COMBINED STATEMENT

(as of June 30, 2016)

Domestic Fixed Income Holdings	Par	Market Value	ASPRS	APERS
U.S. Treasury 2.875% 05/15/2043	13,610,000	$ 15,304,309	$ 535,760	$ 14,768,549
U.S. Treasury 2.125% 08/31/2020	13,020,000	13,655,767	478,049	13,177,717
Commit to Pur FNMA SF MTG 3.50% 07/01/2046	12,470,000	13,157,845	460,618	12,697,227
U.S. Treasury CPI-Inflation 1.125% 01/15/2021	10,389,010	11,111,670	388,988	10,722,682
U.S. Treasury 2.00% 08/31/2021	10,220,000	10,703,099	374,685	10,328,415
U.S. Treasury 2.875% 08/15/2045	9,490,000	10,656,226	373,044	10,283,182
U.S. Treasury 2.125% 05/15/2025	9,490,000	10,024,192	350,918	9,673,274
U.S. Treasury 2.25% 11/15/2024	8,775,000	9,360,468	327,683	9,032,785
U.S. Treasury 3.00% 11/15/2045	7,455,000	8,572,057	300,083	8,271,974
Commit to Pur FNMA SF MTG 4.00% 07/01/2046	7,780,000	8,341,405	292,009	8,049,396
Total	102,699,010	$ 110,887,038	$ 3,881,837	$ 107,005,202

Domestic Equity Holdings	Shares	Market Value	ASPRS	APERS
Apple Inc.	350,891	$ 33,545,180	$ 1,174,320	$ 32,370,859
Facebook Inc.	249,852	28,553,087	999,562	27,553,525
The Home Depot Inc.	219,976	28,088,735	983,306	27,105,429
Amazon.Com Inc.	38,371	27,459,055	961,263	26,497,792
UnitedHealth Group Inc.	169,671	23,957,545	838,685	23,118,860
Microsoft Corp.	462,456	23,663,874	828,404	22,835,469
General Electric Co.	599,423	18,869,836	660,579	18,209,257
Bank of America Corp.	1,264,221	16,776,213	587,287	16,188,926
Altria Group Inc.	231,081	15,935,346	557,851	15,377,495
EOG Resources Inc.	187,160	15,612,887	546,562	15,066,325
Total		$ 232,461,757	$ 8,137,819	$ 224,323,939

International Equity Holdings	Shares	Market Value	ASPRS	ASPRS
Baidu Inc.	174,981	$ 28,898,112	$ 1,011,640	$ 27,886,472
Medtronic PLC	312,138	27,084,214	948,141	26,136,074
Compass Group PLC	1,347,614	25,617,193	896,784	24,720,409
Samsung Electronics Co. Ltd.	19,925	24,650,031	862,927	23,787,104
Unilever PLC	509,005	24,377,154	853,374	23,523,780
Carlsberg A/S	235,467	22,309,732	781,000	21,528,732
Novartis AG	255,693	21,073,535	737,724	20,335,811
Japan Tobacco Inc.	485,515	19,417,761	679,760	18,738,001
Anheuser-Busch Inbev	145,383	18,993,957	664,924	18,329,034
Aon PLC	146,268	15,976,854	559,304	15,417,550
Total		$ 228,398,543	$ 7,995,578	$ 220,402,966

*By market value.
Totals may not add due to rounding.
The ASPRS schedule of top ten largest holdings can be found on page 77.

APERS AND ASPRS BROKERAGE COMMISSIONS - COMBINED STATEMENT

(for the fiscal year ended 2016)

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share	ASPRS	APERS
Credit Suisse	6,279,386	$ 168,926	$ 0.03	$ 5,914	$ 163,012
Goldman Sachs & Co.	5,276,956	155,810	0.03	5,454	150,356
J.P. Morgan Securities	5,494,090	141,875	0.03	4,967	136,908
Investment Technology Group	4,257,383	118,006	0.03	4,131	113,875
Instinet Corp	4,001,796	111,938	0.03	3,919	108,019
Citigroup Global Markets Inc.	3,663,782	106,462	0.03	3,727	102,735
Citation Group	2,255,637	105,810	0.05	3,704	102,106
Jefferies & Co. Inc	3,576,423	99,377	0.03	3,479	95,898
Capital Institutional Services Inc.	2,068,776	92,895	0.04	3,252	89,643
Deutsche Bank Securities Inc.	3,456,226	92,723	0.03	3,246	89,477
Morgan Stanley & Co. Inc.	2,792,169	75,840	0.03	2,655	73,185
Sanford Bernstein & Co.	3,235,516	74,211	0.02	2,598	71,613
ISI Group Inc.	2,339,198	71,078	0.03	2,488	68,590
Barclays Capital	3,035,903	70,091	0.02	2,454	67,637
Bloomberg Tradebook LLC	2,535,739	69,215	0.03	2,423	66,792
BTIG LLC	3,366,559	67,236	0.02	2,354	64,882
UBS Securities LLC	2,142,400	58,750	0.03	2,057	56,693
Rosenblatt Securities LLC	2,010,714	58,455	0.03	2,046	56,409
BMO Capital Markets Corp.	2,008,497	53,222	0.03	1,863	51,359
Scotia Capital (USA) Inc.	1,739,381	52,051	0.03	1,822	50,229
Simmons & Co. International	1,577,108	47,616	0.03	1,667	45,949
Stifel Nicholaus	1,286,236	47,088	0.04	1,648	45,440
Merrill Lynch Pierce Fenner Smith Inc.	1,854,115	45,179	0.02	1,582	43,597
CDH Securities LLC	1,498,500	44,955	0.03	1,574	43,381
Piper Jaffray & Co.	1,360,419	42,831	0.03	1,499	41,332
Others (including 98 brokerage firms)	24,611,494	743,361	0.03	26,023	717,338
	97,724,403	$ 2,815,001		$ 98,545	$ 2,716,456

Totals may not add due to rounding.

The ASPRS schedule of brokerage commissions can be found on page 78

APERS AND ASPRS INVESTMENT FEES - COMBINED STATEMENT

(for the fiscal year ended 2016)

				ASPRS		APERS	
	Market Value	Fee	Basis Points	Market Value	Fee	Market Value	Fee
Equities							
SSI Investment Mgmt. - Convertible Securities	$ 226,736,240	$ 896,347	40	$ 7,937,385	$ 31,431	$ 218,798,855	$ 864,916
Lazard Asset Mgmt. - Value	255,600,028	762,991	30	8,947,823	26,754	246,652,205	736,237
Golden Capital Mgmt. - Growth	152,729,014	336,351	22.5	5,346,604	11,794	147,382,410	324,557
Westwood Mgmt. - SMID Cap	140,935,984	880,385	25	4,933,764	30,870	136,002,220	849,515
MCM S&P 500 Index Fund	704,852,732	149,191	3.5	24,674,871	5,233	680,177,861	143,958
INTECH - Growth	330,270,585	1,380,669	48	11,561,825	48,413	318,708,760	1,332,256
CastleArk Mgmt. - Growth	373,910,181	1,202,725	35	13,089,522	42,173	360,820,659	1,160,552
Wellington Mgmt. Co. - Value	262,222,084	779,609	30	9,179,643	27,336	253,042,441	752,272
Stephens Investment Mgmt. - Growth	223,852,208	1,496,495	77	7,836,423	52,475	216,015,785	1,444,020
*State Street Global Advisors - 130/30	0	152,835	50	0	5,370	0	147,464
Lombardia Capital - Small Cap	139,041,609	943,123	70	4,867,448	33,070	134,174,161	910,054
Horrell Capital Mgmt. - AR Index Fund	96,106,652	164,091	27	3,364,418	5,753	92,742,234	158,337
Lazard Asset Mgmt. - Int'l Equity	376,287,979	1,210,394	65	13,172,762	42,444	363,115,217	1,167,949
Manning & Napier Advisors - Int'l Equity	322,561,002	1,618,574	50	11,291,935	56,748	311,269,067	1,561,827
Fidelity Institutional Asset Mgmt. - Int'l Equity	342,998,719	865,379	20	12,007,401	30,306	330,991,318	835,072
Baillie Gifford - Int'l Equity	351,131,930	1,501,036	44	12,292,121	52,629	338,839,809	1,448,406
Artisan Partners - Int'l Equity	370,167,275	2,112,684	55	12,958,494	74,072	357,208,781	2,038,612
Total Equities	$ 4,669,404,222	$ 16,452,876		$ 163,462,441	$ 576,872	$ 4,505,941,781	$ 15,876,004
Diversified Strategies							
AQR Capital	$ 110,280,724	$ 697,023	72	$ 3,860,612	$ 24,455	$ 106,420,112	$ 672,568
Blackstone Hedge	152,489,460	1,529,661	100	5,338,218	53,671	147,151,242	1,475,991
Newton Capital	110,706,781	657,226	70	3,875,527	23,044	106,831,254	634,181
Total Diversified Strategies	$ 373,476,965	$ 2,883,910		$ 13,074,357	$ 101,170	$ 360,402,608	$ 2,782,740
Fixed Income							
MacKay Shields - Core Plus I	$ 419,138,803	$ 805,890	20	14,672,847	28,258	$ 404,465,956	$ 777,633
MacKay Shields - Core Plus II	436,631,144	631,119	15	15,285,203	22,129	421,345,941	608,989
Prudential Investments - Core Plus	446,144,325	849,933	20	15,618,232	29,788	430,526,093	820,145
Total Fixed Income	$ 1,301,914,272	$ 2,286,942		$ 45,576,282	$ 80,175	$ 1,256,337,990	$ 2,206,767
Real Assets							
INVESCO Real Estate - Core & Global REITS	$ 530,568,558	$ 2,118,302	65	$ 18,573,682	$ 74,329	$ 511,994,876	$ 2,043,973
#TA Associates Realty Fund X	44,149,054	1,229,979	120	1,545,532	43,149	42,603,522	1,186,830
#LaSalle Inc & Growth VI LP	31,178,223	337,961	135	1,091,460	11,856	30,086,763	326,105
Heitman Real Estate Trust - Core	296,969,714	1,923,974	65	10,396,057	67,547	286,573,657	1,856,427
CastleArk Mgmt. - AR Energy Fund	61,028,874	688,425	125	2,136,446	24,138	58,892,428	664,286
CastleArk Mgmt. - Global Energy Fund	134,210,790	1,030,356	100	4,698,335	36,127	129,512,455	994,230
Pinnacle Forest Investments – Timberland	137,024,677	1,228,522	90	4,796,841	43,069	132,227,836	1,185,453
Total Real Assets	$ 1,235,129,890	$ 8,557,520		$ 43,238,353	$ 300,216	$ 1,191,891,537	$ 8,257,304
Other Investment Services							
Bank of New York Mellon (Custodian)		$ 511,753			$ 17,945		$ 493,808
Callan Associates (Consultant)		267,665			9,397		258,268
Total Other Services		$ 779,418			27,342		$ 752,075
Total Investment SERVICE Fees		$ 30,960,666			$ 1,085,775		$ 29,874,891

*Terminated manager
\# Management fee is a base fee plus a performance fee.
The ASPRS schedule of investment fees can be found on page 79.