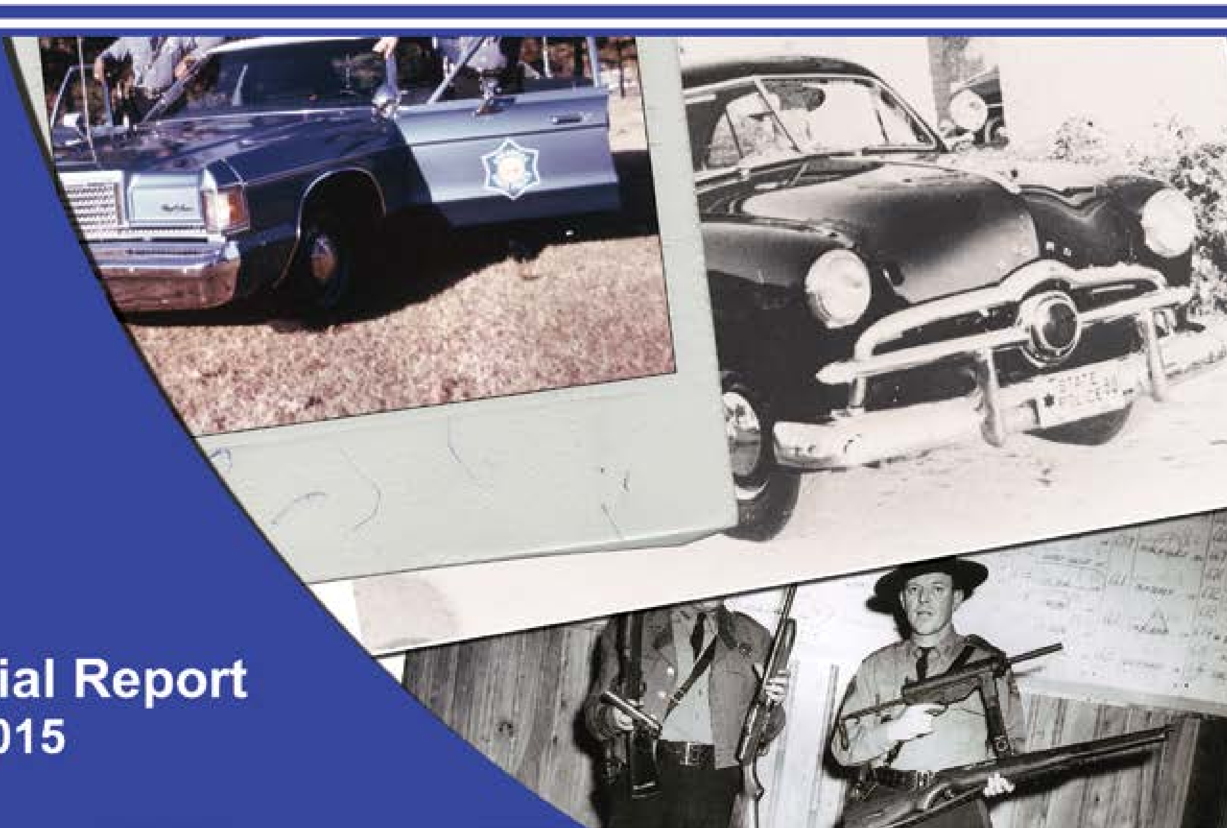
ASPRS
ARKANSAS STATE POLICE
RETIREMENT SYSTEM

Arkansas State Police Retirement System



Annual Financial Report
As of June 30, 2015

Arkansas State Police Retirement System

A Pension Trust Fund of the State of Arkansas

Annual Financial Report

For the fiscal year ended June 30, 2015

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

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Introduction

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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. Investment schedules contained herein reflect the market values accruing to each system.

This annual financial report, which covers the period from July 1, 2014 through June 30, 2015, 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, 2015

ACTIVE MEMBERS (EXCLUDES DROP PARTICIPANTS)

Tier I	
Number	90
Average Age (yrs.)	49.2
Average Service (yrs.)	21.6
Average Annual Salary	$66,793

Tier II	
Number	412
Average Age (yrs.)	37.1
Average Service (yrs.)	8.0
Average Annual Salary	$47,859

Inactive Vested Members	
Number	73

2015 RETIREES (INCLUDES DROP PARTICIPANTS)

	Age and Service	Disability
Retired Members	19	0
Average Age (yrs.)	52.89	0
Average Credited Service (yrs.)	33.05	0
Average Monthly Benefit	$3,969.63	$0

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

Retired Members	678
Average Monthly Benefit	$3,072.09

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 Access Road - 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
Captain David Sims - Commander

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

Troop "G" 870-777-4641
2501 North Hazel - Hope, AR 71801
Vacant

Troop "H" 479-783-5195
5728 Kelly Highway - Fort Smith, AR 72914
Captain Bryan Davis - 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
Vacant

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

Letter of Transmittal

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

December 15, 2015

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, 2015. 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 2015 revenue from employer contributions totaled $6.4 million. This amount is $3,865 more than the amount received in fiscal year 2014. Court fees and driver's license reinstatement fees for the fiscal year were $2.23 million, a decrease of $423,600 from fiscal year 2014. In 2015, motor vehicle title fees totaling $4.57 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 $6.57 million from the insurance premium tax transfer during fiscal year 2015, and $5.96 million in fiscal year 2014.

The System experienced a net investment gain of $6.13 million in fiscal year 2015 after expenses of just over $1 million, a decrease of $37.17 million from fiscal year 2014. Overall, the System's revenues decreased $36.8 million over fiscal year 2014 due primarily to lower investment returns.

Expenses

Benefit payments for fiscal year 2015 were $23.36 million, which is $1,670,562 more than fiscal year 2014. Administrative expenses were $196,231, of which $34,300 was for professional fees and $154,333 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 of Trustees all investment authority. In accordance with the Investment Code contained in the Arkansas Code Annotated, the APERS Board of Trustees 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 16 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 16 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.

Lt. Brant Tosh
Chairman of ASPRS Board of Trustees

Gail H. Stone
Executive Secretary

Board of Trustees

Board of Trustees

Outside Professional Service Providers

Custodian Bank

The Bank of New York Mellon
Pittsburgh, PA 15258

Actuary

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

Investment Consultant

Callan Associates, Inc.
Chicago, IL 60602

Domestic Equity Investment Managers

CastleArk Management, LLC
Chicago, IL 60606

Golden Capital Management
Charlotte, NC 28262

Horrell Capital Management
Little Rock, AR 72211

INTECH
West Palm Beach, FL 33401

Lazard Asset Management
New York, NY 10020

Lombardia Capital Partners
Pasadena, CA 91101

Mellon Capital Management
Pittsburgh, PA 15258

SSI Investment Management
Beverly Hills, CA 90210

State Street Global Advisors
Atlanta, GA 30305

Stephens Investment Management Group
Houston, TX 77046

Wellington Management Company
Boston, MA 02210

Westwood Management Corp.
Dallas, TX 75201

Fixed Income Investment Managers

MacKay Shields
New York, NY 10105

Prudential Investments, Inc.
Newark, NJ 07102

Diversified Strategies Investment Managers

AQR Capital Management
Greenwich, CT 06830

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

Newton Capital Management
New York, NY 10166-0005

Real Assets Investment Managers

CastleArk Management, LLC
Chicago, IL 60606

Invesco Real Estate
Dallas, TX 75240

LaSalle Investment Management
San Francisco, CA 94111

Pinnacle Forest Investments, LLC
Little Rock, AR 72211

TA Associates Realty
Boston, MA 02109

International Equity Investment Managers

Artisan Partners
Milwaukee, WI 53202

Baillie Gifford Overseas Ltd.
Edinburgh, Scotland

Lazard Asset Management
New York, NY 10020

Manning & Napier Advisors
Dublin, OH 43017

Pyramis Global Advisors
Smithfield, RI 02917

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Financial Section

2015

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, 2015, 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 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, 2015.

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 2014:

	2015	2014
Assets		
Cash and cash equivalents	$ 15,266,923	$ 14,823,010
Receivables	2,211,897	2,598,783
Investments	264,597,302	261,869,962
Securities lending collateral	35,986,946	37,430,473
Total Assets	318,063,068	316,722,228
Liabilities:		
Other liabilities	477,686	415,939
Investment Principle Payable	1,809,687	1,536,910
Securities lending collateral	36,118,125	37,567,412
Total Liabilities	38,405,498	39,520,261
Net Position Restricted for Pension Benefits	$ 279,657,570	$ 277,201,967

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 2014:

	2015	2014
ADDITIONS		
Employer Contributions	$ 6,409,752	$ 6,405,887
Plan Member Contributions	94,814	37,492
Supplemental	6,574,376	5,957,541
Court	1,011,998	1,270,223
Driver's License Reinstatement Fees	1,222,353	1,387,728
Motor Vehicle Title Fees	4,565,652	4,442,806
Net Investment Income	6,131,684	43,307,745
Total Other Additions	7	7
TOTAL ADDITIONS	26,010,636	62,809,429
DEDUCTIONS		
Benefits	23,358,801	21,688,239
Administrative Expenses	196,232	189,658
TOTAL DEDUCTIONS	23,555,033	21,877,897
NET INCREASE (DECREASE)	2,455,603	40,931,532
NET POSITION		
Beginning of the Year	277,201,967	236,270,435
End of the Year	$ 279,657,570	$ 277,201,967

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 2015 totaled approximately $26 million (see the following table):

	2015	2014
OPERATING ADDITIONS		
Employer Contributions	$ 6,409,752	$ 6,405,887
Plan Member Contributions	94,814	37,492
Supplemental Contributions	6,574,376	5,957,541
Court Fees	1,011,998	1,270,223
Driver's License Reinstatement Fees	1,222,353	1,387,728
Motor Vehicle Title Fees	4,565,652	4,442,806
Net Investment Income	6,131,684	43,307,745
Miscellaneous Additions	7	7
TOTAL	$ 26,010,636	$ 62,809,429

The overall decrease in additions was approximately $36.8 million when compared to fiscal year 2014 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 2015.

Deductions to Fiduciary Net Position

The primary deductions from the System include the payment of benefits to members and beneficiaries and the cost of administering the System. Deductions for fiscal year 2015 totaled approximately $23.5 million (see the following table):

	2015	2014
OPERATING DEDUCTIONS		
Benefit Payments	$ 23,358,801	$ 21,688,239
Administrative Expenses	196,231	189,658
TOTAL	$ 23,555,032	$ 21,877,897

The overall increase in deductions was approximately $1.7 million when compared with fiscal year 2014. The increase in benefit payments resulted primarily from an increase in both the number and average amount of benefits paid and from cost-of-living increases granted. The overall net increase in the net position was approximately $2.5 million during fiscal year 2015.

The *Notes to the Financial Statements* is provided as an integral component of the financial statements to help explain in narrative form some of the more complex or less obvious elements of the statements. Further, the *Notes to the Financial Statements* provides 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.

Note 7 describes new GASB accounting pronouncements that could possibly impact the System.

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 as well as earning an adequate long-term rate of return on its investments are essential components of the System's plan for accumulating the funds needed to finance future retirement benefits.

ASPRS overall pension fund net position increased during the fiscal year ended June 30, 2015 by $2.46 million. This increase can be attributed to an increase in the value of investments and their associated income.

System Investments as of June 30, 2015

The investments of the pension trust fund generated a 2.45% return for the fiscal year, which is lower than the prior year's return of 19.68%. The 2.45% placed ASPRS in the 67th percentile when compared with a median return of 3.21% for large public plans. Investment results over time are compared with the System's benchmarks in the *Schedule of Comparative Investment Results* located in the Investments Section of this annual report.

Domestic Equity

The System had $3.299 billion in U.S. domestic equity securities, which is approximately a 2.5% increase from fiscal year 2014. Domestic equity posted a return of 7.25% for the fiscal year. The Russell 3000 Index posted a return of 7.29%.

International Equity

The System had $1.955 billion in international equity securities which is approximately a 3.5% decrease from fiscal year 2014. International equity posted a return of negative 2.38% for the fiscal year. The MSCI EAFE Index posted a return of negative 4.22%.

Fixed Income

The System had $1.241 billion in fixed income securities, which is approximately a 2.82% decrease from fiscal year 2014. Fixed income posted a return of 1.32% for the fiscal year. The Barclays Aggregate Index posted a return of 1.86%.

Diversified Strategies

The System had $365 million in diversified strategies, which is approximately a 1.3% increase from fiscal year 2014. Diversified strategies posted a return of 1.97% for the fiscal year.

Real Assets
The combined systems had $916 million in real assets, which is approximately a 0.50% decrease from fiscal year 2014. Real assets posted a return of negative 1.64% for the fiscal year.

Securities Lending

The System earns additional investment income by lending investment securities to broker-dealers. This is done by the System's custodian bank, Bank of New York Mellon (BNYM). The broker-dealers provide collateral to BNYM and generally use the borrowed securities to cover short sales and failed trades for their clients. BNYM invests cash collateral to earn interest. For fiscal year 2015, securities lending income to the System amounted to $4.145 million.

Actuarial Valuations and Funding Progress

An actuarial valuation of the System is performed annually as of June 30. The funded status of the System is shown in the schedule of funding progress in the actuarial section on page 55.

The actuarial accrued liability and actuarial value of assets of the System as of June 30, 2015, amounted to $398.96 million and $274.83 million, respectively.

As of June 30, 2015, the System experienced an increase in its funded status from 68% to 70% on a market value basis. On a funding basis, the System experienced an increase in its funded status from 68% to 69%.

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, 2015

	2015	2014
ASSETS		
Cash and Cash Equivalents	$ 15,266,923	$ $14,823,010
Receivables		
Contributions & Retiree Receivables	30,742	25,578
Investment Principal Receivable	1,480,148	1,392,545
Accrued Investment Income Receivable	579,289	1,180,660
Termination Agreement Receivable	191,388	0
Allowance for Doubtful Accounts	(69,670)	0
Total Receivables	2,211,897	2,598,783
Investments, At Fair Value		
Government Securities		
U.S. Government Securities	3,571,351	4,558,166
Futures	(31,017)	10,451
Government Agency Securities	3,741,591	4,201,470
Corporate Securities		
Collateralized Obligations	1,498,123	5,920,946
Corporate Bonds	15,094,082	19,901,362
Convertible Bonds	6,838,526	7,603,640
Convertible Preferred Stock	1,780,584	1,488,838
Common Stock	91,480,785	90,662,787
Equity Index Funds	23,230,095	23,318,529
Equity Commingled	3,194,133	2,944,485
High Yield Income Fund	2,175,256	2,176,252
International Securities		
Global Fixed Income Fund	0	350,135
Corporate Fixed Income	1,031,361	1,768,203
Equity Securities	41,494,747	42,266,057
Global Preferred Stock	44,365	0
Equity Pooled Fund Units	25,677,391	26,046,323
Global Collateralized Obligations	0	37,923
Emerging Markets	55,213	1,181,645
Emerging Markets Collateralizd Obligation	0	7,093
Forward Contracts	12,522	(6,763)
Core Plus Bond Fund	14,573,521	0
Interest Rate Swaps	0	(677)
Real Estate	14,023,075	11,330,164
Diversified Strategies	9,227,254	8,995,497
Timberland	5,698,120	6,027,538
Municipal Bonds		302,802
Commercial Loans	186,221	777,096
Total Investments	264,597,302	261,869,962
Securities Lending Collateral Investments, At Fair Value		
Repurchase Agreements	6,535,753	6,302,633
Asset Backed Floating Rate Notes	9,026,137	6,268,715
Certificates of Deposit	0	1,217,927
Commercial Paper	0	1,810,685
Corporate Floating Rate Notes	18,495,601	17,299,021
Time Deposits	1,929,455	3,677,934
Fixed Rate Notes	0	853,558
Total Securities Lending Collateral Investments	35,986,946	37,430,473
TOTAL ASSETS	318,063,067	316,722,228
LIABILITIES		
Accrued Expenses and Other Liabilities	477,686	415,939
Investment Principal Payable	1,809,687	1,536,910
Securities Lending Liability	36,118,125	37,567,412
TOTAL LIABILITIES	38,405,498	39,520,261
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 279,657,570	$ 277,201,967

Totals may not add due to rounding. The schedule of funding progress is on page 55.
The *ASPRS and APERS Combined Statement of Fiduciary Net Position* can be found on page 113.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2015

	2015	2014
ADDITIONS		
Contributions		
Employer	$ 6,409,752	$ $6,405,887
Plan Member	94,814	37,492
Supplemental	6,574,376	5,957,541
Court	1,011,998	1,270,223
Driver's License Reinstatement Fees	1,222,353	1,387,728
Motor Vehicle Title Fees	4,565,652	4,442,806
Total Contributions	19,878,944	19,501,677
Investment Income		
Interest	2,639,743	1,834,294
Dividends	2,913,153	3,280,102
Investment Gain/(Loss)	1,529,599	39,063,785
Security Lending Income	105,955	131,750
Total Investment Income	7,188,451	44,309,931
Less: Investment Expense	(1,056,767)	(1,002,186)
Net Investment Income	6,131,684	43,307,745
Other Additions	7	7
TOTAL ADDITIONS	26,010,634	62,809,429
DEDUCTIONS		
Benefits	23,358,801	21,688,239
Administrative Expenses	196,231	189,658
TOTAL DEDUCTIONS	23,555,032	21,877,897
NET INCREASE (DECREASE)	2,455,603	40,931,532
NET POSITION RESTRICTED FOR PENSION BENEFITS		
Beginning of Year*	277,201,967	236,270,435
End of Year	$ 279,657,570	$ 277,201,967

Totals may not add due to rounding.
See Notes to Basic Financial Statements beginning on page 28.
The *ASPRS and APERS Combined Statement of Changes in Fiduciary Net Position* can be found on page 114.

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.

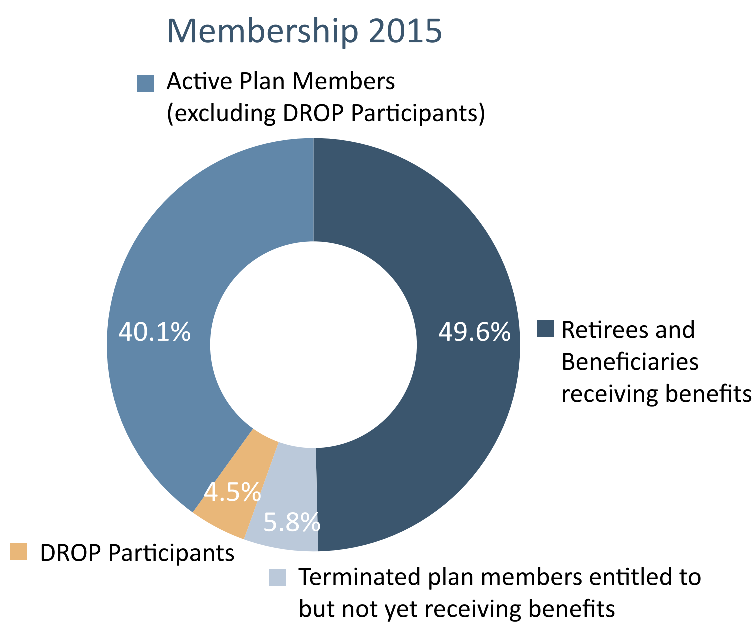
Effective July 1, 2009, Act 1242 of 2009 transferred the assets of ASPRS to the Arkansas Public Employees Retirement System (APERS) to hold in trust for ASPRS. Act 1242 also changed the composition of the Board of Trustees of the State Police Retirement System (ASPRS Board) and created the Arkansas State Police Officers' Tier II Deferred Retirement Option Plan (DROP). The ASPRS Board consists of seven trustees, who are listed on page 14 of this report.

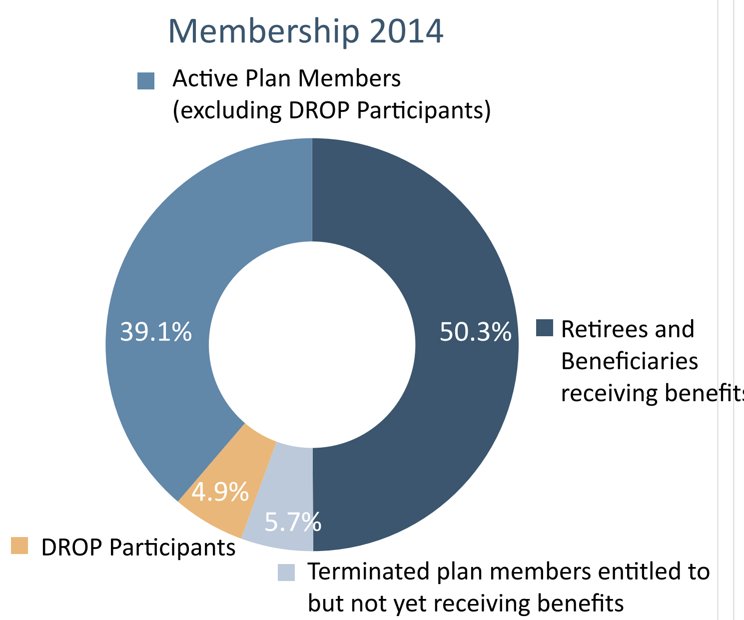
Arkansas Code Annotated § 24-6-204 states that the ASPRS Board shall have one active member enrolled in the Tier I benefits program, one active vested member enrolled in the Tier II benefits program, one state police commissioner who shall be appointed by the Governor, the Chief Fiscal Officer of the State or his or her designee, and three citizens at large who shall be appointed by the Governor. 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).

Membership

As of June 30, 2015 and 2014, membership was as follows:

	2015	2014
Retirees and Beneficiaries Receiving Benefits	622	607
Terminated plan members entitled to but not yet receiving benefits	73	69
DROP Participants	56	59
Active Plan Members (Excludes DROP Participants)	502	471
	1,253	1,206





Contributions

Contribution provisions are established by state law and may be amended only by the Arkansas General Assembly. As of June 30, 2015 and 2014, 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).

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 $6.574 million of Act 1071 funds in fiscal year 2015 and $5.96 million in fiscal year 2014. Additional funds are collected from motor vehicle title fees in accordance with Act 718 of 2011. The ASPRS fund received $4.44 million of Act 718 funds in fiscal year 2015 and $4.44 million in fiscal year 2014.

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

The following are the significant accounting policies followed by the retirement system:

Basis of Accounting

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

Use of Estimates

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash in 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to or deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Note 3: Deposits and Investment

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, 2015, these totals were $10,646, $830,856, and $14,425,421 respectively. State Treasury Management Law governs the management of funds held in the State Treasury (cash in state treasury) and it is the responsibility of the Treasurer of State to ensure the funds are adequately insured and collateralized.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or collateral securities. The System's deposit policy is to place deposits only in collateralized or insured accounts. As of June 30, 2015, the System did not have any exposure to custodial credit risk. The foreign currency balance of $37,645 was subject to custodial credit risk.

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. APERS 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."

The following presents the fair value of investments, by type, as of June 30, 2015:

Statement of Invested Assets

INVESTMENT TYPE	Fair Value*
GOVERNMENT SECURITIES	
U.S. Government Securities	$ 102,117,855
Agency CMO	6,493
Agency Pooled	106,979,116
CORPORATE SECURITIES	
Collateralized Obligations	42,836,765
Convertible Bonds	195,538,208
Corporate Bonds	431,594,392
High Yield Bond Fund	62,198,449
Convertible Pref Stock	50,913,345
Common Stock	2,615,766,542
Equity Index Fund	664,232,453
Domestic Equity Commingled	91,331,806
INTERNATIONAL SECURITIES	
Global Corporate Fixed	29,490,333
Global Preferred Stock	1,268,569
Global Commingled	734,209,502
Global Equity	1,186,484,912
EMERGING MARKETS	1,578,750
DIVERSIFIED STRATEGIES	263,840,565
CORE PLUS BOND FUND	416,709,685
REAL ESTATE COMMINGLED	400,970,443
TIMBERLAND	162,929,874
COMMERCIAL LOANS	5,324,741
FUTURES	(886,892)
FORWARDS	358,051
	$ 7,565,793,957
SECURITIES LENDING COLLATERAL	
Repurchase Agreements	186,880,811
Asset Backed Floating Rate Notes	258,089,910
Corporate Floating Rate Notes	528,856,142
Time Deposits	55,170,089
	1,028,996,952
	$ 8,594,790,909

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

Asset allocation guidelines have been established as follows:

MARKET VALUE EXPOSURE

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

Investments are reported at fair value as determined by the custodian bank. The custodian bank's determination of fair values includes, among other things, using pricing services or quotes by major independent brokers at current exchange rates, as available. The schedule on page 39 reflects the fair value of investments.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are *(a)* uninsured, *(b)* not registered in the name of the government, and *(c)* held by either the counterparty or the counterparty's trust department or agent but not in the System's name. Arkansas Code Annotated § 24-2-606 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, 2015, there were no investments exposed to custodial credit risk.

Credit Risk

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

The System's exposure to credit risk as of June 30, 2015, was as follows:

Moody's Credit Rating Dispersion Detail by Credit Rating

Investment Type and Fair Value	Aaa	Aa	A
Government Securities			
US Government Securities	$ 102,117,855	0	0
Agency CMO	6,493	0	0
Agency Pooled	84,983,118	0	0
Corporate Securities			
Collaterlized Obligations	18,696,062	1,562,780	4,494,620
Convertible Bonds	0	0	8,388,889
Corporate Bonds	0	1,629,637	58,832,453
High Yield Bond Fund	0	0	0
International Securities			
Emerging Markets	0	0	0
Global Corporate Fixed	0	0	2,836,151
Core Plus Bond Fund	0	0	416,709,685
Commercial Loans	0	0	0
	205,803,528	3,192,417	491,261,798
Securities Lending Collateral	$ 223,956,837	382,508,701	172,825,116

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

Investment Type and Fair Value	AAA	AA	A
Government Securities			
US Government Securities	$ 0	102,117,855	0
Agency CMO	0	6,493	0
Agency Pooled	0	106,979,116	0
Corporate Securities			
Collaterlized Obligations	14,683,109	10,546,484	4,438,651
Convertible Bonds	0	0	10,418,691
Corporate Bonds	0	1,629,637	84,188,206
High Yield Bond Fund	0	0	0
International Securities			
Emerging Markets	0	0	0
Global Corporate Fixed	0	0	884,744
Core Plus Bond Fund	0	0	416,709,685
Commercial Loans	0	0	0
	14,683,109	221,279,585	516,639,978
Securities Lending Collateral	$ 179,106,775	381,890,507	195,594,795

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

Baa	Ba	B	C or below	NR	Fair Value*
0	0	0	0	0	$ 102,117,855
0	0	0	0	0	6,493
0	0	0	0	21,995,997	106,979,116
5,138,305	0	2,472,725	4,796,635	5,675,639	42,836,765
12,416,903	19,236,267	19,036,796	0	136,459,352	195,538,208
240,072,453	84,973,781	34,913,014	6,033,350	5,139,706	431,594,392
0	36,115,854	26,082,595	0	0	62,198,449
0	1,578,750	0	0	0	1,578,750
17,808,675	4,589,998	2,595,510	1,660,000	0	29,490,333
0	0	0	0	0	416,709,685
178,569	1,653,359	1,175,168	2,314,719	2,926	5,324,741
275,614,905	148,148,009	86,275,807	14,804,704	169,273,620	1,394,374,788
0	0	0	6,123,872	243,582,426	$ 1,028,996,952

BBB	BB	B	CCC or below	NR	Fair Value*
0	0	0	0	0	$ 102,117,855
0	0	0	0	0	6,493
0	0	0	0	0	106,979,116
4,352,181	173,054	0	4,774,173	3,869,113	42,836,765
29,032,216	49,716,133	29,948,129	5,945,087	70,477,952	195,538,208
212,088,179	95,481,786	22,044,574	5,810,550	10,351,460	431,594,392
0	36,115,854	26,082,595	0	0	62,198,449
0	0	0	0	1,578,750	1,578,750
17,659,843	4,589,998	2,595,510	1,660,000	2,100,238	29,490,333
0	0	0	0	0	416,709,685
0	959,504	2,047,592	2,314,719	2,926	5,324,741
263,132,420	187,036,329	82,718,399	20,504,529	88,380,439	1,394,374,788
0	2,858,612	0	6,123,872	263,422,392	$ 1,028,996,952

Concentration of Credit Risk

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

Interest Rate Risk

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, 2015, the System had the following debt security investments and maturities:

		Investment Maturity (In Years)			
Investment Type	Fair Value*	Less than 1	1 - 5	6 - 10	More than 10
GOVERNMENT SECURITIES					
U.S. Government Securities	$ 102,117,855	$ 0	$ 24,588,654	$ 33,568,553	$ 43,960,649
Agency CMO	6,493	6,493	0	0	0
Agency Pooled	106,979,116	875,039	547,649	1,525,895	104,030,533
CORPORATE SECURITIES					
Collateralized Obligations	42,836,765	5,493,778	0	1,407,728	35,935,259
Convertible Bonds	195,538,208	16,557,272	102,888,198	28,146,497	47,946,241
Corporate Bonds	431,594,392	21,631,045	100,176,075	204,387,229	105,400,044
High Yield Income Fund	62,198,449	0	62,198,449	0	0
INTERNATIONAL SECURITIES					
Emerging Markets	1,578,750	0	0	1,578,750	0
Global Corporate Fixed	29,490,333	0	622,131	19,936,502	8,931,699
Core Plus Bond Fund	416,709,685	0	416,709,685	0	0
COMMERCIAL LOANS	5,324,741	2,926	5,143,246	178,569	0
	$ 1,394,374,788	$ 44,566,554	$ 712,874,087	$ 290,729,723	$ 346,204,424
SECURITIES LENDING COLLATERAL					
Repurchase Agreements	186,880,811	186,880,811	0	0	0
Asset Backed Floating Rate Notes	258,089,910	115,348,990	136,617,049	0	6,123,872
Corporate Floating Rate Notes	528,856,142	349,648,034	179,208,108	0	0
Time Deposits	55,170,089	55,170,089	0	0	0
	$ 1,028,996,952	$ 707,047,924	$ 315,825,157	$ 0	$ 6,123,872

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

Foreign Currency Risk

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

The System's exposure to foreign currency risk on June 30, 2015, was as follows:

Currency	%	Fair Value*	Fixed Income	Equities	Cash	Forward Contracts
Australian Dollar	2.62	$ 39,658,817	$ 0	$ 39,658,816	$ 2	$ 0
Brazilian Real	1.30	19,639,244	0	19,639,244	0	0
British Pound Sterling	23.70	358,873,157	2,931,842	358,738,461	171,804	(2,968,950)
Canadian Dollar	3.74	56,573,882	0	56,573,794	88	0
Chilean Peso	0.21	3,225,307	0	3,225,307	0	0
Chinese Yuan Renminbi	5.23	79,130,977	0	79,130,977	0	0
Danish Krone	2.93	44,374,279	0	44,374,279	0	0
Euro Currency	26.43	400,074,131	15,931,867	387,037,154	429,694	(3,324,585)
Hong Kong Dollar	0.82	12,476,232	0	12,476,232	0	0
Indian Ruphia	0.54	8,130,142	0	8,130,142	0	0
Israeli Shekel	0.82	12,413,060	922,350	11,490,710	0	0
Japanese Yen	9.63	145,751,532	0	167,643,308	132,561	(22,024,337)
Mexican New Peso	0.95	14,447,242	0	14,447,242	0	0
Norwegian Krone	1.46	22,035,996	0	22,035,996	0	0
New Zealand Dollar	0.50	7,571,595	0	7,236,406	335,189	0
Papua New Guinea	0.12	1,860,281	0	1,860,281	0	0
Philippines Peso	0.11	1,664,467	0	1,664,467	0	0
Singapore Dollar	1.42	21,426,392	0	21,426,392	0	0
South African Rand	0.85	12,817,345	0	12,817,940	(595)	0
South Korean Won	2.39	36,174,001	0	36,174,001	0	0
Swedish Krone	3.38	51,204,750	0	51,204,727	22	0
Swiss Franc	9.65	146,132,564	0	146,132,601	(37)	0
Taiwan New Dollar	0.75	11,429,055	0	11,429,055	0	0
Thailand Baht	0.17	2,647,245	0	2,647,245	0	0
Turkish Lira	0.28	4,216,577	0	4,216,577	0	0
	100.00%	$ 1,513,948,267	$ 9,786,059	$ 1,521,411,352	$ 1,068,728	$ (28,317,872)

* Principal only. Figures are ASPRS and APERS 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 their holders to receive both principal and interest payments from the payments made by the borrowers of the underlying mortgages over the lives of those loans. An MBS depends on the underlying pool or 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 $734 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 for the System in securities lending transactions. BNY Mellon serves as the custodian for the System and is therefore the counterparty to securities lending transactions. The legal and contractual authorization for the securities lending program is contained in the Securities Lending Discretionary Agency Agreement executed between APERS and the custodian.

Whoever borrows the securities provides collateral in the form of cash and cash equivalents, U.S. Treasury or government agency securities, or letters of credit (for the marginal percent collateralization only). U.S. securities are loaned versus collateral valued at 101.92% of the market value of the securities plus any accrued interest for domestic loans. Non-U.S. securities are loaned versus collateral valued at 106.81% 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 of the System funds for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the trust funds for income of the securities while on loan. The System cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral received is invested in APERS' name. Accordingly, investments made with cash collateral appear as an asset on the *Statement of Fiduciary Net Position*. A corresponding liability is recorded because APERS must return the cash collateral to the borrower upon expiration of the loan. The loan maturity dates generally do not match the maturity dates of the investments made with cash collateral received.

As of June 30, 2015, 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 $1.028 billion.

Derivative Instruments

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

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

The external investment managers do invest in MBSs which are reported at fair value in the *Statement of 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 APERS' portfolio and increase return while minimizing the extent of risk.

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

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

The System had no interest rate swaps at June 30, 2015.

Credit Default Swaps
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, 2015.

Foreign Currency Swaps
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, 2015.

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, 2015:

	Pay	Receive	Notional Value	Market Value	Unrealized Gain/Loss
British Pound	GBP	USD	$ 140,594	$ 140,688	$ 94
Japanese Yen	JPY	USD	2,326,610	2,284,172	(42,438)
			$ 2,467,204	$ 2,424,860	$ (42,344)

	Pay	Receive	Notional Value	Market Value	Unrealized Gain/Loss
British Pound	USD	GBP	$ (25,102,130)	$ (24,650,548)	$ 451,581
European Union	USD	EUR	(3,664,115)	(3,660,807)	3,309
British Pound	USD	GBP	(3,089,464)	(3,146,687)	(57,223)
			(31,855,709)	(31,458,042)	397,667
			$ (29,388,505)	$ (29,033,182)	$ 355,323

Figures are ASPRS and APERS 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, 2015:

Futures Contracts	Expiration	Notional Value	Fair Value	Unrealized Gain/(Loss)
U.S. 2-year Treasury Note	Sept 2015	$ (237,527,574)	$ (237,766,125)	$ (238,551)
U.S. 2-year Treasury Note	Sept 2015	(246,919,420)	(247,180,438)	(261,018)
U.S. 5-year Treasury Note	Sept 2015	(12,901,172)	(12,999,102)	(97,930)
U.S. 5-year Treasury Note	Sept 2015	9,903,586	9,898,398	(5,188)
U.S. 10-year Treasury Note	Sept 2015	(12,529,688)	(12,491,016)	38,672
U.S. 30-year Treasury Note	Sept 2015	(3,023,594)	(3,016,875)	6,719
U.S. 30-year Treasury Note	Sept 2015	(9,390,567)	(9,352,313)	38,255
U.S Ultra Bond	Sept 2015	11,614,414	11,246,563	(367,852)
		$ (500,774,014)	$ (501,660,906)	$ (886,892)

The System had the following mortgage-backed TBA at June 30, 2015:

Mortgage-Backed TBA	CUSIP	Notional	Fair Market Value	Duration	Credit Rating
FNMA 3.500% 07/01/2045	F3515CG07	$ 6,069,652	$ 6,018,412	10.2	AA+/Aaa
FNMA 4.000% 07/01/2045	F4015BR07	8,258,956	8,242,754	8.4	AA+/Aaa
FNMA 4.500% 07/01/2045	F4515NM07	6,068,644	6,043,293	7.5	AA+/Aaa

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

Note 4: Legally Required Reserves

A description of reserve accounts and their balances for the year ended June 30, 2015, 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, 2015*	Tier I	Tier II	Totals
Member Deposit Account Reserve	$ 308,093	$ 245,831	$ 553,924
MDA Interest Reserve	(78,010)	28,186	(49,824)
Employer Accumulation Account	(17,282,290)	49,652,392	32,370,102
Retirement Reserve Account	233,005,828	1,524,570	234,530,397
DROP Reserve Account	9,953,930	0	9,953,930
Deferred Annuity Reserve	2,297,946	0	2,297,946
Outlawed Warrants Reserve	1,095	0	1,095
TOTAL	$ 228,206,590	$ 51,450,979	$ 279,657,570

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

Note 5: Net Pension Liability

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	24-Year Closed
Asset Valuation Method	4-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	3.25% - 10.25%
Including Price Inflation at	3.25%
Post-Retirement Cost-of-Living Increases	3.0% Annual Compounded Increases
Retirees and Beneficiaries Receiving Benefits	622
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	73
DROP Members	56
Active Plan Members	502
Total	1,253

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2014 to 2023 were provided by the plan's investment consultant. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates, provided by the plan's investment consultant, are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	42%	6.82%
International Equity	25	6.88
Real Assets	12	3.07
Absolute Return	5	3.35
Domestic Fixed	16	0.83
Total	100.00%	
Total Real Rate of Return		5.25%
Plus: Price Inflation - Actuary's Assumption		2.50
Less: Investment Expenses* (Passive)		(0.10)
Net Expected Return		7.65%

*This may overstate the investment expense because the investment market assumptions are based upon passive management. Our assumption for investment expense includes the cost of active management.

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

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.26%. 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 that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net pension liability	$ 169,718,007	$ 123,544,980	$ 84,794,809

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. §§ 24-6-301 - 24-6-307 and §§ 24-6-501 - 24-6-508. In lieu of terminating employment and accepting a retirement benefit under the System, any member who has at least 30 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 $9,953,930 in the DROP reserve as of June 30, 2015.

Note 7: New Accounting Pronouncements

GASB Statement no. 72

In February 2015, The Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. GASB Statement no. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB Statement No. 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB Statement No. 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB Statement No. 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is effective for financial statements for periods beginning after June 15, 2015.

GASB Statement No. 73

GASB issued its Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets* in June 2015. It amends certain provisions of GASB Statement Nos. 67 and 68 and adds other provisions applicable to the System not covered in those statements. The applicable provisions of Statement No. 73 that are within the scope of Statement Nos. 67 and 68 and that address financial reporting for assets accumulated for purposes of providing pensions will be effective for the System for the fiscal year ending June 30, 2016. Certain other provisions that are not within the scope of Statement Nos. 67 and 68 and that concern accounting and financial reporting by employers will be effective for the System for the fiscal year ending June 30, 2017.

GASB Statement No. 76

The objective of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative

GAAP. This statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of GASB Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015 and should be applied retroactively. Earlier application is permitted.

The System is currently evaluating the effects the above GASB pronouncements will have on its financial statements.

Required Supplementary Information

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

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)]
6/30/06		$ 210.34	$ 291.17	80.82%	72.2%	$ 23.38	345.7%
6/30/07	@	233.13	307.66	74.53	75.8	24.00	310.6
6/30/08		238.04	320.10	82.06	74.4	25.91	316.7
6/30/09	# @	206.32	325.94	119.62	63.3	26.80	446.4
6/30/10		211.07	333.60	122.53	63.3	28.51	429.7
6/30/11		208.05	343.21	135.16	60.6	28.06	481.6
6/30/12		215.01	355.30	140.29	60.5	28.43	493.5
6/30/13	@	233.15	361.46	128.31	64.5	28.01	458.1
6/30/14	@	259.46	381.86	122.40	67.9	28.55	428.7
6/30/15		274.83	390.41	115.58	70.4	29.93	386.2
6/30/15	@	$ 274.83	$ 398.96	124.14%	68.9%	$ 29.93	414.8%

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

As of June 30, 2015

($ in Millions)

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	$ 10.0	$ 9.6	$ 0.4	$ 24.2	39.67%
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%

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year Ended June 30	2015	2014
TOTAL PENSION LIABILITY		
Service cost	$ 6,101,608	$ 4,866,199
Interest	29,218,802	28,558,511
Benefit changes	0	0
Differences between expected and actual experience	(3,107,531)	(454,349)
Assumption changes	8,703,080	8,970,858
Benefit payments	(23,358,801)	(21,688,239)
Refunds	0	0
NET CHANGE IN TOTAL PENSION LIABILITY	$ 17,557,158	$ 20,252,980
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	385,645,392	365,392,412
TOTAL PENSION LIABILITY, END OF YEAR (a)	$ 403,202,550	$ 385,645,392
FIDUCIARY NET POSITION		
Contributions - employer	$ 19,784,130	$ 19,501,684
Contributions - member	94,814	-
Net investment income	6,131,684	43,307,746
Benefit payments	(23,358,801)	(21,688,239)
Refunds	0	0
Administrative expense	(196,231)	(189,658)
Other additions	6	-
NET CHANGE IN FIDUCIARY NET POSITION	2,455,602	40,931,533
FIDUCIARY NET POSITION, BEGINNING OF YEAR	277,201,968	236,270,435
FIDUCIARY NET POSITION, END OF YEAR (b)	$ 279,657,570	$ 277,201,968
NET PENSION LIABILITY, END OF YEAR (a) - (b)	$ 123,544,980	$ 108,443,424
FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	69.36%	71.88%
COVERED-EMPLOYEE PAYROLL	$ 29,929,358	$ 28,548,873
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	412.79%	379.85%

SCHEDULE OF NET PENSION LIABILITY

ASPRS

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%

SCHEDULE OF INVESTMENT RETURNS

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

Notes to Required Supplementary Information

SCHEDULE OF ADMINISTRATIVE EXPENSES

As of June 30, 2015

	2015	2014
COMMUNICATIONS		
Printing and Advertising	$ 2,561	$ 4,819
SERVICES AND CHARGES		
Professional Fees and Services	34,300	28,200
Conference Fees and Travel	220	465
Bank and Federal Service Charges	4,817	4,262
IRS Penalties	0	618
TOTAL SERVICES AND CHARGES	39,337	33,544
TRANSFER TO APERS FOR ADMINISTRATIVE EXPENSES	154,333	151,294
TOTAL ADMINISTRATIVE EXPENSES	$ 196,231	$ 189,658

SCHEDULE OF INVESTMENT EXPENSES

As of June 30, 2015

	2015	2014
Investment Consultant	$ $8,821	$ 8,575
Investment Managers	1,067,818	1,021,122
Custodian Bank	18,796	20,680
Other Investment Expenses	(38,668)	(48,191)
TOTAL	$ 1,056,767	$ 1,002,186

PAYMENTS FOR PROFESSIONAL CONSULTANTS

As of June 30, 2015

	2015	2014
Gabriel, Roeder, Smith & Company	$ 34,300	$ 28,200

Investments Section

1956

2015

Chief Investment Officer's Report

ASPRS
ARKANSAS STATE POLICE RETIREMENT SYSTEM

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501-682-7800 • 1-800-682-7377 • www.apers.org

Dear Members,

Oh behalf of the ASPRS' Investment Department, it is my pleasure to present the Investment Section of the ASPRS' Annual Financial Report for the fiscal year ended June 30, 2015.

Performance and Stability

For fiscal year 2015, the ASPRS investment portfolio closed with total investments of $264,597,302. The investment return for the fiscal year was 2.45%.

The second half of 2014 provided headwind for fiscal year 2015 as global equity indices posted negative returns in the second half of 2014. The MSCI Index fell 5.88% in the 3rd quarter of 2014, and it fell 4.93% in the 4th quarter of 2014, while the S&P Index posted gains of 1.13% and 4.93% in the same quarters respectively.

During the fiscal year we saw the Dow Jones Industrial Average achieve a new high of 18,351. But we also saw interest rates in the U.S. on a roller coaster ride as the Federal Reserve contemplated raising interest rates.

Fiscal Year 2015 Financial Market Recap

As we began the 2015 fiscal year, the third quarter of 2014 presented some economic questions, notably whether Japan's "Abenomics" would succeed or fail and if U.S. growth could continue accelerating. Also creating uncertainty were the economic slowdowns in China and Europe as well as weakness in developing market economies, including Brazil, Argentina, Venezuela, Ukraine, and Russia.

Geopolitical events became a priority during the quarter, with Western and Middle-Eastern countries coming to Iraq's aid with air strikes on Islamic State . Hostilities continued in the Russia/Ukraine crisis as well amid rising sanctions from the West and signs of capital flight from Russia. In China, unrest in Hong Kong from pro-democratic protestors seeking free elections again placed the spotlight on how China will respond to domestic instability. The People's Bank of China injected billions into the banking system in an effort to stimulate growth. Another important event was a management disjunction that cropped up at a major fixed income investment manager which caused a sudden increase in outflows from its funds and added to uncertainty in the fixed income markets. Lastly, fears related to an Ebola outbreak added to the list of concerns.

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

Growth in the U.S. bumped along at a pace of roughly 2%. The unemployment rate continued to decline, which brought it to the upper range of the Fed's long-term normal range of 5-6%. The Fed continued to taper their purchase program. At each meeting leading up to the end 3Q14 the Fed modestly pulled forward their anticipated rate hike schedule.

With the Fed apparently moving towards a tightening policy, the U.S. dollar (US$) broke out of its year-long doldrums and quickly moved to multi-year highs.

The final quarter of 2014 was focused on a deteriorating investor sentiment. Borrowing costs in Europe closed the calendar year well below levels in the U.S. In Germany, Italy and Spain, their 10-year rates fell to 0.54%, 1.89% and 1.61% respectively. By comparison, the benchmark 10y-year rate in the U.S. closed the year at 2.17%. The US$ strengthened across most global currencies, and U.S. domestic equities rose. A rapid decline in energy prices also drove sentiment as crude oil prices collapsed roughly 40% in the 4th quarter.

Adding to sentiment woes was weaker growth and low inflation in Europe, as well as instability in Greece from opposition party leaders looking to end austerity. ECB Chairman Mario Draghi left open the possibility of asset purchases as a means to stimulate growth. Japan's economy also struggled with growth and low inflation. Economic activity faltered as a controversial sales tax levy earlier in the year stunted consumer demand which in turn prevented inflation from reaching the Bank of Japan's target of 2.00%. Lastly, the situation in Russia was being watched as the Russian economy deteriorated under the weight of stringent sanctions and weak prices for oil, a major source of revenue for the government. The situation led to a precipitous decline in the ruble, which fell 47% in the quarter and more than 76% in the calendar year. Policy leaders reacted by raising borrowing rates from 10.5% to 17% in December to provide support for the currency.

During the first quarter of 2015, the civil strife in Yemen added a new concern to the list of geopolitical risks. But geopolitical risks were not a major market driver. The divergence between the U.S. Federal Reserve, which seemed to be on a path towards rate hikes somewhere in 2015, and the rest of the world, was a market driver. The divergence created a wave of risk aversion that pushed yields lower, credit spreads wider, and the US$ higher.

The Federal Reserve removed the word "patience" from its language in March but still sounded more dovish, which prompted the U.S. Treasury markets to price in a longer glide path for Fed tightening.

The global financial markets also continued to focus on the direction of oil prices, which was lower. Declining energy prices exacerbated disinflationary tendencies. A burgeoning scandal at Brazil's Petrobas provided a reminder to investors that idiosyncratic risk is alive and well in the emerging markets. The troubled state-owned oil giant was downgraded to junk status in February, which dampened any investor appetite for EM corporate debt.

Central banks around the world embarked on a wave of monetary easing as nearly three quarters of the key central banks loosened policy during the first quarter of 2015.

The second quarter of 2015 saw the U.S. and Europe generate positive momentum, while China and many emerging market economies saw their economies slow or even contract. As the second quarter of the year progressed, the concerns about the looming Greek debt crisis and the falling Chinese equity market reduced any appetite for risk which may have existed. Just about every asset class came under pressure, including stocks, bonds, and commodities.

The third quarter did not start off well as the uncertainty continued and the timing of any Federal Reserve interest rate hike weakened market sentiment. Low market liquidity made the price volatility even worse in both debt and equity markets. The price of West Texas Intermediate (WTI) crude saw dramatic price movement, from $58.12 per barrel to a multi-year low of $38.93. China devalued its currency and the surprise move sparked a panic-like sell off across all world markets.

Conclusion

The past fiscal year has definitely been volatile. Economic uncertainty, as well as volatility across all asset classes, all major indices, and the currency markets, along with numerous unsettling geopolitical events, has made the past fiscal year and the beginning of the upcoming fiscal year challenging.

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

Investment Policies

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

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

For this purpose, short-term fluctuations in value shall be considered secondary to long-term investment results. The long-term return objective for the fund shall be to achieve a real rate of return of 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 7.75%. 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 to loosen this restriction. Investments will be further diversified by hiring an appropriate number of managers whose investment styles are varied enough to provide a balance to the overall risk of the fund.

Asset Allocation

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

MARKET VALUE EXPOSURE

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

The 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 each investment manager (with a perspective toward a three to five-year period or a peak-to-peak or trough-to-trough market cycle) to determine whether their performance
    a. followed APERS' investment philosophy and policy guidelines,
    b. achieved the investment objectives, and
    c. compared satisfactorily with the performance of other similarly managed funds.

2. In addition to reviewing each investment manager's results, the 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.

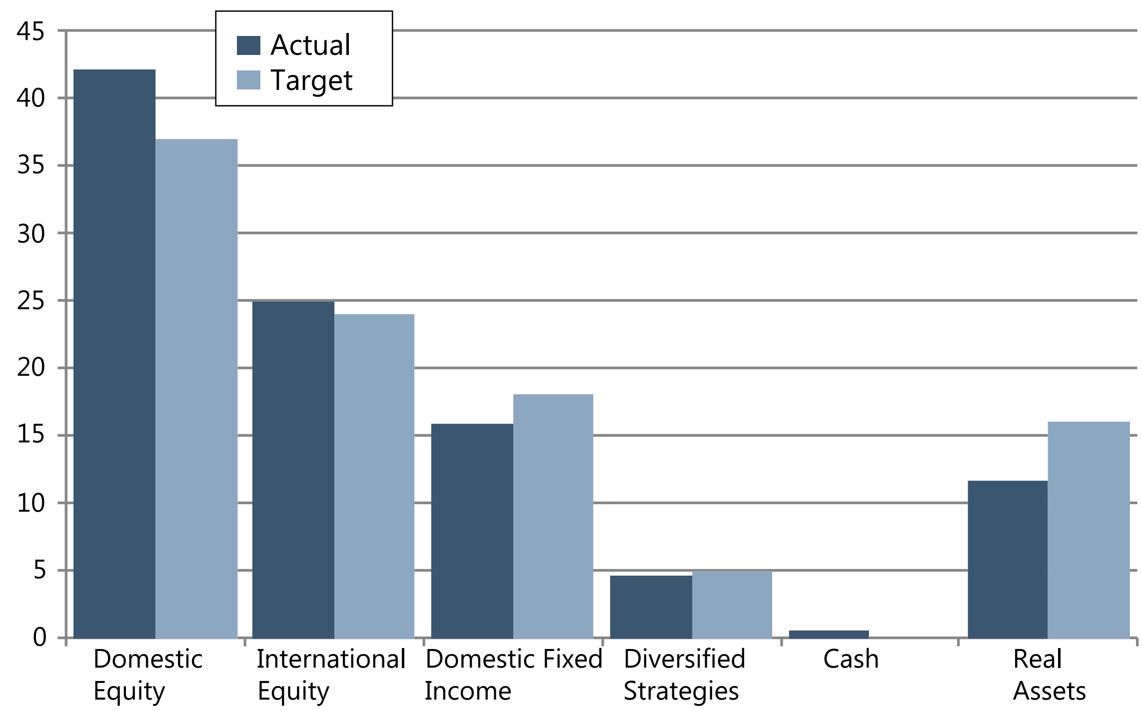
3. The periodic re-evaluation will also consider the continuing appropriateness of
    a. the manager structure,
    b. the allocation of assets among the managers, and
    c. the investment objectives for the fund's assets.

4. The APERS Board may appoint investment consultants to assist in the ongoing evaluation process. The consultants selected by the APERS Board are expected to be familiar with the investment practices of other similar retirement plans and will be responsible for suggesting appropriate changes in the fund's investment program over time.

Asset Allocation

Actual versus Target Asset Allocation as of June 30, 2015

The current target and new target are as follows:

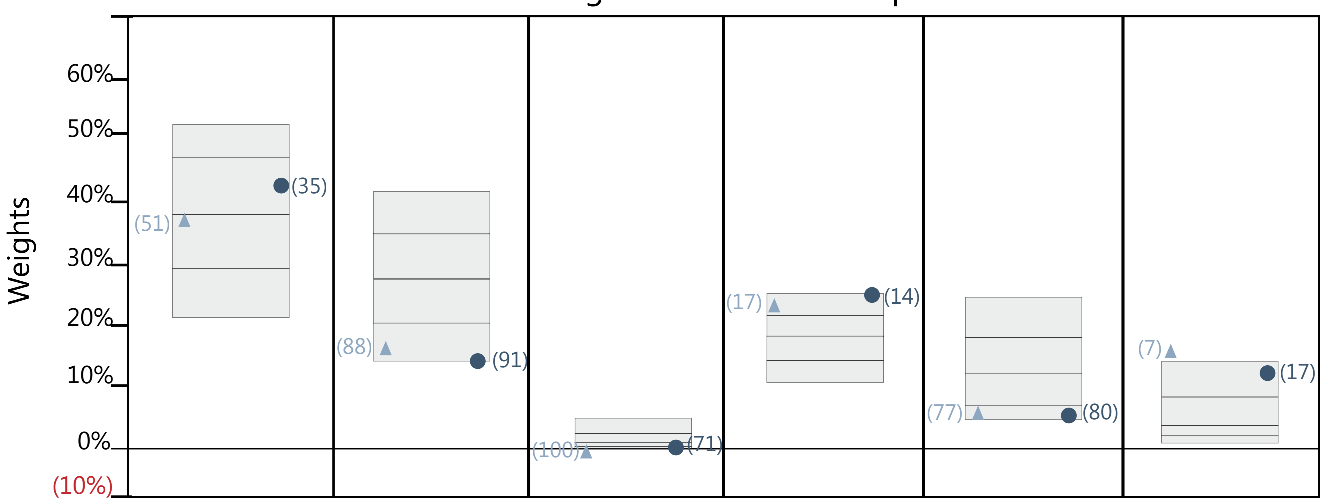


ASSET CLASS	$000s Actual	ASPRS	APERS	Actual	Target	Difference	$000s Difference
Domestic Equity	$ 3,299,655	$ 115,398	$ 3,184,257	42.2%	37.0%	5.20%	$ 406,147
International Equity	1,955,899	68,403	1,887,496	25.0	24.0	1.0	79,030
Fixed Income	1,241,314	43,412	1,197,902	15.9	18.0	(2.10)	(166,338)
Diversified Strategies	365,822	12,794	353,028	4.7	5.0	(0.30)	(25,192)
Cash	41,265	7,409	33,855	0.5	0.0	0.50	41,265
Real Assets	916,335	32,047	884,288	11.7	16.0	(4.30)	(334,911)
TOTAL*	$ 7,820,290	$ 279,464	$ 7,540,825	100.00%	100.00%		

* 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



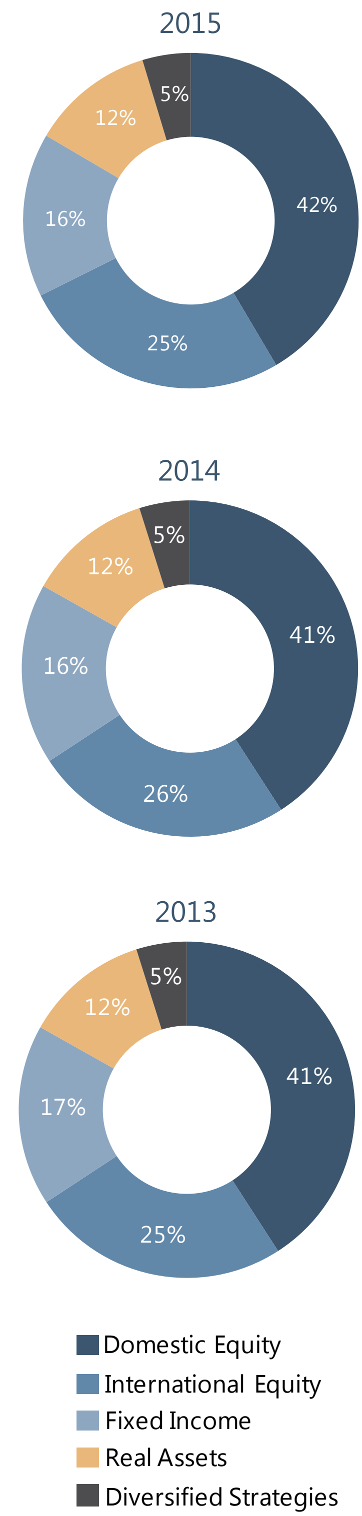
	Domestic Equity	Domestic Fixed-Income	Other	Intl Equity	Other Alternative	Real Assets
0th Percentile	52.04	42.47	4.26	25.44	24.00	14.44
5th Percentile	46.06	34.23	2.31	22.42	16.38	7.79
Median	37.51	27.37	1.14	18.62	11.52	3.69
5th Percentile	30.22	21.95	0.38	14.68	6.03	2.14
0th Percentile	21.34	15.91	0.07	11.63	3.86	0.99
Fund ●	42.19	15.87	0.53	25.01	4.68	11.72
Target ▲	37.00	18.00	0.00	24.00	5.00	16.00
Group Invested	98.78%	96.95%	71.34%	98.17%	48.17%	6.71%

Schedule of Manager Distribution

As of June 30, 2015

Asset Allocation	Market Value ($ Thousands)	Percent of Total	ASPRS
DOMESTIC EQUITY; 42.19%			
MCM S&P Index Fund	$ 664,232,567	8.49%	$ 23,230,099
CastleArk Management	428,577,853	5.48	14,988,585
Golden Capital Management	176,040,499	2.25	6,156,636
INTECH	372,655,207	4.77	13,032,811
Wellington Management Co.	308,549,844	3.95	10,790,864
Westwood Management	174,734,314	2.23	6,110,955
Lazard Asset Management	297,841,381	3.81	10,416,359
Lombardia Capital	168,612,034	2.16	5,896,842
SSI Investment Management	265,251,710	3.39	9,276,606
Horrell Capital Management	95,398,902	1.22	3,336,371
State Street Global Advisors	91,331,807	1.17	3,194,133
Stephens Inv. Management Group	256,428,383	3.28	8,968,029
	$ 3,299,654,501	42.19%	$ 115,398,289
	Market Value ($ Thousands)	Percent of Total	ASPRS
INTERNATIONAL EQUITY; 25.01%			
Lazard Asset Management	$ 411,259,551	5.26%	$ 14,382,914
Artisan Partners	437,651,522	5.60	15,305,917
Baillie Gifford	369,138,313	4.72	12,909,815
Transition Account	2,314	0.00	81
Manning & Napier	343,320,959	4.39	12,006,909
Pyramis Global Advisors	394,526,507	5.04	13,797,712
	$ 1,955,899,166	25.01%	$ 68,403,349
	Market Value ($ Thousands)	Percent of Total	ASPRS
FIXED INCOME; 15.87%			
MacKay Shields	$ 824,486,775	10.54%	$ 28,834,644
Prudential Investments	416,826,893	5.33	14,577,620
	$ 1,241,313,668	15.87%	$ 43,412,264
	Market Value ($ Thousands)	Percent of Total	ASPRS
REAL ASSETS; 11.72%			
INVESCO Real Estate	$ 340,037,073	4.35%	$ 11,892,062
INVESCO GLOBAL REITS	150,711,385	1.93	5,270,805
TA Associates Realty	31,205,127	0.40	1,091,332
CastleArk Management AR Energy Fund	65,613,879	0.84	2,294,704
CastleArk Management Global Energy Fund	133,150,016	1.70	4,656,634
Pinnacle Forest Investments	162,929,874	2.08	5,698,120
LaSalle Inc & Growth VI LP	32,687,429	0.42	1,143,172
	$ 916,334,783	11.72%	$ 32,046,830
	Market Value ($ Thousands)	Percent of Total	ASPRS
DIVERSIFIED STRATEGIES; 4.68%			
AQR Capital	$ 111,068,611	1.42%	$ 3,884,385
Blackstone Alternative Asset Management	152,771,954	1.95	5,342,869
Newton Capital	101,981,530	1.30	3,566,584
	$ 365,822,095	4.68%	$ 12,793,838
	Market Value ($ Thousands)	Percent of Total	ASPRS
SHORT-TERM INVESTMENT FUND*	$ 41,264,917	0.53%	$ 7,409,529
COMPOSITE FUND	$ 7,820,289,130	100.00%	$ 279,464,098

Manager Distribution Historical Comparison



* Includes National Timber Partners and UBS receivables.
Totals may not add due to rounding.
The ASPRS and APERS manager distribution - combined statement can be found on page 115.

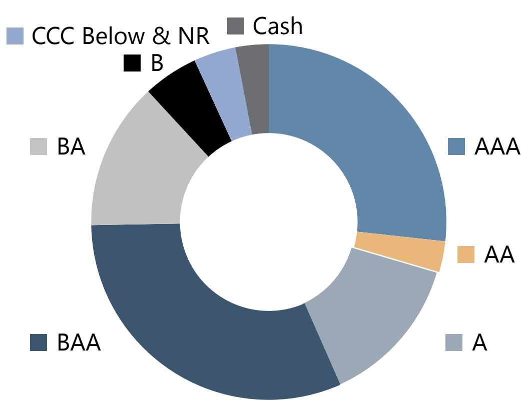
Portfolio Characteristics

As of June 30, 2015

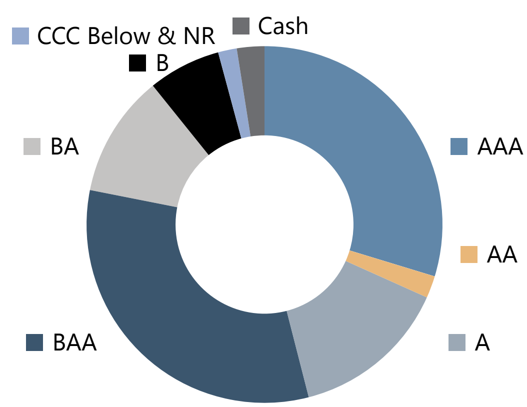
	2015	2014
SELECTED BOND CHARACTERISTICS		
Yield to Maturity (Market)	3.62%	2.98%
Current Yield	3.82%	4.22%
Average Coupon Rate	3.92%	4.38%
Average Maturity	7.5 yrs.	7.61 yrs.
QUALITY BREAKDOWN		
AAA (Includes Govts. & Agencies)	26.74%	29.70%
AA	2.80%	2.00%
A	13.85%	14.30%
BAA	31.32%	32.10%
BA	13.40%	11.10%
B	5.02%	6.60%
CCC Below & NR	3.84%	1.70%
Cash*	3.02%	2.50%
SELECTED STOCK CHARACTERISTICS		
Average P/E Ratio	22.15x	19.88x
Estimated Earnings Growth Rate (Next 5 Years)	12.76%	12.91%
Current Yield	1.60%	1.65%

* Includes short term investment fund.
Source: Callan Associates Inc.

Quality Breakdown 2015



Quality Breakdown 2014



Schedule of Comparative Investment Results

As of June 30, 2015

Fiscal Years Ended 2011 through 2015

	2015	2014	2013	2012	2011
TOTAL FUND					
Arkansas Public Employees Retirement System	2.45%	19.68%	15.58%	(0.17)%	26.00%
Callan Total Public Fund Median	3.21	16.34	11.98	1.22	20.86
Inflation (Consumer Price Index)	(0.38)	2.04	1.75	1.58	4.06
EQUITIES					
Arkansas Public Employees Retirement System	7.25%	24.48%	20.99%	2.30%	33.64%
Callan Total Equity Database Median	7.25	25.26	22.83	0.46	34.22
Russell 3000 Index	7.29	25.22	21.46	3.84	32.37
INTERNATIONAL EQUITIES					
Arkansas Public Employees Retirement System	(2.38)%	24.43%	20.88%	(12.75)%	33.62%
Callan Total Non-U.S. Equities Database Median	(1.91)	23.32	18.85	(12.76)	31.79
MSCI-EAFE Index	(4.22)	23.57	18.62	(13.83)	30.36
FIXED INCOME					
Arkansas Public Employees Retirement System	1.32%	7.03%	3.51%	8.07%	8.15%
Callan Total Fixed Income Database Median	1.60	5.51	0.91	7.28	5.00
Barclays Capital Aggregate Index	1.86	4.37	(0.69)	7.47	3.90

Schedule of Comparative Investment Results

As of June 30, 2015

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

		Annualized	
	2015	3-Year	5-Year
TOTAL FUND			
Arkansas Public Employees Retirement System	2.45%	12.32%	12.25 %
Callan Total Public Fund Median	3.21	10.30	10.42
Inflation (Consumer Price Index)	(0.38)	1.13	1.80
EQUITIES			
Arkansas Public Employees Retirement System	7.25%	17.33%	17.17%
Callan Total Equity Database Median	7.25	18.25	17.70
Russell 3000 Index	7.29	17.73	17.54
INTERNATIONAL EQUITIES			
Arkansas Public Employees Retirement System	(2.38)%	13.66%	11.35%
Callan Total Non-U.S. Equities Database Median	(1.91)	12.72	10.70
MSCI-EAFE Index	(4.22)	11.97	9.54
FIXED INCOME			
Arkansas Public Employees Retirement System	1.32%	3.93%	5.58 %
Callan Total Fixed Income Database Median	1.60	2.66	4.23
Barclays Capital Aggregate Index	1.86	1.83	3.35

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

Top Ten Largest Holdings *

As of June 30, 2015

DOMESTIC FIXED INCOME HOLDINGS	Par	Market Value	ASPRS
U.S. Treasury Bond 2.875% 05/15/2043	25,855,000	$ 24,639,039	$ 861,697
U.S. Treasury Note 0.75% 03/31/2018	16,490,000	16,406,231	573,772
U.S. Treasury-CPI Inflation 1.125% 01/15/2021	10,274,345	10,867,483	380,067
Countrywide Financial Corp. 6.25% 05/15/2016	9,455,000	9,826,203	343,650
Commit To Pur FNMA SF Mtg 4.00% 07/01/2045	7,780,000	8,242,754	288,273
U.S. Treasury Note 2.50% 08/15/2023	7,295,000	7,452,280	260,627
U.S. Treasury Note 2.50% 08/15/2024	7,200,000	7,323,192	256,113
U.S. Treasury Bond 3.00% 11/15/2044	6,720,000	6,573,504	229,894
Prudential Financial Inc 7.375% 06/15/2019	5,400,000	6,402,564	223,916
Commit To Pur FNMA SF Mtg 4.50% 07/01/2045	5,590,000	6,043,293	211,351
TOTAL		$ 103,776,544	$ 3,629,360

DOMESTIC EQUITY HOLDINGS	Shares	Market Value	ASPRS
Apple Inc.	391,776	$ 49,138,505	$ 1,718,513
Facebook Inc.	372,800	31,973,192	1,118,193
Gilead Sciences Inc.	271,608	31,799,865	1,112,132
Microsoft Corp.	456,600	20,158,890	705,014
Union Pacific Corp.	204,034	19,458,723	680,527
Allergan PLC	54,524	16,545,853	578,655
Advanced Auto Parts Inc.	99,071	15,781,020	551,907
The Walt Disney Co.	135,244	15,436,750	539,867
Cisco Systems Inc.	524,170	14,393,708	503,389
Home Depot Inc.	129,026	14,338,659	501,464
TOTAL		$ 229,025,164	$ 8,009,660

INTERNATIONAL EQUITY HOLDINGS	Shares	Market Value	ASPRS
Baidu Inc.	140,911	$ 28,052,562	$ 981,078
Samsung Electronics Co. Ltd.	20,605	23,422,955	819,167
Novaratis AG	234,217	23,094,641	807,685
Roche Holding AG	77,543	21,739,089	760,278
Lloyds Banking Group PLC	15,875,419	21,282,102	744,296
Tesco PLC	6,353,782	21,239,256	742,797
Compass Group PLC	1,210,786	20,051,259	701,249
Carlsberg A/S	218,578	19,832,739	693,607
ING Groep NV	1,126,687	18,591,802	650,208
Royal Bank Of Scotland Group	3,187,400	17,620,076	616,224
TOTAL		$ 214,926,482	$ 7,516,589

*By market value. Totals may not add due to rounding. The ASPRS and APERS ten largest holdings - combined statement can be found on page 116.

Schedule of Brokerage Commissions

As of June 30, 2015

BROKERAGE FIRM	Number of Shares Traded	Total Commission	Commission Per Share	ASPRS
Credit Suisse	7,902,868	$ 261,183	$ 0.03	$ 9,134
J. P. Morgan Securities Inc.	4,384,979	221,279	0.05	7,739
Goldman Sachs & Co.	5,735,183	155,240	0.03	5,429
Sanford C. Bernstein & Co.	5,524,075	153,595	0.03	5,372
Citigroup Global Markets	3,945,941	138,762	0.04	4,853
Instinet Corp.	3,764,646	102,589	0.03	3,588
Deutsche Bank Securities Inc.	3,116,225	84,849	0.03	2,967
Merrill Lynch Pierce Fenner Smith Inc.	2,563,114	82,566	0.03	2,888
Jefferies & Co. Inc.	2,625,662	77,057	0.03	2,695
UBS Securities LLC	1,878,021	69,643	0.04	2,436
Simmons & Co.	2,137,427	69,096	0.03	2,416
Morgan Stanley & Co. Inc.	2,339,353	67,656	0.03	2,366
Rosenblatt Securities LLC	1,809,621	67,325	0.04	2,355
ISI Group Inc.	1,702,914	62,497	0.04	2,186
Liquidnet Inc.	2,560,646	60,145	0.02	2,103
Bloomberg Tradebook LLC	1,772,422	57,541	0.03	2,012
Robert W. Baird & Co. Inc.	1,454,370	57,107	0.04	1,997
Scotia Capital (USA) Inc.	1,721,835	56,231	0.03	1,967
BTIG LLC	2,705,066	53,832	0.02	1,883
Pickering Energy Partners	1,635,526	53,771	0.03	1,881
Stifel Nicolaus	1,310,115	53,121	0.04	1,858
Barclays Capital, Inc.	1,909,821	52,745	0.03	1,845
Investment Technology Group	2,156,508	52,739	0.02	1,844
Citation Group	1,165,285	51,751	0.04	1,810
William Blair & Co.	1,278,216	49,392	0.04	1,727
Others (Including 94 Brokerage Firms)	23,655,515	819,174	0.03	28,649
	92,755,354	$ 3,030,884	$ 0.03	$ 105,999

Totals may not add due to rounding.
The ASPRS and APERS brokerage commissions - combined statement can be found on page 117.

Schedule of Investment Fees

As of June 30, 2015

	Market Value	Fee	Basis Points	ASPRS Market Value	ASPRS Fee
EQUITIES					
SSI Investment Mgmt. - Convertible Securities	$ 265,251,710	$ 1,046,827	40	$ 9,276,606	$ 36,525
Lazard Asset Mgmt. - Value	297,841,381	895,400	30	10,416,359	31,255
Golden Capital Mgmt. - Growth	176,040,499	394,664	22.5	6,156,636	13,776
Westwood Mgmt. - SMID Cap	174,734,314	1,028,007	25	6,110,955	35,884
MCM S&P 500 Index Fund	664,232,567	147,346	3.5	23,230,099	5,143
INTECH - Growth	372,655,207	1,490,384	48	13,032,811	52,024
CastleArk Mgmt. - Growth	428,577,853	1,344,372	35	14,988,585	46,926
Wellington Mgmt. Co. - Value	308,549,844	920,008	30	10,790,864	32,114
Stephens Investment Mgmt. - Growth	256,428,383	1,670,045	77	8,968,029	58,294
State Street Global Advisors - 130/30	91,331,807	428,830	50	3,194,133	14,969
Lombardia Capital - Small Cap	168,612,034	1,119,007	70	5,896,842	39,132
Horrell Capital Mgmt.-AR Index Fund	95,398,902	166,653	27	3,336,371	5,817
Lazard Asset Mgmt. - Int'l Equity	411,259,551	1,278,982	65	14,382,914	44,644
Manning & Napier Advisors - Int'l Equity	343,320,659	1,737,064	50	12,006,898	60,636
Pyramis Global Advisors - Int'l Equity	394,526,507	1,210,925	20	13,797,712	42,271
Baillie Gifford - Int'l Equity	369,138,313	1,550,355	44	12,909,815	54,117
Artisan Partners - Int'l Equity	437,651,522	2,386,934	55	15,305,917	83,320
	$ 5,255,551,053	$ 18,815,802		$ 183,801,546	$ 656,847
DIVERSIFIED STRATEGIES					
AQR Capital	$ 111,068,611	$ 760,968	72	$ 3,884,385	$ 26,552
Blackstone Alternative Asset Mgmt.	152,771,954	1,505,073	100	5,342,869	52,517
Newton Capital	101,981,530	642,667	70	3,566,584	22,434
TOTAL DIVERSIFIED STRATEGIES	$ 365,822,095	$ 2,908,707		$ 12,793,838	$ 101,503
FIXED INCOME					
MacKay Shields - Core Plus I	$ 402,970,657	$ 800,644	20	$ 14,093,028	$ 27,948
MacKay Shields - Core Plus II	421,516,118	627,997	15	14,741,616	21,921
Prudential Investments - Core Plus	416,826,893	827,665	20	14,577,620	30,478
TOTAL FIXED INCOME	$ 1,241,313,668	$ 2,256,305		$ 43,412,264	$ 80,347
REAL ASSETS					
INVESCO Real Estate - Core & Global REITS	$ 490,748,458	$ 2,067,006	65	$ 17,162,867	$ 72,180
TA Associates Realty	31,205,127	741,040	122	1,091,332	25,851
LaSalle Inc & Growth VI LP	32,687,429	314,090	93	1,143,172	10,961
CastleArk Mgmt. - AR Energy Fund	65,613,879	874,115	125	2,294,704	30,516
CastleArk Mgmt. - Global Energy Fund	133,150,016	1,191,601	100	4,656,634	41,599
Pinnacle Forest Investments – Timberland	162,929,874	1,375,368	90	5,698,120	48,013
TOTAL ALTERNATIVES	$ 916,334,783	$ 6,563,220		$ 32,046,830	$ 229,120
OTHER INVESTMENT SERVICES		Fee			
Bank of New York Mellon (Custodian)		$ 535,605			$ 18,796
Callan Associates (Consultant)		252,530			8,821
TOTAL OTHER SERVICES		788,135			27,617
TOTAL INVESTMENT SERVICE FEES		$ 31,332,170			$ 1,095,434

Totals may not add due to rounding.
The ASPRS and APERS investment fees - combined statement can be found on page 118.

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Actuarial Section

2015

Actuary's Certificate Letter

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

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November 30, 2015

The Board of Trustees
Arkansas State Police Retirement System
Little Rock, Arkansas

Dear Board Members:

The basic financial objective of the Arkansas State Police Retirement System (ASPRS) 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 ASPRS 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 ASPRS as of June 30, 2015. The purpose of the June 30, 2015 annual actuarial valuation was to determine the contribution requirements for the fiscal year ending June 30, 2016 and to measure the System's funding progress. The actuarial valuation report should not be relied upon for any other purpose. The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the cost assigned by the valuation method to the year of service about to be rendered) as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a period of up to thirty years. The most recent valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2015. In addition, a separate report was issued (dated November 17, 2015) to provide actuarial information for GASB Statement No. 67 and GASB Statement No. 68.

The ASPRS administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. We are not responsible for the accuracy 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 30, 2015
Page 2

Financial Section

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

For actuarial valuation purposes, assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four-year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of the Actuarial Standards of Practice. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2015 valuations were based upon assumptions that were recommended in connection with a study of experience covering the period 2006-2012 and a subsequent economic assumption study. The investment return, price inflation and wage inflation assumptions were changed for the June 30, 2015 valuation.

The computed employer contribution rate to satisfy the statutory funding requirements set forth in Section 24-6-209 of the Arkansas Code is 48.51% of covered payroll for the year beginning July 1, 2015. Actual revenues were greater than the statutory requirement for the last nine years. ASPRS' on-going ability to satisfy statutory funding requirements is dependent upon its access to sufficient annual transfers from the remainder of insurance premium taxes enumerated in A.C.A.19-6-301(27) to finance unfunded actuarial accrued liabilities over a closed period of 24 years.

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 Jeffery T. Tebeau 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 | Jeffery T. Tebeau, ASA, MAAA | David L. Hoffman

MDD/JTT/DLH:bd

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 administrative and 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 88. 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 86. 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 89. 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 87. The assumption for death-in-service was revised for the June 30, 2013 valuation.

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

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

Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (principal & 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).

Summary of Actuarial Methods

ASPRS Actuarial Methods and Assumptions

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, 2015
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	24-Year Closed
Asset Valuation Method	4-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	3.25% - 10.25%
Including Wage Inflation at	3.25%
Cost-of-Living Adjustments	3% Annual Compounded Increases

	Numbers
Retirees and Beneficiaries Receiving Benefits	622
Terminated plan members entitled to but not yet receiving benefits	73
DROP Members	56
Active Plan Members	502
TOTAL	1,253

Single Life Retirement Values

As of June 30, 2015

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, 2015

Percent of Active Members Separating Within the Next Year

Sample Ages	Death			
	Men	Women	Disability	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
As of June 30, 2015

	Percent Increase Assumptions For Active Members		
Sample Ages	Merit & Seniority	Base (Economic)	Increase Next Year
20	6.29%	3.25%	9.54%
25	5.39	3.25	8.64
30	4.01	3.25	7.26
35	2.29	3.25	5.54
40	1.50	3.25	4.75
45	1.10	3.25	4.35
50	0.80	3.25	4.05
55	0.60	3.25	3.85

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

Probabilities of Retirement for Members Eligible to Retire

As of June 30, 2015

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year	
	Tier One	Tier Two
47	2%	
48	2	
49	2	
50	6	2%
51	6	2
52	10	2
53	10	6
54	10	6
55	10	25
56	10	20
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

Service	Percent of Eligible Active Members Retiring Within Next Year
	Tier Two
30	25%
31	15
32	15
33	20
34	35
35	40
36 & Over	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 percents shown for service based retirement (30 or more years) take precedence over the percents 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, 2015

Comparative Statement

		Group Averages		
June 30	No.#	Age	Service	Pay
2006	527	41.3	14.5	$ 44,358
2007	536	41.4	14.5	44,773
2008	555	41.3	14.1	46,687
2009	539	42.0	15.0	49,714
2010	545	42.0	14.3	52,318
2011	530	42.0	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	41.0	13.0	53,637

Includes DROP participants.

Tier One and Tier Two Participants
As of June 30, 2015

		Group Averages		
	No.	Age	Service	Pay
Tier One	90	49.2 yrs.	21.6 yrs.	$ 66,793
Tier One - DROP	56	56.2	36.0	75,000
Tier Two	412	37.1	8.0	47,859
Total	558	41.0	13.0	$ 53,637

Short Condition Test

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

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

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

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

10-Year Comparative Statement ($ 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)						
2006	$0.47	$143.63	$147.07	$210.34	100%	100%	45%	72%
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	247.42	137.25	274.83	100	100	20	71
2015*	0.37	252.79	145.80	274.83	100	100	15	69

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

Derivation of Experience Gain/(Loss)
As of June 30, 2015

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

1.	UAAL* at Start of Year	$ 122,396
2.	Normal Cost from Last Valuation	5,807
3.	Employer Contributions	19,784
4.	Interest accrual: (1) x 0.0775 + ((2) - (3)) x 0.03875	8,944
5.	Expected UAAL Before Changes: (1) + (2) - (3) + (4)	117,363
6.	Change for Revised Actuarial Assumptions and/or Valuation Methods	8,553
7.	Change from Benefit Changes	0
8.	Expected UAAL After Changes: (5) + (6) + (7)	125,917
9.	Actual UAAL at End of Year	124,138
10.	Gain/loss: (8) - (9)	$ 1,779
11.	Gain/loss as Percent of Actuarial Accrued Liabilities at Start of Year	0.5%

* Unfunded Actuarial Accrued Liability

Gains and Losses by Risk Area

During the Period July 1, 2014 to June 30, 2015

Type of Risk Area	Gain/Loss in Period $ Millions	Gain/Loss in Period Percent of Liabilities
ECONOMIC RISK AREAS		
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	$ 1.1	0.3%
Investment Return. If there is greater recognized investment return than assumed, there is a gain. If less return, a loss	(1.1)	(0.3)
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 younger ages or higher average pays, a loss.	(0.9)	(0.3)
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 Gain/(Loss)	$ (0.8)	(0.3)%
Other. Gains and losses resulting from group size change, data adjustments, timing of financial transactions, and retiree mortality.	2.6	0.8
TOTAL GAIN (OR LOSS) DURING PERIOD	$ 1.8	0.5%

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 1/2 of 1% for each month retirement precedes Normal Retirement Age. The reduction for Tier Two is equal to 3/4 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

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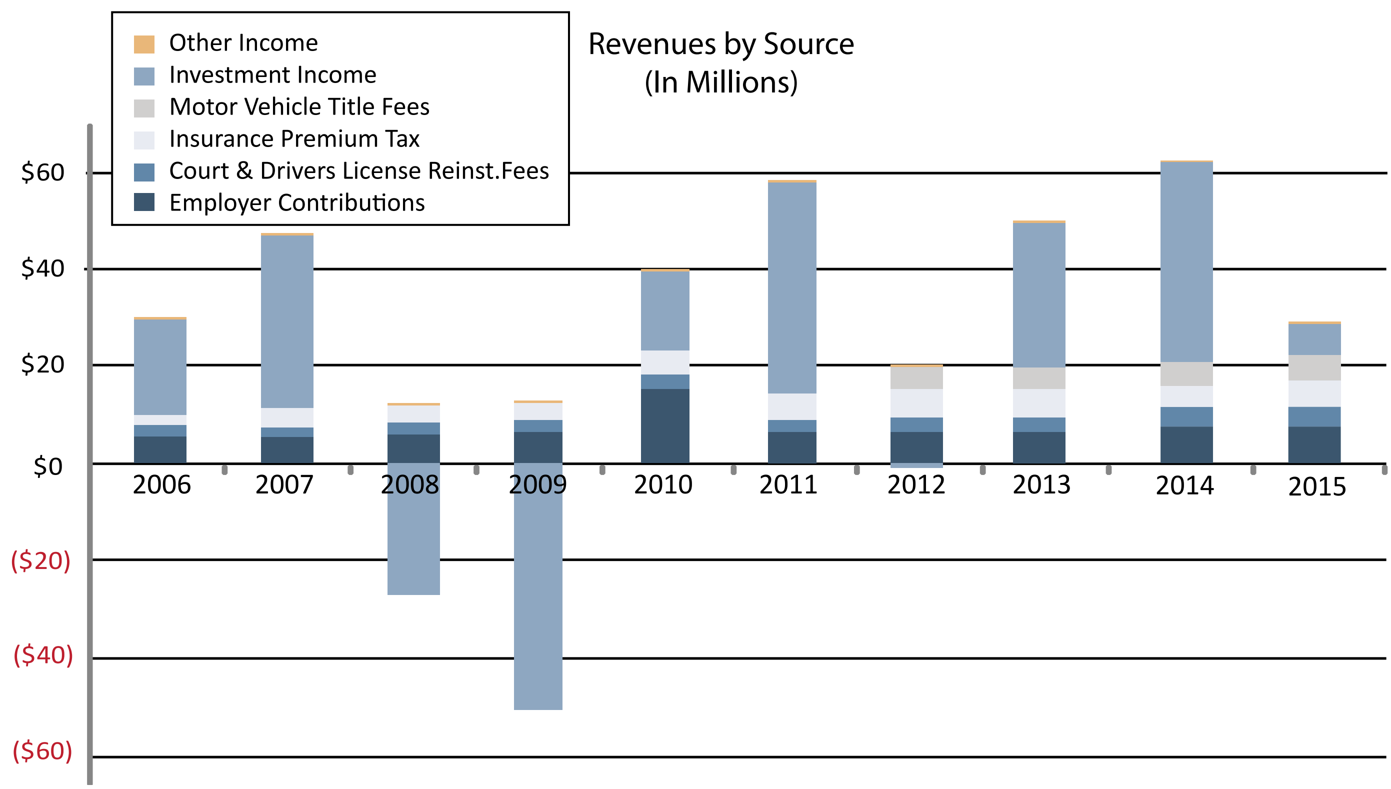
Schedule of Revenues by Source

For the year ended June 30, 2015

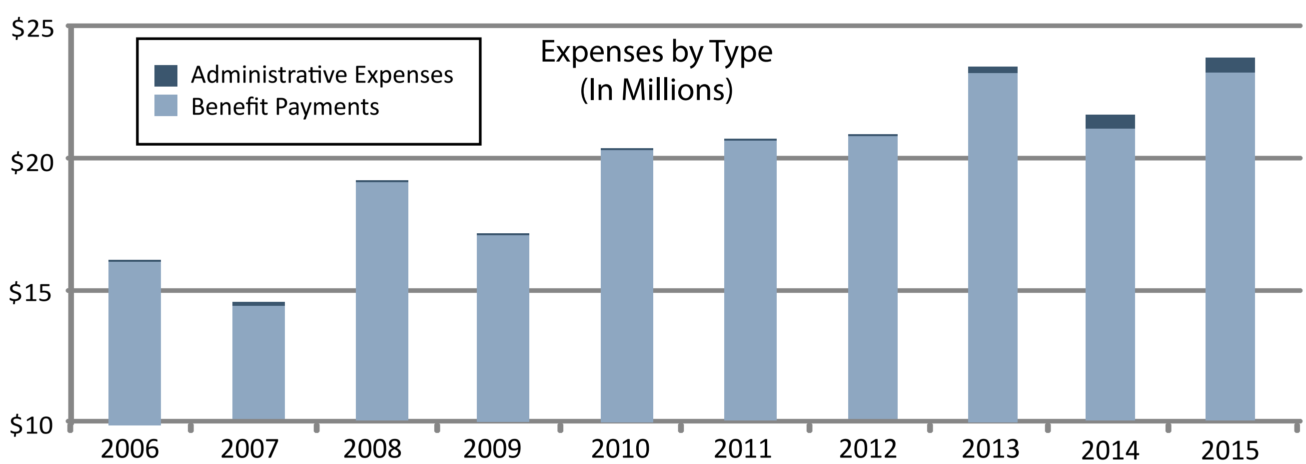
	Employer Contributions	Court & Driver's License Reinst. Fees	Insurance Premium Tax	Motor Vehicle Title Fees	Investment Income	Other Income	Total
2006	$ 7,349,063	$ 2,299,058	$ 2,031,014	$ 0	$ 19,651,079	$ 95,817	$ 29,395,017
2007	8,733,052	2,392,387	3,656,818	0	35,762,584	8,977	46,897,000
2008	8,942,134	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



Schedule of Expenses by Type
For the year ended June 30, 2015

Year Ended June 30	Benefit Payments*	Administrative Expenses	Refunds	Total
2006	$ 16,063,960	$ 75,400	$ 0	$ 16,139,360
2007	14,434,180	85,345	0	14,519,525
2008	19,087,918	87,020	0	19,174,938
2009	17,082,320	89,011	0	17,171,331
2010	20,319,683	79,878	0	20,399,561
2011	21,560,127	83,234	0	21,643,361
2012	21,649,158	80,842	0	21,730,000
2013	23,717,503	97,181	0	23,814,684
2014	21,688,239	189,658	0	21,877,896
2015	$ 23,358,801	$ 196,231	$ 0	$ 23,555,032

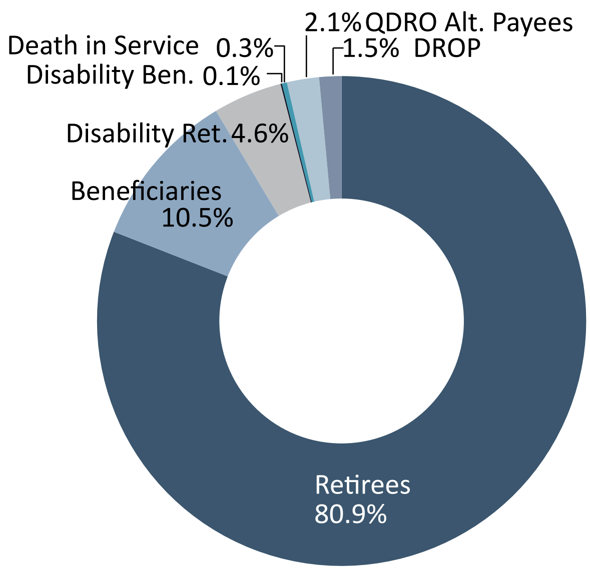
* Includes DROP and PAW distributions.



Schedule of Benefit Expenses by Type*
For the year ended June 30, 2015

Year Ended June 30	Age and Service Retirees	Age and Service Beneficiaries	Disability Retirees	Disability Beneficiaries	Death in Service	QDRO Alternative Payees	DROP Participants
2006	$ 11,068,308	$ 1,088,844	$ 10,925,028	$	$ 212,208	$	$
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

* Expenses are based on annualized June 30 benefit amounts.



Schedule of Retired Members by Type of Benefit Paid

As of June 30, 2015

Type of Benefit Being Paid	Number	Annual Pensions	Actuarial Accrued Liability
AGE & SERVICE RETIREES			
Life	90	$ 3,007,404	$ 30,098,688
B-50	324	14,628,541	177,233,643
B-75	14	327,262	4,188,305
TOTALS	428	17,963,207	211,520,636
BENEFICIARIES OF AGE & SERVICE RETIREES			
Life	10	167,682	1,769,692
B-50	103	2,133,906	20,882,203
B-75	2	24,312	336,634
TOTALS	115	2,325,900	22,988,529
TOTAL AGE & SERVICE RETIREES	543	20,289,107	234,509,165
DISABILITY RETIREES			
Life	17	293,580	3,292,083
B-50	22	719,052	8,166,304
B-75	1	3,924	69,711
TOTALS	40	1,016,556	11,528,098
Beneficiaries of Disability Retirees	2	13,944	168,338
TOTAL DISABILITY RETIREES & BENEFICIARIES	42	1,030,500	11,696,436
Death-in-Service Beneficiaries	5	76,872	756,984
QDRO Alternate Payees	32	471,880	5,829,452
TOTAL RETIREES & BENEFICIARIES	622	21,868,359	252,792,037
DROP PARTICIPANTS (EXCLUDING DROP RESERVE)	56	3,126,156	40,570,302
TOTAL RETIREES, BENEFICIARIES AND DROP PARTICIPANTS	678	$ 24,994,515	$ 293,362,339

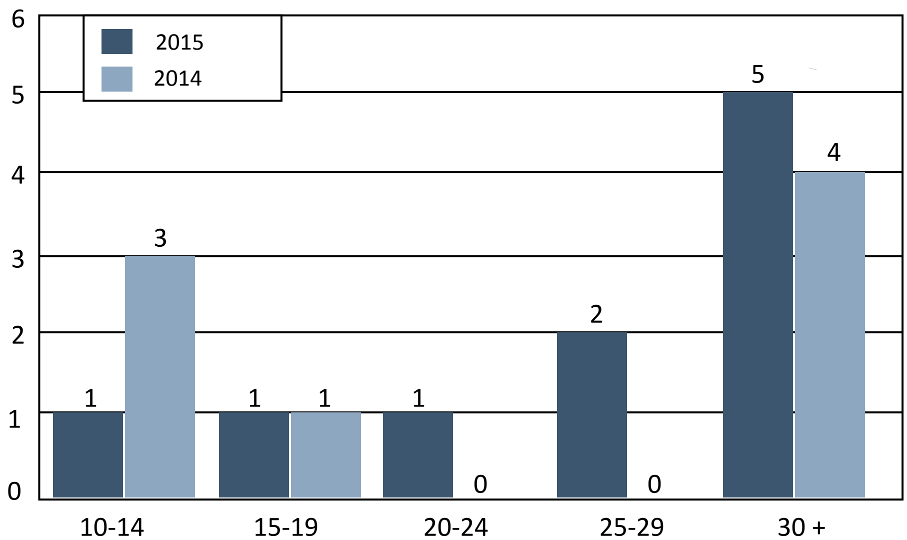
Also included in the valuation were 73 inactive members eligible to receive vested deferred benefits, commencing at normal retirement age, totalling $770,777 annually.

Schedule of Average Benefit Payments
As of June 30, 2015

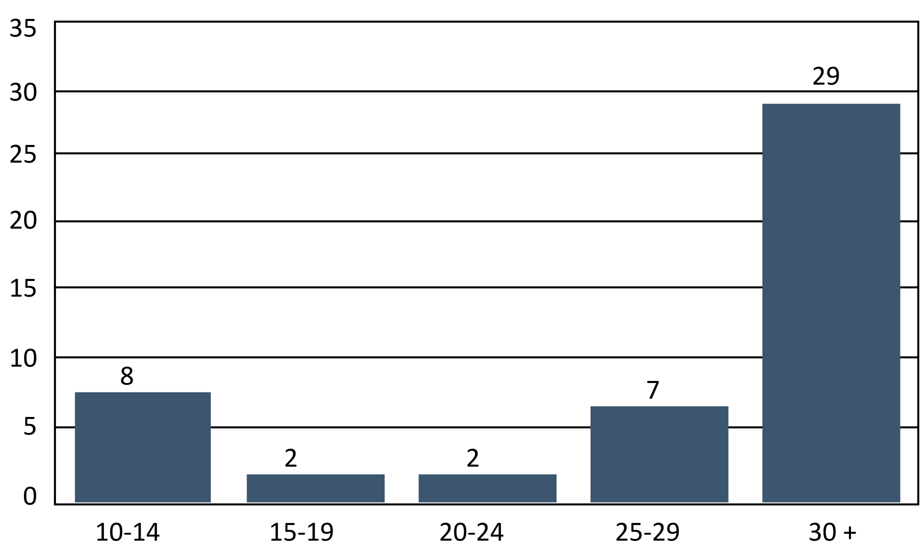
	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
Retirement Effective Dates					
July 1, 2014 to June 30, 2015					
Avg. Monthly Benefit	$ 2,240.00	$ 2,236.00	1,949.00	$ 4,686.00	$ 3,755.60
Avg. Monthly Final Average Salary	4,334.83	3,998.92	4,058.42	4,413.00	4,945.45
Number of Active Retirants	1	1	1	2	5
Retirement Effective Dates					
July 1, 2013 to June 30, 2014					
Avg. Monthly Benefit	319.67	1,379.00		2,494.00	2,977.75
Avg. Monthly Final Average Salary	2,112.22	4,149.00		2,765.84	4,610.31
Number of Active Retirants	3	1		1	4
Retirement Effective Dates					
July 1, 2012 to June 30, 2013					
Avg. Monthly Benefit	1,122.00			1,459.17	4,123.00
Avg. Monthly Final Average Salary	1,437.83			4,500.17	5,403.65
Number of Active Retirants	1			1	4
Retirement Effective Dates					
July 1, 2011 to June 30, 2012					
Avg. Monthly Benefit	124.00			3,228.00	2,777.63
Avg. Monthly Final Average Salary	266.33			5,047.58	4,657.56
Number of Active Retirants	1			2	8
Retirement Effective Dates					
July 1, 2010 to June 30, 2011					
Avg. Monthly Benefit	599.00		3,006.00	2,195.00	2,746.75
Avg. Monthly Final Average Salary	3,126.46		4,908.00	3,241.25	4,678.95
Number of Active Retirants	2		1	1	8
Retirement Effective Dates					
July 1, 2010 to June 30, 2015					
Avg. Monthly Benefit	705.38	1,807.50	2,477.50	3,139.45	3,150.90
Avg. Monthly Final Average Salary	2,328.57	4,073.96	4,483.21	4,204.06	4,809.49
Number of Active Retirants	8	2	2	7	29

STATISTICAL GRAPHS

New Retirees by Years of Credited Service

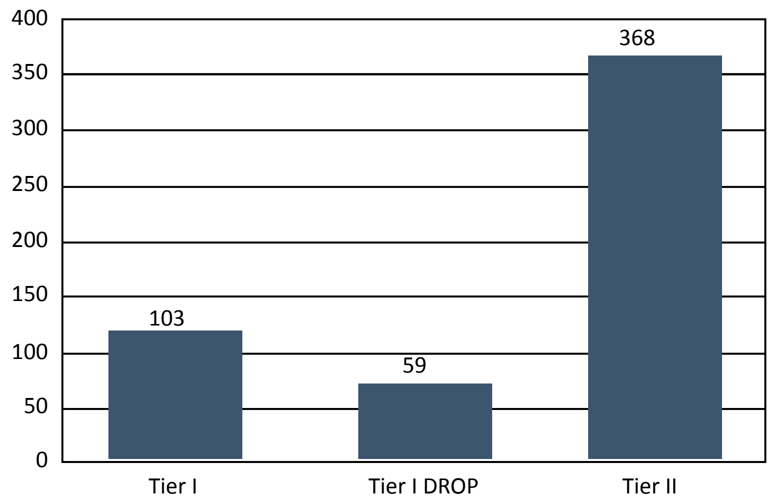


Retirees by Years of Credited Service
5 year summary

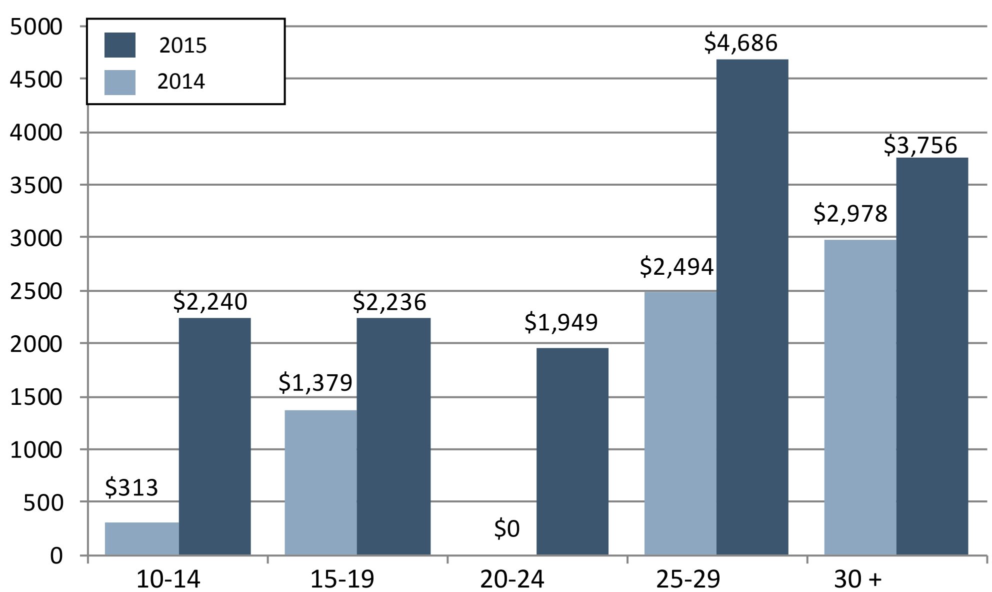


STATISTICAL GRAPHS

Total Number of Retirees by Tier



Average Monthly Benefit by Years of Credited Service



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Appendix

ASPRS and APERS Combined Statement of Fiduciary Net Position

As of June 30, 2015

	Combined	ASPRS	APERS
ASSETS			
Cash and Cash Equivalents	$ 245,619,505	$ 15,266,923	$ 230,352,583
Receivables			
Contributions	4,187,920	30,742	4,157,178
Dec 2004 Actuarial Liability Receivable	8,978,643	0	8,978,643
Investment Principal Receivable	42,322,785	1,480,148	40,842,637
Accrued Investment Income Receivable	16,563,394	579,289	15,984,105
Termination Agreement Receivable	5,472,487	191,388	5,281,099
Allowance for Doubtful Accounts	(1,992,110)	(69,670)	(1,922,440)
Other Receivables	0	0	0
Total Receivables	75,533,119	2,211,897	73,321,222
Investments, At Fair Value			
Government Securities			
U.S. Government Securities	102,117,855	3,571,351	98,546,504
Futures	(886,892)	(31,017)	(855,875)
Government Agency Securities	106,985,609	3,741,591	103,244,018
Corporate Securities			
Collateralized Obligations	42,836,765	1,498,123	41,338,642
Corporate Bonds	431,594,392	15,094,082	416,500,311
Convertible Bonds	195,538,208	6,838,526	188,699,681
Convertible Preferred Stock	50,913,345	1,780,584	49,132,761
Common Stock	2,615,766,542	91,480,785	2,524,285,757
Equity Index Funds	664,232,453	23,230,095	641,002,358
Equity Commingled	91,331,806	3,194,133	88,137,673
High Yield Income Fund	62,198,449	2,175,256	60,023,193
International Securities			
Global Fixed Income Fund	0	0	0
Corporate Fixed Income	29,490,333	1,031,361	28,458,972
Equity Securities	1,186,484,912	41,494,747	1,144,990,165
Global Preferred Stock	1,268,569	44,365	1,224,203
Equity Pooled Fund Units	734,209,502	25,677,391	708,532,111
Global Equity Index Funds	0	0	0
Global Collateralized Obligations	0	0	0
Emerging Markets	1,578,750	55,213	1,523,537
Emerging Markets Collateralized Obligations	0	0	0
Forward Contracts	358,051	12,522	345,529
Core Plus Bond Fund	416,709,685	14,573,521	402,136,164
Interest Rate Swaps	0	0	0
Real Estate	400,970,443	14,023,075	386,947,368
Diversified Strategies	263,840,565	9,227,254	254,613,311
Timberland	162,929,874	5,698,120	157,231,753
Municipal Bonds	0		0
Commercial Loans	5,324,741	186,221	5,138,520
Total Investments	7,565,793,957	264,597,302	7,301,196,656
Securities Lending Collateral Investments, At Fair Value			
Repurchase Agreements	186,880,811	6,535,753	180,345,059
Asset Backed Floating Rate Notes	258,089,910	9,026,137	249,063,773
U.S. Agencies	0	0	0
U.S. Governments	0	0	0
Certificates of Deposit	0	0	0
Commercial Paper	0	0	0
Corporate Floating Rate Notes	528,856,142	18,495,601	510,360,541
Corporate Bonds	1,929,455	1,929,455	0
Time Deposits	53,240,634	0	53,240,634
Fixed Rate Notes	0	0	0
Bank Obligations	0	0	0
Asset Backed Securities	0	0	0
Total Securities Lending Collateral Investments	1,028,996,952	35,986,946	993,010,007
Prepaids and Other Assets	29,906	0	29,906
Fixed Assets, Net	10,372,669	0	10,372,669
TOTAL ASSETS	8,926,346,110	318,063,067	8,608,283,042
LIABILITIES			
Accrued Expenses and Other Liabilities	9,527,822	477,686	9,050,136
Compensated Absences Payable	296,754	0	296,754
Investment Principal Payable	51,745,489	1,809,687	49,935,802
Other Post Employment Benefits	2,273,819	0	2,273,819
Securities Lending Liability	1,032,747,843	36,118,125	996,629,718
Due to Other Agencies	103,574	0	103,574
TOTAL LIABILITIES	1,096,695,302	38,405,498	1,058,289,804
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 7,829,650,808	$ 279,657,570	$ 7,549,993,238

Totals may not add due to rounding. The ASPRS Statement of Fiduciary Net Position can be found on page 26.

ASPRS and APERS Combined Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2015

	Combined	ASPRS	APERS
ADDITIONS			
Contributions			
Employer	$ 268,737,313	$ 6,409,752	$ 262,327,561
Plan Member	51,690,815	94,814	51,596,001
Supplemental	6,967,029	6,574,376	392,653
Court Fees	1,011,998	1,011,998	0
Driver's License Reinstatement Fees	1,222,353	1,222,353	0
Motor Vehicle Title Fees	4,565,652	4,565,652	0
Total Contributions	334,195,160	19,878,944	314,316,215
Investment Income			
Interest	75,715,079	2,639,743	73,075,336
Dividends	83,455,228	2,913,153	80,542,075
Investment Gain/(Loss)	43,769,940	1,529,599	42,240,341
Security Lending Income	3,036,320	105,955	2,930,365
Total Investment Income	205,976,567	7,188,451	198,788,117
Less: Investment Expense	30,223,864	1,056,767	29,167,098
Net Investment Income	175,752,703	6,131,684	169,621,019
Other Sources			
Miscellaneous Additions	1,029,031	7	1,029,024
Transfers from Other Public Employees Retirement Systems	5,267,700	0	5,267,700
Miscellaneous Transfers from State Agencies	261,739	0	261,739
Total Other Additions	6,558,469	7	6,558,462
TOTAL ADDITIONS	516,506,331	26,010,634	490,495,697
DEDUCTIONS			
Benefits	475,271,592	23,358,801	451,912,791
Refunds of Contributions	12,195,637	0	12,195,637
Administrative Expenses	7,397,375	196,231	7,201,144
TOTAL DEDUCTIONS	494,864,604	23,555,032	471,309,572
ADJUSTMENTS			
Actuarial Adjustments to ADJRS Unfunded Liability	(382,513)	0	(382,513)
NET INCREASE (DECREASE)	21,259,214	2,455,602	18,803,612
NET POSITION RESTRICTED FOR PENSION BENEFITS			
Beginning of Year	7,808,391,595	277,201,968	7,531,189,627
End of Year	$ 7,829,650,808	$ 279,657,570	$7,549,993,238

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 27.

ASPRS and APERS Manager Distribution - Combined Statement

As of June 30, 2015

Asset Allocation	Market Value ($ Thousands)	Percent of Total	ASPRS	APERS
DOMESTIC EQUITY ($3,299,654,501; 42.19%)				
MCM S&P Index Fund	$ 664,232,567	8.49%	$ 23,230,099	$ 641,002,468
CastleArk Management	428,577,853	5.48	14,988,585	413,589,268
Golden Capital Mgmt.	176,040,499	2.25	6,156,636	169,883,863
INTECH	372,655,207	4.77	13,032,811	359,622,396
Wellington Mgmt. Co.	308,549,844	3.95	10,790,864	297,758,980
Westwood Mgmt.	174,734,314	2.23	6,110,955	168,623,359
Lazard Asset Mgmt.	297,841,381	3.81	10,416,359	287,425,022
Lombardia Capital	168,612,034	2.16	5,896,842	162,715,192
SSI Investment Mgmt.	265,251,710	3.39	9,276,606	255,975,104
Horrell Capital Mgmt.	95,398,902	1.22	3,336,371	92,062,531
State Street Global Advisors	91,331,807	1.17	3,194,133	88,137,674
Stephens Inv. Mgmt. Group	256,428,383	3.28	8,968,029	247,460,354
INTERNATIONAL EQUITY ($1,955,899,166; 25.01%)				
Lazard Asset Mgmt.	411,259,551	5.26	14,382,914	396,876,637
Artisan Partners	437,651,522	5.60	15,305,917	422,345,605
Baillie Gifford	369,138,313	4.72	12,909,815	356,228,498
Transition Account	2,314	0.00	81	2,233
Manning & Napier	343,320,959	4.39	12,006,909	331,314,050
Pyramis Global Advisors	394,526,507	5.04	13,797,712	380,728,795
FIXED INCOME ($1,241,313,668; 15.87%)				
MacKay Shields	824,486,775	10.54	28,834,644	795,652,131
Prudential Investments	416,826,893	5.33	14,577,620	402,249,273
REAL ASSETS ($916,334,783; 11.72%)				
INVESCO Real Estate	340,037,073	4.35	11,892,062	328,145,011
INVESCO GLOBAL REITS	150,711,385	1.93	5,270,805	145,440,580
TA Associates Realty	31,205,127	0.40	1,091,332	30,113,795
CastleArk Mgmt. - AR Energy Fund	65,613,879	0.84	2,294,704	63,319,175
CastleArk Mgmt. Global Energy Fund	133,150,016	1.70	4,656,634	128,493,382
Pinnacle Forest Investments	162,929,874	2.08	5,698,120	157,231,754
LaSalle Inc & Growth VI LP	32,687,429	0.42	1,143,172	31,544,257
DIVERSIFIED STRATEGIES ($365,822,095; 4.68%)				
AQR Capital	111,068,611	1.42	3,884,385	107,184,226
Blackstone Alternative Asset Mgmt.	152,771,954	1.95	5,342,869	147,429,085
Newton Capital	101,981,530	1.30	3,566,584	98,414,946
SHORT-TERM INVESTMENT FUND*	41,264,917	0.53	7,409,529	33,855,385
COMPOSITE FUND	$7,820,289,130	100.00%	$ 279,464,098	$ 7,540,825,029

* Includes National Timber Partners and UBS receivables. Totals may not add due to rounding. The ASPRS schedule of manager distribution can be found on page 71.

ASPRS and APERS Ten Largest Holdings* - Combined Statement

As of June 30, 2015

DOMESTIC FIXED INCOME HOLDINGS	Par	Market Value	ASPRS	APERS
U S Treasury Bond 2.875% 05/15/2043	25,855,000	$ 24,639,039	$ 861,697	$ 23,777,342
U S Treasury Note 0.75% 03/31/2018	16,490,000	16,406,231	573,772	15,832,458
U S Treasury-CPI Inflation 1.125% 01/15/2021	10,274,345	10,867,483	380,067	10,487,416
Countrywide Financial Corp 6.25% 05/15/2016	9,455,000	9,826,203	343,650	9,482,553
Commit To Pur FNMA SF MTG 4.00% 07/01/2045	7,780,000	8,242,754	288,273	7,954,482
U S Treasury Note 2.50% 08/15/2023	7,295,000	7,452,280	260,627	7,191,653
U S Treasury Note 2.50% 08/15/2024	7,200,000	7,323,192	256,113	7,067,079
U S Treasury Bond 3.00% 11/15/2044	6,720,000	6,573,504	229,894	6,343,610
Prudential Financial Inc. 7.375% 06/15/2019	5,400,000	6,402,564	223,916	6,178,648
Commit To Pur FNMA SF MTG 4.50% 07/01/2045	5,590,000	6,043,293	211,351	5,831,942
TOTAL		$ 103,776,544	$ 3,629,360	$ 100,147,184

DOMESTIC EQUITY HOLDINGS	Shares	Market Value	ASPRS	APERS
Apple Inc.	391,776	$ 49,138,505	$ 1,718,513	$ 47,419,992
Facebook Inc.	372,800	31,973,192	1,118,193	30,854,999
Gilead Sciences Inc.	271,608	31,799,865	1,112,132	30,687,733
Microsoft Corp.	456,600	20,158,890	705,014	19,453,876
Union Pacific Corp.	204,034	19,458,723	680,527	18,778,196
Allergan PLC	54,524	16,545,853	578,655	15,967,198
Advanced Auto Parts Inc.	99,071	15,781,020	551,907	15,229,113
The Walt Disney Co.	135,244	15,436,750	539,867	14,896,883
Cisco Systems Inc.	524,170	14,393,708	503,389	13,890,319
Home Depot Inc.	129,026	14,338,659	501,464	13,837,196
TOTAL		$ 229,025,164	$ 8,009,660	$ 221,015,504

INTERNATIONAL EQUITY HOLDINGS	Shares	Market Value	ASPRS	APERS
Baidu Inc.	140,911	$ 28,052,562	$ 981,078	$ 27,071,484
Samsung Electronics Co Ltd.	20,605	23,422,955	819,167	22,603,788
Novaratis AG	234,217	23,094,641	807,685	22,286,956
Roche Holding AG	77,543	21,739,089	760,278	20,978,812
Lloyds Banking Group PLC	15,875,419	21,282,102	744,296	20,537,807
Tesco PLC	6,353,782	21,239,256	742,797	20,496,459
Compass Group PLC	1,210,786	20,051,259	701,249	19,350,010
Carlsberg A/S	218,578	19,832,739	693,607	19,139,131
ING Groep NV	1,126,687	18,591,802	650,208	17,941,594
Royal Bank Of Scotland Group	3,187,400	17,620,076	616,224	17,003,852
TOTAL		$ 214,926,482	$ 7,516,589	$ 207,409,892

* By market value.
Totals may not add due to rounding.
The ASPRS top ten largest holdings schedule can be found on page 75.

ASPRS and APERS Brokerage Commissions - Combined Statement

As of June 30, 2015

BROKERAGE FIRM	Number of Shares Traded	Total Commission	Commission Per Share	ASPRS Commission	APERS Commission
Credit Suisse	7,902,868	$ 261,183	$ 0.03	$ 9,134	$ 252,049
J. P. Morgan Securities Inc.	4,384,979	221,279	0.05	7,739	213,540
Goldman Sachs & Co.	5,735,183	155,240	0.03	5,429	149,810
Sanford C. Bernstein & Co.	5,524,075	153,595	0.03	5,372	148,223
Citigroup Global Markets	3,945,941	138,762	0.04	4,853	133,909
Instinet Corp.	3,764,646	102,589	0.03	3,588	99,001
Deutsche Bank Securities Inc.	3,116,225	84,849	0.03	2,967	81,882
Merrill Lynch Pierce Fenner Smith Inc.	2,563,114	82,566	0.03	2,888	79,678
Jefferies & Co. Inc.	2,625,662	77,057	0.03	2,695	74,362
UBS Securities LLC	1,878,021	69,643	0.04	2,436	67,208
Simmons & Co.	2,137,427	69,096	0.03	2,416	66,679
Morgan Stanley & Co. Inc.	2,339,353	67,656	0.03	2,366	65,290
Rosenblatt Securities LLC	1,809,621	67,325	0.04	2,355	64,970
ISI Group Inc	1,702,914	62,497	0.04	2,186	60,311
Liquidnet Inc.	2,560,646	60,145	0.02	2,103	58,042
Bloomberg Tradebook LLC	1,772,422	57,541	0.03	2,012	55,528
Robert W. Baird & Co Inc.	1,454,370	57,107	0.04	1,997	55,110
Scotia Capital (USA) Inc.	1,721,835	56,231	0.03	1,967	54,264
BTIG LLC	2,705,066	53,832	0.02	1,883	51,949
Pickering Energy Partners	1,635,526	53,771	0.03	1,881	51,891
Stifel Nicolaus	1,310,115	53,121	0.04	1,858	51,263
Barclays Capital, Inc.	1,909,821	52,745	0.03	1,845	50,901
Investment Technology Group	2,156,508	52,739	0.02	1,844	50,894
Citation Group	1,165,285	51,751	0.04	1,810	49,941
William Blair and Co.	1,278,216	49,392	0.04	1,727	47,665
Others (Including 94 Brokerage Firms)	23,655,515	819,174	0.03	28,649	790,525
TOTAL	92,755,354	$ 3,030,884	$ 0.03	$ 105,999	$ 2,924,886

Totals may not add due to rounding.
The ASPRS schedule of brokerage commissions can be found on page 76.

ASPRS and APERS Investment Fees - Combined Statement

As of June 30, 2015

			Basis	ASPRS		APERS	
	Market Value	Fee	Points	Market Value	Fee	Market Value	Fee
EQUITIES							
SSI Investment Mgmt. - Convertible Securities	$ 265,251,710	$ 1,046,827	40	$ 9,276,606	$ 36,525	$ 255,975,104	$ 1,010,302
Lazard Asset Mgmt. - Value	297,841,381	895,400	30	10,416,359	31,255	287,425,022	864,145
Golden Capital Mgmt. - Growth	176,040,499	394,664	22.5	6,156,636	13,776	169,883,863	380,887
Westwood Mgmt. - SMID Cap	174,734,314	1,028,007	25	6,110,955	35,884	168,623,359	992,123
MCM S&P 500 Index Fund	664,232,567	147,346	3.5	23,230,099	5,143	641,002,468	142,203
INTECH - Growth	372,655,207	1,490,384	48	13,032,811	52,024	359,622,396	1,438,360
CastleArk Mgmt. - Growth	428,577,853	1,344,372	35	14,988,585	46,926	413,589,268	1,297,446
Wellington Mgmt. Co. - Value	308,549,844	920,008	30	10,790,864	32,114	297,758,980	887,893
Stephens Investment Mgmt. - Growth	256,428,383	1,670,045	77	8,968,029	58,294	247,460,354	1,611,751
State Street Global Advisors - 130/30	91,331,807	428,830	50	3,194,133	14,969	88,137,674	413,861
Lombardia Capital - Small Cap	168,612,034	1,119,007	70	5,896,842	39,132	162,715,192	1,079,875
Horrell Capital Mgmt.-AR Index Fund	95,398,902	166,653	27	3,336,371	5,817	92,062,531	160,836
Lazard Asset Mgmt. - Int'l Equity	411,259,551	1,278,982	65	14,382,914	44,644	396,876,637	1,234,338
Manning & Napier Advisors - Int'l Equity	343,320,659	1,737,064	50	12,006,898	60,636	331,313,761	1,676,428
Pyramis Global Advisors - Int'l Equity	394,526,507	1,210,925	20	13,797,712	42,271	380,728,795	1,168,653
Baillie Gifford - Int'l Equity	369,138,313	1,550,355	44	12,909,815	54,117	356,228,498	1,496,238
Artisan Partners - Int'l Equity	437,651,522	2,386,934	55	15,305,917	83,320	422,345,605	2,303,614
	$ 5,255,551,053	$ 18,815,802		$ 183,801,546	$ 656,847	$ 5,071,749,507	$ 18,158,953
DIVERSIFIED STRATEGIES							
AQR Capital	$ 111,068,611	$ 760,968	72	$ 3,884,385	$ 26,552	$ 107,184,226	$ 734,416
Blackstone Alternative Asset Mgmt	152,771,954	1,505,073	100	5,342,869	52,517	147,429,085	1,452,555
Newton Capital	101,981,530	642,667	70	3,566,584	22,434	98,414,946	620,233
TOTAL DIVERSIFIED STRATEGIES	$ 365,822,095	$ 2,908,707		$ 12,793,838	$ 101,503	$ 353,028,257	$ 2,807,204
FIXED INCOME							
MacKay Shields - Core Plus I	$ 402,970,657	$ 800,644	20	$ 14,093,028	$ 27,948	$ 388,877,629	$ 772,696
MacKay Shields - Core Plus II	421,516,118	627,997	15	14,741,616	21,921	406,774,502	606,075
Prudential Investments - Core Plus	416,826,893	827,665	20	14,577,620	30,478	402,249,273	797,187
TOTAL FIXED INCOME	$ 1,241,313,668	$ 2,256,305		$ 43,412,264	$ 80,347	$ 1,197,901,404	$ 2,175,958
REAL ASSETS							
INVESCO Real Estate - Core & Global REITS	$ 490,748,458	$ 2,067,006	65	$ 17,162,867	$ 72,180	$ 473,585,591	$ 1,994,826
TA Associates Realty	31,205,127	741,040	122	1,091,332	25,851	30,113,795	715,189
LaSalle Inc. & Growth VI LP	32,687,429	314,090	93	1,143,172	10,961	31,544,257	303,129
CastleArk Mgmt. - AR Energy Fund	65,613,879	874,115	125	2,294,704	30,516	63,319,175	843,600
CastleArk Mgmt. - Global Energy Fund	133,150,016	1,191,601	100	4,656,634	41,599	128,493,382	1,150,002
Pinnacle Forest Investments – Timberland	162,929,874	1,375,368	90	5,698,120	48,013	157,231,754	1,327,356
TOTAL ALTERNATIVES	$ 916,334,783	$ 6,563,220		$ 32,046,830	$ 229,120	$ 884,287,953	$ 6,334,102
OTHER INVESTMENT SERVICES		Fee					
Bank of New York Mellon (Custodian)		$ 535,605			$ 18,796		$ 516,809
Callan Associates (Consultant)		252,530			8,821		243,709
TOTAL OTHER SERVICES		788,135			27,617		760,518
TOTAL INVESTMENT SERVICE FEES		$ 31,332,170			$ 1,095,434		$ 30,236,735

Totals may not add due to rounding.
The ASPRS schedule of investment fees can be found on page 77.

ARKANSAS STATE POLICE RETIREMENT SYSTEM

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