ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Quarterly Board Meeting

Date: Wednesday, May 17, 2023

Time: 9:00 A.M.

Location: 124 West Capitol Avenue, Suite 400

AGENDA

1. Call to Order

2. Recognition of the Presence of a Quorum

3. Notification of Meeting to News Media Pursuant to Act 93 of 1967 (A.C.A. § 25-19-101) – Freedom of Information Act

4. ***Action Item:*** Approval of the Minutes for February 15 Quarterly Board Meeting (**Page 3**), March 22 Investment and Finance Subcommittee (**Page 8**), and March 31 Special Called Board Meeting (**Page 11**)

5. **Investments –** Ms. Brianne Weymouth, Mr. John Jackson, and Mr. Gary Robertson of Callan LLC, and Mr. Carlos Borromeo, Deputy Director of Investments and Finance
    a. CIO Report (**Page 14**)
    b. Quarterly Report for the Period Ending March 31, 2023 (**Page 20**)

6. **Finance –** Mr. Mita Drazilov and Ms. Heidi Barry, GRS, and Mr. Jason Willett, Chief Financial Officer
    a. Five-Year Experience Study (**Page 52**)
    Action Item: Approval of Actuarial Recommendations from Study
    b. Financial Statements for the Quarter Ending March 31, 2023 (**Page 100**)

7. **Internal Audit –** Ms. Patty Shipp, Assurance Officer
    a. Employee Culture Survey (**Page 102**)

8. **Benefits –** Ms. Allison Woods, Deputy Director of Benefits
    a. Summary of Retirees for the Quarter Ending March 31, 2023 (**Page 132**)

9. **Executive Report –** Ms. Amy Fecher, Executive Director
    a. Investment and Finance Sub-Committee Report
    b. Class Action Report (**Page 144**)
    c. Legislative Audit Report (**Page 154**)
    d. Legislative Session Update

10. **Legal –** Ms. Laura Gilson, Chief Legal Counsel
    a. Legal Report **(Page 200**)
    b. Proposed Rules Promulgation (**Page 202**)

11. Other Business

12. Upcoming Meetings
    a. Next Quarterly Board Meeting – Wednesday, September 20, 2023, at 9:00 a.m.

13. Adjournment

MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES
ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FEBRUARY 15, 2023

A regular meeting of the Board of Trustees of the Arkansas Public Employees' Retirement System was held on Wednesday, February 15, 2023, at 9:00 a.m. This hybrid meeting was held via ZOOM remote conferencing in the Conference Room, 124 West Capitol, Little Rock, Arkansas. Ms. Candace Franks presided.

(Remote attendees indicated with an asterisk *).

QUORUM PRESENT:
Ms. Candace Franks recognized the presence of a quorum.

BOARD MEMBERS PRESENT:
Ms. Candace Franks, (State Employee, Retired), Chair, Little Rock, AR
Mr. Larry Walther (Ex-Officio), Vice Chair, Department of Finance and Admin
Mr. Dale Douthit, (State Employee), Russellville, AR
Judge Barry Moehring (Non-State Employee, County Judge), Bentonville, AR
Mr. Gary Carnahan (Non-State Employee), Hot Springs, AR
Mr. Joe Hurst, (Non-State Employee, Mayor), Van Buren, AR*
Mr. Daryl Bassett (State Employee), Sherwood, AR
Ms. Kaye Donham, (Retired), Benton, AR*
Mr. Richard Wilson (Retired), Little Rock, AR*
Mr. Gary Wallace (Retired Law Enforcement), Greenbrier, AR
Mr. Jason Brady (State Auditor's Office) *proxy*
Hon. Mark Lowery (Ex-Officio), State Treasurer
Ms. Amy Fecher, APERS Executive Director

BOARD MEMBERS ABSENT:
Hon. Dennis Milligan, (Ex-Officio), State Auditor
Mr. Russell White (Retired Law Enforcement), Alma, AR

VISITORS PRESENT:
Ms. Brianne Weymouth, Callan LLC
Mr. John Jackson, Callan LLC
Mr. Gary Robertson, Callan LLC*
Mr. Mita Drazilov, GRS*
Ms. Heidi Barry, GRS*
Mr. Andy Babbit, DFA *proxy*
Mr. Will Cheatam, Treasurer's Office
Mr. Jack Critcher, AR Municipal League*
Ms. Cindy Frizzell, AR Municipal League*
Mr. Chris Villines, AR Assoc. of Counties*
Mr. Alan Johnson, AR Department of Agriculture
Mr. Seth Kallick, City of Lowell*
Ms. Lauren Albanese, FIN News*
Ms. Melissa Cahill, HarbourVest Partners*
Mr. Cliff Robison, APERS Member*
Ms. Zona Maness, APERS Retiree*
Unidentified User*

STAFF PRESENT:
Ms. Allison Woods, APERS Deputy Director of Benefits
Ms. Laura Gilson, APERS General Counsel
Mr. Richmond Giles, APERS Staff Attorney
Ms. Patty Shipp, APERS Assurance Officer
Mr. Carlos Borromeo, APERS Deputy Director of Investments & Finance
Ms. Usha Doolabh, APERS Investments Manager
Ms. Jennifer Taylor, APERS Director of Benefits Administration
Ms. Cheryl Wilburn, APERS Benefits Operations Manager
Mr. Jason Willett, APERS Chief Financial Officer
Mr. Phillip Norton, APERS Director of IT

Mr. John Owens, APERS Accounting Operations Manager
Mr. Jon Aucoin, APERS Retirement Section Manager*
Ms. Shelly George, APERS Retirement Coordinator*
Mr. Stefan Melikian, APERS Retirement Coordinator*
Ms. Kristi Brown, APERS Retirement Coordinator*
Ms. Phyllis Franklin, APERS Retirement Coordinator*
Mr. Drake Rodriguez, APERS Retirement Coordinator*
Ms. Jacobia Bates, APERS Manager of Education Services
Ms. Linda McGrath, APERS Administrative Specialist

NEWS MEDIA NOTIFIED:

An e-mail with notification of the Arkansas Public Employees' Retirement System Board meeting was sent to the Arkansas Democrat-Gazette, the Associated Press, Television Station KLRT-FOX16, Radio Station KARN, and Radio Station KAAY. This notification is pursuant to A.C.A § 25-19-101 (Act 93 of 1967) as amended, *a.k.a.* the Arkansas Freedom of Information Act.

INTRODUCE APERS' NEW BOARD MEMBER:

Ms. Franks introduced Mark Lowery, the new State Treasurer, to everyone at the meeting. Dennis Milligan replaced Andrea Lea as the State Auditor and Jason Brady would continue to represent him at the APERS Board meetings.

MINUTES:

Prior to the Board meeting, a copy of the minutes from the November 16, 2022 meetings was e-mailed to each APERS Board member for review. Mr. Bassett motioned to accept the minutes as they presented, and he was seconded by Mr. Walther. The motion carried.

INVESTMENTS

CIO REPORT – Presented by Carlos Borromeo, Deputy Director of Investments & Finance

Mr. Borromeo gave his CIO Report for the last quarter of 2022. He summed up the results with the words: "Inflation and rate hikes." Mr. Borromeo noted that inflation had hit its highest rate in decades and the Fed had raised rates seven times in 2022. He read off notable headlines from the last quarter. Bloomberg Agg (fixed income benchmark) had its worst year ever (-13.01%). Most major indices posted positive returns last quarter, but for the calendar year, they were all lower. Value outperformed growth stocks, and large-cap outperformed small-cap.

QUARTERLY REPORT FOR THE PERIOD ENDING DECEMBER 31, 2022 – Presented by Brianne Weymouth & John Jackson from Callan LLC and Carlos Borromeo, APERS CIO

Mr. Jackson presented the executive summary for the second quarter of FY 2023. He noted that for the last three quarters, both stocks and bonds had been in decline, which is highly unusual. He explained that GDP growth in 2022 slowed compared to 2021 but rebounded after declines in the first half of the year. More rate hikes from the Fed are expected to try and bring inflation under control. Around the world, geopolitical issues with Russia, Ukraine, and China continue to dominate the news. In the US, rising mortgage interest rates have resulted in a sharp slowdown in residential housing. Non-US Equities outperformed US Equities. The bond market was down significantly due to the Fed raising interest rates. Real estate (NAREIT) was up 5.24% for the quarter, but down (-24.37%) for the trailing 12 months. January 2023 provided a bright spot with most markets showing a positive return.

Ms. Weymouth detailed the Fund's performance for the last quarter stating it finished out 2022 with a value of just over $10 Billion. The portfolio returned 5.73% for the quarter and finished in the top half of its peer group. The actual asset allocation and the target asset allocation are very close, with no rebalancing needed. For the year, the fund ranked in the 67th percentile among its peers and finished below its benchmark. Over the remaining trailing periods, the fund has outpaced the benchmark and ranked in the top half of its peer group,

Looking at individual managers, Ms. Weymouth pointed out that Intech lagged its benchmark and peers for this quarter and trailing time periods. Baillie Gifford has struggled as a growth manager over the last several years while growth has not been in favor but has begun to make up ground. In Fixed Income, Doubleline is the weak link with their high allocation to mortgages and has trailed their benchmark with the rising interest rates. Also, there wis concern over the recent death of PM Suzanne Hutchins at Newton Investments and how it would affect the portfolio going forward.

Asset Allocation & Pacing Study Report – Presented by Brianne Weymouth, John Jackson and Gary Robinson of Callan LLC and Carlos Borromeo, Deputy Director of Investments & Finance

Mr. Borromeo opened with a recap of the Board's actions from the last meeting and explained the changes he was proposing after reviewing some of those discussions. He suggested increasing domestic equity from 33% to 36%, fixed income from 18% to 21%, and adding 5% forpPrivate equity. The funds for this would come from lowering international equity from 24% to 17%, convertible bonds from 4% to 3%, and diversified strategy from 5% to 3%. He showed how this new proposal had a higher expected return, but a similar risk to the November meeting's proposal and still carved out the 5% earmarked for private equity. This would require terminating AQR and Newton while retaining Blackstone.

Mr. Robinson joined the meeting via ZOOM and reviewed the pacing study, detailing the commitment timeline and implementation. The Board has set a target allocation of 75% of the commitment to secondary investments and 25% to primary investments employing fund-to-funds vehicles. Mr. Robinson explained this would require two separate searches and he suggested conducting a search for the secondaries, to be followed by the primary fund-to-fund search. He showed a sample timeline of the cash flows expected in a typical private equity investment, noting that distributions generally do not begin until after the third year. Mr. Robinson stressed that patience is required for private equity portfolios to achieve full funding, with most reaching their target in seven to eight years. He anticipated APERS would hit their proposed target of 5% exposure in 2029.

Mr. Bassett expressed concern at locking up so much of APERS' capital for 10-15 years, noting if those funds were needed, they would come back sharply discounted. He agreed that the fund should investigate private equity, but the board members should go in with their eyes wide open.
Mr. Brady questioned the decision over the 75/25 split that was being proposed and wondered about other percentages. Mr. Borromeo responded that ATRS had been invested in a fund of funds since the late 1990s and his decision had been based upon conversations with them and other investment colleagues across the country.

After further discussion, Mr. Bassett motioned to terminate Newton and AQR. He was seconded by Mr. Brady and the motion passed unanimously.

Mr. Walther stated that he felt the next step in the process was to reaffirm the 5% allocation to private equity. Mr. Brady motioned for staff to begin a search for primary and secondary private equity managers and begin to move towards a 5% commitment to that program. Second from Mr. Bassett and the motion carried.

Mr. Borromeo suggested a Callan refresher course on private equity for interested board members. He noted it would be a ZOOM meeting for everyone's convenience if they could agree on a date and time.

<BREAK>

Mr. Brady came back after the break and said he had one more motion to propose. He wanted to have Callan require any finalists in the primary or secondary fund search to do an in-person presentation for the Board so they can get a better idea of the managers under consideration. Mr. Bassett seconded the motion and it passed.

FINANCE

Actuarial Funding Policy – Presented by Jason Willett, APERS' Chief Financial Officer, Mita Drazilov and Heidi Barry of GRS

Mr. Willett reminded the Trustees that they had been presented with an Actuarial Funding Policy to approve at the November meeting. After much discussion, it had been decided to table further consideration until staff and the actuaries had time to address certain concerns of the Board. Mr. Drazilov noted the Board had expressed a strong desire to maintain the 15.32% employer rate that had been in effect since July 2018 (which would now be referred to as the "Minimum Employer Contribution Rate).

Should the Annual Valuation indicate that the employer rate be set higher than 15.32%, then the actuaries will extend the amortization period (up to 30 years) to lower the employer rate required down to 15.32%. The Board took such actions in the past, this merely puts the practice into policy and gives guidance to the Board in the future. Mr. Drazilov assured the Board that the way the policy was written, they could still change the desired employer rate if desired. Mr. Brady motioned to adopt the Actuarial Funding Policy as presented, second by Judge Moehring. After a short discussion to clarify Section 3, the motion passed.

<u>Financial Statements for the Quarter Ending December 31, 2022 – Presented by Jason Willett, APERS' Chief Financial Officer</u>

Mr. Willett stated the net position of the plan at the end of December was just over $9.71 billion, down roughly $1.9 billion from a year ago. This was due mostly to a negative return on investments. Contributions, both employer and employee, were higher due to salary increases and should continue upward as the mandatory employee contribution rate increases. During the first half of the fiscal year, APERS paid out over $324 million in benefit checks.

<u>LEGAL</u>

<u>Litigation Update – Presented by Laura Gilson, APERS' Chief Legal Counsel</u>

Ms. Gilson introduced Mr. Richmond Giles. She reported that currently there are currently no new member appeals or active securities litigation cases.

<u>BENEFITS</u>

<u>Summary of Retirees for the Quarter Ending December 31, 2022 – Presented by Allison Woods, APERS' Deputy Director of Benefits</u>

Ms. Woods reported APERS had 192 members who retired in October, 120 in November, and 130 retirees in December, for a total of 442 new retirees over the last three months of the calendar year 2022. On December 31, 2022, APERS had 38,361 retirees and beneficiaries receiving monthly benefits from the agency: 48 more than last quarter. Discussed the large number of termination refunds and rate changes. Mr. Carnahan proposed a video regarding individual retirement benefits.

<u>EXECUTIVE REPORT</u>

<u>Set DROP Interest Rate for the Upcoming Fiscal Year</u>

Director Fecher distributed a graph showing the 10-year history of the interest rate associated with 10-year treasury yields. Currently, this investment has a 3.38% annual return. Staff recommends raising the current interest rate on DROP accounts from 2.0% to 3.0%. Mr. Carnahan motioned to raise the rate to 3.0% for FY 2024. He was seconded by Mr. Bassett. motion carried.

<u>Annual Approval for Board Travel Reimbursements</u>

Director Fecher reminded the board that this was an annual requirement to approve travel reimbursement rates for Trustees performing official Board duties at the first meeting of each calendar year. APERS normally mirrors the rates set by DF&A which currently uses a rate of 52 cents per mile. Judge Moehring motioned to approve reimbursement for travel under the state's guidelines. Mr. Douthit seconded the motion and it carried.

<u>Class Action Report</u>

Director Fecher referred the Board to the class action settlement proceeds information within the board material. Currently. APERS is involved in 25 lawsuits but is not the lead plantiff on any. For the first half of Fiscal Year 2023, over $182,000 has been collected. There were no questions.

<u>Board of Trustees Sub-committees</u>

Ms. Franks stated her intention to the APERS Board in forming two subcommittees. She noted that in the past APERS had utilized committees and with the expanded board, it seemed like an appropriate time to reintroduce this practice. She proposed two committees: Member Appeals and Investments and Finance. These sub-committees will be tasked with focusing on specific areas and making recommendations to the full Board for discussion and approval.

Mr. Brady moved to take the Chair's recommendation and establish those two subcommittees. He was seconded by Mr. Wallace. Judge Moehring asked for details on how the committees would function and who would be on each committee. Ms. Franks suggested the following Trustees for each subcommittee with duties listed below:

Appeals - Hear APERS' member appeals.

- Kay Donham
- Richard Wilson
- Russell White
- Dale Douthitt

- Barry Moehring

Investments and Finance - Hear private equity updates, lead plaintiff class action requests, and consult on any APERS litigation.

- Gary Carnahan
- Jason Brady
- Daryl Bassett
- Gary Wallace
- Mark Lowry

There would be no set schedule for these subcommittees, but they would meet when there was a member appeal or class action lead plaintiff request. With no further discussion, the Chair called for a vote and the motion passed.

<u>2023 Legislation Session Update</u>

Director Fecher noted that Staff is following over 40 bills that affect retirement daily. She said there were basically three things they were focused on. First the APERS package (Board-approved legislation) has been filed, by Senator Hickey and Representative Maddox as the sponsors. February 27th is the expected date for the Retirement Committee to look at our package. The second group of bills staff is watching closely is the "ESG bills" and have been working meticulously with the other state retirement plans and actuaries to craft these into something the plans can handle. The third group of bills pertains to law enforcement which are awaiting an actuarial cost study before proceeding any further.

Mr. Carnahan asked specifically about the ESG bills and Director Fecher stated the Arkansas bills focused on a prohibition of discrimination against guns, ammunition, fossil fuel, and energy. There is a provision that retirement systems are opted out of indirect investing such as index funds.

<u>OTHER BUSINESS:</u>

There was no other business.

<u>UPCOMING MEETINGS:</u>

The next quarterly Board Meeting is scheduled for Wednesday, May 17, 2023, at 9:00 a.m.

<u>ADJOURNMENT:</u>

There being no further business, the meeting was adjourned.

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Ms. Candace Franks, Chair	Ms. Amy Fecher, APERS Executive Director

MINUTES OF THE QUARTERLY MEETING OF THE FINANCE COMMITTEE
ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM
MARCH 22, 2023

A meeting of the Finance Committee of the Arkansas Public Employees' Retirement System was held on Wednesday, March 22, 2023, at 2:00 p.m. This hybrid meeting was held via ZOOM remote conferencing in the Conference Room, 124 West Capitol, Little Rock, Arkansas. Secretary Daryl Bassett presided.

(Remote attendees indicated with an asterisk *).

FINANCE COMMITTEE MEMBERS PRESENT:
Mr. Daryl Bassett (Chair), Sherwood, AR*
Mr. Gary Wallace (Retired Law Enforcement), Greenbrier, AR*
Mr. Jason Brady (State Auditor's Office) *proxy**
Mr. Eric Munson (State Treasurer's Office) *proxy**
Mr. Gary Carnahan (Non-State Employee), Hot Springs, AR*
Mr. Larry Walther (Ex-Officio), Department of Finance and Admin*
Ms. Amy Fecher, APERS Executive Director

VISITORS PRESENT:
Mr. Mike Wickline, *AR Democrat-Gazette*
Ms. Lauren Albanese, FIN News*

STAFF PRESENT:
Mr. Carlos Borromeo, APERS Deputy Director of Investments & Finance
Ms. Laura Gilson, APERS General Counsel
Mr. Richmond Giles, APERS Staff Attorney
Mr. Ronald Barrick, APERS IT Specialist
Ms. Jacobia Bates, APERS Manager of Education Services
Ms. Linda McGrath, APERS Administrative Specialist

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INTRODUCE FINANCE COMMITTEE AND ELECT CHAIRPERSON:
Director Fecher thanked everyone for their participation and reminded everyone that the purpose of this committee was to hear private equity or class action requests in between quarterly board meetings and consult on any APERS litigation. First order of business was to elect a Chair. Mr. Munson nominated Secretary Bassett for the position. He was seconded by Mr. Brady and Secretary Basset was elected unanimously.

SECURITIES LITIGATION:
APERS Board Policy-

The Board recognizes that securities litigation is an optional and occasional tool to recover lost assets, and only appropriate in certain circumstances. The objectives of APERS in engaging in securities litigation include collecting losses in the portfolio, maximizing the net recovery, and effecting meaningful corporate governance reforms.

Mr. Brady discussed the current Loss Threshold of $1 million and felt the amount needed to be adjusted higher if the point was to have APERS as Lead Plaintiff. Chair Bassett stated that further study was required.

APERS Securities Litigation Firms-

The Board reviewed the list of the 18 Securities Litigation firms approved by the APERS Board in 2020. Mr. Brady questioned what activity APERS had seen from each of these firms in that duration. Ms. Gilson noted six firms had filed initially for this class-action, but, three firms had withdrawn, feeling the other firms would be more effective in representing APERS. Several firms had merely sent newsletters on a regular basis to APERS, while others had sent detailed reports on possible class actions. The subcommittee felt it might be time to weed through the list and keep the most active firms. Staff was instructed to prepare a list of the 18 firms and level of contact maintained by each for the subcommittee to review.

SECURITIES LITIGATION FORM AND PROCESS:

The committee reviewed three Claim Review Forms that Staff had designed to show possible Claims in a uniform fashion. These detailed a common securities claim against Sotera Health Company for alleged misrepresentation over safety and emissions of toxic EtO gas from its sterilization facilities which results in cancer claims against Sotera. The risk materialized in 9/2022 when the first lawsuits against the company were awarded $363 million in damages and Sotera's stock dropped 44% over the next two days.

Staff noted the one detail they had overlooked in creating the form was pension fund's estimated financial loss, which would be included, going forward. Secretary Bassett agreed and commented that other additional information might be required, as the subcommittee got more experience.

Cohen Milstein, Rosen Law Firm, and Labaton Sucharow LLP all notified APERS that it could consider entering in a Class-Action suit, but their chance of being selected as lead plaintiff was minimal. Lazard had held just over $2 million in Sotera stock, but had sold it before the value dropped. Ms. Gilson explained that under the Securities Act of 1934, APERS had suffered no loss. However, under the Securities Act of 1933, dealing with fraud and misstatements, APERS might recognize some financial benefit. The best candidate for lead plaintiff would have claims under the 1933 Act.

SECURITIES LITIGATION REQUEST FOR LEAD PLAINTIFF- Sotera Health Company

After comparing the three responses from the law firms, the subcommittee agreed it would be prudent to pass on going for Lead Plaintiff status in this case. Ms. Gilson reminded them that APERS would automatically be included in the case by BNY/Mellon, APERS Custodian Bank.

There was an extended discussion on the exact role of the subcommittee. Chair Bassett stated he felt it was their duty to screen out items to take before the full board and thus streamline the regular APERS' meetings. Ms. Gilson explained that the deadline for these Class Actions decisions was short and many times fell between quarterly Board meetings. The deadline for a decision on the Sotera case was March 27 (five days away). The subcommittee decided for Staff to send the

Minutes of this meeting to the full Board so they could evaluate the decision and respond before the Monday deadline.

Mr. Brady motioned to recommend APERS pass on taking Lead Plaintiff in this lawsuit. He was seconded by Mr. Wallace and the motion carried.

CIO REPORT:

Mr. Borromeo began by giving the subcommittee an update on how APERS portfolio was affected by the Silicon Valley Bank crisis. The fund had minimal exposure and the currently loss was about $1.6 million. He stated the market movement from this was unprecedented, unless you went through the S&L crisis in 1980.

After short discussion on the SVB crisis, Mr. Borromeo gave a detailed report of how he pulled money from APERS Investment Managers monthly to pay benefits. Sometimes this resulted in a less than optimal market timing when both taking money out and reinvesting. In the past, APERS has never has a dedicated cash portion of portfolio, but Mr. Borromeo thought it might be a good time to rethink that strategy. He noted it would require a change in the APERS Investment Policy and suggested allowing for $20-30 million, on a monthly basis.

After further discussion it was decided to put the matter on the agenda for the quarterly may meeting.

NEXT MEETING:

Since it was impossible to know when the next Class Action decision might be required, The board decided to just meet on an "as needed" basis.

The next regular meeting of the APERS Board will be on May 17, 2023.

ADJOURNMENT:

There being no further business, the meeting was adjourned.

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Sec. Daryl Bassett, Finance Committee Chair   Ms. Amy Fecher, APERS Executive Director

Minutes of the Special Meeting of the Board of Trustees

Arkansas Public Employees Retirement System

March 31, 2023

A special meeting of the Arkansas Public Employees Retirement System Board of Trustees was held on Friday, March 31, 2023, at 10:00 a.m. to discuss an amendment to Senate Bill 179. It will be presented to the Retirement Committee of the 94th General Assembly on Monday, April 3, 2023.

Jason Brady called the meeting to order. Chairperson Candace Franks and Vice-Chair Larry Walther were absent from the meeting. Mr. Brady asked if there were any objections to him being the temporary chair for this meeting. There were no objections to Mr. Brady chairing the meeting.

(Remote attendees indicated with an asterisk (*)

Quorum Present:
Mr. Jason Brady recognized the presence of a quorum.

Board Members Present:
Mr. Jason Brady State Treasurer's Office *(proxy)*
Mr. Dale Douthit (State Employee), Russellville, AR*
Mr. Richard Wilson, (Retired), Little Rock, AR*
Ms. Kaye Donham (Retired), Benton, AR*
Mr. Gary Wallace (Retired Law Enforcement), Greenbrier, AR*
Mr. Gary Carnahan (County Employee), Hot Springs, AR*
Mr. Barry Moehring (County Employee), Bentonville, AR *
Mr. Andy Babbitt, DF&A *proxy**
Mr. Joe Hurst, (City Employee), Van Buren , AR*
Mr. Russell White (Retired Law Enforcement), Alma, AR*
Mr. Eric Munson, State Treasurer's Office*

Visitors Present:
Mr. Chris Villines, AR Assoc. of Counties*
Mr. Mita Drazilov, GRS*
Ms. Heidi Barry, GRS*
Mr. Jody Carero, Actuary Retirement Committee*
Mr. Rodney Wright, Arkansas Sheriffs Association
Mr. Wickline, *Arkansas Democrat- Gazette*

APERS Staff Present:
Ms. Amy Fecher, Executive Director
Ms. Allison Woods, Deputy Director
Ms. Jennifer Taylor, Director of Benefits Administration*
Ms. Laura Gilson, Chief Legal Counsel
Mr. Richmond Giles, Staff Attorney*
Mr. Carlos Borromeo, Deputy Director of Investments & Finance
Ms. Jacobia Bates, Manager of Education Services
Ms. Cheryl Wilburn, Retirement Section Manager*
Ms. Kristi Brown, Retirement Coordinator*
Mr. Jason Willett, Chief Financial Officer*
Mr. Philip Norton, IT Specialist*
Mr. Ronald Barrick, IT Specialist*

APERS Staff Present- continued
Ms. Usha Doolabh, Investments Manager*
Ms. Shelly George, Retirement Coordinator*
Ms. Linda McGrath, Administrative Specialist*
Ms. Stacey Roche, Administrative Specialist

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Possible Amendment to Senate Bill 179 Concerning Sheriffs' and Deputy Sheriffs' Increases in Retirement
APERS Director Amy Fecher told the board that she had called the special meeting to find out what the will of the Board is on the proposed amendment or if the board would like to make any recommendations for changes to the proposed amendment by Senator K. Hammer. The original bill was to create an enhanced multiplier for certain law enforcement members of APERS for the positions of Sheriff and Deputy Sheriff. This change would affect APERS in that it could negatively increase the unfunded liability. Yet, it would also allow for a higher retirement amount for future Sheriffs and Deputy Sheriffs. The proposed amendment would add all certified law enforcement officers which would increase APERS unfunded liability further.

Several of the board members and visitors got a chance to ask questions and discuss the pros and cons of the increase from the APERS', employer's, and employee's perspectives.

Atty. Laura Gilson stated that Code 2-4-402 establishes that the Legislature sets the member's / employee's contribution rate. She also added that APERS can change the employer contribution rate.

Mr. Andy Babbitt made a motion to approve directing the APERS Director to work with the sponsor of the bill as well as the County Association and the Sheriff's Association and other interested parties to determine an appropriate member contribution rate or a decrease in the multiplier so that the bill is as close to revenue neutral as possible.

Mr. Gary Carnahan seconded the motion.
By a show of hands, the vote was:
Five (5) voting for the motion: Andy Babbett, Gary Carnahan, Frank Wallace, Kay Donham, and Judge Moehring.
Five (5) voting against the motion: Richard Wilson, Dale Douthit, Eric Munson, Russell White, and Joe Hurst.
There being a split vote, the acting chairperson voted. Jason Brady voted yes. The motion carried 6-5.

Next Quarterly Board Meeting:

Ms. Fecher reminded the board of the next quarterly Board Meeting scheduled for Wednesday, May 17, 2023, at 9:00 a.m.

She also announced that after discussing a training at the last quarterly board meeting, Callan will be offering training on private equity on May 16, 2023. So, that will be two days together that the board will be meeting. Ms. Fecher mentioned that those that will need overnight arrangements to please reach out and let us know and we will get that taken care of.

ADJOURNMENT:

There being no further business, the meeting was adjourned.

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Mr. Jason Brady sitting in as temporary chair for Chairperson Franks as she was absent.

Ms. Amy Fecher, APERS Executive Director

Chief Investment Officer Report

For the Quarter Ending March 31, 2023

Q1 2023 Summary

- March did not come in like a lion and go out like a lamb. March came in like a bear and went out like a bull.
- Remember the movie “War Games” with Matthew Broderick? Care to play a game? How about Global Thermonuclear War? Here is the financial market version of that game: 2 of the 4 largest bank failures in the history of the U.S. occurred in March. The failures of Silicon Valley Bank and Signature Bank, the run on First Republic Bank (bankrupt in April 2023), the near collapse of Credit Suisse, all in rapid succession, had the markets staring into a financial abyss.
- It took a village. Rapid and coordinated efforts and responses by the Federal Reserve, the Treasury Department, the FDIC, five foreign central banks, and a handful of U.S. banking juggernauts (JP Morgan) all helped circumvent what could have turned into a systemic meltdown of the U.S. financial & banking system and the financial markets.
- But wait, there’s more. There are more banks out there that are not out of the woods. PacWest Bancorp. Western Alliance Bancorp. Stay tuned.
- Inflation concerns over petulant inflation and the Fed’s responses were turned upside down by a banking crisis, Silicon Valley Bank and Signature Bank. Government intervention, a bailout, and a softer Personal Consumption report soothed fears.
- Stock returns were influenced by falling interest rates. In March the 2yr note fell from 4.82% to 4.03%. The single largest monthly decline for the 2yr since the Global Financial Crisis. Investors shifted sentiment and anticipated the Fed was done hiking rates, and the rate cuts would ensure by the end of the summer.

Q1 2023 Summary

- Stocks with the greatest sensitivity to interest rate changes benefitted. Information Tech +21.82; Communication Services +20.50%; Consumer Discretion +16.05%
- Financials pulled up the rear, (5.57%), as the markets anticipated a further credit/liquidity crunch out of the banking sector would curtail economic activity and corresponding energy needs. Energy was down (4.71%)
- “Risk on” was generally rewarded. Low quality did better than High Quality. High beta beat Low Beta. But small caps lagged large caps as the mega-cap stocks prevailed. The RU1000G beat the RU1000V by +13.37%, the 3rd worst quarterly performance by the RU1000V on record.
- Cash portfolios started to beat 60/40 for the first time since 2001. Cash is now a performing asset class.
- Despite the outperformance of U.S. mega-cap tech stocks and the underperformance of European banks, Credit Suisse being purchased by UBS, the MSCI EAFE did slightly better than the S&P500. In US$ terms, 8.62% vs 7.50%. Most foreign currencies strengthened against the US$. Mexican Peso +8%, the Brazilian Real +4%.
- International markets. Geopolitical tensions persisted. Ukraine-Russia war continues. US-China tensions continue post “spy balloon.” China reopened gave a boost to the global markets. UK equities +3.2%. Japan equities +7.1%. Australia +4.1%. Chinese equities +5.1%.

APERS
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Q4 2022 Summary

U.S. Equity	Q1 2023	Fiscal Year	Calendar Year
S&P 500	7.50%	9.98%	-7.73%
Russell 3000	7.18%	9.75%	-8.58%
Russell 3000 Growth	13.85%	12.56%	-10.88%
Russell 2000 Growth	6.07%	10.72%	-10.60%
Russell 2000 Index	2.74%	6.75%	-11.61%
Russell 2000 Value	-0.66%	2.74%	-12.96%
Russell 1000 Growth	14.37%	12.67%	-10.90%
Russell 1000 Value	1.01%	7.17%	-5.91%
International Equity			
MSCI EAFE	8.47%	15.36%	-1.38%
MSCI ACWI xUS	7.00%	10.38%	-4.57%
Fixed Income			
Bloomberg Agg	2.96%	-0.09%	-4.78%

	Q1 2023	Fiscal Year	Calendar Year	31-Mar-23	
Domestic Equity	5.69%	8.28%	-9.16%	$ 3,918,443,496	36.85%
International Equity	9.15%	14.07%	-2.11%	$ 2,687,986,721	24.62%
Diversified Strategy	1.90%	3.21%	-1.58%	$ 368,954,633	4.97%
Fixed Income	3.34%	0.95%	-5.25%	$ 1,891,248,460	18.29%
Real Assets	-2.56%	-5.96%	0.30%	$ 1,528,110,361	15.27%
APERS Total Portfolio	4.64%	5.76%	-5.15%	$ 10,394,743,671	

Things I worry about

Possible/Potential Shocks	Impact	Probability	Change
Debit Ceiling& U.S. Default/downgrade	Massive	50%	High
A U.S. Recession	Massive	High	High
Credit Crunch/Slowdown	High	High	High
A repeat of the S&L Crisis of the 1980s & 1990s	High	Medium	Medium
Expanded and intensified war in Ukraine	Medium	Medium	Same
Putin's Plan "B"? Invade another state?	Medium	Medium	Same
The new phrase "tactical nuclear weapons"	Medium	Low	Same
Escalation of US-China economic conflict	High	Medium	Same
The "Trio" friendship (Putin, Xi, MBS)	Medium	Medium	Same
Military Confrontation in Taiwan	High	Low	Same
Major/further curtailment of Russian gas/oil flow	Medium	Medium	Medium
Iran develops nuclear bomb	Medium	Medium	Same
Firing of an ICBM by North Korea	Medium	Medium	Same
Return to full-scale lockdowns in China	Medium	Medium	Lower
Major cyber attack in US or NATO	High	Low	Stable
Dissolution of G20	Medium	Low	Stable
Conflict between Italy and the EA	Medium	Low	Stable
Uncontrolled China property meltdown	Medium	Low	Falling

A repeat of the S&L Crisis of the 1980s & 1990s.
History doesn't always repeat itself, but it could rhyme
Are we seeing warning signs?

THEN

From 1986 – 1995, 32% of S&Ls failed
1,043 out of 3,234 failed
The Fed raised rates to reduce inflation
S&Ls had interest rate risk mismanagement
Some S&Ls had highly speculative investment strategies
Imprudent real estate lending.

NOW

From 2009 – 2023
514 banks have failed
The Fed is raising rates to reduce inflation
SVB and Signature Bank had deposit to interest rate mismatch. No Interest rate risk management
SVB – $212 billion tech lender, backed "start ups" that larger banks may have considered too risky.

Callan

Executive Summary
First Quarter 2023

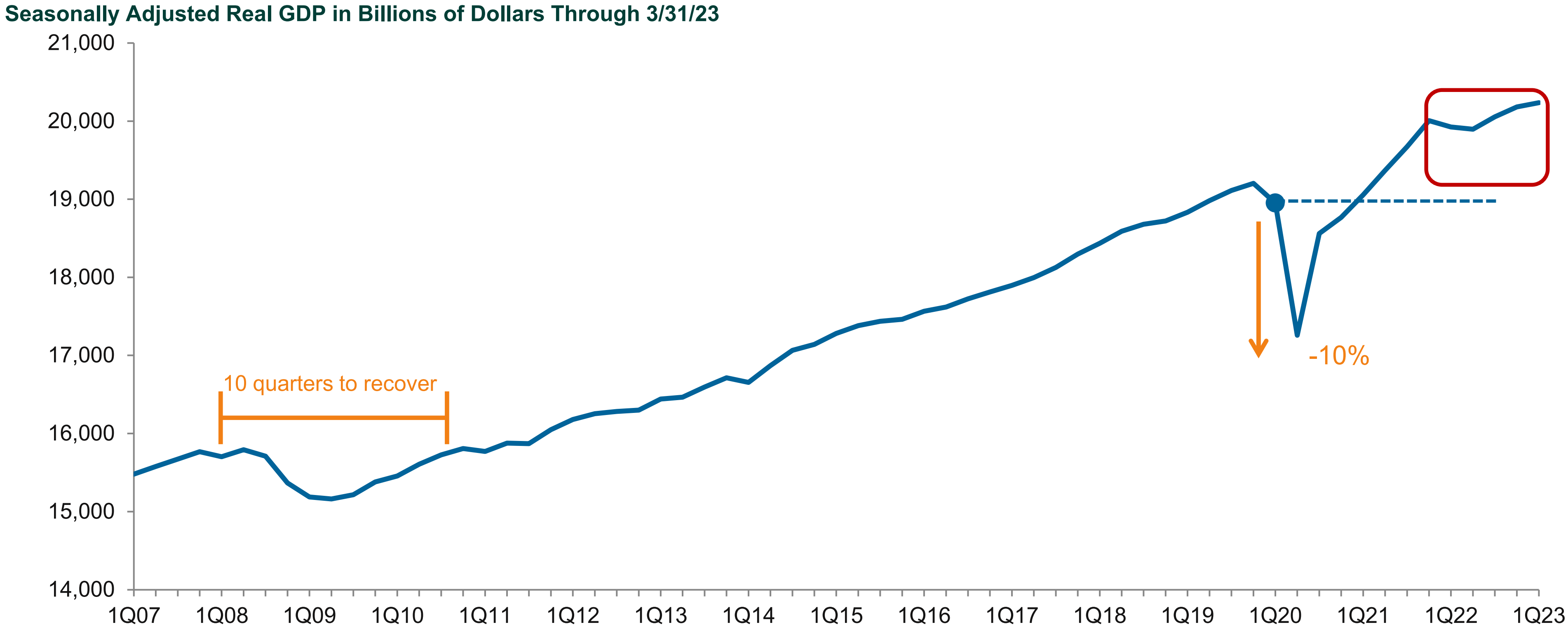
Arkansas Public Employees Retirement System

Brianne Weymouth, CAIA
Senior Vice President

John Jackson, CFA
Senior Vice President

GDP Rose 1.1% in 1Q, Building on the Rebound in 3Q and 4Q

However, widespread expectations for a recession in 2023



GDP rose 1.1% in 1Q23, after 2.1% growth in 2022.

- 2022 saw GDP decline in the first two quarters before gains of 3.2% in 3Q22 and 2.6% in 4Q.
- Loss of business and consumer confidence followed the start of the conflict in Ukraine.
- Consumer wealth hit by stock and bond market drop, and now a sharp slowdown in residential housing, as mortgage rates doubled from the start of the year.

Source: Federal Reserve Bank of St. Louis

Equity and Fixed Income Markets Up Together in 4Q22 and 1Q23

Declines for stocks and bonds in first three quarters of 2022 eased by market rebound

S&P 500 up 7.5% in both 1Q23 and 4Q22.

- Loss through first three quarters of 2022 was 23.8%; rebound in last two quarters reduced the loss to -9.7%. Similar loss reduction across all equity market segments: developed, emerging, small cap

Fixed income recovered as high inflation began to ease, leading to speculation about interest rates

- Bloomberg Aggregate: up 3% in 1Q, after a 1.9% rise in 4Q22, lowering the loss since the start of 2022 to 8.4%
- CPI-U: +5% year-over year for 1Q, down from 6.5% for the year ended Dec. 2022

▶ Inflation hit the highest rate (9%) in decades in June.

▶ Economic data show growth slowed in 2022; GDP gained only 1.1% in 1Q

- Job market remains solid, providing support to Fed efforts to fight inflation

Returns for Periods ended 3/31/23

	Quarter	Year to Date	1 Year	5 Years	10 Years	25 Years
U.S. Equity						
Russell 3000	7.18	7.18	-8.58	10.45	11.73	7.45
S&P 500	7.50	7.50	-7.73	11.19	12.24	7.39
Russell 2000	2.74	2.74	-11.61	4.71	8.04	6.84
Global ex-U.S. Equity						
MSCI World ex USA	8.02	8.02	-2.74	3.80	4.91	4.39
MSCI Emerging Markets	3.96	3.96	-10.70	-0.91	2.00	--
MSCI ACWI ex USA Small Cap	4.70	4.70	-10.37	1.67	5.06	6.45
Fixed Income						
Bloomberg Aggregate	2.96	2.96	-4.78	0.91	1.36	4.03
90-day T-Bill	1.07	1.07	2.50	1.41	0.87	1.90
Bloomberg Long Gov/Credit	5.76	5.76	-13.40	0.63	2.35	5.56
Bloomberg Global Agg ex-US	3.06	3.06	-10.72	-3.17	-0.99	2.80
Real Estate						
NCREIF Property	-1.81	-1.81	-1.63	6.71	8.34	8.79
FTSE Nareit Equity	2.68	2.68	-19.22	6.02	5.97	8.01
Alternatives						
CS Hedge Fund Index	0.92	0.92	1.06	4.25	4.24	5.81
Cambridge Private Equity*	-1.84	-1.84	-3.77	16.84	15.31	14.31
Bloomberg Commodity	-5.36	-5.36	-12.49	5.36	-1.72	1.80
Gold Spot Price	8.76	8.76	1.65	8.40	2.21	7.81
Inflation - CPI-U	1.70	1.70	4.98	3.88	2.63	2.51

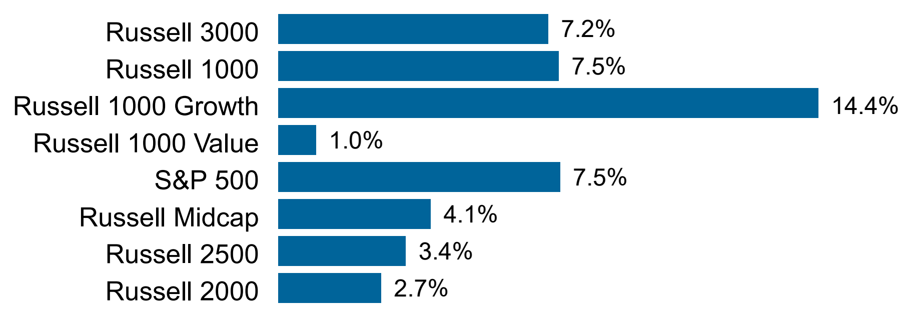
*Cambridge PE data as of 3Q22 and CS Hedge fund data as of 4Q22.
Sources: Bloomberg, Callan, Cambridge, Credit Suisse, FTSE Russell, MSCI, NCREIF, S&P Dow Jones Indices

U.S. Equity Performance: 1Q23

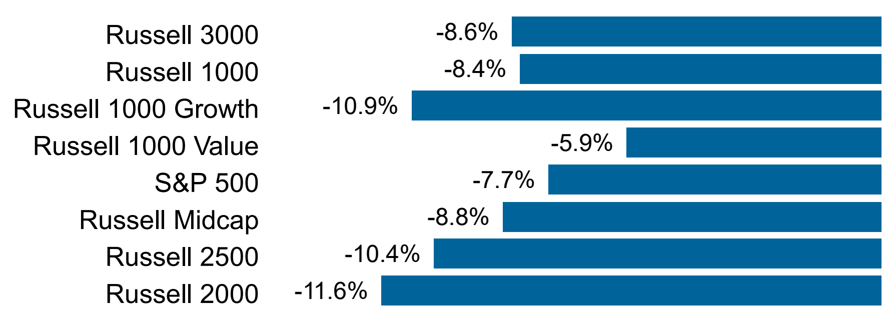
Large cap growth stocks lead broad indices higher; small cap indices hurt by regional bank sell-off

- The S&P 500 posted a second straight quarter of positive performance, gaining 7.5%; large cap growth led all styles, advancing 14.4%; Russell 2000 Value was an exception with a slight decline (0.7%) due to greater exposure to Financials, specifically small banks.
- Three sectors comprising 44% of S&P 500 (63% of Russell 1000 Growth) drove performance: Technology (+21.8%), Communication Services (+20.5%), and Consumer Discretionary (+16.1%). Financials, Energy, and Health Care were negative but had only a modest impact given smaller weights in these benchmarks.
- Small caps (Russell 2000) underperformed large caps (Russell 1000) and growth outperformed value during the quarter, a reversal of trend from 2022. Greater exposure to small banks in Russell 2000 (8.3%) versus Russell 1000 (3.3%) was one differentiator; strong returns for mega-cap Technology also increased divergence.

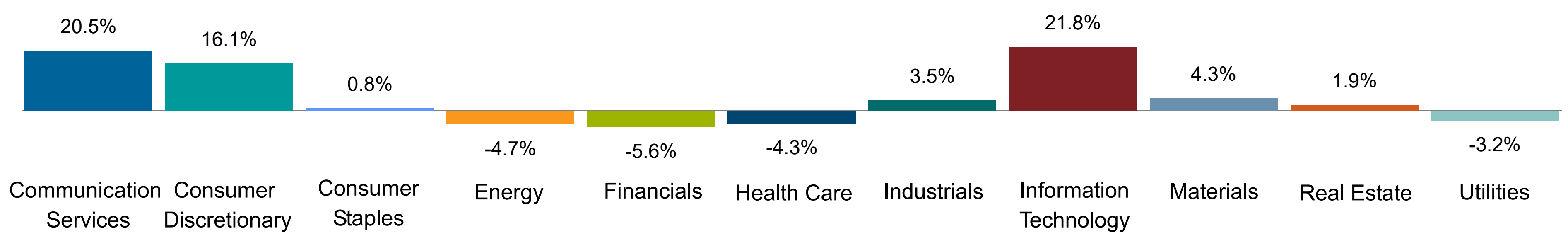
U.S. Equity: Quarter Ended 3/31/23



U.S. Equity: One-Year Returns Ended 3/31/23



Industry Sector Quarterly Performance (S&P 500) as of 3/31/23



Sources: FTSE Russell, S&P Dow Jones Indices

Global/Global ex-U.S. Equity Performance: 1Q23

A reversal of 2022

1Q23 brought global and global ex-U.S. equity markets back to black.

Positive results despite hiccups

- The first quarter of the year was marked by the collapse of Silicon Valley Bank and Credit Suisse, which sent fears of a banking crisis across global markets.
- Despite a Fed hike during the period, investors began to price in lower rate expectations.
- Europe outperformed other regions, making up ground lost in 2022 as inflation eased and recession fears lessened.

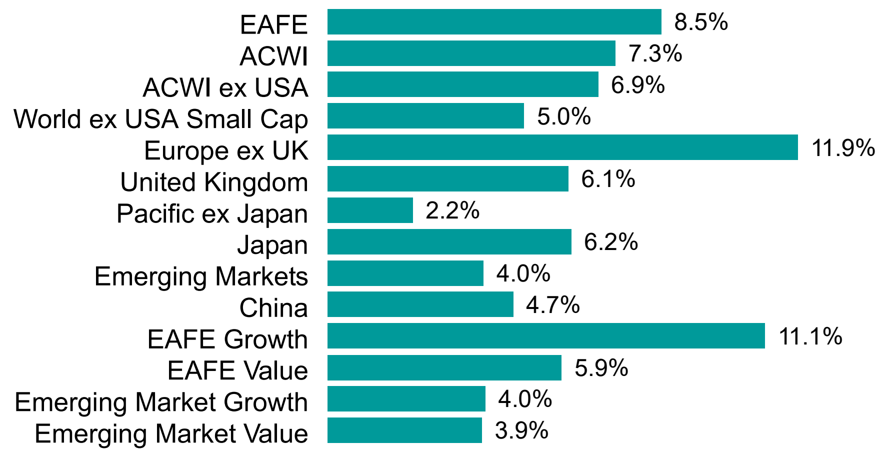
Growth vs. value

- Growth outpaced value across developed and emerging markets.
  - In a reversal from 2022, investors preferred growth alongside a drawdown in banks; Information Technology was the largest outperformer.

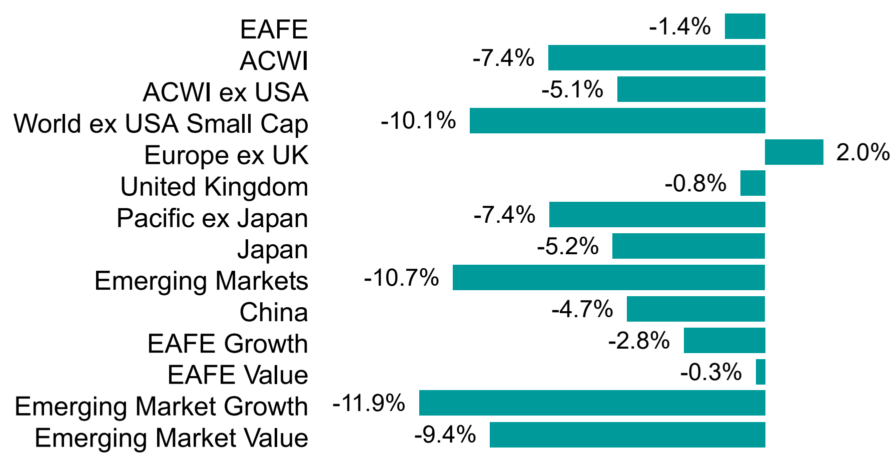
U.S. dollar vs. other currencies

- After some strength early in the quarter, the U.S. dollar declined 1% as interest rate differentials narrowed globally.

Global Equity Returns: Quarter Ended 3/31/23



Global Equity Returns: One Year Ended 3/31/23



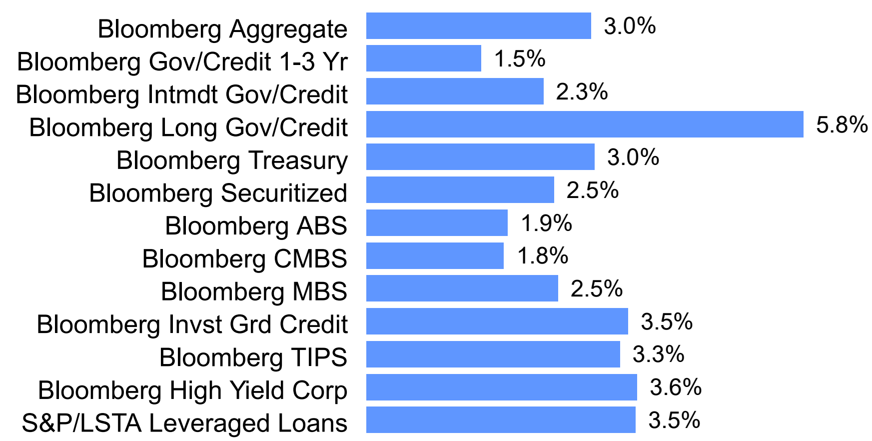
Source: MSCI

U.S. Fixed Income Performance: 1Q23

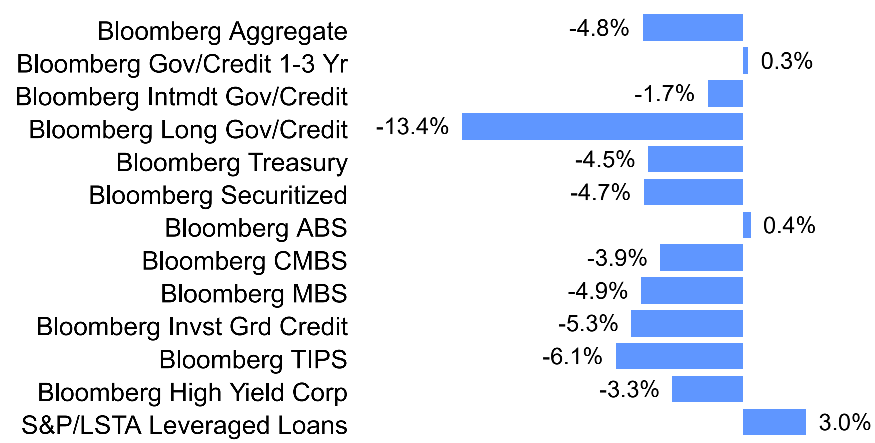
U.S. Fed remains hawkish as it looks to stem inflation

- The Bloomberg Aggregate rose 3.0% in 1Q, but monthly returns were mixed.
  - January: + 3.1%
  - February: - 2.6%
  - March: +2.5%
- Sector performance was mixed over the quarter with residential and commercial mortgages underperforming U.S Treasuries and corporates outperforming.
- The U.S. Fed delivered another 0.25% hike in March, taking the policy range to 4.75% – 5.00%, the highest since September 2007.
  - Median expectation from Fed is 5.1% for year-end 2023; the is market pricing in Fed cuts by year-end
  - Inflation moderated but still high and job market remains tight
- The 10-year U.S. Treasury yield fell by 0.41% and yields fell across the curve as fears of another banking crisis developed.
  - The yield curve remained inverted as of quarter-end by 0.58% for the 2-year/10-year and 1.16% bps for the 1-year/10-year.
- TIPS (Bloomberg TIPS: +3.3%) did well; 10-year breakeven spreads were 2.3% as of quarter-end.
- High yield (Bloomberg High Yield Index: +3.6%) outperformed, but dispersion within the Index is meaningfully higher than it was two years ago.

U.S. Fixed Income Returns: Quarter Ended 3/31/23

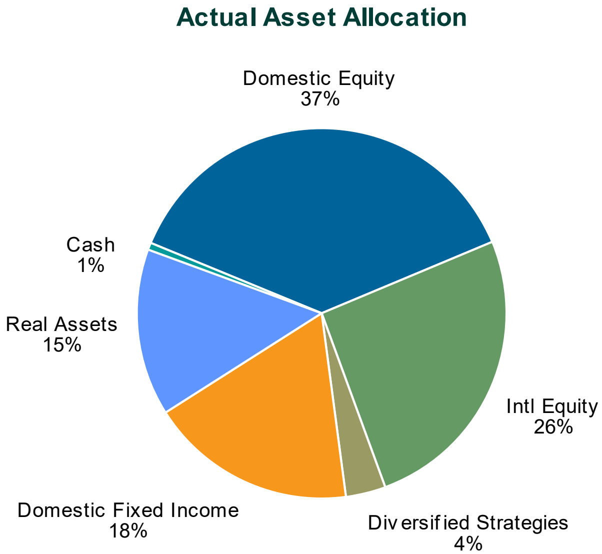


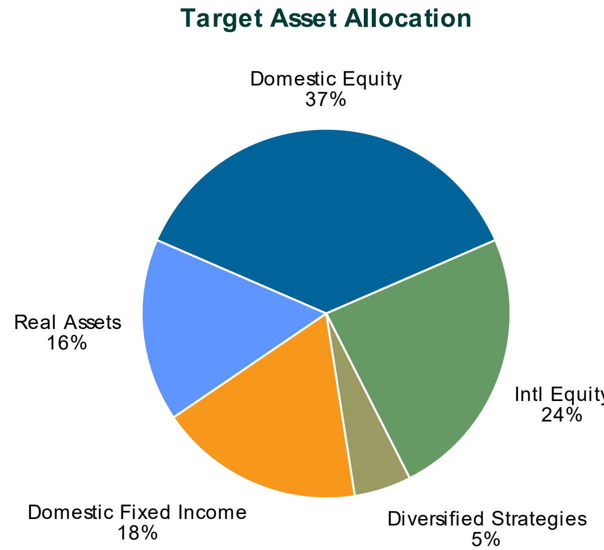
U.S. Fixed Income Returns: One Year Ended 3/31/23



Sources: Bloomberg, S&P Dow Jones Indices

Actual vs. Target Asset Allocation





Asset Class	$000s Actual	Weight Actual	Target	Percent Difference	$000s Difference
Domestic Equity	3,918,443	37.5%	37.0%	0.5%	49,318
Intl Equity	2,687,987	25.7%	24.0%	1.7%	178,284
Diversified Strategies	368,955	3.5%	5.0%	(1.5%)	(153,900)
Domestic Fixed Income	1,891,248	18.1%	18.0%	0.1%	8,971
Real Assets	1,528,110	14.6%	16.0%	(1.4%)	(145,025)
Cash	62,352	0.6%	0.0%	0.6%	62,352
Total	10,457,095	100.0%	100.0%		

- The APERS Investment Policy states that rebalancing to the target asset allocation should take place when the actual asset allocation falls outside of a +/- 5% range from the target asset allocation. All asset classes are within their allowable ranges.

Investment Manager Asset Allocation

	March 31, 2023				December 31, 2022	
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
Domestic Equity	**$3,918,443,496**	**37.47%**	**$20,327,703**	**$209,197,953**	**$3,688,917,840**	**36.61%**
Lazard Asset Mgmt	484,668,553	4.63%	(333,446)	40,251,511	444,750,488	4.41%
CastleArk Mgmt. LLC	473,673,331	4.53%	(28,366,932)	45,611,451	456,428,811	4.53%
Mellon S&P 500 Index Fd	707,709,001	6.77%	90,930,285	44,603,023	572,175,693	5.68%
Horrell Capital Passive	197,571,669	1.89%	(79,084)	2,812,156	194,838,596	1.93%
Wellington Management	453,391,465	4.34%	(28,357,179)	12,905,455	468,843,189	4.65%
Intech	403,212,951	3.86%	(11,889,130)	32,105,859	382,996,223	3.80%
LSV Asset Management	340,690,199	3.26%	(492,803)	(1,267,913)	342,450,915	3.40%
Stephens Investment Mgmt.	447,039,914	4.27%	(679,335)	26,818,649	420,900,601	4.18%
Froley Revy Investment	410,486,413	3.93%	(404,672)	5,357,762	405,533,323	4.03%
International Equity	**$2,687,986,721**	**25.70%**	**$(2,243,733)**	**$225,531,383**	**$2,464,699,071**	**24.46%**
Artisan Partners	665,237,299	6.36%	(800,272)	65,819,617	600,217,955	5.96%
Mellon ACWI ex US Fund	591,970,420	5.66%	(87,290)	38,795,686	553,262,024	5.49%
Baillie Gifford Overseas	537,078,131	5.14%	(484,798)	53,362,315	484,200,614	4.81%
Lazard Asset Mgmt.	554,570,423	5.30%	(393,902)	45,853,176	509,111,149	5.05%
Acadian ACW ex US SmallCap	185,843,339	1.78%	(245,944)	9,766,785	176,322,498	1.75%
Franklin Templeton Intl SmallCap	153,010,339	1.46%	(231,526)	11,928,963	141,312,901	1.40%
Manning & Napier Advisors	276,771	0.00%	0	4,840	271,930	0.00%
Diversified Strategies	**$368,954,633**	**3.53%**	**$(137,207,758)**	**$8,353,121**	**$497,809,270**	**4.94%**
AQR Capital	152,329,880	1.46%	0	7,322,098	145,007,782	1.44%
Blackstone Alt. Asset Mgmt.	216,624,753	2.07%	(543,215)	1,991,869	215,176,098	2.14%
Newton Capital	0	0.00%	(136,664,543)	(960,847)	137,625,390	1.37%
Domestic Fixed Income	**$1,891,248,460**	**18.09%**	**$(914,673)**	**$61,186,044**	**$1,830,977,089**	**18.17%**
DoubleLine Capital	601,078,385	5.75%	(276,931)	19,359,412	581,995,904	5.78%
MacKay Shields	641,605,091	6.14%	(307,983)	21,383,646	620,529,428	6.16%
PGIM	648,564,984	6.20%	(329,759)	20,442,986	628,451,757	6.24%
Real Assets	**$1,528,110,361**	**14.61%**	**$39,378,850**	**$(40,154,621)**	**$1,528,886,132**	**15.17%**
Energy	**$11,539**	**0.00%**	**$(3,810)**	**$419**	**$14,929**	**0.00%**
CastleArk Glob Energy Fd	11,539	0.00%	(3,810)	419	14,929	0.00%
REITS	**$11,296,627**	**0.11%**	**$(10,252,106)**	**$426,188**	**$21,122,545**	**0.21%**
MCM EB DV Non-SL REIT Fd	11,296,627	0.11%	(10,252,106)	426,188	21,122,545	0.21%
Core Real Estate	**$965,721,693**	**9.24%**	**$(3,985,969)**	**$(37,766,567)**	**$1,007,474,229**	**10.00%**
Invesco Real Estate	593,984,936	5.68%	(538,981)	(25,157,715)	619,681,632	6.15%
Heitman Real Estate Trust LP	371,736,757	3.55%	(3,446,988)	(12,608,852)	387,792,597	3.85%
Value Add Real Estate	**$376,304,570**	**3.60%**	**$47,030,158**	**$(5,530,881)**	**$334,805,293**	**3.32%**
Clarion Lion Industrial Trust	82,847,966	0.79%	42,365,881	(1,073,440)	41,555,525	0.41%
Harrison Street Fund VIII	42,264,968	0.40%	3,783,727	5,757,917	32,723,324	0.32%
Heitman Value Partners IV	54,701,966	0.52%	(207,086)	(1,304,310)	56,213,363	0.56%
LaSalle Inc & Growth VI LP	5,529,404	0.05%	18,827	(390,108)	5,900,685	0.06%
LaSalle Inc & Growth VII LP	34,956,511	0.33%	1,802,494	(2,238,219)	35,392,235	0.35%
Starwood SOF XI	17,300,976	0.17%	(238,816)	282,163	17,257,629	0.17%
TA Associates Realty Fund X	33,304	0.00%	373	(2,056)	34,987	0.00%
TA Associates Realty Fund XI	30,131,198	0.29%	(979,933)	(2,176,111)	33,287,242	0.33%
TA Associates Realty Fund XII	108,538,277	1.04%	484,691	(4,386,717)	112,440,303	1.12%
Farmland	**$87,599,327**	**0.84%**	**$7,036,248**	**$2,059,114**	**$78,503,965**	**0.78%**
IFC Core Farmland Fund	51,510,687	0.49%	(470,384)	1,981,071	50,000,000	0.50%
PGIM Agriculture	36,088,640	0.35%	7,506,632	78,043	28,503,965	0.28%
Timber	**$87,176,606**	**0.83%**	**$(445,672)**	**$657,106**	**$86,965,172**	**0.86%**
Pinnacle	87,176,606	0.83%	(445,672)	657,106	86,965,172	0.86%
Cash	**$62,351,579**	**0.60%**	**$(1,912,538)**	**$305,505**	**$63,958,611**	**0.63%**
Total Fund	**$10,457,095,250**	**100.0%**	**$(82,572,149)**	**$464,419,385**	**$10,075,248,013**	**100.0%**

Asset Class Performance and Market Values

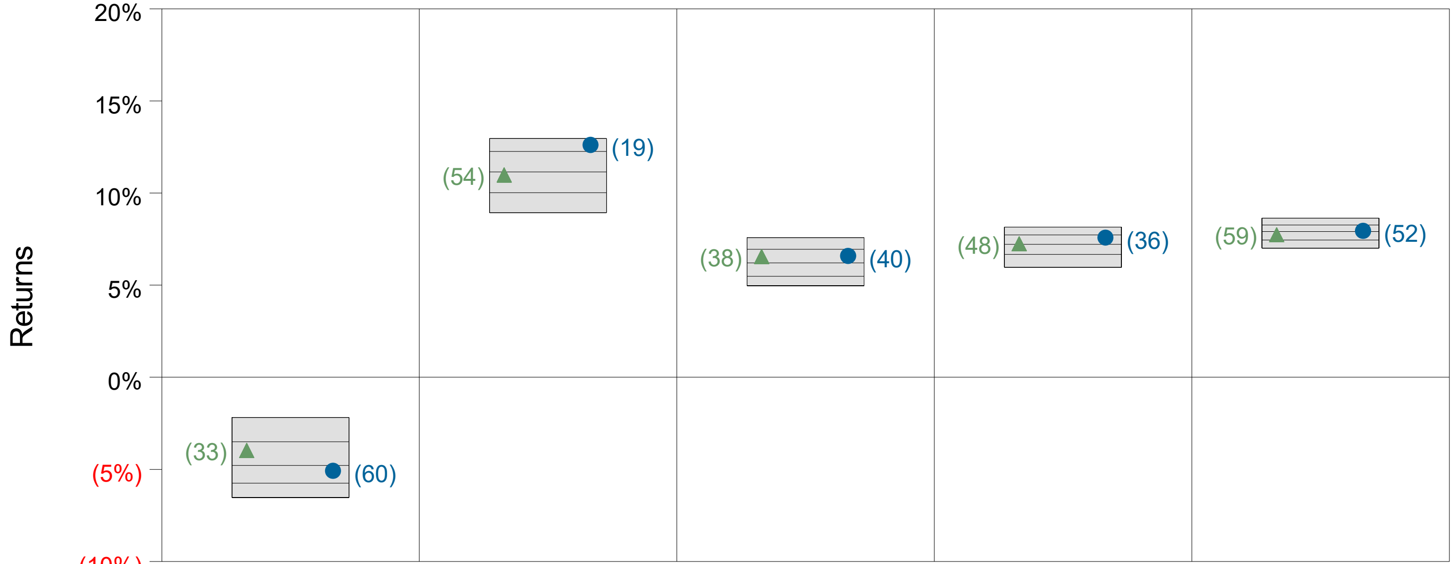
	Market Value $(Dollars)	Ending Weight	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Equity	$3,918,443,496	37.70%	5.69%	8.28%	(9.16%)	18.20%	9.73%
Russell 3000 Index	-	-	7.18%	9.75%	(8.58%)	18.48%	10.45%
International Equity	$2,687,986,721	25.86%	9.15%	14.07%	(2.11%)	14.17%	4.34%
Benchmark****	-	-	6.56%	9.85%	(5.84%)	10.46%	2.13%
Diversified Strategies	$368,954,633	3.55%	1.90%	3.21%	(1.58%)	7.13%	4.93%
Diversified Strategy Trgt**	-	-	5.82%	6.48%	(5.86%)	8.67%	5.61%
Domestic Fixed Income	$1,891,248,460	18.19%	3.34%	0.95%	(5.25%)	(0.19%)	1.54%
Blmbg Aggregate	-	-	2.96%	(0.09%)	(4.78%)	(2.77%)	0.91%
Real Assets	$1,528,110,361	14.70%	(2.56%)	(5.96%)	0.30%	12.65%	8.01%
CPIU + 4%	-	-	2.64%	4.83%	8.99%	9.36%	7.88%
REITS	$11,296,627	0.11%	2.76%	(3.81%)	(21.31%)	11.30%	4.38%
S&P DJ US Select REIT	-	-	2.77%	(3.51%)	(20.98%)	11.32%	4.66%
Core Real Estate	$965,721,693	9.29%	(3.76%)	(7.35%)	0.36%	8.07%	7.08%
NFI-ODCE Eq Wt Net	-	-	(3.50%)	(7.70%)	(3.69%)	8.17%	7.13%
Value Add Real Estate	$376,304,570	3.62%	(1.46%)	(4.55%)	7.55%	18.85%	16.45%
NCREIF Total Index	-	-	(1.81%)	(4.71%)	(1.63%)	7.15%	6.71%
Farmland	$87,599,327	0.84%	2.64%	2.67%	-	-	-
NCREIF Farmland Index	-	-	2.08%	7.33%	8.88%	7.53%	6.52%
Timber	$87,176,606	0.84%	0.76%	6.55%	15.60%	6.96%	3.57%
NCREIF Timberland Index	-	-	1.75%	9.27%	11.31%	8.09%	5.54%
Total Fund***	$10,394,743,671	100.00%	4.64%	5.76%	(5.15%)	12.55%	6.53%
Benchmark*	-	-	5.48%	7.17%	(3.97%)	10.99%	6.56%

- **Domestic Equity** underperformed the benchmark in the first quarter and over the last 5-year period.
- **International Equity** outperformed the benchmark in the first quarter and leads its benchmark over longer time period.
- **Diversified Strategies** underperformed the target return in the first quarter and trails the target over longer time periods.
- **Domestic Fixed Income** outperformed the benchmark in the first quarter and leads the index over longer trailing time periods due to its Core Plus orientation.
- **Real Assets** underperformed the benchmark in the first quarter but has outperformed over longer periods.

** Benchmark consists of 37% Russell 3000 Index, 24% MSCI ACWI ex US IMI Index, 18% Blmbg Aggregate Index, 16% CPI All Urban Cons +4%, 3% MSCI World Index and 2% Blmbg Aggregate Index*
*** 60% MSCI World and 40% Bloomberg Aggregate.*
**** Performance excludes In-House Cash Accounts.*
***** MSCI EAFE through 12/31/2020; MSCI ACWI ex US IMI (Net) thereafter*

Total Fund Performance

Callan Public Fund Sponsor Database



	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	(2.18)	12.96	7.59	8.16	8.65
25th Percentile	(3.49)	12.26	6.95	7.74	8.27
Median	(4.78)	11.15	6.22	7.22	7.91
75th Percentile	(5.75)	10.02	5.48	6.67	7.46
90th Percentile	(6.52)	8.94	4.98	5.97	7.01
Total Fund ●	(5.15)	12.55	6.53	7.52	7.89
Policy Target ▲	(3.97)	10.99	6.56	7.25	7.75

- The Total Fund underperformed its policy target for the last year and ranked at the 60th percentile of its peer group.
- Over the trailing 3- and 10-year periods, the fund has outpaced its benchmark and finished ahead of its peer group median.
- Over the last 5 years, the fund finished in line with its benchmark and ranks at the 40th percentile of peers.

***Policy Target** consists of 37% Russell 3000 Index, 24% MSCI ACWI ex US IMI Index, 18% Blmbg Aggregate Index, 16% CPI All Urban Cons +4%, 3% MSCI World Index and 2% Blmbg Aggregate Index*

Investment Manager Returns and Peer Group Rankings

	Last Quarter		Fiscal YTD		Last Year		Last 3 Years		Last 5 Years	
Total Domestic Equity	**5.69%**	**85**	**8.28%**	**88**	**(9.16%)**	**83**	**18.20%**	**78**	**9.73%**	**63**
Russell 3000 Index	7.18%	19	9.75%	38	(8.58%)	70	18.48%	66	10.45%	21
Pub Pln- Dom Equity	6.52%		9.63%		(8.00%)		18.81%		9.90%	
Lazard Asset Mgmt.	9.05%	27	8.88%	52	(6.06%)	40	15.75%	78	9.83%	50
Russell 3000 Index	7.18%	32	9.75%	46	(8.58%)	58	18.48%	58	10.45%	43
Callan All Cap Broad	4.91%		9.07%		(7.54%)		19.50%		9.87%	
CastleArk	10.17%	26	12.27%	32	(8.56%)	57	21.47%	40	12.43%	16
Russell 3000 Growth Index	13.85%	9	12.56%	28	(10.88%)	79	18.23%	59	13.02%	8
Callan All Cap Broad	4.91%		9.07%		(7.54%)		19.50%		9.87%	
Mellon S&P 500 Index Fd	7.50%	23	9.99%	29	(7.73%)	47	18.50%	49	10.87%	46
S&P 500 Index	7.50%	23	9.98%	29	(7.73%)	47	18.60%	45	11.19%	40
Callan Large Cap Core	6.73%		9.34%		(7.85%)		18.47%		10.62%	
Horrell Capital - Passive	1.44%	75	10.40%	42	(2.78%)	29	22.33%	29	11.15%	31
Bloomberg Arkansas Index	(1.57%)	99	8.11%	63	(0.60%)	13	34.13%	7	13.57%	5
S&P 500 Index	7.50%	32	9.98%	43	(7.73%)	54	18.60%	58	11.19%	30
Callan All Cap Broad	4.91%		9.07%		(7.54%)		19.50%		9.87%	
Wellington Management	2.66%	20	8.89%	31	(3.87%)	37	19.09%	69	8.24%	52
Russell 1000 Value Index	1.01%	37	7.17%	61	(5.91%)	74	17.93%	84	7.50%	70
Callan Large Cap Value	0.42%		8.02%		(4.52%)		20.57%		8.28%	
Intech	8.51%	82	3.51%	97	(19.51%)	95	12.78%	80	9.05%	89
Russell 1000 Growth Index	14.37%	28	12.67%	37	(10.90%)	40	18.58%	20	13.66%	14
Callan Large Cap Growth	13.09%		11.56%		(11.85%)		15.62%		11.62%	
LSV Asset Management	(0.38%)	82	9.02%	35	(3.69%)	27	29.60%	22	5.50%	67
Russell 2000 Value Index	(0.66%)	84	2.74%	84	(12.96%)	87	21.01%	80	4.55%	84
Callan Small Cap Value	1.18%		7.73%		(6.40%)		25.13%		6.17%	
Stephens Investment Mgmt.	6.37%	63	8.60%	71	(11.77%)	60	16.13%	60	8.46%	55
Russell 2000 Growth Index	6.07%	67	10.72%	46	(10.60%)	48	13.36%	84	4.26%	94
Callan Small Cap Growth	7.16%		10.41%		(10.81%)		16.93%		8.98%	
Froley Revy Investment	1.32%	82	2.79%	87	(13.58%)	94	13.80%	26	8.55%	28
ML All Conv	3.75%	27	5.70%	55	(10.84%)	89	14.93%	12	9.57%	16
Callan Convert Bonds DB	2.74%		5.75%		(7.00%)		10.74%		6.52%	

- Total **Domestic Equity** underperformance over the last year has weighed on long-term results, as the composite trails the benchmark and peer group median over the trailing 3- and 5-year periods.
- Lazard and Wellington led their respective benchmarks and ranked in the top half of peers for the quarter. Both managers finished in line with their peer group median over the last 5-year period.
- CastleArk trailed its benchmark but ranked at the 26th percentile of peers for the quarter. The fund ranks favorably relative to peers over long-term periods and has outperformed the benchmark over the last 3 years.
- Froley Revy and Intech lagged their respective benchmarks for the quarter and ranked below median of peers. Froley Revy trails the benchmark but ranks in the top half of peers over longer periods but while Intech lags the benchmark and peers.
- LSV outperformed the benchmark for the quarter and for all time periods shown above.

Investment Manager Returns and Peer Group Rankings

	Last Quarter		Fiscal YTD		Last Year		Last 3 Years		Last 5 Years	
International Equity	**9.15%**	**7**	**14.07%**	**20**	**(2.11%)**	**16**	**14.17%**	**23**	**4.34%**	**17**
Benchmark(1)	6.56%	84	9.85%	79	(5.84%)	85	10.46%	86	2.13%	85
Pub Pln- Intl Equity	7.42%		11.68%		(3.71%)		12.96%		3.14%	
Artisan Partners	10.97%	14	19.79%	5	6.75%	3	22.82%	1	8.47%	1
MSCI EAFE	8.47%	59	15.36%	41	(1.38%)	47	12.99%	59	3.52%	58
Callan NonUS Eq	8.76%		14.61%		(1.87%)		13.77%		3.99%	
Mellon ACWI ex US Fund	7.01%	85	10.26%	93	(4.81%)	81	12.14%	78	2.83%	76
MSCI ACWI ex US	6.87%	87	10.03%	94	(5.07%)	84	11.80%	80	2.47%	83
Callan NonUS Eq	8.76%		14.61%		(1.87%)		13.77%		3.99%	
Baillie Gifford Overseas	11.02%	14	16.07%	32	(6.59%)	90	9.16%	96	3.42%	60
MSCI ACWIxUS Gross	7.00%	86	10.38%	92	(4.57%)	79	12.32%	74	2.97%	74
Callan NonUS Eq	8.76%		14.61%		(1.87%)		13.77%		3.99%	
Lazard Asset Mgmt.	9.01%	43	12.16%	79	(1.75%)	49	12.69%	66	2.98%	74
MSCI ACWIxUS Gross	7.00%	86	10.38%	92	(4.57%)	79	12.32%	74	2.97%	74
Callan NonUS Eq	8.76%		14.61%		(1.87%)		13.77%		3.99%	
Acadian ACW ex US SmallCap	5.54%	74	10.52%	67	(8.16%)	66	-		-	
MSCI ACWI ex US Small Cap	4.70%	85	8.70%	86	(10.37%)	82	15.04%	46	1.67%	43
Callan Intl Small Cap	6.62%		11.81%		(6.89%)		14.88%		1.51%	
Franklin Templeton Intl SmallCap	8.44%	23	10.38%	69	(3.74%)	25	-		-	
MSCI ACWI ex US Small Cap	4.70%	85	8.70%	86	(10.37%)	82	15.04%	46	1.67%	43
Callan Intl Small Cap	6.62%		11.81%		(6.89%)		14.88%		1.51%	
Diversified Strategies	**1.90%**		**3.21%**		**(1.58%)**		**7.13%**		**4.93%**	
Diversified Strategy Trgt**	5.82%		6.48%		(5.86%)		8.67%		5.61%	
AQR Capital	5.05%	20	4.55%	46	(9.07%)	92	5.33%	66	3.47%	54
Diversified Strategy Trgt**	5.82%	10	6.48%	30	(5.86%)	64	8.67%	46	5.61%	21
Intl/Global Balanced DB	3.58%		4.36%		(4.21%)		7.83%		3.67%	
Blackstone Alt. Asset Mgmt.	0.92%	91	4.65%	45	5.26%	3	8.70%	46	5.71%	20
T-Bills + 4%	2.03%	78	5.36%	35	6.50%	2	4.89%	71	5.41%	23
Intl/Global Balanced DB	3.58%		4.36%		(4.21%)		7.83%		3.67%	

- Total **International Equity** leads the benchmark over longer time periods and ranks in the top quartile of peers.
- All managers led their respective benchmarks during the first quarter. Artisan, Baillie Gifford, Lazard, and Franklin Templeton ranked in the top half of peers.
- Over the 5-year period, Artisan and Baillie Gifford have outperformed their respective benchmarks. Lazard matched the benchmark return over the last 5 years.
- **Diversified Strategies** lagged its target in the first quarter and trails its benchmark over the last 3- and 5-year periods.
- AQR trailed its target return but ranked in the top quartile of peers for the quarter, while BAAM underperformed its target and ranked in the fourth quartile of peers.
- BAAM has outpaced its target return and ranks in the top half of peers over the trailing 3- and 5-year periods.

(1) MSCI EAFE through 12/31/2020; MSCI ACWI ex US IMI (Net) thereafter
***60% MSCI World/40% Blmbg Aggregate*

Investment Manager Returns and Peer Group Rankings

	Last Quarter	Rank	Fiscal YTD	Rank	Last Year	Rank	Last 3 Years	Rank	Last 5 Years	Rank
Domestic Fixed Income	**3.34%**	**19**	**0.95%**	**47**	**(5.25%)**	**85**	**(0.19%)**	**35**	**1.54%**	**50**
Blmbg Aggregate Index	2.96%	62	(0.09%)	89	(4.78%)	72	(2.77%)	96	0.91%	91
Pub Pln- Dom Fixed	3.06%		0.87%		(4.30%)		(0.74%)		1.52%	
DoubleLine Capital	3.33%	47	0.76%	54	(4.76%)	47	(0.24%)	37	1.03%	94
MacKay Shields	3.45%	30	1.08%	45	(5.44%)	80	0.11%	21	1.91%	22
PGIM	3.26%	56	0.99%	47	(5.50%)	82	(0.48%)	44	1.64%	48
Blmbg Aggregate Index	2.96%	83	(0.09%)	86	(4.78%)	48	(2.77%)	99	0.91%	96
Callan Core Plus FI	3.31%		0.83%		(4.79%)		(0.64%)		1.63%	
Real Assets	**(2.56%)**		**(5.96%)**		**0.30%**		**12.65%**		**8.01%**	
CPIU + 4%	2.64%		4.83%		8.99%		9.36%		7.88%	
REITS	**2.76%**		**(3.81%)**		**(21.31%)**		**11.30%**		**4.38%**	
S&P DJ US Select REIT	2.77%		(3.51%)		(20.98%)		11.32%		4.66%	
MCM EB DV Non-SL REIT Fd	2.76%	59	(3.81%)	65	(21.31%)	86	11.30%	53	4.38%	90
S&P DJ US Select REIT	2.77%	58	(3.51%)	58	(20.98%)	83	11.32%	51	4.66%	86
Callan Real Estate REIT	3.07%		(3.20%)		(18.99%)		11.37%		7.16%	
Core Real Estate	**(3.76%)**		**(7.35%)**		**0.36%**		**8.07%**		**7.08%**	
NCREIF NFI-ODCE Eq Wt Net	(3.50%)		(7.70%)		(3.69%)		8.17%		7.13%	
Invesco Real Estate	(4.06%)	89	(7.49%)	70	(3.00%)	72	6.61%	78	6.97%	67
Heitman Real Estate Trust LP***	(3.28%)	81	(7.12%)	67	6.08%	13	10.44%	22	7.32%	46
NCREIF NFI-ODCE Eq Wt Net	(3.50%)	83	(7.70%)	74	(3.69%)	80	8.17%	43	7.13%	57
Callan OE Core Cmngld RE	(1.45%)		(5.04%)		(0.87%)		7.75%		7.21%	
Value Add Real Estate	**(1.46%)**		**(4.55%)**		**7.55%**		**18.85%**		**16.45%**	
NCREIF Total Index	(1.81%)		(4.71%)		(1.63%)		7.15%		6.71%	
Clarion Lion Industrial Trust	(1.27%)		-		-		-		-	
Harrison Street Fund VIII	15.75%		15.82%		20.75%		-		-	
Heitman Value Partners IV	(2.32%)		3.64%		15.11%		20.39%		-	
LaSalle Inc & Growth VI LP	(6.59%)		(32.17%)		(31.61%)		(14.00%)		(7.35%)	
LaSalle Inc & Growth VII LP	(6.02%)		(8.94%)		(5.02%)		8.53%		10.05%	
Starwood SOF XII	1.66%		9.45%		21.42%		-		-	
TA Associates Realty Fund X	(5.82%)		19.30%		53.70%		12.32%		17.36%	
TA Associates Realty Fund XI	(6.74%)		(25.45%)		(9.84%)		19.06%		17.26%	
TA Associates Realty Fund XII	(3.88%)		(5.20%)		10.64%		25.57%		-	
NCREIF Total Index	(1.81%)		(4.71%)		(1.63%)		7.15%		6.71%	
Farmland	**2.64%**		**2.67%**		**-**		**-**		**-**	
IFC Core Farmland Fund	4.00%		-		-		-		-	
PGIM Agriculture	0.27%		0.44%		-		-		-	
NCREIF Farmland Index	2.08%		7.33%		8.88%		7.53%		6.52%	
Timber	**0.76%**		**6.55%**		**15.60%**		**6.96%**		**3.57%**	
Pinnacle	0.76%		6.55%		15.60%		6.96%		3.57%	
NCREIF Timberland Index	1.75%		9.27%		11.31%		8.09%		5.54%	
Total Fund	**4.64%**	**43**	**5.76%**	**53**	**(5.15%)**	**60**	**12.55%**	**19**	**6.53%**	**40**
Benchmark*	5.48%	12	7.17%	10	(3.97%)	33	10.99%	54	6.56%	38
Callan Public Fund Spr DB	4.55%		5.83%		(4.78%)		11.15%		6.22%	

- **Domestic Fixed Income** leads the index over the last 3- and 5-year periods. All three managers delivered excess returns over the benchmark in the first quarter and have outperformed over longer periods.
- The **Real Assets** composite leads the benchmark over longer periods, driven by strong results from Value-Add Real Estate. In the first quarter, REITS matched the benchmark return, Value-Add Real Estate and Farmland outperformed their respective benchmarks, while Core Real Estate and Timber underperformed.
- The **Total Fund** underperformed its benchmark but ranked in the top half of peers for the quarter. The Fund has delivered excess returns versus the benchmark in the last three years and ranks in the top half of peers over the last 3- and 5-year periods.

****Policy Target*** consists of 37% Russell 3000 Index, 24% MSCI ACWI ex US IMI Index, 18% Blmbg Aggregate Index, 16% CPI All Urban Cons +4%, 3% MSCI World Index and 2% Blmbg Aggregate Index*
****** Funded July 8, 2015. Performance prior to October 1, 2015 represents fund composite returns.*

Organizational Developments

There were no notable organizational developments this quarter.

Work Plan Update

Asset Liability Study

- Completed in February 2019. The Board decided to keep the current asset allocation unchanged

Investment Policy Review and Update – Completed in August 2019

Non-US Equity Structure Study

- The Board reviewed the Non-US Equity Structure Study at the November 2019 Board Meeting
- The Board selected a structure which included a new allocation to Non-US Small Cap Equity
- The Non-US Small Cap Equity search was concluded in November 2020 with the selection of Acadian Asset Management and Franklin Templeton Investments

Real Assets Structure Study

- The Board reviewed the Real Assets Structure at the February 2021 meeting. The Board chose to eliminate the Energy equity allocation, in favor of additional Core and Core Plus real estate, and Farmland. Additional Allocations to Value-add real estate were also approved
- At the May 2021 Board Meeting, the Board approved the Real Estate Pacing Study and new commitments to Starwood and Harrison Street Partners
- At the November 2021 Board Meeting, Farmland managers were interviewed and both IFC and PGIM were allocated $50 million.
- Core Plus Real Estate Manager Interviews occurred at the February Board Meeting, all three managers, Carlyle, Principal, and Clarion, were hired to manage $85 million.

Domestic Equity Structure Study

- Presented at the August 2022 Board Meeting. The Board decided to maintain the current Domestic Equity Structure.

Private Equity Education and Total Fund Asset Allocation Review

- Private equity education was provided at the Trustee Workshop in October 2022. In the November 2022 meeting the Board received an asset allocation review which included portfolios containing private equity.
- The Board requested that Callan complete a Private Equity pacing analysis using a 5% private equity target allocation for the Fund.

Work Plan Update

Total Fund Asset Allocation Review Update and Private Equity Pacing Study Analysis

- Presented at the February 2023 meeting

Private Equity Education, Pacing Study Review and Secondaries Manager Search Results

- Additional Private Equity education provided on May 16th, 2023
- Private Equity Pacing Study results and Secondaries Search Results presented at the May 2023 meeting

Upcoming Projects:

- **Potential Searches and additional work on Private Equity**
- **Investment Policy Review**
- **Fixed Income Structure Study**

Total Fund Relative Attribution

Relative Attribution Effects for Quarter ended March 31, 2023

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	37%	37%	5.69%	7.18%	(0.55%)	(0.00%)	(0.55%)
Domestic Fixed Income	18%	18%	3.34%	2.96%	0.07%	(0.01%)	0.06%
International Equity	25%	24%	9.15%	6.56%	0.64%	0.00%	0.64%
Diversified Strategies	4%	5%	1.90%	5.82%	(0.17%)	(0.00%)	(0.18%)
Real Assets	16%	16%	(2.56%)	2.64%	(0.82%)	0.01%	(0.81%)
Total			**4.64% =**	**5.48% +**	**(0.83%) +**	**(0.01%)**	**(0.84%)**

One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	38%	37%	(9.16%)	(8.58%)	(0.23%)	(0.19%)	(0.42%)
Domestic Fixed Income	18%	18%	(5.25%)	(4.78%)	(0.09%)	(0.06%)	(0.16%)
International Equity	24%	24%	(2.11%)	(5.84%)	0.91%	(0.09%)	0.82%
Diversified Strategies	5%	5%	(1.58%)	(5.86%)	0.22%	0.00%	0.22%
Real Assets	15%	16%	0.30%	8.99%	(1.18%)	(0.45%)	(1.64%)
Total			**(5.15%) =**	**(3.97%) +**	**(0.39%) +**	**(0.79%)**	**(1.18%)**

Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	40%	37%	9.73%	10.45%	(0.28%)	0.06%	(0.21%)
Domestic Fixed Income	17%	18%	1.54%	0.91%	0.07%	(0.05%)	0.02%
International Equity	25%	24%	4.34%	2.13%	0.56%	(0.08%)	0.48%
Diversified Strategies	5%	5%	4.93%	5.61%	(0.03%)	0.00%	(0.03%)
Real Assets	14%	16%	8.01%	7.88%	(0.14%)	(0.15%)	(0.28%)
Total			**6.53% =**	**6.56% +**	**0.18% +**	**(0.21%)**	**(0.03%)**

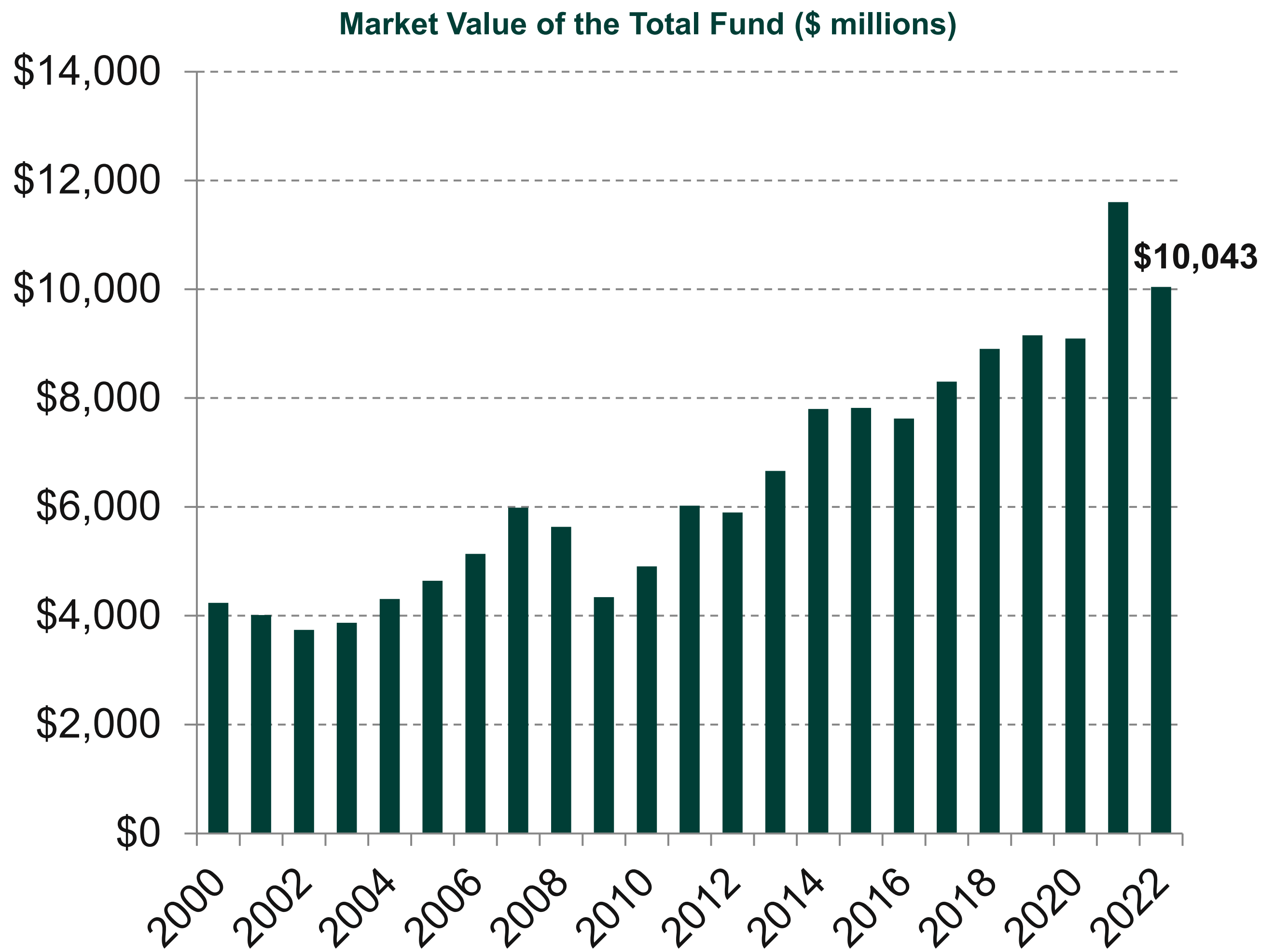
- Active management was the primary detractor for the quarter. Real Assets, Domestic Equity, and Diversified Strategies managers wiped out positive active management contributions from International Equity and Fixed Income. Variance from policy weights had a small negative impact overall.
- Over the last year, active management and deviations from target policy weights had a negative impact on relative performance. International Equity managers added the most value for the period, but Fixed Income, International Equity, and Real Assets managers detracted. The asset allocation effect was negative, driven by an underweight to Real Assets.
- The Fund has kept pace with its policy benchmark return over the last five years. Active management within International Equity and Fixed Income added the most value over the period. Positive contributions from active management were negated by variance from policy weights.

Policy Target *consists of 37% Russell 3000 Index, 24% MSCI ACWI ex US IMI Index, 18% Blmbg Aggregate Index, 16% CPI All Urban Cons +4%, 3% MSCI World Index and 2% Blmbg Aggregate Index*

Historical Market Values of the Total Fund

Fiscal Year-End Market Values

Fiscal Year Ending	Market Value
2000	$4,236,749,732
2001	$4,012,745,608
2002	$3,739,381,695
2003	$3,869,787,673
2004	$4,307,589,827
2005	$4,642,924,118
2006	$5,136,985,259
2007	$5,985,111,493
2008	$5,633,155,289
2009	$4,341,419,711
2010	$4,907,734,835
2011	$6,022,965,592
2012	$5,896,862,618
2013	$6,662,631,673
2014	$7,800,291,923
2015	$7,820,289,128
2016	$7,624,665,446
2017	$8,301,352,120
2018	$8,904,393,859
2019	$9,153,121,783
2020	$9,093,497,703
2021	$11,602,695,185
2022	$10,042,629,672



Private Equity Pacing Analysis Update

Commitment Pacing

Private Equity Commitment Pacing Requirements

- Private equity commitments are invested over multiple years; therefore, it is necessary to create a forecast of the timing of cash inflows, outflows, and the invested value of the portfolio in the future.
- The projection determines the appropriate amount and sequencing of investments to achieve a strategic target and maintain the targeted exposure throughout.
- Because private equity assets cannot be easily rebalanced, a strong pacing discipline is important to avoid being over- or under-allocated to the asset class.
- Pacing analyses should be refreshed annually to monitor portfolio development and make appropriate future commitment refinements as market conditions vary.

Implementation Scenarios

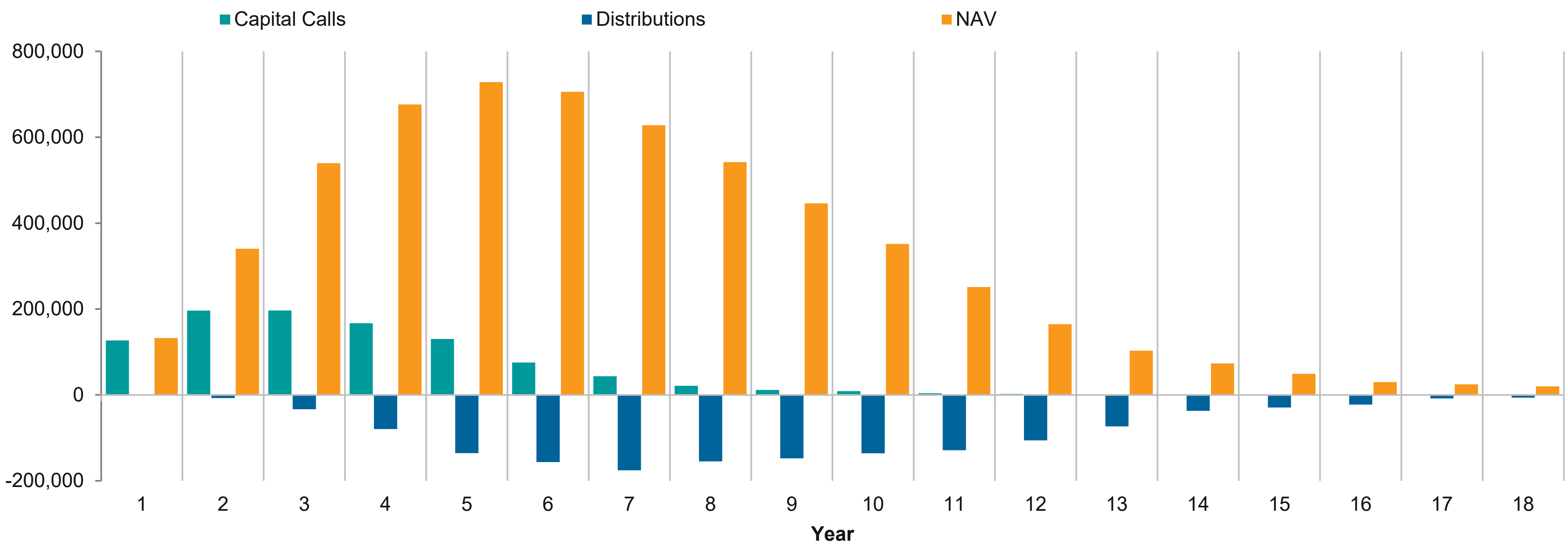
- At the February 2023 APERS Board Meeting, Callan presented a Private Equity Pacing Analysis which proposed that 75% of private equity investments be deployed through Secondary investments, and 25% of capital to Primary Investments.
- Based on the feedback and questions received from the Trustees at the February 2023 Board Meeting, Callan has provided an additional Private Equity Pacing Scenario which allocates 50% to Secondary Investments and 50% to Primary Investments.

Sample Timeline of a Private Equity Fund – *Primary Strategy*

A Finite Life

The net asset value (NAV) builds as capital is called from LPs and then declines as capital and earnings are distributed back to them.

Annual Cash Flows of a $1 Million Commitment



- Please note that a Secondary Strategy would occur approximately in year 3-5 of the life cycle of a private equity investment.

Model Assumptions

The private equity pacing model takes multiple factors into consideration:

- Market Value of the Fund
- Total Fund Expected Return
- Total Fund Cash Flows
- Total Fund Growth Rate
- Proposed private equity target allocation of 5% of Fund assets
- Historical private equity industry average cash flows from the Refinitiv/Cambridge private equity database

The pacing model does not specify which managers will be hired, but provides a framework for implementing the private equity allocation.

- Once specific managers are selected, the pacing model will be further refined, as necessary, to match the managers' expected investment timing.

Pacing Analysis – 75% Secondaries/25% Primaries

Implementation – 75% Secondary Investments / 25% Primary Investments

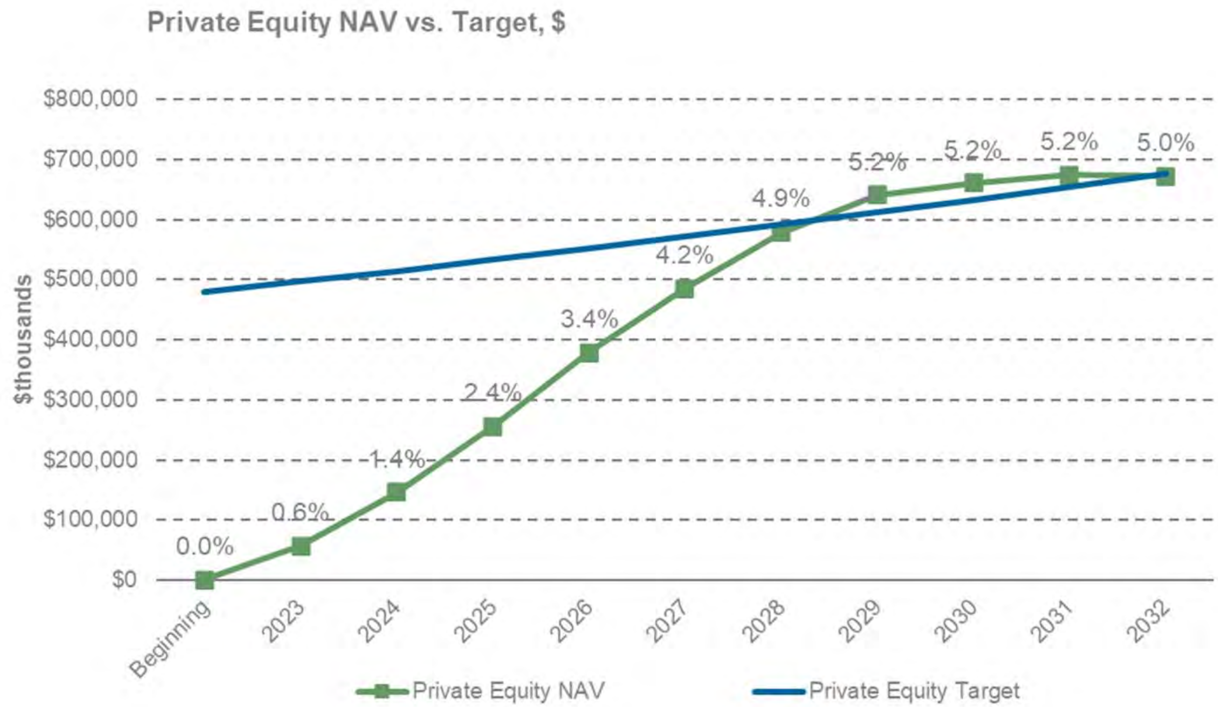
Implementation

- With direction from Staff, the implementation will target an allocation of 75% of commitments to *secondary investments*, and 25% of commitments to *primary investments* employing fund-of-funds vehicles.
- The 75% in secondary investments is intended to achieve more rapid development of private equity invested net asset value (NAV) and generate accelerated distributions relative to primary investments.
- It is expected that the 25% in primary investments fund-of-funds will provide long-term return enhancement.
- Callan expects two separate searches will be necessary and recommends first conducting the *Secondaries* search followed by the *Primary* Fund of Fund search.

Future Commitments and Private Equity NAV Growth

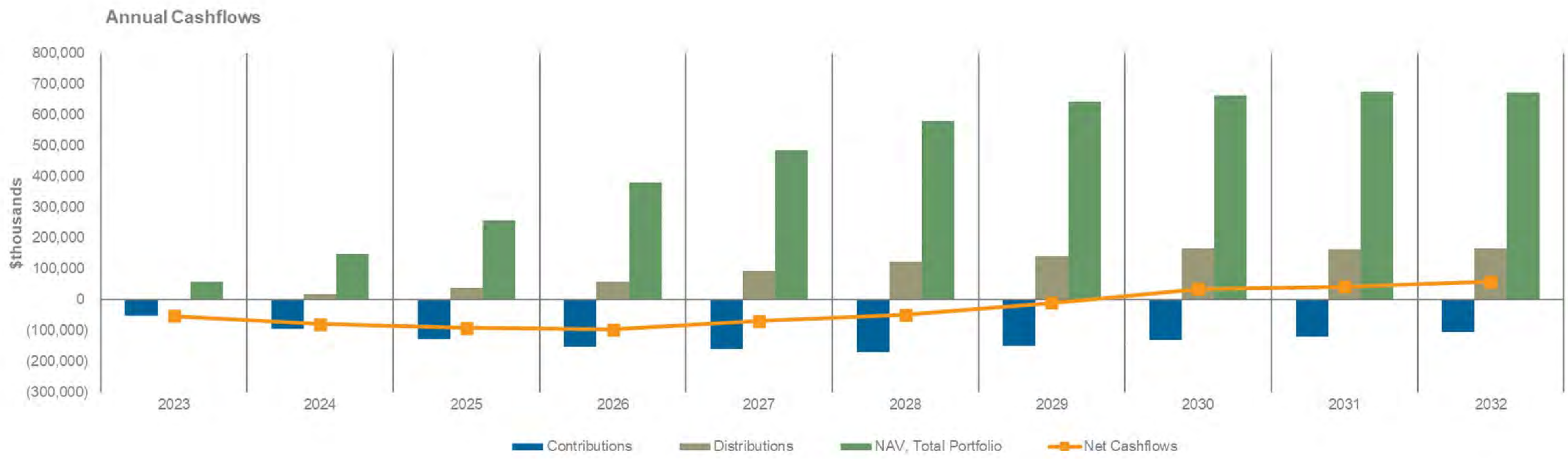
5% Allocation - Projected Future Commitments ($ millions)

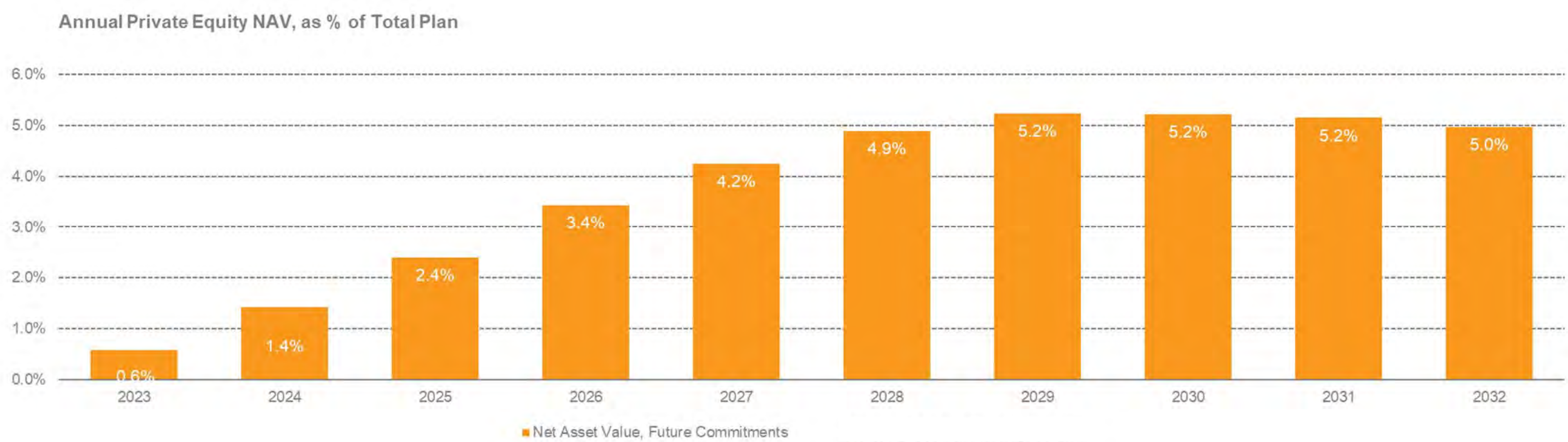
Year	Secondary	Primary FOF	Total
2023	$500,000	$75,000	$575,000
2024	$0	$50,000	$50,000
2025	$0	$50,000	$50,000
2026	$450,000	$50,000	$500,000
2027	$0	$50,000	$50,000
2028	$0	$50,000	$50,000
2029	$200,000	$50,000	$250,000
2030	$0	$25,000	$25,000
2031	$0	$25,000	$25,000
2032	$200,000	$25,000	$225,000
$ Total	$1,350,000	$450,000	$1,800,000
% Total	75%	25%	100%



- The left table shows the expected future commitments to secondaries and fund-of-funds (FOFs) for APERS to achieve a proposed 5% private equity target as seen in the right graph.
  - The graph indicates APERS should approach being fully funded in the 2028 timeframe.
  - Secondaries will be invested in the underlying partnerships more quickly than commitments to Primary fund-of-funds.
- The larger initial commitments will help bridge the gap to full funding, and commitments are then reduced as the portfolio approaches its target.
- Patience is required for private equity portfolios to achieve full funding, as committing more capital in the early years will compromise vintage year diversification.

APERS Private Equity Expected Annual Cash-Flows and Allocation





Pacing Analysis – 50% Secondaries/50% Primaries

Implementation – 50% Secondary Investments / 50% Primary Investments

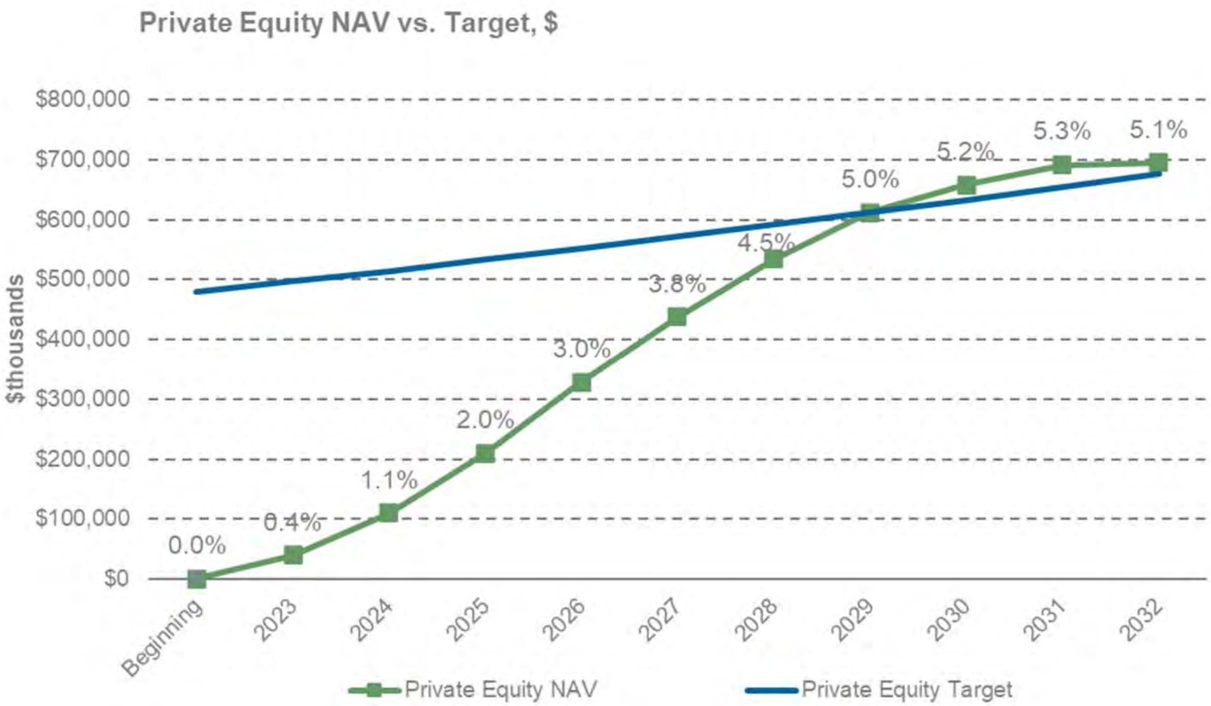
Implementation

- With direction from Staff, the implementation will target an allocation of 50% of commitments to *secondary investments*, and 50% of commitments to *primary investments* employing fund-of-funds vehicles.
- The 50% in secondary investments is intended to achieve more rapid development of private equity invested net asset value (NAV) and generate accelerated distributions relative to primary investments.
- It is expected that the 50% in primary investments fund-of-funds will provide long-term return enhancement.
- Callan expects two separate searches will be necessary and recommends first conducting the *Secondaries* search followed by the *Primary* Fund of Fund search.

Future Commitments and Private Equity NAV Growth

5% Allocation - Projected Future Commitments ($ millions)

Year	Secondary	Primary FOF	Total
2023	$300,000	$150,000	$450,000
2024	$0	$125,000	$125,000
2025	$0	$100,000	$100,000
2026	$250,000	$75,000	$325,000
2027	$0	$75,000	$75,000
2028	$0	$75,000	$75,000
2029	$200,000	$50,000	$250,000
2030	$0	$50,000	$50,000
2031	$0	$50,000	$50,000
2032	$50,000	$50,000	$100,000
$ Total	$800,000	$800,000	$1,600,000
% Total	50%	50%	100%



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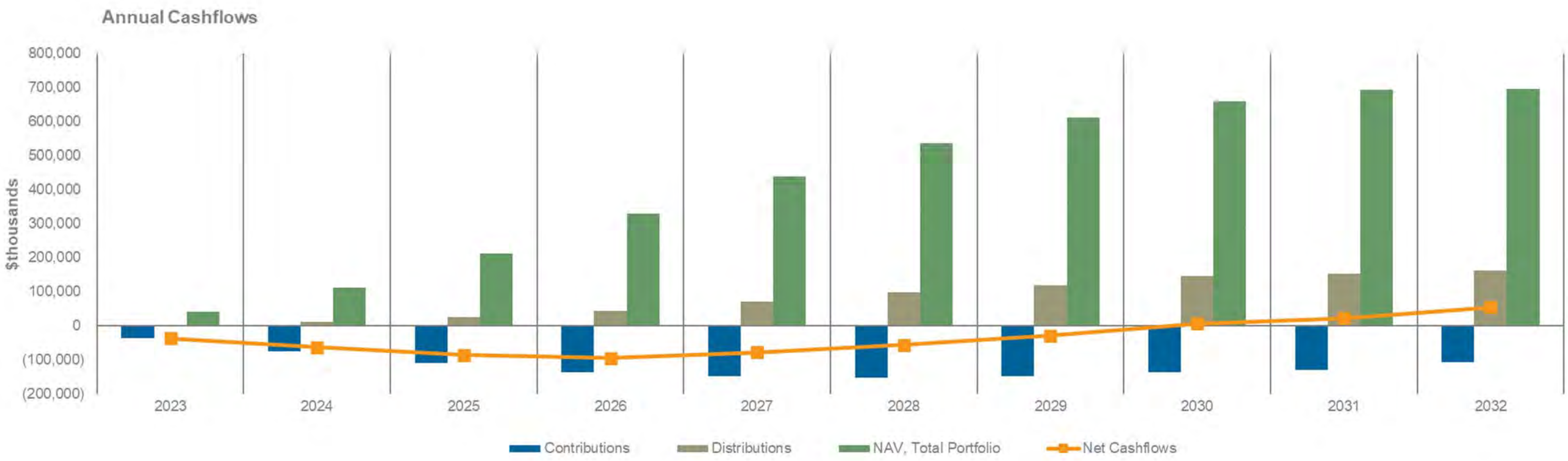
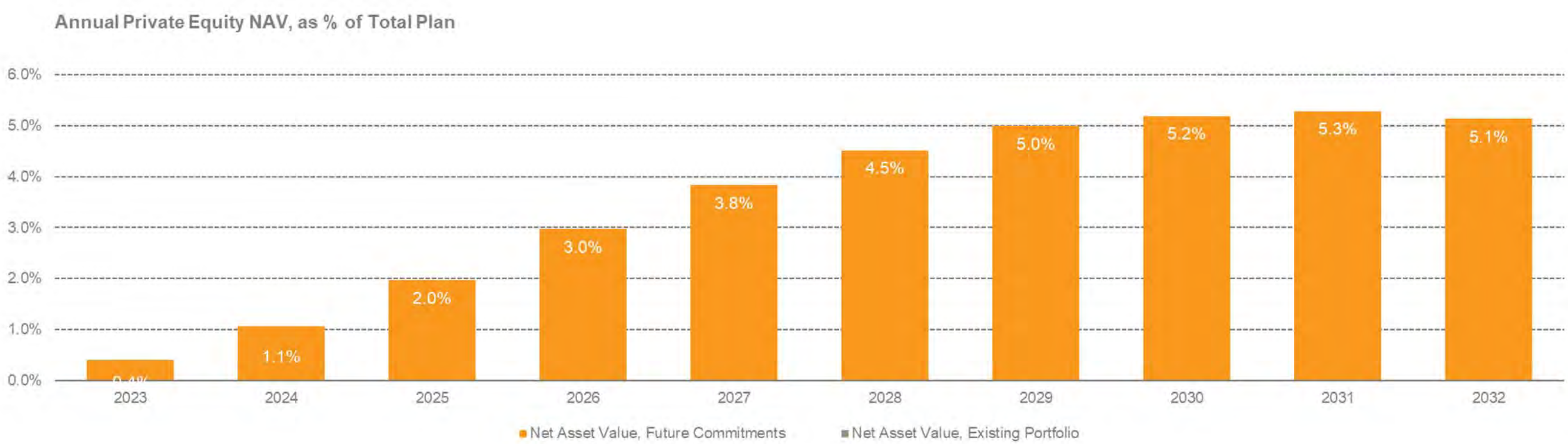
  - Secondaries will be invested in the underlying partnerships more quickly than commitments to Primary fund-of-funds.
- The larger initial commitments will help bridge the gap to full funding, and commitments are then reduced as the portfolio approaches its target.
- Patience is required for private equity portfolios to achieve full funding, as committing more capital in the early years will compromise vintage year diversification.

APERS Private Equity Expected Annual Cash-Flows and Allocation





Summary

Pacing Analysis

- If APERS implements a private equity program, it is anticipated that a proposed 5% target exposure could be achieved in the 2028-2029 timeframe regardless of the mix of Primary and Secondary Funds.
  - A higher starting allocation to Secondary Funds increases the value of the private equity in the years leading up to achieving the 5% target.
- Private equity investment requires patience as committing too much too soon will negate the benefits of vintage year diversification.
- The commitments to fund-of-funds will be partly dependent on the selected manager’s method of raising and deploying its fund-of-funds vehicles.
- Commitments will gradually decline as the allocation approaches its target.

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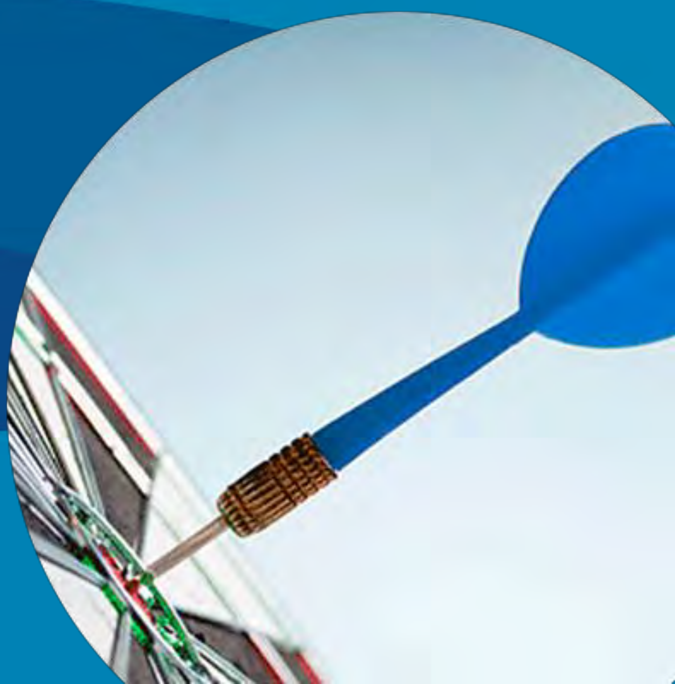
Arkansas Public Employees Retirement System

July 1, 2017 – June 30, 2022

5-Year Experience Study



Agenda

- Introduction
- Experience Study Process
- Demographic Assumptions
- Economic Assumptions
- Actuarial Methods
- Effect on Valuation Results

Introduction

Introduction

- Each year the actuarial liabilities of APERS are calculated as part of the June 30 valuation
- In order to perform the valuation, we must make assumptions about the future experience of the System with regard to various risk areas
- The results of the liability calculations depend upon those assumptions

Introduction – Risk Areas

- Demographic Risk Areas
  - Rates of retirement
  - Rates of withdrawal
  - Rates of disability
  - Rates of mortality
- Economic Risk Areas
  - Price inflation
  - Investment return
  - Patterns of salary increases
  - Wage inflation and payroll growth

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Introduction

- Assumptions should be carefully chosen and continually monitored
  - Continued use of outdated assumptions can lead to ...

Introduction

- Understated costs resulting in:
  - Sharp increases in required contributions at some point in the future leading to a large burden on future taxpayers
  - In extreme cases, an inability to pay benefits when due

Introduction

- Overstated costs resulting in:
  - Benefit levels that are kept below the level that could be supported by the employer and member contribution rates
  - An unnecessarily large burden on the current generation of members, employers and taxpayers

Introduction

- No single set of assumptions will be suitable indefinitely
- Things change, and our understanding of things (whether or not they are changing) also changes
- The suggested time period for reviewing assumptions is about every 4 or 5 years
- A systematic review of assumptions is called an “Experience Study”

Experience Study Process

Experience Study Process

- Our analysis was based upon data submitted for the 2017 through 2022 annual valuations
- We compared trends with those observed in prior studies
- Generally, we give confirmed trends more credibility than non-confirmed trends
- Philosophy: Do not overreact to results from any single experience period
  - It is better to make a series of small changes in the right direction, rather than a single large change that could turn out with hindsight to be in the wrong direction

Experience Study Process – Liability Weighting

- Decrement assumptions have traditionally been developed based on the activity rates of system population
- In a plan with two members the same age, if one of them leaves, the rate of withdrawal at that age is 50% (very simplified example)
- However, certain decrements have continued to generate small gains or losses despite adjusting rates in previous experience studies
- This year, we analyzed the data to see if this could be due to a tendency for human behavior to be influenced by the relative value of liabilities
- This concept is called Liability Weighting

Experience Study Process – Liability Weighting Example

- Consider the same plan with only two members (who are both the same age) and the withdrawal rate of 50%
- Suppose one member has liability of $10k and the other has liability of $90k
- Even though the decrement rate of withdrawal is 50%, the financial impact to the System will be less if the $10k liability member leaves than if the $90k liability member leaves
- Perhaps if the person with $10k liability leaves, we should set the withdrawal rate at 10% since only 10% of the liability has left the System

Experience Study Process – Liability Weighting

- The analysis seemed to indicate that people with lower accrued benefit levels and lower liabilities are more likely to quit than other people of the same age
- In recognition of these results, we developed age-based withdrawal rates based on relative liability weighting in addition to pure population statistics

Experience Study Process – Benefits Weighting

- An analogous benefits-weighted approach was employed in the analysis of post-retirement mortality
- The analysis seemed to indicate that people with higher benefit levels generally live longer than other people of the same age
- In recognition of these results, we developed post-retirement mortality rates based on a benefits weighting analysis

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Demographic Assumptions

Demographic Assumptions – Rates of Retirement

- The retirement assumptions were analyzed both for unreduced and reduced retirements
- Generally speaking, fewer retirements being observed over the 5-year period than anticipated by the actuarial assumptions results in an actuarial gain
- For unreduced retirements:
  - age-based retirements were close to expected over the past 5 years (under age 85)
    - no changes are recommended
  - there were fewer service-based retirements than expected over the past 5 years (27-41 years of service)
    - rates were adjusted to bring them closer to experience
- For reduced retirements, there were fewer retirements than expected over the past 5 years
  - rates were adjusted to bring them closer to experience

Demographic Assumptions – Withdrawal

- The withdrawal assumption is analyzed based both on age and service
  - use of a select (i.e., first 5 years of service) and ultimate (i.e., age-based for service greater than 5 years) approach is still reasonable
- Generally speaking, more withdrawals being observed over the 5-year period than anticipated by the actuarial assumptions results in an actuarial gain
- For the current experience study, we recommend that ultimate withdrawal rates continue to be developed based on a liability-weighted approach

Demographic Assumptions – Withdrawal

- Withdrawal experience was close to expected over the last 5 years for members with less than 5 years of service
  - no change is recommended
- More withdrawals than expected over the last 5 years on a liability-weighted basis for members with 5 or more years of service (under age 60)
  - rates were adjusted to bring them closer to experience

Demographic Assumptions – Disability

- There were less disabilities than expected over the last 5 years
- However, 291 members benefit type changed from deferred status to a disability during the experience period
- No change is recommended

Demographic Assumptions – Retiree Mortality

- Post-retirement mortality is an important, but relatively stable ingredient in cost calculations. This assumption should be updated from time to time to reflect longevity improvements.
- The Society of Actuaries (SOA) published new tables called the Pub-2010 tables in early 2019
  - RP-2014 mortality tables are based upon private sector pension plan mortality experience
  - Pub-2010 mortality tables are based upon public sector pension plan mortality experience
  - Pub-2010 mortality tables are based upon different employment categories: Teachers, General and Public Safety
- The improvement scales we consider are the 2-dimensional MP-2021 mortality improvement scales
  - It is anticipated that the SOA will release new improvement scales annually
  - We recommend maintaining the MP-2021 improvement scales until the next experience study

Demographic Assumptions – Post-Retirement Mortality

- We reviewed the mortality experience of healthy retirees during the 5-year period on both a population-weighted and benefits-weighted basis
- We also reviewed the data over a 3-year period excluding years where death experience was higher due to the impact of COVID-19
  - This data was ultimately used in the study
- We recommend adopting 114% of a version of the male and 132% of a version of the female PubG-2010 Amount-Weighted Below-Median Income General Retiree Mortality Tables, adjusted for mortality improvement using projection scale MP-2021

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Demographic Assumptions – Future Life Expectancy

Sample Attained Ages	Future Life Expectancy (years)							
	Present		Proposed 2022*		Proposed 2032*		Proposed 2042*	
	Men	Women	Men	Women	Men	Women	Men	Women
45	36.35	39.96	35.80	39.59	36.91	40.53	38.07	41.46
50	31.59	35.04	30.93	34.55	31.98	35.46	33.10	36.37
55	27.01	30.19	26.67	29.98	27.66	30.85	28.68	31.70
60	22.63	25.52	22.56	25.50	23.47	26.29	24.39	27.07
65	18.51	21.10	18.60	21.07	19.38	21.76	20.18	22.47
70	14.68	16.93	14.76	16.77	15.40	17.36	16.09	18.00
75	11.18	13.07	11.25	12.79	11.76	13.29	12.33	13.83
80	8.09	9.62	8.21	9.29	8.59	9.69	9.04	10.11

** Life expectancy in future years are determined by the fully generational MP-2021 projection scale.*

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Demographic Assumptions – Disabled and Pre-Retirement Mortality

- Disabled mortality experience during the study period was not sufficient to be fully credible
  - We recommend adopting 114% of the male and 132% of the female PubG-2010 Amount-Weighted General Disabled Retiree Mortality Tables, adjusted for mortality improvement using projection scale MP-2021
- Active mortality experience during the study period was not sufficient to be fully credible
  - We recommend adopting 75% of the male and female PubG-2010 Amount-Weighted Below-Median Income General Employee Mortality Tables, adjusted for mortality improvement using projection scale MP-2021

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Summary of Demographic Experience (# Counts)

Decrement Risk Area	Actual	Expected		
		Old	New	Change
Normal (Unreduced) Retirement - Age Based (Under age 85)	2,291	2,196	2,196	0
Normal (Unreduced) Retirement - Service Based (27-41 years of service)	2,201	2,144	2,116	(28)
Early (Reduced) Retirement	1,541	1,890	1,720	(170)
Withdrawal - Less Than 5 Years of Service	22,742	21,161	21,161	0
Withdrawal - 5 or More Years of Service (Under age 60)	8,069	4,417	5,021	604
Disability	223	435	435	0
Mortality - Retired Lives (Original Annuitants - Benefit weighted)				
Male	281	274	264	(10)
Female	388	327	321	(7)
Mortality - Retired Lives (Original Annuitants - People weighted)				
Male	984	846	709	(137)
Female	1,612	1,413	1,041	(372)

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Economic Assumptions

Economic Assumptions – ASOP No. 27

- Guidance regarding the selection of economic assumptions is governed by Actuarial Standards of Practice (ASOP) No. 27
- ASOP No. 27 requires that the selected economic assumptions be consistent with one another
- That is, the selection of the investment return assumption should be consistent with the selection of the wage inflation and price inflation assumptions

Economic Assumptions – ASOP No. 27

ASOP No. 27 (adopted by the Actuarial Standards Board in June 2020) defines a reasonable economic assumption as an assumption that has the following characteristics:

- It is appropriate for the purpose of the measurement;
- It reflects the actuary's professional judgment;
- It takes into account current and historical data that is relevant to selecting the assumption for the measurement date, to the extent such relevant data is reasonably available;
- It reflects the actuary's estimate of future experience, the actuary's observation of the estimates inherent in market data (if any), or a combination thereof; and
- It is expected to have no significant bias (i.e., it is not significantly optimistic or pessimistic), except when provisions for adverse deviation or plan provisions that are difficult to measure are included (as discussed in Section 3.5.1) or when alternative assumptions are used for the assessment of risk, in accordance with ASOP No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*.

Sources of Data

- Sources considered in the analysis of the price inflation assumption included:
  - Philadelphia Federal Reserve quarterly survey of Society of Professional Forecasters
  - Congressional Budget Office's 2022 to 2032 Long-Term Budget Outlook
  - Comparison of Treasury yields and Treasury Inflation Protected Securities (TIPS)
  - The Federal Reserve Bank of Cleveland inflation expectations as of December 1, 2022
  - Future expectations of eleven investment firms that GRS monitors
- Sources considered in the analysis of the investment return assumption included:
  - Future expectations of eleven investment firms that GRS monitors
- Sources considered in the wage inflation, merit and seniority and payroll growth assumption included:
  - Historical observations of inflation statistics (both price and wage) and payroll growth for APERS

Economic Assumptions – Current

- Current economic assumptions for the System are as follows:
  - Investment Return 7.15%
  - Wage Inflation 3.25%
  - Price Inflation 2.50%
  - Spread Between Investment Return and Wage Inflation 3.90%
  - Spread Between Investment Return and Price Inflation 4.65%

Economic Assumptions – Price Inflation

- Price inflation underlies both the wage inflation and investment return assumptions
- The Congressional Budget Office’s 2022-2032 Long-Term Budget Outlook CPI increase is 2.81%
- The Philadelphia Federal Reserve CPI 10-year forecast as of the first quarter of 2023 is 2.37%
- A comparison of nominal Treasury yields and TIPS provide an approximation for market price inflation expectations over various time horizons (based upon data from the Federal Reserve Bank of St. Louis):
  - 10-year expectation of 2.28% (April 19, 2023)
  - 20-year expectation of 2.51% (March 2023)
  - 30-year expectation of 2.26% (March 2023)

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Economic Assumptions – Price Inflation

- The Federal Reserve Bank of Cleveland inflation expectations as of December 1, 2022 are presented below:
  - 10-year expectation of 2.22%
  - 20-year expectation of 2.29%
  - 30-year expectation of 2.37%
- Based upon the reviewed data, we suggest the Board maintain the current price inflation assumption of 2.50%
  - Remember that the selected wage inflation and investment return assumptions should be consistent with the final selected price inflation assumption

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Economic Assumptions – Investment Return

- The investment return assumption is the actuarial assumption that has the largest effect on actuarial valuation results
- Since one of APERS' fundamental financial objectives is the receipt of level contributions as a % of payroll over time to finance the additional benefits that members accrue, the discount rate assumption is based upon the investment return assumption

Current Target Asset Allocation

- Presented below is the target asset allocation for APERS (as provided by APERS Staff):

Asset Class	Target Allocation
Domestic Equity	36%
International Equity	17%
Convertible Bonds	3%
Fixed Income	21%
Real Assets	16%
Diversified Strategies	2%
Private Equity	5%
Total	**100%**

- Based upon APERS' target asset allocation, future expectations of various investment firms were analyzed
- The next slide shows the results of this analysis

Other Investment Firms – Projected Investment Returns

Summary of GRS 2023 CMAM Analysis	
10-Year Capital Market Expectations Average of 11 Investment Firms	
1-Year Expected Return	7.84%
Standard Deviation of 1-Year Expected Return	13.17%
Short-Term Expected Median Return (i.e., 50th Percentile)	7.04%
20- to 30-Year Capital Market Expectations Average of 7 Investment Firms	
Long-Term Expected Median Return (i.e., 50th Percentile)	7.23%

Economic Assumptions – Investment Return

- The preferred assumption in the actuarial community is the expected median return (i.e., 50th percentile) over a particular time horizon
  – Based on the average of the calendar year 2023 results for each of the investment firms, this would lead to an investment return assumption of 7.04% (based upon short-term expectations) and 7.23% (based upon long-term expectations)
- A less preferred investment return assumption, but still reasonable assumption, is the expected 1-year return)
  – Based on the average of the calendar year 2023 results for each of the investment firms, this would lead to an investment return assumption of 7.84% (based upon short-term expectations)

Economic Assumptions – Investment Return

- Based upon the results of our analysis, we believe that the current investment return assumption of 7.15% remains reasonable
  - toward the upper end of the range that we would consider reasonable
- Given that capital market expectations in the next 5 years may revert back to expectation levels seen in calendar years 2019 through 2022, we believe that it is also reasonable for the Board to consider lowering the investment return assumption
  - we have presented 7.00% and 6.75% as an investment return assumption for the Board's consideration
- The higher the selected investment return assumption by the Board, the less margin that would exist for actuarial standards reasonability purposes in future years if capital market assumptions are lowered from their current levels

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Economic Assumptions – Wage Inflation

- Wage inflation consists of two components
  - A portion due to pure price inflation (i.e., increases due to changes in the CPI)
  - Increases in average salary levels in excess of pure price inflation (i.e., increases due to changes in productivity levels, supply and demand in the labor market and other macroeconomic factors)

Economic Assumptions – Wage Inflation

- The table below shows the annual compound rate of average salary increase of active members over various periods:

Period	Average Salary Increase Rate of Active Members
5 years ending June 30, 2017	0.70%
5 years ending June 30, 2022	4.46

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Economic Assumptions – Wage Inflation

- We are generally comfortable with the wage inflation assumption exceeding the price inflation assumption by 0.25% to 1.00%
- Given our preferred price inflation assumption of 2.50%, our preferred assumption is for the wage inflation assumption to exceed the price inflation assumption by 0.75%
- This would result in a wage inflation assumption of 3.25%
- The payroll growth assumption for UAAL amortization purposes is set equal to the wage inflation assumption

Economic Assumptions – Merit and Seniority Pay Increases

- Merit and seniority pay increases were higher than expected during the experience period
  - The observed wage inflation during the 5-year period was 4.46%
- The merit and seniority rates were increased to bring them closer to actual experience

Actuarial Methods

Actuarial Methods – Recommendations

- Continue use of the entry age actuarial cost method for all benefits
- Continue use of the current amortization policy described in the Board adopted funding policy
- Continue use of the current asset valuation method

Effect on Valuation Results

Effect on Valuation Results

- In this section, June 30, 2022 actuarial valuation results are presented based on the proposed demographic assumptions and proposed alternate economic assumptions
- It is our expectation that the proposed set of actuarial assumptions would first be used for the June 30, 2023 valuation

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Effect on Valuation Results – APERS ($ in Millions)

State and Local and General Assembly				
		Alternate 1	Alternate 2	Alternate 3
Demographic Assumptions and Merit and Longevity Pay Increases	**Current**	**Proposed**	**Proposed**	**Proposed**
Investment Return Assumption	**7.15%**	**7.15%**	**7.00%**	**6.75%**
Wage Inflation Assumption	**3.25%**	**3.25%**	**3.25%**	**3.25%**
Price Inflation Assumption	**2.50%**	**2.50%**	**2.50%**	**2.50%**
Amortization Period*	**14 years**	**14/20 years**	**14/20 years**	**14/20 years**
Employer Contribution Rate				
Total Normal Cost	12.04%	12.15%	12.59%	13.34%
Member Contribution Rate	4.52%	4.52%	4.52%	4.52%
Employer Normal Cost	7.52%	7.63%	8.07%	8.82%
Unfunded Actuarial Accrued Liability	7.80%	7.69%	8.44%	9.69%
Total Employer Rate	**15.32%**	**15.32%**	**16.51%**	**18.51%**
Actuarial Accrued Liability	$ 12,226.1	$ 12,192.2	$ 12,407.1	$ 12,779.3
Valuation Assets	$ 10,220.3	$ 10,220.3	$ 10,220.3	$ 10,220.3
Unfunded Actuarial Accrued Liability	$ 2,005.9	$ 1,971.9	$ 2,186.8	$ 2,559.0
FY 2025 $ Contribution	$ 346.1	$ 346.1	$ 373.0	$ 418.2
Funded Ratio	83.6%	83.8%	82.4%	80.0%

- *Initial UAAL as of June 30, 2022 amortized over 14 years; change in UAAL as a result of the proposed assumption changes are amortized over a new 20-year amortization period. If the Board adopts a maximum employer contribution rate of 15.32%, the initial amortization period would increase from 14 years to 18 years under Alternate 2 (based on June 30, 2022 valuation results). Under Alternate 3, the amortization period would exceed the maximum allowable period of 30 years.*

Effect on Valuation Results – District Judges

Contributions Expressed as %'s of Active Payroll and Old Plan Annual $		
	New Plan and Paid-Off Old Plan	Still Paying Old Plan
Present Economic and Demographic Assumptions	86.42%	$582,021
Proposed Demographic Assumptions		
Alternate Economic #1 (7.15% / 3.25% / 2.50%)	86.10%	$580,135
Alternate Economic #2 (7.0% / 3.25% / 2.50%)	93.41%	$584,147
Alternate Economic #3 (6.75% / 3.25% / 2.50%)	105.89%	$590,932

GRS

Disclosures

- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Mita Drazilov and Heidi Barry are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.
- Additional information regarding actuarial assumptions and methods, and important additional disclosures are provided in the report titled "5-Year Experience Study –

  July 1, 2017 through June 30, 2022."
- If you need additional information to make an informed decision about the contents of this presentation, or if anything appears to be missing or incomplete please contact us before using this presentation.

GRS

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
AS OF MARCH 31, 2023

ASSETS		
Cash and Cash Equivalents	$	61,108,808
Receivables		
Dec 2004 Actuarial Liability Receivable		4,719,113
Contributions Receivable		3,443,259
Overpayment Receivable		961,474
Allowance for Doubtful Accounts		(949,612)
Total Receivables		8,174,235
Investments at Fair Value		
Investment Assets		10,009,601,661
Securities Lending Collateral		552,355,151
Total Investments		10,561,956,812
Fixed Assets (Net)		11,520,541
Prepaids and Other Assets		656,073
TOTAL ASSETS		10,643,416,469
LIABILITIES		
Securities Lending Liability		554,112,356
Accrued Expense and Other Liabilities		4,271,566
Other Post Employment Benefits		4,872,673
TOTAL LIABILITIES		563,256,595
NET POSITION RESTRICTED FOR PENSION BENEFITS	$	10,080,159,874

Unaudited
5/4/2023

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD ENDING MARCH 31, 2023

ADDITIONS		
Contributions		
Employer	$	250,637,289
Employee		68,262,446
Total Contributions		318,899,735
Investment Income		
Investment Income		553,866,643
Less: Investment Expense		(17,769,202)
Net Investment Income		536,097,441
Other Additions		
Transfers from Teachers and Highway		2,456,382
Miscellaneous Additions		586,385
Miscellaneous Administrative Transfers		411,366
Total Other Additions		3,454,133
TOTAL ADDITIONS		858,451,308
DEDUCTIONS		
Benefits		494,615,939
Refund of Contributions		12,578,426
Administrative Expense		5,482,587
TOTAL DEDUCTIONS		512,676,952
NET INCREASE/(DECREASE)		345,774,356
ADJUSTMENTS		
Actuarial Adjustment to DJ Unfunded Liability		546,886
NET POSITION RESTRICTED FOR PENSION BENEFITS		
Beginning of Year		9,733,838,631
End of 3rd Quarter	$	10,080,159,874

Unaudited
5/4/2023

Internal Audit Report

Audit Number: FY23-002
Audit Program: Culture and Working Environment
Timeframe Audited: 3/1/23 - 3/23/23

Performed by: Patty Shipp
Audit Conducted: 3/1/23 - 3/23/23

Submitted To:
APERS Director and Board of Trustees
124 W. Capitol, Suite 400
Little Rock, Arkansas 72201
www.apers.org

TABLE OF CONTENTS

LETTER REQUESTING TO CONDUCT AUDIT
2/1/2023

Director Fecher,

I have reviewed the most comprehensive list of internal audits available. The list included audits that have been performed over the last several years. Previous audits have concentrated on quantitative audits for calculations of various benefit related data and procedures for ensuring process are operating correctly. All the audits performed are of high value and I anticipate continuing those type of audits during FY24.

I was unable to locate any mention of audits that examined the culture and working environment at APERS. One of internal audit's key responsibilities is to assess the adequacy and effectiveness of the control environment which is directly impacted by culture and the conduct that arises from employees acting out and exhibiting their interpretation of the values of that culture. The control environment includes the following elements:

- Integrity and ethical values
- Management's philosophy and operating style
- Organizational structure
- Assignment of authority and responsibility
- Human resource policies and practices
- Competence of personnel

I would like to design and carry out a narrowly scoped audit regarding the culture and working environment at APERS. The main component of the audit would be an anonymous employee survey to assess attitudes about culture and working conditions among current staff. I asked HR for any previous results of similar surveys, and they were unable to find any information. Additionally, I will gather all existing information related to culture such as mission and vision statements, core values, strategic or business plans, codes of conduct/ethics, exit interview data, customer satisfaction survey results, etc. I believe conducting this audit will provide insight to senior management and the Board of Trustees that can inform future decisions.

Because there was no audit plan submitted for FY23, performing this audit represents a change in what was expected. Standard 2020 – Communication and Approval, of The Institute of Internal Auditors states that the chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. Please accept this letter as communication of a change to previously planned audits and a request for approval of the change.

In Service,

Patty Shipp,
Assurance Officer

AGENCY HISTORY AND ORGANIZATION

Agency Origins
The Arkansas Public Employees Retirement System (APERS), formerly the Arkansas State Employees Retirement System, was established by the General Assembly in 1957 as a multi-employer defined benefit retirement plan for State of Arkansas employees (via Act 77 of 1957). From 1957 through 1965, county employers (via Act 42 of 1959), municipal employers (via Act 64 of 1961), college and university employers (via Act 149 of 1963), non-teaching public school employers (via Act 63 of 1965), and Arkansas District Judges (via Act 177 of 2007), all joined the system.

APERS is governed by the Board of Trustees of the Arkansas Public Employees Retirement System (The Board), which is made up of nine members.

APERS' internal auditor administratively reports to the executive director of APERS and functionally reports to the Board.

Agency Function
The agency function is to administer a retirement system for employees of the State of Arkansas and participating public employers. This administration is carried out through several functional areas including benefits, finance, investments, information services, information technology, and legal.

Budget and Personnel Information
APERS' operations are appropriated and funded from the trust funds of the agency, and the agency receives no direct appropriation of general or special revenues from the state. On an annual basis, the Legislature enacts line-item appropriations for personnel, operational expenses, equipment, travel, supplies, and professional consulting services.

APERS has 85 authorized positions and usually has between 65 and 70 filled at any given time.
APERS has 6 divisions and 12 functional units.

Agency Divisions
APERS' divisions of responsibilities are as follows:

- **Executive Division -** responsible for managing the overall operation of the agency as well as handling legal matters, dealing with issues regarding social security, and conducting internal audits. The division consists of 3 functional units: the Social Security Unit, the Legal Unit, and the Internal Audit Unit. The division has 6 positions, including the Executive Director.

- **Human Resources Division -** responsible for personnel management, payroll, recruitment and training, office policy management, employee orientation, and employee benefit programs. This division consists of the Human Resources functional unit, which has 3 positions, including the Human resources Manager.

- **Benefits Administration** - consists of five sections, which are Call Center, Pre-Retirement, Retirement, Post-Retirement, and Employer Services.

- **Call Center**
  The Call Center is responsible for receiving phone calls from members and providing appropriate information or directing the call to the appropriate section to best assist the need of the member calling. Call Center Representative also add touchpoints (notes) to document calls, create workflows, update the profile, create/send forms. This unit consists of 6 Call Center Representatives and a Retirement Coordinator/Supervisor.
- **Pre-Retirement**
  The Pre-Retirement Section is responsible for counseling active, deferred and inactive members and handling service purchases. This unit consists of five retirement counselor positions and a Retirement Coordinator/Supervisor.
- **Retirement**
  The Retirement Section is responsible for processing retirement applications and for calculating retirement benefits, pre-retirement death benefits, reconciliations, Qualified Domestic Relation Orders, PAW benefits, and DROP benefits. This unit consists of five retirement counselor positions and a Retirement Coordinator/Supervisor.
- **Post-Retirement**
  The Post-Retirement Section is responsible for processing changes to retired members accounts (including direct deposit changes, tax withholding changes, option changes, demographic changes, etc.) and termination refunds. This unit consists of four retirement counselor positions and a Retirement Coordinator/Supervisor.
- **Employer Services**
  The Employer Services Section is responsible for employer and member enrollment, adjustments and error corrections, erroneous member refunds, and employer and member document maintenance. The unit consists of five positions and a Retirement Section Manager.

- **Investment Division** - responsible for monitoring external consultants such as investment managers and the trust fund’s custodian bank. The investment managers provide daily, monthly, and annual reports on APERS’ investments in domestic equities, international equities, fixed income, and alternative investments. This division currently consists of 4 positions, including the Chief Investment Officer.

- **Finance Division** - responsible for general accounting, budgeting, and agency purchasing activities. This division consists of 1 functional unit consisting of 8 positions, including the Chief Fiscal Officer.

- **Communications** – is responsible for all agency publications and manages the agency website and social media presence. The Information Service Unit also manages all COMPASS related documents for the system. The unit consists of 4 positions, including the Communications Section Manager.

- **Information Technology Services Division** is responsible for data processing, information technology, and information security for the agency. This unit consists of 4 positions, including the Director of Information Technology.

Administration of Additional Plans

The staff of APERS are responsible by law for administering multiple retirement systems in addition to the APERS plan. Each of these plans are separately funded and have a separate and distinct benefit established by law:

- **Arkansas Judicial Retirement System (AJRS)** – This system is governed by a separate Board of Trustees and provides benefits for retired members of state Circuit Courts, and Court of Appeals, and the Supreme Court.
- **Arkansas State Police Retirement System (ASPRS)** – This system is governed by a separate Board of Trustees and provides benefits for retired officers of the Arkansas State Police.
- **Arkansas District Judges Retirement System (ADJRS**) – This is a closed plan was abolished, and its posers, duties, and plan liabilities were transferred to APERS.
- **Closed Local Plans** – APERS administers the benefits to retirees of a number of closed local retirement funds for municipal judges and court clerks.

MISSION AND VISION

Mission:

Current Mission printed in the Employee Manual: The Arkansas Public Employees Retirement System (APERS) was established by the Arkansas Legislature effective July 1. 1957. The purpose of the Retirement System is to play an integral role in the future financial security of the Arkansas Public Employees Retirement System (APERS), Arkansas State Police Retirement System (ASPRS), and Arkansas Judicial Retirement System (AJRS) members by promptly and courteously delivering quality benefits and information which members value and trust through professional plan administration and prudent management of System assets. In addition, the Executive Director of APERS serves as the State Social Security Administrator.

The previous Director, put forward this Mission Statement:
To provide a secure income in retirement to our members and their beneficiaries.
It is my understanding that this Mission Statement has not been formally adopted by the agency.

Vision:

To be a lifelong partner to our members, as we invest for them and serve them, throughout their years of public service and retirement.

Core Values:

Service – Trust – Excellence – Prudence

Provide Great <u>Service</u> to our members

- Provide professional, prompt, and courteous service to our members.
- Demonstrate a positive attitude and a willingness to go above and beyond.
- Listen to our members, anticipate their needs, and take appropriate action.

Build <u>Trust</u> through our actions

- Act with integrity.
- Engage in an honest, fair, and ethical manner.
- Listen, collaborate, and treat others respectfully.

Strive for <u>Excellence</u> in the work that we do

- Exceed expectations through the accurate and timely administration of benefits.
- Develop the knowledge and skill necessary to achieve excellence in our roles.
- Produce an accurate work product by holding ourselves to a high standard of quality.

Invest with <u>Prudence</u>

- Manage and grow our investment assets in a diversified and prudent manner.
- Uphold our fiduciary responsibility using sound judgement and a principled decision-making process.

Apers Internal Audit Engagement Plan

Engagement Name: Culture and Working Environment

Fiscal Year: FY23

Background Information: Poor organizational culture has been identified as the root cause of many serious issues across numerous industries around the world. The internal audit activity role is to assess and report an organizations culture and conduct risk management. This is consistent with The Mission of Internal Audit (To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight) and with the Standards of Internal Auditing. One of internal audit's key responsibilities is to assess the adequacy and effectiveness of the control environment which is directly impacted by culture and the conduct that arises from employees acting out and exhibiting their interpretation of the values of that culture. The control environment includes the following elements:

- Integrity and ethical values
- Management's philosophy and operating style
- Organizational structure
- Assignment of authority and responsibility
- Human resource policies and practices
- Competence of personnel

A review of conducted audits documented since 2002 did not indicate any assessment of culture had been undertaken within the organization. The Human Resources office was consulted to determine if any employee engagement related work had been done and they were unable to find any such documentation.

Whether intentionally developed or not, every organization has a culture, and that culture drives how an organization performs its business and executes its strategies. Culture and conduct are difficult to define. For this engagement organizational culture and conduct will be described as follows:

Culture is intangible. It represents the invisible belief systems, values, norms, and preferences of the individuals that form an organization.

Conduct is tangible. It is the manifestation of culture through the actions, behaviors, and decisions of those individuals.

In short, culture determines the organization's values and conduct illustrates the commitment to those values.

Culture is significant to organizations because it is part of the control environment, which is the foundation for all layers of control. If the culture of an organization is toxic, it erodes the effectiveness of all other control layers. A common factor cited when discussing an organization's culture is "tone-at-the-top." Tone at the Top is used to describe an organization's general ethical climate, as established by its board of directors and senior management. Many studies have shown that most people who change jobs do so because of tone-at-the-top beliefs and behaviors. Other reasons include boredom, struggling with work/life balance, and feeling unappreciated.

A strong, positive, affirmative, and open culture supports the organization's attainment of goals and objectives because it creates a more enjoyable place to work, enhances productivity, leads to overall improved performance, and reduces risk exposure.

An organization's culture influences the conduct of its employees. Weak culture may increase the possibility of conduct risks within the organization. What is conduct risk – in general it is the risk generated by any action that may cause harm to customers, employees, or other stakeholders. Conduct risk may be evidenced by:

- Mistreating customers
- Misleading customers
- Violating the rules and regulations
- Committing fraud
- Wrongdoing against employees

Misconduct can result in reputational damage if an employee's behavior violates rules or regulations or harms a customer or colleague, and that information becomes public knowledge, perhaps via news outlets or social media. Not all conduct risks by default result in reputational damage, but they can jeopardize an organization's achievement of its objectives.

Objectives of the Engagement: The audit is being conducted to assess how current APERS staff view the culture and working environment of the agency and how the status of the organization's culture may impact the control environment. Additionally, information related to the awareness of the current Mission Statement and what staff feel the Mission Statement and Core Values of APERS should reflect.

Scope of the Engagement: The initial component of the assessment will utilize an anonymous employee survey to gather staff input utilizing targeted questions. Additionally, results from any available customer satisfaction surveys, available exit interview information, and grievance information from the last two years will be gathered. Current agency documents related to culture and tone-at-the-top will be reviewed as well. These would include mission and vision statements (a mission statement sets forward what the company does, how it does it and why; a vision should describe the future goals and ambitions), statements of core values (what behavior do we value, how will we conduct our activities, how do we treat members of our organization and community), strategic business plan (the process for defining strategy so that specific goals and objectives can be accomplished), and information on the staff turnover rates.

Audit Risks: A formal risk assessment was not conducted for this audit. Risk identified by the Assurance Officer are outlined in the body of this report. Additionally, there is a risk to this assessment that staff will not engage with the anonymous survey because they fear their feedback will not be truly anonymous. To mitigate that risk extra care will be taken to share additional information about how Microsoft Forms can be set for anonymous responses. Another risk is that there is not sufficient historical evidence to examine. There is no way to completely mitigate that risk. Every effort will be made to locate as much evidence as possible. A goal of 75% participation has been set.

Engagement Timing: The assessment will begin in March and a preliminary report will be submitted to the Director by the end of March.

INTERNAL AUDIT REPORT

No risk analysis was carried out before this audit began. The Assurance Officer identified the following risks and evaluated them in degree of probability as well as their impact on agency activities.

Risk: Employee moral impacts productivity				
		LIKELIHOOD		
		High	Medium	Low
IMPACT	High			
	Medium			
	Low			

Risk: Perception of management causes low staff moral				
		LIKELIHOOD		
		High	Medium	Low
IMPACT	High			
	Medium			
	Low			

AUDIT IMPRESSIONS

Audit No.: **FY23-002**

Audit team: **Patty Shipp, APERS Assurance Officer**

Site/Section/Function Audited: **Culture and Working Environment**

A total of 47 responses were received from the Survey submitted to all staff. That translates to an approximately 71% participation rate. The goal was to have 75% of staff participate so the effort fell short. If we have received only 3 more responses, we would have met the 75% goal.

The following statistical information was obtained from the survey:

- When asked to rate between 1-5 how respected our staff feels at work, the average score was 3.87.
- When asked if there has been a time they have gone "above and beyond" at work, 100% of respondents indicated that was the case.
- When asked if they felt their extra work had been acknowledged by their supervisor or manager, 72% felt they had been acknowledged while 28% felt their extra work had gone unnoticed.
- When asked about awareness regarding reporting ethical violations, 96% indicated they were aware of that mandate, however, 15% indicated they did not know how to go about reporting ethical violations.
- When asked about adequate training, 13% of responding staff indicated they did not feel adequately trained to perform their job.
- When asked if they feel listened to and able to contribute to their team, 18% indicated they did not feel listened to or able to contribute.
- When asked to access their current workload on a scale between 1-5, the average ranking was 3.71.
- When asked if they felt the working environment had become better, worse, or stayed the same at APERS over the last year,
  - 15% responded better
  - 13% responded worse
  - 55% responded remained about the same
  - 17% responded they did not have an opinion
- When asked how satisfied they were with their employment at APERS,
  - 28% responded very satisfied
  - 52% responded somewhat satisfied
  - 7% responded neither satisfied or dissatisfied
  - 13% responded somewhat dissatisfied
  - 0% responded very dissatisfied
- When asked how long they had been employed at APERS,
  - 18% responded less than 5 years

  - 33% responded between 5 and 10 years
  - 40% responded between 10 and 20 years
  - 9% responded more than 20 years
- Respondents were asked to rate how likely they would be to recommend APERS as a place of employment. The results of this question were used to calculate an Employee Net Promoter Score. eNPS acts to gauge the employee experience. Too calculate an eNPS the question is numbered on a scale and each survey respondent is classified into one of three categories: Promoters, Detractors, and Passives. Scores between 1 and 6 are classified as Detractors, scores or 7 or 8 are Passives, and scores of 9 or 10 are Promoters. The score results from subtracting the total of Promotors from the total of Detractors. The score can range from -100 to 100. A score above 0 is considered good or acceptable by leading organizations. A score above 50 is considered excellent. The score from APERS staff that responded was -8.7.

In addition to these statistical measures, numerous open response questions were asked. All responses have been captured and are available for review.

- Data from OPM and our internal HR yielded the following Staff Turnover Ratios
  - FY2021 – 7%
  - FY2022 – 18%
  - FY2023 to date – 4%

  For reference, the average turnover rate for government jobs in 2022 was 18%. Looking at several year's data, 18% has been the stable rate for state and federal government except for 2020. According to Gallup, replacing a full-time employee can cost anywhere between half to two times the amount of that employee's annual salary.

  According to a study by McKinsey, the top reasons employees quit are:
  - A lack of career development opportunities and room for career growth – 41%
  - Inadequate total compensation – 36%
  - Uncaring and uninspiring leaders – 34%
  - Lack of meaningful work – 31%

CONCLUSIONS and RECOMMENDATIONS

Based on the impressions gained from the survey results and review of various documents available within APERS, the following conclusions can be drawn:

- Staff morale is lower than desired.
- As with any state agency, salary levels are part of the morale issues.
- Open responses to questions indicate that APERS has work to do related to the top three reasons employees quit as listed in the McKinsey study previously sited.
- The percentage of staff that indicated they were somewhat dissatisfied, 13%, while not alarmingly high, when viewed alongside the eNPS of -8.7 indicates there is work to be done to improve the culture and working environment within APERS.

The following are some possible recommended actions:

- Share an abbreviated report of the survey with all APERS staff to reinforce that the data has been analyzed and is being considered by management.
- Complete work regarding updating the Mission Statement, Vision State, and Core Values as needed and socialize the results effectively.
- Schedule an All APERS meeting like the one held on November 30, 2022. Commit to recurring All APERS meetings throughout the year. My suggestion is no less than 2.
- Take time to go over the survey results – including the individual comments – with all management. I would suggest working meetings led by the Director both with senior staff and frontline managers/supervisors.
- Seek interpersonal/people/management enrichment opportunities for all staff with direct reports and require participation on some level.
- Work to implement an agency wide process related to employee evaluations. Possibly quarterly one-on-one meetings for each direct report to look at the last evaluation and identify if progress is being made on areas that were marked low during their previous evaluation or if they remain problematic. Reiterate evaluation expectations, clearly defining how scoring is determined. For example: 3- someone that performs their job up to the expected level, 4- must be supported by documentation showing a pattern of continued work exceeding expectations, 5- only warranted under extreme circumstances where an employee led an extended project that achieved documented improvement in business processes or verified cost savings to the agency.

REFERENCES

The following documents, sources, studies, and information are incorporated into this Internal Audit Report:

Institute of Internal Auditors on-demand course *Auditing Culture and Conduct*
International Professional Practices Framework Supplemental Guidance Practice Guide, Auditing Culture
Deloitte. Core beliefs and culture – Chairman's survey findings
APERS documents located in the Common Drive - J:\Employee Handbook & More
Exit interview documentation made available by HR
Review of the number of grievances lodged against the agency in the last three years.
Employee turnover data for the last three years.

Web Resources Consulted for Culture Audit
https://www.icaew.com/technical/internal-audit-community/internal-audit-resource-centre/how-to-audit-culture
https://www.auditboard.com/blog/culture-audits-3-tips-for-assessing-your-corporate-culture/
https://www.questionpro.com/blog/culture-survey/
https://www.myhubintranet.com/cultural-audits/
https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2016/auditing-culture.pdf
https://www.icas.com/professional-resources/audit-and-assurance/internal-audit/should-internal-audit-perform-a-culture-audit
https://www.thecaq.org/wp-content/uploads/2020/03/afc_assessing_corporate_culture_a_proactive_approach_to_deter_misconduct.pdf
https://www.wolterskluwer.com/en/expert-insights/conducting-a-cultural-audit-a-holistic-approach
https://www.bamboohr.com/resources/hr-glossary/employee-net-promoter-score-enps#:~:text=Employer%20Net%20Promoter%20Score%2C%20or,Reichheld%2C%20that%20gauges%20customer%20loyalty.
https://officevibe.com/blog/know-employee-net-promoter-score
https://blog.vantagecircle.com/employee-net-promoter-score-enps/#:~:text=Here%20is%20what%20can%20be,is%20considered%20to%20be%20excellent.
https://www.zippia.com/advice/employee-turnover-statistics/

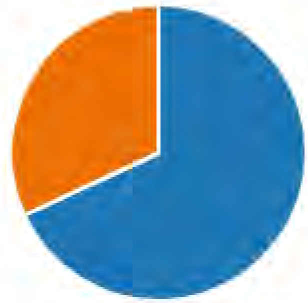
D2

Statistical Information from 47 Surveys Submitted [71% of staff]

[Note: if less than 47 responses were gathered, that indicates some staff members did not respond to that question.]

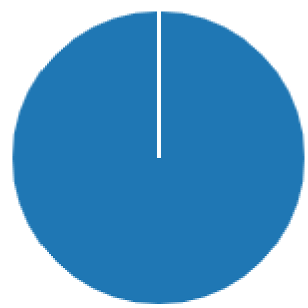
Are you aware of the current APERS Mission Statement?

Yes	32	68%
No	15	32%



Do you feel the work you perform daily contributes to APERS mission?

Yes	47	100%
No	0	



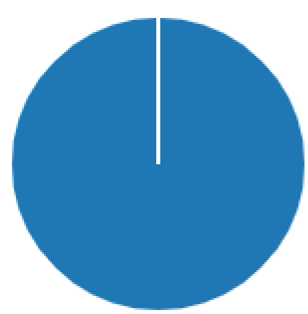
I am treated with respect at work.

46
Responses

3.87 Average Rating

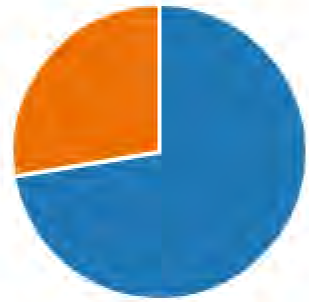
Have there been times when you have gone “above and beyond” to accomplish your work at APERS?

Yes	47	100%
No	0	



Did your supervisor/manager acknowledge your extra effort?

Yes	34	72%
No	13	28%



Are you aware of your responsibility to report ethical violations, fraud, waste, or abuse of any retirement system resources that can be verified through investigation?

Yes	45	96%
No	2	4%

Are you aware of how to report such issues?

Yes	38	85%
No	7	15%

Do you feel you have been adequately trained to do the job you are currently assigned?

Yes	40	87%
No	6	13%

Do you feel listened to and able to contribute ideas within your team?

Yes	37	82%
No	8	18%

My current workload is…

45
Responses

3.71 Average Rating

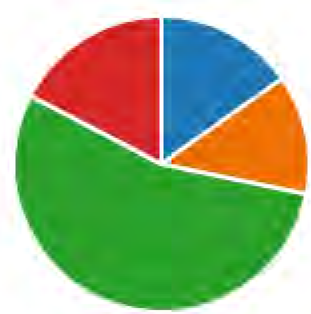
On a scale of 1-10 (with 1 being the lowest and 10 the highest), how likely would you be to recommend APERS as a place to work?

46
Responses

6.98
Average Number

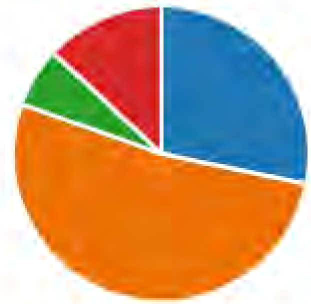
Do you feel the working environment at APERS has become better, worse, or stayed the same over the last year?

Better	7	15%
Worse	6	15%
Stayed about the same	25	55%
No opinion	8	17%



Overall, how satisfied are you with your employment at APERS?

Very satisfied	13	28%
Somewhat satisfied	24	52%
Neither satisfied nor dissatisfied	3	7%
Somewhat dissatisfied	6	13%
Very dissatisfied	0	



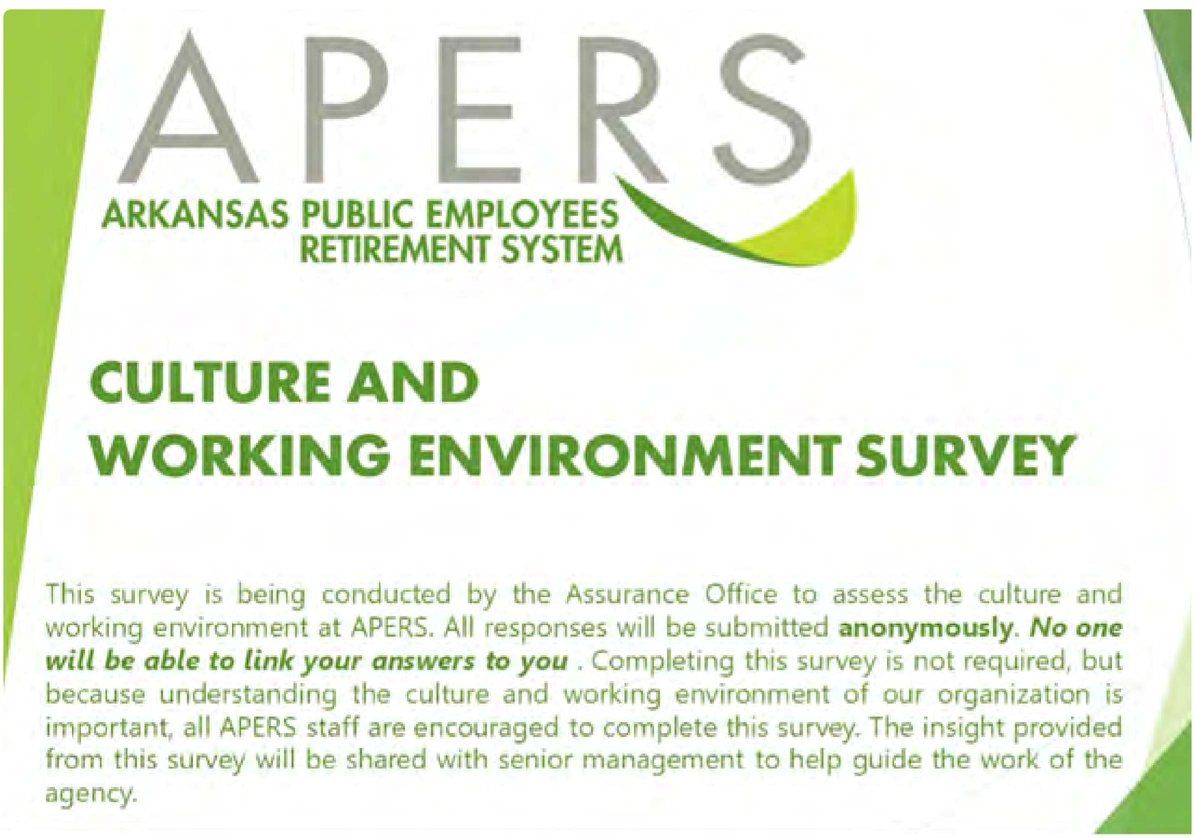
How long have you been employed at APERS?

Less than 5 years	8	18%
Between 5 and 10 years	15	33%
Between 10 and 20 years	18	40%
More than 20 years	4	9%

C2

Anonymous Culture and Working Environment Survey

* Required



1

In your own words, what is the mission of APERS?

2

Are you aware of the current APERS Mission Statement?

- ○ Yes If Yes selected, sent to question 3
- ○ No If No selected, sent to question 4

3

The current Mission Statement for APERS is...

The Arkansas Public Employees Retirement System (APERS) was established by the Arkansas Legislature effective July 1. 1957. The purpose of the Retirement System is to play an integral role in the future financial security of the Arkansas Public Employees Retirement System (APERS), Arkansas State Police Retirement System (ASPRS), and Arkansas Judicial Retirement System (AJRS) members by promptly and courteously delivering quality benefits and information which members value and trust through professional plan administration and prudent management of System assets. In addition, the Executive Director of APERS serves as the State Social Security Administrator.

○ I have read the current mission.

4

The current Mission Statement for APERS is...

The Arkansas Public Employees Retirement System (APERS) was established by the Arkansas Legislature effective July 1. 1957. The purpose of the Retirement System is to play an integral role in the future financial security of the Arkansas Public Employees Retirement System (APERS), Arkansas State Police Retirement System (ASPRS), and Arkansas Judicial Retirement System (AJRS) members by promptly and courteously delivering quality benefits and information which members value and trust through professional plan administration and prudent management of System assets. In addition, the Executive Director of APERS serves as the State Social Security Administrator.

○ I have read the current mission.

5

Do you feel the work you perform daily contributes to APERS mission?

- ◯ Yes
- ◯ No

6

Given the current APERS Mission Statement, what should be our core values?

7

How would you describe the leadership and management style within APERS?

Feel free to address separately the styles of the Executive Director, Senior Management and your Direct Supervisor and/or Manager.

8

I am treated with respect at work. *

Please use the check marks to rate your agreement with the statement above. One check mark would indicate you do not agree and five check marks indicate you agree completely.

9

Have there been times when you have gone "above and beyond" to accomplish your work at APERS?

- Yes If yes selected, sent to question 10
- No If no selected, sent to question 11

10

Did your supervisor/manager acknowledge your extra effort?

- Yes
- No

11

Are you aware of your responsibility to report ethical violations, fraud, waste or abuse of any retirement system resources that can be verified through investigation?

- ◯ Yes If yes selected, sent to question 12
- ◯ No If no selected, sent to question 13

12

Are you aware of how to report such issues?

- ◯ Yes If yes selected, sent to question 14
- ◯ No If no selected, sent to question 13

13

Reporting Information

Allegations of ethical violations or fraud may be reported to the Arkansas State Employees'' Fraud, Waste, and Abuse Report Center (1-800-952-8248) or to the Dept of Inspector General - Office of Internal Audit (501-682-0370). You may also utilize a form, available at https://ig.arkansas.gov/internal-audit/what-is-fraud-waste-and-abuse/, to report such issues.

- ◯ I have read the information above.

14

Do you feel you have been adequately trained to do the job you are currently assigned?

- ◯ Yes — If yes selected, sent to question 16
- ◯ No — If no selected, sent to question 15

15

What additional training would be most useful to you?

16

Do you feel listened to and able to contribute ideas within your team?

- ◯ Yes
- ◯ No

17

My current workload is... *

Please rate your workload using the checkmarks. One check mark would indicate you have adequate free time during your work day. Five check marks would indicate you are unable to complete all tasks assigned each day.

18

What are the unwritten rules at APERS?

If you don't have a response to this question, please enter N/A below.

19

On a scale of 1 - 10 (with 1 being the lowest and 10 the highest), how likely would you be to recommend APERS as a place to work? *

1	2	3	4	5	6	7	8	9	10

20

Please share your reasons for either recommending or not recommending APERS as a place to work.

21

Do you feel the working environment at APERS has become better, worse, or stayed about the same over the last year? *

- Better If Better selected, sent to question 22
- Worse If Worse selected, sent to question 23
- Stayed about the same If Stayed about the same selected, sent to question 24
- No opinion If No opinion selected, sent to question 24

22

In what way has the working environment become better at APERS?

23

In what way has the working environment become worse at APERS?

24

Overall, how satisfied are you with your employment at APERS? *

- Very satisfied
- Somewhat satisfied
- Neither satisfied nor dissatisfied
- Somewhat dissatisfied
- Very dissatisfied

25

How long have you been employed at APERS?

- Less than 5 years
- Between 5 and 10 years
- Between 10 and 20 years
- More than 20 years

26

Are there any other thoughts you would like to share regarding the culture and working environment at APERS?

As stated at the beginning of this survey, your answers will be submitted **anonymously** and **cannot be linked** to you in any way.

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

New Retirees Summary for Month of 01/2023

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
County	79	109	188	$87,250.53	$227,174.78	$314,425.31	$1,104.44	$2,084.17
Municipality	19	19	38	$19,596.20	$54,633.92	$74,230.12	$1,031.38	$2,875.47
Municipality-Non-Participating	0	1	1	$0.00	$1,515.18	$1,515.18	$0.00	$1,515.18
Non-State	0	2	2	$0.00	$1,880.39	$1,880.39	$0.00	$940.20
School	2	8	10	$3,347.44	$9,196.53	$12,543.97	$1,673.72	$1,149.57
State	60	103	163	$69,136.20	$197,430.53	$266,566.73	$1,152.27	$1,916.80
TOTAL	**160**	**242**	**402**	**$179,330.37**	**$491,831.33**	**$671,161.70**	**$1,120.81**	**$2,032.36**

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

All Retirees Summary for Month of 01/2023

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
County	2,094	8,095	10,189	$1,774,562.05	$10,101,972.90	$11,876,534.95	$847.45	$1,247.93
Municipality	641	2,502	3,143	$541,285.88	$3,685,702.84	$4,226,988.72	$844.44	$1,473.10
Municipality-Non-Participating	8	19	27	$4,223.26	$12,901.60	$17,124.86	$527.91	$679.03
Non-State	43	113	156	$40,145.38	$107,866.88	$148,012.26	$933.61	$954.57
Others	0	0	157	$0.00	$0.00	$193,418.02	$0.00	$0.00
School	495	3,734	4,229	$531,585.19	$2,999,811.62	$3,531,396.81	$1,073.91	$803.38
State	3,812	16,872	20,684	$3,791,015.24	$28,721,399.26	$32,512,414.50	$994.50	$1,702.31
TOTAL	**7,093**	**31,335**	**38,585**	**$6,682,817.00**	**$45,629,655.10**	**$52,505,890.12**	**$942.17**	**$1,456.19**

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

New DROP Summary for Month of 01/2023

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
County	1	6	7	$2,056.54	$11,654.85	$13,711.39	$2,056.54	$1,942.48
Municipality	0	3	3	$0.00	$6,279.51	$6,279.51	$0.00	$2,093.17
State	2	12	14	$3,890.97	$25,778.32	$29,669.29	$1,945.49	$2,148.19
TOTAL	**3**	**21**	**24**	**$5,947.51**	**$43,712.68**	**$49,660.19**	**$1,982.50**	**$2,081.56**

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

New Termination Refunds Summary for Month of 01/2023

	No. of Payees	Total Benefit	Total Service Credit	Average Benefit	Average Service Credit
County	50	$310,558.28	175 Y(s) 10.75 M(s)	$6,211.17	3 Y(s) 6.22 M(s)
Municipality	25	$108,767.49	64 Y(s) 10.50 M(s)	$4,350.70	2 Y(s) 7.14 M(s)
Non-State	2	$10,210.18	5 Y(s) 4.50 M(s)	$5,105.09	2 Y(s) 8.25 M(s)
State	107	$771,158.33	381 Y(s) 7.50 M(s)	$7,207.09	3 Y(s) 6.80 M(s)
TOTAL	184	$1,200,694.28	627 Y(s) 9.25 M(s)	$6,525.51	3 Y(s) 4.94 M(s)

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

New Retirees Summary for Month of 02/2023

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
County	28	40	68	$22,548.59	$77,096.77	$99,645.36	$805.31	$1,927.42
Municipality	15	7	22	$15,766.21	$15,666.90	$31,433.11	$1,051.08	$2,238.13
Non-State	0	1	1	$0.00	$561.85	$561.85	$0.00	$561.85
School	1	4	5	$710.46	$2,304.99	$3,015.45	$710.46	$576.25
State	39	52	91	$42,043.90	$78,231.73	$120,275.63	$1,078.05	$1,504.46
TOTAL	**83**	**104**	**187**	**$81,069.16**	**$173,862.24**	**$254,931.40**	**$976.74**	**$1,671.75**

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

All Retirees Summary for Month of 02/2023

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
County	2,113	8,107	10,220	$1,790,818.34	$10,139,580.79	$11,930,399.13	$847.52	$1,250.72
Municipality	654	2,499	3,153	$556,138.89	$3,691,225.03	$4,247,363.92	$850.37	$1,477.08
Municipality-Non-Participating	8	19	27	$4,223.26	$12,901.60	$17,124.86	$527.91	$679.03
Non-State	43	113	156	$40,145.38	$107,679.60	$147,824.98	$933.61	$952.92
Others	0	0	157	$0.00	$0.00	$193,418.02	$0.00	$0.00
School	486	3,716	4,202	$520,958.01	$2,987,904.19	$3,508,862.20	$1,071.93	$804.06
State	3,841	16,881	20,722	$3,823,202.77	$28,713,451.13	$32,536,653.90	$995.37	$1,700.93
TOTAL	**7,145**	**31,335**	**38,637**	**$6,735,486.65**	**$45,652,742.34**	**$52,581,647.01**	**$942.69**	**$1,456.92**

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

New DROP Summary for Month of 02/2023

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
County	2	2	4	$5,326.89	$2,977.48	$8,304.37	$2,663.45	$1,488.74
Non-State	1	0	1	$668.49	$0.00	$668.49	$668.49	$0.00
State	2	9	11	$2,729.93	$23,406.10	$26,136.03	$1,364.97	$2,600.68
TOTAL	**5**	**11**	**16**	**$8,725.31**	**$26,383.58**	**$35,108.89**	**$1,745.06**	**$2,398.51**

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

New Termination Refunds Summary for Month of 02/2023

	No. of Payees	Total Benefit	Total Service Credit	Average Benefit	Average Service Credit
County	68	$341,788.68	196 Y(s) 9.25 M(s)	$5,026.30	2 Y(s) 10.72 M(s)
Municipality	21	$92,802.47	59 Y(s) 6.00 M(s)	$4,419.17	2 Y(s) 10.00 M(s)
Non-State	2	$2,252.50	1 Y(s) 1.50 M(s)	$1,126.25	0 Y(s) 6.75 M(s)
State	120	$740,315.91	370 Y(s) 1.75 M(s)	$6,169.30	3 Y(s) 1.01 M(s)
TOTAL	211	$1,177,159.56	627 Y(s) 6.50 M(s)	$5,578.96	2 Y(s) 11.69 M(s)

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

New Retirees Summary for Month of 03/2023

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
County	19	23	42	$8,986.34	$26,313.86	$35,300.20	$472.97	$1,144.08
Municipality	10	6	16	$5,326.71	$8,160.23	$13,486.94	$532.67	$1,360.04
School	1	4	5	$626.39	$2,897.70	$3,524.09	$626.39	$724.43
State	30	46	76	$30,767.19	$57,999.16	$88,766.35	$1,025.57	$1,260.85
TOTAL	**60**	**79**	**139**	**$45,706.63**	**$95,370.95**	**$141,077.58**	**$761.78**	**$1,207.23**

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

All Retirees Summary for Month of 03/2023

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
County	2,129	8,099	10,228	$1,798,324.08	$10,132,671.38	$11,930,995.46	$844.68	$1,251.10
Municipality	663	2,495	3,158	$560,571.39	$3,686,327.91	$4,246,899.30	$845.51	$1,477.49
Municipality-Non-Participating	8	19	27	$4,223.26	$12,953.79	$17,177.05	$527.91	$681.78
Non-State	43	113	156	$40,145.38	$107,692.20	$147,837.58	$933.61	$953.03
Others	0	0	156	$0.00	$0.00	$193,017.79	$0.00	$0.00
School	485	3,686	4,171	$520,236.79	$2,971,458.88	$3,491,695.67	$1,072.65	$806.15
State	3,856	16,874	20,730	$3,842,676.66	$28,689,725.95	$32,532,402.61	$996.54	$1,700.23
TOTAL	**7,184**	**31,286**	**38,626**	**$6,766,177.56**	**$45,600,830.11**	**$52,560,025.46**	**$941.84**	**$1,457.55**

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

New DROP Summary for Month of 03/2023

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
County	0	2	2	$0.00	$4,175.68	$4,175.68	$0.00	$2,087.84
Municipality	0	1	1	$0.00	$2,117.00	$2,117.00	$0.00	$2,117.00
State	5	7	12	$9,703.89	$12,292.42	$21,996.31	$1,940.78	$1,756.06
TOTAL	**5**	**10**	**15**	**$9,703.89**	**$18,585.10**	**$28,288.99**	**$1,940.78**	**$1,858.51**

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Board Report

New Termination Refunds Summary for Month of 03/2023

	No. of Payees	Total Benefit	Total Service Credit	Average Benefit	Average Service Credit
County	62	$350,428.76	183 Y(s) 4.25 M(s)	$5,652.08	2 Y(s) 11.49 M(s)
Municipality	35	$255,985.42	120 Y(s) 4.00 M(s)	$7,313.87	3 Y(s) 5.26 M(s)
Non-State	2	$5,768.50	4 Y(s) 2.75 M(s)	$2,884.25	2 Y(s) 1.38 M(s)
State	91	$581,161.46	283 Y(s) 0.50 M(s)	$6,386.39	3 Y(s) 1.32 M(s)
TOTAL	190	$1,193,344.14	590 Y(s) 11.50 M(s)	$6,280.76	3 Y(s) 1.32 M(s)

Class Action Settlement Proceeds

Fiscal Year		Total Proceeds
2009	$	2,808,033.51
2010	$	2,333,548.87
2011	$	1,222,467.30
2012	$	734,293.86
2013	$	501,060.63
2014	$	1,034,993.49
2015	$	499,547.35
2016	$	1,367,167.89
2017	$	354,154.24
2018	$	801,714.62
2019	$	1,442,809.72
2020	$	1,319,992.13
2021	$	575,013.13
2022	$	553,429.10
2023	$	300,123.77
	$	15,848,349.61

Class Action / Account Number	Account Name	Notice Date / Account Open	Exclusion Date / Status Date	Claim Due / Account	Period Begin / Claim Status	Period End / Comments	Currency	Gross Settlement
HARMAN INTERNATIONAL INDUSTRIES, INC., Securities Litigation (17CV00246)		**N/A**	**10/20/2022**	**12/01/2022**	**01/10/2017**	**03/12/2017**	**USD**	**28,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
HARMAN INTERNATIONAL INDUSTRIES, INC., Securities Litigation (17CV00246)		**N/A**	**10/20/2022**	**12/01/2022**	**01/10/2017**	**03/12/2017**	**USD**	**28,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
GROUPON, INC Securities Litigation		**N/A**	**09/22/2022**	**12/01/2022**	**07/30/2019**	**02/18/2020**	**USD**	**13,500,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
UNITI GROUP INC. SECURITIES LITIGATION		**N/A**	**10/14/2022**	**12/01/2022**	**04/24/2015**	**06/24/2019**	**USD**	**38,875,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
UNITI GROUP INC. SECURITIES LITIGATION		**N/A**	**10/14/2022**	**12/01/2022**	**04/24/2015**	**06/24/2019**	**USD**	**38,875,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
GROUPON, INC Securities Litigation		**N/A**	**09/22/2022**	**12/01/2022**	**07/30/2019**	**02/18/2020**	**USD**	**13,500,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
CREDIT ACCEPTANCE CORPORATION, Securities Litigation		**N/A**	**11/16/2022**	**12/02/2022**	**05/04/2018**	**08/28/2020**	**USD**	**12,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
CREDIT ACCEPTANCE CORPORATION, Securities Litigation		**N/A**	**11/16/2022**	**12/02/2022**	**05/04/2018**	**08/28/2020**	**USD**	**12,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
COVETRUS, INC., Securities Litigation		**N/A**	**10/04/2022**	**12/03/2022**	**02/08/2019**	**08/12/2019**	**USD**	**35,000,000.0000**

Class Action / Account Number	Account Name	Notice Date / Account Open	Exclusion Date / Status Date	Claim Due / Account	Period Begin / Claim Status	Period End / Comments	Currency	Gross Settlement
NO SELECTED ACCOUNTS AFFECTED								
COVETRUS, INC., Securities Litigation		**N/A**	**10/04/2022**	**12/03/2022**	**02/08/2019**	**08/12/2019**	**USD**	**35,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
IMMUNOMEDICS, INC., Securities Litigation (16CV03335KSHCLW)		**N/A**	**12/29/2022**	**12/06/2022**	**05/02/2016**	**06/24/2016**	**USD**	**4,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
JIAYIN GROUP INC., Securities Litigation		**N/A**	**11/11/2022**	**12/09/2022**	**12/19/2018**	**09/02/2020**	**USD**	**2,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
AMTRUST FINANCIAL SERVICES, INC., Securities Litigation		**N/A**	**10/26/2022**	**12/13/2022**	**01/22/2018**	**01/18/2019**	**USD**	**13,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
NN, Inc., Securities Litigation		**N/A**	**11/15/2022**	**12/15/2022**	**09/10/2018**	**09/21/2018**	**USD**	**9,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
EVOLENT HEALTH, INC., Securities Litigation		**N/A**	**10/28/2022**	**12/16/2022**	**01/10/2018**	**05/28/2019**	**USD**	**23,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
EVOLENT HEALTH, INC., Securities Litigation		**N/A**	**10/28/2022**	**12/16/2022**	**01/10/2018**	**05/28/2019**	**USD**	**23,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
INOVIO PHARMACEUTICALS, INC Securities Litigation		**N/A**	**11/23/2022**	**12/19/2022**	**02/14/2020**	**08/10/2020**	**USD**	**30,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								

Class Action Account Number / Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account	Period Begin Claim Status	Period End Comments	Currency	Gross Settlement
INOVIO PHARMACEUTICALS, INC Securities Litigation	**N/A**	**11/23/2022**	**12/19/2022**	**02/14/2020**	**08/10/2020**	**USD**	**30,000,000.0000**
	NO SELECTED ACCOUNTS AFFECTED						
SEALED AIR CORPORATION, Securities Litigation	**N/A**	**12/30/2022**	**12/27/2022**	**11/17/2014**	**06/20/2019**	**USD**	**12,500,000.0000**
	NO SELECTED ACCOUNTS AFFECTED						
BENEFITFOCUS, INC., Securities Litigation	**N/A**	**11/10/2022**	**12/27/2022**	**02/26/2019**	**11/05/2020**	**USD**	**11,000,000.0000**
	NO SELECTED ACCOUNTS AFFECTED						
BENEFITFOCUS, INC., Securities Litigation	**N/A**	**11/10/2022**	**12/27/2022**	**02/26/2019**	**11/05/2020**	**USD**	**11,000,000.0000**
	NO SELECTED ACCOUNTS AFFECTED						
SEALED AIR CORPORATION, Securities Litigation	**N/A**	**12/30/2022**	**12/27/2022**	**11/17/2014**	**06/20/2019**	**USD**	**12,500,000.0000**
	NO SELECTED ACCOUNTS AFFECTED						
YELP, INC., Securities Litigation (18CV00400EMC)	**N/A**	**01/09/2023**	**12/27/2022**	**02/10/2017**	**05/09/2017**	**USD**	**22,250,000.0000**
	NO SELECTED ACCOUNTS AFFECTED						
YELP, INC., Securities Litigation (18CV00400EMC)	**N/A**	**01/09/2023**	**12/27/2022**	**02/10/2017**	**05/09/2017**	**USD**	**22,250,000.0000**
	NO SELECTED ACCOUNTS AFFECTED						
DOUYU INTERNATIONAL HOLDINGS LIMITED Securities litigation	**N/A**	**11/01/2022**	**12/28/2022**	**07/16/2019**	**01/22/2020**	**USD**	**15,000,000.0000**
	NO SELECTED ACCOUNTS AFFECTED						
Vanda Pharms Inc. Securities Litigation	**N/A**	**12/15/2022**	**12/28/2022**	**11/04/2015**	**02/11/2019**	**USD**	**11,500,000.0000**

Class Action Account Number	Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account	Period Begin Claim Status	Period End Comments	Currency	Gross Settlement
NO SELECTED ACCOUNTS AFFECTED								
Vanda Pharms Inc. Securities Litigation		**N/A**	**12/15/2022**	**12/28/2022**	**11/04/2015**	**02/11/2019**	**USD**	**11,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
UGI CORPORATION SECURITIES LITIGATION		**N/A**	**11/09/2022**	**12/30/2022**	**04/02/2019**	**08/22/2019**	**USD**	**10,250,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
UGI CORPORATION SECURITIES LITIGATION		**N/A**	**11/09/2022**	**12/30/2022**	**04/02/2019**	**08/22/2019**	**USD**	**10,250,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
Fiat Chrysler Automobiles Fair Fund		**N/A**	**N/A**	**01/09/2023**	**10/13/2014**	**07/26/2016**	**USD**	**40,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
Fiat Chrysler Automobiles Fair Fund		**N/A**	**N/A**	**01/09/2023**	**10/13/2014**	**07/26/2016**	**USD**	**40,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
TEXTRON INC., Securities Litigation		**N/A**	**10/28/2022**	**01/20/2023**	**01/31/2018**	**12/06/2018**	**USD**	**7,900,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
TEXTRON INC., Securities Litigation		**N/A**	**10/28/2022**	**01/20/2023**	**01/31/2018**	**12/06/2018**	**USD**	**7,900,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
CHANGYOU COM LIMITED., Securities Litigation (20-CV-05973)		**N/A**	**01/06/2023**	**01/23/2023**	**03/17/2009**	**04/23/2020**	**USD**	**1,075,000.0000**
NO SELECTED ACCOUNTS AFFECTED								

Class Action / Account Number	Account Name	Notice Date / Account Open	Exclusion Date / Status Date	Claim Due / Account	Period Begin / Claim Status	Period End / Comments	Currency	Gross Settlement
CHANGYOU COM LIMITED., Securities Litigation (20-CV-05973)		**N/A**	**01/06/2023**	**01/23/2023**	**03/17/2009**	**04/23/2020**	**USD**	**1,075,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
FAT BRANDS INC., Securities Litigation		**N/A**	**02/07/2023**	**01/28/2023**	**12/04/2017**	**02/18/2022**	**USD**	**3,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
LUCKIN COFFEE INC. SECURITIES LITIGATION		**N/A**	**12/27/2022**	**01/30/2023**	**01/09/2020**	**04/01/2020**	**USD**	**7,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
VAXART, INC Securities Litigation		**N/A**	**12/13/2022**	**01/31/2023**	**06/15/2020**	**08/19/2020**	**USD**	**12,015,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
VAXART, INC Securities Litigation		**N/A**	**12/13/2022**	**01/31/2023**	**06/15/2020**	**08/19/2020**	**USD**	**12,015,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
GRUBHUB INC. Securities Litigation		**N/A**	**12/22/2022**	**02/02/2023**	**04/25/2019**	**10/28/2019**	**USD**	**42,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
PEABODY ENERGY CORP. SECURITIES LITIGATION		**N/A**	**01/17/2023**	**02/02/2023**	**04/03/2017**	**10/28/2019**	**USD**	**4,625,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
GRUBHUB INC. Securities Litigation		**N/A**	**12/22/2022**	**02/02/2023**	**04/25/2019**	**10/28/2019**	**USD**	**42,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
PEABODY ENERGY CORP. SECURITIES LITIGATION		**N/A**	**01/17/2023**	**02/02/2023**	**04/03/2017**	**10/28/2019**	**USD**	**4,625,000.0000**

Class Action / Account Number	Account Name	Notice Date / Account Open	Exclusion Date / Status Date	Claim Due / Account	Period Begin / Claim Status	Period End / Comments	Currency	Gross Settlement
NO SELECTED ACCOUNTS AFFECTED								
ORACLE CORPORATION, Securities Litigation (18CV04844BLF)		**N/A**	**12/22/2022**	**02/03/2023**	**05/10/2017**	**06/20/2018**	**USD**	**17,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
ORACLE CORPORATION, Securities Litigation (18CV04844BLF)		**N/A**	**12/22/2022**	**02/03/2023**	**05/10/2017**	**06/20/2018**	**USD**	**17,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
Infinity Q, Securities Litigation		**N/A**	**01/10/2023**	**02/06/2023**	**02/22/2016**	**02/22/2021**	**USD**	**48,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
DEUTSCHE BANK AKTIENGESELLSCHAFT, Securities Litigation		**N/A**	**01/10/2023**	**02/07/2023**	**03/14/2017**	**09/18/2020**	**USD**	**26,250,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
DEUTSCHE BANK AKTIENGESELLSCHAFT, Securities Litigation		**N/A**	**01/10/2023**	**02/07/2023**	**03/14/2017**	**09/18/2020**	**USD**	**26,250,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
KANZHUN LIMITED, Securities Litigation		**N/A**	**02/08/2023**	**02/08/2023**	**06/11/2021**	**07/02/2021**	**USD**	**2,250,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
PORTOLA PHARMACEUTICALS INC. Securities Litigation		**N/A**	**02/09/2023**	**02/13/2023**	**01/08/2019**	**02/28/2020**	**USD**	**17,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED								
PORTOLA PHARMACEUTICALS INC. Securities Litigation		**N/A**	**02/09/2023**	**02/13/2023**	**01/08/2019**	**02/28/2020**	**USD**	**17,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED								

Class Action / Account Number	Account Name	Notice Date / Account Open	Exclusion Date / Status Date	Claim Due / Account	Period Begin / Claim Status	Period End / Comments	Currency	Gross Settlement
LOOP INDUSTRIES, Securities Litigation		**N/A**	**12/08/2022**	**02/15/2023**	**09/24/2018**	**10/12/2020**	**USD**	**3,100,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
GERON CORPORATION Securities Litigation		**N/A**	**03/09/2023**	**02/16/2023**	**03/19/2018**	**09/26/2018**	**USD**	**24,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
GERON CORPORATION Securities Litigation		**N/A**	**03/09/2023**	**02/16/2023**	**03/19/2018**	**09/26/2018**	**USD**	**24,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
PROPETRO HOLDING CORP., Securities Litigation		**N/A**	**03/21/2023**	**02/23/2023**	**02/08/2017**	**03/13/2020**	**USD**	**30,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
PROPETRO HOLDING CORP., Securities Litigation		**N/A**	**03/21/2023**	**02/23/2023**	**02/08/2017**	**03/13/2020**	**USD**	**30,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
SUPER MICRO COMPUTER, INC., Securities Litigation (18CV00838)		**N/A**	**02/09/2023**	**02/27/2023**	**08/05/2016**	**01/30/2018**	**USD**	**18,250,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
SESEN BIO, INC. Securities Litigation		**N/A**	**01/02/2023**	**02/28/2023**	**12/21/2020**	**08/17/2021**	**USD**	**21,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
SESEN BIO, INC. Securities Litigation		**N/A**	**01/02/2023**	**02/28/2023**	**12/21/2020**	**08/17/2021**	**USD**	**21,000,000.0000**
		NO SELECTED ACCOUNTS AFFECTED						
U.S STEEL, Securities Litigation		**N/A**	**02/20/2023**	**03/01/2023**	**01/27/2016**	**04/25/2017**	**USD**	**40,000,000.0000**

Class Action / Account Number / Account Name	Notice Date / Account Open	Exclusion Date / Status Date	Claim Due / Account	Period Begin / Claim Status	Period End / Comments	Currency	Gross Settlement
NO SELECTED ACCOUNTS AFFECTED							
U.S STEEL, Securities Litigation	**N/A**	**02/20/2023**	**03/01/2023**	**01/27/2016**	**04/25/2017**	**USD**	**40,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED							
NEWELL BRANDS INC. Securities Litigation	**N/A**	**05/06/2021**	**03/02/2023**	**12/14/2015**	**04/18/2016**	**USD**	**102,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED							
NEWELL BRANDS INC. Securities Litigation	**N/A**	**05/06/2021**	**03/02/2023**	**12/14/2015**	**04/18/2016**	**USD**	**102,500,000.0000**
NO SELECTED ACCOUNTS AFFECTED							
Mesa Air Group Inc Securities Litigation	**N/A**	**03/17/2023**	**03/07/2023**	**07/13/2018**	**02/05/2019**	**USD**	**5,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED							
Mesa Air Group Inc Securities Litigation	**N/A**	**03/17/2023**	**03/07/2023**	**07/13/2018**	**02/05/2019**	**USD**	**5,000,000.0000**
NO SELECTED ACCOUNTS AFFECTED							
BIT DIGITAL INC., Securities Litigation	**N/A**	**02/14/2023**	**03/21/2023**	**12/21/2020**	**01/11/2021**	**USD**	**2,100,000.0000**
NO SELECTED ACCOUNTS AFFECTED							
VIDA LONGEVITY FUND Securities Litigation(Auto-distribution)	**N/A**	**03/21/2023**	**03/21/2023**	**01/01/2017**	**03/19/2021**	**USD**	**1,400,000.0000**
NO SELECTED ACCOUNTS AFFECTED							
OMEGA HEALTHCARE INVESTORS, INC., Securities Litigation (17CV08983NRB)	**N/A**	**03/28/2023**	**03/24/2023**	**02/08/2017**	**10/31/2017**	**USD**	**30,750,000.0000**
NO SELECTED ACCOUNTS AFFECTED							

Class Action / Account Number	Account Name	Notice Date / Account Open	Exclusion Date / Status Date	Claim Due / Account	Period Begin / Claim Status	Period End / Comments	Currency	Gross Settlement
CHAMPIGNON BRANDS INC., Securities Litigation		**N/A**	**02/06/2023**	**03/30/2023**	**03/27/2020**	**02/17/2021**	**USD**	**1,000,000.0000**

NO SELECTED ACCOUNTS AFFECTED

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Annual Financial Report

June 30, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2022

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER INFORMATION (Unaudited)

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair

Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

Arkansas Public Employees Retirement System
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinion{s}

We have audited the financial statements of the Arkansas Public Employees Retirement System, an office of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Arkansas Public Employees Retirement System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Arkansas Public Employees Retirement System as of June 30, 2022, and the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the office and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As indicated above, the financial statements of the Arkansas Public Employees Retirement System are intended to present the financial position and the changes in financial position of only that portion of the State that is attributable to the transactions of the Arkansas Public Employees Retirement System. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2022, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 4 to the financial statements, in 2022 the office adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the office's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Governmental Accounting Standards Board requires that a Management's Discussion and Analysis be presented to supplement government-wide financial statements. However, as discussed in the "Emphasis of Matter" paragraph above, the financial statements of the Arkansas Public Employees Retirement System are only for the specific transactions and activity of the Agency and not for the State as a whole. Therefore, the Management's Discussion and Analysis is not required to be presented for the Arkansas Public Employees Retirement System individually. Our opinion on the basic financial statements is not affected by the omission of this information.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Selected Information but does not include the basic financial statements, required supplementary information, and our auditor's reports thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2023, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of the testing, and not to provide an opinion on the effectiveness of the office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the office's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger Norman

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
January 4, 2023
SA1037022

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Arkansas Public Employees Retirement System
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Arkansas Public Employees Retirement System (the "Agency"), an office of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Arkansas Public Employees Retirement System's basic financial statements, and have issued our report thereon dated January 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the Schedule of Findings and Responses below as item 2022-1, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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SCHEDULE OF FINDINGS AND RESPONSES

2022-1 In accordance with Ark. Code Ann. § 25-1-124, the Agency reported to Arkansas Legislative Audit overpayments to retirees and beneficiaries of the public employees plan totaling $471,157 for the period July 1, 2021 through October 20, 2022. Overpayments for one to two months by the Agency routinely occur as the plan pays benefits at the beginning of the month, for that month. However, ineffective internal controls allowed payments to continue for an extended period, resulting in the following excessive amounts.

APERS continued to pay benefits to a member for over seven years after the member's death, resulting in ineligible payments of approximately $133,500. According to the obituary on file with the Agency, the member passed away on February 9, 2014. APERS was made aware of this event on July 20, 2017, and monthly payments did not cease until after August 1, 2022. APERS has agreed to a payment plan with an individual associated with the deceased member. The terms allowed for an initial payment of $5,000 and monthly payments of $250 at 0% interest, which will require almost 43 years for the outstanding amount to be repaid. Also, APERS has no recourse if payments cease, as it has no judgment from a court of law and possesses no collateral.

APERS overpaid a member approximately $72,500 by not appropriately changing the benefit option in accordance with the member's application. This member was receiving benefits from the public employees plan under the straight-life option, which provides a monthly annuity for the member's lifetime, with no survivor benefits. After retirement, the member married, and in accordance with Ark. Code Ann. § 24-4-606, changed the retirement option to one that provides a reduced annuity to the member but allows a spouse to continue receiving benefits as a survivor beneficiary. The application for this change was received and approved by APERS with an effective date of February 1, 2018. However, APERS continued to pay monthly benefits at the increased straight-life option through July 1, 2022, which resulted in the overpayment amount. As the member continues to receive a monthly annuity, APERS will reduce the amount by $1,350 through January 2027, at which time the amount will be repaid.

By incurring these avoidable costs, APERS could not use the assets it manages, which are for the benefit of all members, in an effective manner for legitimate expenses.

We recommend Agency management strengthen internal controls to ensure that benefits cease within a reasonable period after the member is no longer eligible. For ineligible payments made, we recommend Agency management actively pursue collection in accordance with Ark. Code Ann. § 19-2-305 and the State Financial Management Guide R4-19-4-2004.

Management response: *While APERS incorporates Ark. Code Ann. § 19-2-305 into its collection procedures and follows the processes contained in the DFA Financial Management Guide R4-19-4-2004, we continue to find ways to improve our processes.*

A member died out of state in 2014, and APERS was not immediately notified of the member's death. Only one of APERS' death audit services reported the death to APERS, but not until 2017. At that time, the agency process was for one APERS employee to review the death audit reports and enter the retiree's death date into the system. For unknown reasons, the staff member (who is no longer with APERS) assigned this duty did not enter this retiree's death date into the system. APERS now requires multiple employees to verify the information on the reports and check that the death date is correctly entered into the system.

In July of 2017, APERS missed a second opportunity to identify the death. An employee received returned mail from this retiree's last known address. That employee submitted the obituary for scanning into our system, but again, the retiree's death date was not entered in the system.

As a result of this case, APERS is improving the procedure for death notification. Rather than a manual process as it has been, APERS' new procedure will generate a notification in our system that will be processed and checked by staff when a proof of death is submitted. This will help ensure that the payment gets stopped in the system.

To recover this overpayment, our staff contacted the retiree's adult child and secured a repayment agreement in writing and has received timely payments to date. She also agreed in writing to add APERS as a beneficiary in her will and on life insurance policy.

In response to a prior audit finding, APERS implemented a procedure in January 2022, the "Benefit Reconciliation Audit." This procedure creates a report each time the benefit payroll is generated. The report helps APERS staff verify that retirees and beneficiaries are receiving the correct annuity amount. The factors used to calculate a retiree's benefit should match the payment when the benefit payroll is generated. If a retiree's calculation factors do not match the payment stream, then that member appears on the report. The information in the member's file is then audited to find the discrepancy.

The Benefit Reconciliation Audit allowed APERS to discover the overpayment for this current finding and is recovering the overpayment by reducing the retiree's monthly benefit until repayment is complete.

Whether identifying or collecting overpayments APERS must ensure that we are taking the right steps and making the best use of public funds by weighing the cost of any proposed steps with the potential for collection. Each case is unique. APERS is committed to its continued efforts to strengthen our current processes and procedures and develop new ones that effectively reduce the number of overpayments.

Agency's Response to Findings

Government Auditing Standards require the auditors to perform limited procedures on the Agency's response to the finding identified in our audit and described in the Schedule of Findings and Responses above. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

Tom Bullington

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
January 4, 2023

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

Exhibit A

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets:				
Cash and cash equivalents	$ 240,232,975	$ 15,008,584	$ 5,489,227	$ 260,730,786
Receivables:				
Employer contributions	11,382,827	387,679	131,296	11,901,802
Plan member contributions	2,726,635		52,289	2,778,924
Local district judges retirement funds	4,446,809			4,446,809
Investment principal receivable	27,119,248	1,050,108	439,946	28,609,302
Accrued investment income	22,593,233	876,138	1,102,927	24,572,298
Other, net of allowance for uncollectable accounts	37,928		1,255	39,183
Total Receivables	68,306,680	2,313,925	1,727,713	72,348,318
Investments, at fair value:				
U.S. Government securities	179,452,031	6,948,718	12,845,062	199,245,811
Government agency securities	158,789,210	6,148,615	15,835,663	180,773,488
Municipal bonds	1,378,280	53,370	233,876	1,665,526
Domestic equities	2,572,668,691	99,618,540	58,373,640	2,730,660,871
Domestic corporate obligations	837,425,202	32,426,669	67,281,240	937,133,111
International equities	1,354,453,145	52,446,957	6,710,722	1,413,610,824
International obligations	169,115,611	6,548,473	12,034,525	187,698,609
Mutual and exchange traded funds	273,458,959	10,588,842		284,047,801
Pooled investment funds	2,029,958,907	78,603,803	83,357,763	2,191,920,473
Real estate	1,413,285,904	54,725,071	33,020,137	1,501,031,112
Commercial loans	4,357,162	168,717	840,654	5,366,533
Diversified strategies	474,539,260	18,375,047		492,914,307
Investment derivatives	742,914	28,767	49,312	820,993
Total Investments	9,469,625,276	366,681,589	290,582,594	10,126,889,459
Securities lending collateral, at fair value:				
Repurchase agreements	77,389,369	2,996,661		80,386,030
Commercial paper	31,094,560	1,204,051		32,298,611
Floating rate notes	428,122,581	16,577,707		444,700,288
Asset-backed securities	15,748,641	609,817		16,358,458
Total Securities Lending Collateral	552,355,151	21,388,236		573,743,387
Other assets:				
Prepaid expenses	372,269			372,269
Capital assets, at cost, less accumulated depreciation	11,520,541			11,520,541
Total Other Assets	11,892,810			11,892,810
Total Assets	10,342,412,892	405,392,334	297,799,534	11,045,604,760
Deferred outflows of resources - related to other post employment benefits	989,044			989,044
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	10,343,401,936	405,392,334	297,799,534	11,046,593,804
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accrued expenses and other liabilities	11,652,880	581,403	331,928	12,566,211
Due to other agencies	9,477			9,477
Compensated absences	491,732			491,732
Post-employment benefit liability	6,232,612			6,232,612
Investment principal payable	36,514,324	1,413,903	612,423	38,540,650
Securities lending liability	554,112,356	21,456,278		575,568,634
Total Liabilities	609,013,381	23,451,584	944,351	633,409,316
Deferred inflows of resources - related to other post employment benefits	549,924			549,924
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	609,563,305	23,451,584	944,351	633,959,240
NET POSITION RESTRICTED FOR PENSIONS	$ 9,733,838,631	$ 381,940,750	$ 296,855,183	$ 10,412,634,564

The accompanying notes are an integral part of these financial statements.

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan	Total
ADDITIONS				
Contributions:				
Employer	$ 320,196,067	$ 8,908,482	$ 3,254,366	$ 332,358,915
Plan members	81,213,354	140,796	1,300,942	82,655,092
Supplemental contributions	609,078	6,165,687	5,438,254	12,213,019
Motor vehicle title fees		5,235,756		5,235,756
Designated court fees		449,777	270,839	720,616
Driver's license reinstatement fees		1,793,447		1,793,447
Total Contributions	402,018,499	22,693,945	10,264,401	434,976,845
Investment income:				
From investing activities:				
Net increase (decrease) in the fair value of investments	(1,288,269,858)	(49,945,602)	(49,061,999)	(1,387,277,459)
Interest and dividends	147,366,467	5,686,923	7,193,369	160,246,759
Other investment income	1,180,135	65,359		1,245,494
Total Investment Income (Loss)	(1,139,723,256)	(44,193,320)	(41,868,630)	(1,225,785,206)
Less investment expense	56,232,875	2,172,414	1,205,163	59,610,452
Net Investment Income (Loss)	(1,195,956,131)	(46,365,734)	(43,073,793)	(1,285,395,658)
From securities lending activities:				
Securities lending income	3,610,082	139,261		3,749,343
Less securities lending expense	541,293	20,947		562,240
Net Securities Lending Income	3,068,789	118,314		3,187,103
Other additions:				
Transfers from other public employees retirement systems	3,361,640			3,361,640
Miscellaneous additions	550,869			550,869
Total Other Additions	3,912,509			3,912,509
TOTAL ADDITIONS	(786,956,334)	(23,553,475)	(32,809,392)	(843,319,201)
DEDUCTIONS				
Benefits	635,176,766	29,149,508	17,060,242	681,386,516
Refunds of contributions	17,687,189			17,687,189
Transfers to other public employees retirement systems	393,220	167,428	113,708	674,356
Administrative expenses	11,401,566	61,920	50,407	11,513,893
TOTAL DEDUCTIONS	664,658,741	29,378,856	17,224,357	711,261,954
NET INCREASE (DECREASE) IN NET POSITION	(1,451,615,075)	(52,932,331)	(50,033,749)	(1,554,581,155)
NET POSITION - BEGINNING OF YEAR	11,185,453,706	434,873,081	346,888,932	11,967,215,719
NET POSITION - END OF YEAR	$ 9,733,838,631	$ 381,940,750	$ 296,855,183	$ 10,412,634,564

The accompanying notes are an integral part of these financial statements.

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

Act 177 of 1957, as amended, established the Arkansas Public Employees Retirement System (APERS) as an office of Arkansas state government for the purpose of providing retirement benefits for employees and various elected officials of state and local government in Arkansas. The Act also provided for the administration and control of the system to be vested in a nine-member Board of Trustees. Act 686 of 2021 expanded board membership to 13. Six members are appointed by the Governor, with three members being state employees and three members being non-state employees. Each appointee shall have at least five continuous years of service with a public employer(s) that is a member of the system, and no more than one state employee or non-state employee appointed may be a retired member. The three non-state employees must consist of at least one currently elected county judge and at least one mayor. Four members are appointed by the Legislature, two each by the President Pro Tempore of the Senate and the Speaker of the House of Representatives. All four of these appointees are required to be retired members of the public employees plan, and two are required to be retired law enforcement but not from the State Police Retirement Plan. The Auditor of State, the Treasurer of State, and the Secretary of the Department of Finance and Administration are ex-officio members.

Act 311 of 1951, as amended, established the Arkansas State Police Retirement System (ASPRS) as an office of Arkansas state government for the purpose of providing retirement benefits for commissioned police officers of the Division of Arkansas State Police. Act 1242 of 2009 transferred all assets of ASPRS to APERS to be held in trust for the benefit of ASPRS members and established a seven-member Board of Trustees. The Board members include one active or retired member enrolled in the Tier One benefit program; one active, vested member enrolled in the Tier Two benefit program; one State Police Commissioner appointed by the Governor; and three citizens-at-large appointed by the Governor. The Chief Fiscal Officer of the State, or a designee, serves by virtue of his or her position.

Act 365 of 1953, as amended, established the Arkansas Judicial Retirement System (AJRS) as an office of Arkansas state government for the purpose of providing retirement benefits for Arkansas Chancery, Circuit, and Court of Appeals Judges and for Supreme Court Justices. Act 922 of 1983 transferred the administrative duties of AJRS to the Executive Director and administrative staff of APERS and gave AJRS the authority to establish a trust fund and initiate employer contributions into the fund. Act 240 of 1997 established a five-member Board of Trustees appointed by the Arkansas Judicial Council.

All Board members serve without compensation; however, each member is entitled to receive reimbursement for mileage and travel expenses incurred while performing official duties of their respective Board. Reimbursement shall be in an amount not to exceed that which is authorized by law as the maximum allowable travel reimbursement for state employees at the time the travel is incurred.

B. Plan Descriptions

The Arkansas Public Employees Retirement System manages three defined benefit pension plans: two single-employer plans (i.e., State Police retirement plan and judicial retirement plan) and one multi-employer cost sharing plan (i.e., public employees retirement plan). On June 30, 2022, membership in each plan consisted of the following:

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan
Retirees and beneficiaries currently receiving benefits, including DROP participants	41,581	764	176
Terminated members entitled to but not yet receiving benefits	15,148	115	10
Active members	42,782	471	145
Total	99,511	1,350	331

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Descriptions (Continued)

Public Employees Retirement Plan Description

The public employees retirement plan is a cost-sharing, multiple-employer defined benefit pension plan that covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this system, college and university employees, and certain non-teaching school employees. Benefits are also provided for governors, General Assembly members, state and county constitutional officers, and quasi-judicial members.

On June 30, 2022, the number of employers participating in the plan was as follows:

State	245
Municipal	182
County	87
School	36
Court Clerks	36
Other Non-State	36
District Judges	3
Total	625

The public employees retirement plan was established as contributory. Act 793 of 1977 allowed existing and previous members to become noncontributory members. Anyone joining after January 1, 1978, was automatically enrolled as a noncontributory member. Act 2084 of 2005 established a new contributory requirement for all covered employees first hired on or after July 1, 2005. Employees hired prior to this date that are noncontributory have the option to become a contributory member at any time.

Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service or (2) at age 55 with five years of actual service. A member who is defined as a public safety member is eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service. The plan also provides for disability and survivor benefits.

Under Arkansas Code, the following groups or individuals are allowed credit for years of service on a basis greater than 1:1:

Public safety members	1.5 per year for individuals employed prior to July 1, 1997
Governor	3 per year if first elected to public office prior to July 1, 1999
Elected state constitutional officers	2.5 per year if first elected to public office prior to July 1, 1999
Elected under state division	2 per year if first elected to public office prior to July 1, 1999
Local elected officials	2 per year

The benefit provisions provided by the public employees retirement plan are established by state law and may be amended only by the General Assembly. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Descriptions (Continued)

State Police Retirement Plan Description

The State Police retirement plan is a single-employer, defined benefit pension plan administered by APERS that covers all commissioned police officers of the Division of Arkansas State Police. It was established as a contributory plan but was amended by Act 793 of 1977 to allow existing and previous members to become noncontributory members. Anyone joining the system after January 1, 1978, was automatically enrolled as a noncontributory member. Act 1071 of 1997 created a Tier Two benefit program for all officers hired on or after April 3, 1997. Existing members of the plan in effect prior to this date (hereafter referred to as Tier One) had one year to elect coverage under Tier Two.

Tier One contributory members are eligible for full retirement benefits (1) at any age with 30 years of credited service or (2) at age 50 with five years of credited service. Reduced benefits are payable at any age after 20 years of credited service. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (average of salary paid in the three years immediately preceding termination) and (2) the number of years and months of credited service.

Tier One noncontributory members are eligible for full retirement benefits (1) at any age with 28 years of actual service; (2) at age 52 with five years of actual service; or (3) at age 65 with five years but less than 28 years of actual service. The age requirement is reduced by one month for every two months of Public Safety service credit but not below age 52. Public Safety service credit is granted at the rate of 1.5 months of credit for each actual month of Public Safety employment. Reduced benefits are payable after five years of actual service once the covered employee is within 10 years of becoming eligible for full benefits. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (an average of the highest 60 calendar months' salary) and (2) the number of years and months of credited service.

Tier Two members are eligible for full retirement benefits (1) at any age with 28 years of credited service or (2) at age 65 with five years but less than 28 years of credited service. The age requirement for Tier Two is reduced by 75% of a month for each credited month of service but not below age 55. Reduced benefits are payable after five years of actual service once the covered employee is within 10 years of becoming eligible for full benefits. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (the highest 48 calendar months' salary) and (2) the number of years and months of credited service

For all Tiers, the plan also provides for disability and survivor benefits.

The benefit provisions provided by the State Police retirement plan are established by state law and may be amended only by the General Assembly. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%.

Judicial Retirement Plan Description

The judicial retirement plan is a single-employer, defined benefit pension plan administered by APERS that covers all Chancery, Circuit, and Court of Appeals Judges and Supreme Court Justices, whether elected or appointed to office. Act 399 of 1999 created a Tier Two benefit program for all judges or justices elected or appointed on or after July 30, 1999. Existing members of the plan in effect prior to this date (hereafter referred to as Tier One) had until the end of their current term to elect coverage under Tier Two.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Descriptions (Continued)

Judicial Retirement Plan Description (Continued)

Under Tier One, members are eligible for full retirement benefits (1) at any age with 20 years of credited service or (2) at age 65 with 10 years of credited service. Persons who became members after June 30, 1983, must also have at least eight years of actual service as a Supreme Court Justice or as a judge of the Circuit Courts or the Court of Appeals. Members are eligible for reduced benefits (1) at any age if they were a member before July 1, 1983, and have at least 18 but less than 20 years of credited service or (2) are between the ages of 62 and 65 with 14 years of credited service. The normal retirement benefit, paid monthly, is 60% of the annual salary payable to the last judicial office held. For any person who was a member on or before June 30, 1983, the retirement benefits are increased or decreased as the salary for the particular judicial office is increased or decreased. For all judges or justices who were first elected or appointed on or after July 1, 1983, the redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%. The plan also provides for disability and survivor benefits.

Under Tier Two, members are eligible for full retirement benefits (1) at any age with 20 years of actual service or (2) at age 65 with eight years of actual service. Members are eligible for reduced benefits if they are between the ages of 62 and 65 and have eight years of actual service. The normal retirement benefit, paid monthly, is 3.2% of the salary of the last judicial office held multiplied by the number of years of actual service, not to exceed 80% of the salary of the last judicial office held. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%. The plan also provides for disability and survivor benefits.

The benefit provisions provided by the judicial retirement plan are established by state law and may be amended only by the General Assembly.

C. Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds are recognized in the accompanying financial statements.

Fiduciary Funds

Trust and Custodial Funds – Trust and Custodial Funds are used to report resources held by the Agency in a trustee capacity or as an agent for individuals, other governmental units, and other funds. These include Pension Trust Funds, Employee Health Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Custodial Funds. The specific activity accounted for at this Agency includes the following:

Public Employees Retirement Plan Fiduciary Pension Trust Fund
State Police Retirement Plan Fiduciary Pension Trust Fund
Judicial Retirement Plan Fiduciary Pension Trust Fund

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Financial statements for fiduciary funds are presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash in State Treasury, short-term investment funds (STIF), and cash on deposit with investment managers. The STIF account is created through daily sweeps of excess cash by the custodial bank and is invested in U.S. Government and agency securities and other short-term instruments. The STIF account had a weighted average maturity of 90 days or less, and the holdings are reported at fair value.

F. Deposits and Investments

Deposits

Deposits consist of cash in short-term investment fund, cash held by investment brokers, cash in State Treasury, and cash in bank totaling $247,497,870, $6,586,690, $6,324,606, and $321,420, respectively. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these 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 institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. A formal policy for custodial credit risk has not been adopted by any Board of Trustees. As of June 30, 2022, none of the cash held in the short-term investment fund of $247,497,870 was exposed to custodial credit risk as it was collateralized by securities held by the custodial agent in the Agency's name. As of June 30, 2022, none of the Agency's bank balance of $321,420 was exposed to custodial credit risk. as it was fully insured by the Federal Deposit Insurance Corporation. However, as of June 30, 2022, $6,586,690 held by investment brokers was exposed to custodial credit risk as it was uninsured and uncollateralized.

Investments

Ark. Code Ann. §§ 24-2-601 — 24-2-619 grants each plan's Board of Trustees full power to invest and reinvest monies of their respective systems 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. The Code also states each system shall seek to invest not less than 5% or more than 10% of its portfolio in Arkansas-related investments, as long as each System's responsibility to invest in accordance with the prudent investor rule is not limited or impaired. As stated in Note 1A, all assets of ASPRS were transferred to APERS, and the Board of Trustees for APERS makes all investment decisions.

The Boards of APERS and AJRS determine specific guidelines and parameters by which each investment manager is required to invest. Asset allocation guidelines have been established as follows:

	Domestic Equity	International Equity	Fixed Income	Real Assets	Diversified Strategies
APERS and ASPRS					
Upper Limit	42%	29%	23%	21%	10%
Target	**37%**	**24%**	**18%**	**16%**	**5%**
Lower Limit	32%	19%	13%	11%	0%
AJRS					
Upper Limit	42%	20%	45%	13%	N/A
Target	**37%**	**15%**	**40%**	**8%**	**N/A**
Lower Limit	32%	10%	35%	3%	N/A

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

The fair value measurement of investments is categorized within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. In instances where inputs used to measure fair value fall into different levels, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The hierarchy of inputs is defined as follows:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Assets classified in Level 1 are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3 are valued using an internal fair value as provided by the investment manager due to lack of an independent pricing source. Investments that are valued using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument(s) and should not be perceived as the particular investment's risk. The fair value measurement of plan investments and securities lending collateral as of June 30, 2022, is as follows:

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Plan Investments Measured At Fair Value	Total	Level 1	Level 2	Level 3
U.S. Government securities	$ 199,245,811	$ 199,245,811		
Government agency securities:				
Government agency pooled securities	115,005,510		$ 115,005,510	
Government agency collateralized mortgage obligations	65,767,978		65,767,978	
Municipal bonds	1,665,526		1,665,526	
Domestic equities:				
Common stock	2,678,234,475	2,678,234,475		
Convertible preferred stock	48,682,699	47,238,673	1,444,026	
Preferred stock	3,743,697		3,743,697	
Domestic corporate obligations:				
Corporate bonds	378,797,747		378,797,747	
Convertible bonds	286,156,514		286,156,514	
Asset- and mortgage-backed securities	272,178,850		272,178,850	
International equities:				
Equity securities	1,394,420,860	1,394,420,860		
Preferred stock	19,189,964	19,189,964		
International obligations:				
Corporate securities	91,386,404		91,386,404	
Emerging markets	33,246,760		33,246,760	
Convertible bonds	31,732,324		31,732,324	
Asset-backed securities	28,514,049		28,514,049	
Non-U.S. Government securities	2,819,072		2,819,072	
Mutual and exchange traded funds:				
Smaller companies international fund	139,323,031	139,323,031		
Emerging markets equity portfolio	110,548,401	110,548,401		
Floating rate bond fund	28,305,730	28,305,730		
Global bond fund	5,870,639	5,870,639		
Commercial loans	5,366,533			$ 5,366,533
Investment derivatives:				
Futures	454,995	454,995		
Forwards	365,998		365,998	
Total Plan Investments Measured at Fair Value	5,941,023,567	$ 4,622,832,579	$ 1,312,824,455	$ 5,366,533

Plan Investments Measured At Net Asset Value Or Equivalent (NAV)	
Pooled investment funds:	
Prudential Core Plus Bond Fund	$ 643,244,615
Mellon S&P 500 Equity Index Fund	595,915,195
Mellon ACWI ex-US Index Fund	537,127,391
Acadian ACWI ex-US Small Cap Index Fund	168,949,350
Mellon Global Real Estate Investment Trust Fund	115,027,044
MacKay Defensive Bond Arbitrage Fund	56,461,183
Mellon Russell 1000 Growth Fund	41,885,679
Baillie Gifford International Choice Fund	32,142,503
MacKay High Yield Income Fund	1,167,513
Real estate:	
Invesco Core Real Estate	672,284,004
Heitman America Real Estate Trust	407,276,900
TA Realty Funds X, XI, and XII	169,981,438
Timberfund I	84,276,481
Heitman Value Fund IV	69,351,963
LaSalle Funds VI and VII	48,700,678
Harrison Street Fund VIII	30,586,588
Starwood Distressed Opportunity Fund XII	16,483,367
PGIM U.S. Agriculture Fund	2,089,693
Diversified strategies:	
Blackstone Hedge Fund of Funds	208,557,123
AQR Global Risk Premium Tactical Fund (GRPT)	145,704,816
Newton Global Real Return (USS)	138,652,368
Total Plan Investments Measured at NAV	4,185,865,892
Total Plan Investments	$ 10,126,889,459

Securities Lending Collateral Measured at Fair Value*	Total	Level 2
Repurchase agreements	$ 80,386,030	$ 80,386,030
Commercial paper	32,298,611	32,298,611
Floating rate notes	444,700,288	444,700,288
Asset-backed securities	16,358,458	16,358,458
Total Securities Lending Collateral	$ 573,743,387	$ 573,743,387

*Cash collateral received totaled $575,559,259. The amount reported above is the market value of the collateral at June 30, 2022.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

Investments Classified as Level 2 – Level 2 investments in the preceding table include publicly-traded debt securities and exchange-traded stocks in inactive markets. Investments in this category are sourced from reputable pricing vendors using pricing matrix models and techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank, Bank of New York-Mellon.

Investments Classified as Level 3 – Level 3 investments in the preceding table are unobservable, meaning the assets lack an independent pricing source. Values are provided by the investment manager using discounted cash flow or market comparable techniques.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

	Fair Value	Strategy Type	Fund Life of Non-redeemable Mandates	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Redemption Restrictions	Restriction Time Remaining
Pooled investment funds:								
Prudential Core Plus Bond Fund	$ 643,244,615	Active global fixed income	N/A	none	daily	T + 3	N/A	N/A
Mellon S&P 500 Equity Index Fund	595,915,195	S&P 500 Index	N/A	none	daily	T + 3	N/A	N/A
Mellon ACWI ex-US Index Fund	537,127,391	International equities	N/A	none	daily	T + 1	N/A	N/A
Acadian ACWI ex-US Small Cap Index Fund	168,949,350	International equities	N/A	none	daily	T + 10	N/A	N/A
Mellon Global Real Estate Investment Trust Fund	115,027,044	Global real estate securities	N/A	none	daily	T + 1	N/A	N/A
MacKay Defensive Bond Arbitrage Fund	56,461,183	Income oriented	N/A	none	daily	T + 1	N/A	N/A
Mellon Russell 1000 Growth Fund	41,885,679	U S large cap growth stocks	N/A	none	daily	T + 1	N/A	N/A
Baillie Gifford International Choice Fund	32,142,503	International equities	N/A	none	daily	T + 3	N/A	N/A
MacKay High Yield Income Fund	1,167,513	Active high-yield fixed income	N/A	none	monthly	T + 3	N/A	N/A
Real estate:								
Invesco Core Real Estate	672,284,004	Core real estate	N/A	none	quarterly	T + 45	N/A	N/A
Heitman America Real Estate Trust	407,276,900	Core real estate	N/A	none	quarterly	T + 90	N/A	N/A
TA Realty Fund XII	114,133,481	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
TA Realty Fund XI	55,819,275	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Capital redistribution phase
TA Realty Fund X	28,682	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Capital redistribution phase
TA Realty Fund XIII		Value add real estate	N/A	$ 75,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Timberfund I	84,276,481	Real assets	N/A	none	none	N/A	N/A	Partnership terminates December 2027
Heitman Value Fund IV	69,351,963	Value add real estate	N/A	6,761,426	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
LaSalle Fund VII	40,555,299	Value add real estate	N/A	3,949,785	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
LaSalle Fund VI	8,145,379	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Capital redistribution phase
Harrison Street Fund VIII	30,586,588	Value add real estate	N/A	20,758,913	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Starwood Distressed Opportunity Fund XII	16,483,367	Value add real estate	N/A	60,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Clarion Lion Industrial Trust Fund		Value add real estate	N/A	85,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Principal Enhanced Property Fund		Value add real estate	N/A	85,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Carlyle Property Investors Fund		Value add real estate	N/A	85,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
PGIM U S Agriculture Fund	2,089,693	Agriculture	N/A	47,910,307	open end with 2-year lockup	N/A	N/A	Lock up period starts on the day of the last capital call
International Farmland Corporation Core Farmland Fund		Agriculture	N/A	50,000,000	open end with 2-year lockup	N/A	N/A	Lock up period starts on the day of the last capital call
Diversified strategies:								
Blackstone Hedge Fund of Funds	208,557,123	Fund of funds	N/A	none	last day of each quarter	1yr, 2yrs, 3yrs; >3yrs	55% liquidity, then 20% then 15%, then 10%	N/A
AQR Global Risk Premium Tactical Fund (GRPT)	145,704,816	Risk premia	N/A	none	weekly and monthly	T + 2	N/A	N/A
Newton Global Real Return (US$)	138,652,368	Global real return	N/A	none	daily	T + 3	N/A	N/A
Totals	$ 4,185,865,692			$ 519,380,431				

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

Mellon S&P 500 Equity Index Fund – This is an S&P 500 Index fund.

Mellon ACWI ex-US Index Fund – This fund captures large and mid-cap representation across 22 of 23 developed market (DM) countries (excluding the United States) and 24 emerging market countries (EM) The index encompasses approximately 85% of the global equity opportunity set outside the United States.

Acadian ACWI ex-US Small-Cap Index Fund – This fund captures long-term capital appreciation by investing in a portfolio of small-capitalization stocks in global, non-U.S. markets, with a dedication to emerging markets. The strategy uses multi-factor models focusing on value, growth, momentum, volatility, and macro factors.

Mellon Global Real Estate Investment Trust Fund – This REIT index fund seeks to match the performance and the characteristics of the Dow Jones U.S. Select REIT Index which tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investments.

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

Mellon Russell 1000 Growth Fund – This fund seeks to match the performance and overall characteristics of the Russell 1000 Growth Index in a risk controlled, cost effective manner. The fund's approach aims to minimize tracking error, manage transaction costs, and utilize a full replication approach.

Baillie Gifford International Choice Fund – The Choice Fund aims to deliver good long-term performance to shareholders by investing in a portfolio of 60-90 international growth stocks, with up to 15% in emerging markets. The portfolio is built through bottom-up stock selection. It differs from the benchmark and looks for businesses that seek to outperform the market over the long term. Portfolio guidelines ensure a level of diversification across sectors and regions.

MacKay High Yield Income Fund – The high yield active core philosophy is centered on the belief that the best risk-adjusted returns and, ultimately, the best absolute returns are generated by a strategy of yield capture and error avoidance.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F Deposits and Investments (Continued)

Investments (Continued)

Invesco Core Real Estate (ICRE) – The ICRE strategy is a portfolio of U.S. properties diversified by property type and geographic location, with an emphasis on attractive current income returns and the opportunity for both income and capital growth. It is based on top-down economic fundamentals combined with bottom-up local market intelligence.

Heitman America Real Estate Trust (HART) – The HART strategy creates a high-quality, low-risk portfolio of stabilized income-producing assets diversified by property type and economic exposure through acquiring assets in infill locations within major metropolitan areas, focusing on strong site attributes such as proximity to amenities and transportation networks, and ensuring that assets are well constructed with features that will appeal to tenants over long periods of time.

TA Realty Funds X, XI, XII, and XIII – TA Realty has managed value-add, commingled real estate funds for approximately 30 years. It has investments in 35 markets and four property types: office, industrial, multifamily, and retail. The firm has developed and refined a consistent approach focused on creating diversified real estate portfolios that can generate strong cash flow, benefit from an intensive asset management approach, and result in the long-term creating of value for the life of the fund(s)

Timberfund I – The Timberfund I is a managed investment that was created for the purpose of acquiring, growing, and disposing of timber, timberlands, and forest products for commercial exploitation.

Heitman Value Fund IV – This fund is a closed-end, commingled fund that pursues a diverse set of real estate opportunities with value-added business plans. The objective is to provide investors with attractive risk-adjusted returns by benefitting from extensive research as well as real estate and capital market expertise to identify emerging opportunities and trends before they are fully appreciated by the broader market.

LaSalle Funds VI and VII – The LaSalle Funds pursue non-core properties that exhibit strong fundamentals and are expected to generate both income and appreciation. The sectors focused on are office, multifamily, retail, industrial, and specialty.

Harrison Street Fund VIII – The fund acquires, develops, and/or redevelops assets in the education, healthcare, life science, and storage sectors. The majority of the return is anticipated to be generated through appreciation.

Starwood Distressed Opportunity Fund XII – The Starwood strategy pursues distressed investment opportunities which are expected to arise from economic disruptions. Investments will be made across multiple sections, including multifamily, affordable housing, hotels, office, and industrial. The fund will invest primarily in the United States and Europe, and will purse both debt and equity investments including the acquisition of distressed or nonperforming loans

Clarion Lion Industrial Trust Fund – Open-end private industrial fund that invests in warehouse and distribution facilities used by companies focused on e-commerce, logistics, and supply chain management with an emphasis on large core industrial markets throughout the United States

Principal Enhanced Property Fund – Open-end commingled fund Objectives of the fund include a nationally diversified portfolio of high quality assets with a core plus investment strategy to provide a competitive market return

NOTE 1: Summary of Significant Accounting Policies (Continued)

F Deposits and Investments (Continued)

Investments (Continued)

Carlyle Property Investors Fund – U.S. focused core plus fund with a focus on sectors where accelerating demographic trends drive demand. Fund objectives are to target investments with a core plus return, seek attractive property rent and NOI growth, generate attractive levels of income with quarterly distributions, and construct a highly diversified portfolio by sector and geographic area

PGIM U.S. Agriculture Fund – Manages over 173,000 acres with a diversified portfolio of assets with good quality soils and water security located in microclimates with favorable growing conditions. Targeted investments follow a theme of healthier lifestyles, technology efficiencies, higher productivity, competitive advantage/scale, and opportunistic.

International Farmland Corporation Core Farmland Fund – An agriculture fund that seeks to generate stable income and attractive risk-adjusted financial returns. The strategy has a lower correlation to other asset classes, has a lease strategy that reduces risk, and sees long-term appreciation. The strategy may enable food sourcing solutions for core fund and IFC growers.

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

Blackstone Hedge Fund of Funds – Blackstone manages a hedge fund-of-funds strategy through investing in other hedge funds. Their strategies will vary based on market conditions and can include fundamental equity strategies, event-driven strategies, fundamental credit strategies, credit trading strategies, distressed credit strategies, RMBS strategies, structured ABS strategies, multi-strat strategies, commodity strategies, macro rates strategies, thematic macro strategies, quantitative strategies, CTA strategies, and special situation strategies.

AQR Global Risk Premium Tactical Fund (GRPT) – This fund seeks to efficiently deliver exposure to a broadly diversified set of global risk premia. In many institutional portfolios, equity risk is the predominant risk, a concentration driven by the need for high expected return that cannot be satisfied in a traditionally constrained, well-diversified portfolio. Rather than diversifying by capital, this strategy seeks to diversify based on risk across global equities, global nominal bonds, inflation sensitive assets, and credit/default-related assets. Starting from this strategic risk-parity base, GRPT then employs modest tactical tilts across sub-sectors and across individual exposures, attempting to exploit temporary opportunities that may arise within markets. Following basic financial theory, AQR designed its risk parity strategies based on what they believe to be the most optimal liquid portfolio of global market betas, and AQR offers that same portfolio at various levels of leverage to target a desired amount of risk as approximated by ex-ante volatility. AQR's approach employs modest leverage to scale up a lower-risk, broadly-diversified portfolio

Newton Global Real Return (US$) – This fund uses an actively managed, unconstrained, multi-asset strategy that aims to achieve a return of 1-month USD LIBOR +4% p.a over rolling five-year periods The strategy seeks to add value through security selection and asset type flexibility, and it also has an emphasis on capital preservation. The strategy is long only, does not use leverage or short securities, and is valued daily.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2022, the annual money-weighted rate of return for each plan was as follows:

Public Employees Retirement Plan	-10.81%
State Police Retirement Plan	-10.82%
Judicial Retirement Plan	-12.44%

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Also, investments can be highly sensitive to changes in interest rates due to their terms or characteristics. A formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates has not been adopted by any Board of Trustees. The summary shown below indicates that 98.35% of plan investments and 4.42% of investments purchased with securities lending cash collateral have investment maturities that are one year or longer.

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1	1 - 5	More than 5 - 10	More than 10
U S Government securities	$ 199,245,811	$ 8,593,829	$ 49,617,390	$ 42,112,105	$ 98,922,487
Government agency securities	180,773,488			11,900,884	168,872,604
Municipal bonds	1,665,526				1,665,526
Domestic corporate obligations	937,133,111	21,241,199	348,566,590	232,553,087	334,772,235
International obligations	187,698,609	7,342,611	52,288,560	68,724,616	59,342,822
Mutual and exchange traded funds	34,176,369		5,870,639	28,305,730	
Pooled investment funds	700,873,311		57,628,696	643,244,615	
Commercial loans	5,366,533		1,712,748	3,653,785	
Totals	$ 2,246,932,758	$ 37,177,639	$ 515,684,623	$ 1,030,494,822	$ 663,575,674
Securities Lending Collateral					
Repurchase agreements	$ 80,386,030	$ 80,386,030			
Commercial paper	32,298,611	32,298,611			
Floating rate notes	444,700,288	432,082,461	$ 12,617,827		
Asset-backed securities	16,358,458	3,632,591	12,066,771		$ 659,096
Totals	$ 573,743,387	$ 548,399,693	$ 24,684,598	$ 0	$ 659,096

Mortgage-Backed Securities – As of June 30, 2022, investments that were affiliated with mortgages had a fair value of $349,153,062. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the full amount of principal will be received if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new, lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors, such as loan types and geographic location of the related properties.

Asset-Backed Securities – As of June 30, 2022, asset-backed securities had a fair value of $148,671,783 Included in this amount was $16,358,458 in securities lending collateral. Asset-backed securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Domestic and International Corporate Debt – As of June 30, 2022, domestic and international corporate debt had a fair value of $948,131,199. Included in this amount are $378,797,747 in domestic corporate bonds, $91,386,404 in international corporate securities, $33,246,760 in emerging market debt, and $444,700,288 in floating rate notes purchased with securities lending cash collateral. Corporate debt is made up of instruments issued by private corporations. They have a 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Convertible Corporate Bonds – As of June 30, 2022, convertible bonds had a fair value of $317,888,838. Included in this amount are $286,156,514 in domestic convertible bonds and $31,732,324 in international convertible bonds. These bonds convey an option to the bondholder to exchange each bond for a specified number of shares of common stock of the corporation. Convertible bonds offer lower coupon rates and promised yields to maturity than do nonconvertible bonds. A variable coupon varies directly with movements in interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. A formal investment policy that limits investment in debt based on their statistical rating as a means of managing exposure to credit risk has not been adopted by any Board of Trustees. The Agency's exposure to credit risk as of June 30, 2022, as rated by Standard and Poor's and Moody's Investors Service, is as follows:

Standard and Poor's		Moody's Investors Service	
Rating	Fair Value	Rating	Fair Value
AAA	$ 8,426,981	Aaa	$ 391,501,991
AA	387,271,699	Aa	30,985,347
A	737,900,317	A	749,968,660
BBB	343,493,665	Baa	323,507,642
BB	102,207,559	Ba	127,774,434
B	134,277,081	B	96,781,043
CCC or below	20,728,871	Caa or below	21,616,199
		WR	4,553,868
Not rated	512,626,585	Not rated	500,243,574
Total	$ 2,246,932,758	Total	$ 2,246,932,758
Securities lending collateral			
AAA	$ 3,632,591	Aaa	$ 32,294,638
AA	208,465,454	Aa	303,510,062
A	252,334,141	A	61,954,421
CCC or below	659,096	Caa or below	659,096
		P-1	81,819,826
Not rated	108,652,105	Not rated	93,505,344
Total	$ 573,743,387	Total	$ 573,743,387

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency 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 uninsured, are not registered in the name of the respective plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the plan's name. A formal investment policy for custodial credit risk has not been adopted by any Board of Trustees. As of June 30, 2022, no investments were exposed to custodial credit risk.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer (not including investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, or other pooled investments). A formal investment policy for concentration of credit risk has not been adopted by any Board of Trustees. As of June 30, 2022, no investments in any one issuer represented more than 5% of the total investments of any plan managed by APERS.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. A formal investment policy that limits investment in foreign currency has not been adopted by any Board of Trustees. As of June 30, 2022, exposure to foreign currency risk in U.S. dollars for investments and deposits is as follows:

Currency		Total Exposure	Cash Deposits	Equities	Fixed Income	Foreign Currency Contracts	Investment Principal Receivable	Investment Principal Payable	Accrued Income
Australian Dollar	AUD	$ 14,345,504		$ 14,340,390					$ 5,114
Brazilian Real	BRL	5,956,145		5,946,017					10,128
British Pound Sterling	GBP	163,872,045	$ 2,146,278	163,507,352		$ (2,011,820)	$ 9,739	$ (144,148)	364,644
Canadian Dollar	CAD	82,466,054	60,883	82,300,959				(60,883)	165,095
Danish Krone	DKK	14,621,106		14,415,470					205,636
Euro	EUR	380,691,738	1,122	377,400,824		378,078	1,106,297	(1,429,299)	3,234,716
Hong Kong Dollar	HKD	124,629,492	660,465	124,042,279		(309,175)	356,648	(120,725)	
Israeli Shekel	ILS	8,744,526		8,744,526					
Japanese Yen	JPY	141,264,562	53,568	147,420,110		(6 789,819)	92,603	(90,681)	578,781
Mexican Nuevo Peso	MXN	8,529,803		8,529,803					
Norwegian Krone	NOK	9,790							9,790
Singapore Dollar	SGD	13,820,442		13,820,442					
South Korean Won	KRW	45,928,328		45,857,542		95,262		(182,455)	157,979
Swedish Krona	SEK	33,618,652	253,144	33,516,128		(310,159)	57,016		102,523
Swiss Franc	CHF	117,175,593		114,318,047		7,444	284,518	(291,961)	2,857,545
Totals		$ 1,155,673,780	$ 3,175,460	$ 1,154,159,889	$ 0	$ (8,940,189)	$ 1,906,821	$ (2,320,152)	$ 7,691,951

For foreign currency contracts in the schedule above, a positive number represents the market value of contracts to purchase that currency in excess of the market value of contracts to sell that currency. A negative number, therefore, represents the market value of contracts to sell foreign currency in excess of contracts to purchase that currency.

Concentrations of Investments – Generally accepted accounting principles require each pension plan to disclose investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5% or more of fiduciary net position. As of June 30, 2022, no investments in any one organization made by an individual plan represented 5% or more of the fiduciary net position of that plan.

Derivatives – Derivative instruments are financial contracts or agreements whose value is derived from one or more underlying assets, reference rates, and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, option contracts, and forward foreign currency exchange. Through its external investment managers, the plans could hold such instruments. The external investment managers could enter into swaps and futures contracts to gain or hedge exposure to certain markets, to manage interest rate risk, and to use forward foreign exchange contracts primarily to hedge foreign currency exposure. Investments in limited partnerships and commingled or pooled funds may include derivatives that are not shown in any derivative totals. There is a risk that the counterparties to the contracts will not be able to meet the contract terms. The external investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

The fair value balances of derivative instruments outstanding at June 30, 2022, classified by type, and the changes in fair value of such derivative instruments for the year then ended, are as follows:

	Changes in Fair Value		Fair Value at June 30, 2022	
Type	Classification	Amount	Classification	Amount
Foreign currency forwards	Net increase (decrease) in the fair value of investments	$ 206,874	Investment derivatives	$ 365,998
Futures	Net increase (decrease) in the fair value of investments	(154,196)	Investment derivatives	454,995
Totals		$ 52,678		$ 820,993

Foreign Currency Forwards – A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized as net increase (decrease) in fair value of investments in the Statement of Changes in Fiduciary Net Position. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net increase (decrease) in fair value of investments in the Statement of Changes in Fiduciary Net Position. As of June 30, 2022, derivative contracts to purchase foreign currencies totaled $539,953. Market values of these outstanding contracts were $503,279, resulting in a net loss of $36,674. Contract amounts to sell foreign currencies totaled $7,693,845. Market values of these contracts were $7,291,173, resulting in a net gain of $402,672.

As of June 30, 2022, the net fair value of foreign currency forwards and the net notional amounts outstanding are as follows:

Foreign Currency Forward	Amount	Net Notional	
Japanese Yen	$ 365,998	JPY	(914,460,190)

Futures – A financial future is a contractual obligation to purchase or sell assets at a predetermined date and price. These contracts are traded on an organized exchange and are used to improve yield, adjust duration of the portfolio, circumvent changes in interest rates, or replicate an index. Risks associated with such contracts include movement in interest rates and the ability of the counterparty to perform. As of June 30, 2022, the fair value and notional amounts of futures are as follows:

Futures Contract	Expiration	Amount	Notional	
U.S. 2-year treasury note	September 2022	$ (104,096)	USD	$ 25,800,000
U.S. 5-year treasury note	September 2022	(124,378)	USD	16,400,000
U.S. 10-year treasury note	September 2022	111,562	USD	45,500,000
U.S. ultra 10-year treasury note	September 2022	163,434	USD	25,700,000
U.S. long bond	September 2022	(160,875)	USD	(4,800,000)
U.S. ultra bond	September 2022	569,348	USD	16,500,000
Total		$ 454,995		

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Securities Lending Transactions – The APERS Board of Trustees' policies permit APERS to enter into securities lending transactions, whereby securities are lent to broker-dealers or other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. APERS's securities lending program is administrated by the Bank of New York-Mellon (the "Custodian"). The legal and contractual authorization for the securities lending program is contained in the Securities Lending Discretionary Agency Agreement between APERS and the Custodian. There were no restrictions on the amount of security loans that can be made, and for the year ended June 30, 2022, there were no violations of the Agency Agreement. Collateral must be provided in the amount of 102% for domestic loans and 105% for international loans. Securities on loan (Underlying Securities) to participating brokers at year-end include U.S. government securities, corporate securities, and international securities. Brokers who borrow the securities provide collateral in the form of government securities, letters of credit, and cash collateral. At year-end, there was no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed. The Custodian provides for full indemnification 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 to pay the trust funds for income of the securities while on loan. Collateral securities received cannot be pledged or sold unless the borrower defaults. Cash collateral received is invested and appears as an asset on the Statement of Fiduciary Net Position. A corresponding liability is recorded, as the cash collateral must be returned 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. The cash collateral investments had a weighted average maturity of 155 days on June 30, 2022, whereas the loan maturity was 3 days.

G. Capital Assets

Capital assets with costs exceeding $5,000 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs, and installation costs). Gifts or contributions are generally recorded in the accounts at acquisition value at the time received. Acquisition value is the market value if the Agency would have purchased the item. Depreciation is reported based on a straight-line method, with no salvage value. Estimated useful lives generally assigned are as follows:

Assets:	Years
Equipment	5-20
Intangibles	4-95
Other capital assets	10-15

Capital assets activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fiduciary activities:				
Equipment	$ 175,081		$ 27,781	$ 147,300
Intangible assets	21,239,594			21,239,594
Right to use assets		$ 2,202,118		2,202,118
Less accumulated depreciation	9,186,569	2,909,683	27,781	12,068,471
Fiduciary activities, net	$ 12,228,106	$ (707,565)	$ 0	$ 11,520,541

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Leases

The Agency has acquired property by entering into a contract that conveys control of the right to use another entity's nonfinancial asset which is treated as a lease under the Governmental Accounting Standards Board (GASB) Statement No. 87. The lease(s) by category is (are) as follows:

Class of Property	Asset Balance June 30, 2022
Buildings	$ 2,202,118

The following is a schedule of future minimum lease payments under leases together with the present value of the minimum lease payments as of June 30, 2022:

Years Ending June 30,	Lease Payments
2023	$ 744,126
2024	766,450
Total Minimum Lease Payments	1,510,576
Amount representing interest	23,297
Present Value of Minimum Lease Payments	$ 1,487,279

I. Compensated Absences – Employee Leave

Annual leave is earned by all full-time employees. Upon termination, employees are entitled to receive compensation for their unused accrued annual leave up to 30 days. Liabilities for compensated absences are determined at the end of the year based on current salary rates.

Sick leave is earned by all full-time employees and may be accrued up to 120 days. Compensation up to a maximum of $7,500 for unused sick leave is payable to employees upon retirement.

Compensated absences payable attributable to this Agency's employee annual and sick leave as of June 30, 2022 and 2021, amounted to $491,732 and $518,441, respectively. The net changes to compensated absences payable during the year ended June 30, 2022, amounted to $(26,709).

J Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Transformation and Shared Services – Employee Benefits Division (DTSS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DTSS-EBD related to medical and prescription drug plans are established by the State and Public School Life and Health Insurance Board (Board) and may include ad hoc benefit changes or annual cost redeterminations. For the current year, no ad hoc or cost redetermination changes occurred. The Constitution of Arkansas, Article 5, vests the General Assembly with legislative power to enact and amend duties of and benefit provisions of the Board and DTSS-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DTSS-EBD is included in the State of Arkansas's Annual Comprehensive Financial Report (ACFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Transformation and Shared Services, 501 Woodlane, Suite 201, Little Rock, Arkansas 72201 or by calling 501-319-6565.

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Arkansas State Employee Health Insurance Plan (Plan) (Continued)

The Agency contributes to the Plan, a single-employer, defined benefit OPEB plan administered by DTSS-EBD, on a monthly basis. The Board establishes medical and prescription drug benefits for three classes of covered individuals: active employees, terminated employees with accumulated benefits, and retirees and beneficiaries. The Plan is established on the basis of a pay-as-you-go financing requirement, and no assets are accumulated in a trust, as defined by GASB Statement No. 75. The State's annual OPEB cost for the Plan is based on an actuarially determined calculated amount made in accordance with GASB Statement No. 75.

Funding Policy – Employer contributions to the Plan are established by Ark. Code Ann. § 21-5-414 and may not exceed $550 per budgeted position. Employees, retirees, and beneficiaries contribute varying amounts based on the type of coverage and inclusion of family members. Benefits for Medicare-eligible retirees are coordinated with Medicare Parts A and B, and the Plan is the secondary payer. The portion of the State's annual OPEB liability attributable to APERS as of June 30, 2022, is $6,232,612.

K. Contributions and Reserves

Contributions

The general financial objective of all Arkansas public employee retirement plans is to have rates of contribution that remain relatively level for Arkansas citizens from generation to generation. Any employee contributions are refundable if covered employment terminates before a monthly benefit is payable. Below are the contribution provisions for each plan.

Public Employees Retirement Plan – Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly, certain municipal and county elected officials, and certain agencies employing individuals in public safety positions must also remit additional contributions. Ark. Code Ann. § 24-4-401 requires all contributory members to contribute 5% of annual compensation.

Employer contribution rates during the fiscal year ended June 30, 2022, as a percentage of active member payroll, are as follows:

State, County, Municipal, and Non-State Divisions	15.32%
Wildlife Officers and Military Department Civilian Firefighters Subdivisions	27.32%
District Judge Division	38.99%
School Division	4.00%

State Police Retirement Plan – Employer contribution provisions for the State Police retirement plan are established by Ark. Code Ann. § 24-6-209 at 26% of active member payroll. For any remaining members still employed and covered by the Tier One contributory plan, the employee contribution rate established by Ark. Code Ann. § 24-6-208 is 9.25% of the member's salary.

Additionally, in accordance with Ark. Code Ann. § 24-6-209(b), the State makes an annual transfer to the plan by computing the dollar amount required based on the actuarially determined employer rate in the most recent annual actuarial valuation and subtracting from that amount the employer statutory contribution and the driver's license reinstatement fees. The State's supplemental contribution during FY2022 under this provision of law amounted to $6,165,687.

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Contributions and Reserves (Continued)

Contributions (Continued)

Judicial Retirement Plan – Employer contribution provisions for the judicial retirement plan are established by Ark. Code Ann. § 24-8-210 for Tier One and by Ark. Code Ann. § 24-8-707 for Tier Two at 12% of active member payroll. Contributory members are required to contribute 6% of their annual salary for Tier One and 5% for Tier Two. Employee contributions are no longer required for Tier One members when a judge is certified eligible for retirement or for Tier Two when a judge or justice has sufficient service to receive the maximum benefit under the plan provisions.

Additionally, in accordance with Ark. Code Ann. § 24-8-210(b), the State makes an annual transfer to the plan by computing the dollar amount required based on the actuarially determined employer rate in the most recent annual actuarial valuation and subtracting from that amount the employer statutory contribution amount and the court cost revenue received. The State's supplemental contribution during FY2022 under this provision of law amounted to $5,438,254.

Reserves

The reserve accounts are an allocation of the net position restricted for pensions and do not limit the availability of assets to be used for existing pensions or pension administration. They are made to comply with the provisions of Arkansas Code or the decisions of plan management. The reserve balances at June 30, 2022, are as follows:

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan	Total
Members' deposit account reserve	$ 559,296,816	$ 578,259	$ 13,628,180	$ 573,503,255
Employer's accumulation account reserve	1,992,904,417	64,938,764	76,665,298	2,134,508,479
Retirement reserve	6,376,224,191	302,326,634	202,730,110	6,881,280,935
December 31, 2004, accrued liability reserve	19,626,327			19,626,327
Undistributed reserves	785,786,880	14,097,093	3,831,595	803,715,568
Totals	$ 9,733,838,631	$ 381,940,750	$ 296,855,183	$ 10,412,634,564

L. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Thus, these items will not be recognized as an outflow of resources (an expense or expenditure) until a future period.

Deferred inflows of resources represent an increase of net position that applies to future periods. These items will not be recognized as an inflow of resources (revenue) until a future period.

M. Federal Income Tax Status

During the year ended June 30, 2022, all plans qualified under 26 USC § 401(a) and were exempt from federal income taxes under 26 USC § 501(a).

NOTE 2: Deferred Retirement Option Program (DROP)

	Deferred Retirement Option Program by Retirement Plan		
		State Police	
	Public Employees	Tier One	Tier Two
Authority for Program:	Ark. Code Ann. §§ 24-4-801 – 24-4-806	Ark. Code Ann. §§ 24-6-301 – 24-6-307	Ark. Code Ann. §§ 24-6-501 – 24-6-508
Participation Eligibility:	Members with 28 years of actual service subject to an early participation reduction of one-half of 1% for each month away from 30 years or 30 years of actual service with no reduction in benefits. Member election to enter the DROP is irrevocable, and additional service credit in any state-supported retirement system cannot be accumulated.	Members with 28 years of credited service who are eligible to receive a service retirement pension and have been approved by the ASPRS Board of Trustees. Member election to enter the DROP is irrevocable, and additional service credit in any state-supported retirement system cannot be accumulated.	Members with 28 years of actual service as a member of the Tier Two plan, including reciprocal service, who are eligible to receive a service retirement pension and have been approved by the ASPRS Board of Trustees. Member election to enter the DROP is irrevocable, and additional service credit in any state-supported retirement system cannot be accumulated.
Period of Participation:	The maximum period of participation is ten years, at which time employment must terminate.	The maximum period of participation is seven years, at which time employment with the Division of Arkansas State Police must terminate.	The maximum period of participation is seven years, at which time employment with the Division of Arkansas State Police must terminate.
Amount of Benefit Credited to the Member's Account:	Members receive 75% of their monthly retirement benefit subject to the participation reduction shown in "Participation Eligibility."	Members receive 100% of their monthly retirement benefit.	Members receive 72% of their monthly retirement benefit.
Interest Rate Credited to the Member's Account:	The interest rate is set by the APERS Board of Trustees and credited to the individual's account balance annually at the end of the fiscal year. For FY2022, the rate was 2.00%.	The interest rate is adjusted by the ASPRS Board of Trustees as needed and credited to the individual's account balance annually at the end of the fiscal year. The rate cannot be greater than 5% or less than 1%. For FY2022, the rate was 3.25%	The interest rate is adjusted by the ASPRS Board of Trustees as needed and credited to the individual's account balance annually at the end of the fiscal year. The rate cannot be greater than 5% or less than 1%. For FY2022, the rate was 3.25%.
Balance held by the Plan at June 30, 2022	$101,366,665	$9,057,855	$175,015

Note: State law does not authorize members of the judicial retirement plan to participate in a deferred retirement option.

NOTE 3: Net Pension Liability of Participating Employers

For each retirement plan, the components of the net pension liability of the participating employers at June 30, 2022, were as follows:

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan
Total pension liability	$ 12,430,222,099	$ 504,594,302	$ 334,328,250
Less: plan net position	9,733,838,631	381,940,750	296,855,183
Employers' net pension liability	$ 2,696,383,468	$ 122,653,552	$ 37,473,067
Plan net position as a percentage of the total pension liability	78.31%	75.69%	88.79%

Actuarial Assumptions – The total pension liability for each retirement plan was determined by an actuarial valuation as of June 30, 2022. The actuarial assumptions used in the valuation and adopted by the respective Boards of Trustees were applied to all prior periods included in the measurement. The actuarial experience study period and the significant assumptions and other inputs used to measure the total pension liability are as follows:

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan
Actuarial study period	7/01/2012 – 6/30/2017	7/01/2012 – 6/30/2017	7/01/2016 – 6/30/2021
Wage inflation rate	3.25%	3.25%	3.25%
Salary increases	3.25% - 9.85%	3.25% - 7.75%	3.25%
Investment rate of return*	7.15%	7.15%	5.50%

*Net of investment and administrative expenses.

Mortality Tables Public Employees Retirement Plan and State Police Retirement Plan -- Mortality rates used for members of the public employees retirement plan and the State Police retirement plan were based on the RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

Mortality Tables Judicial Retirement Plan – The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were the PubG-2010 Above-Median Income Retiree Mortality tables for healthy retirees. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were the PubG-2010 Disabled Retiree Mortality tables for disabled retires The pre-retirement mortality tables used was 175% of the PubG-2010 Mortality tables for active mortality experience.

Long-Term Rate of Return All Retirement Plans – The long-term expected rate of return on all 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 current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 – 2029 for the public employees and State Police retirement plans and 2022 – 2032 for the judicial retirement plan were based upon capital market assumptions provided by each plan's investment consultant. For each major asset class included in the respective pension plan's current asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

NOTE 3: Net Pension Liability of Participating Employers

	Public Employees and State Police Retirement Plans		Judicial Retirement Plan	
Asset Allocation	Target	Long-Term Expected Real Rate of Return	Target	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.22%	37.00%	5.64%
International equity	24.00%	6.69%	15.00%	6.29%
Real assets	16.00%	4.81%	8.00%	4.33%
Absolute return	5.00%	3.05%		
Domestic fixed	18.00%	0.57%	40.00%	-0.46%
Cash equivalents				-1.06%
	100.00%		100.00%	

Discount Rate Public Employees and State Police Retirement Plans – A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the public employees and State Police retirement plans' 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.

Discount Rate Judicial Retirement Plan – A single discount rate of 5.50% 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 5.50%. 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 the actuarially determined contribution rate and the member rate. Based on these assumptions, the judicial retirement 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 – Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the participating employers' net pension liability by plan, calculated using the current discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower and 1% higher than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
Net Pension Liability	1% Lower than Current Rate	Current Rate	1% Higher than Current Rate
Public Employees Retirement Plan - current rate 7 15%	$ 4,286,757,199	$ 2,696,383,468	$ 1,383,387,497
State Police Retirement Plan - current rate 7.15%	182,389,404	122,653,552	73,099,094
Judicial Retirement Plan - current rate 5.50%	78,353,340	37,473,067	3,464,192

NOTE 4: New Accounting Pronouncement

As disclosed in Note 1H, the Agency implemented GASB Statement No. 87, *Leases*, in the fiscal year ended June 30, 2022. GASB Statement 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The Statement establishes a single model for lease accounting based on the principle that leases are financing arrangements of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources

NOTE 5: Required Supplementary Schedules

Detailed historical information about the pension liabilities for which the pension plan's assets are being held and managed and the significant assumptions used to measure these liabilities are required supplementary information. This required supplementary information, prepared in accordance with the parameters of GASB Statement No. 67, as amended, is included immediately following the notes to the financial statements.

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NINE-YEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
PUBLIC EMPLOYEES RETIREMENT PLAN
FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

Schedule 1

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY									
Service cost	$ 205,730,312	$ 200,169,558	$ 198,416,559	$ 189,567,873	$ 181,557,602	$ 174,663,657	$ 169,112,935	$ 168,811,990	$ 160,924,334
Interest	838,746,422	816,578,389	789,604,504	759,163,751	745,846,405	719,134,258	692,210,941	682,217,546	658,535,986
Changes in benefit terms		(5,405,298)		(62,984)					
Differences between actual and expected experience	84,323,321	(65,645,442)	2,007,866	60,093,169	(6,960,593)	62,849,281	2,912,566	(137,672,890)	(23,038,076)
Changes in assumptions					(180,097,868)	416,146,405		192,273,597	214,798,742
Benefit payments, including refunds of plan member contributions	(652,863,955)	(624,006,385)	(603,290,209)	(571,592,525)	(544,595,643)	(521,962,553)	(494,105,931)	(464,111,187)	(424,003,993)
NET CHANGE IN TOTAL PENSION LIABILITY	475,936,100	321,690,822	386,738,720	437,169,284	195,749,903	850,831,048	370,130,511	441,519,056	587,216,993
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	11,954,285,999	11,632,595,177	11,245,856,457	10,808,687,173	10,612,937,270	9,762,106,222	9,391,975,711	8,950,456,655	8,363,239,662
TOTAL PENSION LIABILITY - END OF YEAR (A)	$ 12,430,222,099	$ 11,954,285,999	$ 11,632,595,177	$ 11,245,856,457	$ 10,808,687,173	$ 10,612,937,270	$ 9,762,106,222	$ 9,391,975,711	$ 8,950,456,655
PLAN NET POSITION									
Contributions - employer	$ 320,196,067	$ 305,974,671	$ 298,918,947	$ 293,013,343	$ 276,251,473	$ 261,656,384	$ 263,172,688	$ 262,327,562	$ 264,477,703
Contributions - plan members	81,213,354	75,044,922	71,470,967	68,206,685	64,708,128	58,500,339	55,912,833	51,596,001	48,237,869
Supplemental contributions	609,078	595,977	578,618	561,766	555,151	407,363	404,433	392,653	381,217
Net investment income, including securities lending activity	(1,192,887,342)	2,665,823,683	174,561,774	450,493,098	782,326,767	862,824,701	(4,177,314)	169,621,019	1,208,430,494
Benefit payments, including refunds of plan member contributions	(652,863,955)	(624,006,385)	(603,290,209)	(571,592,525)	(544,595,643)	(521,962,553)	(494,105,931)	(464,111,187)	(424,003,993)
Administrative expense	(11,401,566)	(11,305,976)	(11,624,523)	(13,566,062)	(10,864,271)	(9,068,778)	(6,929,103)	(6,952,041)	(6,854,976)
Other	3,519,289	4,316,124	5,067,457	3,459,222	5,573,737	5,681,184	6,238,203	5,823,915	6,058,445
NET CHANGE IN PLAN NET POSITION	(1,451,615,075)	2,416,443,016	(64,316,969)	230,575,527	573,955,342	658,038,640	(179,484,191)	18,697,922	1,096,726,759
PLAN NET POSITION - BEGINNING OF YEAR	11,185,453,706	8,769,010,690	8,833,327,659	8,602,752,132	8,028,796,790	7,370,758,150	7,550,242,341	7,531,544,419	6,434,817,660
PLAN NET POSITION - END OF YEAR (B)	$ 9,733,838,631	$ 11,185,453,706	$ 8,769,010,690	$ 8,833,327,659	$ 8,602,752,132	$ 8,028,796,790	$ 7,370,758,150	$ 7,550,242,341	$ 7,531,544,419
PARTICIPATING EMPLOYERS' NET PENSION LIABILITY (ASSET) END OF YEAR (A) - (B)	$ 2,696,383,468	$ 768,832,293	$ 2,863,584,487	$ 2,412,528,798	$ 2,205,935,041	$ 2,584,140,480	$ 2,391,348,072	$ 1,841,733,370	$ 1,418,912,236
Plan net position as a percentage of total pension liability	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%
Covered employee payroll	$ 2,054,188,304	$ 1,907,642,349	$ 1,929,343,374	$ 1,936,042,263	$ 1,849,202,619	$ 1,788,074,570	$ 1,795,174,463	$ 1,757,056,813	$ 1,748,350,136
Participating employers' net pension liability (asset) as a percentage of covered employee payroll	131.26%	40.30%	148.42%	124.61%	119.29%	144.52%	133.21%	104.82%	81.16%

Schedule 2

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NINE-YEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – STATE POLICE RETIREMENT PLAN
FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY									
Service cost	$ 7,194,124	$ 6,536,818	$ 5,861,499	$ 6,691,528	$ 6,577,148	$ 5,473,626	$ 5,488,445	$ 6,101,608	$ 4,866,199
Interest	34,672,914	33,332,676	31,967,469	31,299,758	30,678,211	30,322,786	29,469,678	29,218,802	28,558,511
Changes in benefit terms		9,589,716	997,533						
Differences between actual and expected experience	(4,036,778)	(2,821,477)	7,543,752	(1,805,446)	467,389	(3,052,763)	1,757,687	(3,107,531)	(454,349)
Changes in assumptions					(4,529,133)	15,875,267		8,703,080	8,970,858
Benefit payments, including refunds of plan member contributions	(29,149,508)	(27,294,080)	(27,934,141)	(24,930,275)	(24,185,418)	(24,631,787)	(26,035,466)	(23,358,801)	(21,688,239)
NET CHANGE IN TOTAL PENSION LIABILITY	8,680,752	19,343,653	18,436,112	11,255,565	9,008,197	23,987,129	10,680,344	17,557,158	20,252,980
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	495,913,550	476,569,897	458,133,785	446,878,220	437,870,023	413,882,894	403,202,550	385,645,392	365,392,412
TOTAL PENSION LIABILITY - END OF YEAR (A)	$ 504,594,302	$ 495,913,550	$ 476,569,897	$ 458,133,785	$ 446,878,220	$ 437,870,023	$ 413,882,894	$ 403,202,550	$ 385,645,392
PLAN NET POSITION									
Contributions - employer	$ 8,908,482	$ 7,706,274	$ 7,205,047	$ 6,727,409	$ 6,515,063	$ 6,416,736	$ 6,581,580	$ 6,409,752	$ 6,443,379
Contributions - plan members	140,796	40,919	93,792	27,515	133,860	43,037	30,170	94,814	
Supplemental contributions	6,165,687	7,139,012	7,705,096	8,035,961	7,109,703	6,693,915	6,233,769	6,574,376	5,957,541
State-collected fees allocated to pension plan	7,478,980	7,897,440	6,869,433	6,463,108	7,245,013	6,807,370	6,867,765	6,800,002	7,100,757
Net investment income, including securities lending activity	(46,247,420)	101,415,222	6,700,903	17,031,483	28,823,344	31,484,258	(210,034)	6,131,690	43,307,753
Benefit payments, including refunds of plan member contributions	(29,149,508)	(27,294,080)	(27,934,141)	(24,930,275)	(24,185,418)	(24,631,787)	(26,035,466)	(23,358,801)	(21,688,239)
Administrative expense	(61,920)	(51,376)	(31,455)	(393,754)	(70,967)	(50,961)	(47,879)	(41,898)	(38,363)
Other	(167,428)	(164,008)	(164,009)	(160,686)	(157,464)	(157,463)	(157,463)	(154,334)	(151,294)
NET CHANGE IN PLAN NET POSITION	(52,932,331)	96,689,403	444,666	12,800,761	25,413,134	26,605,105	(6,737,558)	2,455,601	40,931,534
PLAN NET POSITION - BEGINNING OF YEAR	434,873,081	338,183,678	337,739,012	324,938,251	299,525,117	272,920,012	279,657,570	277,201,969	236,270,435
PLAN NET POSITION - END OF YEAR (B)	$ 381,940,750	$ 434,873,081	$ 338,183,678	$ 337,739,012	$ 324,938,251	$ 299,525,117	$ 272,920,012	$ 279,657,570	$ 277,201,969
PARTICIPATING EMPLOYER'S NET PENSION LIABILITY (ASSET) END OF YEAR (A) - (B)	$ 122,653,552	$ 61,040,469	$ 138,386,219	$ 120,394,773	$ 121,939,969	$ 138,344,906	$ 140,962,882	$ 123,544,980	$ 108,443,423
Plan net position as a percentage of total pension liability	75.69%	87.69%	70.96%	73.72%	72.71%	68.41%	65.94%	69.36%	71.88%
Covered employee payroll	$ 32,757,302	$ 33,585,266	$ 33,311,093	$ 30,287,691	$ 29,593,145	$ 29,076,764	$ 29,448,593	$ 29,929,358	$ 28,548,873
Participating employer's net pension liability (asset) as a percentage of covered employee payroll	374.43%	181.75%	415.44%	397.50%	412.05%	475.79%	478.67%	412.79%	379.85%

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule 3

NINE-YEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – JUDICIAL RETIREMENT PLAN

FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY									
Service cost	$ 8,053,242	$ 7,197,367	$ 7,096,255	$ 6,919,400	$ 6,927,257	$ 7,221,153	$ 7,230,267	$ 5,342,168	$ 5,319,836
Interest	17,515,015	16,822,916	16,175,509	15,877,675	15,378,982	16,121,127	15,770,309	14,883,382	14,607,426
Changes in benefit terms									
Differences between actual and expected experience	(37,166)	3,798,212	2,340,115	(4,481,503)	(743,902)	(3,462,751)	(5,184,045)	12,969,853	(5,751,106)
Changes in assumptions	16,744,946					2,369,244		24,290,229	
Benefit payments, including refunds of plan member contributions	(17,060,242)	(15,359,618)	(13,446,760)	(13,001,793)	(12,769,175)	(12,389,433)	(12,008,338)	(10,777,191)	(9,984,856)
NET CHANGE IN TOTAL PENSION LIABILITY	25,215,795	12,458,877	12,165,119	5,313,779	8,793,162	9,859,340	5,808,193	46,708,441	4,191,300
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	309,112,455	296,653,578	284,488,459	279,174,680	270,381,518	260,522,178	254,713,985	208,005,544	203,814,244
TOTAL PENSION LIABILITY - END OF YEAR (A)	$ 334,328,250	$ 309,112,455	$ 296,653,578	$ 284,488,459	$ 279,174,680	$ 270,381,518	$ 260,522,178	$ 254,713,985	$ 208,005,544
PLAN NET POSITION									
Contributions - employer	$ 3,254,366	$ 2,879,859	$ 3,034,573	$ 2,712,974	$ 2,759,107	$ 2,687,850	$ 2,675,356	$ 2,449,709	$ 2,350,441
Contributions - plan members	1,300,942	1,117,205	1,138,323	1,030,430	1,016,180	1,062,471	1,025,141	948,233	932,192
Supplemental contributions	5,438,254	5,158,514	5,143,150	5,009,400	5,075,248	5,210,693	2,285,337	2,629,192	2,995,131
State-collected fees allocated to pension plan	270,839	171,520	394,974	511,585	586,818	586,818	586,818	609,388	764,882
Net investment income	(43,073,793)	72,229,463	17,435,283	14,655,822	19,162,125	28,044,871	(1,744,076)	9,971,831	29,793,118
Benefit payments, including refunds of plan member contributions	(17,060,242)	(15,359,618)	(13,446,760)	(13,001,793)	(12,769,175)	(12,389,433)	(12,008,338)	(10,777,191)	(9,984,856)
Administrative expense	(50,407)	(33,298)	(30,039)	(37,011)	(34,009)	(60,401)	(50,119)	(31,648)	(25,866)
Other	(113,708)	(111,852)	(111,852)	(110,050)	(107,812)	(108,790)	(108,301)	(106,303)	(104,663)
NET CHANGE IN PLAN NET POSITION	(50,033,749)	66,051,793	13,557,652	10,771,357	15,688,482	25,034,079	(7,338,182)	5,693,211	26,720,379
PLAN NET POSITION - BEGINNING OF YEAR	346,888,932	280,837,139	267,279,487	256,508,130	240,819,648	215,785,569	223,123,751	217,430,540	190,710,161
PLAN NET POSITION - END OF YEAR (B)	$ 296,855,183	$ 346,888,932	$ 280,837,139	$ 267,279,487	$ 256,508,130	$ 240,819,648	$ 215,785,569	$ 223,123,751	$ 217,430,540
PARTICIPATING EMPLOYER'S NET PENSION LIABILITY (ASSET) END OF YEAR (A) - (B)	$ 37,473,067	$ (37,776,477)	$ 15,816,439	$ 17,208,972	$ 22,666,550	$ 29,561,870	$ 44,736,609	$ 31,590,234	$ (9,424,996)
Plan net position as a percentage of total pension liability	88.79%	112.22%	94.67%	93.95%	91.88%	89.07%	82.83%	87.60%	104.53%
Covered employee payroll	$ 26,259,112	$ 25,479,456	$ 24,586,078	$ 23,602,735	$ 23,434,639	$ 22,917,870	$ 22,308,000	$ 22,308,000	$ 19,781,628
Participating employer's net pension liability (asset) as a percentage of covered employee payroll	142.71%	-148.26%	64.33%	72.91%	96.72%	128.99%	200.54%	141.61%	-47.65%

Schedule 4

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NINE-YEAR SCHEDULE OF CONTRIBUTIONS – PUBLIC EMPLOYEES RETIREMENT PLAN
FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	$ 314,701,648	$ 292,250,808	$ 295,575,405	$ 296,601,675	$ 272,757,386	$ 259,270,813	$ 260,300,297	$ 259,341,856	$ 260,154,500
Actual contributions	320,768,737	306,480,848	299,443,847	293,501,408	276,784,232	261,830,210	263,181,645	262,353,291	263,080,479
Contribution deficiency (excess)	$ (6,067,089)	$ (14,230,040)	$ (3,868,442)	$ 3,100,267	$ (4,026,846)	$ (2,559,397)	$ (2,881,348)	$ (3,011,435)	$ (2,925,979)
Covered employee payroll	$ 2,054,188,304	$ 1,907,642,349	$ 1,929,343,374	$ 1,936,042,263	$ 1,849,202,619	$ 1,788,074,570	$ 1,795,174,463	$ 1,757,056,813	$ 1,748,350,136
Actual contributions as a percentage of covered employee payroll	15.62%	16.07%	15.52%	15.16%	14.97%	14.64%	14.66%	14.93%	15.05%

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NINE-YEAR SCHEDULE OF CONTRIBUTIONS – STATE POLICE RETIREMENT PLAN
FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

Schedule 5

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	$ 15,903,670	$ 16,742,255	$ 16,885,393	$ 15,576,959	$ 15,391,395	$ 14,122,584	$ 14,285,512	$ 14,171,551	$ 13,683,475
Actual contributions:									
Employer*	7,546,134	7,697,245	7,161,287	6,687,160	6,461,032	6,409,203	6,587,211	6,458,317	6,405,887
Annual transfer from the State	6,165,687	7,139,012	7,705,096	8,035,961	7,109,703	6,693,915	6,233,769	6,574,376	5,957,541
Driver's license reinstatement fees	1,793,447	2,361,709	1,458,873	1,014,554	1,606,181	1,164,959	1,231,566	1,222,352	1,387,728
Total Actual Contributions	15,505,268	17,197,966	16,325,256	15,737,675	15,176,916	14,268,077	14,052,546	14,255,045	13,751,156
Contribution deficiency (excess)	$ 398,402	$ (455,711)	$ 560,137	$ (160,716)	$ 214,479	$ (145,493)	$ 232,966	$ (83,494)	$ (67,681)
Covered employee payroll	$ 32,757,302	$ 33,585,266	$ 33,311,093	$ 30,287,691	$ 29,593,145	$ 29,076,764	$ 29,448,593	$ 29,929,358	$ 28,548,873
Actual contributions as a percentage of covered employee payroll	47.33%	51.21%	49.01%	51.96%	51.29%	49.07%	47.72%	47.63%	48.17%

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NINE-YEAR SCHEDULE OF CONTRIBUTIONS – JUDICIAL RETIREMENT PLAN
FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

Schedule 6

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	$ 9,017,379	$ 8,879,590	$ 8,826,402	$ 8,466,301	$ 8,757,525	$ 8,706,499	$ 5,597,077	$ 6,496,090	$ 6,223,300
Actual contributions:									
Employer*	$ 3,254,366	2,879,859	3,034,573	2,712,974	2,759,107	2,687,850	2,675,356	2,449,709	2,350,441
Annual transfer from the State	5,438,254	5,158,514	5,143,150	5,009,400	5,075,248	5,210,693	2,285,337	2,629,192	2,995,131
Designated court fees	270,839	171,520	394,974	511,585	586,818	586,818	586,818	609,388	764,883
Total Actual Contributions	8,963,459	8,209,893	8,572,697	8,233,959	8,421,173	8,485,361	5,547,511	5,688,289	6,110,455
Contribution deficiency (excess)	$ 53,920	$ 669,697	$ 253,705	$ 232,342	$ 336,352	$ 221,138	$ 49,566	$ 807,801	$ 112,845
Covered employee payroll	$ 26,259,112	$ 25,479,456	$ 24,586,078	$ 23,602,735	$ 23,434,639	$ 22,917,870	$ 22,308,000	$ 22,308,000	$ 19,781,628
Actual contributions as a percentage of covered employee payroll	34.13%	32.22%	34.87%	34.89%	35.93%	37.03%	24.87%	25.50%	30.89%

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM Schedule 7
NINE-YEAR SCHEDULE OF INVESTMENT RETURNS - PUBLIC EMPLOYEES RETIREMENT PLAN
FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

	Annual Money-Weighted Rate of Return, Net of Investment Expense
2022	-10.81%
2021	30.83%
2020	2.00%
2019	5.31%
2018	9.89%
2017	11.89%
2016	-0.06%
2015	2.28%
2014	18.97%

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule 8

NINE-YEAR SCHEDULE OF INVESTMENT RETURNS - STATE POLICE RETIREMENT PLAN
FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

	Annual Money-Weighted Rate of Return, Net of Investment Expense
2022	-10.82%
2021	30.59%
2020	2.03%
2019	5.36%
2018	9.82%
2017	11.82%
2016	-0.08%
2015	2.26%
2014	18.75%

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NINE-YEAR SCHEDULE OF INVESTMENT RETURNS - JUDICIAL RETIREMENT PLAN
FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

Schedule 9

	Annual Money-Weighted Rate of Return, Net of Investment Expense
2022	-12.44%
2021	25.72%
2020	6.51%
2019	5.72%
2018	7.94%
2017	12.93%
2016	-0.79%
2015	4.60%
2014	15.63%

NOTE 1: Summary of Significant Information Related to Required Supplementary Schedules

A. Changes in Benefit Terms

Public Employees Plan – Beginning July 1, 2022, all contributory plan member rates will increase by 0.25% for the next eight fiscal years until it reaches a maximum of 7%. For members first hired on or after July 1, 2022, the final average compensation period will increase from three years to five years, and the cost of living adjustment on benefit payments will be the lessor of 3.0% or the increase in the Consumer Price Index.

State Police Plan – The eligibility for normal retirement was reduced from 30 years to 28 years of service for both Tier I noncontributory and Tier 2. The benefit multiplier for Tier I increased from 1.55% to 1.66%, and for Tier II the increase was 2.475% to 2.65%.

Judicial Retirement Plan – No changes in benefit terms.

B. Changes in Assumptions

Public Employees Retirement Plan – No changes in economic or non-economic assumptions.

State Police Retirement Plan – No changes in economic or non-economic assumptions.

Judicial Retirement Plan – The long-term expected rate of return on pension plan investments was decreased by 0.25% to 5.50% for FY2022. This also changed the discount rate used to measure the total pension liability. New mortality tables were adopted as explained in Note 3 to the financial statements.

All actuary reports are available through APERS website at www.apers.org; by writing to APERS at 124 West Capitol, Suite 400, Little Rock, Arkansas 72201; or by calling 1-501-682-7800.

C. Method and Assumptions Used in Calculations of Actuarially-determined Contributions

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 1: Summary of Significant Information Related to Required Supplementary Schedules (Continued)

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan
Actuarially-determined contribution rate:	15.32%	48.55%*	34.34%*
Valuation date:	June 30, 2019	June 30, 2021	June 30, 2020
Actuarial cost method:	Entry age normal	Entry age normal	Entry age normal
Amortization method:	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed
Remaining amortization period:	25 year	18 year	Multiple periods of 12 – 20 years
Asset valuation method:	4-year smoothed market with 25% corridor	4-year smoothed market	4-year smoothed market with 25% corridor
Actuarial assumptions:			
Investment rate of return:	7.15%	7.15%	5.75%
Projected salary increases:	3.25 – 9.85%	3.55 – 7.75%	3.25%
Price inflation rate:	2.50%	2.50%	2.50%
Mortality table:	RP-2006 Mortality Tables	RP-2006 Mortality Tables	RP-2014 Mortality Tables

*The employer contribution rates for the State Police retirement plan and the judicial retirement plan are established by Arkansas Code at 26% and 12%, respectively.

NOTE 2: Differences between Exhibits and Required Supplementary Information

The purpose of the contribution-related schedules for each retirement plan shown at Schedules 4 – 6 is to present the trend of employers' contributions in relation to employers' actuarially-determined contributions. The employer contributions reported in Exhibit B include amounts submitted by employers for prior-year corrections and other immaterial amounts and may not agree with the schedules of contributions

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF SELECTED INFORMATION
JUNE 30, 2022
(UNAUDITED)

Schedule 10

	For the Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	$ 11,045,604,760	$ 12,860,498,091	$ 10,206,409,253	$ 10,545,376,332	$ 10,281,402,294
Total Deferred Outflows of Resources	989,044	1,254,987	24,606		
Total Liabilities	633,409,316	894,013,344	817,860,312	1,106,828,985	1,097,203,781
Total Deferred Inflows of Resources	549,924	524,015	542,040	201,189	
Net Position Restricted for Pensions	10,412,634,564	11,967,215,719	9,388,031,507	9,438,346,158	9,184,198,513
Total Additions	(843,319,201)	3,257,849,157	606,375,418	879,595,983	1,208,474,662
Total Deductions	711,261,954	678,664,945	656,690,069	625,448,338	593,418,193

Arkansas Public Employees' Retirement System
LEGAL REPORT
May 17, 2023

RULES PROMULGATION

There are multiple rule promulgations following the legislative session to address changes in the law.

APERS Rule 24 CAR § 1-213. DROP provisions. Ark. Code Ann. § 24-4-606 as amended by Act 247 of 2023 has a standardized six-month marriage period, pre- and post- retirement, for a member to select a spousal option beneficiary. Section (i) of APERS Rule 24 CAR § 1-213 should be amended to remove the reference to a one-year marriage period for a member to select a spousal option beneficiary under Ark. Code Ann. § 24-4-606.

APERS Rule 312 – 2011 (5) – Contributions Required of New County and Elected Officials Who Are Elected for the First Time after July 1, 2001. APERS Rule 312 should be amended to clarify the law as it applies to local elected officials under Ark. Code Ann. § 24-4-521(b)(5) and Ark. Code Ann. § 24-4-101(15)(B). Specifically, the proposed amendment to Rule 312 would clarify which contributory and noncontributory members employed as local elected officials are subject to the requirement for employee contributions for the service credit enhancement provided under Ark. Code Ann. § 24-4-521(b)(5). The proposed amendment would also clarify that a contributory member who is employed as a local elected official is subject to the ten (10) year enhanced service credit limitation under Ark. Code Ann. 24-4-101(15)(B).

APERS Rule 410 – 2005 (5) – Purchase of AR National Guard or Armed Forces Reserve Service Credit. Ark. Code Ann. § 24-2-503 states the requirements and limitations for APERS members to purchase service credit for time served in the Arkansas National Guard or armed forces reserve. That statute was amended by Act 295 of 2009 and Act 38 of 2011. The current APERS Rule 410 is inconsistent with current law under Ark. Code Ann. § 24-2-503. This Rule should be amended to remove the inconsistent statements of law and any restatements of law provided under Ark. Code Ann. § 24-2-503. The other proposed amendments are technical corrections for clarity.

Rule 411 – 2009 (5) – Purchase of Service Authorized by Section 2 of Act 295 of 2009. Ark. Code Ann. § 24-2-503 as amended by Act 38 of 2011 specifically allows members to purchase service credit for service in the Arkansas National Guard and armed forces reserve in monthly increments. Therefore, APERS Rule 411 is no longer necessary and should be repealed.

ADMINISTRATIVE MEMBER APPEALS

XXXXXXXXX
Member appeals the decision of the Executive Director dated April 8, 2022, denying the member's request to add employment as an independent contractor for a non-participating employer to attempt to receive additional service credit and retirement benefits from APERS. **No appeal date set.**

APPEAL FROM ADMINISTRATIVE MEMBER APPEAL - LITIGATION

None pending.

SECURITIES LITIGATION CASES

There are no active securities litigation cases with APERS as lead plaintiff.

24 CAR § 1-213. DROP provisions.

(a) **Contributions to DROP account.**

(1)(A) For a member who has thirty (30) or more years of actual service, the contribution shall:

(i) Be seventy-five percent (75%) of the member's computed benefit after election of a straight life or option benefit, as required by Subchapter 8 of Chapter 3 of Title 24 of the Arkansas Code; and

(ii) Include the temporary annuity, if applicable.

(B) For a member who has twenty-eight (28) years but less than thirty (30) years of actual service, the contribution shall be seventy-five percent (75%) reduced by five-tenths percent (0.5%) for each month that the DROP election precedes the date the member would complete thirty (30) years of actual service.

(2) Contributions to the account shall be increased for COLAs and ad hoc increases granted to retirees.

(b) **Interest on the DROP account.**

(1) Interest shall be credited monthly and compounded annually to the date of actual retirement.

(2) The Board of Trustees of the Arkansas Public Employees' Retirement System:

(A) Shall reevaluate the DROP interest rate annually at its regular February meeting; and

(B) May modify it by a simple majority vote without promulgating additional rules.

(c) **DROP payment methods.**

(1) The member may elect a lump sum or an annuity that concludes at the completion of twenty-five (25) years.

(2)(A) The member may select a combination of lump sum, rollover, and annuity, never to exceed the total amount of the DROP accrual.

(B) If the member elects a lump sum, the member may request that the lump sum be transferred to another qualified plan in a trustee-to-trustee transfer.

(C)(i) If the member elects a monthly annuity, the monthly amount shall remain constant for the twenty-five-year term.

(ii) That is, COLAs and ad hoc increases will not be added to this monthly annuity and the balance in the account will not earn interest after the effective date of retirement.

(d) **Death of a DROP participant.**

(1) In the event a DROP participant dies during the period of participation, the benefit payable from the Arkansas Public Employees' Retirement System shall be determined as though the participant had separated from service and been found eligible for monthly benefits by the board on the day prior to the death, with death following immediately thereafter (per Acts 1997, No. 1052).

(2) The balance in the DROP account shall be paid to the designated beneficiary

or to the member's estate if no designated beneficiary survives or is named.

(e) **Death of a retiree receiving a monthly annuity from DROP.**

(1) Upon the death of a retiree who was receiving a monthly annuity from the DROP:

(A) The DROP annuity will be treated as if it had been a straight life benefit; and

(B) The undistributed remaining balance in the DROP account, if any, will be paid to the designated beneficiary.

(2) The regular monthly retirement benefit will be treated according to the election made by the retiree at his or her entry into the DROP.

(f) **Failure to terminate covered employment within the maximum allowable time from DROP entry.**

(1) If a DROP participant fails to terminate employment within ten (10) years of entry into the DROP, the participant shall forfeit the balance in the DROP account.

(2)(A) The participant's employer shall be required to pay all contributions, with interest, that would have been paid on behalf of the member had he or she not participated in the DROP.

(B) The employer will acknowledge this requirement on the member's application for participation in the DROP.

(3)(A) However, a DROP participant also enrolled in the Arkansas Teacher Retirement System T-DROP due to reciprocal service credit shall be permitted to keep the accrued balance on account with the Arkansas Public Employees' Retirement System until completion of the term of the Arkansas Teacher Retirement System T-DROP.

(B) No interest shall be paid on such balances.

(C) COLAs will continue to be paid.

(g) **Review of provisions.**

(1)(A) The provisions of the DROP program will be reviewed periodically, as determined to be necessary by the Board.

(B), The contribution and interest rate provisions may be adjusted prospectively as the board considers such action to be actuarially appropriate.

(2) A member whose DROP participation has ceased shall not be prohibited from thereafter seeking and taking a publicly-elected office that otherwise is covered under the Arkansas Public Employees' Retirement System but that member shall not be eligible to rejoin the Arkansas Public Employees' Retirement System.

(h) **DROP provisions for members called to active duty.**

(1) **Generally.**

(A)(i) A DROP participant who is called to active duty will provide the Arkansas Public Employees' Retirement System with a copy of his or her orders that will be maintained in the member's file.

(ii) A copy of the orders will be utilized to verify the date that the member is called to active duty.

(B)(i) The employer will continue to report the DROP participant on the monthly DROP report.

(ii) The employer representative will indicate that the member is on military leave.

(C) When the member is released from active duty, he or she will submit a copy of the DD214 Form or other appropriate documents to the Arkansas Public Employees' Retirement System to verify that the member has returned to covered employment, been released from active duty, or both.

(2) **Maximum participation period.**

(A) A DROP participant who is on active duty shall continue to receive his or her monthly DROP payment (which includes any benefit enhancements awarded to eligible retirees) until the maximum allowable time in the DROP has occurred or the member requests retirement and distribution of his or her DROP account, whichever occurs first.

(B)(i) If the member has participated in the DROP for at least five (5) years, he or she must:

(*a*) Complete a retirement application packet and DROP distribution form or forms prior to his or her departure for active duty; and

(*b*) Deliver the completed forms to the Arkansas Public Employees' Retirement System office along with a copy of his or her orders.

(ii) The retirement application and DROP distribution forms will be held and processed on the effective date indicated unless he or she returns to covered employment within the maximum allowable DROP term.

(C) Should the DROP member not deliver a retirement application packet and DROP distribution form or forms to the Arkansas Public Employees' Retirement System and the maximum allowable time in the DROP expires prior to the member returning to covered employment, requesting retirement, or both:

(i) The monthly DROP accrual will cease after reaching the maximum allowable time in the DROP and no additional interest will be paid;

(ii) The monthly retirement benefit will not become effective until the member files a completed retirement application and complies with applicable deadlines; and

(iii) The DROP account balance shall be distributed upon the member's filing of the required DROP distribution form or forms.

(i) **Death while on active duty.**

(1) In the event a DROP participant on active duty dies during the period of DROP participation, the benefit payable from the Arkansas Public Employees' Retirement System shall be determined as though the participant had separated from service and been found eligible for monthly benefits on the day prior to his or her death, with death following immediately thereafter.

(2)(A) If survivor benefits are payable in accordance with Arkansas Code § 24-4-606, the surviving spouse ~~(who has been married to the participant for at least one (1) year),~~

dependent children, or dependent parents will receive monthly benefits.

(B) The spousal benefit will be computed as if the member had elected Option B75.

(3)(A) The balance in the participant's DROP account will be adjusted to reflect a balance as if the member had chosen Option B75 upon entering the DROP.

(B) The DROP balance will then be paid to the designated beneficiaries.

(j) **Becoming eligible for DROP participation while on active duty.**

(1)(A) If a member becomes eligible to participate in the DROP while on active duty, he or she will be placed in the plan retroactive to the date of initial eligibility providing the application is received within one (1) month of the member returning to covered employment.

(B) Such participation will also be contingent upon the necessary employee, if applicable, and employer contributions being made to the Arkansas Public Employees' Retirement System for the period of active duty prior to the employee entering the DROP.

(k) **Reemployment.**

(1) After release from active duty, should a DROP member fail to apply for reemployment or fail to accept reemployment pursuant to the provisions of 38 U.S.C. § 4312, as amended, the employer shall promptly notify the Arkansas Public Employees' Retirement System.

(2) After notice to the member and opportunity for hearing, should the Arkansas Public Employees' Retirement System determine that the member failed to apply for or accept reemployment as provided above, the Arkansas Public Employees' Retirement System shall:

(A) Determine that the member's retirement application and DROP distribution form required under Maximum Participation Period, subdivision (h)(2)(C)(ii) of this section are void as of the date of the member's release from active duty;

(B) Terminate payments of the deferred benefit into the member's DROP account;

(C) Deduct any payments of the deferred benefit into the member's DROP account after date of the member's release from active duty and interest thereon and pay said amount of the deferred benefit without interest thereon to the member as accumulated monthly annuity payments upon the member's filing a completed retirement application and DROP distribution forms in compliance with applicable deadlines;

(D) Not pay interest on the member's DROP account after the date of the member's release from active duty and hold said account balance pending the member's filing of the DROP distribution forms; and

(E) Pay the member's monthly retirement annuity to the member upon his or her filing a completed retirement application and in compliance with applicable deadlines.

(l) **Procedures applicable to DROP — Active duty issues.**

(1) The Executive Director of the Arkansas Public Employees' Retirement System shall:

MARK UP

(A) Determine all issues of interpretation or implementation of this rule in regard to DROP members and active military duty; and

(B) Conduct any hearings provided for herein or required by other law.

(2)(A) If the member is not satisfied with the executive director's decision on matters that were not decided in conjunction with a hearing, the member may request that the issue be presented to the board.

(B) The board shall:

(i) Review the:

(*a*) Member's request for review;

(*b*) Record considered by the executive director; and

(*c*) Executive director's decision;

(ii) Afford the member the opportunity to:

(*a*) Present additional information or documentation; and

(*b*) Appear before the board; and

(iii) Determine whether to:

(*a*) Affirm or modify the executive director's decision; or

(*b*) Return the case to the executive director for further consideration.

(3)(A) A member who was a party to a hearing by the executive director concerning DROP and active military duty and who is not satisfied with the executive director's decision may file an appeal to the board.

(B) The member shall file notice of appeal in writing, stating the grounds therefore, with the executive director on or before thirty (30) days following the date of record of the executive director's decision.

(C) The executive director's written decision shall be mailed to the member by certified mail, return receipt requested, restricted delivery to the member's last known address of record.

(4) Upon appeal, the review by the board shall be confined to the record considered by the executive director, provided, however:

(A)(i) The member may apply to present additional evidence and should the board find that the evidence is material and that there were good reasons for failure to present it in the proceeding before the executive director, the board may order that the additional evidence be taken before the executive director upon any conditions that may be just.

(ii) The executive director:

(*a*) May modify the findings and decision by reason of the additional evidence; and

(*b*) Shall file that evidence and any modification, new findings, or decisions with the board; and

(B)(i) Should the member assert any alleged irregularity in procedure before the executive director not shown in the record, the board:

(*a*) May hear testimony on that issue; or

(*b*) In its discretion may remand the matter to the executive director to conduct further proceedings on the record on the member's allegation of procedural irregularity.

(ii) After any further proceeding by the executive director regarding any procedural irregularity, the executive director:

(*a*) May modify the findings and decision by reason of the additional evidence; and

(*b*) Shall file that evidence and any modifications, new findings, or decisions with the board.

(iii) The member may request the opportunity to make an oral presentation to the board.

(5) The board may affirm or reverse the executive director's decision or remand the case for further proceedings.

(m) **Separation from employment — Popularly-elected official.**

(1)(A) In accord with Acts 2019, No. 624, a member who participates in the Arkansas Public Employees' Retirement System Deferred Retirement Option Plan (DROP) is not required to separate from service at the end of the maximum allowable time in the DROP participation following entry into the DROP if it would prevent that member from taking or holding office as a popularly-elected official.

(B) That member will not forfeit their DROP balance if they separate from service as provided under Arkansas Code § 24-4-520 after that member leaves elected office.

(2)(A) The DROP balance of a popularly-elected official who does not separate service after the maximum allowable time in the DROP and pursuant to Acts 2019, No. 624, shall remain with the Arkansas Public Employees' Retirement System until he or she separates from service.

(B) At that time, the member's DROP balance shall be distributed according to the Arkansas Public Employees' Retirement System rules regarding distribution.

(C) That DROP balance shall not accrue interest while being held by the Arkansas Public Employees' Retirement System pursuant to this part.

(3) A member who does not separate service after the maximum allowable time in the DROP and pursuant to Act 624 of 2019 shall have his or her monthly Arkansas Public Employees' Retirement System retirement annuity benefit paid to begin when the member separates from service as provided under Arkansas Code § 24-4-520.

(4) The employer of the popularly-elected official shall continue to make the same employer contributions on behalf of the popularly-elected official as it would have been required to make for a rehired retiree.

Authority. Arkansas Code § 24-4-105.

Codification Notes. This section as promulgated prior to codification into the Code of Arkansas

MARK UP

Rules 2024 provided as follows:

"214– 1997 (5) – DROP Provisions (as amended May 1999, May 2001, August 2003, November 2010, May 2011, November 2011, October 2017, and December 2019)"

"COLA" means cost of living adjustment.

"DROP" means deferred retirement option plan.

"T-DROP" means teacher deferred retirement option plan.

MARK-UP

~~411 – 2009 (5) – Purchase of Service Authorized by Section 2 of Act 295 of 2009~~

~~A member seeking to purchase National Guard service or armed forces reserve service pursuant to section 2 of Act 295 of 2009 shall be permitted to purchase such service in monthly increments up to the maximum amount of credited service authorized by Act 295.~~

MARK UP

312 – 2011 (5) – ~~Contributions Required of New County and Elected Officials Who Are Elected for the First Time after July 1, 2001~~ Crediting of service and additional contributions required of local elected officials.

~~In compliance with Act 563 of 2011, any county or municipal elected official who (1) has never served in an elected position covered by this system; (2) who is elected or appointed to office on or after July 1, 2011; and (3) who is entitled to receive enhanced service credit under A.C.A. 24-4-521(b)(5), shall contribute 2.5% of his or her gross salary for the additional service credit that exceeds the regular rate of service credit in order to be entitled to any service credit whatsoever accruing as a result of serving in the elected office. Any such official who requests a refund of these contributions shall forfeit all service credit for the period represented by the refund.~~

(a) In compliance with Ark. Code Ann. § 24-4-521(b)(5), a person who is employed as a local elected official covered by Arkansas Public Employees' Retirement System is eligible to receive enhanced service credit at two (2) times the regular rate of crediting service.

(b) Pursuant to Ark. Code Ann. § 24-4-521(b)(5), a person employed as a local elected official must contribute an additional percentage of his or her compensation for the additional service credit that exceeds the regular rate of crediting service if that person:

(1) Has never served in a noncontributory elected position covered by Arkansas Public Employees' Retirement System before July 1, 2011; or

(2) Has never served in a contributory elected position covered by Arkansas Public Employees' Retirement System before January 1, 2014.

(c) Any noncontributory local elected official who requests a refund of these contributions shall forfeit all service credit for the period represented by the refund.

(d) Pursuant to Ark. Code Ann. § 24-4-101(15)(B), a contributory member who is employed as a local elected official covered by Arkansas Employees' Retirement System shall accrue enhanced service credit on no more than ten (10) actual years of service.

MARK UP

410 – 2005 (5) – Purchase of AR National Guard or Armed Forces Reserve Service Credit

Under ~~the provisions of Act 1027 of 2005~~ Ark. Code Ann. § 24-2-503, ~~APERS~~ members of the Arkansas Public Employees' Retirement System are eligible to purchase ~~one year of~~ service credit for time served in the Arkansas National Guard or ~~Armed Forces Reserve~~ armed forces reserve. ~~The member shall receive one (1) year of purchased service credit for five (5) years of compensated service in the Arkansas National Guard or in the Armed Forces Reserve.~~

~~Members are eligible to purchase one year of service in a lump sum payment. However, each calculation will be based on the most recent data (i.e. salary, employer rate) and the interest will continue to accrue.~~

A copy of the Form DD-214, or other authorized military document, ~~will be~~ is utilized to document active duty (IADT, AD). All other National Guard service (Inactive duty training (IDT), Annual Training (AT) and Active Duty for Training (ADT)) must be documented with a copy of NGB Form 23 or other authorized military document.

Annual salary ~~will be~~ is defined as "fiscal year salary" that is reported from July of one year to June of the next year. ~~Likewise~~ A full year of credited service ~~will be~~ is defined as "fiscal year" which is from July of one year to June of the next year.

Interest used in the calculation ~~of said~~ for the purchase of service credit under Ark. Code Ann. § 24-2-503~~, in compliance with A.C.A. 24-2-502, will be~~ shall be applied at the same rate ~~of six percent (6%)~~ as for the purchase of service credit by a member for time served in the United States Armed Forces under Ark. Code Ann. § 24-2-502. When the final average of the three (3) highest annual salaries earned at the time of purchase are utilized, interest will be calculated from the end of the most recent year of credited service to the date of payment of full.

~~Purchased service in the Arkansas National Guard or Armed Forces Reserve can't overlap purchased or free military service.~~