



## Arkansas Public Employees' Retirement System

Quarterly Board Meeting

Wednesday, September 27, 2023, 9:00 A.M.

124 West Capitol Avenue, Suite 400, Little Rock 72201

*The meeting will be held in the APERS conference room located on the 4<sup>th</sup> floor. The meeting will be a hybrid and can be attended via Zoom via the link on our website, [www.apers.org](http://www.apers.org).*

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### 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 the May 16<sup>th</sup> Private Equity Workshop, May 17<sup>th</sup> Board Meeting, June 14<sup>th</sup> Investment Finance Subcommittee, and the August 15<sup>th</sup> Investment Finance Subcommittee (**Page 1**)
5. **Investments**
  - a. Investment Finance Subcommittee Report – Mr. Jason Brady  
**Action Item:** Approval of Subcommittee recommendations
  - b. CIO Report - Mr. Carlos Borrromeo, Deputy Director of Investments and Finance (**Page 15**)
  - c. Quarterly Report for the Period Ending June 30, 2023 - Ms. Brianne Weymouth, Mr. John Jackson (**Page 22**)  
**Action Item:** Large Cap Growth Investment Manager
  - d. Discussion Item: Fixed Income - Mr. Carlos Borrromeo and Ms. Brianne Weymouth
6. **Finance**
  - a. Preliminary Valuation Presentation - Mr. Mita Drazilov and Ms. Heidi Barry, GRS (**Page 44**)
  - b. Financial Statements for the Quarter Ending June 30, 2023 - Mr. Jason Willett, Chief Financial Officer (**Page 59**)
7. **Internal Audit** - Ms. Patty Shipp, Assurance Officer
  - a. Audit Plan for FY23 (**Page 61**)
  - b. Audit Plan for FY24 (**Page 71**)
8. **Legal** - Ms. Laura Gilson, Chief Legal Counsel
  - a. Legal Report (**Page 79**)  
Rule Promulgation, Member Appeals, Securities Litigation

9. **Benefits** - Ms. Allison Woods, Deputy Director of Benefits
  - a. Summary of Retirees for the Quarter Ending June 30, 2023 - **(Page 81)**
  - b. **Action Item:** Medical Review Board Report **(Page 93)**
  
10. **Executive Report** – Ms. Amy Fecher, Executive Director
  - a. Class Action Report **(Page 94)**
  - b. General Updates
  
11. Other Business
  
12. Upcoming Meetings
  - a. Next Quarterly Board Meeting – Wednesday, November 15, 2023, at 9:00 a.m.
  
13. Adjournment

**Arkansas Public Employees' Retirement System  
Board of Trustees  
Private Equity Workshop  
May 16, 2023, 1:30 PM**

The Board of Trustees gathered to hear the presentation and ask questions regarding private equity investing. There was no formal agenda. Callan LLC and the Chief Investment Officer presented material to the Board and took questions to educate Trustees on private equity.

**Trainers:**

Ms. Brianne Weymouth, Callan LLC  
Mr. John Jackson, Callan LLC  
Mr. Gary Robertson, Callan LLC  
Mr. Carlos Borromeo, APERS Deputy Director of Investments and Finance

**Trustees Attending:**

Gary Wallace  
Jason Brady  
Richard Wilson  
Daryl Bassett  
Russell White  
Joe Hurst\*  
Gary Carnahan\*  
Andy Babbitt, DFA  
Eric Munson, Treasurer's office

**APERS Staff attending:**

Amy Fecher  
Allison Woods  
Jacobia Bates  
Patty Shipp  
Ronald Barrick  
Stacey Roche  
Cheryl Wilburn\*  
Kristi Brown\*  
Usha Doolabh\*  
Phillip Norton\*  
Jennifer Taylor\*

\*Remote Attendees

**Quarterly Meeting  
Arkansas Public Employees' Retirement System  
Board of Trustees  
May 17, 2023**

A regular meeting of the Board of Trustees of the Arkansas Public Employees' Retirement System was held on Wednesday, May 17, 2023, at 9:00 a.m. This hybrid meeting was held via ZOOM remote conferencing as well as in person in the Conference room, 124 West Capitol, Little Rock, Arkansas. Ms. Candace Franks presided.

**QUORUM PRESENT:**

Ms. Candace Franks recognized the presence of a quorum and called the meeting to order.

**BOARD MEMBERS PRESENT:**

Ms. Candace Franks, (State Employee, Retired). Chair, Little Rock, AR  
Mr. Alan McVey DFA for Mr. Larry Walther's *proxy*  
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. Gary Wallace (Retired Law Enforcement), Greenbrier, AR  
Mr. Russell White (Retired Law Enforcement), Alma, AR  
Mr. Jason Brady, (State Auditor's Office) *proxy*  
Ms. Amy Fetcher, APERS Executive Director

**BOARD MEMBERS ABSENT:**

Mr. Richard Wilson (Retired), Little Rock, AR  
Hon. Mark Lowery, State Treasurer

**VISITORS PRESENT:**

Mike Wickline, Arkansas Democrat-Gazette  
Mr. Mita Drazilov, GRS  
Ms. Heidi Berry, GRS  
Mr. John Shellnut, DFA  
Gary Robertson, Callan LLC\*  
John Jackson, Callan LLC  
Brianna Weymouth, Callan LLC  
Michael Knapp, Arkansas Legislative Audit\*  
Melissa Cahill\* HarbourVest Partners\*  
Seth Middleton\*  
Chris Villines AR Assoc. of Counties\*

Douglas Appell\*  
Randy Martin\*  
Unidentified User\*

**APERS STAFF PRESENT:**

Ms. Allison Woods, Deputy Director of Benefits  
Ms. Laura Gilson, General Counsel  
Mr. Richmond Giles, Staff Attorney  
Ms. Patty Shipp, Assurance Officer  
Mr. Carlos Borrromeo, Deputy Director of Investments & Finance  
Ms. Usha Doolabh, Investments Manager  
Ms. Jennifer Taylor, Director of Benefits Administration  
Ms. Cheryl Wilburn, Benefits Operations Manager\*  
Mr. Jason Willett, Chief Financial Officer  
Mr. Phillip Norton, Director of IT  
Mr. Daryl Bussell, IT  
Mr. Jon Aucoin Retirement Section Manager\*  
Ms. Shelly George, Retirement Coordinator\*  
Ms. Jacobia Bates, Manager of Education Services  
Ms. Linda McGrath, Librarian and Archivist\*  
Ms. Stacey Roche, Administrative Specialist

\*Remote Attendees

**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, 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.

**MINUTES:**

Prior to the Board meeting, a copy of the minutes from the February 15, 2023, meetings was e-mailed to each APERS Board member for review. Mr. Bassett made a motion to accept the minutes as they were presented. Mr. Carnahan seconded the motion. With no objection, the motion passed.

**INVESTMENTS:**

**CIO Report – Presented by Carlos Borrromeo, Deputy Director of Investments & Finance**

Mr. Borrromeo gave his CIO Report for the first quarter of 2023. He summed up the first quarter with “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.” Two of the four largest bank failures in the history of the U.S.A. occurred in March. The failures of the Silicon Valley Bank and Signature Bank, the run on First Republic

Bank (bankrupt in April 2023), and the near collapse of Credit Suisse, all in rapid succession, had the markets down.

What could have turned into a systemic meltdown of the U.S. financial and banking system and the financial markets were circumvented by the Federal Reserve, the Treasury Department, the FDIC, five foreign central banks, and a handful of other large banks. There are still more banks that face trouble.

Cash portfolios started to beat 60/40 for the first time since 2001. Cash is now a performing asset class. Stock returns were influenced by falling interest rates. Stocks with the greatest sensitivity to interest rate changes benefitted.

**REPORT FOR THE PERIOD ENDING MARCH 31, 2023-Presented by Brianne Weymouth and John Jackson from Callan LLC and Carlos Borrromeo, APERS CIO.**

Looking at Callan Stock information, Mr. Borrromeo showed the board that Communication Services were up 20.5%, and Consumer Discretionary were up 16.1%, Consumer Staples were up .8%, Energy was down 4.7%, Financials were down 5.6%, Health Care was down 4.3%, Industrials were up 3.5%, Information Technology was up 21.8%, Materials were up 4.3% Real Estate was up 1.9%, and Utilities were down 3.2%.

Ms. Weymouth told the board that 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. She said that Domestic Equity underperformed the benchmark in the first quarter and over the last five-year period. International Equity outperformed the benchmark in the first quarter and leads its benchmark over a longer time period.

Diversified Strategies underperformed the target return Looking at Callan Stock information, Mr. Borrromeo showed the board that Communication Services were up 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 have outperformed over longer periods.

Ms. Weymouth explained to the board that Intech has steadily shown poor performance for the past five years plus the fact that they have had organizational changes. Callan would like to do a search to look for alternative large-cap managers for the portfolio. She said that they would need to get an ok from the board to go forward with the search to replace Intech.

Mr. Bassett said he has not been pleased with Intech's performance and asked Mr. Borrromeo his thoughts. He said that he is aware of the problem.

Mr. Brady made a motion to terminate the relationship with Intech and liquidate our funds with Intech and begin a search for a replacement for Intech and benchmark those funds until we find a replacement. Mr. Bassett seconded the motion. With no objection, the motion passed.

## **PRIVATE EQUITY**

Mr. Gary Robertson via ZOOM call went over Private Equity Commitment Pacing Requirements and Pacing Analysis.

Mr. Carnahan asked where the 5% Private Equity money would come from. Callan representatives explained that the money would gradually come from a cash set aside account. The target is to invest 5% of APERS' portfolio. Money will come in and out of the 5% but we will not take out more than the original allocation unless at some point the board decides to add more money.

Mr. Bassett told the board that we cannot just jump into private equity. This must be done strategically. We don't need to stick to just primary, but a significant amount should be secondary with a split of maybe 75/25, 60/40, or 50/50 to hedge ourselves against the whims of the market.

Mr. Brady asked Mr. Borromeo about the timing. Mr. Borromeo told the board the best timing for committing would be in 2023 or early 2024.

Mr. Brady asked APERS Executive Director, Ms. Fecher, about the process.

Ms. Fecher said that after discussing the 5% commitment at the last board meeting and Callan performing a pacing study, that we should move toward selecting a consultant. She added that she wanted to clarify manager versus consultant. A consultant would work with APERS on Private Equity like Callan has worked with us on the entire portfolio to date.

Director Fecher reported meeting with the Director of the Office of State Procurement, Mr. Ed Armstrong, to see what our options are for procuring a consultant. According to statute procurements on investment-related items is exempt from the regular procurement methods.

There are two paths:

- 1) The board could decide on a consultant, pass a resolution, and hire them.
- 2) The board could choose to issue a Request for Qualifications (RFQ). RFQs are not subject to just price. They simply evaluate qualifications.

Director Fecher indicated there are pros and cons to both. The RFQ is a longer process but has more transparency.

Mr. Brady commented that he feels strongly that this board needs a consultant to help us eventually find fund managers. It is also important not only for the legal liability of the board. His first instinct would be that we go with an RFQ because it is an extremely transparent process.

Mr. Bassett said that he agreed with being cautious with selecting a consultant. He said he liked the idea of going with an RFQ. The selection of a manager is critical.

Ms. Fecher asked if the board would like the Investment and Finance Subcommittee to review the RFQs and make recommendations to the full board.

Mr. Bassett made a motion that the board instructs the staff to issue an expedited RFQ to select a consultant. Judge Moehring seconded the motion. With no objection the motion passed.

Mr. Brady made a motion to leave it to the discretion of the chair to decide, depending on the number of applicants, whether we use the Finance Sub-Committee or the Board to look over the RFQs sent to us. Mr. McVey seconded the motion. With no objection the motion passed.

## **FINANCE**

### **Actuarial**

Mr. Mita Drazilov and Ms. Heidi Barry, GRS went over the Five-Year Experience Study from July 1, 2017, through June 30, 2022.

The analysis seemed to indicate that people with higher retirement benefit levels seem to live longer. Fewer retirements were observed over the period than anticipated by the actuarial assumptions resulting in an actuarial gain. There were fewer disabilities than expected; however, 291 members' benefit types changed from deferred status to disability during the experience period. No change was recommended.

Based upon the results of the study they believe that the current investment return assumption of 7.15% is an option but given that capital market expectations in the next five years could revert back to expectation levels seen in calendar years 2019-2022. They believe the Board should consider lowering the investment return assumption. They presented 7.00% and 6.75% as investment return assumptions for the Board's consideration.

Mr. Brady made a motion to table the issue of changing the investment return assumption and amortization rate until the next special or regular meeting. Judge Moehring seconded the motion. With no objection, the motion passed.

### **Financial Statements for the Quarter ending March 31, 2023**

Mr. Willett went over the Financial Report for the Third Quarter of 2023. The balance at the end of the Quarter ending March 31, 2023, was \$10,080,159,874. Investments were the big change with numbers better this quarter than last year's. We still have ground to make up considering previous years. Employee contributions are up because of the increase to 5.25% last July and will go to 5.5% this July. While the employer rates did not go up, the amount was larger with salary increases. The increase in investments is driving the numbers up on our financial statements.

### **Internal Audit- Patty Shipp– Assurance Officer**

Director Fecher introduced Ms. Shipp saying she has been with APERS for six months. We had a vacancy in the internal auditor position when she was hired, and her vision was to expand the role of what an internal auditor does. Patti will serve as an internal auditor; however, she will have an expanded role to consider agency processes and looking to find ways to implement efficiencies in the agency.

Ms. Shipp provided a copy of a staff survey conducted on March 1, 2023, through March 23, 2023, on culture and the work environment. The goal was to measure what the culture is at this



time at APERS. It was an anonymous survey. The results were shared with all employees, and she review the information with the board.

Some outcomes of the survey that would be implemented included better communication across the agency and training for management and all staff.

Judge Moehring commented that he appreciates that this was done. It gives us a baseline and a path to work on improvements. He felt the survey showed good results.

### **Summary of Retirees for the Quarter Ending March 31, 2023**

Ms. Allison Woods, Deputy Director of Benefits, went over the numbers of new DROP participants, new retirees, and termination refunds. She stated that the ratio of Active to Retired is about even.

She mentioned that APERS has had six new employers join this past quarter.

### **Executive Director Reports**

Director Amy Fecher reviewed the Class Action Settlement Proceeds for 2023 of \$300,123.77.

She also discussed the Legislative Joint Auditing Committee's Annual Financial Report for June 30, 2022, for APERS. We also received an audit of the entire system. We had no findings on the financial audit. On the full audit, we had findings on overpayments which were in the board packet for review.

She discussed the 2023 legislative session. The APERS legislative package approved by the board passed. This included technical corrections and survivor benefits. The biggest issue the staff followed during the session was bills that focused on investments based on Environmental, Social, and Governance (ESG) principles. Some bills were passed during the session and staff is monitoring how they will be implemented.

The legislation that required a special meeting regarding Sheriff's benefits was pulled and recommended for an interim study proposal.

Ms. Fecher mentioned the annual report that each trustee should have. She praised the work that the staff had done to complete this task.

She mentioned mileage reimbursement for those that live an appropriate distance to travel to meetings should get with the CFO.

She discussed that the executive director is also the Social Security Administrator for the State of Arkansas which administers all the section 218 agreements of the Social Security Act to enroll or amend public entities in the plan. She expressed a desire to attend a training for all state Social Security Administrators on the same week as our next quarterly board meeting which would require moving the date of the next board meeting if it is the will of the board.

Mr. Brady made a motion for Ms. Fecher to attend the training and find an alternate date for the quarterly board meeting. Mr. McVey seconded the motion. With no objection, the motion carried.

**Legal Report**

Laura Gilson informed the board that there are no active securities litigation cases with APERS as the lead plaintiff.

She addressed the need to promulgate rules following the legislative session to address changes in the law which requires a vote of the board to proceed.

Mr. Bassett made a motion to allow the APERS legal staff to go forward with rule promulgation. Mr. Carnahan seconded the motion. With no objection, the motion passed.

**ADJOURNMENT**

There being no further business, the meeting was adjourned.

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Ms. Candace Franks, Chair

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Ms. Amy Fecher, APERS Executive Director

**Arkansas Public Employees' Retirement System Board of Trustees**  
**Investments and Finance Sub-Committee**  
**June 14, 2023**

A meeting of the Investments and Finance Sub-Committee of the Arkansas Public Employees Retirement System was held on Wednesday, June 14, 2023, at 2:00 P.M. This hybrid meeting was held via Zoom remote conferencing as well as in person in the Conference Room, 124 West Capitol, Little Rock, Arkansas. Mr. Daryl Bassett presided.

**Board Members Present**

Mr. Daryl Bassett, (State Employee), Sherwood, AR chair of Investments and Finance Sub-Committee\*

Mr. Gary Carnahan, (Non-State Employee), Hot Springs, AR

Mr. Larry Walther, (Ex-officio), Department of Finance and Administration

Mr. Gary Wallace, (Retired Law Enforcement), Greenbrier, AR

Mr. Jason Brady, (State Auditor's Office) *proxy*\*

**APERS Staff Present**

Ms. Amy Fecher, Executive Director

Ms. Allison Woods, Deputy Director of Benefits

Mr. Carlos Borromeo, Deputy Director of Investments & Finance

Mr. Phillip Norton, Director of IT

Mr. Ronald Barrick, IT Services

Ms. Laura Gilson, General Counsel

Mr. Richmond Giles, Staff Attorney

Ms. Jacobia Bates, Manager of Education Services

Ms. Patty Shipp, Assurance Officer

Ms. Haley Cormican, Educational Services

Eric Munson\*

**Visitors**

Andy Babbitt- DF&A

\*Remote Attendees

**OVERVIEW OF RFQ**

Director Fecher gave an overview of the Request for Qualifications (RFQ) for the subcommittee. There were seven responses to the RFQ. Mr. Bassett expressed that he felt that they all met the minimum qualifications.

Mr. Borromeo agreed that they had all met the minimum qualifications and we had very good candidates. He suggested the committee narrow the list down and make those recommendations to the full Board of Trustees. He also told the subcommittee members that it is important to pick a consultant who can do both secondary and primary fund investments.

Mr. Bassett asked what the will of the Committee was as far as how many names to submit. Mr. Munson made a motion to recommend Callan and Stephens to the APERS board for consideration of Private Equity Manager. The motion failed for a lack of a second but produced good conversations and reviews of the proposals.

Mr. Brady made a motion to interview three finalists (Callan, Stephens, and Albourne) either by Zoom, phone or in person at tomorrow's Special Board Meeting. Mr. Carnahan seconded the motion. With no objection, the motion passed.

Mr. Brady brought up the topic of having a cash account option as we move into private equity. Mr. Borromeo recommended that the board be allowed to keep some money in cash rather than sweeping it daily and moving it into investments. He explained that with the current interest rates, it can be a lower-risk option at times. The subcommittee suggested we add this item to the agenda for the following day.

There was some discussion on the Investment Return Assumption that would be an item for the next day as well.

With no further business, the meeting was adjourned.

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Daryl Bassett, Sub-Committee Chair

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Amy Fecher, APERS Executive Director

**Arkansas Public Employees' Retirement System Board of Trustees**  
**Investments and Finance Sub-Committee**  
**August 15, 2023**

A meeting of the Investments and Finance Sub-Committee of the Arkansas Public Employees Retirement System (APERS) was held on Tuesday, August 15, 2023, at 9:00 A.M. This hybrid meeting was held via Zoom remote conferencing as well as in person in the Conference Room, 124 West Capitol, Little Rock, Arkansas. Mr. Daryl Bassett presided.

**Board Members Present**

Mr. Daryl Bassett, (State Employee), Sherwood, AR chair of Investments and Finance Sub-Committee\*

Mr. Gary Carnahan, (Non-State Employee), Hot Springs, AR\*

Mr. Larry Walther, (Ex-officio), Treasurer of the State

Mr. Gary Wallace, (Retired Law Enforcement), Greenbrier, AR\*

Mr. Jason Brady, (State Auditor's Office) *proxy*\*

**APERS Staff Present**

Ms. Amy Fecher, Executive Director

Ms. Allison Woods, Deputy Director of Benefits

Mr. Carlos Borromeo, Deputy Director of Investments & Finance

Ms. Ashley Golleher, Deputy Director of Operations

Mr. Phillip Norton, Director of IT

Mr. Ronald Barrick, IT Services

Ms. Laura Gilson, General Counsel

Mr. Richmond Giles, Staff Attorney

Ms. Jacobia Bates, Manager of Education Services

Ms. Patty Shipp, Assurance Officer

Ms. Haley Cormican, Educational Services

Eric Munson\*

**Consultants**

Mr. Larry Middleton, Stephens

Mr. Bo Brister, Stephens

Mr. Seth Middleton, Stephens

**Visitors**

Andy Babbitt- DF&A

\*Remote attendees

**Explanation of Weighted Average Methodology**

Chief Investment Officer Carlos Borrromeo gave the board an overview of methods to calculate gains or losses in investments including

1. Weighted Average
2. First-In, First-Out (FIFO)
3. Last-In, First-Out (LIFO)

He explained that APERS uses the Weighted Average methodology and security litigation firms use LIFO and/or FIFO. General Counsel Laura Gilson clarified that regardless of how APERS measures gains or losses internally, the accounting methods used by the courts in securities litigation are LIFO/FIFO and that the parties each argue the appropriate calculation of loss damages as a component of the litigation.

#### **Security Litigation Requests for Lead Plaintiff**

Committee Chair Daryl Bassett discussed the two cases that APERS has been requested to be the lead plaintiff in class action litigation and the firms that requested our participation.

1. Syneos
  - BLBG
  - Bleichmar Fonti
  - Cohen Milstein
  - Labaton Sucharow LLP
  - Rosen Law Firm
2. Seagate
  - BLBG
  - Cohen Milstein

General Counsel Laura Gilson offered that the committee is voting on whether to move forward with lead plaintiff status but that ultimately the law firms may find a more suitable lead plaintiff than APERS for these cases. After the motion and second, the committee voted to authorize the staff to pursue the Seagate Litigation.

#### **Update on Domestic Equity Large Cap Growth Manager**

The Chief Investment Officer Carlos Borrromeo gave an overview of the search for a Domestic Equity Large Cap Growth Manager.

Mr. Borrromeo reminded the Committee that the Board chose to liquidate holding with INTECH as a Large Cap Growth (“LCG”) Manager. INTECH was a quantitative manager meaning there was zero human element involved in their stock selection. The stock selection process was all computer/machine (“black box”) model-driven. Mr. Borrromeo has been working with Callan on the search to replace INTECH.

LCG is a crowded space (327 different LCG strategies with 175 different investment managers) which provides a number of qualified investment managers. There are six firms who made it through the Callan process. All of them are excellent firms. Mr. Borrromeo shared with the Committee that he is continuing to perform his due diligence on the final six.

Mr. Borrromeo indicated that the recommendation of the staff is to whittle the list of six firms to an even shorter list. Director Fecher recommended that staff be allowed to perform the interviews and then come to the full Board with a final recommendation at the September board meeting. Mr. Basset motioned that staff interview three of the six firms and make a recommendation for hire to the full Board at the September meeting. Mr. Brady seconded the motion. The motion passed.

### **Update on Private Equity Manager Search**

The consultant and the Chief Investment Officer Carlos Borrromeo gave an overview of the managers they had spoken with or met with in person since the board approved a 5% allocation in private equity.

Director Fecher updated the Committee that she and Mr. Borrromeo and Stephens met with six private equity firms. Director Fecher mentioned that it is the staff's opinion along with the private equity consultant, that time is of the essence and recommended that APERS move forward as quickly as possible.

Mr. Borrromeo addressed that obtaining exposure to private equity is different than public equity. He provided an example using INTECH and LCG. Currently, the fund does have exposure to large-cap growth by being invested in a large-cap growth index fund. Regarding private equity, there are no investments and the Board does not have the advantage of time on it's side.

Mr. Borrromeo reminded the Board of his original proposal of a fund of one for secondary private equity investments. He recommended that the Committee move forward with a secondary manager (HarbourVest) and a primary manager (Neuberger Berman). While his initial thought was 70%-30% mix was appropriate to minimize the J-curve, Mr. Borrromeo now believes that the correct mix should be somewhere between 60%-70% in secondary, and the remaining 30%-40% in primary. Mr. Borrromeo recommended being a Limited Partner in the HarbourVest fund, and a Fund-of-One ("FOO") with Neuberger. The FOO structure allows the private equity program to continue to perform its function well into the future.

Mr. Middleton concurred with Mr. Borrromeo and Stephens is confident with his recommendation. He mentioned that HarbourVest is best known for secondaries and Neuberger Berman is best known for primaries. The FOO structure with Neuberger does allow for hiring sub-advisors to leverage strengths of opportunities in other areas. Mr. Middleton agreed that this structure does reduce the J-curve, allows for diversification, and provides transparency and reliable reporting. He concurred that timing is important. In the secondary markets right now you can purchase investments at a 20% discount.

Director Fecher also spoke about the ability to add additional managers and investments underneath the FOO structure with Neuberger Berman. Mr. Borrromeo explained that the FOO structure would allow APERS to have sub-advisors. Other investments could be added to the FOO, and the Board would still receive one report.

Mr. Brady asked for clarification, that the secondary fund being recommended is named “HarbourVest” Mr. Basset commented that the 70%/30% split between secondary and primary is the best mix to mitigate the J-curve and was very supportive of the fund-of-one.

The Investment Finance Committee approved the recommendation of staff and consultant moving forward with retaining HarbourVest Partners and Neuberger Berman. Mr. Brady motioned to hire HarbourVest as secondary fund manager, and give the APERS staff the flexibility to go 60% minimum and 70% maximum in secondary, and to hire Neuberger Berman as the fund-of-one. Mr. Walther seconded the motion. Mr. Basset commented that he supported this distribution of the motion and voiced that his main goal was to mitigate the J-curve. The motion passed.

Additional discussion ensued regarding the length of time it takes to hire a manager. Mr. Bassett asked Director Fecher for ideas to streamline the process of hiring investment managers. Director Fecher addressed the current process which could take up to nine months to a year to hire a manager with quarterly board meetings and that the subcommittee was developed to move more swiftly. Mr. Basset asked to have a discussion at the September board meeting to open the discussion to streamline the hiring process. Director Fecher said she would make it an agenda item.

With no further business, the meeting was adjourned.

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Daryl Bassett, Sub-Committee Chair

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Amy Fecher, APERS Executive Director



# Chief Investment Officer Report

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For the Quarter Ending June 30, 2023  
And Fiscal Year Ending June 30, 2023

# Q2 2023 Summary

- What a difference a single quarter can make. The end of Q1 2023, the investment portfolio had a fiscal year return of 5.76%. But the tailwinds were coming.
- The U.S. economy showed resiliency and defied all the forecasts for a recession. There was progress on the inflation front that allowed the Fed to skip raising interest rates for the first time in 10 meetings which helped the S&P 500 Index gain +6.61% for the month of June. It officially exited bear market status, gaining +24.42% off its October 12, 2022 low.
- Information Technology, thanks to A.I., led all sectors during the quarter, as well as YTD, returning +17.2% and +42.77% respectively. It was followed by Consumer Discretion (+14.58%), Communication Services (+13.07%) for the quarter. Energy and Utilities lagged with losses of -0.89% and -2.53% for the quarter. Energy was hurt by a hard drop in U.S. oil prices, -8.18%, and a massive fall in natural gas, -29.55%, both the result of warmer weather, reduced demand, and a seemingly abundant supply. Utilities felt the pain of the additional rate hikes by the Fed that pushed the 2-year Treasury Note yield from 4.43% in December to 4.90% by the end of June.
- Acronym Lesson, get use to the following names and acronyms
  - The Super 6 = “MANMAT” = Microsoft, Apple, NVIDIA, Meta (facebook), Amazon, Tesla.
  - Magnificent 7 = “MANMAT” + Alphabet (Google) = MANMAAT

# Q2 2023 Summary

- During the quarter, the Super Six accounted for 60% of the S&P 500 return, and for the first six months of 2023, 67%.
- The top 50 stocks in the S&P returned +13.19% for the quarter. The next 450 companies returned +2.75%.
- For the first 6 months of 2023, the Top 50 have gained +26.28%, the remaining 450 companies gained +5.09%
- A familiar theme when it comes to style. Growth stocks outperformed Value stocks. For the first 6 months of 2023 the RU1000G outperformed the RU1000V by +23.90% (29.02% vs 5.12%). The 29.02% return for the RU1000G, the Super 6 accounted for 71% of the total return.
- International Equities, the MSCI EAFE lagged the S&P 500 in currency term, +4.56% vs +8.74%. The return in US\$ got some help from a -1.36% loss for the DXY Index. That index is a measure of \$ appreciation/depreciation versus a basket of six foreign currencies (C\$, €, ¥, £, ₣, SEK) which gave up ground when the Fed skipped a rate hike.
- YTD the EAFE Index has fallen behind by -476 bps in US\$ terms (+12.13%). The Eurozone has suffered 2 consecutive quarterly losses to GDP of -0.1%
- The Fed did skip a June rate hike, but indicated two more hikes were coming. The Fed continues its hawkish stance due to the inflation front. CPI and PCE are falling at a fast pace, but, core measures remain elevated.
- The Fed's formal inflation measure is the Core Personal Consumption Expenditures (PCE) Price Index. It rose 4.6% in May from a year earlier. It remains well above the Fed 2% target.

# Q2 2023 Summary

- Unemployment is at 3.7%. There are 1.65 job openings for every unemployed person, and an estimated \$500 billion+ in excess household savings still remaining from the COVID relief programs. The evidence shows the economy is still growing.
- Chairman Powell has stated he would like to see the job openings gap closer to 1.1 jobs per person rather than the 1.65. The IMF estimated that unemployment would need to rise about 7.00% for the Fed to reach its 2% inflation goal.
- I'm not sure the Fed can get to 2% without breaking the economy and causing a severe recession.

# Q2 2023 Summary

	Q2 2023	Fiscal Year	Calendar Year
<b>U.S. Equity</b>			
S&P 500	8.74%	19.59%	16.89%
Russell 2000 Growth	7.05%	18.53%	13.55%
Russell 3000	8.39%	18.95%	16.17%
<b>International Equity</b>			
MSCI EAFE	2.95%	18.77%	11.67%
MSCI ACWI xUS	2.44%	12.72%	9.47%
<b>Fixed Income</b>			
Bloomberg Agg	-0.84%	-0.94%	2.09%

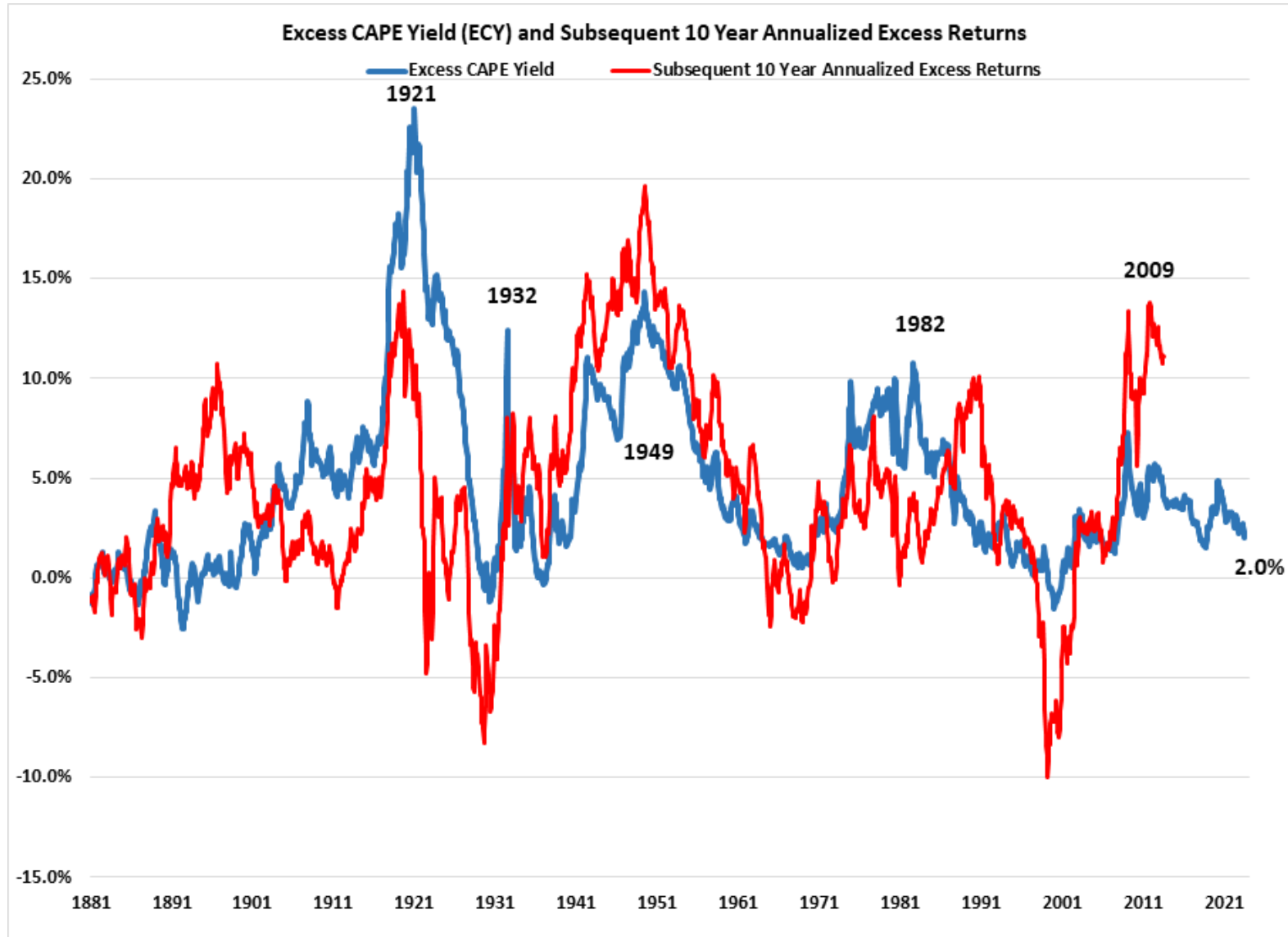
	Q2 2023	Fiscal Year	30-Jun-23	
<b>Domestic Equity</b>	6.43%	15.24%	\$ 4,125,287,213	39.39%
<b>International Equity</b>	2.62%	17.06%	\$ 2,755,813,108	26.31%
<b>Diversified Strategy</b>	1.49%	4.75%	\$ 219,312,434	2.09%
<b>Fixed Income</b>	-0.13%	0.82%	\$ 1,887,972,633	18.03%
<b>Real Assets</b>	-1.67%	-7.53%	\$ 1,485,339,942	14.18%
<b>APERS Total Portfolio</b>	2.91%	8.83%	\$ 10,473,725,330	

\$ 10,042,629,672	FY2022
\$ 11,602,695,185	FY2021
\$ 9,093,497,703	FY2020
\$ 9,153,121,783	FY2019
\$ 8,904,393,859	FY2018
\$ 8,301,352,120	FY2017
\$ 7,624,665,446	FY2016
\$ 7,820,289,128	FY2015

# Things I worry about

NEW Possible/Potential Shocks/Concern	Impact	Probability	Change
Stress in China's property sector	Medium	INCREASED	INCREASE
China's economy slows down	Medium	INCREASED	INCREASE
U.S. Economic Slowdown	High	Medium	NEW
Future U.S. Stocks returns unimpressive	High	Medium	NEW
<b>Tighter financial conditions, possible weaker stock prices, along w surging bond yields could prompt market volatility and lower consumer confidence.</b>			
Possible/Potential Shocks	Impact	Probability	Change
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
A repeat of the S&L Crisis of the 1980s & 1990s	Medium	Medium	Lower
Debit Ceiling. U.S. Default	Medium	Medium	Lower

The S&P 500 Shiller CAPE ratio – Cyclically Adjusted Price-Earnings Ratio. It is the ratio of the S&P 500’s current price divided by the 10-year moving average of inflation-adjusted earnings.





## **Executive Summary Second Quarter 2023**

Arkansas Public Employees  
Retirement System

**Brianne Weymouth, CAIA**  
Senior Vice President

**John Jackson, CFA**  
Senior Vice President

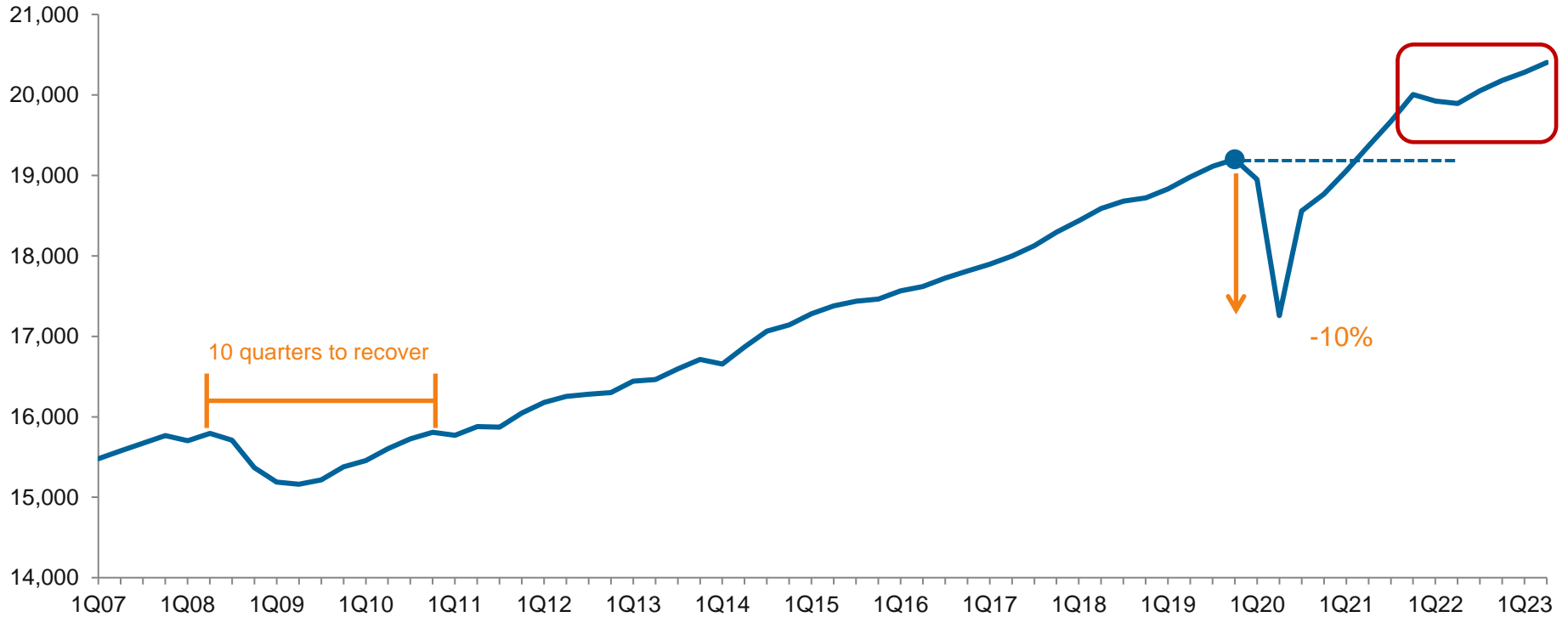
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# GDP Rose 2.4% in 2Q, Building on the 2% Gain in 1Q

Widespread expectations for a recession in 2023 were proven wrong

Seasonally Adjusted Real GDP in Billions of Dollars Through 6/30/23



GDP rose 2.0% and 2.4% in the first two quarters, after 2.1% growth in 2022.

- ▶ Loss of business and consumer confidence followed the start of the conflict in Ukraine.
- ▶ Consumer wealth hit by stock and bond market drop in 2022, but has recently rebounded. Residential housing saw a sharp downturn, as mortgage rates doubled from the start of last year. But prices remain high due to strong demand and lack of supply.

Source: Federal Reserve Bank of St. Louis

# Equity Markets Rebound Sharply in 1Q and 2Q; Fixed Income Markets Down in 2Q

Stocks and bonds still have ground to make up after first three quarters of 2022

## S&P 500 up 16.9% in first half of 2023

- Loss through first three quarters of 2022 was 23.9%; rebound in the following three quarters reduced the loss to 2.9% since the start of 2022. Greater loss reduction in large cap (U.S. and global ex-U.S.) compared to emerging and small cap

## Fixed income recovered as high inflation began to ease; speculation about interest rate cuts evaporated in 2Q

- Bloomberg Aggregate: up 3% in 1Q, but declined 0.8% in 2Q as Fed continued to raise rates
- CPI-U: +3% year-over year for 2Q, down from +6.5% for the year ended Dec. 2022

## Inflation hit the highest rate (9%) in decades in June of 2022.

## Economic data defied expectations of recession; GDP growth was revised up to 2.0% in 1Q, and hit 2.4% in 2Q

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

## Returns for Periods ended 6/30/23

	Quarter	Year to Date	1 Year	5 Years	10 Years	25 Years
<b>U.S. Equity</b>						
Russell 3000	8.39	16.17	18.95	11.39	12.34	7.72
S&P 500	8.74	16.89	19.59	12.31	12.86	7.61
Russell 2000	5.21	8.09	12.31	4.21	8.26	7.26
<b>Global ex-U.S. Equity</b>						
MSCI World ex USA	3.03	11.29	17.41	4.58	5.40	4.49
MSCI Emerging Markets	0.90	4.89	1.75	0.93	2.95	--
MSCI ACWI ex USA Small Cap	2.05	6.84	10.93	2.62	5.75	6.73
<b>Fixed Income</b>						
Bloomberg Aggregate	-0.84	2.09	-0.94	0.77	1.52	3.90
90-day T-Bill	1.17	2.25	3.59	1.55	0.98	1.89
Bloomberg Long Gov/Credit	-1.29	4.39	-2.56	0.66	2.86	5.33
Bloomberg Global Agg ex-US	-2.16	0.83	-1.83	-2.65	-0.90	2.62
<b>Real Estate</b>						
NCREIF:NFI-ODCE Val Wt Nt	-2.88	-6.16	-10.73	5.56	7.77	7.26
FTSE Nareit Equity	2.62	5.37	-0.13	4.55	6.42	8.32
<b>Alternatives</b>						
CS Hedge Fund Index	1.71	1.87	3.17	4.52	4.06	5.49
Cambridge Private Equity*	2.12	2.12	-4.62	15.98	15.04	13.83
Bloomberg Commodity	-2.56	-7.79	-9.61	4.73	-0.99	2.04
Gold Spot Price	-2.86	5.65	6.76	8.99	4.66	7.76
<b>Inflation - CPI-U</b>	1.08	2.80	2.97	3.90	2.71	2.54

\*Cambridge PE data through 03/31/2023.

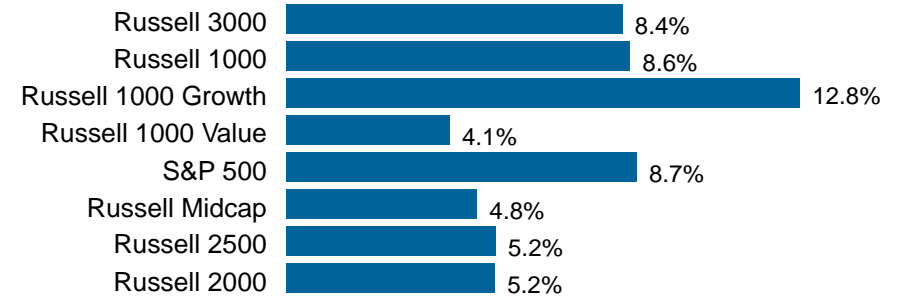
Sources: Bloomberg, Callan, Cambridge, Credit Suisse, FTSE Russell, MSCI, NCREIF, S&P Dow Jones Indices

# U.S. Equity Performance: 2Q23

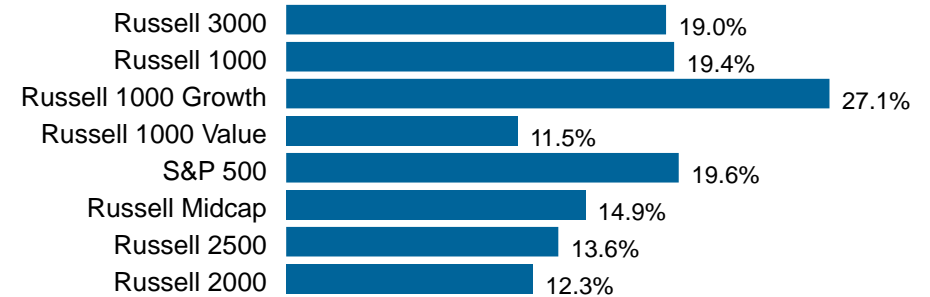
Large cap growth stocks lead broad indices higher; small cap indices continue to lag large caps

- ▶ The S&P 500 posted a third straight quarter of positive performance, gaining 8.7%; large cap growth led all styles, advancing 12.8%. All U.S. equity indices produced absolute positive returns; small value and low volatility produced the lowest 2Q returns.
- ▶ Nine of the 11 S&P 500 Index sectors produced a positive 2Q return. Information Technology (17.2%), Consumer Discretionary (14.6%), and Communication Services (13.1%) drove the overall index return; all other sectors underperformed the index.
- ▶ Similar to the first quarter, small caps (Russell 2000) underperformed large caps (Russell 1000) and growth outperformed value during the quarter, a reversal of trend from 2022. Financials (-1.1%) detracted returns for the Russell 2000 (5.2%) while Health Care was the only small cap sector to produce double digit returns (11.2%) within the small cap index.

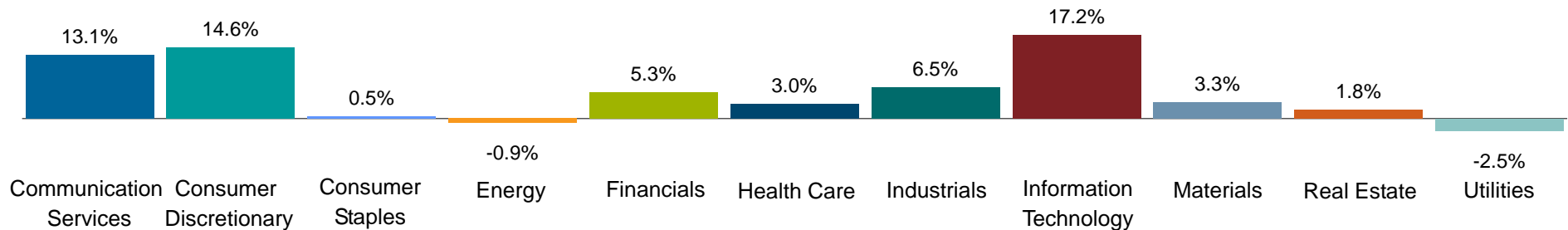
## U.S. Equity: Quarter Ended 6/30/23



## U.S. Equity: One-Year Returns Ended 6/30/23



## Industry Sector Quarterly Performance (S&P 500) as of 6/30/23



Sources: FTSE Russell, S&P Dow Jones Indices

# Global/Global ex-U.S. Equity Performance: 2Q23

## Continued market rally

2Q23 continued global and global ex-U.S. equity markets positive performance from the prior quarter.

### Technology stocks lead markets higher

- ▶ The second quarter of the year saw global markets led higher by mega cap technology stocks, in part due to increased optimism around artificial intelligence advancements.
- ▶ Market expectations of a recession decreased as inflation showed signs of abating while the Fed kept rates unchanged in June.
- ▶ Japan outperformed other regions in local currency as valuations continued to be attractive alongside the Bank of Japan's easy monetary policy.

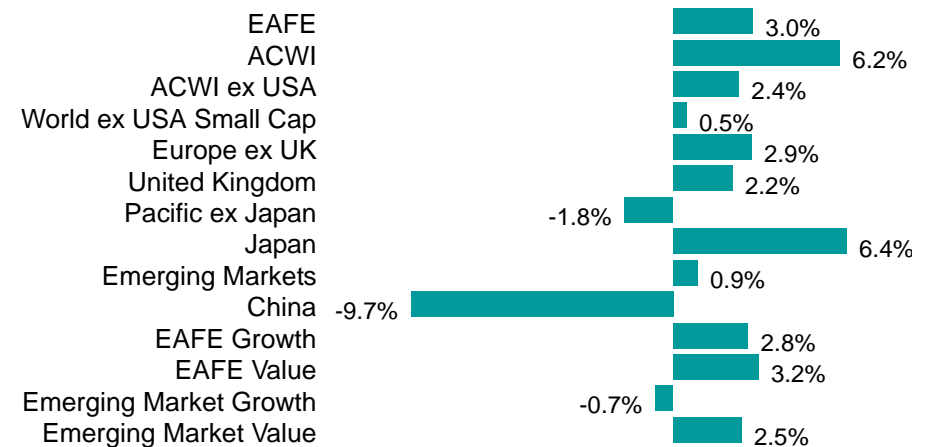
### Developed vs. emerging markets

- ▶ Developed markets outperformed emerging markets as China weighed on EM indices.

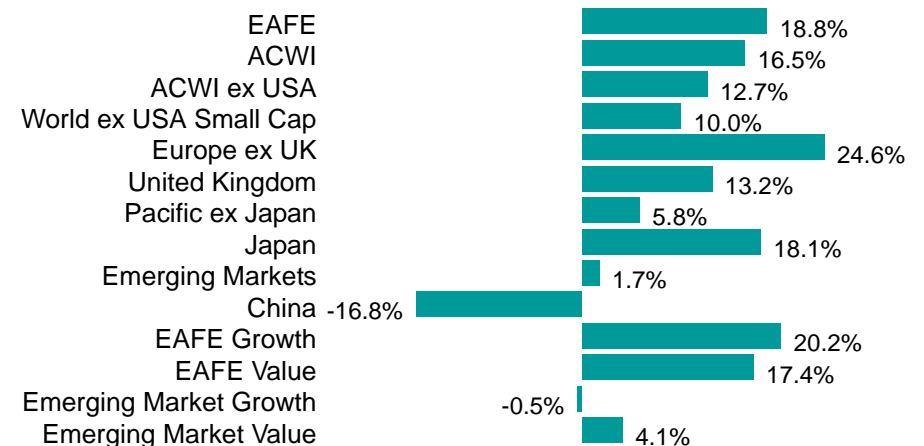
### Growth vs. value

- ▶ Mega cap technology companies, which are primarily U.S.-based, led markets higher and resulted in large dispersions between U.S. growth and value indices. Outside of the U.S., growth and value index returns were relatively balanced.

Global Equity Returns: Quarter Ended 6/30/23



Global Equity Returns: One Year Ended 6/30/23



Source: MSCI

# U.S. Fixed Income Performance: 2Q23

Bloomberg Aggregate down as rates rose, risk appetite and solid economic news spurred returns for spread sectors and lower quality

## U.S. Treasury yield curve inversion steepened to 106 bps from 58 bps on 3/31

► 2- year UST: 4.87%; 10-year UST: 3.81%

## TIPS performed in line with nominal U.S. Treasuries

► Five-year breakeven spreads narrowed to 2.18% from 2.4% on 3/31; Fed and markets expect inflation to trend down over longer periods

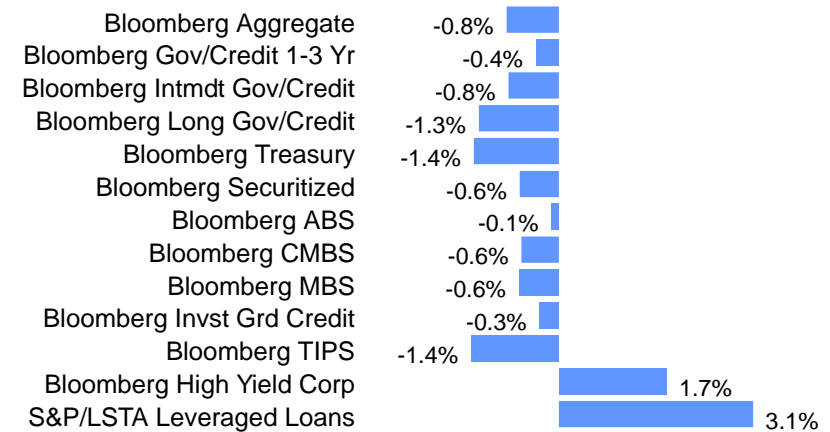
## Fed Funds target raised to 5.00% - 5.25%

- Paused at June meeting but suggested that further hikes are likely
- Median expectation from Fed is 5.6% for year-end 2023
- Market expectations are similar at 5.4%; up sharply from expectations for cuts at the end of 1Q

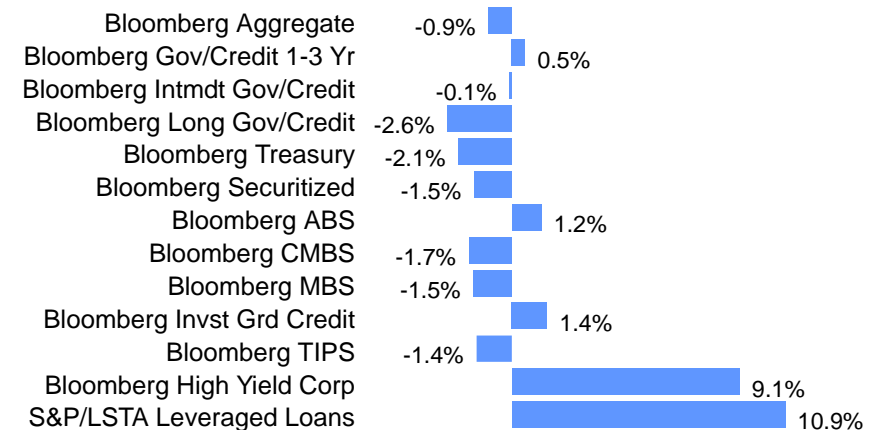
## Valuations fair

- Credit spreads have not widened materially and are close to historical averages
- Demand has remained robust with muted issuance

## U.S. Fixed Income Returns: Quarter Ended 6/30/23



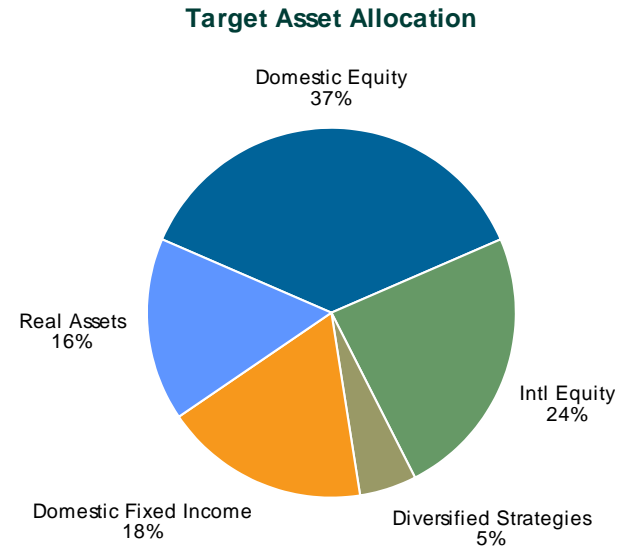
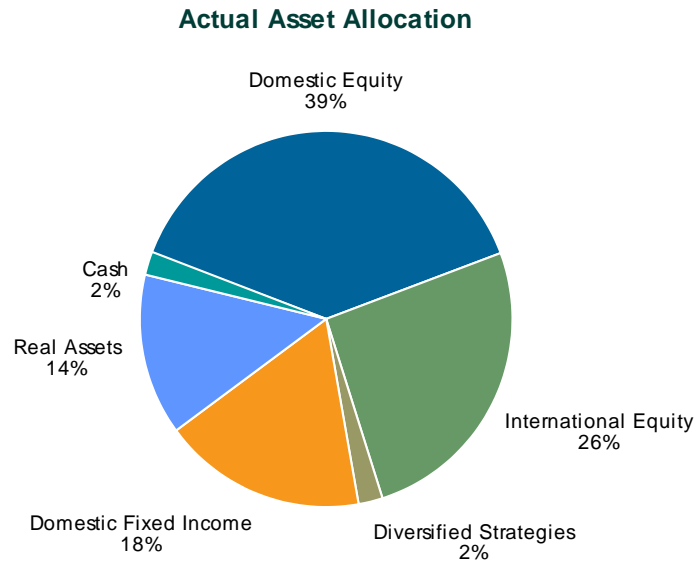
## U.S. Fixed Income Returns: One Year Ended 6/30/23



Sources: Bloomberg, S&P Dow Jones Indices

# Actual vs. Target Asset Allocation

June 30, 2023



Asset Class	\$Millions Actual	Weight Actual	Target	Percent Difference	\$Millions Difference
Domestic Equity	4,125	38.6%	37.0%	1.6%	170
International Equity	2,756	25.8%	24.0%	1.8%	190
Diversified Strategies	219	2.1%	5.0%	(2.9%)	(315)
Domestic Fixed Income	1,888	17.7%	18.0%	(0.3%)	(36)
Real Assets	1,485	13.9%	16.0%	(2.1%)	(225)
Cash	218	2.0%	0.0%	2.0%	218
<b>Total</b>	<b>10,691</b>	<b>100.0%</b>	<b>100.0%</b>		

- 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

June 30, 2023

	June 30, 2023				March 31, 2023	
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
<b>Domestic Equity</b>	<b>\$4,125,287,213</b>	<b>38.59%</b>	<b>\$(43,653,760)</b>	<b>\$250,497,476</b>	<b>\$3,918,443,496</b>	<b>37.47%</b>
Lazard Asset Mgmt	508,707,318	4.76%	(363,351)	24,402,116	484,668,553	4.63%
CastleArk Mgmt. LLC	517,998,778	4.85%	(394,021)	44,719,469	473,673,331	4.53%
Mellon S&P 500 Index Fd	769,549,140	7.20%	(20,195)	61,860,335	707,709,001	6.77%
Horrell Capital Passive	206,818,033	1.93%	(80,269)	9,326,633	197,571,669	1.89%
Wellington Management	472,588,558	4.42%	(351,063)	19,548,156	453,391,465	4.34%
Intech	377,898	0.00%	(430,837,145)	28,002,091	403,212,951	3.86%
Mellon Large Cap Growth	398,489,563	3.73%	390,000,000	8,489,563	-	-
LSV Asset Management	358,342,617	3.35%	(479,683)	18,132,101	340,690,199	3.26%
Stephens Investment Mgmt.	470,103,300	4.40%	(718,568)	23,781,953	447,039,914	4.27%
Froley Revy Investment	422,312,007	3.95%	(409,465)	12,235,059	410,486,413	3.93%
<b>International Equity</b>	<b>\$2,755,549,927</b>	<b>25.77%</b>	<b>\$(2,456,377)</b>	<b>\$70,296,353</b>	<b>\$2,687,709,951</b>	<b>25.70%</b>
Artisan Partners	691,962,595	6.47%	(881,547)	27,606,842	665,237,299	6.36%
Mellon ACWI ex US Fund	607,157,102	5.68%	(89,210)	15,275,893	591,970,420	5.66%
Baillie Gifford Overseas	538,088,001	5.03%	(524,252)	1,534,122	537,078,131	5.14%
Lazard Asset Mgmt.	576,526,548	5.39%	(428,039)	22,384,163	554,570,423	5.30%
Acadian ACW ex US SmallCap	187,373,390	1.75%	(286,675)	1,816,727	185,843,339	1.78%
Franklin Templeton Intl SmallCap	154,442,291	1.44%	(246,653)	1,678,606	153,010,339	1.46%
<b>Diversified Strategies</b>	<b>\$219,312,434</b>	<b>2.05%</b>	<b>\$(152,914,630)</b>	<b>\$3,272,432</b>	<b>\$368,954,633</b>	<b>3.53%</b>
AQR Capital	3	0.00%	(152,364,976)	35,100	152,329,880	1.46%
Blackstone Alt. Asset Mgmt.	219,312,431	2.05%	(549,281)	3,236,960	216,624,753	2.07%
Newton Capital	0	0.00%	(373)	373	0	0.00%
<b>Domestic Fixed Income</b>	<b>\$1,887,972,633</b>	<b>17.66%</b>	<b>\$(916,939)</b>	<b>\$(2,358,888)</b>	<b>\$1,891,248,460</b>	<b>18.09%</b>
DoubleLine Capital	600,332,285	5.62%	(281,049)	(465,050)	601,078,385	5.75%
MacKay Shields	639,242,354	5.98%	(318,585)	(2,044,152)	641,605,091	6.14%
PGIM	648,397,994	6.06%	(317,305)	150,315	648,564,984	6.20%
<b>Real Assets</b>	<b>\$1,485,328,406</b>	<b>13.89%</b>	<b>\$(17,416,670)</b>	<b>\$(25,353,747)</b>	<b>\$1,528,098,822</b>	<b>14.61%</b>
<b>REITS</b>	<b>\$11,622,780</b>	<b>0.11%</b>	<b>\$(2,505)</b>	<b>\$328,658</b>	<b>\$11,296,627</b>	<b>0.11%</b>
MCM EB DV Non-SL REIT Fd	11,622,780	0.11%	(2,505)	328,658	11,296,627	0.11%
<b>Core Real Estate</b>	<b>\$941,802,742</b>	<b>8.81%</b>	<b>\$(4,247,556)</b>	<b>\$(19,671,395)</b>	<b>\$965,721,693</b>	<b>9.24%</b>
Invesco Real Estate	579,019,606	5.42%	(476,037)	(14,489,293)	593,984,936	5.68%
Heitman Real Estate Trust LP	362,783,136	3.39%	(3,771,519)	(5,182,102)	371,736,757	3.55%
<b>Value Add Real Estate</b>	<b>\$346,755,542</b>	<b>3.24%</b>	<b>\$(13,199,957)</b>	<b>\$(16,349,072)</b>	<b>\$376,304,570</b>	<b>3.60%</b>
Clarion Lion Industrial Trust	81,860,518	0.77%	(244,014)	(743,434)	82,847,966	0.79%
Harrison Street Fund VIII	44,609,947	0.42%	2,312,500	32,479	42,264,968	0.40%
Heitman Value Partners IV	44,500,345	0.42%	(6,593,246)	(3,608,375)	54,701,966	0.52%
LaSalle Inc & Growth VI LP	5,548,168	0.05%	(21,276)	40,039	5,529,404	0.05%
LaSalle Inc & Growth VII LP	28,330,144	0.26%	(87,613)	(6,538,753)	34,956,511	0.33%
Starwood SOF XII	16,552,752	0.15%	(230,889)	(517,335)	17,300,976	0.17%
TA Associates Realty Fund X	8,283	0.00%	(24,470)	(551)	33,304	0.00%
TA Associates Realty Fund XI	23,372,673	0.22%	(1,364,530)	(5,393,995)	30,131,198	0.29%
TA Associates Realty Fund XII	101,972,712	0.95%	(6,946,419)	380,854	108,538,277	1.04%
<b>Farmland</b>	<b>\$90,537,303</b>	<b>0.85%</b>	<b>\$1,229,495</b>	<b>\$1,708,481</b>	<b>\$87,599,327</b>	<b>0.84%</b>
IFC Core Farmland Fund	52,722,782	0.49%	(362,547)	1,574,642	51,510,687	0.49%
PGIM Agriculture	37,814,521	0.35%	1,592,042	133,839	36,088,640	0.35%
<b>Timber</b>	<b>\$94,610,040</b>	<b>0.88%</b>	<b>\$(1,196,147)</b>	<b>\$8,629,581</b>	<b>\$87,176,606</b>	<b>0.83%</b>
Pinnacle	94,610,040	0.88%	(1,196,147)	8,629,581	87,176,606	0.83%
<b>Cash</b>	<b>\$217,811,171</b>	<b>2.04%</b>	<b>\$153,414,500</b>	<b>\$1,756,783</b>	<b>\$62,639,888</b>	<b>0.60%</b>
<b>Total Fund</b>	<b>\$10,691,261,784</b>	<b>100.0%</b>	<b>\$(63,943,875)</b>	<b>\$298,110,409</b>	<b>\$10,457,095,250</b>	<b>100.0%</b>

# Asset Class Performance and Market Values

June 30, 2023

	Market Value \$(Dollars)	Ending Weight	Last Quarter	Fiscal Year	Last 3 Years	Last 5 Years
<b>Domestic Equity</b>	<b>\$4,125,287,213</b>	<b>39.39%</b>	<b>6.43%</b>	<b>15.24%</b>	<b>12.40%</b>	<b>10.24%</b>
Russell 3000 Index	-	-	8.39%	18.95%	13.89%	11.39%
<b>International Equity</b>	<b>\$2,755,549,927</b>	<b>26.31%</b>	<b>2.62%</b>	<b>17.06%</b>	<b>8.76%</b>	<b>5.27%</b>
Benchmark****	-	-	2.38%	12.47%	6.30%	2.87%
<b>Diversified Strategies</b>	<b>\$219,312,434</b>	<b>2.09%</b>	<b>1.49%</b>	<b>4.75%</b>	<b>5.45%</b>	<b>5.01%</b>
Diversified Strategy Trgt**	-	-	3.76%	10.49%	5.69%	6.19%
<b>Domestic Fixed Income</b>	<b>\$1,887,972,633</b>	<b>18.03%</b>	<b>(0.13%)</b>	<b>0.82%</b>	<b>(2.32%)</b>	<b>1.57%</b>
Blmbg Aggregate	-	-	(0.84%)	(0.94%)	(3.96%)	0.77%
<b>Real Assets</b>	<b>\$1,485,339,942</b>	<b>14.18%</b>	<b>(1.67%)</b>	<b>(7.53%)</b>	<b>12.40%</b>	<b>6.68%</b>
CPIU + 4%	-	-	2.04%	6.97%	9.78%	7.90%
<b>REITS</b>	<b>\$11,622,780</b>	<b>0.11%</b>	<b>2.91%</b>	<b>(1.01%)</b>	<b>9.15%</b>	<b>3.01%</b>
S&P DJ US Select REIT	-	-	2.92%	(0.69%)	9.17%	3.28%
<b>Core Real Estate</b>	<b>\$941,802,742</b>	<b>8.99%</b>	<b>(2.04%)</b>	<b>(9.24%)</b>	<b>8.54%</b>	<b>6.23%</b>
NFI-ODCE Eq Wt Net	-	-	(3.05%)	(10.51%)	7.59%	6.07%
<b>Value Add Real Estate</b>	<b>\$346,755,542</b>	<b>3.31%</b>	<b>(4.42%)</b>	<b>(8.77%)</b>	<b>17.61%</b>	<b>14.76%</b>
NCREIF Total Index	-	-	(1.98%)	(6.60%)	6.79%	5.90%
<b>Farmland</b>	<b>\$90,537,303</b>	<b>0.86%</b>	<b>1.96%</b>	<b>4.68%</b>	-	-
NCREIF Farmland Index	-	-	0.80%	8.19%	7.60%	6.45%
<b>Timber</b>	<b>\$94,610,040</b>	<b>0.90%</b>	<b>9.93%</b>	<b>17.13%</b>	<b>10.74%</b>	<b>5.12%</b>
NCREIF Timberland Index	-	-	1.71%	11.13%	8.67%	5.80%
<b>Total Fund***</b>	<b>\$10,473,450,613</b>	<b>100.00%</b>	<b>2.91%</b>	<b>8.83%</b>	<b>8.58%</b>	<b>6.76%</b>
Benchmark*	-	-	4.04%	11.50%	7.97%	7.09%

- **Domestic Equity** underperformed the benchmark in the second quarter and over the last 5-year period.
- **International Equity** outperformed the benchmark in the second quarter and leads its benchmark over longer time periods.
- **Diversified Strategies** underperformed the target return in the second quarter and trails the target over longer time periods.
- **Domestic Fixed Income** outperformed the benchmark in the second quarter and leads the index over longer trailing time periods.
- **Real Assets** underperformed the benchmark in the second quarter but has outperformed over the last 3-year period.

\* 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

June 30, 2023

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	5.62%	→ 11.98%	10.35%	8.04%	8.47%	8.20%
25th Percentile	→ 4.16%	→ 10.71%	9.31%	→ 7.35%	8.05%	7.82%
Median	3.46%	9.27%	→ 7.96%	→ 6.71%	→ 7.54%	→ 7.50%
75th Percentile	← 2.73%	← 7.76%	6.85%	5.88%	6.93%	7.07%
90th Percentile	2.28%	5.70%	5.84%	5.35%	6.34%	6.64%
● <b>Total Fund</b>	<b>2.91% (69)</b>	<b>8.83% (59)</b>	<b>8.58% (38)</b>	<b>6.76% (47)</b>	<b>7.78% (39)</b>	<b>7.56% (42)</b>
● <b>Policy Target</b>	<b>4.04% (28)</b>	<b>11.50% (13)</b>	<b>7.97% (49)</b>	<b>7.09% (36)</b>	<b>7.62% (47)</b>	<b>7.45% (55)</b>

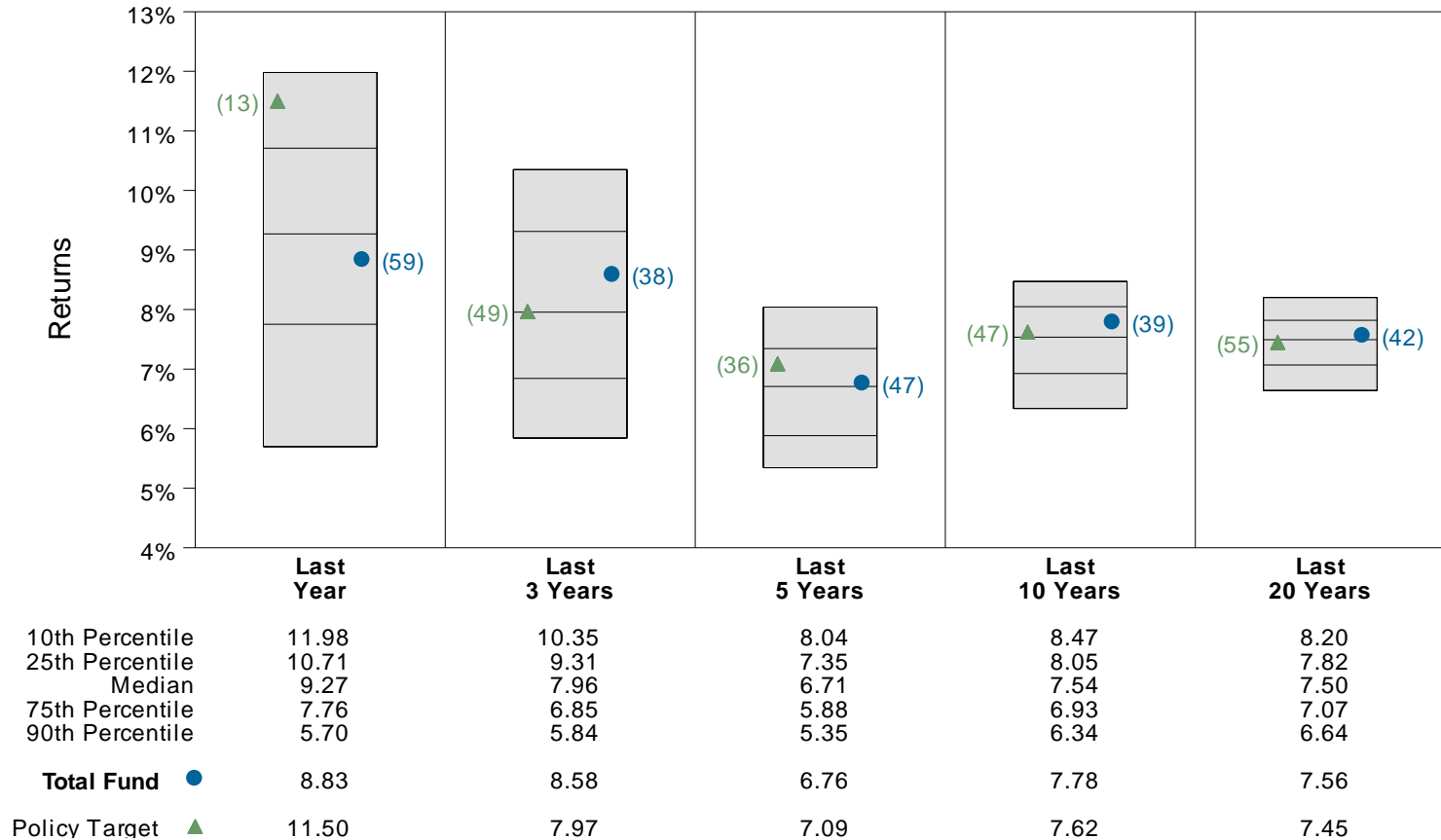
- The above chart shows the distribution of returns for the Callan Public Fund DB Peer Group across time periods ended June 30, 2023. Returns longer than one year annualized.
- The returns and peer group ranking for the APERS Total Fund and Total Fund Target are shown in the bottom two rows.
  - **The 25th percentile return** represents the value above which 25% of the returns fall. In other words, it's the point where a quarter of the peer group earned a higher return, and three-quarters of the peer group earned a lower return.
  - **The median return** represents the middle value in a distribution of returns. If we arrange all the returns in ascending order, the median is the value that separates the lower half from the higher half.
  - **The 75th percentile return** represents the value above which 75% of the returns fall. In other words, it's the point where three-quarters of the peer group earned a higher return, and a quarter of the peer group earned a lower return.

*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*

# Total Fund Performance

June 30, 2023

## Callan Public Fund Sponsor Database



- The Total Fund underperformed its policy target for the last year and ranked at the 59<sup>th</sup> percentile of its peer group.
- Over the trailing 3-, 10-, and 20-year periods, the fund outpaced its benchmark and finished ahead of its peer group median.
- Over the last 5 years, the fund trailed its benchmark, but ranked in the top half 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

June 30, 2023

	Last Quarter		Fiscal Year		Last 3 Years		Last 5 Years	
<b>Total Domestic Equity</b>	<b>6.43%</b>	<b>85</b>	<b>15.24%</b>	<b>89</b>	<b>12.40%</b>	<b>87</b>	<b>10.24%</b>	<b>65</b>
Russell 3000 Index	8.39%	14	18.95%	23	13.89%	57	11.39%	13
Pub Pln- Dom Equity	7.69%		18.39%		14.07%		10.67%	
Lazard Asset Mgmt.	5.04%	68	14.36%	63	11.77%	74	10.30%	54
Russell 3000 Index	8.39%	36	18.95%	42	13.89%	61	11.39%	40
Callan All Cap Broad	6.86%		17.70%		15.09%		10.42%	
CastleArk	9.45%	27	22.88%	21	14.66%	56	13.03%	15
Russell 3000 Growth Index	12.47%	10	26.60%	10	13.24%	65	14.39%	7
Callan All Cap Broad	6.86%		17.70%		15.09%		10.42%	
Mellon S&P 500 Index Fd	8.74%	34	19.60%	30	14.60%	46	11.99%	46
S&P 500 Index	8.74%	34	19.59%	30	14.60%	46	12.31%	34
Callan Large Cap Core	8.44%		18.14%		14.38%		11.72%	
Horrell Capital - Passive	4.72%	80	15.62%	57	16.33%	41	11.47%	39
Bloomberg Arkansas Index	8.95%	34	17.78%	44	29.37%	4	13.70%	10
S&P 500 Index	8.74%	34	19.59%	41	14.60%	57	12.31%	19
Callan All Cap Broad	6.86%		17.70%		15.09%		10.42%	
Wellington Management	4.31%	42	13.59%	35	15.82%	61	8.99%	44
Russell 1000 Value Index	4.07%	52	11.54%	62	14.30%	82	8.11%	71
Callan Large Cap Value	4.22%		12.34%		16.40%		8.77%	
LSV Asset Management	5.33%	16	14.83%	24	22.93%	16	5.85%	50
Russell 2000 Value Index	3.18%	62	6.01%	85	15.43%	82	3.54%	91
Callan Small Cap Value	3.63%		11.39%		18.35%		5.89%	
Stephens Investment Mgmt.	5.33%	57	14.39%	67	6.44%	67	7.41%	60
Russell 2000 Growth Index	7.05%	27	18.53%	36	6.10%	71	4.22%	95
Callan Small Cap Growth	5.46%		16.97%		8.52%		7.92%	
Froley Revy Investment	2.99%	46	5.86%	84	6.74%	47	8.65%	31
ML All Conv	4.63%	9	10.60%	24	8.56%	12	9.76%	16
Callan Convert Bonds DB	2.89%		8.56%		6.54%		6.96%	

- 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.
- LSV and Wellington led their respective benchmarks and ranked in the top half of peers for the quarter. Both managers have outperformed over the last 5-year period.
- CastleArk and Froley Revy trailed their respective benchmarks but ranked in the top half of their peer groups for the quarter. The strategies lagged their benchmarks over the last five years but ranked in the top third of peers.
- Lazard, and Stephens underperformed their respective benchmarks and ranked below their peer group median for the quarter. Over the last five years, Lazard trailed its benchmark and ranked just below median, while Stephens outperformed the benchmark and ranked at the 60<sup>th</sup> percentile of its peer group.

# Investment Manager Returns and Peer Group Rankings

June 30, 2023

	Last Quarter		Fiscal Year		Last 3 Years		Last 5 Years	
<b>International Equity</b>	<b>2.62%</b>	<b>51</b>	<b>17.06%</b>	<b>19</b>	<b>8.76%</b>	<b>29</b>	<b>5.27%</b>	<b>12</b>
Benchmark(1)	2.38%	66	12.47%	73	6.30%	76	2.87%	87
Pub Pln- Intl Equity	2.65%		14.50%		7.80%		4.16%	
Artisan Partners	4.15%	21	24.77%	3	18.24%	1	9.75%	1
MSCI EAFE	2.95%	64	18.77%	43	8.93%	51	4.39%	65
Callan NonUS Eq	3.21%		18.10%		9.01%		4.90%	
Mellon ACWI ex US Fund	2.58%	76	13.11%	93	7.55%	72	3.84%	77
MSCI ACWI ex US	2.44%	79	12.72%	94	7.22%	77	3.52%	84
Callan NonUS Eq	3.21%		18.10%		9.01%		4.90%	
Baillie Gifford Overseas	0.29%	99	16.40%	71	1.03%	97	3.40%	85
MSCI ACWIxUS Gross	2.67%	71	13.33%	92	7.75%	69	4.01%	74
Callan NonUS Eq	3.21%		18.10%		9.01%		4.90%	
Lazard Asset Mgmt.	4.04%	25	16.69%	69	8.62%	56	4.52%	61
MSCI ACWIxUS Gross	2.67%	71	13.33%	92	7.75%	69	4.01%	74
Callan NonUS Eq	3.21%		18.10%		9.01%		4.90%	
Acadian ACW ex US SmallCap	0.98%	38	11.60%	69	-	-	-	-
MSCI ACWI ex US Small Cap	2.05%	13	10.93%	74	8.15%	38	2.62%	39
Callan Intl Small Cap	0.62%		12.38%		7.41%		2.07%	
Franklin Templeton Intl SmallCap	1.10%	28	11.59%	70	-	-	-	-
MSCI ACWI ex US Small Cap	2.05%	13	10.93%	74	8.15%	38	2.62%	39
Callan Intl Small Cap	0.62%		12.38%		7.41%		2.07%	
<b>Diversified Strategies</b>	<b>1.49%</b>		<b>4.75%</b>		<b>5.45%</b>		<b>5.01%</b>	
Diversified Strategy Trgt**	3.76%		10.49%		5.69%		6.19%	
Blackstone Alt. Asset Mgmt.	1.50%	60	6.22%	52	7.24%	29	5.66%	29
T-Bills + 4%	2.12%	50	7.59%	45	5.27%	50	5.55%	31
Intl/Global Balanced DB	2.18%		6.56%		5.29%		4.02%	

- Total **International Equity** outperformed the benchmark in the second quarter and over longer time periods. The composite ranks in the top quartile of peers over the last five years.
- Artisan and Lazard led their respective benchmarks for the second quarter, while Baillie Gifford, Acadian, and Franklin Templeton underperformed. Artisan, Lazard, Acadian, and Franklin Templeton ranked in the top half of their peer groups.
- Over the 5-year period, Artisan and Lazard have outperformed their respective benchmarks. Baillie Gifford modestly underperformed over the last five years.
- **Diversified Strategies** lagged its target in the second quarter and trails its benchmark over the last 3- and 5-year periods.
- 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

June 30, 2023

	Last Quarter		Fiscal Year		Last 3 Years		Last 5 Years	
<b>Domestic Fixed Income</b>	<b>(0.13%)</b>	<b>27</b>	<b>0.82%</b>	<b>41</b>	<b>(2.32%)</b>	<b>51</b>	<b>1.57%</b>	<b>45</b>
Blmbg Aggregate Index	(0.84%)	94	(0.94%)	93	(3.96%)	96	0.77%	95
Pub Pln- Dom Fixed	(0.33%)		0.54%		(2.28%)		1.47%	
DoubleLine Capital	(0.08%)	14	0.68%	46	(2.05%)	23	1.04%	90
MacKay Shields	(0.32%)	25	0.76%	46	(2.13%)	28	1.89%	23
PGIM	0.02%	10	1.01%	34	(2.78%)	62	1.71%	32
Blmbg Aggregate Index	(0.84%)	88	(0.94%)	89	(3.96%)	98	0.77%	98
Callan Core Plus FI	(0.48%)		0.41%		(2.60%)		1.56%	
<b>Real Assets</b>	<b>(1.67%)</b>		<b>(7.53%)</b>		<b>12.40%</b>		<b>6.68%</b>	
CPIU + 4%	2.04%		6.97%		9.78%		7.90%	
<b>REITS</b>	<b>2.91%</b>		<b>(1.01%)</b>		<b>9.15%</b>		<b>3.01%</b>	
S&P DJ US Select REIT	2.92%		(0.69%)		9.17%		3.28%	
MCM EB DV Non-SL REIT Fd	2.91%	39	(1.01%)	60	9.15%	32	3.01%	91
S&P DJ US Select REIT	2.92%	38	(0.69%)	48	9.17%	31	3.28%	87
Callan Real Estate REIT	2.64%		(0.71%)		8.59%		6.02%	
<b>Core Real Estate</b>	<b>(2.04%)</b>		<b>(9.24%)</b>		<b>8.54%</b>		<b>6.23%</b>	
NCREIF NFI-ODCE Eq Wt Net	(3.05%)		(10.51%)		7.59%		6.07%	
Invesco Real Estate	(2.44%)	85	(9.75%)	62	7.35%	60	6.06%	63
Heitman Real Estate Trust LP***	(1.41%)	75	(8.43%)	49	10.48%	30	6.57%	47
NCREIF NFI-ODCE Eq Wt Net	(3.05%)	89	(10.51%)	75	7.59%	57	6.07%	62
Callan OE Core Cmngld RE	(0.76%)		(8.78%)		7.86%		6.32%	
<b>Value Add Real Estate</b>	<b>(4.42%)</b>		<b>(8.77%)</b>		<b>17.61%</b>		<b>14.76%</b>	
NCREIF Total Index	(1.98%)		(6.60%)		6.79%		5.90%	
Clarion Lion Industrial Trust	(0.90%)		-		-		-	
Harrison Street Fund VIII	0.08%		15.91%		-		-	
Heitman Value Partners IV	(7.00%)		(3.62%)		17.32%		12.02%	
LaSalle Inc & Growth VI LP	0.73%		(31.68%)		(13.48%)		(7.46%)	
LaSalle Inc & Growth VII LP	(18.75%)		(26.01%)		1.78%		4.66%	
Starwood SOF XII	(3.03%)		6.13%		-		-	
TA Associates Realty Fund XI	(17.32%)		(38.36%)		12.22%		12.43%	
TA Associates Realty Fund XII	0.36%		(4.85%)		28.84%		-	
NCREIF Total Index	(1.98%)		(6.60%)		6.79%		5.90%	
<b>Farmland</b>	<b>1.96%</b>		<b>4.68%</b>		<b>-</b>		<b>-</b>	
IFC Core Farmland Fund	3.08%		-		-		-	
PGIM Agriculture	0.37%		0.81%		-		-	
NCREIF Farmland Index	0.80%		8.19%		7.60%		6.45%	
<b>Timber</b>	<b>9.93%</b>		<b>17.13%</b>		<b>10.74%</b>		<b>5.12%</b>	
Pinnacle	9.93%		17.13%		10.74%		5.12%	
NCREIF Timberland Index	1.71%		11.13%		8.67%		5.80%	
<b>Total Fund</b>	<b>2.91%</b>	<b>69</b>	<b>8.83%</b>	<b>59</b>	<b>8.58%</b>	<b>38</b>	<b>6.76%</b>	<b>47</b>
Benchmark*	4.04%	28	11.50%	13	7.97%	49	7.09%	36
Callan Public Fund Spr DB	3.46%		9.27%		7.96%		6.71%	

- **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 second quarter and have outperformed over longer periods.
- The **Real Assets** composite underperformed its target for the second quarter and over the last year. REITS performed in line with the benchmark for the quarter, Core Real Estate outperformed, but Value Add Real Estate detracted. The Farmland and Timber allocation also outperformed their respective benchmarks.
- The **Total Fund** underperformed its benchmark and ranked below its peer group median for the quarter. The Fund 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.

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## Organizational Developments

*2<sup>nd</sup> Quarter 2023*

### **MacKay Shields – Core Plus Fixed Income**

On May 9, 2023, Mackay Shields announced that Stephen Cianci, Senior Managing Director and Co-Head of Global Fixed Income, will be leaving the firm and remain as an advisor until June 30th. Cianci joined the firm in 2018, roughly a year before Dan Roberts, the former Head of Global Fixed Income, retired from the firm. This announcement comes within a year of former President Janelle Woodward's departure.

Effective immediately, the Global Fixed Income Team will be co-led by Neil Moriarty and Michael DePalma. DePalma joined MacKay Shields in 2019 and most recently served as Managing Director and Co-Head of Macro and Quantitative Solutions. He was previously involved in the management of credit strategies at Phase Capital and multi-sector, global, and credit strategies at AllianceBernstein. Moriarty joined the firm in January of 2018 alongside Cianci. Additionally, Thomas Musmanno will join the Global Fixed Income portfolio management team. Musmanno previously worked at Blackrock for more than twenty years and had responsibility for their \$75 billion Short Duration business, and he will also take on a newly created role of Chief Operating Officer of MacKay's non-Municipal fixed income business.

In the past, the team adhered to a top-down approach shaped by macroeconomic factors. Cianci was a strong voice in favor of a more bottom-up approach which conflicted with other team members. Callan will closely monitor to observe whether Moriarty and DePalma will implement the top-down centric investment style that MacKay used under Dan Roberts.

The frequency of recent departures raises the level of concern and puts the team and strategies it oversees under review. The recent level of turnover amongst firm leadership, portfolio management, and credit research professionals is unexpected from a firm that has historically not experienced a high level of personnel attrition.

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## Organizational Developments

*2<sup>nd</sup> Quarter 2023*

### **Invesco Real Estate – Core Real Estate – USA**

Invesco shared the retirement of Bill Grubbs, Co-lead Portfolio Manager. Bill joined Invesco in 2005 and has since led the flagship open-end core diversified equity (“ODCE”) fund.

Michelle Foss has been selected as Bill’s successor and will be elevated to lead portfolio manager of the Core fund, effective October 1<sup>st</sup>, 2023. Michelle joined Invesco in 2013 and was handpicked by Bill as his replacement. Michelle was elevated to Co-Portfolio Manager in 2020.

### **PGIM Fixed Income – Core Plus Fixed Income**

Lindsay Rosner, Senior Portfolio Manager on the multi-sector team, departed PGIM Fixed Income on June 9th to pursue a new opportunity. Rosner was part of the sector allocation team for the Core Plus strategy, and her responsibilities will be assumed by the remaining members of the multi-sector team. PGIM’s senior leadership will evaluate staffing needs but does not have near-term plans to immediately replace Rosner.

PGIM’s investment grade multi-sector team remains deep, and its lead portfolio managers have a long history of working together providing strong continuity. Rosner’s departure may impact long-term succession plans as it follows Senior PM Michael Collins’ announcement in January that he will retire in April 2024. Rosner had been assuming more of Collins’ responsibilities including client engagement and traveling for meetings. They typically allotted these responsibilities to Collins and Rosner to allow the other lead PMs—Greg Peters, Rich Piccirillo, and Robert Tipp—to remain on the desk. PGIM is one of the more well-resourced fixed income platforms with the capability to absorb Rosner’s responsibilities in the near-term, but Callan will monitor PGIM’s efforts to find a long-term replacement for Rosner and Collins, especially given their respective roles in client communication and engagement. No action is recommended at this time.

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## Organizational Developments

*2<sup>nd</sup> Quarter 2023*

### **Artisan Partners – International Value Equity**

Artisan Partners International Value team's primary office location changed from San Francisco to Boston, effective July 5, 2023. Lead Portfolio Manager David Samra and one junior investment team member will be based in Boston. The rest of the investment team, including Co-Portfolio Manager Ian McGonigle and Associate Portfolio Manager Benjamin Herrick, will remain in the San Francisco office and there are no plans right now for any of the other team members to move to Boston. There is a formal mandate in place requiring all team members to spend at least one week every 2-3 months in the Boston office. No changes to the team or process will occur due to the change in primary office location. The decision to change the primary office location to Boston was driven by Samra's personal situation. Samra is originally from Massachusetts and is moving to be closer to family. Given the idiosyncratic nature of the move, the stability and tenure of the team, and proven consistency in executing the strategy's process, Callan does not have any immediate concerns. No action is recommended at this time.



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## 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.

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## 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

- Additional Private Equity education provided on May 16<sup>th</sup>, 2023
- Private Equity Pacing Study results presented at the May 2023 meeting

### Upcoming Projects:

- **Investment Policy Review**
- **Fixed Income Structure Study**

# Total Fund Relative Attribution

June 30, 2023

## Relative Attribution Effects for Quarter ended June 30, 2023

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	38%	37%	6.43%	8.39%	(0.75%)	0.05%	(0.70%)
Domestic Fixed-Income	19%	18%	(0.13%)	(0.84%)	0.13%	(0.02%)	0.11%
International Equity	26%	24%	2.62%	2.38%	0.06%	(0.04%)	0.02%
Diversified Strategies	2%	5%	1.49%	3.76%	(0.05%)	0.01%	(0.04%)
Real Assets	15%	16%	(1.67%)	2.04%	(0.55%)	0.02%	(0.53%)
<b>Total</b>			<b>2.91%</b>	<b>4.04%</b>	<b>+ (1.15%)</b>	<b>+ 0.02%</b>	<b>(1.13%)</b>

- Active management was the primary detractor for the quarter. Real Assets, Domestic Equity, and Diversified Strategies managers outweighed positive contributions from International Equity and Fixed Income managers. Variance from policy weights had a small positive impact overall, primarily driven by an overweight to Domestic Equity.

## Three 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%	12.40%	13.89%	(0.56%)	0.18%	(0.38%)
Domestic Fixed-Income	17%	18%	(2.32%)	(3.96%)	0.28%	0.10%	0.38%
International Equity	25%	24%	8.76%	6.30%	0.62%	(0.07%)	0.55%
Diversified Strategies	4%	5%	5.45%	5.69%	0.01%	0.01%	0.02%
Real Assets	13%	16%	12.40%	9.78%	0.17%	(0.13%)	0.04%
<b>Total</b>			<b>8.58%</b>	<b>7.97%</b>	<b>+ 0.52%</b>	<b>+ 0.09%</b>	<b>0.61%</b>

- Over the last three years, active management had a positive impact on relative performance. Managers across International Equity, Fixed Income, International Equity, and Real Assets added meaningful contributions. The asset allocation effect was modest, but the fund benefited from an overweight to Domestic Equity and underweight to Fixed Income.

## 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%	10.24%	11.39%	(0.44%)	0.06%	(0.38%)
Domestic Fixed-Income	17%	18%	1.57%	0.77%	0.10%	(0.06%)	0.04%
International Equity	25%	24%	5.27%	2.87%	0.61%	(0.08%)	0.53%
Diversified Strategies	5%	5%	5.01%	6.19%	(0.05%)	0.00%	(0.04%)
Real Assets	14%	16%	6.68%	7.90%	(0.34%)	(0.14%)	(0.48%)
<b>Total</b>			<b>6.76%</b>	<b>7.09%</b>	<b>+ (0.11%)</b>	<b>+ (0.22%)</b>	<b>(0.33%)</b>

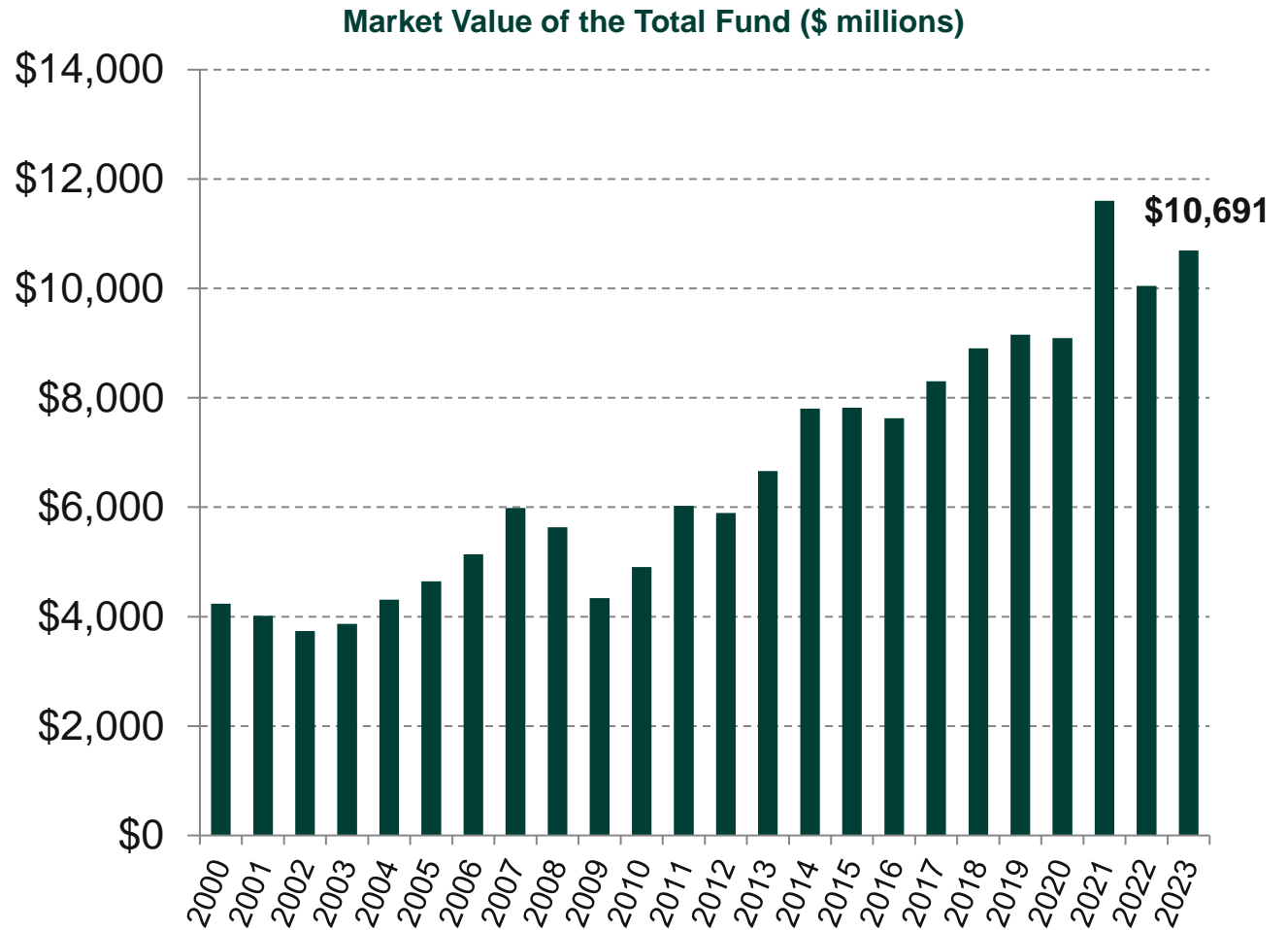
- The Fund narrowly trailed its policy benchmark return over the last five years. Active management within International Equity and Fixed Income added value, while Domestic Equity and Real Assets managers were the primary detractors. Underweights to Real Assets and Fixed Income and the overweight to International Equity also detracted.

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
2023	\$10,691,261,784



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## Important Disclosures

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**APERS**

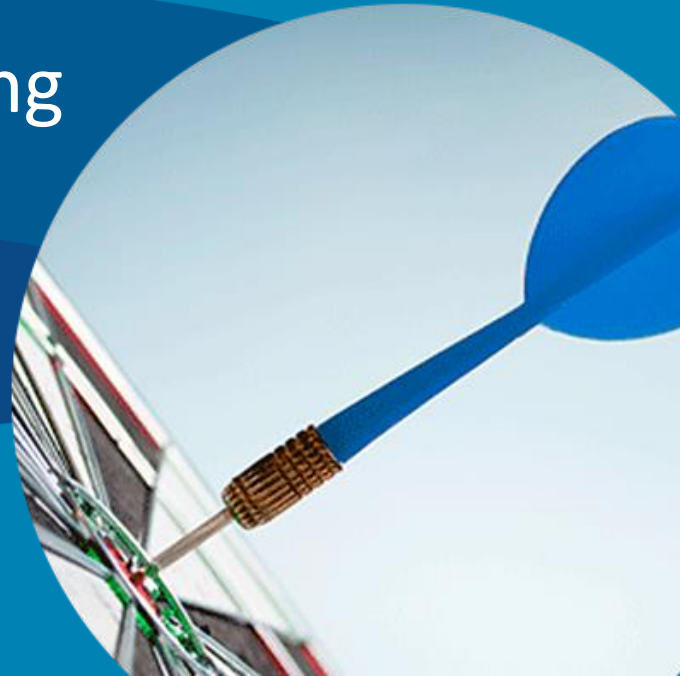
**Preliminary Valuation Results**

**June 30, 2023**

September 27, 2023 Board Meeting

Presented by: Heidi G. Barry, ASA, FCA, MAAA

Mita D. Drazilov, ASA, FCA, MAAA



# Agenda

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- Preliminary results for the June 30, 2023 actuarial valuation
  - Overview
  - Actuarial Assumptions
  - Participant Data
  - Funding Value of Assets
  - APERS Funded Ratio
  - Board Adopted Funding Policy Highlights
  - Preliminary Employer Contribution Rate
  - Summary

# Overview

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- The purpose of the June 30, 2023 actuarial valuation is twofold:
  - Determine the employer contribution rate for the 12-month period beginning July 1, 2025
  - Determine the financial position of APERS (i.e., funded ratio) as of June 30, 2023
- The purpose of presenting preliminary June 30, 2023 preliminary valuation results is twofold:
  - Presents the preliminary computed employer contribution rate based upon the “layered” amortization method for amortizing the unfunded actuarial accrued liability (UAAL)
  - Allows the Board to consider adopting or changing a minimum employer contribution rate (e.g., 15.32% of payroll) and/or maximum employer contribution rate



# Actuarial Assumptions

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- A five-year experience study covering the period from July 1, 2017 through June 30, 2022 was performed during the spring
- The results of the June 30, 2023 valuation are based on actuarial assumptions that were adopted by the Board at the May 17, 2023 and June 15, 2023 Board meetings
- In conjunction with adopting the new actuarial assumptions, the Board adopted an 18-year amortization period as of June 30, 2022 for the initial UAAL
  - 20-year closed period for the change in UAAL as a result of the assumptions changes adopted in conjunction with Board's adopted Funding Policy

# Participant Data

Valuation Date	Active Members				Retired Lives (Including DROP Members)			
	No.	Valuation Payroll			No.	Active per Retired	Annual Benefits	
		\$ Millions	Average	% Incr.			\$ Millions	As a % of Pay
6/30/12	45,937	\$ 1,606.1	\$ 34,962	2.3%	29,282	1.6	\$ 399.5	24.9%
6/30/13	45,707	1,612.7	35,285	0.9%	30,533	1.5	426.2	26.4%
6/30/14	45,841	1,638.0	35,735	1.3%	31,914	1.4	457.1	27.9%
6/30/15	45,722	1,645.0	35,979	0.7%	33,106	1.4	483.9	29.4%
6/30/16	45,676	1,686.5	36,923	2.6%	34,214	1.3	509.7	30.2%
6/30/17	46,094	1,668.8	36,204	(1.9)%	36,260	1.3	540.1	32.4%
6/30/18	46,207	1,723.6	37,302	3.0%	37,398	1.2	575.1	33.4%
6/30/19	45,965	1,802.4	39,212	5.1%	38,543	1.2	609.1	33.8%
6/30/20	44,373	1,795.7	40,469	3.2%	39,805	1.1	637.1	35.5%
6/30/21	42,669	1,781.8	41,759	3.2%	40,762	1.0	658.8	37.0%
6/30/22	42,771	1,925.5	45,020	7.8%	41,390	1.0	671.2	34.9%
<b>6/30/23</b>	<b>43,352</b>	<b>2,112.3</b>	<b>48,724</b>	<b>8.2%</b>	<b>42,276</b>	<b>1.0</b>	<b>703.5</b>	<b>33.3%</b>

# Participant Data (Concluded)

---

- There are 38,158 members who participate in the New Contributory Plan
  - This total includes members who have made an election to participate in the New Contributory Plan
  - Member contribution rate for the 12-month period beginning July 1, 2025 will be 6.00% of payroll
- There are 5,194 members who participate in the Non-Contributory Plan
- There are an additional 1,473 members with a \$103 million payroll who participate in the DROP plan (not included in active counts above)
  - Employers will make contributions on the pay of these DROP participants

# Funding Value of Assets

Valuation Date June 30:	2023
A. Funding Value Beginning of Year	\$ 10,220,259,497
B. Market Value End of Year	10,263,062,809
C. Market Value Beginning of Year	9,703,178,137
D. Non-Investment Net Cash Flow	(247,166,785)
E. Investment Income	
E1. Market Total: B - C - D	807,051,457
E2. Assumed Rate	7.15%
E3. Amount for Immediate Recognition	\$ 722,014,038
E4. Amount for Phased-In Recognition	85,037,419
F. Phased-In Recognition of Investment Income	
F1. Current Year: 0.25 x E4	21,259,355
F2. First Prior Year	(471,723,828)
F3. Second Prior Year	504,333,542
F4. Third Prior Year	(110,576,961)
F5. Total Phase-Ins	(56,707,892)
G. Preliminary Funding Value End of Year: A + D + E3 + F5	\$ 10,638,398,858
H. Adjustment to Minimum of 75% of B, Maximum 125% of B	-
<b>I. Funding Value End of Year</b>	<b>\$ 10,638,398,858</b>
J. Difference Between Market & Funding Value	(375,336,049)
<b>K. Recognized Rate of Return</b>	<b>6.6%</b>
L. Market Rate of Return	8.4%
M. Ratio of Funding Value to Market Value	104%

- Funding Value of Assets (FVA) as of June 30, 2022 was \$10,220.3 M (row A)
- Non-Investment net cash flow (i.e., dollars in less dollars out) for the System during the calendar year was -\$247.2M (row D)
- The System earned \$807.1M (row E1) in investment income during the year versus \$722.0M (row E3) expected
- This additional investment income of \$85.0M (row E4) is then recognized into the FVA over the next 5 years
- 25% of the current year's investment income above expectations and 25% of the prior 4 years' unrecognized investment income (totaling -\$56.7M; row F5) are then recognized in the June 30, 2023 FVA
- The sum of the above (rows A+D+E3+F5) equals the Preliminary FVA (row G). The 25% corridor is then applied, if necessary, resulting in the final June 30, 2023 FVA equal to \$10,638.4M (row I)
- As of June 30, 2023 the FVA Value of Assets is 4% higher than the Market Value of Assets (MVA) (row M)

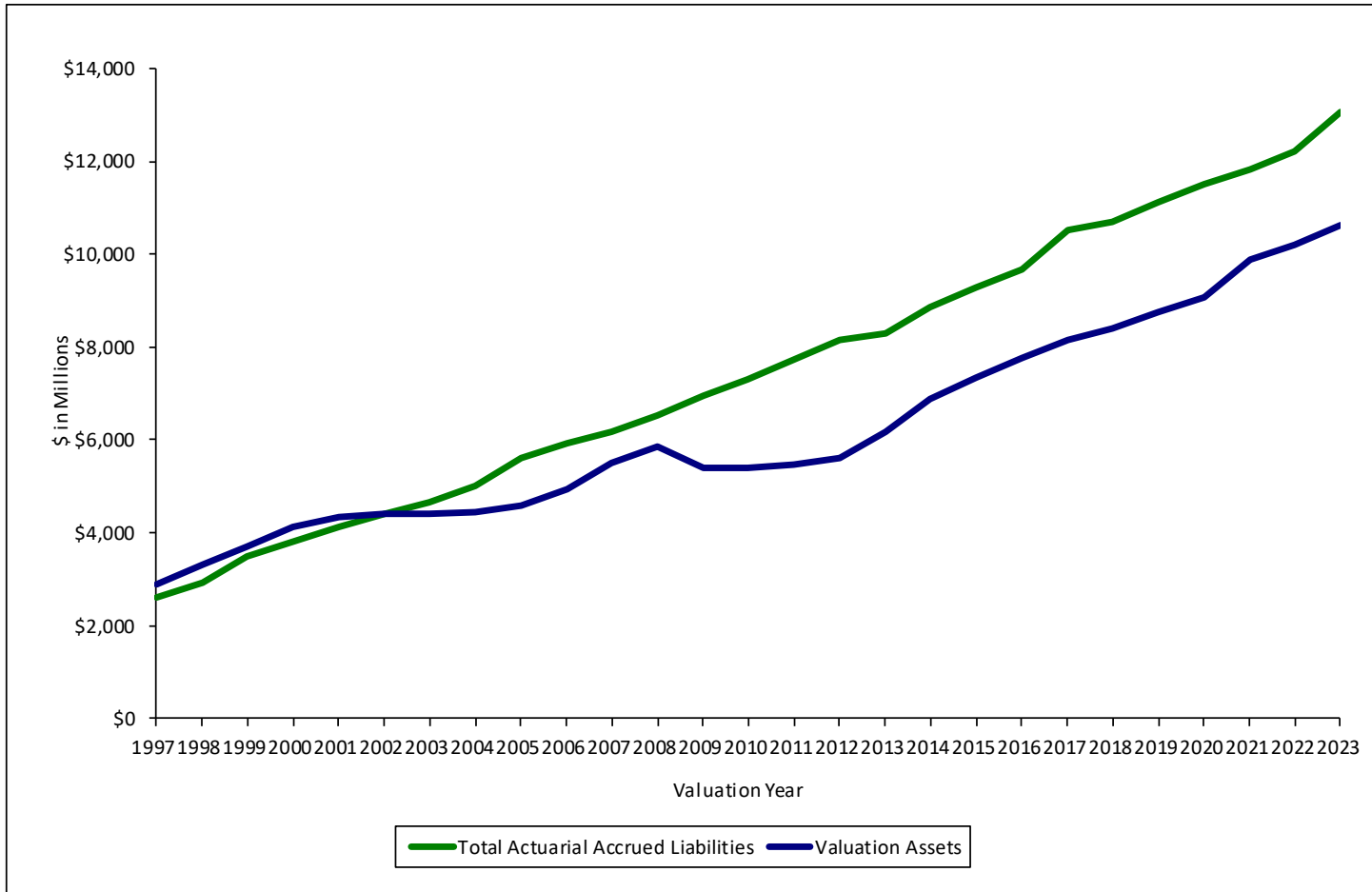


# APERS Funded Ratio

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- Funding value of assets total \$10.64B
- Actuarial accrued liabilities total \$13.07B
- Unfunded actuarial accrued liabilities total \$2.43B
- The APERS funded ratio on a funding value of assets basis is 81%
  - On a market value of assets basis, the funded ratio is 79%
- The funded ratios were 84% and 79%, respectively, in the previous valuation

# APERS Funded Ratio (Concluded)



# Board Adopted Funding Policy (Highlights)

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- The Board adopted changes to the Funding Policy at the February 2023 Board meeting
- Amortization Method
  - Beginning with the 2023 annual actuarial valuation, once APERS reaches a 20-year amortization period, the amortization period will remain closed and the remaining UAAL will be amortized over that period
  - Each year, changes in the UAAL due to actuarial gains or losses or from changes to the actuarial assumptions will be amortized over a closed 20-year period
  - Changes in the UAAL due to changes in benefit provisions that would result in an increase in the employer contribution rate shall be amortized over a closed 15-year period for active members and a closed 5-year period for non-active members (i.e., retired members and deferred members)
  - Changes in the UAAL due to changes in benefit provisions that would result in a decrease in the employer contribution rate shall be amortized over a closed 30-year period for active members and a closed 15-year period for non-active members
  - The maximum amortization period to finance the total UAAL shall not exceed 30 years
- Funding Target and Computed Employer Contributions
  - The target funded ratio is 100%
  - The Board has the discretion to establish, change or remove an employer minimum contribution rate and an employer maximum contribution rate

# Preliminary Employer Contribution Rate

Contribution for	Contributions Expressed as %'s of Active Payroll for Fiscal Year Beginning July 1, 2025			
	Non-Contributory	Contributory	DROP	Total
Normal Cost:				
Age and Service Annuities (including DROPS and reduced retirement)				8.68%
Separation Benefits				2.68%
Disability Benefits				0.56%
Death-in-Service Annuities				0.18%
Administrative Expenses				0.40%
<b>Total</b>	9.96%	13.11%	9.71%	12.50%
Member Contributions	0.00%	6.00%	0.00%	4.86%
Employer Normal Cost	9.96%	7.11%	9.71%	7.64%
Unfunded Actuarial Accrued Liabilities				7.62% *
<b>Total Employer Contribution</b>				<b>15.26%</b>

- The computed employer contribution rate presented on this slide (i.e., 15.26% of payroll) is before the application of any Board adopted minimum or maximum employer contribution rate.
- The normal cost portion of the computed employer contribution rate (i.e., 7.64% of payroll) is the employer cost of the active membership accruing an additional year of service credit.
- The amortization payment portion of the computed employer contribution to finance the unfunded actuarial accrued liabilities (i.e., 7.62% of payroll) is based upon the “layered” amortization method in conjunction with the Board’s adopted funding policy.

\* The unfunded actuarial accrued liability and total payroll is projected to the beginning of Fiscal Year 2025 when determining the unfunded amortization rate. Unfunded actuarial accrued liabilities were amortized over multiple amortization periods as shown on the following slide.



# Layered Amortization

Source of Unfunded Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability		6/30/2025 UAAL Amount	Remaining Period Beginning 7/1/2025	Amortization Factor	FY 2026 Contribution as a % of Payroll
	Initial Amount	Financing Period				
Initial Unfunded Actuarial Accrued Liability.						
	\$ 2,237,467,492	N/A	\$ 2,173,364,284	17 yrs.	12.545929	6.99%
Changes from experience deviations.						
Changes from actuarial assumptions and actuarial cost method revisions.						
6/30/2023	\$ 192,713,806	20	\$ 220,638,036	20	14.072825	0.63%
<b>Totals</b>			<b><u>\$ 2,394,002,320</u></b>			<b><u>7.62%</u></b>

# Summary

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- The preliminary computed employer contribution rate for the 12-month period beginning July 1, 2025 is 15.26% of payroll
- In conjunction with the Board's adopted funding policy, the Board may wish to adopt a minimum employer contribution rate (e.g., 15.32% of payroll)
  - The Board may do this at this meeting
- The final employer contribution rate for the 12-month period beginning July 1, 2025 will be adopted by the Board at the November Board meeting

**THANK YOU**



# Disclaimers

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- This presentation is intended to be used in conjunction with the June 30, 2023 actuarial valuation report. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- This presentation should not be relied on for any purpose other than the purpose described in the presentation.
- Mita D. Drazilov and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Readers are cautioned to examine original source materials and to consult with subject matter experts before making decisions related to the subject matter of this presentation.
- This presentation expresses the views of the authors and does not necessarily express the views of Gabriel, Roeder, Smith & Company.

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2023

ASSETS	
Cash and Cash Equivalents	\$ 43,286,469
Receivables	
Dec 2004 Actuarial Liability Receivable	4,719,113
Contributions Receivable	4,476,291
Overpayment Receivable	754,293
Allowance for Doubtful Accounts	(745,741)
Total Receivables	<u>9,203,956</u>
Investments at Fair Value	
Investment Assets	10,249,481,960
Securities Lending Collateral	592,069,032
Total Investments	<u>10,841,550,992</u>
Fixed Assets (Net)	8,610,892
Prepays and Other Assets	1,042,634
TOTAL ASSETS	<u><u>10,903,694,944</u></u>
LIABILITIES	
Securities Lending Liability	592,094,075
Accrued Expense and Other Liabilities	11,423,804
Other Post Employment Benefits	4,872,673
	<u>608,390,552</u>
TOTAL LIABILITIES	<u>608,390,552</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 10,295,304,391</u></u>

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE PERIOD ENDING JUNE 30, 2023

ADDITIONS

Contributions

Employer	\$ 340,152,342
Employee	93,037,947
Total Contributions	433,190,289

Investment Income

Investment Income	872,853,135
Less: Investment Expense	(63,349,341)
Net Investment Income	809,503,794

Other Additions

Transfers from Teachers and Highway	3,241,159
Miscellaneous Additions	645,214
Miscellaneous Administrative Transfers	411,367
Total Other Additions	4,297,739

TOTAL ADDITIONS 1,246,991,823

DEDUCTIONS

Benefits	659,133,497
Refund of Contributions	16,473,823
Administrative Expense	10,465,629
TOTAL DEDUCTIONS	686,072,949

NET INCREASE/(DECREASE) 560,918,874

ADJUSTMENTS

Actuarial Adjustment to DJ Unfunded Liability	546,886
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NET POSITION RESTRICTED FOR PENSION BENEFITS

Beginning of Year	9,733,838,631
End of 4th Quarter	\$ 10,295,304,391



**SFY2023**

**INTERNAL AUDIT/ASSURANCE OFFICER**

**REPORT**

September 27, 2023

**APERS SFY2023**  
**Internal Audit/Assurance Officer Report**

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**APERS SFY2023**  
**Internal Audit/Assurance Officer Report**

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Dear Board of Trustees,

I am pleased to present the Arkansas Public Employees Retirement System (APERS) Internal Audit Report for the State Fiscal Year (SFY) 2019-2020. This report provides an Agency Description, Agency Function, and Audit Report Summary, which includes the List of Audits, Audit Results, and Audit Recommendations.

Detailed information for each completed audit is provided in this report's Supplemental Information section.

The internal auditor executes all audits to ensure that:

- Compliance with applicable laws and regulations
- Reliability and integrity of financial and operational information
- Safeguarding of assets
- Effectiveness and efficiency of operations

Furthermore, the internal auditor conducts all activities to achieve the overall goal of internal auditing, which is to add value and to improve agency operations.



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**Internal Auditor/Assurance Officer, APERS**

**APERS SFY2023**  
**Internal Audit/Assurance Officer Report**

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**AGENCY FUNCTION**

The function of the Arkansas Public Employees Retirement System is to provide present and future retirement benefits for its members, members' survivors, or members' beneficiaries.

**AGENCY DESCRIPTION**

**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 thirteen members.

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

**Agency Function**

The agency's function is to administer a retirement system for the State of Arkansas employees 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 agency's trust funds, 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 75 filled at any time. APERS has eight divisions and 14 functional units.

**Agency Divisions**

APERS' divisions of responsibilities are as follows:

- **Executive Division** - responsible for managing the agency's overall operation, handling legal matters, dealing with issues regarding social security, and conducting internal audits. The division comprises four functional units: the Executive Team, Social Security, Legal, and Internal Assurance. The division has six 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.

**APERS SFY2023**  
**Internal Audit/Assurance Officer Report**

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- **Benefits Administration Division** - consists of four sections: Call Center, Member Services, Retiree Services, and Employer Services.
  - **Call Center**  
The Call Center is responsible for serving all retirement system participants by providing information about membership, contributions, service credit, benefit eligibility, and benefits and by providing request forms.
  - **Member Services**  
The Member Services Section serves members and former members on all pre-retirement requests, including service verifications, reciprocal service, service credit purchases, benefit estimates, and benefit applications.
  - **Retiree Services**  
The Retiree section serves retirees and survivors on all post-retirement requests, including benefit verifications, demographic changes, annuity option changes, deduction changes, and direct deposit authorizations.
  - **Employer Services**  
The Employer Services Section assists participating public employers in fulfilling their requirements for member enrollment, compensation and service reporting, contribution remittance, and employer enrollment.
- **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.
- **Finance Division** - responsible for general accounting, budgeting, and agency purchasing activities.
- **Public Affairs Division** – is responsible for the agency website and social media presence, training, and outreach.
- **Digital Services Division** – is responsible for publications and digitizing all agency documents.
- **Information Technology Services Division** is responsible for the agency's data processing, information technology, and information security.

**Administration of Additional Plans**

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

**APERS SFY2023**  
**Internal Audit/Assurance Officer Report**

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

**APERS SFY2023**  
**Internal Audit/Assurance Officer Report**

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**AUDIT REPORT SUMMARY**

The position of Internal Auditor was vacant during FY2023 until December 2022. No Internal Audit plan was submitted for FY2023. The new Assurance Officer/Internal Auditor elected to use the time between December 2022 and June 2023 to conduct two special projects as listed below and to complete one regular audit following a previous work plan to become familiar with established processes and expectations related to conducting internal audits within APERS and to establish trust and working relationships with APERS staff.

List of Audits:        1. Review of PAW Payments January 2022 – December 2022

Special Projects:    1. Culture and Working Environment Engagement  
                          2. Complete update of the Continuity of Operations Plan

**SUPPLEMENTAL INFORMATION SECTION**

**APERS SFY2023  
Internal Audit Report**

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**AUDIT AREA: PAW Payments January 2022 – December 2022**

**Scope:** January 1, 2022, to December 30, 2022

**Audit Objective(s):** ► Review Calculation, Processing, and Payment of PAW Amounts.

**Methodology:** Procedures to conduct a review of the processing of PAW payments included randomly selecting a sample of PAW payments, obtaining a copy of procedures regarding the PAW program, reviewing procedures and flowchart process, reviewing member files to compare data from member files to procedures, identifying any exceptions, and prepare a summary of objective.

**Overall Evaluation:** Processing PAW payments is achieving the objective of reliability and integrity of financial and operational information.

One hundred and four (104) PAW payments were made. Fifty-one (51) were selected for review, and all records (100%) were found to have been processed accurately by agency staff.

Therefore, zero (0) audit exceptions were identified.

**Findings:** No findings were issued as a result of this engagement.

**AUDIT AREA: SPECIAL PROJECT-CULTURE AND WORKING ENVIRONMENT**

A complete report regarding this project was submitted to the Board of Trustees during the May 2023 meeting.

**AUDIT AREA: COMPLETE UPDATE OF CONTINUITY OF OPERATIONS PLAN**

Upkeep of the Continuity of Operations Plan (COOP) is the Assurance Officer's responsibility. During the 2021 Legislative Session, ACT 70 consolidated responsibility for the plans with the Arkansas Department of Emergency Management (ADEM). Software previously used to document the plans was abandoned, and ADEM now recommends that agencies utilize a template offered by the Federal Emergency Management Agency (FEMA). That template was used, and all sections of APERS were enlisted to provide information for the plan. Work to transition the APERS COOP into the new format began in December 2022 and was completed in June 2023. The completed plan was submitted to ADEM for review and has been approved for implementation. A limited number of printed copies will be available for Board Member review during the September 2023 meeting.



**INTERNAL AUDIT PLAN**

**FISCAL YEAR 2024**



**APERS SFY2024  
INTERNAL AUDIT PLAN**

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## EXECUTIVE SUMMARY

I am pleased to present the Arkansas Public Employees Retirement System (APERS) Internal Audit Plan for State Fiscal Year 2024 (SFY2024). Four internal audits, two consulting engagements, and one follow-up project are planned during this upcoming fiscal year. In addition to these planned audits, engagements, and follow-up activities, the State will conduct the semiannual Control Self-Assessment. The CSA is an opportunity for management to evaluate the effectiveness and efficiency of the existing internal control system. The Assurance Office will coordinate all activities required to complete this assessment. The eight audits referenced above will include reviews of the following areas:

- Call Center (1)
- IT (1)
- Retiree Services (2)
- Returned Mail - consulting
- Overpayments - consulting

This planning document includes the scope, objective, goal, and audit methodology. It also includes the Audit Work Schedule and the Audit Plan Hours. The Risk Assessment Matrix and the Audit Plan Questionnaire used to identify audit areas for the audit work schedule will be provided upon request.

*Patty Shipp*

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Assurance Officer, APERS

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## **Scope**

The period under review/audit will be from July 1, 2022, to June 30, 2023.

## **Objective**

The continuing objective of internal auditing is to assist the Board of Trustees and all levels of management in effectively discharging their responsibilities by furnishing analysis, appraisals, and recommendations concerning the agency's activities. This objective is accomplished by ensuring the following:

- Compliance with applicable laws and regulations
- Compliance with business processes, procedures, and policies
- Reliability and integrity of financial and operational information
- Safeguarding assets
- Effectiveness and efficiency of operations
- Safeguarding and monitoring the performance of internal controls

## **Goal**

All work activities conducted by the internal auditor/assurance officer are executed to further the overall goal of Internal Audit: to add value and improve the agency's operations.

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## **Audit Methodology**

An annual risk assessment is prepared to determine the areas critical to the agency in selecting audits for the yearly audit work schedule.

Risk assessment is a “systematic process for assessing and integrating professional judgments about probable adverse conditions and events.” The risk assessment process organizes and integrates professional judgments to develop the annual audit work schedule.

Risk is the probability of an event or action that may adversely affect the organization and the activity being audited. Risk is a measure of uncertainty. “Control risk” is the risk that established internal controls lose effectiveness over time. “Custodial risk” is associated with owning and safeguarding assets. “Operation risk” is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, systems, or external events. “Business risk” is the risk associated with the probable material effects of an uncertain environment on achieving established objectives. “Residual risk” is the amount of risk that management is willing to assume or the amount of risk that applicable controls will not address.

The risk assessment process begins with the identification of auditable areas. Next, each area is assigned points under six risk factors: internal control, written procedures, the complexity of operations, operational changes, management priority, and the date of the last audit. After each area is assigned a point in each risk factor, the points are totaled, and the audit areas are given a low, medium, or high risk level based on the total points. Audits with a high or medium risk level are evaluated for the annual audit work schedule.

In addition to the risk assessment matrix, an audit plan questionnaire is submitted to all the section managers so they can assist in identifying critical areas of risk. The Executive Director may request a review of areas within APERS that warrant attention. The internal auditor/assurance officer will design engagements to accommodate those requests.

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## SFY2024 Areas of Focus

### I. Planned Work by Area of Focus

#### Audit Area

Call Center  
IT  
Retiree Services  
Retiree Services

Culture and Work Environment

Return Mail  
Overpayments

State-wide Control Self-Assessment  
*(Agency-wide Internal Control evaluation  
segmented by business unit – required  
semi-annually by the Office of Internal  
Audit)*

#### Audit/Consulting Engagement

Review of Call Center Operations  
Review of IT General Controls  
Review Benefit Recalculations  
Review Annuity Option Change Calculations

Follow-up

Returned Mail Processes and Procedures  
Overpayments Processes and Procedures

Project Management

**SFY2021 Audit  
Plan Hours**

<b>I. Planned Audits</b>	<b>Hours</b>
Review of IT General Controls	160
Review of Call Center Operations	150
Review of Benefit Recalculations	150
Annuity Option Change Calculations	150
<b>Total Planned Audit Hours</b>	<b>610</b>
<b>II. Follow-up</b>	
Culture and Working Conditions	80
<b>Total Follow-up Hours</b>	<b>80</b>
<b>III. State-wide Control Self-Assessment</b>	
Provide meeting coordination and record responses in CSA software for business units	
Provide project management to ensure state-set deadlines are met	150
<b>Total Control Self-Assessment Hours</b>	<b>150</b>
<b>IV. Consulting Engagements</b>	
Returned Mail Processes and Procedures	280
Overpayments Process and Procedures	280
<b>Total Consulting Engagement Hours</b>	<b>560</b>
<b>V. Administrative</b>	
General Administration*	360
Training**	64
Annual Leave (Estimate three weeks a year; 8 hrs. x 15 days)	120
Sick Leave (Estimate 6 days a year; 8 hrs. x 6 days)	48
Holidays (11 days x 8 hrs.)	88
<b>Total Administrative Audit Hours</b>	<b>680</b>
<b>Total Planned Audit Hours***</b>	<b>2,080</b>

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\*General administration includes extending planned audits, following up on prior audit findings, assisting external auditors, and undertaking collateral duties such as providing recommendations for grievance hearings, updating the internal audit manual, and managing the plan for disaster preparedness.

\*\*Training includes conferences and seminars for the Association of Public Pension Fund Auditors, the Institute of Internal Auditors, and other continuing education that may be needed.

\*\*\*Total plan hours (52 weeks x 40 hours a week)



Arkansas Public Employees' Retirement System  
LEGAL REPORT  
September 27, 2023

RULES PROMULGATION

Following the Board's vote on May 17, 2023, APERS staff has begun the rule promulgation process for the following board rules:

1. **APERS Rule 24 CAR § 1-213. DROP provisions.** Pursuant to Act 247 of 2023, APERS has proposed an amendment to Section (i) of this rule 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.
2. **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 has proposed amendments 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).
3. **APERS Rule 410 – 2005 (5) – Purchase of AR National Guard or Armed Forces Reserve Service Credit.** APERS has proposed amendments to remove inconsistencies with current law, to remove any restatements of law provided under Ark. Code Ann. § 24-2-503, and to make technical corrections for clarity.
4. **Rule 411 – 2009 (5) – Purchase of Service Authorized by Section 2 of Act 295 of 2009.** APERS has proposed to repeal this rule as the provisions therein are covered under Ark. Code Ann. § 24-2-503 as amended by Act 38 of 2011.

The public notices of APERS' intent to pursue the above rule promulgations were published in the Arkansas Democrat Gazette and are posted on the APERS website and the Secretary of State's website.

The public comment period for the rule promulgations expired on September 6, 2023. APERS received a public comment from the Association of Arkansas Counties and have amended the language to address its concerns.

The rules have been placed on the Administrative Rules Subcommittee agenda on October 19, 2023. Rules become effective ten (10) days after the filing of the rule with the Secretary of State.

ADMINISTRATIVE MEMBER APPEALS

Hon. Raymond R. Abramson

Retired member appeals the decision of the Executive Director dated July 18, 2023, denying the retired member's request to add employment as an independent contractor for Monroe County to receive additional service credit and retirement benefits from APERS. The appeal is scheduled before the Litigation Subcommittee in late October or early November.

APPEAL FROM ADMINISTRATIVE MEMBER APPEAL – LITIGATION

None pending

SECURITIES LITIGATION CASES

**SEAGATE**

APERS has joined with Mississippi PERS as a lead plaintiff. Additional lead plaintiffs are under consideration to join.

# CLEAN

## 312 – 2011 (5) - Crediting of service and additional contributions required of local elected officials.

(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)(1) Pursuant to Ark. Code Ann. § 24-4-521(b)(5), a person who is employed as a local elected official covered by the system must contribute an additional percentage of his or her compensation for the additional service credit that exceeds the regular rate of crediting service based on the following chart:

<b>Local Elected Officials Requirements for Additional Contributions</b>				
<b>Contributory/Noncontributory Member Status</b>	<b>Beginning Service Date as Elected Official</b>	<b>Service Credit</b>	<b>Additional Employer Contributions</b>	<b>Additional Employee Contributions</b>
Noncontributory	06/30/2011 or earlier	2x regular rate	0%	0%
Noncontributory (elected)	07/01/2011 or later	2x regular rate	2.5%	2.5%
Contributory	12/31/2014 or earlier	2x regular rate	0%	0%
Contributory (elected)	01/01/2014 or later	2x regular rate	2.5%	2.5%

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

(c)(1) Pursuant to Ark. Code Ann. § 24-4-101(15)(B), a contributory member who is employed as a local elected official covered by the system shall accrue enhanced service credit on no more than ten (10) actual years of service.

(2) A noncontributory member who is employed as a local elected official covered by the system is not subject to the ten (10) year enhanced service credit accrual limitation under subsection (c)(1) of this rule.

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### New Retirees Summary for Month of 04/2023

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
County	32	41	73	\$19,043.86	\$55,967.59	\$75,011.45	\$595.12	\$1,365.06
Municipality	3	10	13	\$2,724.79	\$18,782.98	\$21,507.77	\$908.26	\$1,878.30
Municipality-Non- Participating	0	1	1	\$0.00	\$1,456.11	\$1,456.11	\$0.00	\$1,456.11
Non-State	0	1	1	\$0.00	\$2,837.73	\$2,837.73	\$0.00	\$2,837.73
School	0	10	10	\$0.00	\$9,664.86	\$9,664.86	\$0.00	\$966.49
State	34	63	97	\$34,354.97	\$95,909.54	\$130,264.51	\$1,010.44	\$1,522.37
<b>TOTAL</b>	<b>69</b>	<b>126</b>	<b>195</b>	<b>\$56,123.62</b>	<b>\$184,618.81</b>	<b>\$240,742.43</b>	<b>\$813.39</b>	<b>\$1,465.23</b>

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### All Retirees Summary for Month of 04/2023

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
County	2,159	8,117	10,276	\$1,816,913.38	\$10,166,168.09	\$11,983,081.47	\$841.55	\$1,252.45
Municipality	664	2,491	3,155	\$562,613.39	\$3,689,712.78	\$4,252,326.17	\$847.31	\$1,481.22
Municipality-Non- Participating	8	20	28	\$4,223.26	\$14,409.90	\$18,633.16	\$527.91	\$720.50
Non-State	43	114	157	\$40,145.38	\$110,529.93	\$150,675.31	\$933.61	\$969.56
Others	0	0	156	\$0.00	\$0.00	\$193,017.79	\$0.00	\$0.00
School	482	3,677	4,159	\$517,716.19	\$2,965,983.26	\$3,483,699.45	\$1,074.10	\$806.63
State	3,885	16,891	20,776	\$3,871,788.20	\$28,707,994.91	\$32,579,783.11	\$996.60	\$1,699.60
<b>TOTAL</b>	<b>7,241</b>	<b>31,310</b>	<b>38,707</b>	<b>\$6,813,399.80</b>	<b>\$45,654,798.87</b>	<b>\$52,661,216.46</b>	<b>\$940.95</b>	<b>\$1,458.15</b>

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### New DROP Summary for Month of 04/2023

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
County	0	3	3	\$0.00	\$8,284.51	\$8,284.51	\$0.00	\$2,761.50
Municipality	0	5	5	\$0.00	\$8,332.96	\$8,332.96	\$0.00	\$1,666.59
Non-State	0	1	1	\$0.00	\$2,359.97	\$2,359.97	\$0.00	\$2,359.97
State	3	9	12	\$3,848.14	\$18,608.13	\$22,456.27	\$1,282.71	\$2,067.57
<b>TOTAL</b>	<b>3</b>	<b>18</b>	<b>21</b>	<b>\$3,848.14</b>	<b>\$37,585.57</b>	<b>\$41,433.71</b>	<b>\$1,282.71</b>	<b>\$2,088.09</b>

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### New Termination Refunds Summary for Month of 04/2023

	<b>No. of Payees</b>	<b>Total Benefit</b>	<b>Total Service Credit</b>	<b>Average Benefit</b>	<b>Average Service Credit</b>
County	68	\$402,547.01	213 Y(s) 1.25 M(s)	\$5,919.81	3 Y(s) 1.61 M(s)
Municipality	24	\$151,231.60	82 Y(s) 4.25 M(s)	\$6,301.32	3 Y(s) 5.18 M(s)
Non-State	2	\$6,068.50	4 Y(s) 3.50 M(s)	\$3,034.25	2 Y(s) 1.75 M(s)
State	117	\$779,992.15	376 Y(s) 7.00 M(s)	\$6,666.60	3 Y(s) 2.62 M(s)
<b>TOTAL</b>	211	\$1,339,839.26	676 Y(s) 4.00 M(s)	\$6,349.95	3 Y(s) 2.46 M(s)

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### New Retirees Summary for Month of 05/2023

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
County	20	35	55	\$14,649.04	\$54,871.48	\$69,520.52	\$732.45	\$1,567.76
Municipality	15	13	28	\$13,310.21	\$16,075.42	\$29,385.63	\$887.35	\$1,236.57
Municipality-Non- Participating	0	1	1	\$0.00	\$2,221.74	\$2,221.74	\$0.00	\$2,221.74
Non-State	0	1	1	\$0.00	\$1,689.39	\$1,689.39	\$0.00	\$1,689.39
School	0	5	5	\$0.00	\$4,528.80	\$4,528.80	\$0.00	\$905.76
State	43	56	99	\$33,957.59	\$86,156.77	\$120,114.36	\$789.71	\$1,538.51
<b>TOTAL</b>	<b>78</b>	<b>111</b>	<b>189</b>	<b>\$61,916.84</b>	<b>\$165,543.60</b>	<b>\$227,460.44</b>	<b>\$793.81</b>	<b>\$1,491.38</b>



# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### All Retirees Summary for Month of 05/2023

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
County	2,175	8,130	10,305	\$1,826,990.76	\$10,198,172.74	\$12,025,163.50	\$840.00	\$1,254.39
Municipality	673	2,499	3,172	\$570,452.14	\$3,695,348.18	\$4,265,800.32	\$847.63	\$1,478.73
Municipality-Non- Participating	7	21	28	\$3,887.32	\$16,631.64	\$20,518.96	\$555.33	\$791.98
Non-State	43	115	158	\$40,145.38	\$112,219.32	\$152,364.70	\$933.61	\$975.82
Others	0	0	156	\$0.00	\$0.00	\$193,017.79	\$0.00	\$0.00
School	479	3,666	4,145	\$511,473.02	\$2,954,923.05	\$3,466,396.07	\$1,067.79	\$806.03
State	3,922	16,894	20,816	\$3,899,768.02	\$28,702,689.92	\$32,602,457.94	\$994.33	\$1,698.99
<b>TOTAL</b>	<b>7,299</b>	<b>31,325</b>	<b>38,780</b>	<b>\$6,852,716.64</b>	<b>\$45,679,984.85</b>	<b>\$52,725,719.28</b>	<b>\$938.86</b>	<b>\$1,458.26</b>

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### New DROP Summary for Month of 05/2023

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
County	1	4	5	\$1,693.83	\$7,939.31	\$9,633.14	\$1,693.83	\$1,984.83
Municipality	0	1	1	\$0.00	\$1,985.82	\$1,985.82	\$0.00	\$1,985.82
Non-State	0	1	1	\$0.00	\$5,085.82	\$5,085.82	\$0.00	\$5,085.82
State	2	16	18	\$2,502.62	\$30,187.39	\$32,690.01	\$1,251.31	\$1,886.71
<b>TOTAL</b>	<b>3</b>	<b>22</b>	<b>25</b>	<b>\$4,196.45</b>	<b>\$45,198.34</b>	<b>\$49,394.79</b>	<b>\$1,398.82</b>	<b>\$2,054.47</b>

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### New Termination Refunds Summary for Month of 05/2023

	<b>No. of Payees</b>	<b>Total Benefit</b>	<b>Total Service Credit</b>	<b>Average Benefit</b>	<b>Average Service Credit</b>
County	62	\$337,463.46	191 Y(s) 5.25 M(s)	\$5,442.96	3 Y(s) 1.05 M(s)
Municipality	17	\$120,606.66	54 Y(s) 7.75 M(s)	\$7,094.51	3 Y(s) 2.57 M(s)
Non-State	1	\$2,317.53	1 Y(s) 4.75 M(s)	\$2,317.53	1 Y(s) 4.75 M(s)
State	109	\$592,788.31	307 Y(s) 7.50 M(s)	\$5,438.42	2 Y(s) 9.87 M(s)
<b>TOTAL</b>	189	\$1,053,175.96	555 Y(s) 1.25 M(s)	\$5,572.36	2 Y(s) 11.24 M(s)

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### New Retirees Summary for Month of 06/2023

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
County	30	23	53	\$25,814.47	\$27,477.86	\$53,292.33	\$860.48	\$1,194.69
Municipality	10	13	23	\$5,688.64	\$19,355.12	\$25,043.76	\$568.86	\$1,488.86
Non-State	1	0	1	\$848.90	\$0.00	\$848.90	\$848.90	\$0.00
School	0	4	4	\$0.00	\$5,022.71	\$5,022.71	\$0.00	\$1,255.68
State	37	55	92	\$27,387.65	\$88,588.46	\$115,976.11	\$740.21	\$1,610.70
<b>TOTAL</b>	<b>78</b>	<b>95</b>	<b>173</b>	<b>\$59,739.66</b>	<b>\$140,444.15</b>	<b>\$200,183.81</b>	<b>\$765.89</b>	<b>\$1,478.36</b>

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### All Retirees Summary for Month of 06/2023

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
County	2,199	8,128	10,327	\$1,848,080.45	\$10,200,897.46	\$12,048,977.91	\$840.42	\$1,255.03
Municipality	681	2,504	3,185	\$575,127.23	\$3,705,523.74	\$4,280,650.97	\$844.53	\$1,479.84
Municipality-Non- Participating	7	21	28	\$3,887.32	\$16,662.60	\$20,549.92	\$555.33	\$793.46
Non-State	44	115	159	\$40,994.28	\$112,211.66	\$153,205.94	\$931.69	\$975.75
Others	0	0	156	\$0.00	\$0.00	\$193,017.79	\$0.00	\$0.00
School	476	3,654	4,130	\$509,589.00	\$2,951,686.09	\$3,461,275.09	\$1,070.57	\$807.80
State	3,951	16,899	20,850	\$3,919,948.47	\$28,701,887.41	\$32,621,835.88	\$992.14	\$1,698.44
<b>TOTAL</b>	<b>7,358</b>	<b>31,321</b>	<b>38,835</b>	<b>\$6,897,626.75</b>	<b>\$45,688,868.96</b>	<b>\$52,779,513.50</b>	<b>\$937.43</b>	<b>\$1,458.73</b>

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### New DROP Summary for Month of 06/2023

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
County	1	8	9	\$1,029.60	\$21,473.83	\$22,503.43	\$1,029.60	\$2,684.23
Municipality	0	4	4	\$0.00	\$9,849.29	\$9,849.29	\$0.00	\$2,462.32
Non-State	0	1	1	\$0.00	\$1,454.99	\$1,454.99	\$0.00	\$1,454.99
State	2	14	16	\$4,379.67	\$26,154.43	\$30,534.10	\$2,189.84	\$1,868.17
<b>TOTAL</b>	<b>3</b>	<b>27</b>	<b>30</b>	<b>\$5,409.27</b>	<b>\$58,932.54</b>	<b>\$64,341.81</b>	<b>\$1,803.09</b>	<b>\$2,182.69</b>

# ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Board Report

### New Termination Refunds Summary for Month of 06/2023

	<b>No. of Payees</b>	<b>Total Benefit</b>	<b>Total Service Credit</b>	<b>Average Benefit</b>	<b>Average Service Credit</b>
County	68	\$371,397.33	217 Y(s) 11.25 M(s)	\$5,461.73	3 Y(s) 2.46 M(s)
Municipality	24	\$111,924.57	64 Y(s) 2.75 M(s)	\$4,663.52	2 Y(s) 8.11 M(s)
Non-State	1	\$2,457.05	1 Y(s) 5.00 M(s)	\$2,457.05	1 Y(s) 5.00 M(s)
State	141	\$841,352.39	403 Y(s) 3.25 M(s)	\$5,967.04	2 Y(s) 10.32 M(s)
<b>TOTAL</b>	234	\$1,327,131.34	686 Y(s) 10.25 M(s)	\$5,671.50	2 Y(s) 11.22 M(s)

# MINUTES

## MEDICAL REVIEW BOARD MEETING 124 West Capitol Avenue, Suite 400 Little Rock, Arkansas 72201

September 5, 2023-10:00 a.m.

### **MEDICAL REVIEW BOARD MEMBERS:**

Dr. Kay Cogbill  
Dr. James Hazlewood  
Dr. David L. Hicks

### **STAFF PRESENT:**

Mrs. Cheryl Wilburn, APERS Benefits Operations Manager  
Mrs. Monetteria Mull, APERS Retiree Services Coordinator

### **MEDICAL REVIEW BOARD RESULTS:**

The Medical Review Board met at 10:00 a.m. on Tuesday, September 5, 2023, to discuss the cases of two APERS members.

- After review and discussion, the Medical Review Board could not determine that the member (APERS ID xxxxx26) was suffering from an illness or injury at the time of their termination, that subsequently led to the disability determination and the member is totally and permanently disabled to the extent that they can no longer engage in gainful occupation. (See attached documents)
- After review and discussion, the Medical Review Board affirmed that the member, (APERS ID xxxxx13) was suffering from an illness or injury at the time of their termination, that subsequently led to the disability determination and the member is totally and permanently disabled to the extent that they can no longer engage in gainful occupation. (See attached documents)

**ADJOURNMENT:** There being no other business, the meeting was adjourned



## Claims Filing Deadline Date between 04/03/2023 and 06/30/2023

Class Action Account Number	Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account Status	Period Begin Claim Status	Period End Comments	Currency * Projected	Gross Settlement Recognized Loss
PARETEUM CORPORATION, Securities Litigation		N/A	04/03/2023	04/03/2023	12/14/2017	10/21/2019	USD	5,650,000.0000
NO SELECTED ACCOUNTS AFFECTED								
PARETEUM CORPORATION, Securities Litigation		N/A	04/03/2023	04/03/2023	12/14/2017	10/21/2019	USD	5,650,000.0000
NO SELECTED ACCOUNTS AFFECTED								
CREDIT SUISSE GROUP AG., Securities Litigation		N/A	04/20/2023	04/06/2023	10/29/2020	03/31/2021	USD	32,500,000.0000
NO SELECTED ACCOUNTS AFFECTED								
BRASKEM S.A., Securities Litigation		N/A	04/03/2023	04/19/2023	03/21/2019	07/08/2020	USD	3,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
CD PROJEKT S.A., Securities Litigation		N/A	04/07/2023	05/02/2023	01/16/2020	12/17/2020	USD	1,850,000.0000
NO SELECTED ACCOUNTS AFFECTED								
CD PROJEKT S.A., Securities Litigation		N/A	04/07/2023	05/02/2023	01/16/2020	12/17/2020	USD	1,850,000.0000
NO SELECTED ACCOUNTS AFFECTED								
Allianz Mutual Funds, Securities Litigation		N/A	02/16/2023	05/08/2023	01/31/2017	02/15/2021	USD	145,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
MCKESSON CORPORATION, Securities Litigation		N/A	05/12/2023	05/10/2023	10/24/2013	10/27/2016	USD	141,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								

\*Projected Recognized Loss amount is not the final proceeds to be received by the client for the specified class action event/account. It is the potential recognized loss value calculated by BNYM's vendor for class action processing. The Projected Recognized Loss amount is an estimate, and may vary from the final Court approved/analyzed recognized loss proceeds received.

Claims Filing Deadline Date between 04/03/2023 and 06/30/2023

Class Action Account Number      Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account Status	Period Begin Claim Status	Period End Comments	Currency * Projected	Gross Settlement Recognized Loss
MCKESSON CORPORATION, Securities Litigation	N/A	05/12/2023	05/10/2023	10/24/2013	10/27/2016	USD	141,000,000.0000
NO SELECTED ACCOUNTS AFFECTED							
CONDUENT INC., Securities Litigation	N/A	05/03/2023	05/19/2023	02/21/2018	11/06/2018	USD	32,000,000.0000
NO SELECTED ACCOUNTS AFFECTED							
NEPTUNE WELLNESS SOLUTIONS INC., Securities Litigation	N/A	05/30/2023	05/21/2023	07/24/2019	07/15/2021	USD	4,250,000.0000
NO SELECTED ACCOUNTS AFFECTED							
LYFT INC., Securities Litigation	N/A	04/13/2023	05/22/2023	12/06/2018	08/19/2019	USD	25,000,000.0000
NO SELECTED ACCOUNTS AFFECTED							
LYFT INC., Securities Litigation	N/A	04/13/2023	05/22/2023	12/06/2018	08/19/2019	USD	25,000,000.0000
NO SELECTED ACCOUNTS AFFECTED							
MICRO FOCUS INTERNATIONAL PLC, Securities Litigation	N/A	05/30/2023	05/30/2023	09/01/2017	08/28/2019	USD	107,500,000.0000
NO SELECTED ACCOUNTS AFFECTED							
MICRO FOCUS INTERNATIONAL PLC, Securities Litigation	N/A	05/30/2023	05/30/2023	09/01/2017	08/28/2019	USD	107,500,000.0000
NO SELECTED ACCOUNTS AFFECTED							
EMC INSURANCE GROUP INC. Securities Litigation	N/A	04/17/2023	06/03/2023	07/01/2018	11/20/2019	USD	1,650,000.0000
NO SELECTED ACCOUNTS AFFECTED							

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Claims Filing Deadline Date between 04/03/2023 and 06/30/2023

Class Action Account Number	Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account Status	Period Begin Claim Status	Period End Comments	Currency * Projected	Gross Settlement Recognized Loss
EMC INSURANCE GROUP INC.	Securities Litigation	N/A	04/17/2023	06/03/2023	07/01/2018	11/20/2019	USD	1,650,000.0000
NO SELECTED ACCOUNTS AFFECTED								
FIFTH THIRD BANCORP,	Fair Fund	N/A	N/A	06/05/2023	10/21/2008	01/22/2009	USD	6,600,000.0000
NO SELECTED ACCOUNTS AFFECTED								
FIFTH THIRD BANCORP,	Fair Fund	N/A	N/A	06/05/2023	10/21/2008	01/22/2009	USD	6,600,000.0000
NO SELECTED ACCOUNTS AFFECTED								
FXCM Inc.,	Securities Litigation	N/A	06/16/2023	06/07/2023	03/15/2012	02/06/2017	USD	6,500,000.0000
NO SELECTED ACCOUNTS AFFECTED								
FXCM Inc.,	Securities Litigation	N/A	06/16/2023	06/07/2023	03/15/2012	02/06/2017	USD	6,500,000.0000
NO SELECTED ACCOUNTS AFFECTED								
IMMUNOMEDICS, INC.,	Securities Litigation	N/A	05/25/2023	06/08/2023	02/09/2018	01/17/2019	USD	40,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
Miller Energy	Securities Litigation	N/A	05/23/2023	06/20/2023	02/13/2013	11/09/2015	USD	7,600,000.0000
NO SELECTED ACCOUNTS AFFECTED								
ORRSTOWN FINANCIAL SERVICES, INC.,	Securities Litigation	N/A	04/28/2023	06/22/2023	03/15/2010	04/26/2012	USD	15,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								

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## Claims Filing Deadline Date between 04/03/2023 and 06/30/2023

Class Action Account Number	Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account Status	Period Begin Claim Status	Period End Comments	Currency * Projected	Gross Settlement Recognized Loss
ORRSTOWN FINANCIAL SERVICES, INC., Securities Litigation		N/A	04/28/2023	06/22/2023	03/15/2010	04/26/2012	USD	15,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
CHEMBIO DIAGNOSTICS, INC Securities Litigation		N/A	05/15/2023	06/23/2023	03/12/2020	06/16/2020	USD	8,100,000.0000
NO SELECTED ACCOUNTS AFFECTED								

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## Class Action Settlement Proceeds

<b>Fiscal</b>		
<b>Year</b>		<b>Total Proceeds</b>
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	\$	390,107.88
	\$	<u>15,938,333.72</u>